

Redefining • Banking Experience

ANNUAL
REPORT



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This Is Our Maybank: **Our Future**

Our digitalisation efforts are focused on one simple purpose: to delight our customers by simplifying their lifestyles.



Corporate Profile

Maybank Philippines, Inc. (MPI) is a full-service commercial bank, serving retail, commercial, and corporate clients.

MPI offers an array of financial services and products that include lending (personal loans, commercial loans, corporate loans), deposit-taking, electronic banking, credit card, cash management services, remittances, trust and fiduciary accounts, and treasury products and services.

With over 20 years of operations in the Philippines, the bank has primed itself for providing exceptional service to its clients. MPI is present in all the three major islands of the Philippines, with 65 branches nationwide and 93 offsite and on-site ATMs.

MPI is a member of the Maybank Group, one of Asia's leading banking groups and Southeast Asia's fourth largest bank by assets. The Maybank Group is present in 18 countries, including all 10 ASEAN, namely: Malaysia, Singapore, Indonesia, Philippines, Brunei Darussalam, Cambodia, Vietnam, Laos, Myanmar, Thailand, Hong Kong SAR & People's Republic of China, Uzbekistan, Pakistan, India, Saudi Arabia, United Arab Emirates, United Kingdom and the United States of America. The Group offers an extensive range of products and services, which include consumer and corporate banking, investment banking, Islamic banking, stock broking, insurance and takaful and asset management.

With a deep understanding of the ASEAN markets, Maybank takes a leading role in driving economic growth and helping communities develop across the region, going beyond financial services, with focus on areas where Maybank can make a significant difference in fulfilling customers' ambitions and driving financial inclusion while supporting business, big and small, succeed in ASEAN and beyond.



PHP 101.16 billion

Asset Size
as of December 31, 2020



65 Branches

27 Metro Manila
22 Luzon
9 Visayas
7 Mindanao

1 Premier Centre
3 Business Centers
13 Auto Lending Centers



1,309 Maybankers

Serving more
than 200,000
customers
nationwide



93 ATMs

Onsite
and Offsite

Our Vision

Be the preferred financial solutions provider in the target markets and communities we commit to serve.

To be a focused bank with a strong position in Auto Finance, the mid-tier Corporate segment, Wealth Management, Retail SME and Digital Banking.

Our Mission

To humanise financial services.

Our Core Values

Our T.I.G.E.R. values serve as guiding principles to encourage practices that collectively form our unique culture.

Our T.I.G.E.R. values define what we believe in and what we stand for.

Teamwork

We work together as a team based on mutual respect and dignity.

Integrity

We are honest, professional and ethical in all our dealings.

Growth

We are passionate about constant improvement and innovation.

Excellence & Efficiency

We are committed to delivering outstanding performance and superior service.

Relationship Building

We continuously build long-term and mutually beneficial partnership.



Maybank



Our Brand Promise

The Maybank brand is all about one simple, powerful and unique idea: Humanising Financial Services.

The Maybank brand is built by Maybankers, each having a vital role to play in delivering this brand promise, building the brand everyday through actions and decisions that aim to differentiate us from our competitors and peers.

Brand Drivers

The Brand Drivers define the Maybank way of doing things, how we translate our values into action.

They help us deliver 'Humanising Financial Services' through our behavior. They are about the way we treat each other and the way our customers expect to be treated.



Do the Right Thing

Treat others in the way you would want to be treated if you were in their place – with fairness, honesty and clarity.



Delivery Not Just Promise

Honoring commitments and fulfilling promises is the only way to build trust and mutual respect.



Being at the Heart of the Community

Actively contribute to help build and support communities around you, be they your colleagues, customers or our broader society.



Flexibility Within a Framework

Be flexible in your approach to resolving issues while keeping within the agreed guidelines.



Building Long-Term Sustainable Relationships

Nurture relationships based on trust so that mutual commitment and benefit is assured over the long term.

Brand Personality

When it comes to brand expression and how we speak to the outside world, all of Maybank must be seen, heard and felt as one through a consistent brand personality.



Courageous

Maybank stands for confidence and conviction, conveying strength, determination and leadership.



Genuine

Maybank is honest, sincere and up front – what you see is what you get.



Creative

We question the given. We go beyond the obvious to develop new and innovative ideas. We delight in delivering valuable solutions.



Empathetic

We always listen to what is being said and what is being implied. We understand our customers by putting ourselves in their shoes.



Collaborative

We take pride in working together, both internally and externally, to deliver the best possible solutions, support and advice.

Business Model of the Bank

Our Capitals



Financial Capital

We are driven by revenue growth, sustainable balance sheet growth and growing deposits and loans.



Manufactured Capital

We have our reliable branch network and enhanced digital infrastructure to support our delivery system.



Human Capital

We are an organisation comprised of high performing Maybankers and management with diverse expertise empowered by our core values.



Social & Relationship Capital

We have a network and relationships with the communities that we operate in.



Our Key Strategies

Together with Maybank Group we live to deliver our mission of Humanising Financial Services. Maybank Philippines is keen on these imperatives in unlocking opportunities and creating value to the community we serve:



We are at the Heart of the Community.

We continue to thrive to provide fair and just financial services, responsibly growing our business together with our customers. We prudently safeguard the assets that were entrusted to us.



We Make Banking Convenient.

We deliver frictionless customer experience by continuously understanding our customers' needs and delivering the right solutions at the right moment through our enhanced digital capabilities and improved branch network.



We Are Agents of Success.

We provide enterprises with business solutions through our regional capabilities to support their growth and advancement.



We Live Up to our T.I.G.E.R. Values.

We create a high-performing and credible organisation by anchoring our beliefs and practices on our strong T.I.G.E.R values.



We Are Future Ready.

We continue to build our work force and attract value driven new talents, while continuously building competencies and employees capabilities to ensure that we are future ready to support our business growth requirement.

Our Stakeholders



Shareholders

We continue to enhance performance and efficient operations to provide sustainable returns to our shareholders.



Customers

We focus on providing next-generation customer experience to fulfill our customers' financial needs.



Community

We, together with the Maybank Foundation and Group CSR, strive to identify programs across the country that will have most impact and sustainable results to help local communities.



Regulators

We uphold to the highest standards, ensuring that our culture and practices evolve together with the changing regulatory environment to ensure sustainability of our business for the people and the community we serve.



Employees

We ensure our people share our determination in providing positive impact in the community through our employee development programs, rewards system and exciting working environment.

Our Regional Footprint

Maybank Philippines is a member of the Maybank Group, the largest financial services group in Malaysia with a strong presence in the ASEAN region. Established in 1960, Maybank provides a full suite of conventional and Shariah-compliant products and services in commercial banking, investment banking and insurance, to close to 15 million retail, non-retail and corporate customers.

Our Values

Teamwork. Integrity. Growth. Excellence & Efficiency. Relationship Building.

Our T.I.G.E.R. values are the guiding principles for all Maybankers to serve our mission of Humanising Financial Services.

Fulfill Our Mission

Humanising Financial Services

We fulfill our customers' ambitions by building trusted relationships that last for generations through thick and thin.

We believe in treating all our stakeholders fairly and in simplifying financial solutions.

Guides Our Aspirations

Advancing Asia's Ambitions With You

As we grow together with our customers, the Maybank brand has reached all 10 ASEAN countries, Greater China and other key global financial markets.

Our aspiration is to be the top ASEAN bank, fulfilling our customers' ambitions in the region and linking them to Asia and beyond.

With Our Unique Differentiators...

We serve our communities in ways that are simple, fair and human, embodying our mission.

... with over **42,000** Maybankers worldwide who serve the mission, empowered by our T.I.G.E.R. values

... and our strong retail community franchise spanning across ASEAN

And Our Structure...

In serving our mission, we provide an array of financial products and services through three key business pillars, supported by shared corporate functions across our global network of 18 countries.

Business Pillars

Group Community Financial Services

For: individuals, retail SMEs and mid-sized corporates.

Offers: retail banking services such as wealth management, mortgage, auto financing, credit cards, short-term credit and long-term business loans.

Group Global Banking

For: large corporates and institutions
Offers: wholesale banking services such as transaction banking, investment banking, corporate banking, global markets and treasury, and asset management.

Group Insurance and Takaful

For: individuals and corporates
Offers: conventional and Islamic insurance (Takaful) solutions including long-term savings and investment products.

Islamic Finance leverage model is utilised to distribute Islamic products across the Group.

Group Corporate Support Functions

Finance | Strategy | Technology | Operations | Compliance | Risk | Human Capital | Internal Audit | Corporate Secretarial | Legal

Help Deliver Value Across ASEAN...

Staying true to our purpose of Humanising Financial Services, we took the lead in supporting our stakeholders navigate tis extraordinary year overshadowed by the global pandemic. In our commitment to stand by them through good times and tough times, we pioneered initiatives to help them survive, thrive and rise above the challenges.

And Beyond.

We are in 18 countries including all 10 ASEAN countries, with Malaysia, Singapore and Indonesia being our home markets. We are also present in international financial centers such as London, New York, Hong Kong and Dubai.

2,626

Retail branches worldwide

51

Investment banking branches worldwide

Our Regional Footprint... and Beyond



BRUNEI

2 retail branches

CAMBODIA

21 retail branches

INDONESIA

360 branches
4 investment banking houses

LAOS

1 retail branch

MALAYSIA

354 retail branch
6 investment banking houses

MYANMAR

1 retail branches

PHILIPPINES

65 retail branches
1 investment banking house

SINGAPORE

18 retail branches
2 investment banking houses

THAILAND

30 investment banking houses

VIETNAM

167 retail branches
6 investment banking houses

The non-ASEAN countries are Greater China, India, Pakistan, Saudi Arabia, UAE, UK, USA and Uzbekistan.

Strategic Business Units

Malayan Banking Berhad is the holding company and listed entity for the Maybank Group. Headquartered in Malaysia, our key subsidiaries and international operations are as follows:

Islamic Banking

Maybank Group Islamic Banking (MGIB) is the largest Islamic banking group by assets in ASEAN. This position is supported by our Islamic-first approach where Shariah-compliant products and services are standard offerings. MGIB operates by leveraging the Group's system, IT infrastructure and distribution network of 354 Maybank touchpoints in Malaysia, and has presence in Indonesia, Singapore, Hong Kong, the United Kingdom (UK) and the United Arab Emirates (UAE).

Insurance & Takaful

Etiqa is a leading Insurance and Takaful business in ASEAN, offering a full range of Life and General conventional insurance policies as well as Family and General Takaful plans via more than 10,000 agents, 46 branches and 17 offices. It also has a bancassurance network comprising over 490 branches, cooperatives, brokers and online platforms across Malaysia, Singapore, Indonesia, the Philippines and Cambodia.

Investment Banking

Maybank Kim Eng Group (MKE), comprising Maybank Investment Bank Berhad and Maybank Kim Eng Holdings Limited, operates in Malaysia, Singapore, Thailand, the Philippines, Indonesia, Vietnam, Hong Kong, India, the UK and the United States of America via 51 investment banking branches and 107 other touchpoints. MKE offers a complete range of investment banking products and solutions to various retail, mid-market, corporate and institutional segments, supported by on-ground, ASEAN-wide company, sector, country and macro research.

Asset Management

Maybank Asset Management Group Berhad (MAMG) operated in Malaysia, Singapore and Indonesia, offering conventional, Islamic and alternative investment solutions for corporates, institutional and mass retail investors as well as high net worth (HNW) individuals.

International Operations



Maybank Singapore

Maybank Singapore Limited (MSL), our Singapore-incorporated subsidiary, is recognised as a domestic systemically important bank (D-SIB) with Qualifying Full Bank (QBF) privileges. MSL operates the retail and commercial businesses in 28 service locations and has access to over 200 ATMs across the country as part of the atm5, Singapore's only shared ATM network among six participating QBFs. Meanwhile, Maybank's Singapore Branch operates the corporate and institutional businesses in nine branch locations. Maybank Singapore contributed 6.7% and 24.1% to the Group's profit before tax and gross loans* respectively in FY2020.



Maybank Indonesia (PT Bank Maybank Indonesia Tbk)

Maybank Indonesia is one of the largest commercial banks in Indonesia by assets and listed on the Indonesia Stock Exchange (Ticker: BNI). It offers retail, non-retail and global banking products and services through its network of 361 branches (which includes 16 Shariah branches and one overseas branch in Mumbai) as well as 1,428 ATMs including Cash Deposit Machines. Maybank Indonesia contributed 7.7% and 5.9% to the Group's profit before tax and gross loans* respectively in FY2020.



Maybank Greater China

Established in Hong Kong in 1962, Maybank Greater China has since expanded to include branches in Shanghai, Beijing, Kunming and Shenzhen where it provides wholesale banking services primarily to inbound/outbound ASEAN corporate clients, Chinese/Hong Kong corporates with regional operations/projects as well as financial institutions. Maybank Hong Kong also serves Private Wealth customers.



**Maybank Philippines Incorporated (MPI)**

MPI is a full-fledged commercial bank established in 1997 serving retail and corporate clients through its 65 branches across the Philippines.

**Maybank Cambodia Plc (MCP)**

MCP was established in 1993 and locally incorporated in 2012. With 21 branches across Cambodia, it provides a full range of banking services for emerging affluent and affluent consumers, retail SMEs and corporate clients.

**Maybank Vietnam**

Maybank Vietnam was established in 1995 with two branches -- in Ho Chi Minh and Hanoi -- that provide wholesale banking services to regional corporate clients.

**Maybank Myanmar**

Maybank Myanmar, established in 2015, is the first Malaysian bank to be granted a foreign banking license by the Central Bank of Myanmar. It offers wholesale banking services primarily to ASEAN corporates.

**Maybank Laos**

Maybank Laos was established in 2012 with one branch in Vientiane that provides commercial banking services to retail SMEs, mid-tier local and ASEAN corporate clients.

**Maybank Brunei**

Maybank Brunei was established in 1960 and has two branches located in Bandar Seri Begawan and Seria offering a wide range of retail and commercial banking services.

**Maybank New York**

Established in 1984, Maybank New York offers wholesale banking services focusing on corporate lending, loan syndications and bilateral arrangements, treasury and capital markets as well as trade finance services to corporate clients.

**Maybank London**

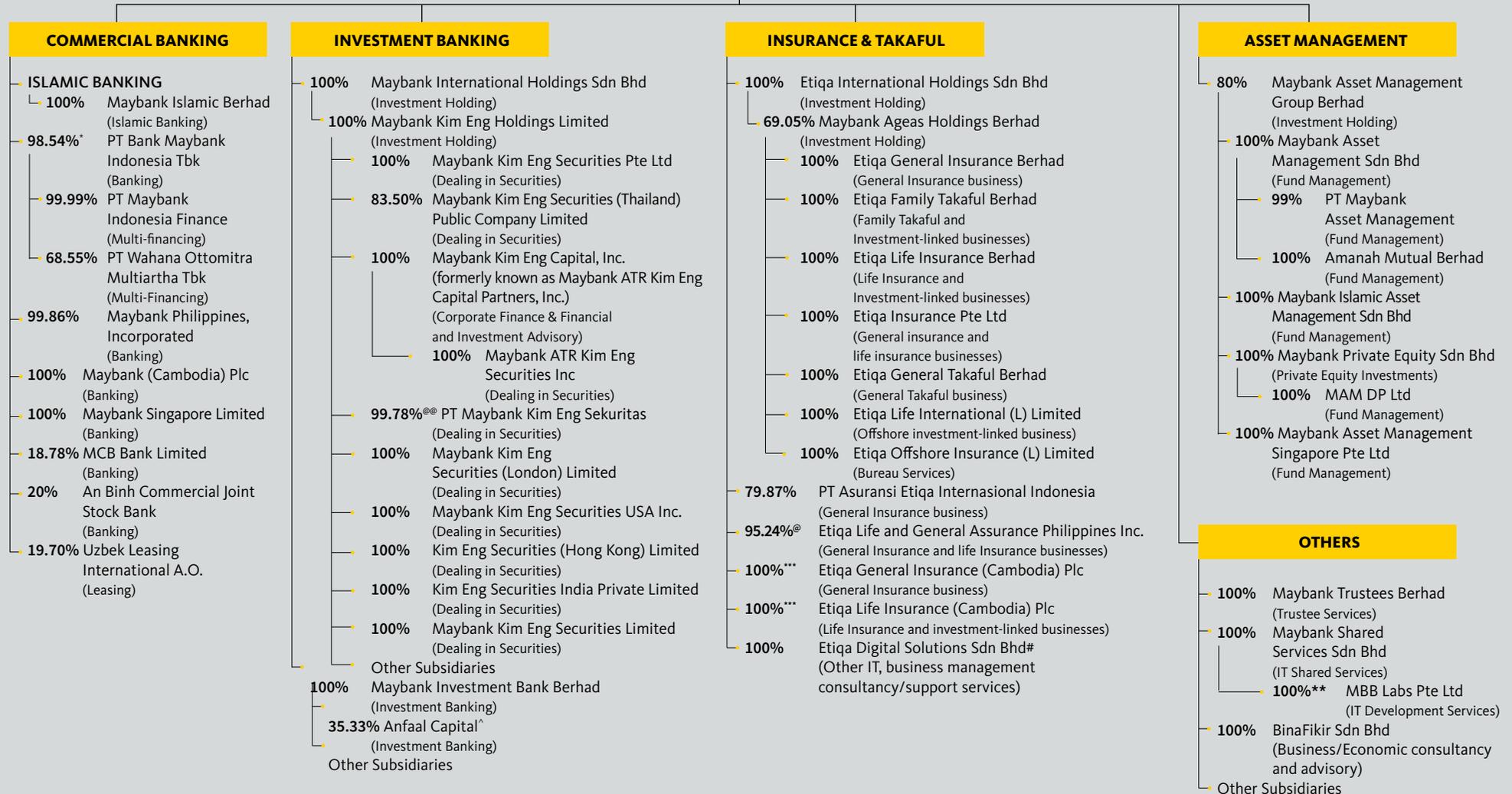
Established in 1962, Maybank London offers wholesale banking products primarily to our regional ASEAN corporate clients and financial institutions. It also provides Shariah-compliant products to both corporate and HNW retail clients.

**Profit before tax and gross loans contribution to the Group is on a country view and includes banking, investment banking, insurance & Takaful and asset management operations. Gross loans disclosed is net of unwinding interest and effective interest rate.*

Group Corporate Structure



MALAYAN BANKING BERHAD



NOTES:
This chart is not the complete list of Mabank subsidiaries and associates. Companies that are not shown include those that are dormant, under liquidation, have ceased operations, or are property investment or nominee service companies. For complete list and supplemental notes on the shareholdings, please refer to the Maybank Group 2020 Annual Report Financial Book available at www.maybank.com.

Key Messages to Stakeholders

Echoing the stance of our parent bank, our topmost priority during the pandemic has been to safeguard the well-being of our people and our customers.



“The past year has only shown Maybank Philippines’ resilience, overcoming the challenges brought about by the pandemic by remaining focused on its mission of humanising financial services.”

CHAIRMAN’S MESSAGE

**Fauziah
Hisham**

Chairman of the Board
Maybank Philippines, Inc.

2020 was an unprecedented year, affecting us personally and professionally in ways we could not have imagined. Because of the Covid-19 pandemic, the economy took a dive, a large number of businesses either closed down or down-sized, and many were set back financially, not to mention mentally and emotionally. The pandemic likewise changed the business environment for many organisations around the world and has highlighted the importance of being able to respond quickly, adapt swiftly and have crisis management mechanisms in place to navigate through the uncertain times.

Amid the shadow of the pandemic, however, Maybank remained true to its mission of humanizing financial services. We were able to be there for everyone who has come to depend on our expertise and our support— we were there for our customers, stakeholders and business partners, and most importantly, for our people.

As reported in the Maybank Group 2020 Annual Report, we were able to offer the automatic moratorium on loans, we did away with compound interests for certain products, and readily sat down with valued clients to work out the best repayment schedule to suit their needs. Seeing how many small businesses have been suffering, our people came up with a livelihood-saving digital solution—the Sama-Sama Lokal,

an online platform which connected fishermen, hawkers and other merchants with buyers to sustain their income despite the loss of physical presence.

While conditions and resources may be different, Maybank Philippines was there for our customers. We were swift to adopt the Bayanihan to Heal As One Act (RA 11469) and the Bayanihan to Recover As One Act (RA 11494) announced by the government, giving payment extensions on housing, auto and personal loans and credit cards at a time this respite was badly needed. Interbank fund transfer fees were also waived for Maybank depositors during this time. When lockdown conditions eased and rebuilding started, penalties and other charges were waived for payments and restructuring programs were offered to qualified clients. The MaybankPH 2U app and internet banking and the fully-online account iSave have already gained traction way before the pandemic hit, and these digital platforms became the safe, secure and convenient solution for our customers' day-to-day banking and payment needs when movement restrictions forced everyone to stay inside the comfort of their homes.

More importantly, Maybank was there for our people. We were able to safeguard the well-being of our people during the pandemic. Stringent health and safety protocols were implemented in all

our offices and branches. On top of the Flexible Work Arrangement policy that was introduced early on, identified Maybank employees could opt to work remotely with the Mobile Working Arrangement policy. Focus shifted to building capabilities and developing capacity for the new normal through various online learning and development programs made available Groupwide, with the upskilling of our people as a priority and if need be, repurposing to more suitable or critical job functions.

These initiatives emplaced were the inspiration behind this year's Annual Report theme of "Redefining Banking Experience".

Our operations may have posted unflattering numbers due to the economic slowdown, but the disruption has also brought to fore the important role banks play in every man's everyday life in the new normal. As the world collectively begins the arduous task of rebuilding and recovery, a new banking norm has been established: one that is secure and convenient and offers ease of use, and just a tap on one's personal devices can open up a world of banking possibilities—deposits, applying for a loan, fund transfers, payments, top-ups, opening an account. All these made accessible in the comfort of one's home or office, or anywhere in the world, anytime of the day, while never skipping daily routine or everyday grind.

Maybank Philippines is well equipped to take on a leading role in banking in the now normal.

Acknowledgement

These headways and advancements have been put in place thanks to the passion and drive of MPI's incumbent PCEO who, as of this writing, has moved on to explore new opportunities outside Maybank. On behalf of the MPI Board, I would like to express deepest gratitude to Choong Wai Hong for three years of outstanding leadership of MPI, especially during the unprecedented global circumstances of 2020. During his time, he led the implementation of MPI's business transformation programme including spearheading the digitalisation agenda.

I would also like to thank our shareholders, our customers, the Board Members, the Management Team and most specially our Maybankers, for their commitment to Maybank Philippines' continued growth and sustained success as we enter the next banking normal.

I look forward to another rewarding journey with you in 2021.

FAUZIAH HISHAM

Chairman of the Board



PRESIDENT'S MESSAGE

**Abigail Tina
M. Del Rosario**

President & CEO Officer-in-Charge
Maybank Philippines, Inc.

*Ms. Gail Del Rosario has been appointed as
Maybank Philippines PCEO-Officer-in-Charge
(PCEO-OIC) effective February 11, 2021 with the
resignation of Mr. Choong Wai Hong.*

“The number of monetary transactions grew by 128% and the number of active users on M2U, our digital app, grew by 57% both YoY. Moreover, 77% of deposit sales were done digitally, exceeding the bank’s 2020 target of 60%, as we migrated to the new digital environment.”

On behalf of the management and staff of Maybank Philippines Inc. (MPI), allow me to share with you our operating results for the financial year ending December 31, 2020.

2020 was a very challenging and dynamic year, underscored by the devastating COVID-19 pandemic which required significant changes to the Bank’s usual business processes and operations. It required a quick shift in gear to refocus on areas that were bolstered by the new normal while taking a more cautious stance on sectors that were negatively impacted. We saw the TIGER values transform into the Filipino’s Bayanihan spirit as our country grappled with the health and economic crises. As an essential industry, MPI along with the entire banking industry, navigated unparalleled headwinds, united in our goal to serve best our customers while safeguarding the welfare of our people. As the global effect of COVID-19 continued to evolve,

the Bank demonstrated resilience and agility to adapt to the new normal.

I am pleased to report that while there was a necessity to shift to new profit drivers as well as changes in business models, the Bank was able to reinvest its resources into lines of business such as wealth management and digital banking that are geared to drive profitability given the change in the economic and business environment.

Re-targeted Growth

With a low interest rate environment, deposits became considerably cheaper relative to interbank borrowings. The Bank shifted close to PHP 5.0 billion out of its interbank liabilities into more stable retail deposits. This allowed the Bank to reduce its FX costs from last year's loss of PHP 642 million to a gain of PHP 47.9 million. Furthermore, the Bank was able to reduce its interest expenses from PHP 2.8 billion to PHP 1.8 billion, saving a billion year on year, despite the increase in deposits.

The changes in business environment and closure of non-essential establishments resulting from the government's implementation of the Enhanced Community Quarantine (ECQ), meant that some of our retail business and corporate clients were unable to operate as they normally would. As such, our loan portfolio contracted by 18.5% as lower economic activity reduced the need for borrowing.

With the slowdown in lending activities, the Bank focused on developing innovative

products and services that are tailored to the new business needs of our clients, such as the Maybank Zone which is an Auto Virtual Showroom with Loans Straight-Through Processing. In 2020, we waived Instapay charges which contributed to the 128% growth in the number of monetary transactions, while the number of active users on M2U, our digital app, grew by 57% both YoY. Moreover, 77% of deposit sales were done digitally, exceeding the bank's 2020 target of 60%, as we migrated to the new digital environment.

The Bank also grew its Premier Wealth Management offerings, opening eight (8) Premier Centers and more than doubling the number of Premier Relationship Managers as we positioned the Bank to be a key player in wealth management. MPI also entered into a bancassurance agreement with our sister company ETIQA Life & General Assurance to offer bespoke individual life and health insurance products and services for the Bank's clients.

Along with the market's demand for digital banking and a shift in client engagement towards digital channels, we reviewed our physical Branch network and started to consolidate Branches serving the same market.

Preventive Asset Quality Management

Given the economic downturn in 2020 arising from the health pandemic, the industry's non-performing consumer loan portfolio increased significantly.

Based on Bangko Sentral ng Pilipinas (BSP) data, consumer NPL increased from PHP 52.1 billion to PHP 146.5 billion between December 2019 and December 2020.

Being a consumer-driven bank, MPI was not spared with its Gross NPL levels doubling from PHP 2.0 billion to PHP 4.7 billion. However, the Bank performed better than the industry and was able to avoid the worst in terms of consumer quality by reallocating resources towards account maintenance and collection efforts.

The Bank shifted a good number of its sales force to the Asset Quality Management (AQM) team. The Bank also bolstered its remedial efforts by waiving penalties and other charges as well as offering loan restructuring programs to clients. Furthermore, online training programs helped prepare the re-purposing of MPI's workforce to becoming more responsive collection officers and staff.

Albeit the Bank's NPL level increase was lower compared to the industry, this still necessitated additional loan loss provisioning of PHP 2.8 billion for 2020 which caused MPI to record a net loss of PHP 1.4 billion. Historically, the Bank would provision around PHP 200 million to PHP 300 million yearly. Without this one-time provision driven by the COVID-19-related asset quality deterioration, the Bank would have posted a decent net income.

Despite the 2020 financial results, MPI remains well capitalized with its capital adequacy ratio at 17.1% as of yearend 2020, substantially more than the BSP's minimum regulatory requirement of 10.0%.

Changing on-the Ground Operations to meet COVID-19 Health Standards

MPI adapted quickly to the COVID-19 pandemic situation with operations continuing ceaselessly, guided by the discipline set by its Crisis Management Committee, meeting client requirements despite the nationwide quarantine restrictions while ensuring the safety and health of its officers and staff. In order to do so, the Bank implemented new policies and procedures which included:

- Implementation of regular Crisis Management Team meetings which consistently reviewed the Bank's policies and procedures amidst the pandemic.
- Migration of over 50% of the Bank's workforce to a work-from-home arrangement during the period of the Enhanced Community Quarantine for health and safety considerations.
- Reconfiguration of the Bank's workspace to enforce health standards. Acrylic board dividers were installed for social distancing requirements in the branches and offices.
- Personal Protective Equipment, alcohol and vitamins were provided to all work-from-office personnel from the start of the pandemic.

President's Message

- Provision of transportation and accommodation for staff in critical business functions who needed to regularly report to the office, such as those from the Branches, the Call Center and Central Operations – among others.
- Migration of all training programs to online learning, ensuring all personnel were able to complete BSP-required training programs, were aware of new policies, and were exposed to future-ready skills training as well as on maintaining health and well-being.

The Bank re-evaluated job functions, resulting to a repurposing of staff given the new normal requirements. The Bank reposted selected personnel to functions that needed additional support and which were appropriate to the new business needs.

Upgrading Support Capabilities in Order to Increase Capacity

With the change in business environment, the Bank had to shift its focus to allow for work-from-home arrangements while keeping in mind that Information & Technology and data security are priorities. In relation to this, the Bank implemented the following:

- Expansion of user-access to the Bank's Virtual Private Network (VPN) which allows secure transfer of files among

Bank employees via multi-factor authentication.

- Enhancement of the Bank's loan systems to respond more efficiently to loan re-structuring under the Bayanihan Act I and II, as well as bank-initiated re-structuring programs tailored to client needs.
- Improvement of the Bank's digital platforms, allowing for online FX transactions and seamless online account opening.
- Implementation of new policies given the new normal.

Strengthening Our Brand and Employer Equity

Amidst the unprecedented challenges of COVID-19, MPI remained committed to strengthening its brand promise in the Philippines of humanising financial services with key marketing efforts and corporate social responsibility endeavours. These included:

- "Maybank Zone" introduced to the public the convenient and safe way of acquiring a vehicle through making wise financial decisions amidst the health crisis, as we expanded our virtual reach.
- Online webinars were conducted for target niche segments covering financial wellness, in partnership with ETIQA and ATRKE.
- Financial education and literacy partnership with the Bangko Sentral

ng Pilipinas was a strong focus with Maybank Foundation's flagship programs R.I.S.E. (Reach Independence and Sustainable Entrepreneurship) for persons with disability, and CashVille Kidz for elementary school children.

Then and now, people's health and safety have always been the priority of MPI. To adapt to the demands of the new normal, we equipped our teams with available technologies and logistical support. The Bank's Business Continuity Program had always been at the pillar of its operations, ensuring preparedness of systems and people to respond to crisis and emergency situations such as national disasters like the Taal Volcano eruption, leading to the COVID-19 outbreak. To ensure regular communication with MPI employees nationwide, Town Hall meetings were done online, with over 1,000 Maybankers attending, as well as Maybank conversations with the PCEO and Mancom members were made using available social media platforms. Other online events for staff development included learning modules as well as forums that address physical and mental health.

Prospects for 2021

The country's potential for growth remains robust with the Philippines expected to make an economic recovery in 2021. Maybank Philippines, Inc. is poised to steer the course towards recovery given its combined

physical and digital structure as well as its investment into new lines of businesses that have become more profitable given the new operating environment. We are geared to meet the challenges of the next five years as we pursue with fervor our vision for 2025 or our M25. This vision includes having a 10% market share in Auto Finance, being a significant player in Corporate Loans, being a Top 5 Bank for affluent customers, with doubled RSME relationships and being in the Top 3 digital position supported by an ecosystem of partners. With Maybank Group's guidance, MPI leadership, and with the passion of Maybankers borne from the corporate culture and values, we will grow in our selected niche segments progressively and responsibly, duly aligned within our regulatory discipline.

Acknowledgements

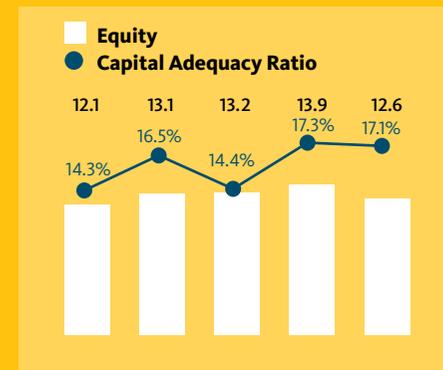
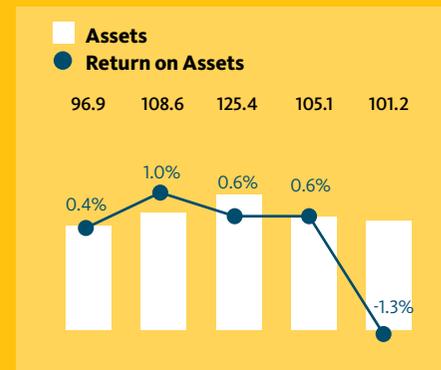
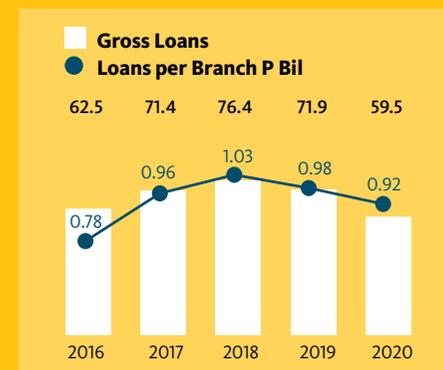
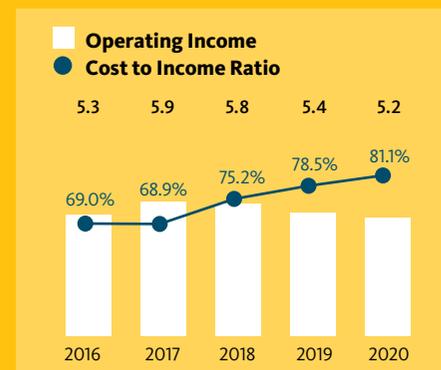
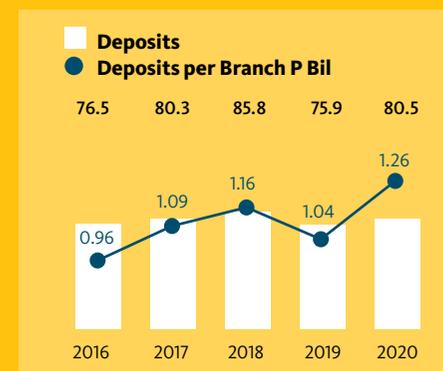
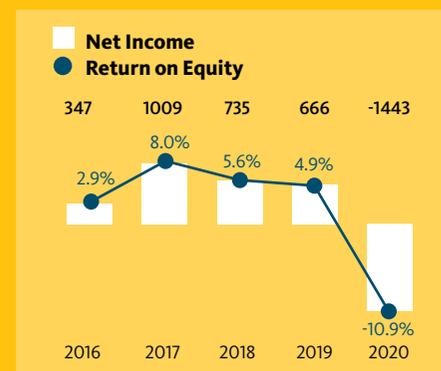
On behalf of the MPI Management, I wish to thank the members of our Board, Maybank Group, our customers, our employees, our partners and our shareholders for their continued support amidst one of the most difficult years for the Bank.

We are forever grateful for the guidance we received from our regulator, the Bangko Sentral ng Pilipinas.

ABIGAIL TINAM M. DEL ROSARIO
President and CEO Officer-In-Charge

Financial Highlights

	2020	2019
Profitability in Php		
Total Net Interest Income	4,598,052,558	4,695,593,439
Total Non- Interest Income	581,661,619	743,582,293
Total Non-Interest Expenses	4,201,062,169	4,271,323,503
Pre-Provisioning Profit	978,652,008	1,167,852,229
Provision for Impairment and Credit Losses	2,789,763,656	321,715,104
Profit Before Tax	(1,811,111,648)	846,137,125
Net Income	(1,442,785,029)	666,250,980
Selected Balance Data Sheet in Php		
Liquid Assets	21,873,906,623	15,149,200,585
Gross Loans	59,527,045,401	71,923,846,381
Total Assets	101,161,762,643	105,074,940,935
Deposits	80,537,036,077	75,880,804,285
Total Equity	12,595,777,659	13,925,604,803
Selected Ratios		
Return on Average Equity	-10.88%	4.91%
Return on Average Assets	-1.29%	0.58%
CET1 Capital Ratio	13.62%	14.23%
Capital Adequacy Ratio	17.13%	17.30%
Per Common Share Data		
Net Income per Share	-5.67	2.62
Basic	-4.92	2.27
Diluted	-4.07	1.88
Book Value Per Share		
Total Equity	12,595,777,659	13,925,604,803
Average Outstanding Shares	254,661,846	254,661,846
Book Value per Share	49.46	54.68
Others		
Cash Dividends Declared	0	0
Headcount	1,309	1,310
Officers	852	832
Staff	457	478



Review of 2020 Operations

Difficult lessons have been learned in 2020, but these disruptions have tested our mettle and resilience to rise above the challenges and ensure banking is business as usual for our valued clients.

Community Financial Services

Community Financial Services (CFS) finds its purpose in the customers that it serves. Maybank's commitment to continue humanizing financial services led to approach the evolving financial markets through its adoption of a balanced physical and digital distribution optimization and transformation. CFS focused on premises, people and products in 2020 as it navigated through a financial year impacted with a local volcano eruption and a global pandemic, and subsequently laying down the right foundation as it gears up for the next five years (M25).

Recognizing the strength of its regional presence and capabilities, MPI optimized its physical channels by positioning its branches in more strategic areas with greater density of its target markets. This optimization included putting up of more Premier Centers and identifying Retail Small and Medium Enterprises (RSME) areas. The relocation of Alabang branch and the expansion Ayala Avenue branch, created better synergy among channels and seamless customer experience. Branches became a stronger distribution channel to offer wealth management and business solutions for emerging and affluent customers, and business owners through Premier and RSME.

To support the move to optimise existing physical channels, a review of manpower complement was made. Non-sales positions were repurposed to sales positions, and complemented by right-sizing of middle and back office, this resulted in the

doubling of Premier Relationship Managers (RMs) headcount. This strengthened the competencies established the competencies of its frontliners to offer the right solutions to both individual and business customers, leading to continued financial growth and independence. The increase in RM headcount promotes more in-depth portfolio conversations with clients to provide appropriate financial solutions including Trust, GM and Bancassurance products. For our business clients, branches and RSME forged greater synergy through the Buddy Referral Program.

Bancassurance led product delivery in 2020. With the stronger ties built with Etiqa Philippines, Bancassurance business delivered Regular Pay APE (or Annualised Premium Equivalent), 304% higher vs 2019. Single Pay and Regular Pay mix improved to 40:60 ratio, bringing in higher revenue and 81% increase in service fees and production bonus compared to 2019.

Building its digital capabilities for the past four years positioned Maybank to offer convenient and secure way for clients do their day-to-day transactions through Maybank2U PH app and internet banking, achieving 2X growth in monetary transactions vs. prior year. With the mobility restrictions caused by the pandemic, Filipinos quickly embraced online banking which resulted to 2X the number of iSave accounts vs. 2019 and a 6X in deposit volume, establishing Maybank as a digital bank of choice. 2020 also saw the launch of



Maybank Zone, a lifestyle site that moved the car buying experience online. Opening an iSave account, as well as applying for Personal Loan and Credit Card, can also be done via Maybank Zone.

In support of RA 11469 (Bayanihan to Heal As One Act) during the time of COVID-19 health pandemic, MPI gave payment extension for Housing Loan, Auto Loan and Personal Loan, as well as Credit Card accounts. During this period, waiver on interbank funds transfer via the mobile app and internet was also extended to depositors.

With the MPI M25 Strategy as guide, CFS will continue to lead the way in enhancing the Bank's digital capabilities

in 2021, starting with adding more functionalities in the Maybank2U PH mobile app and launching more straight through on-boarding products, improving customer journey by employing a single customer touchpoint for existing and potential customers, drive revenue through RSME and Wealth Management, while observing stricter conformity with Compliance and Risk Management. CFS will strive for relevance - relevance to the business, relevance to the times and more importantly relevance to the community that it serves – this is how Community Financial Services will continue to take to heart Humanising Financial Services.

Global Banking



Leveraging on the foundation provided by Maybank Group and Maybank Philippines Inc., Global Banking (GB) strategically utilizes this combined network and expertise in order to build customer relationships, establish trust, maintain confidence, and deliver solutions to corporate and institutional clients across the ASEAN region.

GB's distinction through (1) association with both local and international markets, (2) premier ASEAN Global Markets & Trade Finance capabilities, and (3) competency of key business lines, introduces wholesale banking customers to different opportunities and equips them with unique strengths laid out by Maybank across Asia.

GB provides Corporate & Institutional clients a wide array of financing,

cash management, trade finance, and complex lending solutions.

The GB team is composed of the following business lines:

- **Client Coverage:** Manages the Top Local Conglomerates and its subsidiaries, as well as Multi-National Corporations and those belonging to Top 500 firms in the Philippines.
- **Corporate Banking :** Responsible for the growth of Global Banking mid-tier portfolio, covering those belonging in the Top 501 to 2000 corporations in the Philippines.
- **Real Estate Finance:** Specializes in providing credit facilities specific to real estate developers.
- **Cash Management Services:** Provides cash management solutions

such as payroll, payments, collection, and internet banking for different corporate clients.

- **Trade & Supply Chain Finance:** Caters to the needs of corporate clients in their importations, exportations, and domestic trade requirements.
- **Financial Institutions:** Specializes on meeting the needs of other financial institutions, both local and international. Client base also includes insurance, and remittance companies.

MPI Global Banking offers a distinct approach to target customer segments, and an increased understanding of the continuous development of the banking needs of our stakeholders.

2020 was a very challenging year due to the ongoing COVID-19 pandemic which has greatly impacted all countries and millions of businesses around the world. The Philippines was not an exception as the local economy plunged to its worst contraction, with Gross Domestic Product (GDP) falling by 9.5% in 2020. Despite this, however, certain industries that could provide opportunities, especially with the increased demand from consumers, were targeted. These include industries such as:

- a. Information and Communications Technology
- b. Food Retail
- c. Food Processing
- d. Power

For 2021, on the lending side, GB aims to grow the loan portfolio by targeting the Top-Tier and Mid-Tier Segment, focusing on potential clients that are within the industries identified as “winning”. In addition to this, there is also an emphasis on improving Asset Quality of the Sector by (1) on-boarding clients with sustained performance despite the pandemic, (2) successfully Reschedule and Restructure (R&R) accounts that have entered moratorium, and (3) closely monitor existing GB accounts. On the deposit side, ramping up CASA continues to be the goal through the efforts of the Cash Management Services (CMS) team. Sales activity aims to be increased by (1) conducting daily call-outs to potential CMS clients (2) tapping the Top 10 depositors of Maybank branches, and (3) cross-sell to other GB clients. In the face of all the challenges brought about by the pandemic, Global Banking continues to have a positive outlook for 2021.

Notable GB Deals in 2020:

- a. Citra Metro Manila Tollways Cash Collect Facility
- b. Philippine Racing Club Payroll Manager and Payroll Manager Plus Facility
- c. Megawide Construction Corporation Check Cutting Facility
- d. Universal Power Solutions, Inc. Establishment of USD 100.0 million SBLC Facility

Global Markets



2020 was, to say the least, a very challenging year with the Taal volcano eruptions, COVID-19 viral pandemic and a couple of major typhoons sweeping across the Philippines.

Despite the hurdles Global Markets (GM) managed to perform strongly. Nimble trading approaches, great sales flow from both Institution/Corporate and savvy Rates/ALM management combined with

transactions from our partners CFS/PW/Trust saw an overall 41% and 59% increase in Revenue and PBT respectively over 2019. A 200 bp cut in policy rates by the BSP did its part in lowering cost of funds and ensuring ample liquidity in the financial markets space.

MPI helped raise capital for the national government when it participated as a selling agent in the 23rd and 24th tranche of

the Retail Treasury Bond issuances. The Bureau of the Treasury (BTr) was able to raise PHP 310.82 billion from its 3-year Retail Treasury Bonds (RTB 3-10) issue and PHP 516.34 billion from the 5-year Retail Treasury Bonds (RTB 5-13) series.

GM, along with the rest of MPI, successfully transitioned to a hybrid work-from-office/work-from-home (WFO/WFH) arrangement without sacrificing service to

clients yet looking after the well-being of staff. Adaptability and agility are MPI's key strengths to navigate challenges in these unprecedented times.

Global Markets remain committed to our clients' financial needs on a local and regional capacity.

Trust



Maybank Philippines, Inc. Trust Group (MPI-Trust) offers a wide array of Trust, Agency and Other Fiduciary arrangements. We service both retail and corporate clients under various contractual arrangements, such as Personal Management Trust Account (PMT), Investment Management Account (IMA), Employee Benefit Trust (EBT), Escrows, and Corporate Agency Services.

MPI-Trust also offers Unit Investment Trust Fund, commonly known as UITF. This comes in three (3) variants: Money Market Fund, Peso Bond Fund and USD Bond Fund, which are all structured as a Feeder Fund. Our UITFs are labelled as UITF Tiger Funds to reflect the MPI brand.

The year 2020 was a very challenging one for the entire trust industry. Adopting to this pandemic proves how much agile

the industry needs to be. MPI Trust was not spared from this predicament. However, with the support and guidance of the Trust Committee and clearly defined strategies, we were able to end the year stronger as MPI-Trust Assets Under Management (AUM) has ended the year with a decent growth of 3% from 2019. Some of the notable achievements are as follow:

- Booked New-to-Trust accounts (208 PH and 28 USD accounts), resulting to a net increase in AUM by PHP 211 million;
- Made available a wider asset universe to Trust clients whose participations in government securities and 3rd party Mutual Funds and UITFs grew;
- Substantial growth in Maybank's UITF Tiger Funds; and
- Strengthened risk and compliance framework to support the growing business of Trust.

Despite the pandemic, MPI Trust business continued growth resulted in a 3-Yr CAGR of 2.3%.

Outlook

The pandemic paused the growth development of global economies especially the Philippine market in 2020. The Philippines was in deep recession during the first half of 2020 and declined further during the second half of the year, as strict lockdown

measures were implemented by the Philippine Government, affecting businesses as well as the daily lives of the Filipino people.

As the COVID-19 pandemic continues to cripple consumer spending and business activity, inflation will be beyond the government's target range of 2% to 4% and show slow economic growth. The Bangko Sentral ng Pilipinas (BSP) has scope to preserve the monetary policy in support to the economy to help strengthen overall demand and ensure market confidence.

Strong resilience will be seen in the Philippine market as the economy starts to rebuild and recover in 2021. BSP is expected to continue its accommodative stance to support the ailing economy. Low interest environment is anticipated to prevail until the end of year with key policy rates expected to remain an all-time low of 2%.

With the Philippine economy seen to remain to be very resilient, MPI-Trust will continue to deliver trust products and services that surpass customer expectations in value and every aspect of customer services, while remaining prudent and trustworthy stewards of their wealth.

Central Operations



2020 was an extraordinarily challenging year for all businesses. Various financial institutions were caught by surprise by the seemingly endless crises from Taal Volcano eruption up to the crippling pandemic. It takes more than a stroke of luck to surpass such series of unfortunate events. Because of this, Central Operations heightened its effort to ensure that the Bank's robust business continuity plan can withstand such disruption. As the back office, it is very crucial that Central Operations is capable of continually delivering financial services to clients.

Split Operations

At the onset of the pandemic, critical units within Central Operations have been split into 2 sites or locations with the objective of having identical teams to support business amidst the threat of lockdown. Remittance and Cable, which is a highly demanded service due to a drive for contactless transaction, significantly increased its volume by 46% from previous year. At a short period of time, the bank formed another team to be based in our San Fernando Branch for seamless support while Metro Manila goes in and out of

quarantine pressure. Moreover, because of safety protocols implemented at the Head Office, Central Operations scheduled teams into shifts, covering extended work hours to ensure processes are completed for the day. Some support personnel were also equipped to work-from-home.

Robotics Process Automation (RPA)

Prior to BSP's announcement of the Bayanihan to Heal as One Act (RA 11469) and Bayanihan to Recover as One Act (RA 11494), MPI has already grown its capability to develop bot-led processes

to efficiently deliver nationwide relief measures to clients. In a week's time, a newly developed program handled mass due date changes to comply with the payment holiday extended to about 60,000 clients. This complemented the dwindling workforce at the time when community quarantine prevented employees from reporting physically to work. Needless to say, RPA is a future-ready skill that has equipped Central Operations to withstand the disruptive effect of the pandemic.

Risk Awareness

Central Operations navigated uncharted waters when the pandemic happened. Apparently, people are the most vulnerable to risk. Therefore, Central Operations invested time to complete risk-based trainings on weekends on top of the mandatory e-learning courses. This constant learning will keep the back office team more vigilant, better informed and prudent decision-maker in a highly uncertain and volatile financial environment.

Certainly the coming years will not be an easy and straight path to tread on. Even so, Central Operations will continue to explore and quickly adapt to a changing business environment. It will remain committed to its core purpose of safeguarding the business and being at the heart of the community it serves.

Information Technology and Information Security

2020 was the year that MPI focused immensely on redefining the banking experience of customers, and both Information Technology (IT) and the Information Security Office (OCISO) were at the forefront to provide the expertise, skill and technical support needed as the Bank navigated its way towards resiliency, recovery and rebuilding—accelerating MPI’s transition to digital.

Stable and Reliable Infrastructure

It was timely that MPI had fully migrated to a Tier-3 data center in Aug. 2019, thus data center infrastructure was already stable and reliable when the pandemic struck. Network infrastructure has likewise been improved, minimising outages. Thus, the team was able to focus on building its backup data center in 2020, investing in a Disaster Recovery site that helped address pain-point areas and improve application, network and security architecture. The system was primed for increased capacity buildup should fresh business requirements come in, or when crisis strikes.

Secure Connectivity when Work-From-Home

Navigating and providing connectivity to Maybankers working from home during the pandemic had been one of the team’s biggest challenges when the pandemic happened. With the support of MPI Senior Management, IT was able to provide Virtual Private Network (VPN) connectivity to 60% of the workforce. To curb the increasing

risk of cyber heist and information security breaches, OCISO quickly pushed for VPN two-factor authentication. A total of 343 new laptops were procured to support the Mobile Workforce Arrangement policy, enabling majority of MPI’s workforce to continue to work from home or maintain a hybrid work schedule as quarantine measures prevailed and as dictated by MPI’s back-to-work plan.

Banking in the Time of Covid

MPI’s digital transformation efforts has allowed customers to conveniently bank from home at the height of the pandemic. Powering this convenience are several backend Robotics Process Automations (RPAs) developed to extend payment due date, push Auto Debit Arrangement due date, and manage Post Dated Cheques—shortening the processing time in updating customers’ loan records. An internet site was also put up to accept requests for loan payment extensions. Other RPAs were also developed to automate key process: cards cancellation and blocking of fraudulent cards, request generation of Auto Loan Certificate for paid-off loans, insurance collateral encoding for mortgage loans and ADA collection encoding for back-office units. More applications have been exposed in the mobile space securely in 2020, including the enhanced Collection System now run on Android devices using VPN with two-factor authentication. QR code payment feature was also made available in the Maybank2u mobile app, facilitating internal and interbank fund transfers



through Bancnet and weaning customers away from cash handling and face-to-face payments.

Technology Risk Management

In 2020, the team also rolled out patch management tool (on server and workstations) and successfully migrated the Auto and Cards & Unsecured Lending business to a new and more robust origination system for personal loan, auto individual (fleet and multiple availment modules), as well as corporate auto loans. As of this writing, the core-banking hardware and operating system upgrade is ongoing and is targeted for completion by middle of 2021.

Information and Cyber Security

In 2020, MPI garnered a score of 3.5 (from 3.0 in 2019) in information security and cybersecurity, closer to the target maturity level of 4.0 which is an industry standard. Many initiatives have likewise been implemented for the year: Maybank Shared Services 24/7 Regional Security Operations Center (RSOC), Regional Security (Network) Infrastructure via SDWAN, CyberArk ID Management System, Deep Security – Virtual Patching, Data Loss Prevention and Hard Disk Encryption Tools. For 3 consecutive years, MPI has successfully secured PCIDSS compliance and certification.

Human Capital



Developing Leaders, Accelerating Talents

As Maybank Philippines develops and grows world class talents to deliver world class results, the Bank is supported by a strong Talent Management Policy that includes Succession Planning and the acceleration of identified potential successors for Mission Critical Positions (MCPs) and Operations Critical Positions (OCPs).

Succession Planning is well in place in the Bank where leadership bench is reviewed twice a year in both Country and Group levels. In 2020, the leadership bench is generally healthy with 4:1 cover ratio for MCPs and 1:1 cover ratio for OCPs.

In the advent of the COVID-19 pandemic and consistent with MPI's goal of becoming FutureReady by being nimble and agile, the Bank repurposed and re-trained a number of personnel to acquire additional skills and

knowledge, and gravitate towards operational exigencies, which helped the Bank steer its way into the New Normal. In addition, the management bench is strengthened by having development assignments to personnel identified as successors and future leaders. This exercise helped the organization by making its people more universal, adaptive and prepared to brace the impact of the pandemic.

Culture Reinforcement Programs

Anchored on the Bank's T.I.G.E.R. Values of Teamwork, Integrity, Growth, Excellence and Efficiency, and Relationship Building, a flagship program was launched in 2020: Learning Never Stops, a group-wide online campaign which promotes continuous and self-paced learning through a wide range of capability-building programs made available to all employees through various learning platforms and methods.

Various programs and channels were organized and launched to engage the employees and reinforce the Bank's culture such as the following:

Employee Engagement Initiatives

- Facebook Live and Learn Sessions – each is an interactive virtual event launched on 23 March 2020 with a total of eight (8) conducted sessions, created for all employees where the Management Committee and the Bank's Subject Matter Experts address and discuss health & social issues, business strategies and market insights.
- Virtual Town Hall – a virtual event attended by all employees where the Management Committee cascades updates on the Bank's financial performance, strategies and business achievements.
- Employee Mobility and Support – to adapt with the COVID-19 pandemic, the Bank provided resources and implemented mobile workforce arrangements to address the productivity, safety and well-being of the employees:
 - Work-from-Home (WFH) setup for more than 50% of the population throughout the Enhanced Community Quarantine (ECQ); and for those physically reporting for work, provisions of hazard allowances, meals, and supplies of vitamins and personal protective equipment (PPE);
 - Daily shuttle services and available room accommodation for employees that are impacted and has to report during the ECQ;

- Availability of work tools necessary for mobile workforce arrangements, such as laptops, mobile devices, and VPN access;
- Availability of Tele-consultation services in partnership with HMO provider, to ensure that all personnel can avail of medical services at the comfort of their own homes; and
- Provision of Unrecorded leaves for COVID-confirmed and suspected employees, on top of daily monitoring on their physical and mental well-being.

Internal Communication Channels

- M.E.N.U. (Milestones, Engagements, News, Updates) Newsletter – Published to strengthen staff understanding and engagement based on the PCEO Message, business milestones, recent and upcoming events, training programs, Maybankers personal stories, and business promotions.
- Enterprise Social Network (MPI TIGERS - Facebook Closed Group) – Used by Maybank Philippines to collaborate and communicate projects, initiatives, and programs online. Used by Maybankers to share and comment on work-related ideas, news, and activities.
- Point-of-Contact (POC) and Team Leaders (TL) Meeting – A weekly virtual meeting presided by Human Capital and attended by all identified POCs and TLs of business and support groups which aims to cascade and discuss information and issues related to COVID-19 SOPs and other people-related matters.

Key Corporate Highlights



18 JANUARY Employee

A team of MPI Volunteers delivered relief goods, consisting of cash, clothes, food, water, folding beds, face masks, hygiene kits and medicine, at the Maybank Lipa Branch for distribution to fellow Maybankers who were severely affected by the Taal Volcano Eruption. MPI immediately launched the internal donation drive #MPITulongTAAL in the wake of the eruption as a display of solidarity and compassion to victims of the calamity within the Maybank family first, and the community second.

21 JANUARY Employee

The Management and the Employees' Union of Maybank Philippines formally signed the Collective Bargaining Agreement (CBA) for 2020-2021 at the Ascott Hotel in Bonifacio Global City and attended by CBA Management and Union Panel Members. The CBA was concluded amicably amidst robust negotiations and embracing views of both Management and the MPI-EU.

22 JANUARY Community

Maybank Philippines reached out and assisted families displaced by the Taal Volcano Eruption, through the Office of Congresswoman Ma. Theresa 'Maitet' V. Collanted of the 3rd District of Batangas. Donations of groceries and toiletry packs were distributed to 250 families temporarily housed at the Tanauan City Evacuation Center while the rest of the donation goods were dropped off at the Central Relief Operations Center in Tanauan Institute.

23 JANUARY Community

Maybank Philippines ushered in the Chinese New Year with a traditional Lion and Dragon Dance at the Maybank Corporate Center, with colorful red lanterns and 'ang pao' packets adding color and cheer to the festive occasion. Select Maybank Branches with Chinese clientele also hosted their own Lion and Dragon Dance within the week of the Chinese New Year.

30 JANUARY Customer

Maybank Philippines and Maybank Kim Eng Philippines (MKE PH) jointly hosted a year-opening briefing on the 2020 Economic Outlook, with guest economic experts Suhaimi Ilias, MKE Regional Head for Economic Research and Dr. Chua Hak Bin, MKE Senior Analyst from Maybank Group, sharing common optimism on the country's firmer footing on growth on 2020. The exclusive media forum aimed to contribute to intelligent and relevant

market insights that could positively transform the factors that matter most for business, communities, and people despite setbacks of the nCov virus.

14 FEBRUARY Employee

Maybank Philippines and eTiqa Philippines formally signed the Corporate Medical Insurance Contract at the Conference Room of Maybank Corporate Center in Bonifacio Global City, making eTiqa Philippines – also a member of the Maybank Group family - the Official Health Insurance Provider for all Maybank employees in the Philippines.

11 JUNE Customer

MPI and MKE PH collaborated to present Maybank Online Outlook: Navigating the New Economy - An Outlook on Global Markets. Over 400 participants, both external customers and Maybankers, joined in the groundbreaking event which featured Maybank Group economists Suhaimi Ilias and Dr. Chua Hak Bin of Maybank Kim Eng as resource speakers and panelists.

29 JULY Customer

The first Maybank Philippines Mind & Money Matter Forum was held virtually and attended by valued Premier clients and partners. Presented in partnership with eTiqa Philippines, the online forum provided fresh insights on the importance of prioritizing one's mental and financial health during trying times, with Dr. Janell Gatlabayan-Cleto,



Consultant Psychiatrist from The Medical City and Alessandra Araullo-Gonzalez, Head Multi-Asset of ATRAM Trust Corporation as guest speakers.

04 NOVEMBER Customer

Maybank Philippines gave a media preview of the Maybank Zone, taking attendees through an exclusive tour of its latest online portal that simplifies the car buying experience for everyone— with the full-circle customer journey starting with a tour of the virtual car showroom and ending with the submission of a Maybank Auto Loan Application. Maybank Zone also allowed customers to open an iSave account and apply for a Maybank Credit Card or a Personal Loan, with more products and services to be made available through the portal soon.

11 NOVEMBER Customer

Maybank Alabang Branch officially opened its doors from its new address in Commercenter Alabang. Also housing a Premier Center and an Auto Lending Center, the newly renovated branch brings Maybank's products and services and exclusive offers closer and more accessible to customers in the South. The virtual blessing and inauguration event was graced by Maybank Philippines PCEO Choong Wai Hong, MPI CFS Head Abigail Tina del Rosario, members of the MPI Management Committee, select business partners and valued clients.

18 NOVEMBER Customer

Maybank Philippines hosted "Seeing through the Lens: A Global and Local Market Outlook Forum" which was attended by corporate Premier Wealth clients, RSMEs, Maybankers and the media. The online forum brought light to the risks and opportunities of the market this coming 2021, as presented by guest industry speakers Dr. Chua Hak Bin, Senior Economist from Maybank Kim Eng, and Philip Hagedorn, Chief Investment Officer from ATR Asset Management. The event was in partnership with Maybank Kim Eng Philippines.

25 NOVEMBER Employee

Maybankers from Luzon, Visayas and Mindanao gathered virtually for an afternoon of music, fun and games to watch MPI @ 23 Online Playlist "A Virtual Concert" as part of MPI's anniversary month festivities. The online concert featured MPI's homegrown talents and showcased participation from the Branches, Union and Management.

27 NOVEMBER Community

The first-ever R.I.S.E. Online Bazaar was streamed via Facebook Live on the One Maybank PH Facebook group, featuring eleven (11) micro businesses built and managed by graduates of the Maybank Foundation R.I.S.E. (Reach Independence and Sustainable Entrepreneurship) program in the Philippines. Despite the restrictions brought about by the pandemic, the R.I.S.E. program also continued to train and mentor persons with disabilities

by bringing the sessions online, with more than 40 trainings conducted virtually nationwide since the lockdown was implemented.

27 NOVEMBER Community

Maybank Foundation and Maybank Philippines jointly launched the inaugural Maybank Financial Education Excellence Awards 2020 in the Philippines as part of its continuous efforts to enhance financial literacy among the youth across ASEAN. The awards ceremony was held virtually at the 2020 Financial Education Stakeholders Expo organised by the Bangko Sentral ng Pilipinas (BSP) on 26-27 November 2020. The Financial Education Excellence Award is an initiative by Maybank Foundation under its CashVille Kidz programme, recognising the top schools, educators and students who champion financial literacy among the youth, with the BSP, Department of Education, and Embassy of Malaysia part of the evaluation panel. All winners received a special Maybank Financial Education Excellence Award trophy, a Samsung Galaxy Tab and a certificate each.

14 DECEMBER Employee

Maybank Philippines held its first virtual Christmas Party themed "*Mula sa Puso, Para sa Inyo: Maligayang Pasko, Maybankers*" (From Our Hearts, To Yours: Merry Christmas Maybankers) and attended by 1,200 Maybankers from the Head Office and Luzon, Visayas and Mindanao Branches. Also joining the virtual celebration were colleagues and executives from Maybank Group, as well as partners from Maybank Kim Eng Philippines and eTiqa Philippines. Maybank International CEO Michael Foong delivered the Opening Remarks while Group Chief Human Capital Officer Datuk Nora Manaf conveyed her special message of thanks to all Maybankers in the Philippines. Aside from the much-anticipated raffle draws and special production numbers, MPI also honored and celebrated the dedication and loyalty of the 10 and 20 years Long Service Awardees during the virtual event.



Awards & Citations

2020

Bangko Sentral ng Pilipinas

BSP Stakeholder Partner,
Financial Education 2020

The Digital Banker

Global Retail Banking Innovation Awards
Best Digital Transformation Program 2020

World HRD Congress

15th Employer Branding Awards
Best Employer Brand Award 2020 -
Philippines

2019

**Bankers Institute of
the Philippines Inc. (BaiPhil)**

2nd Runner-up, 2019 Best Bank in
Digital Financial Inclusion Award

Bangko Sentral ng Pilipinas

Finalist, Outstanding Partner for
Innovative Mobile Financial Services – Bank
16th Awards Ceremony and Appreciation
Lunch for BSP Stakeholders

**City Government of Biñan
3rd City of Life Awards**

2019 Outstanding PWD Project for Biñan
Conducted by a Company/Organisation

**Persons with Disability Affairs
Office (PDAO) and City Social Welfare
and Development Office
City Government of Sta. Rosa, Laguna**

Plaque of Appreciation
(for R.I.S.E. Program)

Visa Philippines

Best New Segment Launch
(for Maybank Visa Infinite Card)

2018

Bangko Sentral ng Pilipinas

Special Citation on Accessibility

**Ministry of International Trade
and Industry, Malaysia**

MATRADE Award – Best Malaysia Brand

A blurred background image of a business meeting. Several people in suits are gathered around a large digital display. Their hands are visible, pointing at the screen. The lighting is warm and focused on the hands and the screen, with bokeh lights in the background.

Our Leadership

Being a leader is never about the role, but always about the goal. At all times, it is about being the voice people need to hear and the inspiration to make a difference.

Board of Directors



Fauziah Hisham
Chairman



Choong Wai Hong
Director / President & CEO

*Mr. Choong has resigned as PCEO of
Maybank Philippines effective April 11, 2021.*



Datuk Lim Hong Tat
Director



Pollie Sim Sio Hoong
Director



Manuel L. Tordesillas
Director



Renato T. De Guzman
Director



Atty. Ray C. Espinosa
Director



Jesus Roberto S. Reyes
Director



Simoun S. Ung
Director

Board of Directors Profile

Fauziah Hisham | Chairman of the Board
64 years old, Malaysia | Non-Independent, Non-Executive

Puan Fauziah Hisham was appointed Director of MPI in September 2018, and subsequently elected as Chairman in April 2019. She is presently the Chairman of the Board Strategy Committee. Puan Fauziah also sits as an Independent, Non-Executive Director of the Malayan Baking Berhad (Maybank) and serves as a member of the Group's Risk Management Committee, Nomination and Remuneration Committee and Credit Review Committee.

Puan Fauziah is an Associate Member of the Institute of Chartered Secretaries and Administrators, United Kingdom. She has over 30 years of experience in the banking industry, having worked in 3 foreign owned financial institutions throughout the span of her career.

She started her banking career with The Chase Manhattan Bank in Malaysia (now known as J.P. Morgan Chase Bank Berhad) in 1980. Her last position at Chase Bank was as Executive Director and Chief Executive Officer, a position she held for four years. From 2006 to 2008, she was with Standard Chartered Bank (SCB) as Managing Director, Strategic Client Coverage Group. Thereafter, in 2008, she joined the Australia & New Zealand Banking Group (ANZ) Representative Office, Malaysia as Country Group Representative and Executive Director, Institutional Banking until her retirement in July 2014. She also served as an Independent Non-Executive Director of J.P. Morgan Chase Bank Berhad in October 2014 and subsequently assumed the position of Non-Executive Chairman of the Board from January 2015 until March 2018. She is also on the Board of Hengyuan Refining Company Berhad, HBOC Technologies Sdn Berhad and Agensi Kaunseling dan Pengurusan Kredit (AKPK).

Choong Wai Hong | President and Chief Executive Officer
48 years old, Malaysia | Non-Independent, Executive

Note: Mr. Choong has resigned as PCEO of Maybank Philippines effective April 11, 2021.

Choong Wai Hong joined Maybank Philippines in September 1, 2017 as Officer-in-Charge and eventually elected Director and President and Chief Executive Officer on September 15, 2017. He was also appointed Director of Maybank ATR Kim Eng Capital Partners, Inc. As an MPI Director, Wai Hong is a member of the Risk Management Committee, Trust Committee and Board Strategy Committee.

Wai Hong brings with him over 20 years of financial services experience covering operations, information technology, consulting and business management among others. He has worked in Germany, Hong Kong, Singapore and Malaysia covering capital markets as well as consumer and commercial banking. He joined Maybank (Malaysia) in January 2010 as Head of Virtual Banking, and eventually, Head of Wealth and Payments. Thereafter, he became Head of High Net-Worth and Affluent Banking. In February 2014, he became a Senior Executive Vice President and Head of Community Financial Services (CFS Singapore) and concurrent Regional Head of Premier Wealth Group CFS.

Prior to joining Maybank, Wai Hong held leadership roles in banking, project management and consulting in Standard Chartered Bank, DHL (Asia Pacific IS) and Accenture Sdn Bhd. He is a PRINCE2 practitioner and a member of the Association of Chartered Certified Accountants, UK. He has also recently completed the Newfield's Ontological Certification Program leading to International Coaching Federation (ICF) affiliation.

Pollie Sim Sio Hoong | Director
59 years old, Singapore | Non-Independent, Non-Executive

Ms. Pollie Sim was appointed Director of MPI in 2013. She sits as the Chairman of the Trust Committee and is a member of the Corporate Governance Committee.

With over three decades of experience in the banking and finance industry, Ms. Sim held several senior positions in the Maybank Group. Prior to her retirement in June 2018, she served as the Chief Executive Officer of the Group's International Operations, covering 14 countries excluding Singapore and Indonesia.

Ms. Sim was also the CEO of Maybank Singapore from 2006 to 2013, where she was instrumental in leading and developing Maybank's retail banking business in the country. During her stewardship, Maybank Singapore was recognized for Business Excellence (BE) with the Singapore Quality Class STAR, Singapore Service Class and Singapore Innovation Class certifications and the People Excellence Award – the first bank to attain all the BE standards at an enterprise level in Singapore. In 2012, Ms. Sim was accorded the IBF Distinguished Fellow (The Institute of Banking and Finance – Singapore) and also received the Pacific Rim Bankers Program Distinguished Leadership Award for her pursuit in leadership and organizational excellence.

Datuk Lim Hong Tat | Director
61 years old, Malaysia | Non-Independent, Non-Executive

Datuk Lim Hong Tat was reinstated as a member of MPI's Board of Directors in 2014. He is a member of the Audit Committee of the Board (ACB) and the Board Strategy Committee.

Datuk Lim was MPI's President and CEO from 2000 to 2006 and served as a Director from 2007 to 2010. He has more than 30 years of experience in banking and finance. He joined the Maybank Group upon graduation in 1981. He has covered all aspects of banking, having managed branches, regional banking, credit cards and international banking operations, including holding senior management positions as Head of International Banking and Head of Consumer Banking in the Maybank Group. Prior to his retirement in July 2018, Datuk Lim served as the Group CEO, Community Financial Services and CEO of Maybank Singapore (until November 2017).

Datuk Lim was the first Malaysian Banker to be awarded the Retail Banker of 2014 by the Asian Banker, given to the most accomplished leader in the retail banking industry in the Asia Pacific and the Middle East regions. In 2017, he was also awarded the Private Banker International and Retail Banker International CEPI Asia Leadership Award – Individual at the 4th Annual Cards & Electronics Payments International Awards and the Asian Banker of the Year by Fortune Times Magazine.

Manuel N. Tordesillas | Director
68 years old, Philippines | Non-Independent, Non-Executive

Manuel N. Tordesillas has been elected as a member of MPI's Board of Directors on March 23, 2018. He is a member of the IT Steering Committee.

Mr. Tordesillas also sits as Director in several companies, among them Tullet Prebon (Philippines) Inc., ATR Holdings, ATR Kim Eng AMG Holdings, Inc., MET Holdings, Inc., ATRAM Investment Management Partners Corp., ATRAM Trust Corporation and eTiqa Life & General Assurance Philippines - A Member of eTiqa Group.

He has over 40 years of international and local investment banking experience. Before moving back to the Philippines in 1995, he served as an Executive Director at Peregrine Capital Ltd. in Hong Kong, responsible for regional capital market activities in Southeast Asia.

Mr. Tordesillas obtained an M.B.A. from the Harvard Business School and his Bachelor of Science in Industrial Management Engineering from De La Salle University.

Renato T. De Guzman | Director
70 years old, Philippines | Independent, Non-Executive

Renato T. De Guzman became a Director of Maybank Philippines, Inc. on March 29, 2016. He is the Chairman of the Audit Committee of the Board (ACB) and a member of the Corporate Governance Committee, Board Strategy Committee and Related Party Transactions (RPT) Committee.

Currently, Mr. De Guzman also serves as an Independent Director of JG Summit Holdings and Investment Capital Corporation of the Philippines. Likewise, he is the Chairman of the Board of Nueva Ecija Good Samaritan Health Systems, Inc. An accomplished banker, Mr. De Guzman helped spur the growth of the private banking business in Asia while being the Chief Executive Officer of ING Asia Private Bank (acquired by Oversea-Chinese Banking Corporation in 2010 and renamed it Bank of Singapore.) He was a Senior Advisor to the Bank of Singapore until September 2017.

He also served in the government as Chairman of the Government Service Insurance System (GSIS) until 2016. Mr. De Guzman graduated with a degree in Bachelor of Science in Management Engineering from the Ateneo de Manila University. He also holds two Post-Graduate degrees: a Master of Business Administration (with Distinction) from the Katholieke Universiteit Leuven, Belgium and a Masters in Management from McGill University, Canada. Mr. De Guzman was named Outstanding Private Banker in Asia Pacific by Private Banker International in 2014, and Private Banker of the Year by Asian Private Banker in 2015.

Atty. Ray C. Espinosa | Director
63 years old, Philippines | Independent, Non-Executive

Atty. Ray C. Espinosa assumed the position of Director of the MPI Board on March 29, 2016. He is Chairman of the Risk Management Committee and a member of the Trust Committee.

Atty. Espinosa is currently the President/CEO of Manila Electric Company and presently holds corporate directorship positions in several companies engaged in power, mining, telecommunications, other public utility and media businesses including: Cis Bayad Center Inc., PLDT Inc., Roxas Holdings Inc., Metro Pacific Investments Corp., Lepanto Consolidated Mining Company, Infocomm Technologies, Parlance Systems Inc., Epldt Ventures Inc., Spi Global Solutions Inc., Bayantrade, Bonifacio Communicators Corp., BusinessWorld Publishing Corp., and Philstar Daily Inc.

Atty. Espinosa holds a Bachelor of Laws Degree from the Ateneo de Manila Law School and placed first in the 1982 Philippine Bar examination. He earned his Master of Laws degree from the University of Michigan Law School in 1988 and is a member of the Integrated Bar of the Philippines.

Jesus Roberto S. Reyes | Director
61 years old, Philippines | Independent Director, Non-Executive

Mr. Jesus Roberto S. Reyes was elected Independent Director of the MPI Board on September 11, 2020. He is Chairman of the Related Party Transactions (RPT) Committee and is a member of the Risk Management Committee and Trust Committee.

Prior to joining MPI as a Board Member, Mr. Reyes was the President/Deputy CEO of Eastwest Banking Corporation from May 2017 until December 2019. Before that, he was also the Chief Financial Officer of Union Bank of the Philippines and also served as SEVP/Treasurer for almost five years.

His past directorship experience were all from financial institutions, notably from Eastwest Rural Bank, Eastwest Insurance Brokerage Inc., TROO Insurance, City Savings Bank, Inc., and SB Capital Investment Corp. to name a few.

Mr. Reyes is a graduate of University of the Philippines, with a Bachelor in Science Degree in Mechanical Engineering. He also holds an M.B.A. degree from the Asian Institute of Management.

Simoun S. Ung | Director
54 years old, Philippines | Independent Director, Non-Executive

Mr. Simoun S. Ung assumed the position of Director of the MPI Board on December 3, 2019. He is Chairman of the Corporate Governance Committee and is a member of the Audit Committee of the Board (ACB), Related Party Transactions (RPT) Committee and Board Strategy Committee.

Mr. Ung is currently the President and Chief Executive Officer of OmniPay, Inc., Commissioner of PT Omni Pay Indonesia, Chairman of OmniPay (Malaysia) Sdn. Bhd. and Director of OmniPay Pte. Ltd. He is also Vice Chairman of Bastion Payment Systems Corporation and serves as Treasurer of the Philippine eMoney Association and a Board member of the Philippine Payments Management, Inc. He is also an Independent Director of the listed firm, Transpacific Broadband Group International, Inc.

Holding the rank of Commander in the Philippine Coast Guard Auxiliary, Mr. Ung is Deputy Comptroller, National Headquarters. He is also the Chairman of Security Disaster Resource Group Committee of the American Chamber of Commerce of the Philippines and the immediate past Chairman of the Manila Country Council of the U.S. State Department's Overseas Security Advisory Council. He served as an Advisor to the Supreme Court of the Philippines and was also a Consultant to the Commission on Elections and the Office of International Policy and Special Concerns of the Department of National Defense.

Mr. Ung earned his Bachelor's Degree in Psychology and Economics from the University of British Columbia. He obtained his M.B.A. from Richard Ivey School of Business at the University of Western Ontario. He also completed the Property Management Course from University of Alberta, the 2nd Advanced Programme for Central Bankers and Regulators at the Institute of Global Economics and Finance of the Chinese University of Hong Kong as well as an Executive Education Course on Creating Shared Value from Harvard Business School. He was honored with the Outstanding Alumni Award in 2015 by Grace Christian College and the ACQ 2018 Global Awards International – GameChanger of the Year (FinTech).

Management Committee



Choong Wai Hong
President and
Chief Executive
Officer

*Mr. Choong has resigned as
PCEO of Maybank Philippines
effective April 11, 2021.*



**Abigail Tina M.
Del Rosario**
Head,
Community
Financial Services

*Ms. Gail Del Rosario
has been appointed as
Maybank Philippines
PCEO-Officer-in-Charge
(PCEO-OIC) effective
February 11, 2021 with the
resignation of Mr. Choong
Wai Hong.*



Likia
Chief Financial Officer

**Manuel G.
Bosano III**
Head,
Global Banking



**Andy Yeoh
Keong Yong**
Head,
Global Markets



**Mark Lord D.
Limson**
Head,
Human Capital





Maria Alicia C. Marasigan
Head,
Central
Operations

*Ms. Marasigan has resigned
from Maybank Philippines
effective May 15, 2021*

Bernardo G. Talimban, Jr.
Head,
Information
Technology



Rajagopal Ramasamy
Chief Risk
Officer



Jose A. Morales III
Chief Audit
Executive



Ma. Bernadette T. Ratcliffe
Chief Compliance
Officer



Atty. Gerardo J. De Leon
Corporate Secretary
and Head, Legal



Management Committee Profile

Choong Wai Hong | President and Chief Executive Officer

49 years old, Malaysia

Note: Mr. Choong has resigned as PCEO of Maybank Philippines effective April 11, 2021.

Choong Wai Hong joined Maybank Philippines in September 1, 2017 as Officer-in-Charge and eventually elected Director and President and Chief Executive Officer on September 15, 2017. He was also appointed Director of Maybank ATR Kim Eng Capital Partners, Inc.

Wai Hong brings with him over 20 years of financial services experience covering operations, information technology, consulting and business management among others. He has worked in Germany, Hong Kong, Singapore and Malaysia covering capital markets as well as consumer and commercial banking. He joined Maybank (Malaysia) in January 2010 as Head of Virtual Banking, and eventually, Head of Wealth and Payments. Thereafter, he became Head of High Net-Worth and Affluent Banking. In February 2014, he became a Senior Executive Vice President and Head of Community Financial Services (CFS Singapore) and concurrent Regional Head of Premier Wealth Group CFS.

Prior to joining Maybank, Wai Hong held leadership roles in banking, project management and consulting in Standard Chartered Bank, DHL (Asia Pacific IS) and Accenture Sdn Bhd. He is a PRINCE2 practitioner and a member of the Association of Chartered Certified Accountants, UK. He has also recently completed the Newfield's Ontological Certification Program leading to International Coaching Federation (ICF) affiliation.

Wai Hong holds a degree in Computer Science (First Class Honors) from the University Malaya. He pursued and earned his Executive Master's in Business Administration from the Royal Melbourne Institute of Technology and Master of Science in Innovation from the Singapore Management University.

Abigail Tina M. Del Rosario | Head, Community Financial Services

58 years old, Philippines

Note: Ms. Gail Del Rosario has been appointed as Maybank Philippines PCEO-Officer-in-Charge (PCEO-OIC) effective February 11, 2021 with the resignation of Mr. Choong Wai Hong.

Abigail Tina M. Del Rosario joined Maybank Philippines in July 23, 2018 as Head of Community Financial Services.

Gail brings with her more than 20 years of extensive retail banking experience. She is well-known in the financial industry as a charismatic and dynamic leader, having built successful teams as Country Head of Retail Banking in Standard Chartered Bank. She was also the director of Price Solutions PI and Asia – Bancassurance, which are both subsidiaries of Standard Chartered Bank. Prior to joining Maybank, she was a Senior Vice President and Head of Wealth Management in East West Banking Corporation. She was also appointed as chairman of BancNet in 2013 and continued as director from 2005 to 2015.

Gail graduated from the University of the Philippines with a degree in Bachelor of Science in Business Management.

Likia Chief Financial Officer

47 years old, Indonesia

Likia was appointed Chief Financial Officer of Maybank Philippines on January 1, 2020. He brings with him over 22 years of work experience in the financial services industry. His extensive training and knowledge in accountancy and finance includes devising and establishing business planning and strategies, corporate transactions, audit, information management, and asset and liability management.

Likia started his career in 1997 at PricewaterhouseCoopers (PwC) Indonesia and Netherlands. He formally joined the banking industry in 2010 as PT. Bank International Indonesia's Head of Business Planning. He then later joined PT. Bank Permata Indonesia as the Head of Strategic Information Management. Prior to his appointment in MPI, he was the Head of Business Planning and Analytics of Maybank Indonesia for six years, joining the bank in January 2014.

Likia holds a Bachelor's degree in Economics from Tarumanagara University, Indonesia. He earned his Graduate Diploma in Management from Swinburne University of Technology, Australia.

Manuel G. Bosano III | Head, Global Banking
52 years old, Philippines

Manuel G. Bosano III was appointed as Head of Global Banking of Maybank Philippines in November 2017, and under his supervision are different units: Client Coverage, Corporate Banking, Global Markets and Transaction Banking.

Mannix started his career in the banking industry in 1989 as an Operations Staff in Far East Bank and Trust Company. In 1994, he transferred to Asiatrust Development Bank as an Assistant Manager for Countryside Lending Group. He then spent the next seven (7) years handling the Business Development Group extending credit facilities to both commercial and corporate clients. Due to his hard work and determination, by 2001, he was promoted to Vice President. He then moved to Keppelbank where he spent the next eight (8) years holding various leadership positions in corporate banking, consumer banking and retail banking.

Prior to joining MPI in 2009 as Corporate Banking Head, Mannix also had stints with GE Money Bank (March 2005 to May 2008), Philippine National Bank (September 2008 to March 2009), and PNB- Capital and Investment Corporation (April 2009 to June 2009).

Mannix is a graduate of AB Economics at San Beda College.

Andy Yeoh (Yeoh Keong Yong) | Head, Global Markets
55 years old, Singapore

Andy Yeoh was appointed as Maybank Philippines' Head for Global Markets on January 1, 2020.

Andy comes with more than 29 years of experience in Treasury Markets mainly working for foreign banks such as Bank of Tokyo Mitsubishi Malaysia, Deutsche Bank and Canadian Imperial Bank of Commerce in different markets of Malaysia, Hong Kong & Singapore.

Prior to his appointment in MPI, he spent 5 years as a Senior Trader in Maybank Singapore. His extensive trading experience includes repo and collateral lending with substantial experiences in trading all aspects of money markets, foreign exchange, fixed income and OTC derivatives (both linear and non-linear).

Andy obtained his Bachelor's in Science degree from Monash University, Australia. He earned his Postgraduate Diploma in Accounting and Finance from Association of Chartered Certified Accountants (ACCA), United Kingdom. He is a Certified Global Markets Professional in Singapore and Hong Kong markets.

Mark Lord D. Limson | Head, Human Capital
44 years old, Philippines

Mark Lord D. Limson was appointed as Head of Human Capital of Maybank Philippines on May 4, 2020.

Mark comes with almost 20 years of experience in strategic and leadership roles in all fields of Human Resources. He has worked for various companies in different industries such as Philippines Savings Bank, Splash Corporation, Holcim Philippines, Inc., and San Miguel Brewery, Inc. Prior to joining MPI, Mark was the Head of Human Resources of MetroPac Movers, Inc.

Mark is a Certified Senior Professional in Human Resources, International (SPHRi) and a recognized Human Resources professional, having been named 2019's Top 100 Filipino to Follow on LinkedIn, World HRD Congress' 2018's 100 Top Global HR Minds, CHRO Asia's 2017's Asia's Top 50 Human Resources Leaders Awardee and Workplace by Facebook's 2017 Digital Visionary Awardee.

Mark graduated with a degree in Bachelor of Science in Business Administration at the University of the Philippines-Diliman.

Maria Alicia C. Marasigan | Head, Central Operations
47 years old, Philippines

Note: Ms. Marasigan has resigned from Maybank Philippines effective May 15, 2021.

Maria Alicia C. Marasigan was the Head of Central Operations and concurrent Head of Transformation and Strategy of Maybank Philippines.

Joining MPI in 2014, Alice brings with her an extensive banking experience in small and medium enterprise, mortgage and salary loans. Most notably, she pioneered and headed the salary loan business of Planters Bank and Premier Bank (now, Security Bank Savings Corporation).

Her 20-year sales stint equipped Alice with the business acumen that is pivotal in her career move to Operations in MPI. Her in-depth business understanding is instrumental in successfully transforming Operations as a business enabler. She championed Productivity Review and Process Improvement, which resulted to Operational Efficiency. Because of her significant contribution, Alice was appointed as Head of Central Operations Group in April 2018 after being the Officer-in-Charge for 6 months.

Alice earned her bachelor's degree in Financial Management from St. Scholastica's College Manila and holds a Master's in Business Administration degree from Ateneo de Manila University.

Management Committee Profile

Bernardo G. Talimban, Jr. | Head, Information Technology
51 years old, Philippines

Bernardo G. Talimban, Jr. brings with him over 20 years of IT experience when he joined Maybank Philippines as Head of Information Technology in 2014, covering consulting, systems development, project management, transaction banking solutions delivery, business continuity, infrastructure and security.

Bernie started as an analyst programmer and consultant for different manufacturing, oil and banking industries in the country. He formally joined a financial institution in 1997, as IT Manager at ABN AMRO Bank. He later assumed the Solutions Delivery Manager function and was instrumental in growing the cash management business. With the merger of Royal Bank of Scotland and ABN AMRO Bank in 2008, he became AVP and Chief Technology Officer managing both the Philippines and Vietnam operations. In 2010, Bernie joined Bank of Commerce as Vice President and Deputy Chief Information Officer concurrently handling the Project Management Office. During his stint, he initiated different transformation projects in core-banking, corporate and retail internet banking, eBusiness Suite, loans operations, ATM switch fine-tuning amongst others. By 2013, he became First Vice President and Chief Information Officer.

Bernie holds a Bachelor's degree in Entrepreneurial Management from the Polytechnic University of the Philippines (PUP) and earned his Master's in Business Administration from the University of Santo Tomas.

Rajagopal Ramasamy | Chief Risk Officer
56 years old, Malaysia

Rajagopal Ramasamy was appointed as the Chief Risk Officer of Maybank Philippines in June 16, 2018.

Raj brings with him more than 25 years of experience in credit risk encompassing end-to-end spectrum of credit, specializing in corporate and commercial loans. He started his career in banking in 1991 and held various positions in the area of credit including trade finance, branch credit, share financing, credit assessment and approval and remedial management. His longest stint was with Maybank Group Credit Risk Management, handling large corporates and independent power producers before his assignment in MPI in January 2016 as the Regional Credit Officer.

He obtained his Bachelor's Degree from the University of Malaya in 1991 and went on to complete his MBA from the same university in 1998. He is also a Certified Credit Professional by the Institute of Bankers Malaysia (IBBM) and a Credit Trainer for Maybank.

Jose A. Morales III | Chief Audit Executive
59 years old, Philippines

Note: Mr. Morales retired in February 1, 2021 but has subsequently been appointed Interim Head of Central Operations effective May 1, 2021.

Jose A. Morales III joined Maybank Philippines in 2011 as Senior Vice President and Chief Audit Executive. His experience in banking spans over 25 years, most of which are in branch banking, international treasury operations, retail marketing, branch delivery systems, branch sales and marketing, and internal audit.

Joey started his career as a Junior Staff Auditor in SGV and Co. from 1982 to 1984. After which, he worked as an Internal Audit Staff for the Commercial Bank of Manila from 1986 to 1988 and from 1988 to 1990, he was with San Miguel Corp. as a Senior Financial Analyst. From 1990 to 1999, he served as a Cash Center Head, Branch Manager, Overseas Remittance Head and Head of Branch Systems with the rank of Senior Manager in Union Bank of the Philippines. In 1999, Joey joined United Coconut Planters Bank to head the Branch Audit Department with the rank of Vice President. After six years, he had a one-year stint in PricewaterhouseCoopers Philippines as Director-Financial Services of the Advisory Group. From 2006 to 2009, he worked for GE Money Bank as First Vice President - Chief Audit Executive. Before joining MPI, he had a two-year stint at RCBC Savings Bank as SVP for Operations.

Joey graduated with a Bachelor of Science in Commerce degree, Major in Accounting, from San Beda College.

Ma. Bernadette T. Ratcliffe | Chief Compliance Officer
59 years old, Philippines

Joining Maybank Philippines in June 1, 2018 as Chief Compliance Officer, Ma. Bernadette T. Ratcliffe brings with her close to 30 years of extensive experience in compliance, corporate governance, finance, strategic planning, business and management information systems, liquidity management, investor relations, and credit analysis.

Prior to MPI, Dette was with East West Bank for six years, starting out as Chief of Staff in 2012 and eventually became Chief Compliance Officer two years later.

Dette also taught Accounting and Finance at the University of the Philippines, handling various topics on management accounting, corporate finance and specialized credit analysis in Development Center for Finance. She was also a lecturer in Corporate Finance and Accounting in University of Asia and the Pacific.

A Certified Public Accountant, Dette holds a Master of Business Administration (MBA) and a Bachelor in Science Major in Business Administration and Accountancy degrees in University of the Philippines, Diliman, Quezon City.

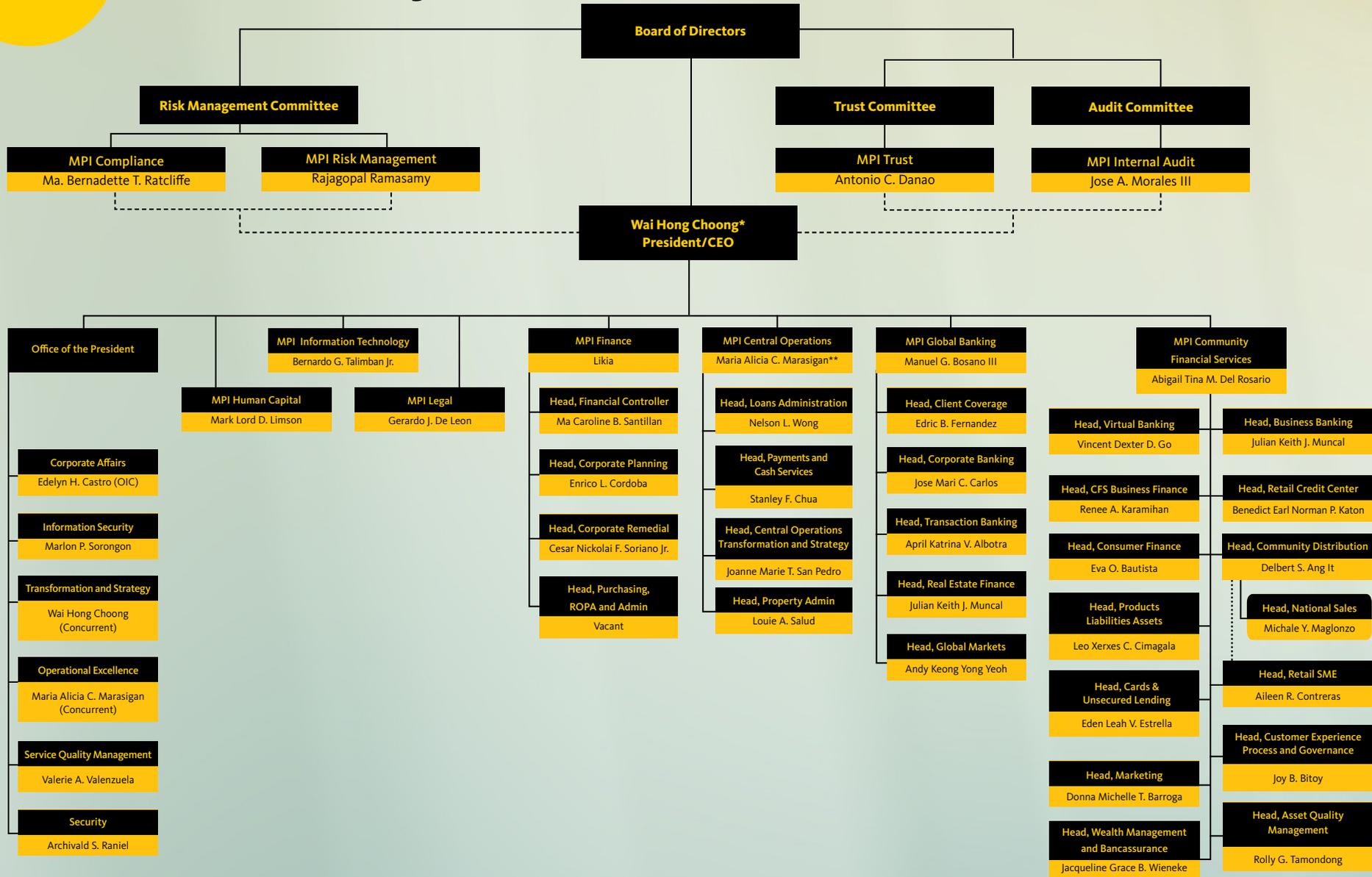
Atty. Gerardo J. De Leon | Corporate Secretary and Head, Legal
56 years old, Philippines

Atty. Gerardo “Gerry” J. De Leon was appointed as the Head of Legal and Corporate Secretary of Maybank Philippines on October 12, 2019. Prior to assuming the position, Atty. Gerry was previously the Deputy Head of Compliance, Chief Privacy Officer, and Head of Regulatory Compliance.

Before joining MPI, Atty. Gerry was the General Regulations Compliance Officer and Data Protection Officer of Security Bank Corporation where he was also appointed as Compliance Officer of its various subsidiaries and affiliates. He practiced law for more than 20 years, performing legal research and writing litigation (civil, criminal, special proceedings, taxation and administrative law); regulatory compliance; corporate secretarial; and preparation of pleadings, briefs, memoranda, and legal opinions.

Atty. Gerry earned his Bachelor’s degree in Accounting from the University of Santo Tomas. He obtained his Law Degree from San Beda University, formerly San Beda College.

House of Maybank



* Mr. Wai Hong Choong resigned from Maybank Philippines effective April 11, 2021
 ** Ms. Alice Marasigan resigned from Maybank Philippines effective May 15, 2021

Management Directory

MAYBANK PHILIPPINES, INC.

As of December 31, 2020

BOARD OF DIRECTORS

Chairman of the Board

Fauziah Hisham

Members of the Board

Datuk Lim Hong Tat
Pollie Sim (Sim Sio Hoong)
Choong Wai Hong
Manuel N. Tordesillas
Renato T. De Guzman, ID
Atty. Ray C. Espinosa, ID
Jesus Roberto S. Reyes ID
Simoun S. Ung, ID

Corporate Secretary

Atty. Gerardo J. De Leon

MANAGEMENT COMMITTEE

Chairman of the Management Committee

Choong Wai Hong*

Members of the Management Committee

Likia
Abigail Tina M. Del Rosario
Manuel G. Bosano III
Andy Yeoh (Yeoh Keong Yong)
Maria Alicia C. Marasigan**
Bernardo G. Talimban, Jr.
Mark Lord D. Limson

Permanent Attendee of the Management Committee

Rajagopal Ramasamy
Jose A. Morales III
Ma. Bernadette T. Ratcliffe
Atty. Gerardo J. De Leon

PRINCIPAL OFFICERS

President & Chief Executive Officer

Choong Wai Hong*

Executive Vice-President

Abigail Tina M. Del Rosario

Senior Vice-Presidents

Delbert S. Ang It
Manuel G. Bosano III
Likia
Mark Lord D. Limson
Paolo Joaquin C. Maranon
Maria Alicia C. Marasigan**
Jose A. Morales III
Angela R. Ofrecio
Rajagopal Ramasamy
Ma. Bernadette T. Ratcliffe
Bernardo G. Talimban, Jr.
Jacqueline Grace B. Wieneke
Andy Yeoh (Yeoh Keong Yong)

Vice-Presidents

April Katrina V. Albotra
April Theresa DC. Bernardino
Joy B. Bitoy
Chester M. Caluag
Jose Mari C. Carlos
Cristina B. Casipit
Noel G. Chan
Stanley F. Chua
Leo Xerxes C. Cimagala
Enrico L. Cordoba
Antonio C. Danao
Ma. Rosario C. Datuin
Atty. Gerardo J. De Leon
Edric B. Fernandez
Benedict Earl Norman P. Katon
Michael Y. Maglonzo
Michael B. Pagkalinawan
Ma. Cristina T. Perez
Annabelle M. Piatos
Erriol Brian B. Sadie
Paolo M. Salcedo
Roxanne Beatriz M. Salud
Antonette P. Santos
Santiago F. Sebastian
Rolly G. Tamondong
Ronel Loreto R. Tapiador

* Mr. Wai Hong Choong resigned from Maybank Philippines effective April 11, 2021
** Ms. Alice Marasigan resigned from Maybank Philippines effective May 15, 2021

Corporate Governance

We believe that measures to exercise good corporate governance must be in place and ingrained in our philosophy-- to ensure that the business is run responsibly and in turn protect all our stakeholders.



Maybank Philippines, Inc. (MPI) adheres to the values of integrity, fairness, accountability, and transparency in carrying out its daily operations. This mindset is balanced with measures undertaken to ensure that the business complies with the regulatory requirements of the Bangko Sentral ng Pilipinas and its CAMELS (capital, asset quality, management, earnings, liquidity, and sensitivity to market risk) framework.

The practice of good corporate governance is vital to keep the checks and balances in the Bank's operations and Management's decision-making. It is likewise crucial in enhancing shareholders' value, obtaining customers' trust and loyalty as well as strengthening employees' commitment to realize the Bank's aspiration of becoming the country's leading financial services provider for its target market segment.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

FUNCTIONS, DUTIES AND RESPONSIBILITIES

The Board of Directors is MPI's highest governing body. The Board is at the helm of the Bank's strategic direction and operations, thus, have oversight and authority over the Bank's properties, interests, businesses, and transactions.

The Board's responsibilities include decision-making on major business strategies; appointment and confirmation of the Bank's leaders; approval on big funding and investment proposals, annual budget, and financial plans; and review of the Bank's performance to ensure MPI's long-term success for the benefit of all stakeholders. The Board also ensures that effective risk management and operating policies are in place in support of strategic directions and programs.

The Board is also responsible for governing the business and affairs of the Bank, and for exercising all such powers pursuant to its Articles of Incorporation and By-Laws. The Board is allowed to seek external professional advice on any issue it deems necessary. To be effective, the Board subscribes to the Code of Corporate Governance issued by the Securities and Exchange Commission for Public Companies and Registered Issuers, which is based on the core principles of integrity, fairness, accountability and transparency.

MPI's Senior Management, on the other hand, is the team of individuals at the highest level of management who have the day-to-day tasks of managing the Bank. Also referred to as the Management Committee or ManCom, they hold executive powers as delegated to them or by authority of the Board of Directors. The MPI Senior Management team is composed of Heads of the different business, support and governance pillars, and key functional executives.

QUALIFICATIONS AND SELECTION

Members of the MPI Board as well as its Senior Management are individuals who uphold integrity and are equipped with expertise in running financial institutions.

Members of MPI Board, Senior Management and all other positions requiring appointment by the Board are appointed through the recommendation of the Bank's Corporate Governance Committee (CGC). The CGC reviews and evaluates the qualifications of all persons nominated for MPI Board approval, based on a set of criteria set forth in MPI's Corporate Governance Manual.

Each year, members of the Board are required, by rotation, to submit themselves for re-election to the Board. Nominees to the Board are confirmed by the Bank's shareholders during the annual stockholders' meeting. For financial year 2020, the Annual Stockholders' Meeting was held on July 10th.

ROLES AND RESPONSIBILITIES OF THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER OF THE BANK

To ensure equitable distribution of responsibilities and accountabilities as well as to provide proper check and balance of the power and authority over the Bank's operations, there is a clear separation of roles between MPI's Chairman of the Board and the President and Chief Executive Officer.

The Chairman of the Board is a non-executive member of the Bank. She, along with other members of the Board, is responsible for supervising the Bank's operations and ensuring its compliance with all the tenets of corporate governance.

The President and Chief Executive Officer, on the other hand, is an executive primarily responsible for overseeing the Bank's day-to-day operations. His performance is evaluated and rewarded by the Board based on his balanced scorecard. He chairs the Management, Asset and Liability, Credit and Staff Committees.

COMPOSITION OF THE BOARD OF DIRECTORS

In line with MPI's By-Laws and Amended Articles of Incorporation, the Bank's Board is composed of nine (9) members, four (4) of who are independent and non-executive, four (4) are non-independent and non-executive, and one is non-independent and an executive of the Bank. Each Director holds one common share.

The Board has a clear division of responsibilities to avoid any individual or group from dominating the Board's decision-making.

Name of Director	POSITION IN THE BOARD/TYPE OF DIRECTORSHIP/Principal Stockholder Represented if Nominee	No. of Meetings Attended (For CY 2020)	No. of Years served as director	No. of Direct (D) and Indirect Shares as of December 31, 2020	Percent to Total Outstanding Shares
Madam Chairman Fauziah Hisham	Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank)	6/6	2	1 (D)	0%
Pollie Sim (Sim Sio Hoong)	Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank)	6/6	7	1 (D)	0%
Datuk Lim Hong Tat*	Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank)	6/6	6	1 (D)	0%
MPI PCEO Choong Wai Hong**	Non-Independent / Executive representing Malayan Banking Berhad (Maybank)	6/6	3	1 (D)	0%
Manuel N. Tordesillas	Non-Independent / Non-Executive	6/6	2	1 (D)	0%
Renato T. De Guzman	Independent / Non-Executive	6/6	4	1 (D)	0%
Atty. Ray C. Espinosa	Independent / Non-Executive	6/6	4	1 (D)	0%
Aloysius B. Colayco***	Independent / Non-Executive	3/3	10	1 (D)	0%
Simoun S. Ung	Independent/Non- Executive	6/6	1	1 (D)	0%
Jesus Roberto S. Reyes****	Independent / Non-Executive	2/2	0	1 (D)	0%

* July 14, 2000 to September 04, 2006; September 21, 2007 to January 29, 2010; March 20, 2014 to present

** Resigned effective April 11, 2021

*** Retired on July 10, 2020

**** Appointed on September 11, 2020

BOARD PERFORMANCE EVALUATION

The Board of Directors, upon the endorsement of the Corporate Governance Committee, adopted an Annual Performance Evaluation, which aims to ensure that the Directors are aware of their responsibilities as individual members and as part of the collegial board. It also allows the members of the Board to identify their strengths and

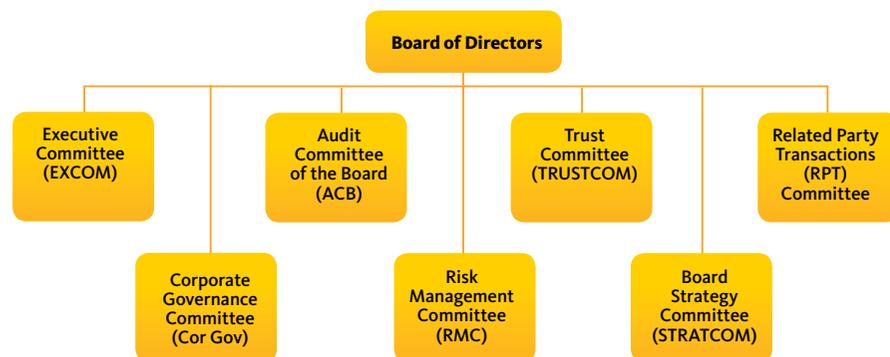
weaknesses which, in turn, will enable the Corporate Governance Committee to formulate steps to address areas of improvement for each Director and the Board as a whole.

The evaluation form has two parts. The first part contains statements of the roles, duties and responsibilities of a Director as embodied under the Bangko Sentral ng Pilipinas' MORB and the Corporate Governance Self-Rating Form. The Director is asked to assess the

level of his/her fulfillment to each of the statements as either “Exemplary”, “Satisfactory” or “Below Expectation”. The second part, on the other hand, consists of varying statements on the roles, functions and responsibilities of the Board. The Directors are asked to assess the performance of the Board on the aspects of Strategies and Plans, Performance Management, Risk Management, Financial Reporting, Policies, Human Capital Management, Effectiveness, Remuneration, Shareholders’ Value, as well as its general assessment on the performance of the Board and Management Committees and the manner by which meetings are conducted. Assessment is either “Satisfactory”, “Could Improve” or “Must Improve in Coming Year”.

BOARD COMMITTEES

MPI has seven (7) Board-level Committees, which were formed to assist the Board in implementing its duties and responsibilities within the bounds of good corporate governance.



EXECUTIVE COMMITTEE

The Executive Committee has the power to approve and act upon all matters affecting the Bank in between meetings of the Board.

The Executive Committee exercises all powers of the Board except on certain matters such as, but not limited to, approval of business plans, which includes the annual operating and capital budgets of the Bank and any matter under the Corporation Code of the Philippines, which requires approval of both the Board of Directors and shareholders of a corporation as conditions precedent for such a matter to become a valid corporate act.

Executive Committee		
Position in the Committee	Name	No. of Meetings Attended
Chairman	TBA	0/0
Member	Pollie Sim (Sim Sio Hoong)	0/0
Member	Choong Wai Hong*	0/0
Member	Renato T. De Guzman	0/0

* Resigned effective April 11, 2021

BOARD STRATEGY COMMITTEE

The creation of the Strategy Committee was approved by the Board as stated in a Circular Resolution on October 14, 2016 and confirmed by the Board of Directors in its meeting on December 2, 2016. The Strategy Committee is tasked to recommend various strategic objectives and plans of the Bank to the Board for its approval, as well as any revisions or changes thereto.

Board Strategy Committee		
Position in the Committee	Name	No. of Meetings Attended
Madam Chairman	Puan Fauziah Binti Hisham	4/4
Member	Choong Wai Hong*	4/4
Member	Pollie Sim (Sim Sio Hoong)	4/4
Member	Renato T. De Guzman	4/4
Member	Aloysius B. Colayco**	3/3
Member	Simoun S. Ung***	1/1

* Resigned effective April 11, 2021

** Retired on July 10, 2020

*** Member since September 2020

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors; assesses the Board and Director's performance, oversees the continuing education of the Board and ensures that the Bank's remuneration is sufficient and reasonable and linked to corporate and individual performance.

Corporate Governance Committee		
Position in the Committee	Name	No. of Meetings Attended
Chairman	Aloysius B. Colayco*	3/3
Chairman	Simoun S. Ung **	2/2
Member	Pollie Sim (Sim Sio Hoong)	5/5
Member	Renato T. De Guzman	5/5

* Retired on July 10, 2020

** Chairman since September 2020

AUDIT COMMITTEE OF THE BOARD

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Bank's process for monitoring compliance with laws and regulations and the code of conduct. The Committee is authorized by the Board to investigate any activity or matter within its sphere of influence; obtain external independent professional advice, legal or otherwise as deemed necessary; and maintain direct communication channels with external and internal auditors and with the Senior Management of the Bank and its affiliates. To execute these functions effectively, the Audit Committee has also been empowered to have the resources, which are required to perform its duties and unlimited access to all information and documents relevant to its activities.

Audit Committee of the Board

Position in the Committee	Name	No. of Meetings Attended
Chairman	Renato T. De Guzman	5/5
Member	Aloysius B. Colayco*	3/3
Member	Datuk Lim Hong Tat	5/5
Member	Simoun S. Ung**	1/1

* Retired on July 10, 2020

** Member since November 2020

RISK MANAGEMENT COMMITTEE

The Risk Management Committee provides oversight of the Board's activities in managing the Bank's credit, market, liquidity, operational, compliance, legal and other risk exposures. It advises the Board on the Bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement and report on the state of risk culture of the Bank. The Committee also oversees the implementation of the Bank's Compliance Framework and Program, including its Money Laundering/Terrorism Financing Prevention Program and ensures that the Bank complies with all applicable laws, regulations, codes of conduct and standards of good practice. It shall ascertain that compliance issues are resolved expeditiously.

Risk Management Committee

Position in the Committee	Name	No. of Meetings Attended
Chairman	Atty. Ray C. Espinosa	5/5
Member	Choong Wai Hong*	5/5
Member	Aloysius B. Colayco**	3/3
Member	Renato T. De Guzman***	4/4
Member	Datuk Lim Hong Tat***	4/4

* Resigned effective April 11, 2021

** Retired on July 10, 2020

*** Member since September 2020

RELATED PARTY TRANSACTIONS COMMITTEE

The Related Party Transactions (RPT) Committee was created by the Board on March 29, 2016 pursuant to BSP Circular No. 895 issued on December 14, 2015. The Committee is tasked in assisting the Board to approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. It ensures disclosure is made and/or information is provided to regulating and supervising authorities related to MPI's RPT exposures, including policies on conflicts of interest or potential conflicts of interest; report to the Board on a regular basis the status and aggregate exposure to each related party; and ensure that transactions with related parties are subject to periodic review/audit.

Related Party Transactions Committee		
Position in the Committee	Name	No. of Meetings Attended
Chairman	Aloysius B. Colayco*	3/3
Chairman	Simoun S. Ung**	2/2
Chairman	Jesus Roberto S. Reyes***	1/1
Member	Renato T. De Guzman	5/5
Member	Atty. Ray C. Espinosa****	4/4

* Retired on July 10, 2020

** Chairman September 2020 and current RPT Member

*** Chairman since November 2020

**** Member from March to September 2020

TRUST COMMITTEE

The Trust Committee provides oversight of the Bank's activities in managing its trust business. Its responsibilities include, but are not limited to, the acceptance and closing of trust and other fiduciary accounts; the initial review of assets placed under the trustee's fiduciary's custody; the investment, reinvestment, and disposition of funds or property; the review of trust and other fiduciary accounts at least once a year to determine the advisability of retaining and disposing of the trust of fiduciary assets, and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship.

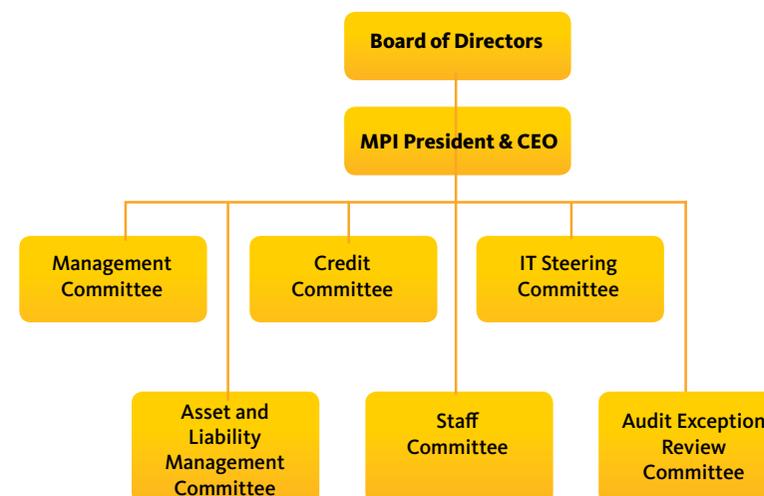
Trust Committee		
Position in the Committee	Name	No. of Meetings Attended
Madam Chairman	Pollie Sim (Sim Sio Hoong)	5/5
Member	Atty. Ray C. Espinosa	5/5
Member	Choong Wai Hong*	5/5
Member	Antonio C. Danao	5/5
Member	Jesus Roberto S. Reyes **	1/1

* Resigned effective April 11, 2021

** Member since December 2020

MANAGEMENT-LEVEL COMMITTEES

MPI has six (6) Management-level committees tasked to support the Bank's Management. The committees are: the Management Committee, the Asset and Liability Committee, the Credit Committee, the Staff Committee, the IT Steering Committee, and the Audit Exception Review Committee.



MANAGEMENT COMMITTEE

The Management Committee directs and reviews the Bank's overall operations to achieve its Board-approved objectives and targets. It also reviews and recommends the Budget Plan of MPI and evaluates the Bank's performance against budget.

ASSET AND LIABILITY MANAGEMENT COMMITTEE

The Asset and Liability Management Committee monitors and reviews the Bank's overall asset and liability management structure to address market risk, liquidity risk, interest rate risk, and capital management.

CREDIT COMMITTEE

The Credit Committee approves the credit facilities and credit-related matters and transactions based on a two-level risk-based authority limit, subject to the Board's notation.

STAFF COMMITTEE

The Staff Committee formulates, plans, and recommends to the Corporate Governance Committee or the Board of Directors policies on all matters relating to the Bank's employees.

IT STEERING COMMITTEE

The IT Steering Committee plans and directs the information technology-related initiatives of the Bank in line with the Board-approved IT strategic plan and overall corporate strategy and plans.

AUDIT EXCEPTION REVIEW COMMITTEE

The Audit Exception Review Committee deliberates on the findings of MPI's Internal Audit Group and monitors the status of actions taken as recommended by both the Bank's Internal and External Auditors.

TRAINING AND DEVELOPMENT

The members of the MPI Board undergo an annual training on relevant topics related to corporate governance, banking trends and regulatory developments. For 2020, the Board and Senior Management attended a two-hour webinar on the best practices to manage money laundering and counter-terrorist arising from online sexual exploitation of children coursed through banks. The Board also attended a two-hour training on Bangko Sentral ng Pilipinas' (BSP) Supervisory Assessment Framework for BSP-Supervised Financial Institutions which will replace the CAMELS and ROCA Rating Systems.

Annually, each Senior Management attends executive development and alignment programs for continuous learning and leadership capabilities enhancement. In 2020, members of the Management Committee attended the Leadership Energy Summit Asia.

- In 2020, MPI also rolled out training programs for upskilling and repurposing, aimed at ensuring business continuity and growth and mobility of talents, and to be able to provide continuous excellent customer experience. These are:
- Project ROAR - a product knowledge training program for sales and operations employees which aimed to increase productivity and sales by equipping the employees with knowledge on how to cross-sell the retail products of the Bank.
- Repurposing Program for Asset Quality Management (AQM) – a process training for the repurposing of thirty-nine (39) sales employees which aimed to continue and increase productivity for the Bank's asset portfolio by equipping the employees with collections skills.
- Remittance and Cable Training – a process and systems training for newly-hired employees of Remittance and Cable who will form the split-operations team, which aimed to ensure business continuity by equipping the employees with knowledge and skills on remittance and cable processes which would support the Bank's operations.

RETIREMENT AND SUCCESSION POLICY

The Board recognizes that age is not the main factor in determining the effectiveness of a Director in discharging his duties and responsibilities, but rather based on his wisdom and qualifications. A Director remains as such and maybe nominated/re-elected to the MPI Board for as long as he is deemed fit and proper in accordance with the relevant qualifications to hold the position as a member of the Board, and possesses all the qualifications and none of the disqualifications under the MPI By-Laws and applicable laws and regulations.

MPI considers the age of sixty (60) as the retirement age for officers and staff. Employees, including Senior Management, reaching this age shall be entitled to receive retirement benefits earned under existing laws and any collective bargaining agreement and other agreements. However, Management may initiate to extend employment beyond the compulsory retirement age of up to the labor law mandated age of sixty-five (65) years old. This will be highly dependent on the exigency of the manpower requirements of the Bank, and those who will be extended shall be bound by a new employment contract.

MPI likewise implements a robust Talent Management Program aimed at enhancing the Bank's Human Capital bench-strength and build people capabilities that support the Group's current and future business and talent needs, thereby creating a high Talent Pool readiness required for Succession Planning.

Senior Management positions fall under Mission Critical Positions (MCP) and identified successors are prepared for accelerated leadership readiness through targeted interventions, as part of the Bank's disciplined implementation of succession plans.

REMUNERATION OF THE BOARD OF DIRECTORS AND OFFICERS

In accordance to MPI's By-Laws and by resolution of the Board, each Director shall receive a reasonable per diem allowance for his actual attendance at each meeting of the Board of Directors. Should he serve as a member of a Board committee or committees of the Bank, the Director shall be entitled to the compensation given a member hereof, subject to limitations set forth by law. In no case shall the total yearly compensation of directors, as such directors, exceed 10% of the net income before income tax of the Bank during the preceding year. In addition to their regular per-diems, the transportation and hotel accommodations of non-Filipino Directors are paid or reimbursed by the Bank.

Total remuneration paid to the Board of Directors for financial year 2020 amounted to **PHP 15,603,576.00** which is a slight decrease compared to PHP 16,411,272.45 recorded in the previous year.

For MPI officers, the Bank has adopted a remuneration system that is at par with the local banking industry. In particular, and as part of its transformation journey, MPI has adopted a rewards strategy that is anchored on the philosophy of "Pay for Performance". It is a holistic approach which ensures that compensation is linked to the business strategy. This, in turn, makes certain that the organization attracts the best talents, and retains and motivates its employees, while enhancing their skills to achieve high performance and

career growth. Moreover, it significantly drives the Bank's profitability, as well as its ability to give value to its shareholders.

This holistic approach to the MPI rewards structure offers both monetary and non-monetary incentives. Basic pay is benchmarked against the market rate and employee benefits are reviewed in terms of its competitiveness in the industry. This approach of "Total Rewards" has evolved to focus on the right compensation and benefits package, partnered with a robust career development and progression opportunities to help employees achieve their personal and professional aspirations, and at the same time, ensuring that the Bank is positioned to deliver high performance.

The most highly compensated management officers are the President and CEO, one Executive Vice President and three Senior Vice Presidents.

The total amount spent in 2020 for Maybank employees' compensation and benefits is PHP 1,634,801,007.00, slightly higher than the 2019 manpower cost of PHP 1,596,946,206.00. This amount includes the salaries, bonuses, allowances, retirement provisions, and all other benefits of the officers and staff of Maybank Philippines, Inc.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING AND DISCLOSURE

The Board is primarily accountable to MPI's shareholders. The Bank's highest governing body aims to provide its shareholders with a balanced and clear assessment of MPI's performance and prospects when it presents the Bank's audited annual and quarterly financial statements.

Aside from discussing its financial performance in the annual report, MPI also publishes its quarterly financial performance in newspapers of general circulation.

For the financial year ended 31 December 2020, the Bank's financial statements were prepared in full compliance with the Philippine Financial Reporting Standards.

INTERNAL CONTROLS

The Board has an overall responsibility of ensuring that proper and adequate internal controls are in place to safeguard the Bank's assets and protect the interests of its stakeholders. The Board sees to it that internal audit examinations include the evaluation of the adequacy and effectiveness of internal controls covering financial, operational, compliance, and risk management matters.

ROLE OF INTERNAL AUDIT

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the Bank's operations by providing independent, objective assurance and consulting activities which are designed to evaluate and enhance the risk management, control and governance processes in order to assist management to achieve its corporate goals. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

COMPLIANCE FRAMEWORK

Compliance Management promotes awareness and compliance with all relevant laws, rules, regulations, codes of conduct and standards of good practice and inculcates a strong sense of regulatory and ethical responsibility across the organization. It facilitates effective compliance risk management through advisory on regulatory requirements and expectations, establishment of adequate compliance program, policies, guidelines and procedures, conduct of compliance validation and development of structured compliance training programs. Regular reports on compliance-related matters are discussed during meetings of the Management Committee, the Risk Management Committee and the Board. Compliance Management's principles and functional responsibilities are embodied in the Compliance Management Framework and Program.

RELATIONSHIP WITH AUDITORS

The Board maintains a transparent and professional relationship with MPI's external and internal auditors. Through the Audit Committee of the Board, it recommends to shareholders a duly accredited external auditor to undertake an independent audit, which is up for rotation every five (5) years as stipulated in the Bank's manual.

CODE OF ETHICS AND DISCIPLINE

MPI has a Code of Ethics and Discipline to guide all employees in discharging their duties and in dealing with customers, colleagues and public authorities. It also sets out the standards of good banking practices that all employees must observe. Specifically, the Code seeks to:

- Uphold the good name of MPI and to maintain public confidence in the Bank;
- Maintain an impartial relationship between Maybank and its customers;
- Uphold the high standards of personal integrity and professionalism of MPI employees;
- Maintain independence of judgment and action by consciously disclosing and avoiding any possible conflict of interest;
- Encourage the employees to share in the creation of a more just and humane society.

The Code, which was updated in June 2019, was cascaded and communicated to all MPI employees. MPI employees also confirm with Human Capital reading the Code each year.

In strict compliance with the health and safety protocols set by the government at the onset of the pandemic, MPI established an Annex to the Code for pandemic-related offenses to secure the safety and well-being of its employees and customers. The Annex was cascaded and communicated to all MPI employees in August 2020.

CONSUMER PROTECTION

Aligned with the Group's vision of Humanising Financial Services, MPI is geared towards raising the bar in creating a customer-centric organisation. Imperative in achieving this goal is ensuring that consumer protection practices are embedded in our business operations. We adhere to the highest service standards and embrace a culture of fair and responsible dealings in the conduct of our business through the adoption of a Financial Consumer Protection Framework.

The MPI Consumer Protection Framework provides the fundamental guidelines on consumer protection and oversight for the Maybank Group and MPI. This document serves as a key tool for all employees, alongside the Board and Senior Management in understanding, complying and managing day to day consumer protection activities of MPI.

ROLES AND RESPONSIBILITIES OF THE BOARD AND SENIOR MANAGEMENT

The Board and Senior Management are jointly responsible for developing the consumer protection strategy and establishing an effective oversight over MPI's consumer protection programs. The Board shall be primarily responsible for approving and overseeing the implementation of MPI's consumer protection policies as well as the mechanism to ensure compliance with the said policies.

Board of Directors	Senior Management
Approval and Implementation Oversight	Implementation of the Framework
Monitor Framework Implementation and Management	Manage day-to-day consumer protection activities
Oversee Compliance with the Framework	Development and implementation of the Customer Service Training Program
Review periodically the effectiveness of the Consumer Protection Risk Management System	
Ensure sufficient resources are devoted to the implementation of the Consumer Protection Risk Management	
Address weaknesses and make corrective actions in a timely manner	

Senior Management is expected to:

- Create an open and empowering culture to encourage responsible and ethical behavior.
- Promote staff awareness of importance of consumer protection, including providing adequate training, in their respective business functions, especially those who have regular interaction with customers.
- Set-up effective systems and controls to manage and monitor compliance with all applicable laws, regulatory standards, best practices and internal guidelines.
- Be alert to early warning indicators of potential problem or threats to the Bank's reputation.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

To ensure adherence to consumer protection laws, rules and regulations, MPI has in place a Consumer Protection Risk Management System (CRMS) which identifies, measures, monitors, and controls consumer protection risks inherent in its operations.

All new launches or changes in a product/service, its terms and conditions, rates and fees, advertising and communications to customers require the necessary approvals including Service Quality Manager and Call Center Head. This ensures information given to customers are clear, concise and are easily understandable. Similarly, it ensures to address customer's journey for all inquiries, requests and complaints filed.

It is equally important that all personnel with customer touch points are aware of the Consumer Protection Program. Trainings are regularly conducted to ensure that they are well-informed and reminded of these policies.

Compliance and Internal Audit review the Bank's consumer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules and regulations.

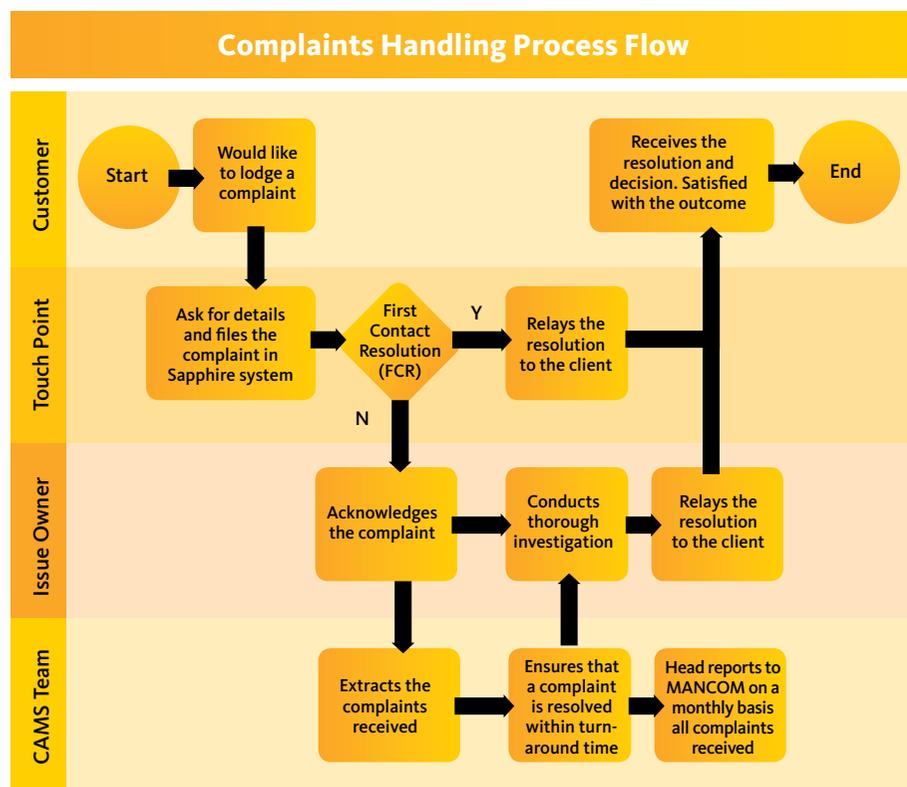
Changes/updates in processes are well-documented and approved by relevant parties. This confirms each department/unit is aware of its responsibilities and accountability is clear.

COMPLAINT MANAGEMENT STANDARD OPERATING PROCEDURE

Having a well-designed and well-managed mechanism for handling customer complaints can improve the quality of our work, enhance the trust and confidence of our stakeholders, identify our areas of improvement, and ensure that Maybank learns from the feedback provided through this process. The complaints and response mechanism is linked to the principles of our Customer Experience Transformation and will ensure feedback, transparency, and learning which will strengthen our accountability as an organization.

In line with Maybank's thrust of building a truly Customer Centric Framework across the Group, Service Quality Management (SQM) will have oversight on the complaints centralized team referred to as Consumer Assistance Management System (CAMS) Team. The members of the CAMS team ensure complaints are resolved within timeline. MPI's SQM Head reports directly to the MPI PCEO, and the Group Customer Experience Management Head in Malaysia. A complaint monitoring report is also prepared every month to update the Management Committee as well as the Board.

MPI's complaints handling process flow is as follows:



- All complaints are documented by the Touch Point (TP) personnel in a central complaints database. Touch Point (TP) refers to available channels where customers may lodge their complaint (ie. branches, call center, website, Service Quality Management, etc). TP personnel is required to acknowledge and attempt to resolve the complaint. Complaints that cannot be resolved at first point of contact are escalated to the issue owner who is also part of the CAMS Team.

- Issue Owner is required to acknowledge complaints received, ensures resolution and communicates the resolution to the customer for proper closure.
- CAMS members are to ensure all complaints are attended to professionally and satisfactorily within the agreed turnaround time.
- Service Quality Head reviews and monitors all complaints lodged in the system and ensures that all complaints are handled and resolved accordingly. Discussions on preventive measures happen with the issue owners and the department heads to improve quality of work and efficiency.

DIVIDEND POLICY

Dividends may be declared from the surplus profits arising from the business of the Bank at such time and in such percentage, as the Board may deem proper. No dividends may be declared that will impair the Bank's capital. Dividends shall be declared in accordance with the law.

SHAREHOLDER INFORMATION

Name of Stockholder/ Nationality	Type of Shares	Number of Shares	Percentage of Ownership
Malayan Banking Berhad/ Malaysian	Common	305,798,756	99.86%
	Preferred	60,814,533	
	TOTAL	366,613,289	
Minority/Various	Common	42,779	0.14%
	Preferred	3,596,541	
	TOTAL	3,639,319	
			100%

Risk Management

We are resilient in the face of challenges to the business and changes in the operating landscape, constantly rethinking and recalibrating to manage risk and adapt to the evolving times.

INTRODUCTION

Risk Management continues to evolve in response to the changing business landscape and regulatory environment of the world today. We thus positioned ourselves to remain resilient in the face of these changes, identifying key drivers and initiatives to improve our value creation to support MPI's strategic objectives.

Strategic Objectives	Key Outcomes
Branch Network Optimization	<ul style="list-style-type: none"> Refocusing of the branch's strategic intent and target customer type Relocation of branches to areas with higher potential
Workforce Management	<ul style="list-style-type: none"> Re-allocation of headcount arising from reduced redundancies and increased automation to sustain growth Reach a specific ratio of front, middle, and back office personnel allocation to improve the Bank's Cost-to-Income Ratio (CIR)
Digital Roadmap and Straight-Through-Process	<ul style="list-style-type: none"> Reduce reliance on traditional branch banking by means of digital products, thereby increasing local competitiveness while avoiding brick and mortar costs

The Bank's approach to risk management is enterprise-wide and involves the establishment of risk policies, procedures, and tools, including independent assessment and monitoring of inherent risks, as well as creation and maintenance of a strong risk culture that acts as the foundation and driver of our governance and risk management practices. MPI's risk management is underpinned by a comprehensive Integrated Risk Management based on best practices.

The mission of MPI's Risk Management function is to develop measures to ensure that risks inherent to the Bank's activities are properly identified, measured, controlled, monitored, and reported under both business-as-usual conditions and stress events.

COVID-19 PANDEMIC RISK RESPONSE

MPI has in place a comprehensive Business Continuity Management (BCM) which includes pandemic response procedures.

For operations, MPI invested heavily on office reconfiguration, procurement of needed devices and PPE requirements to ensure the safety and welfare of its employees as well as keeping the core business to serve the needs of its clients. The number of employees reporting to office were reduced and limited to personnel involved in the Critical Business Functions (CBFs). IT infrastructure, with corresponding security requirements, was enhanced to enable some employees to work from home. Head Office layout was modified to ensure that social distancing parameters are properly observed. Regular sanitation of offices and branch premises continues to this day.

Split operations for CBFs was immediately implemented to ensure core functions will continue if one site was affected. PPEs, transportation, hotel accommodation and food were provided to employees in CBFs during the onset of the strict lockdown. Staff health status was monitored daily and Human Capital has provided the necessary support for those infected until they fully recovered. Regular reminders are being issued through various channels to remind staff of the protocols to be followed.

For Branches, closures and shortened banking hours were implemented to align with the requirement of government declaration of quarantine classification. For closed branches, a buddy branch was assigned to ensure continuous servicing to client. Internet Banking and ATMs were monitored closely to ensure availability to clients.

MPI has also developed a back-to-work plan suited for the quarantine classification declared by the Government. The plan is continuously being reviewed and enhanced to optimize building spaces and implement necessary COVID-19 control measures for staff and clients."

MPI's Crisis Management Team convenes regularly to monitor status of staff and operations and provide the necessary support/directives.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing a sound risk management and internal control system as well as in reviewing its adequacy and effectiveness. In view of the inherent limitations in any internal control system, the risk management and internal control system can only provide reasonable assurance that the significant risks impacting MPI's strategies and objectives are managed within the risk appetite set by the Board and Management, rather than absolute assurance regarding achievement of the Bank's objectives. It does not in any way eliminate the risks of failure to realize the Bank's objectives against any material misstatement, fraud or loss. The inherent limitations include, amongst others, human error, the uncertainty inherent in judgment and the potential impact of external events outside management's control as well as human collusion to circumvent internal controls.

Recognizing the importance of a sound risk management and internal control system, the Board has established a governance structure to ensure effective supervision of risks and controls in the Bank. The Board is satisfied that the Bank has implemented an ongoing process to identify, evaluate, monitor, manage and respond to significant risks faced by the Bank in its achievement of the business goals and objectives amidst the dynamic and challenging business environment and regulatory requirements. The outcome of this process is closely monitored and reported to the Board for deliberation. This ongoing process has been in place for the entire financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

The Board receives reports on a periodic basis relating to regulatory developments and compliance deficiencies identified. The Board focuses on the deficiencies reported, understands the root causes and directs Management to take necessary steps to correct the circumstances and conditions that had caused the compliance deficiencies. This includes specific remediation plans and follow-up actions to ensure non-recurrence in the future.

MANAGEMENT RESPONSIBILITY

The Management is overall responsible for implementing the Board's policies and procedures on risk and controls. Its roles include:

- Identifying and evaluating the risks relevant to the Bank's business, and the achievement of business objectives and strategies
- Formulating relevant policies and procedures to manage these risks in accordance with the Bank's strategic vision and overall risk appetite
- Designing, implementing and monitoring the effective implementation of risk management and internal control system
- Implementing the policies approved by the Board;
- Implementing the remedial actions to address the compliance deficiencies as directed by the Board and regulators;
- Reporting in a timely manner to the Board any changes to the risks of the Bank and the corrective actions taken.

INTEGRATED RISK MANAGEMENT FRAMEWORK

RISK UNIVERSE

The Bank has in place, a Risk Universe that lists all potential risks that could affect MPI. On an annual basis, and whenever necessary, the Bank through its Material Risk Assessment

Process (MRAP) identifies the material risks that could potentially hinder MPI from achieving its set objectives.

Listed below are the material risks identified from the MPI Risk Universe using the Material Risk Assessment Process (MRAP):

Principal Risk	What It Means to Us
Credit Risk	The Bank's risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms.
Market Risk	Risk of loss or adverse impact on the Bank's earnings or capital from changes in the level of volatility of market rates or prices such as interest/profit rates, foreign exchange rates, commodity prices, and equity prices.
Liquidity Risk	Risk of adverse impact to the financial condition or overall safety and soundness of the Bank that could arise from the inability (or perceived inability) or unexpected higher cost to meet its obligations.
Interest Rate Risk in the Banking Book	Risk of loss in earnings or economic value on banking book exposures arising from movements in the interest rates.
Operational / Non-Financial Risk	Risk of loss arising from operational events and/or external factors that could result in monetary losses or negative impact in brand value and/or stakeholder perceptions towards the Group. It comprises operational, information, and reputational risks, as well as other downside risks (i.e. "known" unknowns). Holistically, it is from the point of discovery through active risk and business continuity management.
Information Technology Risk	Risk which impacts confidentiality, availability, and integrity of information and services related to information technology. This includes risks that customers or the business may suffer on service disruptions or may incur losses arising from system defects, illegal or unauthorized use of computer systems or data breach via computer systems perpetrated either by internal staff/vendors or external parties. This also includes Cyber Risk that can lead to losses due to cyber-crime and cyber terrorism. The consequences are potential breach of customer data/information and reputational impact to the Bank.

Risk Management

Principal Risk	What It Means to Us
Compliance Risk	Risk that may erode the franchise value of the Bank such as legal or regulatory sanctions, material financial loss, or loss to reputation which the Bank may suffer as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to its activities. Said risk may also arise from failure to manage conflict of interest, treat customers fairly, or effectively manage risks arising from money laundering and terrorist financing activities.
Enterprise Risk	Risk of loss to the Bank arising from business/strategic, industry, reputational, corporate governance, sustainability and data quality risk.
Model Risk	Risk of a model not performing the tasks or capture the risks it was designed to address.
Financial Risk	Risk of loss to the Bank arising from capital and profitability risk.

RISK PRINCIPLES

MPI's risk management approach is underpinned by a sound and robust Integrated Risk Management Framework, which is constantly enhanced to remain relevant and resilient amidst the ever-changing global risk landscape, regulatory requirements and leading practices in ensuring effective management of risk. The overall structure of the Integrated Risk Management Framework is shown below.



Key Risk Principles

- Establishing a risk appetite and strategy which is approved by the Board that articulates the nature, type and level of risk the Group is willing to assume.
- Driving capital management by strategic objectives that takes into account the relevant regulatory, economic and commercial environments in which the Group operates
- Ensuring proper governance and oversight through a clear, effective and robust Group governance structure with well-defined, transparent and consistent lines of responsibility established within the Group
- Promoting a strong risk culture that supports and provides appropriate standards and incentives for professional and responsible behavior.
- Implementing risk frameworks, policies and procedures to ensure that risk management practices and processes are effective at all levels.
- Executing robust risk management practices and processes to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Group
- Ensuring sufficient resources, infrastructure and techniques are in place to enable effective risk management.

RISK APPETITE

The Bank's risk appetite is a critical component of our robust risk management framework and is driven by both top-down Board leadership and bottom-up involvement of Management at all levels. Our risk appetite enables the Board and Senior Management to communicate, understand and assess the types and levels of risk that we are willing to accept in pursuit of our business objectives.

The risk appetite is integrated into the strategic planning process, and remains dynamic and responsive to changing business and market conditions. In addition, the budgeting process is aligned to the risk appetite in ensuring that projected revenues arising from business transactions are consistent with the risk profile established. Our risk appetite also provides a consistent structure in understanding risk and is embedded in day-to-day business activities and decisions throughout the Bank.

Guided by these set of principles, the articulation of our risk appetite is done through Risk Appetite Statements, encompassing all material risks across the Bank. This forms the link in which the risk limits and controls are set in managing risk exposures arising from business activities. Acting as both governor of risk and a driver of current and future business activities, the risk appetite ultimately balances the needs of all stakeholders and acts as powerful reinforcement to a strong risk culture.

Principles of Risk Appetite

The goal of risk management is not to eliminate risk, but to manage it effectively to provide our stakeholders with long-term returns that are commensurate with the risk the bank takes. Hence, the Bank's Risk Appetite Statement (RAS) is in essence the Board and Senior Management's statement of intent, and 'posture' on its risk-taking activities as well as the management of it.



RISK GOVERNANCE

The governance adopted in the Bank provides a formalized, transparent and effective structure that promotes active involvement from the Board of Directors and Senior Management in the risk management process to ensure a uniform view of risk across the Bank.

Our governance model places accountability, ownership and agility in ensuring an appropriate level of independence and segregation of duties. The management of risk broadly takes place at different hierarchical levels and is emphasized through various levels of committees, business lines, control and reporting functions. The structure is premised on the three lines of defense which include risk taking units, risk control units and internal audit.

- First line: "Risk Taking Units"
 - Consists of both business and support units who are ultimately responsible to manage day-to-day risks inherent in our business and activities.
 - Ensures effective risk oversight, alignment to the implementation of risk frameworks, policies and procedures and clarity in risk management functions and practices.
- Second line: "Risk Control Units"
 - Includes risk management and compliance functions to provide effective oversight and guidance over the effective operation of the risk management framework.
 - These units have similar responsibilities to the 1st line of defense for the processes and activities they own. In addition, they are responsible in ensuring implementation and execution of risk management frameworks, policies and tools.
- Third line: "Internal Audit"
 - Internal audit forms the 3rd line of defense and provides independent assessments and validation that risk management frameworks and practices are sufficiently robust in support of the Group and consistent with regulatory standards.

Maybank Philippine Risk Governance Model



BOARD OF DIRECTORS

The Board of Directors is the Bank's ultimate governing body, which has overall risk oversight responsibility including defining the appropriate governance structure and delegation of authority. It approves the risk management framework, risk appetite, plans and performance targets, the appointment of senior officers, delegation of authorities for credit and other risks, and the establishment of effective control.

The Board has delegated the Risk Management Committee to formulate policies and frameworks to identify, measure, monitor, manage and control material risk components.

RISK MANAGEMENT COMMITTEE (RMC)

The RMC is a dedicated Board Committee responsible for the risk oversight function within the Bank, including but not limited to approving MPI's risk management strategies, frameworks, and policies for the material risks faced by the Bank.

Other roles and responsibilities of the Risk Management Committee are:

- To review and approve risk management strategies, risk frameworks, risk policies and risk tolerance, and risk appetite limits of the Bank;
- To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring, and controlling risk and the extent to which these are operating effectively;
- To ensure infrastructure, resources, and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the financial institution's risk taking activities; and
- To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

RISK MANAGEMENT SECTOR

Risk Management is functionally independent of risk-taking units within the Bank. It is responsible for the development of measures to ensure that the risk inherent to the Bank's activities are properly identified, measured, controlled, monitored, and reported.

Risk Management has the following general objectives:

- To promote risk management culture and philosophy of risk awareness;
- To assist risk-taking business and operating units in understanding and measuring risk/return profiles;
- To develop risk and control infrastructure;
- To develop, disseminate, and maintain formalized risk policies, frameworks, methodologies, and tools;
- To provide effective means of differentiating the degree of risk in various business portfolios of the Bank

Risk Governance and Oversight

MPI Risk Management Group Organisational Structure



The Risk Management Sector is headed by the Chief Risk Officer and is composed of the following units:

Credit Risk Management (CRM) is responsible for the formulation of frameworks, methodologies, policies, and tools for the identification, monitoring, reporting and controlling of credit risk. CRM also supports the Credit Committee.

Regional Group Credit Management (RGCM) primarily focuses on conducting independent credit evaluation of business loan-related proposals from Global Banking and the Consumer Finance Services (Business Banking, Wholesale Auto Finance). The team also handles pre-approval evaluation of counterparty requests from Global Markets and Trust. RGCM evaluates project accreditation for Mortgage Loans and assists Credit Risk Management team in policy review. As a critical component of managing asset quality, RGCM undertakes Early Care function and spearheads the Asset Quality Management Committees.

Credit Risk Review (CRR) provides an unbiased independent judgment on the quality of credit appraisals as well as the quality of credit portfolios of the Bank in accordance with BSP's best practices for the management of credit risk.

Credit Risk Portfolio Analytics and Data Governance (CRPA-DG) is responsible for providing accurate and timely macro-level view of the Bank's credit loan portfolio. Other responsibilities include performing deep-dive statistical analysis across each loan product, developing credit risk models, and ensuring that credit risk RWA is optimized. Responsible for overseeing the enterprise-wide management of information and ensuring that data collected and stored are appropriate and sufficient for regulatory reporting and decision making.

Risk Management

Non-Financial Risk (NFR) is responsible for the formulation of frameworks, methodologies, policies, and tools for the identification, monitoring, reporting and controlling of operational risk. NFR also develops the Bank's Business Continuity Plan and conducts monitoring of fraud risks. Systems/tools such as the Risk Control Self-Assessment (RCSA), and Incident Management and Data Collection (IMDC) are also being maintained by NFR.

Market Risk Management (MRM) is responsible for the formulation of frameworks, methodologies, policies, and tools for the identification, monitoring, reporting and controlling of market, IRRBB, liquidity, and treasury credit risk. The team also provides evaluation, analysis, information and recommendation on the management of market and liquidity risks, treasury credit, balance sheet and funding initiatives to ALCO and CC, to facilitate informed strategic management decision-making. MRM acts as the secretariat for ALCO.

Enterprise Risk Management (ERM) is responsible for the formulation of frameworks, methodologies, policies, and tools for the identification, monitoring, reporting, and controlling of all other material risks faced by the Bank. ERM monitors the overall risks of the Bank at an Enterprise-wide level. The unit also drives the Bank's Internal Capital Adequacy Assessment Process (ICAAP), Stress Testing exercise and roll-out and management of various Risk-based Pricing Tools.

Risk management principles, policies, procedures, and practices are updated regularly to ensure their relevance and compliance with current and applicable laws and regulations, and are made available to all employees.

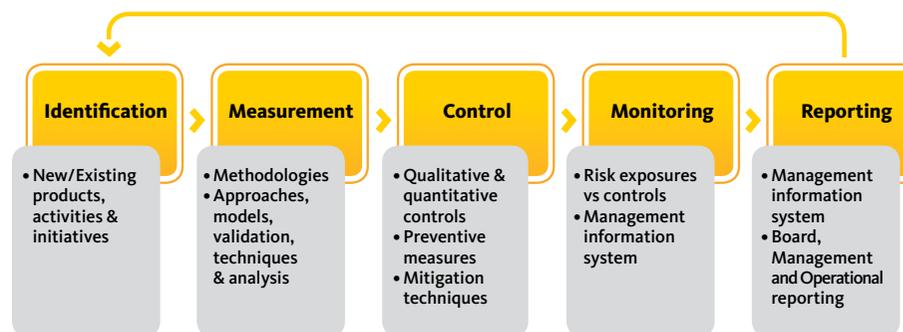
RISK CULTURE

The Bank's risk framework and governance structure is consistently upheld only if reinforced by the right risk culture. In the Bank, a strong risk culture is a fundamental tenet of risk management and serves as the foundation upon which a robust enterprise-wide risk management structure is built.

A strong tone from the top drives the risk culture and strengthened by the tone from the middle, to ingrain the expected values and principles of conduct that shape the behavior and attitudes of employees at all levels across the Bank.

RISK MANAGEMENT PRACTICES & PROCESSES

The following are the five main stages of the risk management process being carried out by the Bank:



- Identification – Identification of entity-level and process-level risks through an established Risk Assessment Process and Risk and Control Self-Assessment exercise. The Bank has also established a process to identify and assess risks for new products and processes.
- Measurement – The Bank has established various methodologies, approaches, models, and techniques to measure both Pillars I and II risks. Data management and risk infrastructure is in place to carry out this process.
- Control – To control the identified risks, the Bank has established qualitative and quantitative controls, preventive measures, and mitigation actions and active management.
- Monitoring – Monitoring of risk exposures vs. limits/triggers are carried out by the risk control units.
- Reporting – Risk management matters are reported to Management and RMC/BOD on an ongoing basis through various monitoring tools and reports.

CAPITAL MANAGEMENT

MPI's approach to capital management is driven by its strategic objectives and takes into account all relevant regulatory, economic and commercial environments in which the Bank operates. The Bank regards having a strong capital position as essential to the Bank's business strategy and competitive position. Thus, implications on MPI's capital position are taken into account by the Board and Senior Management prior to implementing major business decisions in order to preserve the Bank's overall capital strength.

CAPITAL MANAGEMENT FRAMEWORK

The Bank has a Capital Management Framework to ensure that the management of capital is consistent and aligned across MPI.

The Capital Management Framework, which is approved by the Board, provides a comprehensive approach to the management of capital for the Bank. Specifically, the framework aims to:

- Establish a formal capital management framework for MPI within which the capital management policies and procedures will be developed and implemented;
- Formulate the principles and strategies to be adopted by MPI in managing and optimizing its capital;
- Clearly define roles and responsibilities of the MPI Board of Directors, ManCom and the concerned groups/units within the Bank with regard to capital management matters;
- Establish guidelines for managing capital in an integrated basis and to ensure compliance with all internal and regulatory requirements across the Bank; and
- Promote a high level of corporate governance in the area of capital management within the Bank.

A strong governance and process framework is embedded in MPI's Capital Management Framework. Appropriate policies are in place governing the transfer of capital within the Bank. The purpose is to ensure that capital is remitted as appropriate, subject to local regulatory requirements and overall capital resource is optimized at all levels in MPI. Overall responsibility for the effective management of capital rests with the Board while the Management is responsible for ensuring the effectiveness of the capital management policies in an ongoing basis and for updating the Capital Management Framework to reflect revisions and new developments.

CAPITAL MANAGEMENT PLAN

MPI Capital Management Framework is also supplemented by the MPI Capital Management Plan to ensure robust monitoring of the Bank's capital position and to ensure that the Bank has adequate levels of capital and optimal capital mix to support the Bank's business plans and strategic objectives during the financial year.

The quality and composition of capital are key factors in the Board and Management evaluation of MPI's capital adequacy position. MPI places strong emphasis on the quality of its capital, and, accordingly, holds a significant amount of its capital in the form of common equity, which is permanent and has the highest loss absorption capability on a going concern basis.

CAPITAL STRUCTURE

Based on its audited results preceding two (2) years (FYE December 2019 and 2020), MPI's qualifying capital has remained above the regulatory minimum as shown in the table below.

MPI's Tier 1 capital, which consists of the Bank's core capital composed of common shares, retained earnings and current year profit less deductions, has made up the largest chunk of its qualifying capital as this accounted for 80% of regulatory capital as of end-December 2020, with the deterioration year-on-year attributed to the losses incurred during the height of the COVID-19 Pandemic.

Tier 2 capital increased due to the PHP 2.0 billion subordinated debt from the Group, availed by MPI in October 2017 after receipt of requisite regulatory approval.

2018-2020 MPI Capital Composition

Capital Composition (in PHP Millions)	FYE 2018	FYE 2019	FYE 2020
Paid-up Common Stock	10,313.19	10,313.19	10,313.19
Additional paid-in Capital	262.76	262.76	262.76
Retained Earnings	2,026.24	2,203.58	2,953.21
Undivided Profits	71.46	794.84	(1,538.82)
Cumulative FX Translations	-	-	-
Other Comprehensive Income	(248.59)	21.88	41.14
Less: Regulatory Adjustments	1,068.40	1,019.97	1,713.99
Common Equity Tier 1 Capital	11,356.66	12,576.29	10,317.48
Additional Tier 1			
Total Tier 1 Capital	11,356.66	12,576.29	10,317.48

Capital Composition (in PHP Millions)	FYE 2018	FYE 2019	FYE 2020
Paid-up Perpetual and Cumulative Preferred Stock	-	-	-
Net Unrealized Gains on AFS Equity Sec purchased (subject to 55% discount)			
General Loan Loss Provision	879.80	724.78	663.57
Other Limited Life Capital Instruments	1,990.00	1,990.00	1,990.00
Total Tier 2 Capital	2,869.80	2,714.78	2,653.57
Total Qualifying Capital	14,226.46	15,291.06	12,971.05
Minimum Required	2,400.00	2,400.00	2,400.00
Excess (Deficiency)	11,826.46	12,891.06	10,571.05
Capital Conservation Buffer	5.48%	8.23%	7.62%

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Bank has a Board-approved ICAAP Framework with areas that cover Capital Management, Pillar 1 and Pillar 2 Risk Measurement, Minimum Internal Capital Requirement Calculation, Use of the ICAAP, Governance Structure and Reporting Framework.

At MPI, the overall capital adequacy in relation to its risk profile is assessed through a process articulated in the ICAAP. The ICAAP has been implemented within the Bank to ensure that all material risks are identified, measured, and reported, and adequate capital levels are consistent with the risk profiles.

MPI's ICAAP closely integrates the risk and capital assessment processes. The framework is designed to ensure that adequate levels, including capital buffers, are held to support MPI's current and projected demand for capital under existing and stressed conditions. An ICAAP Document is submitted to the Management Committee, Risk Management Committee and Board of Directors for a comprehensive review of all material risks faced by the Bank and assessment of the adequacy of capital to support them.

In line with the BSP's Guidelines on ICAAP, MPI submits annually a Board-approved ICAAP document to the BSP every March 31st, with an exception for 2020 which was due in October on account of regulatory relief afforded to local banks by the BSP during the COVID-19 Pandemic. The requirements include an overview of ICAAP, composed of the current and projected financial and capital position, ICAAP governance, risk assessment models and processes, risk appetite and capital management, stress testing, and capital planning and the use of ICAAP.

COMPREHENSIVE RISK ASSESSMENT UNDER ICAAP FRAMEWORK

The ICAAP Framework shall identify all material risks faced by MPI and measures those risks that can be reliably quantified. The ICAAP, therefore, shall address the following types of risk:

- Risks captured under Pillar 1 – These cover credit risk, market risk, operational risk, and any other risk types included under Pillar 1 of the Basel II Framework.
- Risks not fully captured under Pillar 1 – These cover risks which are not fully captured under Pillar 1 process. Such risks relate to understatement/uncertainty of risks calculated under Pillar 1 and example includes model risk.
- Risk types not covered by Pillar 1 – These cover risks which are not specifically addressed under Pillar 1 and examples include credit concentration risk, interest rate risk in the banking book, and reputational risk.

Material risks are defined risks, which would materially impact the financial performance (profitability), capital adequacy, asset quality and/or reputation of the bank should the risk occur.

A key process called "Material Risk Assessment Process" is employed within MPI to identify, assess, quantify, mitigate, and manage material risks. This measurement methodology is carried out for the purpose of meeting the objectives of ICAAP, which are to:

- Ensure the identification of all material risks;
- Measure the risks reliably;
- Ensure capital is adequate to support all the material risks faced by the Bank.

CAPITAL ADEQUACY RATIOS

MPI's Capital Adequacy Ratio (CAR) has remained above the minimum regulatory requirement for the recently concluded financial year and prior two financial years. MPI's risk-based CAR, which takes into account Pillar 1 risks has remained above the 7.5% minimum requirement by the BSP to Tier 1 Capital Ratio and 10% for the Total Capital Ratio, as shown in the table below:

Capital Adequacy Ratios (in PHP Millions)	FYE 2018	FYE 2019	FYE 2020
Common Equity Tier 1 Capital	11,356.66	12,576.29	10,317.48
Total Tier 1 Capital	11,356.66	12,576.29	10,317.48
Total Tier 2 Capital	2,869.80	2,714.78	2,653.57
Total Qualifying Capital	14,226.46	15,291.06	12,971.05

Capital Adequacy Ratios (in PHP Millions)	FYE 2018	FYE 2019	FYE 2020
Pillar 1 – Credit RWAs	87,676.59	77,579.75	66,045.94
Pillar 1 – Market RWAs	2,429.92	1,604.65	547.33
Pillar 1 – Operational RWAs	8,823.48	9,223.92	9,137.58
Pillar 1 RWAs	98,929.99	88,408.32	75,730.85
CET 1 Ratio	11.48%	14.23%	13.62%
Tier 1 Capital Ratio	11.48%	14.23%	13.62%
Total Capital Adequacy Ratio	14.38%	17.30%	17.13%
Pillar 2 RWAs	2,653.46	2,556.43	4,229.29
Pillar 1 + Pillar 2 RWAs	101,583.45	90,964.75	79,960.14

Minimum Capital Charge

The “Minimum Capital Charge” (MCC) refers to the minimum amount of capital, which the Bank is required to hold to support all the material risks it is subjected to. These risks include both Pillar 1 and 2 risks, which are either quantified or assessed based on a qualitative capital matrix.

MPI uses the Pillar 1 + Pillar 2 Add-on approach in measuring the capital adequacy for ICAAP. Under this approach, the common risk measure is RWA for Pillar 1 and Pillar 2 risks. Where there is a specific regulatory requirement for Pillar 2 add-on, such requirement is translated into the common measure of RWA to derive the aggregate RWAs for ICAAP purposes.

As at end-December 2020, risk-weighted CAR is at 17.13%. Inclusive of Pillar 2 RWAs, total capital ratio was at 16.22%. The strong risk –weighted capital ratio against MPI’s Total RWA is a testament of the Bank’s resilience and strength in meeting its obligations, amidst changes in the landscape.

Pillar 2 Risks

“Pillar 2 risk” is defined as any risk faced by the Bank where capital has not been allocated or inadequately allocated under Pillar 1. Through the Bank’s Material Risk Assessment Process, the following risk areas are determined to comprise Pillar 2 risks:

1. Collateral Risk
2. Credit Concentration Risk
3. Country Risk
4. Interest Rate Risk in the Banking Book
5. Compliance Risk
6. Capital Risk
7. New Products & Services
8. Model Risk
9. Liquidity Risk
10. Business Continuity Management
11. IT Risk
12. Reputation Risk
13. Business & Strategic Risk

CREDIT RISK

Credit risk arise from obligations from the Bank’s direct lending operations, trade finance and its funding investment, and trading activities undertaken.

CREDIT RISK MANAGEMENT FRAMEWORK

The CRM framework includes comprehensive credit risk policies, tools, and methodologies for identification, measurement, monitoring, and control of credit risk on a consistent basis.

Credit Risk Management undertakes the improvement and implementation of Group risk frameworks, tools, and methodologies for the identification, measurement, monitoring, and control of credit risk in accordance to the Bank’s risk appetite and lending direction and strategies. Methodologies are implemented in coordination with the Maybank Group to ensure consistency of risk management approach. Where applicable, methodologies and tools are adopted from the Group and customized to the local operating environment.

Risk Management

Credit Risk Management is responsible for setting concentration limits. CRPA-DG aids CRM in compliance monitoring with respect to these limits. CRPA-DG also prepares various credit risk reports submitted to Management, RMC, and the BOD. All loan products are coursed through the Regional Group Credit Management and Credit Risk Management for review.

The rest of the Risk Management Units also assists in the development and implementation of various mechanisms to support business generation, capital optimization, portfolio management, and Basel II implementation. Regional Group Credit Management is responsible for the pre-approval independent credit evaluation of credit proposals. It ensures that credit approval structures follow the “four eyes policy” for appropriate check and balance. The Credit Risk Review (CRR) Unit undertakes the post-approval review of selected loan accounts.

RISK MEASUREMENT AND REPORTING

To measure risk of default for corporate and commercial loans, the Bank makes use of the International Risk Rating System (IRRS) which consists of twenty three (23) risk grades that are mapped to external ratings, as well as risk classification according to BSP guidelines.

The IRRS is used as a tool for decision making as well as in determining appropriate pricing for loan accounts. The key risk indicators for credit measures the Bank’s credit risk position against targets, historical performance or industry average in selected areas as of a given period.

In terms of measuring the Bank’s ability to withstand the impact of stress conditions, stress testing methodology is used. Through the stress testing, the impact of exceptional events on the Bank’s asset quality, profitability, and capital adequacy is measured.

In terms of reporting, CRPA-DG prepares regular loan portfolio reports covering areas such as business growth, asset quality, concentration of exposures and compliance to applicable regulatory and internal guidelines. These reports are submitted to the CC, RMC, BOD and other end-users.

RISK MITIGATION

Where appropriate, the Bank requires a second way out in the form of eligible collaterals or guarantee/surety to mitigate credit risk. There are various collaterals and securities that are acceptable to the Bank. In evaluating acceptability of collateral, three factors are considered: control, disposability and margin.

CAPITAL TREATMENT FOR CREDIT RISK

MPI computes the minimum capital requirements against credit risk as per BSP’s Risk-Based Capital Adequacy Framework under Standardized Approach.

Credit Risk (in PHP Millions)	FYE 2018			FYE 2019			FYE 2020		
	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge
On-Balance Sheet Assets	82,815.99	6,625.28	8,281.60	74,176.70	5,934.14	7,417.67	63,625.07	5,090.01	6,362.51
Off-Balance Sheet Assets	4,801.95	384.16	480.20	3,107.92	248.63	310.79	2,592.83	207.43	259.28
Counterparty Risk	362.34	28.99	36.23	295.12	23.61	29.51	138.71	11.10	13.87
Total	87,980.29	7,038.42	8,798.03	77,579.75	6,206.38	7,757.97	66,356.61	5,308.53	6,635.66

The following tables present MPI's Credit Risk Exposures for on-balance sheet and off-balance sheet assets and counterparty risk-weighted assets:

FYE 2018				
Total Risk-Weighted On-Balance Sheet Assets (in PHP Millions)	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Thresh- old	Exposures Not Covered by CRM	Risk-Weighted Asset
Cash on Hand	1,667.13	-	1,667.13	-
Checks and Other Cash items	7.87	-	7.87	1.57
Due from Bangko Sentral ng Pilipinas (BSP)	14,602.16	-	14,602.16	-
Due from Other Banks	12,376.66	-	12,376.66	6,304.91
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-
Available-for-Sale (AFS) Financial Assets	4,292.27	-	4,292.27	737.97
Held-to-Maturity (HTM) Financial Assets	12,384.67	-	12,384.67	2,731.35
Unquoted Debt Securities Classified as Loans	-	-	-	-
Loans and Receivables	73,514.91	728.25	72,786.66	66,952.63
Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	-	-	-	-
Sales Contract Receivables (SCR)	41.15	-	41.15	46.12
Real and Other Properties Acquired (ROPA)	1,355.81	-	1,355.81	2,033.72
Total Exposures Excluding Other Assets	120,242.64	728.25	119,514.38	78,808.29
Other Assets	4,598.91	-	4,598.91	3,990.82
Total Exposures Including Other Assets	124,841.54	728.25	124,113.29	82,799.11
Total Risk-weighted On-Balance Sheet Assets not covered by CRM				82,799.11
Total Risk-weighted On-Balance Sheet Assets covered by CRM				16.89
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS				82,815.99

Risk Management

FYE 2019				
Total Risk-Weighted On-Balance Sheet Assets (in PHP Millions)	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures Not Covered by CRM	Risk-Weighted Asset
Cash on Hand	1,522.52	-	1,522.52	-
Checks and Other Cash items	2.75	-	2.75	0.55
Due from Bangko Sentral ng Pilipinas (BSP)	9,742.13	-	9,742.13	-
Due from Other Banks	3,331.29	-	3,331.29	1,770.89
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-
Available-for-Sale (AFS) Financial Assets	2,873.85	-	2,873.85	679.43
Held-to-Maturity (HTM) Financial Assets	11,621.45	-	11,621.45	2,406.29
Unquoted Debt Securities Classified as Loans	-	-	-	-
Loans and Receivables	68,209.73	240.43	67,969.30	62,247.96
Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	-	-	-	-
Sales Contract Receivables (SCR)	457.51	-	457.51	460.92
Real and Other Properties Acquired (ROPA)	1,140.04	-	1,140.04	1,710.06
Total Exposures Excluding Other Assets	98,901.27	240.43	98,660.84	69,276.09
Other Assets	5,492.11	-	5,492.11	4,874.67
Total Exposures Including Other Assets	104,393.38	240.43	104,152.94	74,150.76
Total Risk-weighted On-Balance Sheet Assets not covered by CRM				74,150.76
Total Risk-weighted On-Balance Sheet Assets covered by CRM				25.94
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS				74,176.70

FYE 2020				
Total Risk-Weighted On-Balance Sheet Assets (in PHP Millions)	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Thresh- old	Exposures Not Covered by CRM	Risk-Weighted Asset
Cash on Hand	1,313.61	-	1,313.61	-
Checks and Other Cash items	4.33	-	4.33	0.87
Due from Bangko Sentral ng Pilipinas (BSP)	11,698.01	-	11,698.01	-
Due from Other Banks	3,933.66	-	3,933.66	2,042.96
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-
Available-for-Sale (AFS) Financial Assets	7,870.95	-	7,870.95	1,693.62
Held-to-Maturity (HTM) Financial Assets	8,707.94	-	8,707.94	1,972.73
Unquoted Debt Securities Classified as Loans	-	-	-	-
Loans and Receivables	55,491.00	378.78	55,112.21	51,782.30
Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	-	-	-	-
Sales Contract Receivables (SCR)	352.60	-	352.60	357.82
Real and Other Properties Acquired (ROPA)	1,272.50	-	1,272.50	1,908.75
Total Exposures Excluding Other Assets	91,591.27	378.78	91,212.48	59,759.03
Other Assets	4,437.73	-	4,437.73	3,834.33
Total Exposures Including Other Assets	96,029.00	378.78	95,650.21	63,593.36
Total Risk-weighted On-Balance Sheet Assets not covered by CRM				63,593.36
Total Risk-weighted On-Balance Sheet Assets covered by CRM				31.71
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS				63,625.07

Risk Management

FYE 2018			
Total Risk-Weighted Off-Balance Sheet Assets (in PHP Millions)	Notional Principal Amount	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes (e.g. general guarantees of indebtedness and acceptances)	2,089.73	2,089.73	2,056.33
Transaction-related contingencies (e.g. performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	394.55	197.27	123.37
Trade-related contingencies arising from movement of goods (e.g. documentary credits collateralized by underlying shipments) and commitments with an original maturity of up to one (1) year	13,111.27	2,622.25	2,622.25
Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk	16,404.90	-	-
Total Notional Principal Amount	32,000.45	4,909.26	
TOTAL RISK WEIGHTED OFF-BALANCE SHEET ASSETS			4,801.95

FYE 2019			
Total Risk-Weighted Off-Balance Sheet Assets (in PHP Millions)	Notional Principal Amount	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes (e.g. general guarantees of indebtedness and acceptances)	946.22	946.22	553.75
Transaction-related contingencies (e.g. performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	250.92	125.46	75.46
Trade-related contingencies arising from movement of goods (e.g. documentary credits collateralized by underlying shipments) and commitments with an original maturity of up to one (1) year	12,393.56	2,478.71	2,478.71
Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk	14,183.86	-	-
Total Notional Principal Amount	27,774.56	3,550.39	
TOTAL RISK WEIGHTED OFF-BALANCE SHEET ASSETS			3,107.92

FYE 2020			
Total Risk-Weighted Off-Balance Sheet Assets (in PHP Millions)	Notional Principal Amount	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes (e.g. general guarantees of indebtedness and acceptances)	747.90	747.90	724.94
Transaction-related contingencies (e.g. performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	154.10	77.05	14.60
Trade-related contingencies arising from movement of goods (e.g. documentary credits collateralized by underlying shipments) and commitments with an original maturity of up to one (1) year	9,267.04	1,853.41	1,853.29
Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk	13,769.93	-	-
Total Notional Principal Amount	23,938.97	2,678.36	
TOTAL RISK WEIGHTED OFF-BALANCE SHEET ASSETS			2,592.83

FYE 2018				
Total Counterparty Risk-Weighted Assets in the Banking Book (in PHP Millions)	Notional Amount	Potential Future Credit Exposure	Credit Equivalent Amount	Risk-Weighted Assets
Interest Rate Contracts	3,951.60	9.00	338.36	185.53
Exchange Rate Contracts	26,173.82	261.74	360.33	176.81
Equity Contracts	-	-	-	-
Credit Derivatives	-	-	-	-
Total Notional Amount	30,125.42	270.74	698.69	
TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS				362.34

Risk Management

FYE 2019				
Total Counterparty Risk-Weighted Assets in the Banking Book (in PHP Millions)	Notional Amount	Potential Future Credit Exposure	Credit Equivalent Amount	Risk-Weighted Assets
Interest Rate Contracts	2,476.59	10.13	205.33	111.15
Exchange Rate Contracts	28,715.83	297.29	350.33	183.97
Equity Contracts	-	-	-	-
Credit Derivatives	-	-	-	-
Total Notional Amount	31,192.42	307.42	555.66	
TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS				295.12
FYE 2020				
Total Counterparty Risk-Weighted Assets in the Trading Book* (in PHP Millions)	Notional Amount	Potential Future Credit Exposure	Credit Equivalent Amount	Risk-Weighted Assets
Interest Rate Contracts	2,614.13	6.25	119.67	63.51
Exchange Rate Contracts	10,242.21	135.78	159.12	75.20
Equity Contracts	-	-	-	-
Credit Derivatives	-	-	-	-
Total Notional Amount	12,856.33	142.03	278.80	
TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS				138.71

*Note: Derivative transactions classified as HFT, and reported under Trading Book in 2020.

Risk weighted on-balance sheet assets covered by credit risk mitigants were based on exposures with collateralized transactions as well as guarantees by the Philippine National Government.

Third party credit assessments were based on the ratings by Standard & Poor's, Moody's Investors Service, Fitch Ratings, and Philippine Rating Services Corp. on exposures to sovereigns, multilateral development banks, local government units, and government-owned and- controlled corporations.

No MPI exposure has been covered nor protected by credit derivatives. Likewise, MPI has no outstanding investment in Structured Products.

MARKET RISK

The Bank recognizes market risk as the adverse impact on earnings or capital, either immediate or over time, arising from changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity prices and equity prices. Market risk arises through the Bank's trading and balance sheet activities. The primary categories of market risk for the Bank are:

- i. Interest rate risk: arising from changes in prevailing interest rates and implied volatilities on interest rate options; and
- ii. Foreign exchange (FX) rate risk: arising from changes in exchange rates or risk arising from adverse movements/mismatches in currencies.

The Risk Management Committee is the overall risk oversight body. Management of market, interest rate risk in the banking book (IRRBB), and liquidity risks is delegated to the Asset and Liability Management Committee or ALCO, who is responsible for the establishment of appropriate risk policies and limits, duly approved by the RMC; and execution of both strategic and tactical actions to maintain the exposure within the set tolerances and meet the risk and reward objectives of the Bank.

The Bank established the Market Risk Management Unit (MRM) to assist the BOD, RMC and ALCO in monitoring and managing the Bank's market risk exposures independently from the risk taking units. MRM also acts as a business partner of Global Markets in the daily monitoring of its positions against approved risk measures. MRM's roles include the following:

- Ensures that the market, IRRBB, and liquidity risk management objectives of the Bank are achieved through the development, implementation, maintenance

and enhancement of a comprehensive risk management process that comprises of qualitative and quantitative methodologies to identify, measure, control and monitor, among others, the following:

- Market risks, which covers the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities
- Liquidity risks, which covers liquidity crisis, funding structure, fund raising policies and strategies, diversification of funding sources, gap analysis and management
- IRRBB, which covers the risk of loss in earnings or in economic value on banking book exposures arising from movements in the interest rates
- Provides support functions such as evaluation, analysis, and recommendations on the management of market and liquidity risks, treasury credit, balance sheet, and funding initiatives to the ALCO and Credit Committee to facilitate informed strategic management decision making
- Provides consultative services and support functions to all relevant units within the Bank on matters pertaining to market and liquidity risks management and Global Markets operations
- Participates, in collaboration with other risk management units within the Bank on cross border risk management issues, to identify and mitigate various risk inherent in new Global Markets and core banking products prior to product introduction
- Performs regular independent supervision of Global Markets operations
- If the need arises, acts as Secretariat for the execution of the Contingency Funding Plan under the Liquidity Event Management Committee (LEMC)

All market risk policies are reviewed at least annually to ensure compliance with regulatory requirements and up to par with international best practices.

The Bank's traded market risk exposures are primarily from proprietary trading, client servicing and market making. Various risk measurement techniques are used by the Bank to monitor and manage market risk, such as Price-Value-of-a-Basis-Point (PV01), FX net open position (NOP), Value-at-Risk (VaR), and Stop Loss; IRRBB, on the other hand, is managed using Earnings-at-Risk (EaR) and Impact on Economic Value (IEV). In addition, a variety of stress testing techniques are performed to complement the reporting to Management.

RISK MEASUREMENT AND REPORTING

- 1. Interest rate risk (IRR)** The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Management to protect total net interest income from changes in market interest rates.

Price Value of 1 basis point (PVO1)

PVO1 measures the change in the value of the portfolio with 1 basis point increase in the yield curve. Thresholds are set annually to re-assess the Bank's risk appetite and strategy. The PVO1 is computed and reported daily to Global Markets and monthly to ALCO.

Earnings-at-Risk (EaR) and Impact on Economic Value (IEV)

The Bank emphasizes the importance of managing interest rate risk in the banking book as most of the balance sheet items of the Bank generate interest income and interest expense, which are indexed to interest rates. Volatility of earnings can pose a threat to the Bank's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Bank's overall capital adequacy.

All policies, procedures and limits related to IRRBB are presented and deliberated in ALCO prior endorsement to RMC for final resolution. Balance sheet management is the prime responsibility of ALCO and key strategies on how to optimize assets and liabilities are discussed every meeting.

With this, the Bank utilizes EaR to measure the sensitivity of the Bank's Net Interest Income (NII) due to a 100 basis points (bps) change in the underlying interest rates over a period of one year. IEV, on the other hand, shows the sensitivity of economic value on the long term to a 100 bps change in the market yield curve.

EaR and IEV are calculated based on the repricing gaps, or the difference between the amounts of rate sensitive assets and the amounts of rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its

interest rate sensitive liabilities, which may restrain the growth of its net income or result in a decline in net interest income. To reflect sensitivity of certain assets and liabilities, analysis of balances and its movement is done via application of behavioral assumptions to repricing cash flow.

The Bank monitors the exposure of financial assets and financial liabilities to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Bank's interest-related income and expenses. The EaR and IEV is computed and reported monthly to ALCO and bimonthly to RMC. Additionally, the Bank uses sensitivity analysis for stress testing of IRRBB. Parallel shock of 300 and 400 basis points are simulated and reported for perspective.

2. Foreign Exchange Risk

Foreign exchange (FX) rate risk is the risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position in a currency. Where the value of asset/inflow exposures in one currency is not equal to the value of liability/outflow exposures in that currency, it is described as an open position. It may be short (liabilities exceed assets) or long (assets exceed liabilities).

The Bank controls its FX exposures by transacting in permissible currencies. Management of FX risk is done via monitoring of FX NOP and PVO1 for those FX positions in the trading book. If the level reaches the trigger point, action is required to bring back the level to within the normal range. FX risk is reviewed together with other risks to determine the Bank's overall risk profile.

Foreign currency-denominated liabilities generally consist of: (a) foreign currency-denominated deposits in the Bank's FCDU, (b) accounts maintained in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, and (c) foreign currency-denominated borrowings appearing in the regular books of the Bank.

Foreign currency-denominated deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency-denominated liabilities with the foreign currency-denominated assets held under the FCDU books.

LIQUIDITY RISK

Liquidity risk is the risk that the Bank's financial condition or overall safety and soundness is adversely affected by an inability (or perceived inability) to meet its obligations and may result in the Bank incurring unacceptable losses. The Bank's obligations and the funding sources used to meet them, depend significantly on its business mix, its balance sheet structure and the cash flow profile of its on- and off-balance sheet obligations.

The Non-Trading Book Policy, which includes policies on liquidity risk management, is reviewed annually and approved by Management. The Bank's liquidity risk position is actively discussed and managed at the ALCO and RMC in line with the approved guidelines and policies.

The Bank, in line with the Group, has implemented leading practices as a foundation to manage and measure its liquidity risk exposure. The Bank uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals/liquidity indicators and stress testing. The liquidity positions of the Bank are monitored regularly against the established policies, procedures and thresholds.

MANAGEMENT OF LIQUIDITY RISK

For day to day liquidity management, Global Markets will ensure sufficient funding to meet the Bank's intraday payment and settlement obligations on a timely basis. In addition, the process of managing liquidity risk includes:

- Maintaining an adequate portfolio of high quality liquid assets as protection against any unforeseen interruption in cashflows;
- Maintaining a stable funding to support illiquid assets and business activities
- Daily and monthly monitoring of liquidity ratios against internal and regulatory requirements;
- Monthly monitoring of gaps arising from mismatched maturity of assets and liabilities; and establishing behavioral assumptions for non-maturing balance sheet accounts;
- Monthly monitoring and managing of concentration ratios of deposits;
- Conducting monthly liquidity stress testing under various scenarios as part of prudent liquidity control;

- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Contingency Funding Plan (CFP) testing to examine the effectiveness and robustness of the plans.

Since 2018, MPI monitors its Liquidity Coverage Ratio (LCR) on a daily basis; joint management and monitoring are carried out by Global Markets and Group Finance. LCR measures the level of high quality liquid assets (HQLA) required to survive a significant stress scenario lasting thirty (30) calendar days. Bank-wide LCR stood at 140.94% for the month-end December 2020.

STRESS TESTING AND CONTINGENCY FUNDING PLAN

The Bank uses stress testing and scenario analysis to evaluate the impact of sudden stress events on liquidity position. Scenarios are based on hypothetical events that include bank specific crisis and general market crisis scenarios. The stress test result provides an insight of the Bank's funding requirements during different levels of stress environments and is closely linked to the Bank's CFP, which provides a systemic approach in handling any unexpected liquidity disruptions. The plan encompasses strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios.

The Bank also conducts CFP tests to ensure the effectiveness and operational feasibility of the CFP. The key aspects of the testing are to focus on the preparedness of key senior management and their respective alternate in handling a simulated distress funding situation. It also provides exposure and develops capabilities on how to respond to a liquidity crisis situation and operate effectively with each other under challenging circumstances.

CAPITAL TREATMENT FOR MARKET RISK

MPI computes the minimum capital requirements against market risk as per BSP's Risk-Based Capital Adequacy Framework under the Standardized Approach. This is imperative as capital serves as a financial buffer to withstand any adverse market risk movements.

Market Risk (in PHP Million)	FYE 2018			FYE 2019			FYE 2020		
	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge
Interest Rate Exposures	373.17	29.85	37.32	230.14	18.41	23.01	469.10	37.53	46.91
Equity Exposures	-	-	-	-	-	-	-	-	-
Foreign Exposures	2,056.75	164.54	205.68	1,374.52	109.96	137.45	78.23	6.26	7.82
Options	-	-	-	-	-	-	-	-	-
Total	2,429.92	194.39	242.99	1,604.65	128.37	160.47	547.33	43.79	54.73

OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

OPERATIONAL RISK MANAGEMENT FRAMEWORK

Non-Financial Risk (NFR) is responsible for the formulation and implementation of the operational risk framework within MPI, which encompasses the operational risk management strategy and governance structure. Another key function is the development and implementation of operational risk management tools and methodologies to identify, measure, monitor and control operational risks.

Risk taking units (Strategic Business Unit) constitute an integral part of the operational risk management framework and are primarily responsible for the day-to-day management of operational risk.

Operational Risk Officers (ORO) have been appointed within the various Strategic Business Units (SBU) and are responsible for implementing and executing the operational risk management processes and tools. They are also responsible for the investigation of operational losses, monitoring and analysis of risk trends and staff training on operational risk management practices and governance.

OPERATIONAL RISK MANAGEMENT METHODOLOGY AND TOOLS

A variety of methodologies and tools have been implemented to effectively identify, assess, measure and report operational risk exposures on a timely basis, thereby serving as tools to facilitate decision-making and enhance the operational risk management process.

Risk & Control Self-Assessment (RCSA)

RCSA is a process of continual assessment of inherent operational risks and controls to identify control gaps and to develop action plans to close the gaps. It is a risk profiling tool, which facilitates effective operational risk management for MPI.

SBU undertakes the RCSA exercise to give due focus in the review of business processes to enhance critical operations and controls, especially those assessed to be in the 'Caution' and 'Alert' categories.

The SBU level risk profiling exercises are compiled to establish MPI's Risk Profile on a quarterly basis. The consolidated Risk Profile is presented to the Management Committee and Risk Management Committee.

Key Risk Indicators (KRIs)

KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/monitoring.

SBUs monitor their risk exposures via KRIs and are required to develop specific and concrete action plans for those indicators that fall under 'Caution' and 'Alert.' ORM assists the SBU to develop and validate the KRIs to ensure appropriate thresholds are set.

Incident Management & Data Collection (IMDC)

IMDC provides a platform of a structured and systematic process for SBU to identify and focus attention on operational 'hotspots'. This facilitates the establishment of a centralized database of consistent and standardized operational risk incident formation readily available for analysis of operational lapses to minimize the risk impact of future operational losses.

OPERATIONAL RISK MITIGATION AND CONTROL

Risk Mitigation tools and techniques are used to minimize risk to an acceptable level and are focused on:

- Faster resumption of business in the event of a disaster/incident; and
- Decreasing the impact on the business, should it occur.

The control tools and techniques to mitigate operational risk are as follows:

Business Continuity Management (BCM)

The BCM sub-sector is responsible for the formulation and implementation of a BCM Framework, which outlines a comprehensive and integrated approach to ensure business continuity and mitigate possible disruptions to MPI's critical business operations, and people safety in the event of disruptions and disasters.

In line with the BCM Framework requirements, Business Continuity Plans (BCP) were developed for all critical sectors. The BCP documents and exercises are reviewed on a yearly basis.

MPI also conducts an Enterprise Crisis Simulation Exercise (ECSE), involving main critical business functions, to demonstrate the level of readiness within the Bank to cope with any eventuality.

Having a robust and tested BCP ensured the continuity of the operations when the pandemic hit, as the plans were immediately executed at the onset.

CAPITAL TREATMENT FOR OPERATIONAL RISK

Operational Risk capital charge is calculated using The Standardized Approach (TSA) wherein business activities are mapped into eight business lines as prescribed by Basel II and BSP Risk-Based Capital Adequacy Framework.

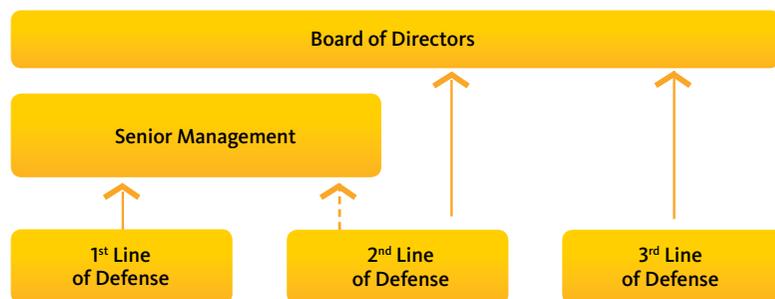
Operational Risk (in PHP Million)	RWA	Total Capital Charge	Adjusted Capital Charge
FYE 2018	8,823.48	705.88	882.35
FYE 2019	9,223.92	737.91	922.39
FYE 2020	9,137.58	731.01	913.76

COMPLIANCE RISK

Compliance risk is the risk that may erode the franchise value of the Bank such as legal or regulatory sanctions, material financial loss, or loss to reputation which the Bank may suffer. In MPI, compliance risk includes reputational risk, non-Compliance with regulatory and statutory requirements, money laundering, terrorism financing and sanctions risks, internal conduct such as poor compliance culture, conduct and ethics, conduct of financial services and critical strategic risk areas.

Management of compliance risk is everyone's responsibility and takes place at different hierarchical level. The compliance risk governance structure for MPI is emphasized through Board of Directors, senior management, business lines, control and reporting functions. The governance model below places accountability and ownership of compliance risk while facilitating the appropriate level of independence and segregation of duties between the three (3) lines of defense.

Risk Management



Failure to comply with all applicable laws, rules and regulations may result in not only the imposition of penalties (for both MPI and the concerned staff personally), staff disciplinary action in accordance to MPI's Code of Discipline but also damage to the Bank's reputation. The impact of non-compliance on an employee's performance appraisal for the year shall be set by Senior Management and presented to the Board for notation.

COMPLIANCE RISK MANAGEMENT

Compliance Risk Management is premised on five (5) broad principles.

- Establish risk appetite strategy which articulates the nature, type and level of compliance risk MPI is willing to assume and is reflective of the strategies and business objectives set by Management and the Board. The risk appetite and strategy is reviewed on a continuous basis to ensure that it remains relevant and reflects any changes in the business environment and strategic direction.
- Ensure a clear, effective and robust governance structure which includes the role of the Board and Senior Management with well defined, transparent and consistent lines of responsibility.
- Promote strong compliance culture that is guided by strong compliance risk management which support and provides appropriate standards and incentives for professional and responsible behavior. The compliance culture is to be embedded in the behavior of the organization at all levels, reflected in risk taking activities, roles and responsibilities, frameworks and policies. Structured learning programs are established to maintain the desired direction towards compliance and expected compliance behavior.

- Establish adequate frameworks, policies, procedures and guidelines that reflect the compliance risk profile including material and potential risk exposures, operating environment and compliance processes to guide businesses on day-to-day compliance risk management.
- Ensure sufficient resources system infrastructure that appropriately support compliance risk management practices and processes and enable access to reliable, accurate and relevant information on a timely basis, thereby facilitating informed decision making by management.

Internal Compliance Officers and Deputy Internal Compliance Officers within the business units (first lines of defense) are appointed to drive their unit towards the sound management of business and compliance risks. They work closely with Compliance Management to identify, assess and monitor compliance risks and administer the consistent implementation MPI's Compliance Program, Anti-Money Laundering/Counter-Terrorist Financing and Sanctions Policy and Procedures and the Data Privacy Program.

MANAGEMENT OF MONEY LAUNDERING AND TERRORISM FINANCING

MPI is committed to the fight against money laundering and terrorism financing, and recognizes its obligation to prevent financial channels and products from being used by money launderers and terrorist organisations for illicit purposes. To fulfill this commitment, the officers and staff of MPI continue to show vigilance in detecting and preventing potential or identified money laundering or suspicious activities. MPI officers and staff conduct business in conformity with high ethical standards, and fully comply with existing laws, rules and regulations. As far as practicable and not inconsistent with local regulations, MPI also complies with the AML & CFT (Anti-Money Laundering & Counter Financing of Terrorism) regulations of the Bank Negara Malaysia – the regulator of MPI's parent company, the Malayan Banking Berhad (MBB).

MPI acknowledges sound AML & CFT risk management practices, as follows:

- adequate and active Board and Senior Management oversight;
- acceptable policies and procedures;
- appropriate monitoring and MIS; and
- comprehensive internal controls and audit.

MPI has a Board-approved AML/CFT Policy and Procedures and Sanctions Policy which provides for and details procedures in complying and implementing the requirements of the Philippines' Anti-Money Laundering Act (Republic Act No. 9160, as amended) and its applicable implementing rules which covers, but is not limited to, the following:

(a) customer identification process including acceptance policies and on-going monitoring processes, (b) record keeping and retention, (c) covered transaction reporting and (d) suspicious transaction reporting, including the adoption of a system capable of flagging, monitoring and reporting of suspicious transactions.

The Bank's AML/CFT Policy and Procedures and Sanctions Policy is revisited periodically in order to determine its effectiveness and is revised accordingly, or as often as may be deemed necessary.

MANAGEMENT OF RELATED PARTY TRANSACTIONS

All Related Parties Transactions (RPT), as defined by the Bangko Sentral ng Pilipinas, are subjected to the Bank's applicable standards for credit and non-credit-related items to ensure transparency and due diligence when performing tasks as is customary even for non-related parties. This is to ensure the interest of the Bank and its stakeholders are protected. In cases where such RPT goes beyond the set materiality thresholds and parameters, escalation procedures are in place to deliberate viability of such a transaction as management sees fit to endorse for higher approval.

Material RPTs require endorsement from a management-level committee, prior to being presented to the RPT Committee and Board of Directors for approval. Related Parties to a transaction are prohibited from direct or indirect involvement in the approval process, as is stipulated in the Bank's internal policy.

Transaction	Amount (in PhP Millions)
DOSRI	845.47
Other Related Party	1,152.53
Sub-Total DOSRI & Other RPT	1,999.00
Internal Borrowings	2,209.13
Unsecured Subordinated Loans	2,019.53
Sub-Total Internal Borrowings	4,228.67
TOTAL MATERIAL RPTS	6,226.67

LEGAL RISK

Legal risk is defined as a risk incurring actual or potential loss that arises due to flawed documentation, change in regulations/laws, new judicial decisions, locations of counterparties and choice of governing law, that threatens the Bank's capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

The Bank's Legal Department is committed to support and service the business units of the bank by providing professional legal advisory services in a timely, accurate and efficient manner to facilitate the execution of MPI's business objectives.

Management of legal risks is guided by the Bank's Legal Risk Management Framework. MPI uses the Scorecard Approach to assess the impact of legal risk of the Bank's reputation. This reputational risk review by Legal Department assesses the following overall level of reputational risk:

- Litigation cases that may create negative impact on the bank, financially and reputation wise.
- Ability of the bank to manage these litigation cases to protect the bank from financial losses and reputational risk.
- Scope of assessment to include overseas branches.

The reputational risk scorecard assessment for Legal is being conducted on a quarterly basis to determine the amount of residual risk and capital charge that needs to be allocated if any.

Audited Financial Statements

Our key strengths are what set us apart from others and enable us to create value for all our stakeholders despite the challenges of 2020.

Independent Auditor's Report

The Board of Directors and Stockholders
Maybank Philippines, Incorporated

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Maybank Philippines, Incorporated (the Bank) which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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 audit 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 PFRSs, 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.

Auditor's 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 auditor's 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 PSAs 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 PSAs, 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 auditor's 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 auditor's 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.

Independent Auditor's Report

**Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP)
Circular No. 1074 and Revenue Regulations 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 33 and Revenue Regulations 152010 in Note 34 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Maybank Philippines, Incorporated. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

SEC Accreditation No. 1510-AR-1 (Group A),

September 18, 2018, valid until September 17, 2021

Tax Identification No. 216-950-288

BIR Accreditation No. 08-001998-107-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534218, January 4, 2021, Makati City

April 14, 2021

Statements of Financial Position

	December 31	
	2020	2019
ASSETS		
Cash and Other Cash Items	₱1,318,048,371	₱1,525,384,334
Due from Bangko Sentral ng Pilipinas (Note 13)	11,740,621,685	9,767,154,508
Due from Other Banks (Note 28)	4,080,554,878	3,489,488,184
Interbank Loans Receivable	946,563,080	–
Financial Assets at Fair Value Through Profit or Loss (Notes 6 and 17)	3,788,118,609	367,173,359
Financial Assets at Fair Value Through Other Comprehensive Income (Note 7)	7,826,212,365	2,861,159,643
Investment Securities at Amortized Cost (Note 8)	8,643,768,228	11,538,964,499
Loans and Receivables (Note 9)	58,566,785,723	71,867,473,016
Property and Equipment (Note 10)	276,233,399	268,400,288
Right-of-Use Assets (Note 24)	589,928,379	661,697,559
Investment Properties (Note 11)	1,093,826,992	1,136,172,532
Deferred Tax Assets (Note 25)	1,530,014,203	975,645,803
Other Assets (Note 12)	761,086,731	616,227,210
TOTAL ASSETS	₱101,161,762,643	₱105,074,940,935

LIABILITIES AND EQUITY

LIABILITIES

Deposit Liabilities (Notes 13 and 28)

Demand	₱25,751,394,611	₱23,267,475,263
Savings	24,152,905,334	19,987,100,447
Time	30,632,736,132	32,626,228,575
	80,537,036,077	75,880,804,285

Bills Payable (Notes 14 and 28)

	2,209,058,000	8,911,760,000
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Subordinated Debt (Note 28)

	1,992,648,990	1,991,777,972
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Accrued Interest, Taxes and Other Expenses (Note 15)

	1,095,884,900	1,185,770,350
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Lease Liabilities (Note 24)

	752,327,010	821,054,982
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Financial Liabilities at Fair Value through Profit or Loss

(Notes 17 and 28)	164,574,417	288,170,199
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Manager's Checks

	375,475,955	698,382,887
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Income Tax Payable

	4,825,636	29,174,050
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Other Liabilities (Note 16)

	1,434,153,999	1,342,441,407
	₱88,565,984,984	₱91,149,336,132

	December 31	
	2020	2019
EQUITY		
Preferred Stock (Note 19)	₱232,539,724	₱232,539,724
Common Stock (Note 19)	10,313,344,184	10,313,344,184
Cost of Share-based Payments (Note 19)	262,761,718	262,761,718
Surplus Reserve (Note 19)	59,618,552	56,817,291
Surplus	1,703,117,171	3,148,703,461
Net Unrealized Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Note 7)	105,387,149	22,257,243
Remeasurement Losses on Retirement Plan (Note 20)	(76,766,794)	(97,932,745)
Cumulative Translation Adjustment	(3,840,440)	(12,502,468)
Treasury Shares (Note 19)	(383,605)	(383,605)
	12,595,777,659	13,925,604,803
TOTAL LIABILITIES AND EQUITY	₱101,161,762,643	₱105,074,940,935

See accompanying Notes to Financial Statements.

Statements of Income

	Years Ended December 31	
	2020	2019
INTEREST INCOME ON		
Loans and receivables (Notes 9 and 28)	₱5,251,053,808	₱6,501,299,506
Financial investments (Notes 6, 7 and 8)	991,952,648	811,197,118
Due from Bangko Sentral ng Pilipinas and other banks	63,291,212	33,246,017
Interbank loans receivable and securities purchased under resale agreements	50,683,986	195,921,305
	6,356,981,654	7,541,663,946
INTEREST EXPENSE ON		
Deposit liabilities (Notes 13 and 28)	1,495,508,001	1,989,675,469
Bills payable and other borrowings (Notes 14 and 28)	191,804,702	774,733,793
Financial liabilities at fair value through profit or loss (Note 17 and 28)	5,612,893	7,501,755
Lease liabilities (Note 24)	66,003,500	74,159,490
	1,758,929,096	2,846,070,507
NET INTEREST INCOME	4,598,052,558	4,695,593,439
OTHER INCOME AND CHARGES		
Service charges, fees and commissions (Notes 22 and 28)	408,129,318	744,443,207
Gain (loss) on sale of properties	(133,817,810)	203,633,524
Net trading gains (Note 21)	127,378,125	233,319,128
Foreign exchange losses - net	47,888,141	(642,156,839)
Gain (loss) on foreclosures	38,971,674	(51,533,597)
Miscellaneous (Notes 2 and 23)	93,112,171	255,876,870
TOTAL OPERATING INCOME	₱5,179,714,177	₱5,439,175,732

	Years Ended December 31	
	2020	2019
OTHER EXPENSES AND CHARGES		
Provision for impairment and credit losses (Notes 7, 8, 9, 11, 12 and 16)	₱2,789,763,656	₱321,715,104
Compensation and fringe benefits (Notes 20 and 26)	1,634,801,007	1,596,946,206
Taxes and licenses	725,086,716	847,757,491
Depreciation and amortization (Notes 10, 11, 12 and 24)	429,683,543	450,317,734
Insurance	191,048,447	183,651,228
Security, messengerial and janitorial	156,059,535	134,646,584
Litigation and asset acquired (Note 11)	121,972,140	104,429,061
Occupancy (Note 24)	117,818,465	102,450,467
Postage, telephone and telegrams	38,237,035	42,543,964
Stationery and supplies used	22,767,230	27,601,841
Management and other professional fees	19,183,625	24,067,176
Repairs and maintenance	15,637,517	20,377,682
Traveling	12,722,824	39,394,783
Entertainment, amusement and recreation	686,257	2,359,141
Miscellaneous (Note 23)	715,357,828	694,780,145
TOTAL OPERATING EXPENSES	6,990,825,825	4,593,038,607
INCOME (LOSS) BEFORE INCOME TAX	(1,811,111,648)	846,137,125
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)	(368,326,619)	179,886,145
NET INCOME (LOSS)	(₱1,442,785,029)	₱666,250,980

See accompanying Notes to Financial Statements.

Statements of Comprehensive Income

	Years Ended December 31	
	2020	2019
NET INCOME (LOSS)	(₱1,442,785,029)	₱666,250,980
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Net change in unrealized gains (losses) on financial assets at fair value through other comprehensive income (Note 7)	120,651,841	186,710,993
Tax effect	(37,521,935)	(4,612,285)
Cumulative translation adjustment	8,662,028	(11,710,604)
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gains (losses) on retirement plan (Note 20)	30,237,073	(150,642,474)
Tax effect	(9,071,122)	45,192,742
OTHER COMPREHENSIVE INCOME FOR THE YEAR	112,957,885	64,938,372
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱1,329,827,144)	₱731,189,352

See accompanying Notes to Financial Statements.

Statements of Changes in Equity

	Preferred Stock (Note 19)			Common Stock (Note 19)	Cost of Share-Based Payment (Note 19)	Surplus Reserve (Note 19)	Surplus	Cumulative Translation Adjustment	Remeasurement Losses on Retirement Plan (Note 20)	Net Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 7)	Treasury Shares (Note 19)	Total	
	"A"	"B"	"C"	Subtotal									
Balances at January 1, 2020	₱4,440,000	₱8,880,000	₱219,219,724	₱232,539,724	₱10,313,344,184	₱262,761,718	₱56,817,291	₱3,148,703,461	(₱12,502,468)	(₱97,932,745)	₱22,257,243	(₱383,605)	₱13,925,604,803
Net loss	-	-	-	-	-	-	-	(1,442,785,029)	-	-	-	-	(1,442,785,029)
Other comprehensive income	-	-	-	-	-	-	-	8,662,028	21,165,951	83,129,906	-	-	112,957,885
Total comprehensive income (loss)	-	-	-	-	-	-	-	(1,442,785,029)	8,662,028	21,165,951	83,129,906	-	(1,329,827,144)
Transfer to surplus reserve	-	-	-	-	-	-	2,801,261	(2,801,261)	-	-	-	-	-
Balances at December 31, 2020	₱4,440,000	₱8,880,000	₱219,219,724	₱232,539,724	₱10,313,344,184	₱262,761,718	₱59,618,552	₱1,703,117,171	(₱3,840,440)	(₱76,766,794)	₱105,387,149	(₱383,605)	₱12,595,777,659
Balances at January 1, 2019	₱4,440,000	₱8,880,000	₱219,219,724	₱232,539,724	₱10,313,344,184	₱262,761,718	₱53,680,606	₱2,485,589,166	(₱791,864)	₱7,516,987	(₱159,841,465)	(₱383,605)	₱13,194,415,451
Net income	-	-	-	-	-	-	-	666,250,980	-	-	-	-	666,250,980
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(11,710,604)	(105,449,732)	182,098,708	-	64,938,372
Total comprehensive income (loss)	-	-	-	-	-	-	-	666,250,980	(11,710,604)	(105,449,732)	182,098,708	-	731,189,352
Transfer to surplus reserve	-	-	-	-	-	-	3,136,685	(3,136,685)	-	-	-	-	-
Balances at December 31, 2019	₱4,440,000	₱8,880,000	₱219,219,724	₱232,539,724	₱10,313,344,184	₱262,761,718	₱56,817,291	₱3,148,703,461	(₱12,502,468)	(₱97,932,745)	₱22,257,243	(₱383,605)	₱13,925,604,803

See accompanying Notes to Financial Statements.

Statements of Cash Flows

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(₱1,811,111,648)	₱846,137,125
Adjustments for:		
Net loss (gain) on sale of:		
Investment properties and other properties acquired	133,819,754	(203,633,525)
Property and equipment	(1,944)	(60,000)
Depreciation and amortization (Notes 10, 11 and 12)	429,683,543	450,317,735
Provision for impairment and credit losses (Notes 9,11 and 12)	2,789,763,656	321,715,101
Amortization of discount	(27,040,976)	(109,951,680)
Loss (gain) on foreclosure of investment properties and other properties acquired	(38,971,674)	51,533,597
Unrealized trading loss (gain)	142,943,836	(195,213,261)
Retirement expense (Note 20)	93,679,844	75,593,357
Interest expense on lease contracts (Note 24)	66,003,500	74,159,490
Realized trading gain on sale of financial assets at FVOCI investments (Note 21)	(57,582,083)	(38,105,867)
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Financial assets at fair value through profit or loss	(3,563,889,086)	246,322,508
Loans and receivables	9,607,692,735	6,311,361,063
Other assets	(37,999,305)	(192,204,776)
Increase (decrease) in the amounts of:		
Deposit liabilities	4,656,231,792	(9,891,169,519)
Financial liabilities at fair value through profit or loss	(123,595,782)	(419,194,095)
Accrued interest, taxes and other expenses	(89,885,485)	(207,029,645)
Manager's checks and outstanding acceptances	(338,603,782)	(153,848,074)
Other liabilities	162,376,412	18,170,191
Net cash provided by (used in) operations	11,993,513,307	(3,015,100,275)
Retirement contribution (Note 20)	(94,692,903)	(75,593,357)
Income taxes paid	(256,983,253)	(172,297,405)
Net cash provided by (used in) operating activities	₱11,641,837,151	(₱3,262,991,037)

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVOCI	(₱7,726,054,270)	(₱795,000,000)
Financial assets at amortized cost	(11,322,184,000)	(31,617,303,000)
Property and equipment (Note 10)	(94,160,799)	(74,320,863)
Software costs (Note 12)	(14,389,119)	(23,172,624)
Proceeds from:		
Sale and maturities of financial assets at FVOCI	2,972,705,083	719,987,100
Maturities of financial assets at amortized cost	14,209,537,600	32,116,156,000
Disposals of property and equipment (Note 10)	1,795,216	5,058,145
Disposals of investment properties and other properties acquired (Notes 11 and 12)	547,683,861	1,245,078,480
Net cash provided by (used in) investing activities	(1,425,066,428)	1,576,483,238
CASH FLOWS FROM FINANCING ACTIVITIES		
Net settlement of bills payable	(6,702,702,000)	(11,774,160,000)
Payment for principal portion of lease liabilities (Note 24)	(218,969,761)	(191,829,478)
Net cash used in financing activities	(6,921,671,761)	(11,965,989,478)
CUMULATIVE TRANSLATION ADJUSTMENT	8,662,026	(11,710,605)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,303,760,988	(13,664,207,882)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	1,525,384,334	1,685,366,097
Due from Bangko Sentral ng Pilipinas (BSP)	9,767,154,508	13,670,378,655
Due from other banks	3,489,488,184	13,090,490,156
	14,782,027,026	28,446,234,908
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	1,318,048,371	1,525,384,334
Due from BSP	11,740,621,685	9,767,154,508
Due from other banks	4,080,554,878	3,489,488,184
Interbank loans receivable and securities purchased under resale agreement (SPURA)	946,563,080	-
	₱18,085,788,014	₱14,782,027,026
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱5,380,431,649	₱7,557,740,395
Interest paid	1,997,801,888	2,771,572,445

See accompanying Notes to Financial Statements.

Notes to Financial Statements

1. Corporate Information

Maybank Philippines, Incorporated (the Bank) is a commercial bank incorporated in the Philippines on January 3, 1953 to provide banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services through its 65 and 73 branches as of December 31, 2020 and 2019, respectively.

On October 12, 1999, the Securities and Exchange Commission (SEC) approved the extension of the corporate term of the Bank for another 50 years. The Bank is 99.97% owned by Malayan Banking Berhad (the Parent Company) incorporated in Malaysia.

The Bank's principal and registered place of business is Maybank Corporate Centre, 7th Avenue corner 28th Street, Bonifacio Global City, Taguig City.

The accompanying financial statements of the Bank were approved and authorized for issue by the Bank's Board of Directors (BOD) on April 14, 2021.

COVID-19 outbreak

The COVID-19 pandemic has affected the Bank financially and operationally. Government restrictions aimed to curb the spread of virus have caused an adverse effect on economy and financial institutions.

The Bank developed the Crisis Management Team to provide direction and guidance in sustaining operations of the Bank while managing and exerting effort to reduce exposure to COVID-19. Some measures in place include team rotation work schedules, work from home arrangements, IT security enhancements, mandatory health and safety measures, and case management protocols which are included in the Bank's Work Management Plan. The Bank also developed a back-to-work plan suited for the quarantine classification declared by the Government. The plan is continuously reviewed and enhanced to optimize office spaces and implement necessary COVID-19 control measures for staff and clients.

The situation surrounding COVID-19 remains fluid and the potential for a negative impact on the Bank increases as the virus continues to impact the economic activity globally.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial instruments at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value.

The financial statements of the Bank reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU).

The functional currency of the RBU and FCDU is Philippine peso (PHP) and United States dollar (US\$), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP. The financial statements of these units are combined after eliminating inter-unit accounts.

Amounts are presented to the nearest PHP unless otherwise stated.

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Presentation of Financial Statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 18.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Bank assesses that they have currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Bank of its counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Changes in Accounting Policies and Disclosures

The Bank applied for the first-time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2020. Adoption of these pronouncements did not have a significant impact on the Bank's financial position or performance, unless otherwise indicated.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*
The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
 - The rent concession is a direct consequence of COVID-19;
 - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
 - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
 - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19-related rent concession in the same way it would account for a change that is not a lease modification - i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Bank adopted the relief granted by the amendments. The adoption of the amendments resulted in an increase in 'Miscellaneous income' from lease concessions granted to the Bank amounting to ₱3.28 million for the year ended December 31, 2020.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018

Significant Accounting Policies

Foreign Currency Translation

Transactions and balances

The books of accounts of the RBU are maintained in PHP, those of the FCDU are maintained in US\$. For financial reporting purposes, the foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the end of the year (for assets and liabilities) and at the exchange rates prevailing at transaction dates (for income and expenses). Foreign exchange differences arising from foreign currency translation and revaluation of foreign currency-denominated assets and liabilities in the RBU, except for nonmonetary assets, are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU

As at the reporting date, the assets and liabilities of the FCDU are translated into the Bank's presentation currency at the BAP closing rate prevailing at the reporting date, and its income and expenses are translated at the exchange rates prevailing at transaction dates. Exchange differences arising on translation are taken directly to other comprehensive income (OCI) under 'Cumulative translation adjustment' in the statement of comprehensive income.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), foreign currency notes and coins, petty cash fund, due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA) with the BSP that are convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in value.

Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents wherein withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

Notes to Financial Statements

Financial Instruments – Initial Recognition and Subsequent Measurement

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank recognizes a financial asset or financial liability in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Date of recognition

Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Any change in fair value of financial asset is recognized in the statement of income for financial assets at FVPL and in OCI for assets classified as FVOCI investments. Deposits, amounts due to banks and customers and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

All financial assets and financial liabilities are recognized initially at fair value plus, in the case of financial assets and financial liabilities not at FVPL, any directly attributable cost of acquisition or issue.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of income. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Classification of financial instruments

The Bank classifies its financial assets in the following categories: financial assets at FVTPL, financial assets at amortized cost, financial assets classified under FVOCI. The classification and measurement of financial instruments is driven by the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flow. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Financial liabilities are categorized into financial liabilities at FVPL and other financial liabilities carried at amortized cost. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Solely Payments of Principal and Interest (SPPI) test

The Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test or SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrange are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, The Bank applies judgement and considers relevant factors such as the currency in which the financial assets is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Bank's measurement categories are described below:

Financial assets at FVPL

Debt instruments that do not meet the amortized cost or FVOCI criteria, or that meet the criteria, but the Bank has chosen to designate as at FVPL at initial recognition, are measured at fair value through profit or loss.

Investments in equity instruments are classified as at FVTPL, unless the Bank designates an equity instrument that is not held for trading as at FVOCI at initial recognition.

The Bank's financial assets at FVTPL include government securities and derivative instruments.

As of December 31, 2020 and 2019, the Bank has not designated any debt instrument that meets the amortized cost or FVOCI criteria as at FVPL.

Financial assets at FVPL are carried at fair value, with net changes in fair value recognized as 'Net trading gains (losses)' in the statement of income. Interest earned on these investments is reported as 'Interest income' in the statement of income.

Derivative instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These includes interest rate swaps, foreign exchange swaps and forward foreign exchange contract. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Bank's derivative assets and derivatives are presented as 'Financial assets at FVPL' and 'Financial liabilities at FVPL', respectively, in the statement of financial position.

Financial assets at FVOCI – Debt investments

The Bank applies this category when both the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

Subsequently, these are measured at fair value with gains or losses arising due to changes in fair value recognized in OCI under 'Net change in unrealized gains (losses) on financial assets at FVOCI'. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. When the Bank holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. On derecognition, cumulative gains or losses recognized in OCI are reclassified from OCI to the statement of income.

Financial assets at FVOCI – Equity investments

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity instruments at FVOCI. Designation at FVOCI is not permitted if the investment in equity instrument is held for trading.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in 'Net unrealized gains (losses) on financial assets at FVOCI' in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Net change in unrealized gains (losses) on financial assets at FVOCI' is not reclassified to the statement of income, but is reclassified to 'Surplus'.

Dividends earned on these investments in equity instruments are recognized in the statement of income when the Bank's right to receive the dividends is established in accordance with PFRS 9, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income, under 'Miscellaneous income'.

Financial assets at amortized cost

This accounting policy relates to 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and securities purchased under resale agreements', 'Loans and receivables' and financial investments under 'Investment securities at amortized cost'.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Bank's business model of "Hold" and are managed to realize cash flows by collecting contractual payments over the life of the instrument.
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value. The amortization is included in 'Interest income' in the statement of income. Gains or losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statement of income under provision for impairment and credit losses: The effects of revaluation or foreign currency-denominated investments are recognized in the statement of income. Gains or losses arising from disposals of these instruments are included in 'Gains (losses) on disposal of investment securities at amortized cost' in the statement of income.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Notes to Financial Statements

Reclassification of financial instruments

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; (ii) from FVPL to amortized cost or FVOCI, if the objective of the business model changes so that the amortized cost or FVOCI criteria start to be met and the characteristic of the instrument's contractual cash flows are SPPI; and, (iii) from amortized cost to FVOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVOCI at initial recognition is not permitted.

Financial liabilities

Financial liabilities are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

Issued financial instruments or their components, which are not designated at FVPL, are classified under 'Deposit liabilities', 'Bills payable', 'Subordinated debt' and 'Accrued interest, taxes and other expenses', 'Manager's checks' and 'Other liabilities' or other appropriate financial liability accounts where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial assets to the holder, or to satisfy the obligation other than by the exchange of fixed amount of cash or another financial asset. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component at the date of issue.

Impairment of Financial Assets

The Bank recognizes allowance for expected credit losses for all debt financial assets except those measured at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment.

Staging assessment

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Bank recognizes a 12-month ECL for stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

Refer to Note 4 for the discussion of the Bank's expected credit loss models.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Modification of financial assets

The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered SPPI

The Bank also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Exchange or modification of financial liabilities

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Bank recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Repurchase and reverse repurchase agreements

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

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

Write-off

Financial assets are written off either partially or in their entirety when the Bank no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master-netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Bank and all of the counterparties.

Notes to Financial Statements

Financial Guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. Financial guarantees are initially recognized in the financial statements at fair value under 'Other liabilities'. Subsequent to initial recognition, the Bank's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the statement of income in 'Service charges, fees and commissions', over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in 'Provision for impairment and credit losses'. Any financial guarantee liability remaining is recognized in the statement of income in 'Service charges, fees and commissions', when the guarantee is discharged, cancelled or has expired.

Property and Equipment

Depreciable properties, including condominium units, furniture, fixtures and equipment and leasehold improvements, are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the equipment if the recognition criteria are met, but excludes repairs and maintenance cost.

The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization are computed using the straight-line method over the estimated useful life (EUL) of the assets.

The EUL of property and equipment are as follows:

Condominium units	50 years
Furniture, fixtures and equipment	5 to 7 years
Leasehold improvements	5 years or term of the lease, whichever is shorter

Construction in progress (CIP) represents furniture, fixtures and equipment and leasehold improvements under construction or purchased by the Bank but not yet used in operations. CIP is not depreciated until such time that the relevant assets become completed and ready for use in operations.

The EUL and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statement of income (see accounting policy on Impairment of Nonfinancial Assets).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Right-of-Use Assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) in the statement of financial position. Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

The EUL of right-of-assets arising from lease arrangements is equivalent to its lease term.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the fair value of the asset given up. Foreclosed properties are classified under 'Investment properties' upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

The difference between the fair value of the foreclosed properties and the carrying value of the related receivables given up is recognized in 'Gain or loss on foreclosures' account in the statement of income.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to profit or loss in the year in which the costs are incurred.

Subsequent to initial recognition, land is carried at cost less any impairment in value while depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over 5-10 years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or development with a view to sale.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income under 'Gain or loss on sale of properties' in the year of retirement or disposal.

Chattel Properties Acquired

Chattel properties acquired include mortgage properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The Bank applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the EUL of three years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of chattel properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Intangible Assets

The Bank's intangible assets included under 'Other assets' in the statement of financial position consist of software costs.

Software costs

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Bank and will generate economic benefits beyond one year, are capitalized. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as capital improvements and added to the original cost of the software. Capitalized computer software costs are amortized on a straight-line basis over four years.

Impairment of Nonfinancial Assets

Property and equipment, Right-of-use assets, Investment properties, Chattel properties acquired and Software costs

At each reporting date, the Bank assesses whether there is any indication that its property and equipment; right-of-use assets, investment properties, chattel properties acquired and software costs may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the greater of its fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Income Taxes

Income tax on profit or loss for the year comprises current and deferred taxes. Income tax is determined in accordance with the Philippine Tax Laws. Income tax is recognized in the statement of income, except to the extent that it relates to items directly in OCI.

Notes to Financial Statements

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized directly in OCI is also recognized in OCI and not in the statement of income.

Share-Based Payment Transactions

Employees of the Bank receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuation expert using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Parent Company.

The cost of equity-settled transactions is recognized in the statement of income together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the vesting date. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

Treasury Shares

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the statement of income on the purchase and sale of the Bank's own equity instruments.

Revenue Recognition

Revenue from contract with customers is recognized upon transfer of promised goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Bank exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the five-step model to contracts with customers.

In-scope of PFRS 15

Service, charges, fees and commissions

Fees or components of fees that are linked to a certain performance are recognized when services are rendered. These fees include corporate finance fees and remittance fees.

Gain (loss) on foreclosures and sale of properties

Gains or losses arising from the disposal of property and equipment, investment properties and chattel properties acquired shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss in the period of the disposal.

Other income

Credit-related income due to late payments and other loan-related fees are recognized in the period when service has been rendered.

Outside the scope of PFRS 15

Interest income

Interest on interest-bearing financial assets at FVPL are recognized based on contractual rate. Interest on financial instruments measured at amortized cost and debt instruments classified as FVOCI is recognized based on the EIR method.

The EIR method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Net trading gains (losses)

Net trading gain (loss) represents results arising from trading activities including all gains and losses from changes in fair value of financial assets and liabilities at FVPL and gains and losses from disposal of financial assets at FVPL, and debt financial assets at FVOCI.

Dividend income

Dividend income is recognized when the Bank's right to receive payment is established.

Expenses

Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in an asset or increase in a liability has occurred and that the decrease in economic benefits can be measured reliably.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of ATM sites (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and some of its retail branches. It also applies the lease of low-value assets recognition exemption to leases of ATM sites that are considered to be of low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term. Refer accounting policy on right-of-use assets.

Retirement Cost

Defined benefit plan

The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The Bank's retirement cost is determined using the projected unit credit method. The retirement cost is generally funded through payments to a trustee-administered fund, determined by periodic actuarial calculations.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Notes to Financial Statements

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in the OCI account 'Remeasurement gains (losses) on retirement plan' are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Bank's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined contribution plan

The Bank also contributes to its contributory, defined-contribution type staff provident plan based on a fixed percentage of the employees' salaries as defined in the plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Compensation and fringe benefits' in the statement of income. Unpaid contributions, if any, are recorded as a liability.

Employee leave entitlement

Employee entitlement to annual leave is recognized as a liability when the employees render the services that increases their annual leave entitlement. The cost of accumulating annual leave are measured as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an 'Interest expense'.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized but are disclosed in the financial statements unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events after the Reporting Date

Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

Equity

Capital stock (preferred stock and common stock) is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital paid in excess of par value' account.

Deposit for stock subscription represents payment made on subscription of shares which cannot be directly credited to capital stock pending approval of the SEC of the increase in the authorized capital stock of the Bank.

'Surplus' represents accumulated earnings of the Bank.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD. Dividends for the period that are approved after the reporting date are dealt with as an event after the reporting date.

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Bank intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Bank's financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Bank to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

a) Contingencies

The Bank has suits and claims that remain unsettled. Management believes, based on the opinion of its legal counsel that the ultimate outcome of such cases and claims will not involve sums having a material effect on its financial statements. It is possible, however, that the future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 27).

b) Fair value of financial assets

When the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in Note 5.

c) Evaluation of business model in managing financial instruments

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers.

The business model criteria may be applied at the level of a portfolio of financial instruments (i.e. group of financial instruments that are managed together by the Bank) but not on an instrument-by-instrument basis (i.e. not based on intention for each individual financial instrument). This may include, for instance, a portfolio of investments that the Bank manages in order to collect contractual cash flows and another portfolio of investments that the Bank manages in order to trade to realize fair value changes. The Bank's business model is determined at portfolio level, which reflects how group of financial assets are managed together to achieve a particular business objective. Business model assessment is a matter of fact, rather than merely an assertion.

As of December 31, 2020 and 2019, the Bank's financial assets are classified as at FVTPL, FVOCI and amortized costs. There were no reclassifications made among the three categories during the year.

d) Determination of lease term of contracts with renewal and termination options

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Notes to Financial Statements

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Estimates

a) *Credit losses on loans and receivables*

The measurement of credit losses requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- Criteria for assessing if there has been a SICR so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of debt financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Bank's ECL models were internally developed and independently validated to compute for the potential credit loss of each loan account in adherence to PFRS 9 standards. Models were developed for each product line and mostly followed a "rated-approach" where each loan account were given internal risk grades based on their most recent financial condition for corporates or based on behavioral factors for retail such as repayment performance, delinquency history, etc. These risk grades are then translated to probability of defaults based on statistical models that utilized historical default experiences from the various internal risk grades.

Forward-looking adjustment (FLA) models were likewise developed statistically for each product line. These models attempt to establish a link between internal default experience and a combination of several macro-economic variables, resulting into additional ECL required on weak economic outlook and vice-versa. On the other hand, the determination of the economic outlook is determined by an economic research team and duly approved by management. With the COVID-19 pandemic significantly affecting the overall economic environment, updates to these FLA models laid the basis to the additional ECL overlay incurred for 2020.

Lastly, the other significant variable used in ECL – the LGD – was likewise estimated based on internal loss experience and taking into consideration all direct/indirect costs involved in the loss recovery on the accounts.

Refer to Note 4 for detailed discussions regarding the abovementioned significant judgments and estimates in relation to ECL estimation.

The gross carrying amounts of loans and receivables subject to ECL and related ECL allowances for credit losses as of December 31, 2020 and 2019 are disclosed in Note 9.

b) *Recognition of deferred tax assets*

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that taxable income will be available against which losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. Key assumptions used in forecast of future taxable income include loan portfolio and deposit growth rates.

As of December 31, 2020 and 2019, the Bank recognized deferred tax assets amounting to ₱1.7 billion and ₱1.2 billion, respectively (Note 25). Based on forecast, management assessed that it is probable that future taxable income will be available to utilize the deferred tax assets.

c) *Defined benefit retirement plan*

The cost of the defined benefit retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate single weighted average discount rate, management considers the interest rates of government securities, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases pension increases are based on historical annual merit, market and promotional increase and future inflation rates. The carrying amount of retirement liability as of December 31, 2020 and 2019 and the details of the assumptions used in the actuarial valuation are provided in Note 20.

d) *Incremental borrowing rate used for lease liabilities*

If the Bank cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate in measuring its lease liabilities. The incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value in a similar economic environment. The Bank estimates the incremental borrowing rate using observable inputs (prevailing risk-free market rates) adjusted by the credit risk of the Bank (i.e., credit spread).

4. Financial Risk Management Objectives and Policies

General Risk Management Structure

Risk Management structure within the Bank consists of three lines of defense consisting of risk-taking units, risk control units, and Internal Audit. The BOD, through the Risk Management Committee (RMC), performs overall supervision of risk management. Loan proposals and other transactions beyond the approval level of the management committees, particularly those involving directors, officers, stockholders and related interests (DOSRI), are elevated to the BOD, which is the highest authority within the Bank. The RMC is a Board-level Committee that is responsible for setting the Bank's corporate risk policy and strategies. It ensures the adequacy of the risk management infrastructure of the Bank to address the risks it faces in its banking activities including credit, market, operational, liquidity and other material risks.

Senior Management also plays an integral role in ensuring proper implementation of risk policies and strategies. The Bank has the following committees that manage the Bank's key risk areas:

- Credit Committee (CC) is responsible for the approval of credit facilities as well as policies, frameworks and methodologies pertaining to credit risk.
- The CC has a maximum approving limit of P250.0 million for secured and P100.0 million for unsecured loans. Proposals beyond this level have to be escalated to Bank's Management Credit Committee for endorsement to BOD for approval.
- Asset and Liability Management Committee (ALCO) is responsible for recommending strategies, policies and frameworks to identify, measure, control, monitor and manage market and liquidity risks, as well as balance sheet and capital management to the RMC/ Board for approval.
- Management Committee is responsible for directing and reviewing the Bank's overall operations to achieve its objectives and targets.

Risk Management is functionally independent of risk-taking units within the Bank. It is composed of Regional Group Credit Management (RGCM), Credit Risk Management (CRM), Market Risk Management (MRM), Operational Risk Management (ORM), Enterprise Risk Management (ERM), Credit Risk Review, Credit Investigation and Appraisal, and Credit Risk Portfolio Analytics (CRPA). It is responsible for the development of measures to ensure that the risk inherent in the Bank's activities are properly identified, measured, controlled and reported.

Risk Management has the following general objectives:

- To promote risk management culture and philosophy of risk awareness
- To assist risk-taking business and operating units in understanding and measuring risk/return profiles
- To develop risk and control infrastructure
- To develop, disseminate, and maintain formalized risk policies, frameworks, methodologies and tools
- To provide effective means of differentiating the degree of risk in the various business portfolio of the Bank

Internal Audit provides independent assurance of the effectiveness of the risk management approach. The Audit Committee, which is a Board-level committee, is responsible for the overall supervision of the audit function within the organization.

Risk Measurement and Reporting

To measure risk of default for corporate and commercial loans, the Bank makes use of the International Risk Rating System (IRRS) which consists of 25 risk grades that are mapped to external ratings, as well as risk classification according to BSP guidelines. The IRRS is used as a tool for decision making as well as in determining appropriate pricing for loan accounts. The key risk indicators measure the Bank's credit risk position against targets, historical performance or industry average in selected areas as of a given period.

In terms of measuring the Bank's ability to withstand the impact of stress conditions, stress testing methodology is used. Through stress testing, the impact of exceptional events on the Bank's asset quality, profitability and capital adequacy is measured.

In terms of reporting, CRPA prepares regular loan portfolio reports covering areas such as business growth, asset quality, concentration of exposures and compliance to applicable regulatory and internal guidelines. These reports are submitted to the CC, RMC, BOD and other end-users.

Risk Mitigation

As part of its risk management, the Bank uses derivatives and other treasury products to manage exposures resulting from changes in interest rates and fluctuations in foreign exchange levels. Where appropriate, the Bank requires a second way out in the form of eligible collaterals or guarantee/surety to mitigate credit risk.

Credit Risk

Credit risk comprises bulk of the Bank's risk capital. Credit risk is managed through a two-pronged approach: the credit risk management and credit portfolio management.

Notes to Financial Statements

CRM undertakes the improvement and implementation of Group risk frameworks, tools, and methodologies for the identification, measurement, monitoring, control and pricing of credit risk in accordance to the Bank's risk appetite and lending direction and strategies. Methodologies are implemented in coordination with the Parent Company to ensure consistency of risk management approach across the Maybank Group. Where applicable, methodologies and tools are adopted from the Parent Company and customized to the local operating environment.

CRM is responsible for setting concentration limits and monitoring exposures against these limits. CRPA Unit also prepares various credit risk reports and undertakes the development of credit risk application and behavioral scoring models which are submitted to Management, RMC, and the BOD, and subsequently deployed in the daily credit underwriting and portfolio management operations of the various lending units.

Part of the Bank's Credit Risk Management processes are to develop and implement various mechanisms to support business generation, capital optimization, portfolio management, and Basel III implementation. It ensures that credit approval structures follow the "four eyes policy" for appropriate check and balance. The Credit Review Unit undertakes the post-approval review of selected loan accounts.

Collateral and other credit enhancements

There are various collaterals and securities that are acceptable to the Bank. In evaluating acceptability of collateral, three factors are considered: control, disposability and margin.

The Account Officer is primarily responsible in ensuring the acceptability of collaterals/security obtained to secure the loan based on established minimum acceptance criteria and maximum margin of financing.

The Account Officer is responsible in ensuring that the collaterals are duly and regularly inspected and appraised, adequately insured where necessary, and payment of applicable taxes are updated.

The Account Officer also ensures that the approved margin of financing is maintained throughout the life of the loan.

Loans or portions thereof that are covered by collateral/security including but not limited to the following are considered secured:

- Registered First Real Estate Mortgage over eligible real estate properties with road right of way
- Peso or US Dollar-denominated deposits that are maintained with the Bank
- Government securities
- Motor vehicles
- Machinery and equipment
- Publicly-traded shares of stocks

Direct and indirect borrowings of the Philippine government is treated as non-risk and considered as secured.

Borrowings secured by guarantees/collateral issued by the Parent Company and Maybank branches and subsidiaries are considered secured.

Maintenance, marketing and disposal of the Bank's acquired assets are being undertaken by its affiliate, Philmay Properties, Inc. (PPI). Pending disposal of acquired assets, PPI arranges for the properties to be leased on a short-term basis by interested parties.

Credit risk exposures

The table below shows the Bank's maximum exposure to credit risk on loans and receivable as of December 31, 2020 and 2019:

	December 31, 2020			
	Carrying value	Fair value of collateral	Financial effect of collateral	Net exposure
Loans and receivables:				
Loans:				
Corporate	₱14,158,973,785	₱2,567,097,239	₱1,158,665,403	₱13,000,308,382
Commercial	2,586,051,320	4,337,388,956	1,667,655,736	918,395,584
Consumer:				
Auto loans	27,995,304,963	62,050,989,410	27,991,961,057	3,343,906
Housing loans	11,141,302,316	19,661,622,924	10,098,301,978	1,043,000,338
Others	1,159,892,799	21,839,112	11,120,546	1,148,772,253
	57,041,525,183	88,638,937,641	40,927,704,720	16,113,820,463
Accounts receivable:				
Corporate	1,041,397,123	599,666,837	599,666,837	441,730,286
Individual	8,728,171	-	-	8,728,171
	1,050,125,294	599,666,837	599,666,837	450,458,457
Sales contract receivable:				
Individual	318,579,592	509,971,567	318,579,592	-
Corporate	33,077,222	81,871,376	33,077,222	-
	351,656,814	591,842,943	351,656,814	-
RCOCI	328,684	-	-	328,684
	₱58,443,635,975	₱89,830,447,421	₱41,879,028,371	₱16,564,607,604

	December 31, 2019			
	Carrying value	Fair value of collateral	Financial effect of collateral	Net exposure
Loans and receivables:				
Loans:				
Corporate	₱19,207,167,390	₱2,451,446,521	₱1,533,784,541	17,673,382,849
Commercial	3,173,204,417	3,890,306,355	1,652,805,828	1,520,398,589
Consumer:				
Auto loans	34,549,880,501	67,938,608,102	34,500,075,226	49,805,275
Housing loans	11,641,163,871	19,354,539,506	11,256,410,436	384,753,435
Others	1,780,087,116	17,952,300	10,386,573	1,769,700,543
	70,351,503,295	93,652,852,784	48,953,462,604	21,398,040,691
Accounts receivable:				
Corporate	941,225,271	619,666,837	619,666,837	321,558,434
Individual	9,754,596	-	-	9,754,596
	950,979,867	619,666,837	619,666,837	331,313,030
Sales contract receivable:				
Individual	423,021,069	500,024,023	423,021,069	-
Corporate	37,151,546	86,652,145	37,151,546	-
	460,172,615	586,676,168	460,172,615	-
RCOCI	339,396	-	-	339,396
	₱71,762,995,173	₱94,859,195,789	₱50,033,302,056	₱21,729,693,117

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2020 and 2019.

Credit risk management has set concentration limits according to various categories such as individual/group borrower, banks, countries, collateral, economic sectors, and product types to ensure optimal portfolio diversification.

Risk Concentration

Concentration of credit arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location. Concentration limits are set by CRM, endorsed by RMC, and approved by the BOD. These include limits by business segments, credit facility/portfolio, collateral/security, economic sector, loan size and obligor type. These limits are established to ensure diversification, capital optimization and appropriate management of concentration risk.

The tables below show the distribution of maximum credit exposure by industry sector of financial assets and off-balance sheet items before taking into account the fair value of the loan collateral or other credit enhancements (amounts in thousands):

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Loans and Receivables				
Construction and real estate	₱15,408,855	26.31	₱18,383,248	25.58
Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods	12,170,565	20.78	16,106,660	22.41
Transportation, storage and communication	4,792,464	8.18	6,311,777	8.78
Power, electricity and water distribution	3,957,090	6.76	4,615,909	6.42
Trading and manufacturing	2,768,073	4.73	4,128,984	5.75
Agriculture	1,393,078	2.38	1,575,606	2.19
Financial intermediaries	373,915	0.64	1,098,986	1.53
Government	370,497	0.63	1,329,343	1.85
Others	17,332,249	29.59	18,316,959	25.49
	58,566,786	100.00	71,867,472	100.00
Loans and Advances to Banks*				
Government	12,687,185	75.66	9,767,155	73.68
Financial intermediaries	4,080,555	24.34	3,489,488	26.32
	16,767,740	100.00	13,256,643	100.00
Trading and Financial Investment Securities**				
Government	16,558,610	81.84	10,586,768	71.81
Activities of holding companies	1,950,762	9.64	469,286	3.19
Construction and real estate	951,967	4.70	1,707,566	11.58
Financial intermediaries	765,987	3.79	1,681,206	11.40
Power, electricity and water distribution	6,628	0.03	298,327	2.02
	20,233,954	100.00	14,743,153	100.00

(Forward)

Notes to Financial Statements

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Others***				
Trading and manufacturing	916,353	34.73	177,973	7.98
Financial intermediaries	837,669	31.74	942,981	42.29
Construction and real estate	485,459	18.40	477,053	21.40
Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods	176,513	6.69	268,235	12.03
Power, electricity and water distribution	62,365	2.36	1,179	0.05
Others	160,396	6.08	362,208	16.25
	2,638,755	100.00	2,229,629	100.00
	₱98,207,235		₱102,096,897	

* Consists of Due from BSP, Due from other banks and Interbank loans receivables and SPURA

** Consists of Financial assets at FVPL, Financial assets at FVOCI and Investment securities at amortized cost and excludes equity securities

*** Consists of Miscellaneous COCI and Contingent liabilities relating to outstanding letters of credit

Credit quality per class of financial assets

For investment securities and depository accounts, the Bank relies on acceptable third-party issuer or issue ratings, international or local, as applicable. Any exposure, whether direct or indirect, to the sovereign entity – Republic of the Philippines (ROP) and BSP, is considered non-risk or high grade. Issuances by ROP and BSP are considered as high grade since the chance of default is virtually nil.

Private entities, such as financial institutions or corporations, issuing debt securities, with risk rating similar to ROP/BSP are likewise classified as high grade. Such entities are generally held as top-tier. Companies with third party ratings lower than ROP are classified as standard grade. These are companies that exhibit moderate credit risk with acceptable capacity to meet its financial commitments.

Companies without third party ratings are classified as unrated or adopt the Bank's internal risk rating.

For loans and receivables, the following are subject to risk rating and behavioral scoring:

- Corporate and commercial loans (except those fully secured by hold-out on deposits)
- Contract-to-sell financing (risk rating on the developer)
- Consumer loans (except truck and salary loans)

Accounts which are not subjected to risk rating, such as consumer loans (i.e. salary loans, truck loans) are considered unrated.

Loan Grades

- Performing Grade is from Grade 1 to 22 – Grade 1 (i.e. lowest probability of default) is the best grade while Grade 22 (i.e. highest probability of default) is the worst grade.
 - High grade (accounts with risk grade of 1 to 10)
Accounts falling within this classification have good to highly exceptional capacity to meet its financial commitments with very low to low credit risk.
 - Standard grade (accounts with risk grade of 11 to 15)
Accounts falling within this classification have fairly good to fairly acceptable capacity to meet their financial commitments with moderate credit risk.
 - Substandard grade (accounts with risk grade of 16 to 22)
Accounts under this category exhibit high credit or default risk with impairment characteristics that are neither classified under 'past due but not impaired' nor 'individually impaired'.

Start-up companies, regardless of the strength of their percentage have default grade cap of 19.

- Non-Performing Grade is from Grade 23 to 25 which is under past due or impaired.
 - Grade 23 is a non-performing grade assigned to borrowers classified as Substandard accounts. These are loans and other credit accommodations that have well-defined weakness/(es), that may jeopardize repayment/ liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower. Basic characteristics include the following:
 - Weak financial condition and results of operation that leads to the borrower's inability to generate sufficient cash flow for debt servicing, except for start-up firms which shall be evaluated on a case-to-case basis;
 - Past due secured loans and other credit accommodations where properties offered as collateral have been found with defects as to ownership or with other adverse information.
 - Breach of any key financial covenants/agreements that will adversely affect the capacity to pay-off the borrower; or
 - Classified "Especially Mentioned" as of the last credit review without adequate corrective action
 - Loans past due for more than 90 days.
 - 24 is a non-performing grade assigned to borrowers classified as Doubtful accounts. These are loans and credit accommodations that exhibit severe weaknesses than those classified as "Substandard" whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors which may strengthen the assets.
 - Grade 25 is a non-performing grade assigned to borrowers classified as Loss. These are loans or portions thereof which are considered uncollectible or worthless.

The credit quality of the Bank's receivables from customers as of December 31, 2020 follow (in thousands):

	Stage 1	Stage 2	Stage 3	TOTAL
Auto				
Unrated	₱22,693,305	₱3,808,550	₱-	₱26,501,855
Non-performing grade	-	-	2,441,883	2,441,883
Auto Total	22,693,305	3,808,550	2,441,883	28,943,738
Commercial				
High Grade	24,889	-	-	24,889
Standard grade	2,343,740	40,384	-	2,384,124
Substandard Grade	-	137,179	-	137,179
Especially Mentioned	-	70,057	-	70,057
Non-performing grade	-	-	142,154	142,154
Commercial Total	2,368,629	247,620	142,154	2,758,403
Corporate				
High Grade	166,666	-	-	166,666
Standard grade	721,239	-	-	721,239
Substandard Grade	11,069,942	860,458	-	11,930,400
Especially Mentioned	9,966	367,881	-	377,847
Doubtful	-	-	1,742	1,742
Non-performing grade	-	-	1,801,932	1,801,932
Corporate Total	11,967,813	1,228,339	1,803,674	14,999,826
Housing				
Unrated	9,452,561	1,423,601	-	10,876,162
Non-performing grade	-	-	673,922	673,922
Housing Total	9,452,561	1,423,601	673,922	11,550,084
Other				
Unrated	1,125,632	41,347	-	1,166,979
Non-performing grade	-	-	108,015	108,015
Other Total	1,125,632	41,347	108,015	1,274,994
Grand Total	₱47,607,940	₱6,749,457	₱5,169,648	₱59,527,045

The credit quality of the Bank's financial assets other than loans and receivables as of December 31, 2020 follow (in thousands):

	Stage 1	Stage 2	Stage 3	TOTAL
Due from BSP				
High Grade	₱11,740,622	₱-	₱-	₱11,740,622
Due from Other Banks				
High Grade	₱4,080,555	₱-	₱-	₱4,080,555
Interbank Loans Receivables				
High Grade	₱946,563	₱-	₱-	₱946,563
Financial Instruments at FVTPL				
High Grade	₱3,788,119	₱-	₱-	₱3,788,119
Financial Instruments at FVOCI				
High Grade	₱7,802,067	₱-	₱-	₱7,802,067
Substandard Grade	-	-	-	-
Financial Instruments at FVOCI Total	₱7,802,067	₱-	₱-	₱7,802,067
Financial Instruments at Amortized Cost				
High Grade	₱8,357,663	₱-	₱-	₱8,357,663
Substandard Grade	-	300,000	-	300,000
	₱8,357,663	₱300,000	₱-	₱8,657,663

Notes to Financial Statements

The credit quality of the Bank's receivables from customers as of December 31, 2019 follow (in thousands):

	Stage 1	Stage 2	Stage 3	TOTAL
Auto				
Unrated	₱31,364,344	₱990,477	₱-	₱32,354,821
Especially Mentioned	-	1,369,867	-	1,369,867
Doubtful	-	492,166	-	492,166
Non-performing grade	-	-	766,986	766,986
Auto Total	31,364,344	2,852,510	766,986	34,983,840
Commercial				
High Grade	1,769,592	2,355	-	1,771,947
Standard grade	1,284,131	19,408	-	1,303,539
Substandard Grade	39,646	29,933	-	69,579
Especially Mentioned	-	3,101	-	3,101
Doubtful	-	-	4,827	4,827
Non-performing grade	-	-	170,928	170,928
Commercial Total	3,093,369	54,797	175,755	3,323,921
Corporate				
High Grade	6,321,046	-	-	6,321,046
Standard grade	11,820,006	29,265	-	11,849,271
Substandard Grade	271,254	500,347	-	771,601
Especially Mentioned	-	-	-	-
Doubtful	-	-	-	-
Non-performing grade	-	-	893,164	893,164
Corporate Total	18,412,306	529,612	893,164	19,835,082
Housing				
Unrated	10,849,594	467,858	-	11,317,452
Especially Mentioned	-	288,016	-	288,016
Doubtful	-	72,868	-	72,868
Non-performing grade	-	-	93,535	93,535
Housing Total	10,849,594	828,742	93,535	11,771,871
Other				
High Grade	1,891,922	35,870	-	1,927,792
Substandard Grade	-	16,156	-	16,156
Especially Mentioned	-	9,148	-	9,148
Doubtful	-	-	21,703	21,703
Non-performing grade	-	-	34,334	34,334
Other Total	1,891,922	61,174	56,037	2,009,133
Grand Total	₱65,611,535	₱4,326,835	₱1,985,477	₱71,923,847

The credit quality of the Bank's financial assets other than loans and receivables as of December 31, 2019 follow (in thousands):

	Stage 1	Stage 2	Stage 3	TOTAL
Due from BSP				
High Grade	₱9,767,155	₱-	₱-	₱9,767,155
Due from Other Banks				
High Grade	₱2,776,581	₱-	₱-	₱2,776,581
Standard Grade	712,907	-	-	712,907
Due from Other Banks Total	₱3,489,488	₱-	₱-	₱3,489,488
Financial Instruments at FVTPL				
High Grade	₱367,173	₱-	₱-	₱367,173
Financial Instruments at FVOCI				
High Grade	₱2,831,021	₱-	₱-	₱2,831,021
Substandard Grade	5,994	-	-	5,994
Financial Instruments at FVOCI Total	₱2,837,015	₱-	₱-	₱2,837,015
Financial Instruments at Amortized Cost				
High Grade	₱11,198,526	₱-	₱-	₱11,198,526
Substandard Grade	51,319	300,729	-	352,048
Financial Instruments at Amortized Cost-Total	₱11,249,845	₱300,729	₱-	₱11,550,574

As of December 31, 2020 and 2019, allowance on individually impaired receivables of the Bank amounted to ₱667.91 million and ₱498.6 million, respectively.

Impairment assessment

The Bank uses a provision matrix to calculate ECL for receivables from retail customers. The provision matrix is initially based on the Bank's historical observed default rates. The Bank calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the financial sector, the historical default rates will be adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Market Risk

The Bank recognizes market risk as the adverse impact on earnings or capital, either immediate or over time, arising from changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity prices and equity prices. Market risk arises through the Bank's trading and balance sheet activities. The primary categories of market risk for the Bank are:

- i. Interest rate risk: arising from changes in prevailing interest rates and implied volatilities on interest rate options; and
- ii. Foreign exchange (FX) rate risk: arising from changes in exchange rates or risk arising from adverse movements/mismatches in currencies.

The RMC is the overall risk oversight body. Management of market, interest rate risk in the banking book and liquidity risks is delegated to the ALCO. ALCO is responsible for the establishment of appropriate risk policies and limits, duly approved by the RMC; and execution of both strategic and tactical actions to maintain the exposure within the set tolerances and meet the risk and reward objectives of the Bank.

The Bank established the MRM to assist the BOD, RMC, ALCO in monitoring and managing the Bank's market risk exposures independently from the risk-taking units. MRM also acts as business partners with Global Markets in the daily monitoring of its positions against approved risk measures. MRM's roles include the following:

- Ensure that the market, IRRBB and liquidity risk management objectives of the Bank are achieved through the development, implementation, maintenance and enhancement of a comprehensive risk management process that comprises of qualitative and quantitative methodologies to identify, measure, control and monitor, among others, the following:
 - Market risks, which covers the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities
 - Liquidity risks, which covers liquidity crisis, funding structure, fund raising policies and strategies, diversification of funding sources, gap analysis and management
- Provide support functions to the ALCO to facilitate informed strategic management decision making
- Provide consultative services and support functions to all relevant units within the Bank on matters pertaining to market and liquidity risks management and treasury operations
- Participate, in collaboration with other risk management units within the Bank on cross border risk management issues, to identify and mitigate various risks inherent in new Global Markets and core banking products prior to product introduction
- Provide revaluation prices of relevant Global Markets products transacted by various business units within the Bank
- Perform regular independent supervision of Global Markets operations

An Integrated Risk Management Framework is in place to provide a set of general principles to guide the Bank to identify, measure, control and monitor the various risks the Bank is undertaking as well as roles and responsibility in managing these risks. All market risk policies being issued are reviewed at least annually to ensure compliance with regulatory requirements and up to par with international best practices.

The Bank's traded market risk exposures are primarily from proprietary trading, client servicing and market making. Various risk measurement techniques are used by the Bank to monitor and manage market risk and IRRBB, such as Price-Value-of-a-Basis-Point (PV01), FX net open position (NOP), Value-at-Risk (VaR), Stop Loss, Earnings-at-Risk (EaR) and Impact on Economic Value (IEV). In addition, a variety of stress testing techniques are performed to complement the reporting to Management.

Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through thresholds and procedures set by the Management to protect total net interest income from changes in market interest rates.

Trading: PV01

PV01 measures the change in the value of the portfolio with 1 basis point increase in the yield curve and is applicable for the trading portfolio. Thresholds are set annually to re-assess the Bank's risk appetite and strategy. The PV01 is computed and reported daily to Global Markets and monthly to ALCO.

Shown in the table below is the Interest Rate Sensitivities (PV01) Report – By Portfolio as at December 31, 2020 and 2019 (amounts expressed in thousands).

Rates Trading		
Desk	2020	2019
PHP	(P363.20)	(P0.05)
USD	0.00	0.00
Net	(P363.20)	(P0.05)

Interest Rate Derivatives		
Desk	2020	2019
PHP	(P178.02)	(P72.21)
USD	154.68	53.62
Net	(P23.34)	(P18.59)

Non-Trading: PV01

PV01 measures the change in the value of the portfolio with 1 basis point increase in the yield curve and is applicable to the FVOCI portfolio.

Shown in the table below is the Interest Rate Sensitivities (PV01) Report of GM's Rates Banking Book Investments as at December 31, 2020 and 2019 (amounts expressed in thousands).

Notes to Financial Statements

Desk	Rates Banking	
	2020	2019
PHP	(₱2,225)	(₱2,556)
USD	(1,719)	(596)
NET	(₱3,944)	(₱3,152)

Interest Rate Risk in Banking Book: EaR and IEV

IRRBB is defined as a Pillar 2 risk under the BSP Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2) guidelines. IRRBB is one of the Pillar 2 risks that is quantifiable and reliably measured and quantified, with acceptable risk identification and measurement methodologies that have been reasonably tested and accepted within the industry.

The Bank emphasizes the importance of managing interest rate risk in the banking book as most of the balance sheet items of the Bank generate interest income and interest expense, which are indexed to interest rates. Volatility of earnings can pose a threat to the Bank's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Bank's overall capital adequacy.

All policies, procedures and limits related to IRRBB are presented and deliberated in ALCO prior endorsement to RMC for final resolution. Balance sheet management is the prime responsibility of ALCO and key strategies on how to optimize assets and liabilities are discussed very meeting.

As a measurement tool, the Bank utilizes EaR to estimate the sensitivity of the Bank's Net Interest Income (NII) due to a 100 basis points (bps) change in the underlying interest rates over a period of one year. IEV, on the other hand, shows the sensitivity of economic value on the long term to a 100 bps change in the market yield curve.

EaR and IEV are calculated based on the repricing gaps, or the difference between the amounts of rate sensitive assets and the amounts of rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, which may restrain the growth of its net income or result in a decline in net interest income. To reflect sensitivity of certain assets and liabilities, analysis of balances and its movement is done via application of behavioral assumptions to repricing cash flow.

The Bank monitors the exposure of financial assets and financial liabilities to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Bank's interest-related income and expenses. The EaR and IEV is computed and reported monthly to ALCO and bi-monthly to RMC. Additionally, the Bank uses sensitivity analysis for stress testing of IRRBB. Parallel shock of 300 and 400 basis points are simulated and reported for perspective.

The following tables provide additional information on the statistical impact on net income and equity as of December 31, 2020 and 2019 (amounts in thousands):

Currency	December 31, 2020			
	PHP		US\$	
Changes in interest rates (in basis points)	+100	-100	+100	-100
Change in net income	(₱304,688)	₱304,688	(₱84,357)	₱84,357
Change in equity	(2,396)	2,396	(172,788)	172,788

Currency	December 31, 2019			
	PHP		US\$	
Changes in interest rates (in basis points)	+100	-100	+100	-100
Change in net income	(₱206,496)	₱206,496	(₱124,752)	₱124,752
Change in equity	150,519	(150,519)	(64,746)	64,746

The sensitivity in the statements of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at the reporting date. The sensitivity of equity is calculated by revaluing fixed-rate FVOCI investments at reporting date for the effects of the assumed changes in interest rates. The impact on the equity as stated above already excludes the impact on transactions affecting the statements of income.

Foreign exchange rate risk

Foreign exchange (FX) rate risk is the risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position in a currency. Where the value of asset/inflow exposures in one currency is not equal to the value of liability/outflow exposures in that currency, it is described as an open position. It may be short (liabilities exceed assets) or long (assets exceed liabilities).

The Bank controls its FX exposures by transacting in permissible currencies. Management of FX risk is done via monitoring of FX NOP and PV01 for those FX positions in the trading book. If the level reaches the trigger point, action is required to bring back the level to within the normal range. FX risk is reviewed together with other risks to determine the Bank's overall risk profile.

Foreign currency-denominated liabilities generally consist of: (a) foreign currency-denominated deposits in the Bank's FCDU, (b) accounts maintained in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, and (c) foreign currency-denominated borrowings appearing in the regular books of the Bank.

Foreign currency-denominated deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency-denominated liabilities with the foreign currency-denominated assets held under the FCDU books.

The Bank has significant exposure to US\$ monetary assets and liabilities as of December 31, 2020 and 2019.

The tables below summarize the reasonable possible movement of the currency rate against each significant foreign currency with all other variables held constant on the statements of income (US\$ against PHP) (amounts in thousands).

Bankwide FX Position

	December 31, 2020	
Changes in foreign currency exchange rate	+5.0%	-5.0%
Effect on profit before tax (in thousands)	₱588	(₱588)

	December 31, 2019	
Changes in foreign currency exchange rate	+5.0%	-5.0%
Effect on profit before tax (in thousands)	(₱17,663)	₱17,663

Trading FX USD Position

	December 31, 2020			December 31, 2019		
	Spot	Forwards	FX Options	Spot	Forwards	FX Options
PV01	0.00	48.02	0.00	0.00	(455.72)	0.00

Liquidity Risk

Liquidity risk management overview

Liquidity risk is the risk that the Bank's financial condition or overall safety and soundness is adversely affected by an inability (or perceived inability) to meet its obligations and may result in the Bank incurring unacceptable losses. The Bank's obligations and the funding sources used to meet them, depend significantly on its business mix, its balance sheet structure and the cash flow profile of its on- and off-balance sheet obligations.

The Non-Trading Book Policy Statement, which includes policies on liquidity risk management, is reviewed regularly and tabled to ALCO and RMC. The Bank's liquidity risk position is actively discussed and managed at the ALCO and RMC in line with the approved guidelines and policies. The Bank, in line with the Bank, has implemented leading practices as a foundation to manage and measure its liquidity risk exposure. The Bank uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals/liquidity indicators and stress testing. The liquidity positions of the Bank are monitored regularly against the established policies, procedures and thresholds.

Management of liquidity risk

For day to day liquidity management, Global Markets will ensure sufficient funding to meet the Bank's intraday payment and settlement obligations on a timely basis. In addition, the process of managing liquidity risk includes:

- Maintaining an adequate portfolio that can easily be liquidated as protection against any unforeseen interruption in cashflows;
- Maintaining a stable funding to support illiquid assets and business activities;
- Daily and monthly monitoring of liquidity ratios against internal and regulatory requirements;
- Monthly monitoring of gaps arising from mismatched maturity of assets and liabilities;
- Monthly monitoring and managing of concentration ratios of deposits;
- Conducting monthly liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Contingency Funding Plan (CFP) testing to examine the effectiveness and robustness of the plans.

Liquidity coverage ratio and Net stable funding ratio

The Bank monitors its LCR and NSFR on a daily basis; joint management and monitoring are carried out by Global Markets and Group Finance.

Stress testing and Contingency funding plan

The Bank uses stress testing and scenario analysis to evaluate the impact of sudden stress events on liquidity position. Scenarios are based on hypothetical events that include bank specific crisis and general market crisis scenarios. The stress test result provides an insight of the Bank's funding requirements during different levels of stress environments and is closely linked to the Bank's CFP, which provides a systemic approach in handling any unexpected liquidity disruptions. The plan encompasses strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios.

The Bank also conducts CFP tests to ensure the effectiveness and operational feasibility of the CFP. The key aspects of the testing are to focus on the preparedness of key senior management and their respective alternate in handling a simulated distress funding situation. It also provides exposure and develops capabilities on how to respond to a liquidity crisis situation and operate effectively with each other under challenging circumstances.

Notes to Financial Statements

Analysis of financial assets and financial liabilities by remaining contractual maturities.
The tables below show the maturity profile of the Bank's financial assets and financial liabilities based on contractual undiscounted cash flows (amount in thousands).

	December 31, 2020					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
Financial Assets						
Cash and other cash items	P1,318,048	P-	P-	P-	P-	P1,318,048
Due from BSP	11,740,622	-	-	-	-	11,740,622
Due from other banks	4,080,555	-	-	-	-	4,080,555
Interbank loans receivable	946,563	-	-	-	-	946,563
Financial assets at FVPL:						
Government securities	1,001,032	2,672	344	2,032,810	930,326	3,967,184
Derivative assets	51,378	25,097	36,506	16,318	107,564	236,863
Financial assets at FVOCI:						
Debt instruments						
Government	645,938	234,432	444,882	1,006,971	5,344,916	7,677,139
Private	-	-	-	-	526,016	526,016
Equity						
Quoted	-	-	-	-	8,761	8,761
Unquoted	-	-	-	-	15,384	15,384
Financial assets at amortized cost:						
Government	950,855	115,000	79,000	146,885	4,571,716	5,863,456
Private	23,178	186,741	529,576	732,375	2,079,695	3,551,565
Loans and receivables:						
Receivables from:						
Corporate	3,203,832	3,220,677	1,106,318	515,448	10,961,775	19,008,050
Commercial	1,061,867	732,660	246,294	314,977	603,564	2,959,362
Consumer:						
Auto loans	5,498,808	134,854	390,842	1,512,839	34,596,287	42,133,630
Housing loans	1,099,481	1,815	4,823	20,492	20,232,128	21,358,739
Others	892,388	10,909	34,710	162,350	519,828	1,620,185
	11,756,376	4,100,915	1,782,987	2,526,106	66,913,582	87,079,966

	December 31, 2020					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
Sales contract receivable:						
Corporate	1	2	2	5	318,580	318,590
Individual	160	309	392	1,770	36,307	38,938
	161	311	394	1,775	354,887	357,528
Accounts receivable:						
Corporate	406,733	67,890	631,948	3,113	2,715	1,112,399
Individual	12,977	749	838	647	348	15,559
	419,710	68,639	632,786	3,760	3,063	1,127,958
RCOCI	339	-	-	-	-	339
	P32,934,755	P4,733,807	P3,506,475	P6,467,000	P80,855,910	P128,497,947
Financial Liabilities						
Deposit liabilities:						
Demand	P25,751,395	P-	P-	P-	P-	P25,751,395
Savings	23,089,697	1,038,238	10,926	14,044	-	24,152,905
Time	13,901,840	1,233,695	2,845,337	3,053,860	9,815,654	30,850,386
	62,742,932	2,271,933	2,856,263	3,067,904	9,815,654	80,754,686
Financial liabilities at FVPL:						
Interest rate swaps	690	812	5,167	15,279	94,121	116,069
CIRS	-	-	-	-	22,185	22,185
Forward contracts	17,899	7,786	-	-	-	25,685
FX Corp	-	634	-	-	-	634
Bills payable	2,209,058	-	-	-	-	2,209,058
Manager's checks	375,476	-	-	-	-	375,476
Accrued interest payable	13,472	3,973	35,897	34,027	37,831	125,200
Accounts payable	939,288	-	-	-	-	939,288
Subordinated debt	-	-	28,722	55,917	2,669,472	2,754,111
Due to Treasurer of the Philippines	-	-	-	-	16,062	16,062
	3,555,883	13,205	69,786	105,223	2,839,671	6,583,768
Contingent liabilities	551,409	821,060	1,379,661	154,897	13,710	2,920,737
	P66,850,224	P3,106,198	P4,305,710	P3,328,024	P12,669,035	P90,259,191

December 31, 2019						
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
Financial Assets						
Cash and other cash items	₱1,525,384	₱-	₱-	₱-	₱-	₱1,525,384
Due from BSP	9,767,155	-	-	-	-	9,767,155
Due from other banks	3,489,488	-	-	-	-	3,489,488
Financial assets at FVPL:						
Government securities	-	-	-	109,478	-	109,478
Derivative assets	126,805	470,425	1,434,763	497,935	-	2,529,928
Financial assets at FVOCI:						
Debt instrument						
Government	-	70,995	-	-	2,074,117	2,145,112
Private debt securities	-	-	-	264,119	442,585	706,704
Equity						
Quoted	-	-	-	-	8,761	8,761
Unquoted	-	-	-	-	15,184	15,184
Financial assets at amortized cost:						
Government	3,169,061	-	83,065	7,799	5,515,638	8,775,563
Private	-	-	51,319	1,342	3,174,341	3,227,002
Loans and receivables:						
Receivables from:						
Corporate	3,560,429	4,592,194	1,556,302	75,227	15,559,861	25,344,013
Commercial	1,198,800	871,708	611,088	308,789	520,664	3,511,049
Consumer:						
Auto loans	115,013	158,491	401,972	1,680,733	48,983,510	51,339,719
Housing loans	947	630	2,627	18,347	21,941,375	21,963,926
Others	1,005,087	16,239	50,536	170,189	1,225,558	2,467,609
	₱23,958,169	₱6,180,682	₱4,191,672	₱3,133,958	₱99,461,594	₱136,926,075

December 31, 2019						
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
Sales contract receivable:						
Individual	₱-	₱-	₱258	₱330	₱35,458	₱36,046
Corporate	-	416,000	-	3,500	2,564	422,064
	-	416,000	258	3,830	38,022	458,110
Accounts receivable:						
Corporate	312,045	7,179	16,778	12,238	669,443	1,017,683
Individual	445	950	433	99	7,828	9,755
	312,490	8,129	17,211	12,337	677,271	1,027,438
RCOCI	339	-	-	-	-	339
	₱24,270,998	₱6,604,811	₱4,209,141	₱3,150,125	₱100,176,887	₱138,411,962
Financial Liabilities						
Deposit liabilities:						
Demand	₱23,267,475	₱-	₱-	₱-	₱-	₱23,267,475
Savings	18,700,707	1,245,482	26,881	14,031	-	19,987,101
Time	8,561,564	4,804,624	2,132,264	16,966,079	161,698	32,626,229
	50,529,746	6,050,106	2,159,145	16,980,110	161,698	75,880,805
Financial liabilities at FVPL:						
Interest rate swaps	11,280	910,770	150,000	150,000	2,671,046	3,893,096
Forward contracts	54,907	29,954	33,521	8,293	-	126,675
Bills payable	860,795	506,350	6,785,090	759,525	-	8,911,760
Manager's checks	698,383	-	-	-	-	698,383
Accrued interest payable	41,637	183,637	31,323	39,136	61,046	356,779
Accounts payable	779,855	-	-	-	-	779,855
Subordinated debt	-	-	55,917	55,917	2,781,000	2,892,834
Due to Treasurer of the Philippines	-	-	-	-	16,106	16,106
	2,446,857	1,630,711	7,055,851	1,012,871	5,529,198	17,675,488
Contingent liabilities	45,553	318,732	185,000	210,670	12,659	772,614
	₱53,022,156	₱7,999,549	₱9,399,996	₱18,203,651	₱5,703,555	₱94,328,907

Notes to Financial Statements

5. Fair Value Measurement

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

December 31, 2020					
	Carrying value	Fair Value			Total
		Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱3,651,217,844	₱3,651,217,844	₱-	₱-	₱3,651,217,844
Derivative assets	136,900,765	-	136,900,765	-	136,900,765
Financial assets at FVOCI:					
Government securities	7,329,134,155	7,329,134,155	-	-	7,329,134,155
Private debt securities	472,933,228	472,933,228	-	-	472,933,228
Quoted equity securities	8,761,382	8,761,382	-	-	8,761,382
Unquoted equity securities	15,383,600	-	-	15,383,600	15,383,600
	11,614,330,974	11,462,046,609	136,900,765	15,383,600	11,614,330,974
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	5,734,325,494	4,582,215,028	-	-	4,582,215,028
Private debt securities	2,909,442,734	3,852,034,786	-	-	3,852,034,786
	8,643,768,228	8,434,249,814	-	-	8,434,249,814
Loans and receivables					
Receivable from customers:					
Corporate lending	14,158,973,785	-	-	16,478,319,660	16,478,319,660
Commercial lending	2,586,051,320	-	-	2,740,670,224	2,740,670,224
Consumer lending	40,296,500,078	-	-	46,281,751,802	46,281,751,802
	57,041,525,183	-	-	65,500,741,686	65,500,741,686
Non-financial assets					
Investment properties	1,093,826,992	-	-	1,846,010,751	1,846,010,751
Total assets	₱78,393,451,377	₱19,896,296,423	₱136,900,765	₱67,362,136,037	₱87,395,333,225

December 31, 2020					
	Carrying value	Fair Value			Total
		Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱164,574,417	₱-	₱164,574,417	₱-	₱164,574,417
Liabilities for which fair values are disclosed					
Financial liabilities					
Time deposits	30,632,736,132	-	-	30,632,736,132	30,632,736,132
Bills payable	2,209,058,000	-	-	2,209,058,000	2,209,058,000
Subordinated debt	1,992,648,990	-	-	1,992,648,990	1,992,648,990
Total liabilities	₱34,999,017,539	₱-	₱164,574,417	₱34,834,443,122	₱34,999,017,539
December 31, 2019					
	Carrying value	Fair Value			Total
		Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱108,381,260	₱108,381,260	₱-	₱-	₱108,381,260
Derivative assets	258,792,099	-	258,792,099	-	258,792,099
Financial assets at FVOCI:					
Government securities	2,138,152,559	2,138,152,559	-	-	2,138,152,559
Private debt securities	698,862,102	698,862,102	-	-	698,862,102
Quoted equity securities	8,761,382	8,761,382	-	-	8,761,382
Unquoted equity securities	15,383,600	-	-	15,383,600	15,383,600
	3,228,333,002	2,954,157,303	258,792,099	15,383,600	3,228,333,002
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	8,510,345,574	8,671,216,816	-	-	8,671,216,816
Private debt securities	3,028,618,925	2,958,318,110	-	-	2,958,318,110
	₱11,538,964,499	₱11,629,534,926	₱-	₱-	₱11,629,534,926

December 31, 2019					
	Carrying value	Quoted prices in active market (Level 1)	Fair Value		Total
			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Loans and receivables					
Receivable from customers:					
Corporate lending	₱19,046,523,674	₱-	₱-	₱20,380,059,556	₱20,380,059,556
Commercial lending	3,167,759,233	-	-	3,381,194,098	3,381,194,098
Consumer lending	47,536,555,018	-	-	60,647,589,386	60,647,589,386
	69,750,837,925	-	-	84,408,843,040	84,408,843,040
Non-financial assets					
Investment properties	1,136,172,532	-	-	2,021,713,905	2,021,713,905
Total assets	₱85,654,307,958	₱14,583,692,229	₱258,792,099	₱86,445,940,545	₱101,288,424,873
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱288,170,199	₱-	₱288,170,199	₱-	₱288,170,199
Liabilities for which fair values are disclosed					
Financial liabilities					
Time deposits	32,626,228,575	-	-	32,620,820,599	32,620,820,599
Bills payable	8,911,760,000	-	-	8,911,760,000	8,911,760,000
Subordinated debt	1,991,777,972	-	-	2,793,435,609	2,793,435,609
Total liabilities	₱43,817,936,746	₱-	₱288,170,199	₱44,326,016,208	₱44,614,186,407

In 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The methods and assumptions used by the Bank in estimating the fair value of the financial instruments are:

COCI, due from BSP and other banks and IBLR – The carrying amounts approximate fair values due to the short-term nature of these accounts. IBLR consists mostly of overnight deposits and floating rate placements.

Trading and investment securities – Fair values of debt securities (financial assets at FVPL and AFS investments and financial investments at FVOCI) and equity investments are generally based

on quoted market prices. Where the government debt securities are not quoted or the market prices are not readily available, the fair value is determined in reference to interpolated PH BVAL reference rates provided by the Philippine Dealing and Exchange Corporation (PDEX). For equity investments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the lack of suitable methods of arriving at a reliable fair value.

Derivative instruments – Fair values of derivative instruments, mainly forward foreign exchange contracts, are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing, which uses present value calculations. The model incorporates various inputs including the foreign exchange rates and interest rate curves prevailing at the reporting date.

Loans and receivables – Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Bank's current lending rates for similar types of loans and receivables ranging from 2.99% to 33.13% in 2020 and 3.16% to 5.24% in 2019. Where the instrument reprices on a periodical basis or has a relatively short maturity, the carrying amounts approximated fair values.

Investment properties – The fair values of Bank's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining fair values include the following:

	Valuation Techniques	Significant Unobservable Inputs
Land	Market data approach	Price per square meter, size, location, shape, time element and corner influence
Land and building	Market data approach for building and condominium for sale/lease and cost approach method for land improvements	Reproduction cost new

Notes to Financial Statements

Significant Unobservable Inputs

Reproduction cost new	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

Liabilities – The fair values of liabilities approximate their carrying amounts due to either the demand nature or the relatively short-term maturities of these liabilities except for time deposit liabilities and subordinated debt whose fair values are estimated using the discounted cash flow methodology using the Bank's incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

6. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	2020	2019
Government securities	₱3,651,217,844	₱108,381,260
Derivative assets (Note 17)	136,900,765	258,792,099
	₱3,788,118,609	₱367,173,359

As of December 31, 2020 and 2019, financial assets at FVPL include net unrealized loss of ₱142.9 million and net unrealized gain of ₱195.2 million, respectively.

Effective interest of government securities ranges from 1.57% to 4.88% and 1.04% to 7.12% in 2020 and 2019, respectively.

Interest income on financial assets at FVPL amounted to ₱322.8 million and ₱64.7 million in 2020 and 2019, respectively.

7. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

	2020	2019
Debt instruments:		
Government securities	₱7,329,134,155	₱2,138,152,559
Private	472,933,228	698,862,102
	7,802,067,383	2,837,014,661
Quoted equity instruments	8,761,382	8,761,382
Unquoted equity instruments	15,383,600	15,383,600
	₱7,826,212,365	₱2,861,159,643

The movements in net unrealized gain (loss) on financial investments at FVOCI investments follow:

	2020	2019
Balance at beginning of year	₱22,257,243	(₱159,841,465)
(Gains)/losses taken to profit and loss	(57,582,083)	36,168,576
Changes in fair value recognized in equity	170,718,530	149,353,533
Expected credit losses	7,515,394	1,188,884
	142,909,084	26,869,528
Tax effect	(37,521,935)	(4,612,285)
	₱105,387,149	₱22,257,243

Interest income from FVOCI investments in 2020 and 2019 amounted to ₱120.5 million and ₱240.3 million, respectively.

Peso-denominated financial instruments at FVOCI have effective interest rates ranging from 1.70% to 6.49% and 3.35% to 6.49% in 2020 and 2019, respectively. Foreign currency-denominated financial instruments at FVOCI bear interest of 1.11% to 3.12% and 2.75% in 2020 and 2019, respectively.

8. Investment Securities at Amortized Cost

This account consists of:

	2020	2019
Government securities (Note 26)	₱5,744,497,972	₱8,512,152,437
Private debt securities	2,913,165,000	3,038,421,753
	8,657,662,972	11,550,574,190
Allowance for credit losses	(13,894,744)	(11,609,691)
	₱8,643,768,228	₱11,538,964,499

Peso-denominated bonds have effective interest rates ranging from 2.37% to 6.64% and 3.2% to 6.64% in 2020 and 2019, respectively. Foreign currency-denominated bonds have effective interest rates ranging from 2.9% to 5.53% and 1.46% to 5.53% in 2020 and 2019, respectively.

Interest income from financial assets held at Amortized Cost amounted to ₱548.6 million and ₱506.2 million in 2020 and 2019, respectively.

9. Loans and Receivables

This account consists of:

	2020	2019
Receivables from customers:		
Corporate	₱14,999,825,810	₱19,835,082,039
Commercial	2,758,403,344	3,323,920,952
Consumer:		
Auto loans	28,943,738,619	34,983,839,699
Housing loans	11,550,083,546	11,771,870,796
Others	1,274,994,082	2,009,132,895
	59,527,045,401	71,923,846,381
Less: unearned discounts and other deferred income	23,526,669	32,009,605
	59,503,518,732	71,891,836,776
Accounts receivable:		
Corporate (Note 28)	1,113,548,527	1,017,681,679
Individual	13,527,087	9,754,597
	₱1,127,075,614	₱1,027,436,276

(forward)

	2020	2019
Accrued interest receivable (Note 28)	₱1,689,704,011	₱741,065,991
Sales contract receivable:		
Corporate	318,576,952	420,735,595
Individual	33,023,261	37,151,546
	351,600,213	457,887,141
RCOCI	328,684	339,396
	62,672,227,254	74,118,565,580
Less: allowance for credit losses	4,105,441,531	2,251,092,564
	₱58,566,785,723	₱71,867,473,016

Loans consist of:

	2020	2019
Loans and discounts	₱54,543,273,047	₱69,029,175,240
Customers' liabilities and other loans	4,524,972,540	2,712,757,507
Restructured loans	435,599,814	103,645,737
Bills purchased (Note 16)	23,200,000	78,267,897
	₱59,527,045,401	₱71,923,846,381

Modification of Loans and Receivables

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the enhanced community quarantine (ECQ) period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans.

In 2020, the Bank, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, offered financial reliefs to its borrowers or counterparties as a response to the effect of the COVID-19 pandemic, particularly the modification of existing loans and receivables which includes extension of payment terms.

Notes to Financial Statements

Based on the Bank's assessments, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and, therefore, do not result in the derecognition of the affected financial assets but would require the recognition of modification losses. The total modification losses amounted to ₱315.0 million. The net impact of the loan modification as of December 31, 2020, after subsequent accretion of the modified loans, amounted to ₱185.9 million.

Changes in the staging assessment of loans receivable are presented below:

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Gross carrying amount as at December 31, 2019	₱18,412,306	₱529,612	₱893,164	₱19,835,082
New assets originated or purchased that remained at Stage 1 asset December 31, 2020	4,490,224	-	-	4,490,224
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020	-	987,818	168,209	1,156,027
Effect of collections and other movements in receivable balance	(9,714,862)	(62,943)	(509,548)	(10,287,353)
Write-offs	-	-	(194,154)	(194,154)
Transfers to Stage 2	(195,067)	195,067	-	-
Transfers to Stage 3	(1,023,969)	-	1,023,969	-
At December 31, 2020	11,968,632	1,649,554	1,381,640	14,999,826
Commercial loans				
Gross carrying amount as at December 31, 2019	3,093,369	54,797	175,755	3,323,921
New assets originated or purchased that remained at Stage 1 asset December 31, 2020	2,151,258	-	-	2,151,258
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020	-	204,585	2,169	206,754
Effect of collections and other movements in receivable balance	(2,789,386)	(31,781)	(19,392)	(2,840,559)
Write-offs	-	-	(82,971)	(82,971)
Transfers to Stage 1	1,733	(1,733)	-	-
Transfers to Stage 2	(32,528)	32,528	-	-
Transfers to Stage 3	(55,817)	(10,776)	66,593	-
At December 31, 2020	₱2,368,629	₱247,620	₱142,154	₱2,758,403

(Forward)

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
Gross carrying amount as at December 31, 2019	₱31,364,344	₱2,852,510	₱766,986	₱34,983,840
New assets originated or purchased that remained at Stage 1 asset December 31, 2020	5,862,665	-	-	5,862,665
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020	-	379,427	161,575	541,002
Effect of collections and other movements in receivable balance	(9,725,528)	(1,856,860)	(563,648)	(12,146,036)
Write-offs	-	-	(297,733)	(297,733)
Transfers to Stage 1	472,548	(468,467)	(4,081)	-
Transfers to Stage 2	(3,753,072)	3,758,885	(5,813)	-
Transfers to Stage 3	(1,527,652)	(856,945)	2,384,597	-
At December 31, 2020	22,693,305	3,808,550	2,441,883	28,943,738
Housing loans				
Gross carrying amount as at December 31, 2019	10,849,594	828,742	93,535	11,771,871
New assets originated or purchased that remained at Stage 1 asset December 31, 2020	940,014	-	-	940,014
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020	-	17,280	12,049	29,329
Effect of collections and other movements in receivable balance	(952,653)	(171,620)	(66,857)	(1,191,130)
Transfers to Stage 1	186,130	(185,541)	(589)	-
Transfers to Stage 2	(1,172,901)	1,172,901	-	-
Transfers to Stage 3	(397,623)	(238,161)	635,784	-
At December 31, 2020	9,452,561	1,423,601	673,922	11,550,084
Others				
Gross carrying amount as at December 31, 2019	1,891,922	61,174	56,037	2,009,133
New assets originated or purchased that remained at Stage 1 asset December 31, 2020	114,822	-	-	114,822
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	4,100	4,535	8,635
Effect of collections and other movements in receivable balance	(756,976)	(55,768)	155,408	(657,336)
Write-offs	-	-	(200,260)	(200,260)
Transfers to Stage 1	1,328	(598)	(730)	-
Transfers to Stage 2	(37,054)	37,054	-	-
Transfers to Stage 3	(88,410)	(4,615)	93,025	-
At December 31, 2020	₱1,125,632	₱41,347	₱108,015	₱1,274,994

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Gross carrying amount as at December 31, 2018	₱22,686,946	₱906,153	₱414,126	₱24,007,225
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	9,401,915	-	-	9,401,915
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	-	200,635	200,635
Effect of collections and other movements in receivable balance	(13,258,204)	(355,313)	69,306	(13,544,211)
Write-offs	-	-	(230,482)	(230,482)
Transfers to Stage 1	21,228	(21,228)	-	-
Transfers to Stage 3	(439,579)	-	439,579	-
At December 31, 2019	18,412,306	529,612	893,164	19,835,082
Commercial loans				
Gross carrying amount as at December 31, 2018	3,295,878	93,613	248,603	3,638,094
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	2,872,135	-	-	2,872,135
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	21,053	41,124	62,177
Effect of collections and other movements in receivable balance	(3,038,217)	(93,613)	(116,516)	(3,248,346)
Write-offs	-	-	(139)	(139)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1,733)	33,744	(32,011)	-
Transfers to Stage 3	(34,694)	-	34,694	-
At December 31, 2019	3,093,369	54,797	175,755	3,323,921
Auto loans				
Gross carrying amount as at December 31, 2018	₱32,345,380	₱2,744,515	₱832,660	₱35,922,555
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	₱12,227,209	₱-	₱-	₱12,227,209
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	458,416	44,223	502,639
Effect of collections and other movements in receivable balance	(11,844,981)	(1,365,671)	(221,297)	(13,431,949)
Write-offs	-	-	(236,614)	(236,614)
Transfers to Stage 1	341,261	(332,580)	(8,681)	-
Transfers to Stage 2	(1,545,350)	1,562,306	(16,956)	-
Transfers to Stage 3	(159,175)	(214,476)	373,651	-
At December 31, 2019	₱31,364,344	₱2,852,510	₱766,986	₱34,983,840

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Housing loans				
Gross carrying amount as at December 31, 2018	₱10,476,023	₱695,379	₱122,918	₱11,294,320
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	2,294,723	-	-	2,294,723
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	59,246	-	59,246
Effect of collections and other movements in receivable balance	(1,642,855)	(144,870)	(88,693)	(1,876,418)
Transfers to Stage 1	177,304	(176,140)	(1,164)	-
Transfers to Stage 2	(427,792)	427,792	-	-
Transfers to Stage 3	(27,809)	(32,665)	60,474	-
At December 31, 2019	10,849,594	828,742	93,535	11,771,871
Others				
Gross carrying amount as at December 31, 2018	2,068,667	101,339	64,832	2,234,838
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	568,480	-	-	568,480
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	11,690	118,830	130,520
Effect of collections and other movements in receivable balance	(710,727)	(68,391)	-	(779,118)
Write-offs	-	-	(145,587)	(145,587)
Transfers to Stage 1	6,597	(4,420)	(2,177)	-
Transfers to Stage 2	(22,380)	22,523	(143)	-
Transfers to Stage 3	(18,715)	(1,567)	20,282	-
At December 31, 2019	₱1,891,922	₱61,174	₱56,037	₱2,009,133

Notes to Financial Statements

Movement of ECL during the year is presented in the table below:

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Balance at beginning of the year	₱250,268	₱11,430	₱526,147	₱787,845
New assets originated or purchased that remained at Stage 1 asset December 31, 2020	67,749	-	-	67,749
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020	-	81,592	168,209	249,801
Effect of collections and other movements in receivable balance	(174,020)	45,837	200,133	71,950
Write-offs	-	-	(194,154)	(194,154)
Transfers to Stage 2	(1,986)	1,986	-	-
Transfers to Stage 3	(22,611)	-	22,611	-
At December 31, 2020	119,400	140,845	722,946	983,191
Commercial loans				
Balance at beginning of the year	23,569	3,195	116,188	142,952
New assets originated or purchased that remained at Stage 1 asset December 31, 2020	5,356	-	-	5,356
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020	-	104,587	1,933	106,520
Effect of collections and other movements in receivable balance	(22,351)	(1,198)	19,097	(4,452)
Write-offs	-	-	(82,971)	(82,971)
Transfers to Stage 2	(102)	102	-	-
Transfers to Stage 3	(383)	(517)	900	-
At December 31, 2020	6,089	106,169	55,147	167,405
Auto loans				
Balance at beginning of the year	284,345	225,022	301,045	810,412
New assets originated or purchased that remained at Stage 1 asset December 31, 2020	183,486	-	-	183,486
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020	-	84,229	53,351	137,580
Effect of collections and other movements in receivable balance	170,038	429,150	658,997	1,258,185
Write-offs	-	-	(297,733)	(297,733)
Transfers to Stage 1	30,360	(29,066)	(1,294)	-
Transfers to Stage 2	(51,158)	52,991	(1,833)	-
Transfers to Stage 3	(27,027)	(66,942)	93,969	-
At December 31, 2020	₱590,044	₱695,384	₱806,502	₱2,091,930

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Housing loans				
Balance at beginning of the year	₱95,931	₱70,549	₱27,125	₱193,605
New assets originated or purchased that remained at Stage 1 as at December 31, 2020	21,785	-	-	21,785
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	3,278	3,558	6,836
Effect of collections and other movements in receivable balance	80,891	101,410	140,110	322,411
Transfers to Stage 1	12,648	(12,475)	(173)	-
Transfers to Stage 2	(15,959)	15,959	-	-
Transfers to Stage 3	(6,490)	(21,645)	28,135	-
At December 31, 2020	188,806	157,076	198,755	544,637
Others				
Balance at beginning of the year	151,453	46,072	41,921	239,446
New assets originated or purchased that remained at Stage 1 asset December 31, 2020	4,978	-	-	4,978
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020	-	623	4,452	5,075
Effect of collections and other movements in receivable balance	(51,781)	(3,494)	244,440	189,165
Write-offs	-	-	(200,260)	(200,260)
Transfers to Stage 1	741	(122)	(619)	-
Transfers to Stage 2	(1,904)	1,904	-	-
Transfers to Stage 3	(4,641)	(1,571)	6,212	-
At December 31, 2020	₱98,846	₱43,412	₱96,146	₱238,404

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Balance at beginning of the year	₱251,565	₱19,228	₱361,524	₱632,317
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	173,149	-	-	173,149
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	-	230,200	230,200
Effect of collections and other movements in receivable balance	(9,542)	(7,797)	-	(17,339)
Write-offs	-	-	(230,482)	(230,482)
Transfers to Stage 1	1	(1)	-	-
Transfers to Stage 3	(164,905)	-	164,905	-
At December 31, 2019	250,268	11,430	526,147	787,845
Commercial loans				
Balance at beginning of the year	37,014	8,714	168,254	213,982
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	22,147	-	-	22,147
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	1,024	23,236	24,260
Effect of collections and other movements in receivable balance	(19,700)	(8,715)	(88,883)	(117,298)
Write-offs	-	-	(139)	(139)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	2,172	(2,172)	-
Transfers to Stage 3	(15,892)	-	15,892	-
At December 31, 2019	23,569	3,195	116,188	142,952
Auto loans				
Balance at beginning of the year	543,190	67,486	348,866	959,542
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	155,570	-	-	155,570
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	110,758	70,051	180,809
Effect of collections and other movements in receivable balance	(248,895)	-	-	(248,895)
Write-offs	-	-	(236,614)	(236,614)
Transfers to Stage 1	3,948	(3,804)	(144)	-
Transfers to Stage 2	(118,306)	119,507	(1,201)	-
Transfers to Stage 3	(51,162)	(68,925)	120,087	-
At December 31, 2019	₱284,345	₱225,022	₱301,045	₱810,412

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Housing loans				
Balance at beginning of the year	₱234,998	₱54,126	₱42,836	₱331,960
New assets originated or purchased that remained at Stage 1 as at December 31, 2019	23,457	-	-	23,457
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	8,191	-	8,191
Effect of collections and other movements in receivable balance	(122,785)	(13,979)	(33,239)	(170,003)
Transfers to Stage 1	3,098	(3,084)	(14)	-
Transfers to Stage 2	(34,752)	34,752	-	-
Transfers to Stage 3	(8,085)	(9,457)	17,542	-
At December 31, 2019	95,931	70,549	27,125	193,605
Others				
Balance at beginning of the year	116,730	17,361	47,693	181,784
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	21,135	-	-	21,135
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	38,631	21,745	121,738	182,114
Effect of collections and other movements in receivable balance	-	-	-	-
Write-offs	-	-	(145,587)	(145,587)
Transfers to Stage 1	278	(224)	(54)	-
Transfers to Stage 2	(8,514)	8,531	(17)	-
Transfers to Stage 3	(16,807)	(1,341)	18,148	-
At December 31, 2019	₱151,453	₱46,072	₱41,921	₱239,446

As of December 31, 2020 and 2019, allowance for credit losses on accounts receivable and sales contract receivable amounted to ₱79.9 million and ₱76.8 million.

Interest income on loans and receivables consists of:

	2020	2019
Loans and discounts	₱5,080,953,542	₱6,247,900,375
Customers' liabilities and other loans	140,465,713	217,495,603
Accounts receivable – PPI (Note 29)	22,580,428	25,185,248
Restructured loans	3,733,594	7,303,422
Sales contract receivable	3,320,531	3,414,858
	₱5,251,053,808	₱6,501,299,506

Notes to Financial Statements

Of the total peso-denominated loans of the Bank as of December 31, 2020 and 2019, 96.90% and 93.32% respectively, are subject to periodic interest repricing. Remaining peso-denominated loans earned annual EIR ranging from 2.99% to 33.13% for the years ended December 31, 2020 and 2019, respectively. All foreign currency-denominated loans of the Bank as of December 31, 2020 and 2019 are subject to periodic interest repricing and earned annual EIR ranging 2.42% to 8.40% and 3.05% to 8.40% for the years ended December 31, 2020 and 2019, respectively.

All sales contract receivable as of December 31, 2020 and 2019 are subject to periodic interest repricing.

Receivable from Philmay Property, Incorporated (PPI)

As of December 31, 2020 and 2019, receivable from PPI (included under Accounts Receivable – Corporate) has a carrying value of ₱599.7 million and ₱619.7 million, respectively. The receivable bears an interest rate based on one-month PH BVAL reference rates plus 1.00%, repriceable every month. The Memorandum of Agreement (MOA) originally signed on September 15, 2009 between the Bank and PPI expired on September 19, 2019. On October 1, 2019, the Bank and PPI signed an addendum to the original MOA extending the payment terms whereas PPI will settle the receivable within ten (10) years beginning October 1, 2019 until September 30, 2029.

The receivable from PPI is secured by deposit hold-out agreement, executed by the Parent Company, amounting to US\$20.0 million. In the event that PPI fails to perform its obligation under the Memorandum of Agreement, and that the same is not cured or corrected within a period of thirty (30) days from notice by the Bank, the Bank is authorized by the Parent Company to immediately offset and apply the deposit as partial or full payment of the obligation without need of demand.

10. Property and Equipment

The composition of and movements in this account follow:

	December 31, 2020			
	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱262,553,193	₱827,774,219	₱568,654,926	₱1,658,982,338
Additions	-	85,375,859	8,784,940	94,160,799
Disposals/write-off	-	(13,526,427)	(589,501)	(14,115,928)
Balances at end of year	262,553,193	899,623,651	576,850,365	1,739,027,209

(Forward)

	December 31, 2020			
	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Accumulated Depreciation and Amortization				
Balances at beginning of year	₱187,334,289	₱655,537,931	₱547,709,830	₱1,390,582,050
Depreciation and amortization	6,141,244	68,345,617	10,047,555	84,534,416
Disposals/write-off	-	(11,733,164)	(589,492)	(12,322,656)
Balances at end of year	193,475,533	712,150,384	557,167,893	1,462,793,810
Net Book Value at end of year	₱69,077,660	₱187,473,267	₱19,682,472	₱276,233,399

	December 31, 2019			
	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱262,553,193	₱897,538,921	₱564,214,539	₱1,724,306,653
Additions	-	67,560,491	6,760,372	74,320,863
Disposals/write-off	-	(137,325,193)	(2,319,985)	(139,645,178)
Balances at end of year	262,553,193	827,774,219	568,654,926	1,658,982,338
Accumulated Depreciation and Amortization				
Balances at beginning of year	181,193,045	719,801,578	536,041,649	1,437,036,272
Depreciation and amortization	6,141,244	68,063,417	13,988,148	88,192,809
Disposals/write-off	-	(132,327,064)	(2,319,967)	(134,647,031)
Balances at end of year	187,334,289	655,537,931	547,709,830	1,390,582,050
Net Book Value at end of year	₱75,218,904	₱172,236,288	₱20,945,096	₱268,400,288

Depreciation and amortization consist of:

	2020	2019
Right-of-use assets (Note 24)	₱122,499,309	₱126,595,247
Chattel properties acquired (Note 12)	101,895,035	116,894,679
Property and equipment	84,534,416	88,192,809
Investment properties (Note 11)	80,605,266	76,081,724
Software costs (Note 12)	40,149,517	42,553,275
	₱429,683,543	₱450,317,734

As of December 31, 2020 and 2019, the cost of fully depreciated property and equipment still in use by the Bank amounted to ₱1.2 billion and ₱1.0 billion, respectively.

11. Investment Properties

The composition of and movements in this account follow:

December 31, 2020			
	Land	Building	Total
Cost			
Balances at beginning of year	₱351,120,108	₱1,021,911,380	₱1,373,031,488
Additions	10,492,560	74,986,290	85,478,850
Disposals	(18,969,444)	(36,678,366)	(55,647,810)
Balances at end of year	342,643,224	1,060,219,304	1,402,862,528
Accumulated Depreciation			
Balances at beginning of year	-	217,590,452	217,590,452
Depreciation (Note 10)	-	80,605,266	80,605,266
Disposals	-	(7,603,425)	(7,603,425)
Balances at end of year	-	290,592,293	290,592,293
Accumulated Impairment Loss			
Balances at beginning of year	18,960,705	307,799	19,268,504
Provision (Reversals)	(3,375,026)	2,589,230	(785,796)
Disposals	-	(39,465)	(39,465)
Balances at end of year	15,585,679	2,857,564	18,443,243
Net Book Value at end of year	₱327,057,545	₱766,769,447	₱1,093,826,992

December 31, 2019			
	Land	Building	Total
Cost			
Balances at beginning of year	₱633,657,199	₱879,865,443	₱1,513,522,642
Additions	96,170,085	176,128,409	272,298,494
Disposals	(378,707,176)	(34,082,472)	(412,789,648)
Balances at end of year	351,120,108	1,021,911,380	1,373,031,488
Accumulated Depreciation			
Balances at beginning of year	-	153,451,880	153,451,880
Depreciation (Note 10)	-	76,081,724	76,081,724
Disposals	-	(11,943,152)	(11,943,152)
Balances at end of year	-	217,590,452	217,590,452

December 31, 2019			
	Land	Building	Total
Accumulated Impairment Loss			
Balances at beginning of year	₱19,361,308	₱2,417,412	₱21,778,720
Provision (Reversals)	(400,603)	(1,075,931)	(1,476,534)
Disposals	-	(1,033,682)	(1,033,682)
Balances at end of year	18,960,705	307,799	19,268,504
Net Book Value at end of year	₱332,159,403	₱804,013,129	₱1,136,172,532

Annually, management reviews the recoverable amount of investment properties. Several factors are considered such as real estate prices and physical condition of properties. The fair value of the investment properties as of December 31, 2020 and 2019 amounted to ₱1.8 billion and ₱2.0 billion as determined by independent and/or in-house appraisers (see Note 5).

Direct operating expenses, included in the 'Litigation and assets acquired expenses' in the statements of income, arising from investment properties amounted to ₱122.0 million and ₱104.4 million for the years ended December 31, 2020 and 2019, respectively.

12. Other Assets

This account consists of:

	2020	2019
Chattel properties acquired	₱370,094,191	₱256,180,992
Software costs	124,835,541	150,595,939
Security deposits	67,909,207	67,909,207
Sundry debits	48,170,287	2,674,852
Documentary stamps	43,461,232	57,465,311
Prepaid expenses	29,445,282	35,989,717
Prepaid interest	841,275	1,741,545
Miscellaneous	76,329,716	43,669,647
	₱761,086,731	₱616,227,210

Prepaid interest represents advance interest payments on certain time deposit product.

Allowance for impairment loss on certain other assets amounted to ₱18.9 million and ₱2.4 million as of December 31, 2020 and 2019, respectively.

Notes to Financial Statements

Movements in chattel properties acquired follow:

	2020	2019
Cost		
Balances at beginning of year	₱375,555,806	₱524,761,425
Additions (Note 31)	909,431,852	706,018,241
Disposals	(806,802,430)	(855,223,860)
Balances at end of year	478,185,228	375,555,806
Accumulated Depreciation		
Balances at beginning of year	116,938,808	170,467,561
Depreciation (Note 10)	101,895,035	116,894,679
Disposals	(129,673,706)	(170,423,432)
Balances at end of year	89,160,137	116,938,808
Accumulated Impairment Loss		
Balances at beginning of year	2,436,006	–
Provision	40,681,762	5,316,309
Disposals	(24,186,868)	(2,880,303)
Balances at end of year	18,930,900	2,436,006
Net Book Value at end of year	₱370,094,191	₱256,180,992

Movements in software costs follow:

	2020	2019
Cost		
Balances at beginning of year	₱367,370,466	₱344,197,842
Additions	14,389,119	23,172,624
Balances at end of year	381,759,585	367,370,466
Accumulated Depreciation		
Balances at beginning of year	216,774,527	174,221,252
Amortization (Note 10)	40,149,517	42,553,275
Balances at end of year	256,924,044	216,774,527
Net Book Value at end of year	₱124,835,541	₱150,595,939

As of December 31, 2020 and 2019, the cost of fully amortized software still in use by the Bank amounted to ₱63.3 million and ₱56.7 million, respectively.

13. Deposit Liabilities

In 2020, BSP Circular No. 1082 was issued reducing the reserve requirements against deposit and deposit substitute liabilities. As of December 31, 2020, non-FCDU deposit liabilities of the Parent Company and deposit substitutes are subject to required reserves of 12.0% from 14.0% in 2019. Peso-denominated LTNCDs are subject to reserves equivalent to 4.0%. The required reserves can be kept in the form of deposits maintained in the demand deposit accounts with the BSP and any government securities used as compliance until they mature. The Bank is in compliance with such regulations as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the total statutory and liquidity reserves (under 'Due from BSP' account) as reported to the BSP amounted to ₱9.0 billion and ₱9.8 billion, respectively. Deposits under Overnight Deposit Facility (ODF) as of December 31, 2020 and 2019 amounted to ₱2.7 billion and nil, respectively. In 2019, deposits under ODF earned interest at a fixed interest rate of 1.5% to 3.5%.

Interest expense on deposit liabilities consists of:

	2020	2019
Time	₱1,075,017,339	₱1,445,597,795
Savings	174,330,647	370,013,116
Demand	246,160,015	174,064,558
	₱1,495,508,001	₱1,989,675,469

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.10% to 5.50% and from 0.25% to 5.88% for the years ended December 31, 2020 and 2019, respectively, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.03% to 1.90% and from 0.25% to 2.80% for the years ended December 31, 2020 and 2019, respectively.

14. Bills Payable

This account consists of borrowings from banks including related parties (see Note 28) amounting to ₱2.21 billion and ₱8.91 billion as of December 31, 2020 and 2019, respectively. These are unsecured borrowings by the Bank.

Dollar-denominated borrowings are subject to annual EIR ranging from 0.25% to 0.40% and from 2.70% to 3.45% for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, there are no peso-denominated borrowings.

As of December 31, 2020 and 2019, the terms of the borrowings range from 36 to 500 days.

Interest expense on bills payable and other borrowings consists of:

	2020	2019
Subordinated debt (Note 28)	₱112,704,352	₱112,351,299
Bills payable	79,100,350	662,382,494
	₱191,804,702	₱774,733,793

15. Accrued Interest, Taxes and Other Expenses

This account consists of:

	2020	2019
Accrued employee benefits	₱219,770,030	₱350,978,773
Accrued interest payable	125,200,155	364,943,965
Accrued taxes and licenses	97,598,233	138,670,822
Accrued rent	5,636,679	2,539,368
Accrued other expenses	647,679,803	328,637,422
	₱1,095,884,900	₱1,185,770,350

Accrued other expenses include accrual for various administrative expenses, professional fees and information technology expenses.

16. Other Liabilities

This account consists of:

	2020	2019
Accounts payable	₱939,287,777	₱779,855,262
Net pension liability (Note 20)	347,766,145	379,016,277
Withholding taxes payable (Note 33)	40,716,735	67,000,852
Bills purchased – contra	27,474,565	29,074,041
Allowance for credit losses on off-balance sheet exposures	19,706,346	17,430,378
Due to the Treasurer of the Philippines	16,061,549	16,105,965
Other dormant credits	11,772,378	10,176,855
Other deferred credits	2,468,699	3,803,318
Miscellaneous	28,899,805	39,978,459
	₱1,434,153,999	₱1,342,441,407

17. Derivative Financial Instruments

As of December 31, 2020 and 2019, the Bank's derivative financial instruments represent interest rate swaps and currency forwards used by the Bank to manage exposures arising from changes in interest rates and foreign exchange rates.

The table sets out the information about the Bank's derivative financial instruments and the related fair values, together with the notional amounts:

	December 31, 2020			December 31, 2019		
	Notional Amount	Derivative Asset	Derivative Liability	Notional Amount	Derivative Asset	Derivative Liability
Interest rate swaps	-	-	-	US\$2,500,000	₱6,897,967	₱6,592,672
	₱2,350,000,000	₱113,424,049	₱116,068,716	₱2,476,587,500	188,299,585	193,366,594
Cross-currency interest rate swap	₱374,997,500	-	22,185,318	₱123,558,000	-	3,350,309
Non-deliverable swaps (NDS)	₱961,200,000	2,685,105	-	₱5,336,275,000	-	20,321,016
Forward contracts	US\$223,495,524	20,791,611	26,320,383	US\$613,917,065	63,570,027	58,163,123
Non-deliverable forwards	-	-	-	-	24,520	6,376,485
		₱136,900,765	₱164,574,417		₱258,792,099	₱288,170,199

For foreign currency-denominated interest rate swaps, the Bank pays quarterly interests ranging from 1.52% to 8.14% for the year ended December 31, 2019 and receives quarterly interests based on 3-month London Interbank Offered Rate (LIBOR). The Bank has no foreign-currency denominated interest rate swaps in 2020.

Interest income from derivatives in 2020 and 2019 amounted to ₱278.3 million and ₱46.1 million, respectively. Interest expense on derivatives in 2020 and 2019 amounted to ₱5.6 million and ₱7.5 million, respectively.

Notes to Financial Statements

The movements in the Bank's derivative financial instruments follow:

	2020	2019
Derivative Assets		
Balance at beginning of year	₱258,792,099	₱433,523,620
Changes in fair value (Note 21)	(151,320,334)	158,377,280
Net addition (settlement)	29,429,000	(333,108,801)
Balance at end of year	₱136,900,765	₱258,792,099

	2020	2019
Derivative Liabilities		
Balance at beginning of year	₱288,170,199	₱619,298,849
Changes in fair value (Note 21)	22,189,593	(13,123,596)
Net addition (settlement)	(145,785,375)	(318,005,054)
Balance at end of year	₱164,574,417	₱288,170,199

18. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	December 31, 2020			December 31, 2019		
	Up to One Year	Over One Year	Total	Up to One Year	Over One Year	Total
Financial Assets						
Cash and other cash items	₱1,318,048,371	₱-	₱1,318,048,371	₱1,525,384,334	₱-	₱1,525,384,334
Due from BSP	11,740,621,685	-	11,740,621,685	9,767,154,508	-	9,767,154,508
Due from other banks	4,080,554,878	-	4,080,554,878	3,489,488,184	-	3,489,488,184
Interbank loans receivable and SPURA	946,563,080	-	946,563,080	-	-	-
Financial assets at FVPL:						
Government securities	2,902,841,736	748,376,108	3,651,217,844	108,381,260	-	108,381,260
Derivative assets	46,148,262	90,752,503	136,900,765	258,792,099	-	258,792,099
	2,948,989,998	839,128,611	3,788,118,609	367,173,359	-	367,173,359

	December 31, 2020			December 31, 2019		
	Up to One Year	Over One Year	Total	Up to One Year	Over One Year	Total
Financial assets at FVOCI						
Government debt securities	₱2,067,866,116	₱5,261,268,039	₱7,329,134,155	₱68,881,054	₱2,069,271,505	₱2,138,152,559
Private debt securities	-	472,933,228	472,933,228	261,376,405	437,485,697	698,862,102
Private equity securities:						
Quoted	-	8,761,382	8,761,382	-	8,761,382	8,761,382
Unquoted	-	15,383,600	15,383,600	-	15,383,600	15,383,600
	2,067,866,116	5,758,346,249	7,826,212,365	330,257,459	2,530,902,184	2,861,159,643
Financial assets at amortized cost						
Government debt securities	1,369,893,828	4,374,604,144	5,744,497,972	3,243,717,500	5,268,434,937	8,512,152,437
Private debt securities	1,120,000,000	1,793,165,000	2,913,165,000	52,123,190	2,986,298,563	3,038,421,753
	2,489,893,828	6,167,769,144	8,657,662,972	3,295,840,690	8,254,733,500	11,550,574,190
Loans and receivables:						
Receivable from customers						
Corporate	7,348,612,765	7,651,213,045	14,999,825,810	9,683,554,526	10,151,527,512	19,835,082,038
Commercial	2,292,891,740	465,511,604	2,758,403,344	2,953,050,310	370,870,642	3,323,920,952
Consumer:						
Auto loans	2,090,207,408	26,853,531,211	28,943,738,619	2,127,123,724	32,856,715,975	34,983,839,699
Housing	65,150,398	11,484,933,148	11,550,083,546	21,249,438	11,750,621,358	11,771,870,796
Others	953,027,616	321,966,466	1,274,994,082	1,206,537,576	802,595,320	2,009,132,896
	12,749,889,927	46,777,155,474	59,527,045,401	15,991,515,574	55,932,330,807	71,923,846,381
Sales contract receivable:						
Corporate	-	318,576,952	318,576,952	419,478,355	1,257,240	420,735,595
Individual	1,061,567	31,961,694	33,023,261	2,518,024	34,633,522	37,151,546
	1,061,567	350,538,646	351,600,213	421,996,379	35,890,762	457,887,141
Accounts receivable:						
Corporate	1,042,520,730	71,027,797	1,113,548,527	362,326,256	663,954,876	1,026,281,132
Individual	3,274,821	10,252,266	13,527,087	815,150	339,994	1,155,144
	1,045,795,551	81,280,063	1,127,075,614	363,141,406	664,294,870	1,027,436,276

(Forward)

	December 31, 2020			December 31, 2019		
	Up to One Year	Over One Year	Total	Up to One Year	Over One Year	Total
Accrued interest receivable	1,689,704,011	-	1,689,704,011	741,065,991	-	741,065,991
RCOCI	328,684	-	328,684	339,396	-	339,396
	15,486,779,740	47,208,974,183	62,695,753,923	17,518,058,746	56,632,516,439	74,150,575,185
	41,079,317,696	59,974,218,187	101,053,535,883	36,293,357,280	67,418,152,123	103,711,509,403
Nonfinancial Assets						
Property and equipment	-	276,233,399	276,233,399	-	268,400,288	268,400,288
Right-of-Use Assets	-	589,928,379	589,928,379	-	661,697,559	661,697,559
Investment properties	-	1,093,826,992	1,093,826,992	-	1,136,172,532	1,136,172,532
Deferred tax assets	-	1,530,014,203	1,530,014,203	-	975,645,803	975,645,803
Other assets	568,341,983	192,744,748	761,086,731	141,541,073	474,686,138	616,227,211
	568,341,983	3,682,747,721	4,251,089,704	141,541,073	3,516,602,320	3,658,143,393
Less: Allowance for impairment and credit losses			(4,119,336,275)			(2,251,092,564)
Unearned discounts and other deferred income			(23,526,669)			(32,009,605)
Total Assets			₱101,161,762,643			₱105,074,940,935
Financial Liabilities						
Deposit liabilities:						
Demand	25,751,394,611	-	25,751,394,611	23,267,475,263	-	23,267,475,263
Savings	24,152,905,334	-	24,152,905,334	19,987,100,447	-	19,987,100,447
Time	20,945,348,160	9,687,387,972	30,632,736,132	32,464,530,779	161,697,796	32,626,228,575
	70,849,648,105	9,687,387,972	80,537,036,077	75,719,106,489	161,697,796	75,880,804,285
Financial liabilities at FVPL:						
Derivative liabilities	48,268,265	116,306,152	164,574,417	288,170,199	-	288,170,199
Bills payable	2,209,058,000	-	2,209,058,000	8,911,760,000	-	8,911,760,000
Manager's checks	375,475,955	-	375,475,955	698,382,887	-	698,382,887
Accrued interest payable	87,368,735	37,831,420	125,200,155	364,943,965	-	364,943,965
Outstanding acceptances	-	-	-	33,127,228	-	33,127,228
Accounts payable	939,287,777	-	939,287,777	779,855,263	-	779,855,263
Subordinated debt	-	1,992,648,990	1,992,648,990	-	1,991,777,972	1,991,777,972
Due to Treasurer of the Philippines	-	16,061,549	16,061,549	-	16,105,965	16,105,965
	3,659,458,732	2,162,848,111	5,822,306,843	11,076,239,542	2,007,883,937	13,084,123,479

	December 31, 2020			December 31, 2019		
	Up to One Year	Over One Year	Total	Up to One Year	Over One Year	Total
Nonfinancial Liabilities						
Lease liabilities	125,991,586	626,335,424	752,327,010	125,294,262	695,760,720	821,054,982
Income tax payable	4,825,636	-	4,825,636	29,174,050	-	29,174,050
Accrued taxes and other expenses	970,684,745	-	970,684,745	820,826,352	-	820,826,352
Other liabilities	131,038,528	347,766,145	478,804,673	134,336,706	379,016,277	513,352,983
	1,232,540,495	974,101,569	2,206,642,064	1,109,631,370	1,074,776,997	2,184,408,367
Total Liabilities	₱75,741,647,332	₱12,824,337,652	₱88,565,984,984	₱87,904,977,401	₱3,244,358,730	₱91,149,336,131

19. Capital Funds

The Bank's capital stock as of December 31, 2020 and 2019 consists of:

	Shares	Amount
Common stock - ₱35.0 par value		
Authorized		
Issued and outstanding	473,366,128	₱16,567,814,480
Balance at the beginning and end of the period, net of subscriptions receivable of ₱5,781,250	294,666,980	10,313,344,184
Preferred stock - ₱3.7 par value		
Authorized		
Issued and outstanding	295,000,000	1,091,500,000
Balance at the beginning and end of the period, net of subscriptions receivable of ₱218,750	62,848,617	232,539,724
	357,515,597	₱10,545,883,908

Preferred shares of stock are cumulative with a guaranteed quarterly dividend of 2.50%, nonparticipating, nonvoting and with preference in asset distribution and payable in full at par plus accumulated dividends in case of dissolution or liquidation. Dividends are declared at the discretion of the BOD.

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Preferred Series “A” and “B” shares of stock are redeemable at the option of the Bank at par value plus unpaid accumulated dividends after 15 years from date of issue. Where the Bank exercises the option to redeem the shares, the holder will have an option to convert to new preferred shares or certificate of indebtedness in lieu of redemption. Preferred Series “B” shares of stock included in the increase in capitalization authorized under the resolution passed by stockholders on October 20, 1962, are redeemable after ten (10) years from date of issue and convertible, at the option of the holder, into voting common shares of stock in lieu of redemption. Both Preferred Series “A” and “B” shares of stock were issued on October 1, 1961.

Preferred Series “C” shares of stock have preference in payment of dividends over other preferred or common shares which have unpaid accumulated and accrued dividends, and are convertible into voting common stock at the option of the holder thereof, provided that such conversion be made only after 7-1/2 years from date of issue. Preferred Series “C” shares of stock were issued on September 14, 1974.

As of December 31, 2020 and 2019, dividends in arrears on cumulative preferred shares amounted to ₱1.1 billion.

Treasury shares consist of 5,130 common shares, 38,000 Preferred Series “A” shares of stock and 17,150 Preferred Series “B” shares of stock, which are carried at cost.

Employee Stock Option Scheme (ESOS)

Prior to August 25, 2009, all employees of the Bank are entitled to a grant of stock options from the Parent Company once they have been in service for two years. Options awarded to an employee that are made available immediately, with no vesting period, are expensed outright. Options which are exercisable based on the schedule in ESOS over a period of five years from the date of grant are expensed over the vesting period. The exercise price of the options is equal to the weighted average market price of the shares subject to a discount within the limit allowed by the relevant authorities but shall, in no event, be less than the par value of the shares. The option has a maximum contractual life of five years and has no cash settlement alternatives. The stock option plan has expired on August 25, 2009.

The cost of the share-based payments arising from this stock option plan from the Parent Company amounting to ₱262.8 million was recognized as an equity-settled award in the Bank’s financial statements and was recognized in equity.

Capital Management

The Bank manages its capital to ensure it complies with externally imposed capital requirements and maintains healthy capital ratios to support business growth and maximize shareholder value.

Surplus reserves

Surplus reserves of the Bank include reserve for trust business amounting to ₱31.0 million and ₱28.2 million as of December 31, 2020 and 2019, respectively. In compliance with existing BSP regulations, 10.00% of the net profits realized by the Bank from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.00% of the Bank’s regulatory capital.

Regulatory Qualifying Capital

BSP, as the Bank’s lead regulator, sets and monitors capital requirements. Under current banking regulations, the Bank’s compliance with regulatory requirements and ratios is based on the “unimpaired capital” (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects. Moreover, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than ten percent (10.00%). Qualifying capital and risk-weighted assets are computed based on BSP regulations. The Bank is also required to meet the minimum capital of ₱2.4 billion.

Effective January 1, 2014, the Bank complied with BSP Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP’s existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The BSP prescribes certain sanctions for non-compliance with the minimum capital requirements depending on the degree of capital deficiency incurred by the Bank such as suspension of authority to invest in allied undertakings, branching privileges and declaration of dividends, among others.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Bank should maintain CET1 and CAR levels at the regulatory prescribed minimums, on a solo and consolidated basis, even after the simulated results of a 25.00% write-off to the Bank’s real estate exposures. These shall be complied with at all times.

The table below summarizes the (CAR) of the Bank as reported to the BSP as of December 31, 2020 and 2019 (amounts in millions):

	2020	2019
Tier 1 capital	₱10,317	₱12,576
Tier 2 capital	2,654	2,715
Total Qualifying Capital	₱12,971	₱15,291
Risk-Weighted Assets	₱75,731	₱88,408
Tier 1 capital ratio	13.62%	14.23%
Total capital ratio	17.13%	17.30%

The qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

Under Basel III, the regulatory Gross Qualifying Capital of the Bank consists of Tier 1 (core), composed of Common Equity Tier 1 and Additional Tier 1, and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred income tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated debts, revaluation reserves and general loan loss provision.

Risk-weighted assets are determined by assigning defined risk weights to the statements of financial position exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Below is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation

Risk weight	Exposure/Asset type*
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75.00%	Direct loans of defined Small Medium Enterprise (SME) and microfinance loans portfolio; nonperforming housing loans fully secured by first mortgage
100.00%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred income tax)
150.00%	All nonperforming loans (except nonperforming housing loans fully secured by first mortgage) and all nonperforming debt securities

* Not all inclusive

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00% to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For credit-linked notes and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

The risk-weighted CAR is calculated by dividing the sum of its Tier 1 and Tier 2 capital, as defined under BSP regulations, by its risk-weighted assets. The risk-weighted assets, as defined by the BSP regulations, consist of all of the assets on the statement of financial position at their respective book values, together with certain other off-balance sheet items, weighted by certain percentages depending on the risks associated with the type of assets. The determination of compliance with regulatory requirements and ratios is based on the amount of the Bank's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects.

As of December 31, 2020 and 2019, the Bank has complied with the CAR requirement of the BSP.

Internal Capital Adequacy Assessment Process (ICAAP)

In 2009, the BSP issued Circular No. 639 covering the ICAAP which supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. The Bank has a Board-approved ICAAP Framework with areas that cover Capital Management, Pillar 1 and Pillar 2 Risk Measurement, Minimum Internal Capital Requirement Calculation, Use of the ICAAP, Governance Structure, and Reporting Framework. The Bank complies with the required annual submission of updated ICAAP.

Notes to Financial Statements

Leverage Ratio

On June 9, 2015, BSP issued circular No. 881, which approved the guidelines for the implementation of the Basel 3 Leverage Ratio (BLR) in the Philippines. The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based “backstop” measure. The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator). The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on July 1, 2018.

The BLR of the Bank as of December 31, 2020 as reported to the BSP are shown in the table below (amounts in millions).

	2020	2019
Tier 1 Capital	₱10,317	₱12,576
Exposure Measure	103,277	109,413
Leverage Ratio	9.99%	11.49%

Liquidity Coverage Ratio

On February 18, 2016, the BSP issued Circular No. 905 which approved the attached liquidity standards, which include guidelines on liquidity coverage ratio (LCR), and LCR disclosure standards that are consistent with the Basel III framework. Banks are required to adopt Basel III’s Liquidity Coverage Ratio (LCR) aimed at strengthening the short-term liquidity position of banks. This requires banks to have available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflow for a 30-day period under stress conditions. The standard prescribes that, under a normal situation, the value of the liquidity ratio be no lower than 100% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against potential onset of liquidity stress.

As of December 31, 2020 and 2019, the LCR of the Bank as reported to the BSP in single currency is 140.94% and 105.93%, respectively.

Net Stable Funding Ratio

On May 24, 2018, the BSP issued Circular No. 1007 which approved the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR). Banks are required to adopt Basel III’s NSFR aimed to promote long-term resilience of banks against liquidity risk. Banks shall maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. The NSFR complements the LCR, which promotes short-term resilience of a Bank’s liquidity profile.

As of December 31, 2020 and 2019, the NSFR of the Bank as reported to the BSP is 128.00% and 114.00%, respectively.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis. The Bank has complied with all externally imposed capital requirement throughout the period.

20. Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits are based on the employee’s final plan salary and years of service. The Bank’s retirement plan is in the form of a trust administered by the Bank’s Trust Division under the supervision of the Staff Committee.

Under the existing regulatory framework, Republic Act 7641 requires companies with at least ten (10) employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The net pension liability included in ‘Other liabilities’ in the statements of financial position is as follows:

	2020	2019
Present value of the defined benefit obligation	₱635,404,770	₱660,934,694
Fair value of plan assets	(287,638,625)	(281,918,417)
Net pension liability	₱347,766,145	₱379,016,277

Changes in the present value of the defined benefit obligation as of December 31, 2020 and 2019 recognized in the statements of financial position follow:

	2020	2019
Balance at beginning of year	₱660,934,694	₱471,561,833
Current service cost	75,411,260	66,163,597
Interest cost	31,857,052	33,677,690
Remeasurement loss (gain):		
Actuarial (gain)/loss arising from experience Adjustments:	(8,333,418)	42,932,588
Actuarial (gain)/loss arising from changes in demographic assumptions	630,692	(12,093,966)
Actuarial (gain)/loss arising from changes in financial assumptions	(31,480,143)	105,743,295
Benefits paid	(93,615,367)	(47,050,343)
Balance at end of year	₱635,404,770	₱660,934,694

Changes in fair value of plan assets are, as follows:

	2020	2019
Balance at beginning of year	₱281,918,417	₱243,188,029
Contributions	94,692,903	75,593,357
Interest income	13,588,468	24,247,930
Remeasurement loss	(8,945,796)	(14,060,556)
Benefits paid	(93,615,367)	(47,050,343)
Balance at end of year	₱287,638,625	₱281,918,417

The fair value of plan assets by each class is as follows:

	2020	2019
Cash and cash equivalents	₱74,743	₱197,798,269
Accrued interest and other receivables	815,875	3,354,536
Debt instruments		
Government securities	268,389,675	42,178,168
Private securities	17,368,347	20,442,820
Equity instruments		
Manufacturing	-	16,949,000
Wholesale and Retail	-	-
Revaluation	989,985	1,195,624
Fair value of plan assets	₱287,638,625	₱281,918,417

The Bank's plan assets are carried at fair value. All equity and debt instruments held have quoted prices in active market. The fair value of cash and cash equivalents, accrued interest and other receivables approximates its carrying amount due to the short-term nature of these accounts.

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The portfolio mix of the Bank's plan assets as of December 31, 2020 and 2019 was approved by the Staff Committee.

The Bank expects to contribute ₱88.9 million to the plan in 2021.

The cost of defined benefit retirement plans as well as the present value of the benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used are shown below:

	2020	2019
Discount rate		
At January 1	4.82%	7.35%
At December 31	3.42%	4.82%
Future salary increase rate	3.00%	5.00%
Average remaining working life	14	8

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2020 and 2019, assuming all other assumptions were held constant.

	2020	2019
Increase in discount rate by 1%	(₱44,616,089)	(₱46,069,109)
Decrease in discount rate by 1%	51,188,810	52,942,043
Increase in salary increase rate by 1%	50,686,284	55,265,540
Decrease in salary increase rate by 1%	(45,667,138)	(48,909,717)

The amounts included in 'Compensation and fringe benefits' expense in the statements of income are as follows:

	2020	2019
Current service cost	₱75,411,260	₱66,163,597
Net interest cost	18,268,584	9,429,760
Expense recognized during the year	₱93,679,844	₱75,593,357

The Bank also has a defined contribution plan for certain employees. The pension expense recognized under this plan amounting to ₱28.4 million and ₱27.6 million for the years ended December 31, 2020 and 2019, respectively, is included in 'Compensation and fringe benefits' in the statements of income.

Notes to Financial Statements

The average duration of the retirement liability is 14 years in 2020. Maturity analysis of the undiscounted benefit payments follow:

	2020	2019
Less than one year	₱74,825,348	₱72,875,881
More than one to five years	288,250,065	265,636,588
More than five to 10 years	342,453,681	430,088,077
More than 10 to 15 years	431,321,765	588,368,723
More than 15 to 20 years	315,533,050	433,253,773
More than 20 years	423,047,151	801,592,296

21. Net Trading Gains (Losses)

This account consists of:

	2020	2019
Financial instruments at FVPL:		
HFT investments (Note 6)	₱198,926,783	₱51,896,868
Derivatives (Note 17)	(129,130,741)	145,253,684
Financial assets at FVOCI	57,582,083	36,168,576
	₱127,378,125	₱233,319,128

22. Service Charges, Fees and Commissions

This account consists of:

	2020	2019
Credit-related (Note 28)	₱299,038,957	₱629,296,222
Deposit-related	63,936,485	81,743,606
Others (Note 28)	45,153,876	33,403,379
	₱408,129,318	₱744,443,207

23. Miscellaneous Income and Expense

Miscellaneous income consists of:

	2020	2019
Trust fees (Note 28)	₱28,012,615	₱144,593,707
Recovery on written-off accounts	19,912,011	31,366,847
Gain from derecognition of financial asset (Note 9)	–	13,943,409
Others	45,187,545	65,972,907
	₱93,112,171	₱255,876,870

Others include miscellaneous income from penalties, inspection and appraisal and processing fees on charged off assets and rental income.

Miscellaneous expense consists of:

	2020	2019
Information and technology	₱229,926,342	₱162,076,325
Outsourced services	159,017,088	178,334,279
Cards-related expenses	53,236,516	90,597,814
Fines and Penalties	47,940,493	48,635,758
Banking fees	37,139,278	36,124,923
Commissions and service charges	31,457,697	46,579,909
Membership fees and dues	28,203,295	28,499,689
Advertising and publications	19,145,740	54,811,408
Freight	10,283,848	17,771,151
Minor tools and equipment	4,036,811	3,575,074
Fuel and lubricants	1,449,124	2,724,167
Philippine Clearing House Corporation fees	1,430,303	1,976,480
Others	92,091,293	23,073,168
	₱715,357,828	₱694,780,145

Cards-related expenses include costs relating to cards acquiring business of the Bank, settlement expenses and credit investigation expenses.

Others include periodicals, various office supplies, registration fee for various seminars, donations and charitable contribution.

24. Lease Contracts

The rollforward analysis of right-of-use assets follows:

	2020	2019
ROU, Beginning Balance	₱661,697,559	₱768,505,677
Additions	84,238,289	23,373,841
Disposals	(33,508,160)	(3,586,712)
Depreciation (Note 10)	(122,499,309)	(126,595,247)
Net Book Value	₱589,928,379	₱661,697,559

Set out below, are the amounts recognized in the statement of income:

	2020	2019
Expenses		
Depreciation expense of right-of-use assets	₱122,499,309	₱126,595,247
Interest expense on lease liabilities	66,003,500	74,159,490
Rent expense – short-term leases and leases of low-value assets	73,368,951	47,203,582
Total amounts recognized in statement of income	₱261,871,760	₱247,958,319

The Bank entered into lease agreements with third parties.

The rollforward analysis of lease liabilities follows:

	2020	2019
Lease Liabilities, Beginning	₱821,054,982	₱915,351,129
Payments	(218,969,761)	(191,829,478)
Interest expense	66,003,500	74,159,490
Additions	84,238,289	23,373,841
Lease Liabilities, Ending	₱752,327,010	₱821,054,982

Shown below is the maturity analysis of the undiscounted lease payments:

	2020	2019
Within one year	₱109,041,725	₱201,072,499
More than 1 years to 2 years	184,479,179	192,153,187
More than 2 years to 3 years	129,448,214	173,983,961
More than 3 years to 5 years	156,411,331	145,715,084
More than 5 years	662,128,179	1,434,430,111
	₱1,241,508,628	₱2,147,354,842

The Bank leases the premises occupied by its head office and branches for periods ranging from 4 to 10 years and are renewable upon mutual agreement of both parties under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 10.00%. Rent expense charged against current operations (included under 'Occupancy' in the statements of income) amounted to ₱73.4 million and ₱47.2 million for the years ended December 31, 2020 and 2019, respectively.

25. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of documentary stamp tax and gross receipts tax (GRT).

Income taxes include corporate income tax and FCDU final taxes, as discussed below, and final tax paid at the rate of 20.00% on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Republic Act (RA) No. 9337, An Act Amending the National Internal Revenue Code, provides that the RCIT rate shall be 30.00% and interest expense allowed as deductible expense shall be reduced by 33.00% of the interest income subject to final income tax.

An MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception.

Notes to Financial Statements

RA No. 9294 exempts from income tax the income derived by the FCDU from foreign currency transactions with nonresidents, offshore banking units (OBUs) and local commercial banks including branches of foreign banks authorized by the BSP to transact business with FCDUs and other depository banks under the expanded foreign currency deposit system. Interest income on foreign currency-denominated loans by the FCDUs to residents other than OBUs or other depository banks under the expanded system is subject to 10.00% gross income tax. In addition, interest income on deposit placements with other FCDUs and OBUs is taxed at either 7.50% or 15.00%, while all other income of the FCDU is subject to the 30.00% corporate income tax.

On March 15, 2011, the Bureau of Internal Revenue (BIR) issued RR No. 4-2011 which prescribed the attribution and allocation of expenses between FCDUs/EFCDUs or OBU and RBU, and further the allocation within RBU based on different income earning activities. Pursuant to the regulations, the Bank made an allocation of its expenses in calculating income taxes due for RBU and FCDU.

On April 6, 2015, the Bank and other member banks of the Bankers Association of the Philippines (BAP), filed a Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction with the Regional Trial Court of Makati (Makati Trial Court). Further, in Civil Case No. 15-287, the Bank and other BAP member banks assailed the validity of RR 4-2011 on the ground, among others, that (a) the RR violates the petitioner-banks substantive due process rights; (b) it is not only illegal but also unfair; (c) that it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribes method of allocation; and (e) it violates the equal protection clause of the Constitution.

On April 8, 2015, the Makati Trial Court issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 25, 2015, Makati Trial Court issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 4-2011 against the Bank and other BAP member banks, including issuing Preliminary Assessment Notice or Final Assessment Notice against them during the pendency of the litigation, unless sooner dissolved.

On June 10, 2015, the Makati Trial Court issued a Confirmatory Order stating that the TRO and Writ of Preliminary Injunction also prohibits the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as the Bank and other BAP member banks are concerned.

On May 25, 2018, the Makati Trial Court issued a decision annulling RR 4-2011 and making the Writ of Preliminary Injunction permanent.

Provision for income tax consists of:

	2020	2019
Current:		
Final	₱149,779,721	₱116,457,801
RCIT and MCIT	82,855,118	85,013,654
	232,634,839	201,471,455
Deferred	(600,961,458)	(21,585,310)
	(₱368,326,619)	₱179,886,145

The details of net deferred tax assets follow:

	2020	2019
Deferred tax asset on:		
Allowance for impairment and credit losses	₱1,251,105,317	₱690,748,146
Provisions and accruals	166,854,980	129,192,303
Retirement liability and unamortized past service cost	131,061,346	129,473,631
Accumulated depreciation on investment and chattel properties	113,925,729	100,358,778
Unrealized foreign exchange loss	–	54,573,382
Lease liability net of right-of-use assets	48,903,352	47,807,227
Excess of MCIT over RCIT	32,390,227	27,626,100
Fair value loss on HFT investments	5,361,217	–
	1,749,602,168	1,179,779,567
Deferred tax liability on:		
Fair value of investment properties and chattel properties	66,806,462	83,636,981
Unrealized profit on assets sold	70,255,016	73,361,815
Fair value gain on HFT investments	–	42,522,683
Fair value gain on FVOCI investments	37,521,935	4,612,285
Unrealized foreign exchange gain	45,004,551	–
	219,587,964	204,133,764
	₱1,530,014,204	₱975,645,803

Provision for (benefit from) deferred income tax recognized directly against OCI for the years ended December 31, 2020 and 2019 amounted to ₱46.6 million and (₱40.6 million), respectively.

As of December 31, 2020 and 2019, the Bank did not recognize deferred tax assets on certain allowance for impairment and credit losses amounting to ₱1.3 million, since the management believes that it is not probable that the related tax benefits will be realized in the future.

The Bank's excess MCIT over RCIT which can be utilized against annual income tax payable are as follows:

Year	Excess MCIT	Valid Until
2019	₱27,626,100	2022
2020	4,764,127	2023

Reconciliation between the statutory income tax rate and the effective income tax rate follows:

	2020	2019
Statutory income tax rate	30.00%	30.00%
Tax effects of:		
Tax-exempt income and income subjected to final tax	22.29	(36.68)
Nondeductible expenses	(74.35)	33.97
FCDU income before income tax	1.80	(6.03)
Movements in unrecognized deferred tax assets	(0.08)	–
Effective income tax rate	(20.34%)	21.26%

26. Trust Operations

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Bank (Note 27).

In connection with the trust business of the Bank, government securities with total face value of ₱89.0 million and ₱84.0 as of December 31, 2020 and 2019 are deposited with the BSP in compliance with the requirements of the General Banking Law.

27. Commitments and Contingent Liabilities

In the normal course of the Bank's operations, there are outstanding commitments and other contingent liabilities which are not reflected in the accompanying financial statements. The Bank does not anticipate material losses from these commitments and contingent liabilities.

Commitments and contingencies

The following is a summary of contingencies and commitments of the Bank with the equivalent peso contractual amounts:

	2020	2019
Forward exchange sold	₱10,737,114,619	₱31,085,690,607
Forward exchange bought	10,733,372,542	31,085,144,607
Trust department accounts (Note 27)	7,379,339,379	7,168,590,859
Broker customer securities account	3,257,972,525	2,594,880,906
Financial futures	264,126,500	–
Cross interest swap receivable	374,997,500	123,558,000
Cross interest swap payable	355,370,200	121,524,000
Non-deliverable swap receivable	961,200,000	5,324,150,000
Non-deliverable swap payable	960,460,000	5,336,275,000
Interest rate swap payable	2,350,000,000	2,476,587,500
Interest rate swap receivable	2,350,000,000	2,476,587,500
Unused commercial letters of credit	1,216,534,791	772,613,885
Export letters of credit-confirmed	747,477,995	788,133,775
Outstanding guarantees	674,743,018	668,881,782
Deficiency claims receivable	587,055,543	553,709,019
Inward bills for collection	272,787,780	601,965,445
Outward bills for collection	9,373,081	6,057,582
Late deposits and payments received	7,353,817	74,615,405
Items held for safekeeping	604,634	758,837
Items held as collateral	9,215	82,903
Spot exchange sold	–	786,672,500
Spot exchange bought	–	785,500,000

Notes to Financial Statements

28. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subject to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

The Bank has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Transactions with Retirement Plan

The retirement fund of the Bank's employees with fair value amounting to ₱287.6 million and ₱281.9 million as of December 31, 2020 and 2019, respectively, is being managed by the Bank's Trust Department. The transaction was made substantially on the same terms as with other individuals and businesses of comparable risks. Other than deposits with the Bank and trust fees, there were no other material transactions between the retirement fund and the Bank in 2020 and 2019. Deposits with the Bank amounted to ₱0.07 million and ₱144.7 million as of December 31, 2020 and 2019, respectively. The Bank earned ₱3.0 million and ₱2.6 million of trust fees for the years ended December 31, 2020 and 2019, respectively.

Refer to Note 20 for the details of the assets and investments of the retirement fund. The retirement fund of the Bank does not have investments in the shares of stock of the Bank.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Executive Committee to constitute key management personnel for purposes of PAS 24.

Compensation of key management personnel included under 'Compensation and fringe benefits' in the statements of income follows:

	2020	2019
Salaries and other short-term benefits	₱133,066,624	₱152,474,015
Post-employment benefits	2,890,051	7,722,545
	₱135,956,675	₱160,196,560

Other Related Party Transactions

Other related party transactions entered in the normal course of business were primarily regular banking transactions. The Bank settles its related party transactions in cash. The significant year-end account balances with respect to related parties included in the financial statements follow:

	Outstanding Balance /Volume		Nature, Terms and Conditions
	2020	2019	
Parent Company			
Due from other banks	₱24,196,085	23,832,863	Foreign currency demand deposit accounts, non-interest bearing and no impairment
Accounts receivable	1,680,429	–	Receivables for various administrative expenses, due on demand, non-interest bearing, unsecured and no impairment
Accrued Interest Receivable	–	220,495	Accrued interest income on interest rate swaps
Interest income	548,894	–	Interest income from interbank loans receivable, interest rate swaps and due from other banks
Financial assets/(liabilities) at FVPL	2,215,844	(517,203)	Derivative assets (liabilities) on foreign currency forwards and interest rate swaps
Trading Gain	308,790	–	Mark-to-market gain from trading derivatives
Deposit Liability	1,528,128,239	1,325,976,928	Savings and demand deposits
Bills payable	2,209,058,000	8,911,760,000	Short-term foreign currency borrowings
Net availment	6,702,702,000	8,124,160,000	
Accrued interest payable	34,242,010	191,705,490	Accrued interest expense on bills payable, subordinated loan and interest rate swaps
Subordinated Debt	1,992,648,990	1,991,777,972	Direct, unconditional, unsecured and subordinated obligation of the Bank
Interest expense	200,011,903	792,169,920	Interest expense on interest rate swaps, bills payable, subordinated loan and deposit liabilities

	Outstanding Balance /Volume		Nature, Terms and Conditions
	2020	2019	
Other related parties			
Due from other banks	₱89,369,708	₱61,272,325	Various foreign currency demand deposit accounts, non-interest bearing and no impairment
Loans and receivables	158,470,000	129,600,000	Revolving credit line with maturity of two years bearing 4.50% interest rate, fully secured by hold-out deposits amounting to US\$20 million and no impairment
Availments	158,470,000	129,600,000	
Settlements	129,600,000	84,000,000	
Accounts receivable	600,694,616	620,845,181	Receivable subject to interest rate based on one-month BVAL plus 1%, with a maturity of 10 years secured by deposit hold-out and no impairment. Also includes various administrative expenses
Accrued interest receivable	1,111,226	2,382,167	Accrued interest income on accounts receivable
Interest income	22,580,428	71,896,750	Net interest income from interbank loans receivable, loans and receivables, interest rate swaps and due from other banks
Financial liabilities at FVPL	-	5,295,165	Interest rate swaps where the Bank pays fixed semi-annual interest ranging from 8.00% to 9.88% and receives semi-annual interests based on 6-month LIBOR, unsecured with a maturity of 74 to 105 months.
Financial liabilities at FVPL	-	5,295,165	Interest rate swaps where the Bank pays fixed semi-annual interest ranging from 8.00% to 9.88% and receives semi-annual interests based on 6-month LIBOR, unsecured with a maturity of 74 to 105 months.
Deposit Liability	2,439,814,540	7,519,484	Savings and demand deposits

	Outstanding Balance /Volume		Nature, Terms and Conditions
	2020	2019	
Accrued interest payable	82,135	333,680	Accrued interest expense on time deposits
Interest Expense	8,734,231	43,035,945	Interest expense on interest rate swaps, bills payable and deposit liabilities
Service charges, fees and commissions	32,692,071	19,084,017	Transaction fees from various services rendered
IT Expenses	70,491,386	29,786,120	IT Support Services received from MSS
Employee benefits	35,191,600	-	Life and medical insurance premiums for bank employees
Retirement fund of the Bank			
Deposit with the Bank	74,743	144,670,314	This deposit earns annual fixed interest rates ranging from 0.25% to 3.25%.
Interest income	2,021,915	4,858,322	

Deposit liabilities to Parent Company amounted to ₱1.53 billion and ₱1.33 billion as of December 31, 2020 and 2019, respectively. Deposit liabilities to other related parties amounted to ₱2.44 billion and ₱7.52 million as of December 31, 2020 and 2019, respectively.

Other related parties are other companies owned and controlled by the Bank's Parent Company.

Service fee income

On December 15, 2010, the Bank entered into an agreement with Maybank International Labuan Limited (MILL) whereby the Bank shall perform account management in its favor. This will include the conduct of annual review on the account and collection. The Bank shall charge MILL a service fee of 0.30% of the average US\$ value of loans and investments booked by MILL per annum beginning July 1, 2010 until such time that the agreement shall be terminated. Service fees earned from MILL amounted to ₱4.0 million and ₱2.9 million for the years ended December 31, 2020 and 2019, respectively (Note 22).

On December 18, 2016, the Bank entered into a Bancassurance Agreement with Asianlife & General Assurance Corporation (*now Etiqa Life General Assurance Philippines (ELGAP)*), an entity under the common control of the Parent Company, for a period of ten (10) years. Under the Bancassurance Agreement, the Bank shall receive service fees and commissions for acting as ELGAP's distribution channel for its insurance products. In 2020 and 2019, the Bank earned service fees and commissions amounting to ₱28.4 million and ₱15.8 million, respectively (Note 22).

Notes to Financial Statements

Subordinated debt

On October 3, 2017, the Bank and the Parent Company entered into a subordinated loan agreement (the Agreement) whereby the Parent Company agreed to make a subordinated loan available to the Bank in the aggregate amount of ₱2.0 billion. The term of the subordinated loan shall be 10 years from October 4, 2017, the drawdown date. Among the significant terms and conditions of the agreement are:

- (a) The subordinated loan shall constitute direct, unconditional, unsecured and subordinated obligation of the Bank. In the event of winding up or liquidation of the Bank, the claims of the Parent Company against the Bank will be subordinated in right of payment to the claims of the depositors and all other unsubordinated creditors of the Bank and will rank at least pari passu in right of payment with all other subordinated obligations, present and future, of the Bank. However, claims in respect of the subordinated loan will rank in priority to the rights and claims of holders of subordinated liabilities which by their terms rank or expressed to rank in right of payment junior to the subordinated loan and all classes of equity securities of the Bank, including holders of common shares and preferred shares.
- (b) The Parent Company shall not be entitled to set off any amount it owes to the Bank against the subordinated loan.
- (c) The Bank has option to prepay, in full or in part, the subordinated loan on any call date provided that at least thirty (30) business days before the call date, a notice in writing shall be delivered to the Parent Company. Any such notice given by the Bank shall be irrevocable. On the call date, the Bank shall pay to the Parent Company the principal amount to be prepaid plus any accrued interest. Any prepayment shall be subject to the approval of the BSP.
- (d) The interest payable on the principal amount of the subordinated loan shall be at the initial interest rate, which is the sum of the initial spread and the initial benchmark rate, which is 5.5%. The Bank shall pay accrued interest on the outstanding subordinated loan every six (6) months and the first payment shall be six (6) months after the drawdown date.
- (e) The subordinated loan has a loss absorbency feature at the point of non-viability. As such, the subordinated loan can absorb losses upon the occurrence of a trigger event through a write-off mechanism. A non-viability trigger event is a deviation from a certain level of Common Equity Tier 1 Ratio, inability of the bank to continue business, or any other event as may be determined by the BSP, whichever comes earlier.

In 2020 and 2019, interest expense on subordinated loans included in 'Interest expense on bills payable and other borrowings' amounted to ₱112.7 million and ₱112.3 million, respectively.

Life, health and medical insurance

On February 14, 2020, the Bank and ELGAP signed a Memorandum of Agreement (the MOA) designating the latter as the official life and health insurance provider for the Bank's employees and enrolled dependents effective January 1, 2020. In 2020, the Bank paid a total insurance premium amounting to ₱35.2 million.

IT Services

In 2014, MPI signed an agreement with Maybank Shared Services Sdn. Bhd. (MSS) wherein the latter provides IT support services to MPI which are broadly categorized into IT back sourcing, IT Mandays, and Regional Projects or Information Technology Transformation Programme.

29. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7 require the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables (amounts in thousands):

Financial Assets

Financial assets recognized at end of reporting period by type	December 31, 2020					
	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure
[a]	[b]	[c]	[d]	[e]	[c-d]	
Derivative assets (Note 17)	₱550,386	₱413,485	₱136,901	₱-	₱-	₱136,901
Total	₱550,386	₱413,485	₱136,901	₱-	₱-	₱136,901

December 31, 2019						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	Financial instruments [d]		[e]
Derivative assets (Note 17)	₱395,677	₱140,235	₱255,442	₱-	₱-	₱255,442
Total	₱395,677	₱140,235	₱255,442	₱-	₱-	₱255,442

Financial Liabilities

December 31, 2020						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	Financial instruments [d]		[e]
Derivative liabilities (Note 17)	₱578,059	₱413,485	₱164,574	₱-	₱-	₱164,574
Total	₱578,059	₱413,485	₱164,574	₱-	₱-	₱164,574

December 31, 2019						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	Financial instruments [d]		[e]
Derivative liabilities (Note 17)	₱425,055	₱140,235	₱284,820	₱-	₱-	₱284,820
Total	₱425,055	₱140,235	₱284,820	₱-	₱-	₱284,820

30. Notes to Statements of Cash Flows

Non-cash additions to investment properties and other properties acquired in settlement of loans amounted to ₱85.5 million and ₱909.4 million, and ₱272.3 million and ₱706.0 million, respectively, for the years ended December 31, 2020 and 2019, respectively.

Changes in liabilities arising from financing activities

	January 1, 2020	Cash flows	Others	December 31, 2020
Liabilities from financing activities				
Bills payable	₱8,911,760,000	(₱6,702,702,000)	₱-	₱2,209,058,000
Subordinated debt	1,991,777,972	-	871,018	1,992,648,990
	₱10,903,537,972	(₱6,702,702,000)	₱871,018	₱4,201,706,990

In 2020, availments and settlements of bills payable amounted to ₱541.0 billion and ₱547.7 billion, respectively.

	January 1, 2019	Cash flows	Others	December 31, 2019
Liabilities from financing activities				
Bills payable	₱20,685,920,000	(₱11,774,160,000)	₱-	₱8,911,760,000
Subordinated debt	1,990,956,784	-	821,188	1,991,777,972
	₱22,676,876,784	(₱11,774,160,000)	₱821,188	₱10,903,537,972

31. Events After the Reporting Period

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

Notes to Financial Statements

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Bank.

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.
- The allowable deduction for interest expense shall be reduced by an amount equivalent to twenty percent (20.00%) of interest income subjected to final tax. However, if the final withholding tax rate on interest income of 20.00% will be adjusted in the future, the interest expense reduction rate shall be adjusted accordingly.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Bank would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. This will result in lower provision for current income tax for the year ended December 31, 2020, lower income tax payable and higher withholding tax asset (included in Other Assets – Miscellaneous) as of December 31, 2020, amounting to ₱20.1 million, ₱0.3 million and ₱19.8 million, respectively, which will be reflected in the Bank's 2020 annual income tax return and will only be recognized for financial reporting purposes in its 2021 financial statements. Also, this will result in lower net deferred tax assets as of December 31, 2020 and provision for deferred tax (recognized under total comprehensive income) for the year then ended by ₱255.0 million. These reductions will be recognized in the 2021 financial statements. Other changes brought about by the CREATE Act would not significantly impact the Bank moving forward.

32. Approval for the Release of the Financial Statements

The accompanying financial statements of the Bank were approved and authorized for issue by the Bank's Board of Directors (BOD) on April 14, 2021.

33. Supplementary Information Required Under BSP Circular 1074

Presented below is the supplementary information required by BSP under Appendix 55 of BSP Circular 1074 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Basic quantitative indicators of financial performance

The following basic ratios measure the financial performance of the Bank:

	2020	2019
Return on average asset (ROA)	(1.29%)	0.58%
Return on average equity (ROE)	(10.88%)	4.91%
Net interest margin over average earning assets (NIM)	4.78%	4.26%

Description of capital instruments issued

As of December 31, 2020 and 2019, the Bank has two classes of capital stock, preferred and common stocks.

Significant credit exposures

The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentration of credit risks are managed and controlled.

	December 31, 2020		December 31, 2019	
	Gross Amount	%	Gross Amount	%
Real estate activities	₱13,375,682	22.47	₱16,456,439	22.88
Consumer	9,886,261	16.61	13,136,901	18.27
Wholesale and retail trade	9,790,522	16.45	7,255,292	10.09
Transportation and storage	5,006,283	8.41	6,461,201	8.98
Manufacturing	2,546,981	4.28	4,568,851	6.35
Electric, gas, steam and air-conditioning supply	3,525,204	5.92	4,340,784	6.04
Accommodation and food service activities	3,030,698	5.09	4,094,925	5.69
Construction	2,913,268	4.89	3,911,101	5.44
Human health and social work activities	2,079,970	3.49	3,659,192	5.09
Other service activities	3,781,964	6.35	2,796,087	3.89
Agriculture, forestry and fishing	1,761,423	2.96	1,814,205	2.52
Education	1,364,821	2.29	1,640,151	2.28
Financial and insurance activities	370,432	0.62	1,616,751	2.25
Mining and quarrying	93,536	0.16	171,966	0.24
	₱59,527,045	100.00	₱71,923,846	100.00

Regulatory Reporting

BSP Circular No. 772 requires banks to compute their net nonperforming loans (NPLs) by deducting the specific allowance for credit losses on the total loan portfolio from the gross NPLs. The specific allowance for credit losses shall not be deducted from the total loan portfolio in computing the NPL ratio.

NPLs of the Bank as reported to the BSP follow:

	2020	2019
Gross NPLs	₱4,747,615,606	₱1,985,480,257
Less: Deductions as required by the BSP	2,131,879,441	993,347,026
Net NPLs	₱2,615,736,165	₱992,133,231

Loans are considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Status of loans

Information on the amounts of performing and non-performing loans (NPLs) and receivables (gross of allowance for impairment and credit losses) of the Bank are as follows:

	2020			2019		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Loans and discounts						
Corporate lending	₱13,618,184,554	₱1,381,641,256	₱14,999,825,810	₱18,941,916,254	₱893,165,785	₱19,835,082,039
Commercial lending	2,616,249,344	142,154,000	2,758,403,344	3,148,165,682	175,755,270	3,323,920,952
Consumer lending						
Auto	26,501,857,101	2,441,881,518	28,943,738,619	34,216,854,004	766,985,695	34,983,839,699
Housing	10,876,160,180	673,923,366	11,550,083,546	11,678,333,953	93,536,843	11,771,870,796
Others	1,166,978,613	108,015,469	1,274,994,082	1,953,096,231	56,036,664	2,009,132,895
	₱54,779,429,792	₱4,747,615,609	₱59,527,045,401	₱69,938,366,124	₱1,985,480,257	₱71,923,846,381

Loans per security

As of December 31, 2020 and 2019, secured and unsecured NPLs of the Bank, as reported to the BSP follow:

	2020	2019
Secured	₱3,605,587,966	₱1,408,693,774
Unsecured	1,142,027,640	576,786,483
	₱4,747,615,606	₱1,985,480,257

The following table shows the breakdown of loans as to secured and unsecured and the breakdown of secured loans as to type of security (amounts in thousands):

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Secured by:				
Chattel	₱29,011,504	48.74	₱35,050,583	48.73
Real estate	14,277,472	23.98	16,961,832	23.58
Deposits hold-out	1,600,717	2.69	2,875,785	4.00
	44,889,693	75.41	54,888,200	76.31
Unsecured	14,637,352	24.59	17,035,646	23.69
	₱59,527,045	100.00	₱71,923,846	100.00

According to BSP Circular 941 *Amendments to the Regulations on Past Due and Non-Performing Loans* effective January 1, 2018, loans shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Related party loans

In the ordinary course of business, the Bank enters into loans and other transactions with its affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks and are settled in cash.

Financial Statements

The amount of individual loans to DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and their respective investments in the Bank. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations. In the aggregate, loans to DOSRI generally should not exceed the lower of the Bank's total regulatory capital or 15.00% of the total loan portfolio. As of December 31, 2020 and 2019, the Bank is in compliance with these regulatory requirements.

BSP Circular No. 423, dated March 15, 2004, amended the definition of DOSRI accounts. Further, the BSP issued BSP Circular No. 464, dated January 4, 2005, clarifying the definition of stockholders.

The following table shows information relating to DOSRI loans of the Bank:

	2020	2019
Total outstanding DOSRI loans (in thousands)	₱845,471	₱830,737
Percent of DOSRI loans granted prior to effectivity of BSP Circular No. 423 to total loans	1.45%	1.21%
Percent of DOSRI loans granted after effectivity of BSP Circular No. 423 to total loans	1.45%	1.21%
Percent of DOSRI loans to total loans	1.45%	1.21%
Percent of unsecured DOSRI loans to total DOSRI loans	–	–
Percent of past due DOSRI loans to total DOSRI loans	–	–
Percent of nonperforming DOSRI loans to total DOSRI loans	–	–

Total outstanding DOSRI loans include portion of loans covered by hold-outs on deposit and which are excluded in determining compliance with the aggregate ceiling.

Section X327 of the Manual of Regulations for Banks (MORB) states that transactions covered for loans to be classified as loans to DOSRI, shall refer to transactions of the Bank which involve the grant of any loan, advance or other credit accommodation in any form whatsoever, whether renewal, extension or increase. Thus, a non-DOSRI loan which, during its term, becomes subject to an event that results to any of the positions/relationships enumerated under Section X326.1 of the MORB shall remain a non-DOSRI loan unless the same is renewed, extended or increased at any time.

Total interest income on the DOSRI loans and receivable amounted to ₱22.58 million and ₱71.90 million for the years ended December 31, 2020 and 2019, respectively, including accretion of interest from AR-PPI amounting to ₱25.2 million in 2019.

For the years ended December 31, 2020 and 2019, interest rates on DOSRI loans ranged from 2.50% to 4.50%.

Commitments and contingencies

The following is a summary of contingencies and commitments of the Bank with the equivalent peso contractual amounts:

	2020	2019
Forward exchange sold	₱11,001,241,119	₱31,085,690,607
Forward exchange bought	10,733,372,542	31,085,144,607
Trust department accounts	7,379,339,379	7,168,590,859
Broker Customer Securities account	3,257,972,525	2,594,880,906
Currency Swap Receivable	2,652,027,700	10,905,507,000
Interest rate swap payable	2,350,000,000	2,476,587,500
Interest rate swap receivable	2,350,000,000	2,476,587,500
Unused commercial letters of credit	1,216,534,791	772,613,885
Export letters of credit-confirmed	747,477,995	788,133,775
Outstanding guarantees	674,743,018	668,881,782
Deficiency claims receivable	587,055,543	553,709,019
Inward bills for collection	272,787,780	601,965,445
Outward bills for collection	9,373,081	6,057,582
Late deposits and payments received	7,353,817	74,615,405
Items held for safekeeping	604,634	758,837
Items held as collateral	9,215	82,903
Spot exchange sold	–	786,672,500
Spot exchange bought	–	785,500,000

34. Supplementary Information Required Under Revenue Regulations 15-2010

The BIR issued RR 15-2010, to amend certain provisions of RR 21-2002. The Regulation provides that the notes to the financial statements will include information on taxes and licenses paid or accrued during the taxable year.

To comply with the requirements set forth in RR 15-2010, the Bank reported and/or paid the following types of taxes during the period:

Gross receipts tax (GRT) and Documentary stamp tax (DST)

Under the Philippine tax laws, financial institutions are subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid by the Bank consist principally of GRT and DST.

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and Licenses' account in the Bank's statements of income.

For the year ended December 31, 2020, GRT, DST and other taxes and licenses consist of the following:

Gross receipts tax	₱393,420,219
Documentary stamp tax	295,887,147
License and permit fees	33,093,301
Real estate taxes	2,649,049
Registration fees	37,000
	<u>₱725,086,716</u>

Withholding Taxes

Details of withholding taxes for the year ended December 31, 2020 are as follows:

	Total Amount Remitted	Balance as at December 31
Final withholding taxes	₱218,112,309	₱22,285,772
Expanded withholding taxes	226,730,876	9,544,264
Withholding taxes on compensation and benefits	252,898,490	8,793,054
Final withholding VAT	2,162,329	93,645
	<u>₱699,904,004</u>	<u>₱40,716,735</u>

Tax Assessments and Cases

As of December 31, 2020, the Bank does not have any tax cases outstanding or pending in courts or bodies outside the BIR.

The Bank has received Preliminary Assessment Notice (PAN) for taxable year 2017 from the Bureau of Internal Revenue (BIR) dated February 15, 2021 on February 16, 2021. The PAN was issued as a result of the investigation of the BIR for alleged tax liabilities of the Bank.

On March 3, 2021, the Bank has submitted a reply letter to the PAN to dispute such alleged tax liabilities.

Corporate Social Responsibility

Our commitment to sustainability is grounded in the knowledge that economically, environmentally and socially responsible business practices are imperative to the long-term well-being of our stakeholders and our business.





In Maybank Philippines, we believe that financial sustainability goes hand in hand with the development of the communities where we have presence. Aligned with the Maybank Group, our approach to sustainability is anchored on our mission of Humanising Financial Services, which places people at the heart of what we do and guided by our T.I.G.E.R. values. Our efforts to instill sustainability in our business are guided by the needs of those we serve, including our customers,

our environment, our workforce and our community. We remain committed to the fundamentals of our business while endeavoring to make positive impact for our stakeholders in markets we choose to operate. Beyond charitable giving, we are committed to giving back through long-term partnerships, volunteerism efforts and targeted social investments, with our initiatives being purposely relevant, impactful and rewarding to our chosen beneficiaries in the long-term.

Key Areas of Focus

As an organisation, our sustainability efforts are guided by Maybank Group's 20/20 Sustainability Plan which focuses on the creation of long-term value across three pillars: Community and Citizenship, Our People, and Access to Products and Services. These have helped shape our corporate social responsibility commitments and strengthen the integration of sustainability in our business practices, creating a foundation from which to drive future impact.

Community and Citizenship

Our advocacies:

- Education
- Community Empowerment
- Arts and Culture
- Healthy Living
- Disaster Relief

Our People

Our priorities:

- Employee Engagement Platforms
- Talent and Leadership
- Learning and Development
- Diverse and Inclusive Workplace
- Safety, Health and Well-Being

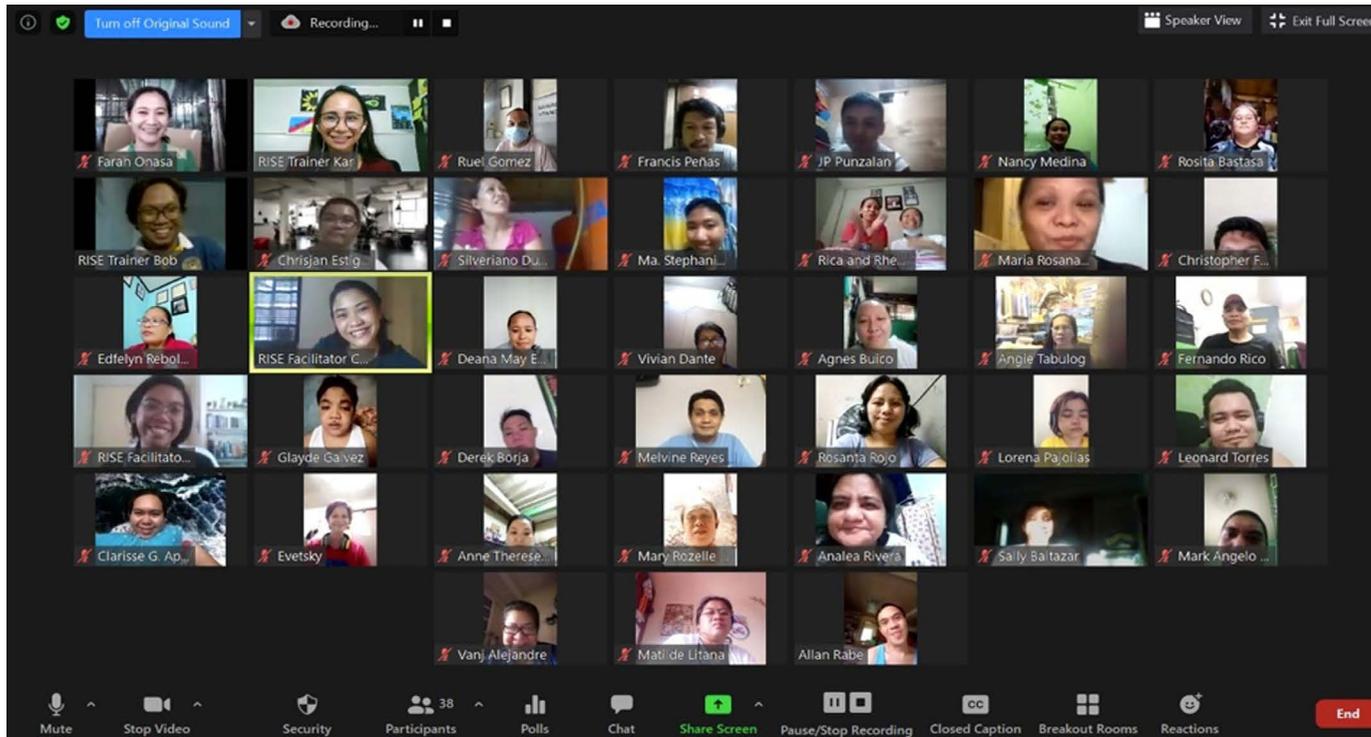
Note: For more information about 2020 initiatives that fall under this pillar, please refer to Operational Highlights of Human Capital on page 25

Access to Products and Services

Our commitments:

- Focus on Customers
- Digitalisation
- Product Stewardship
- Environment

Note: For more information about 2020 initiatives that fall under this pillar, please refer to Operational Highlights of Community Financial Services on page 19



Governance Structure and Management

The MPI Board of Directors (BOD) and Management Committee (ManCom) have joint oversight over the Bank's corporate responsibility programs and initiatives, including identified Maybank Foundation flagship programs being implemented in the country. Management and administration of these activities are under the responsibility of Corporate Affairs, who likewise champions the Cahaya Kasih

employee volunteerism program of the Bank in partnership with Human Capital.

Community Programmes

Maybank R.I.S.E.

Reach Independence & Sustainable Entrepreneurship or R.I.S.E. is a unique economic empowerment programme that seeks to provide real and tangible support for the disadvantaged communities. R.I.S.E.

is designed to support persons with disabilities and the marginalised community by helping them grow their income and become financially independent, thus improving their overall standard of living. This is done through intensive training, focused coaching and long-term mentoring.



A flagship program of the Maybank Foundation, R.I.S.E was piloted in the Philippines in 2017 and is conducted in partnership with People Systems Consultancy Sdn Bhd (PSC). While the programme was initially designed for classroom training, it has since adjusted its training modality to comply with IATF's regulations on conducting training sessions during the pandemic. Since shifting to an online mode of training in 2020, 653 participants have been trained and mentored.

As of April 2021, a total of 2,750 R.I.S.E. participants have been trained across the country, 77.7% of which (equivalent to 2,137) are persons with disabilities, with the

top 40% of those who have completed training and mentoring recording an average income increase of 675.14% .

R.I.S.E. is currently running in four ASEAN countries: Malaysia, Indonesia, the Philippines, and Laos.

CashVille Kidz

Cashville Kidz is an exciting, innovative and award-winning financial literacy animated series, designed to teach young children aged 9 – 12 years about the importance of money and financial management to be financially savvy. It is a flagship program of Maybank Foundation and developed in partnership with MoneyTree Asia Pacific Sdn Bhd.

Launched in the Philippines in 2019, CashVille Kidz continued to achieve its objectives in 2020 where against a target of 1,500, the programme was able to reach out to more than 2,070 students in 10 schools and trained more than 16 teachers. The Best School, Best Educator and Best Student were recognised and awarded during the inaugural Maybank Financial Excellence Awards 2020 ceremony held virtually in conjunction with the 2020 Financial Education Stakeholders Expo organised by the Bangko Sentral ng Pilipinas from 26th to 27th November.

CashVille Kidz is currently conducted in six (6) countries across the region namely Malaysia, Cambodia, Philippines, Indonesia, Singapore and Myanmar, and is endorsed by various key stakeholders across Southeast Asia.

Maybank Group Scholarship Programme

Granting of scholarships to deserving Malaysian students to pursue their tertiary education has been a key feature of Maybank's CSR efforts since 1972. It is a major component of the 'Education' pillar adopted by Maybank Foundation, which aims to provide financial assistance to deserving students with high potential, create a strong Entry Level Pipeline comprising fresh graduates from top-tier universities, and strengthen Maybank's reputation as the top employer of talents, particularly amongst fresh graduates.

To-date, close to 2,000 Malaysian students have benefited from this programme with access to obtaining good quality under-graduate education in various disciplines which are applicable to banking and finance from some of the best top-tier universities in the world.

Starting from 2019, the Maybank Group Scholarship Programme was made available in countries where Maybank has significant local presence and full banking services, with the Philippines being the first country outside Malaysia to be extended the scholarship program. Full scholarships are awarded to three selected students with high potential in their academic and extra-curricular activities as well as outstanding leadership qualities. Such scholarships will cover the full cost of tuition and enrolment fees, and related expenses including books, accommodation, and living allowances.

The programme is also available in Cambodia and Indonesia.

Maybank Training and Learning Center (TLC)

Maybank TLC, one of the flagship programmes of the Maybank Foundation, was conceived and launched to benefit underprivileged youths who have little or no access to formal technical schooling.

TLC provides the opportunity for youths to enhance their vocational skills and education in order to increase their employability and subsequently, their income. The first TLC, which is a partnership

Corporate Social Responsibility

between Maybank Foundation and the Xavier University in Cagayan de Oro City, was completed in March 2017 and has seen skills trainings and workshops hosted by the Xavier Ecoville Multi-Purpose Cooperative (XEMPCO). Subsequently, 11 training modules have been conducted at the Maybank TLC, including courses on basic sewing, basic baking of bread and pastries, accounting for non-accountants, basic computer and disaster risk reduction and management, impacting more than 200 participants and their families.

In April 2019, a formal handover ceremony was made to XEMCO to mark the completion of the training center and empower the community to map their way forward.

Global CSR Day

Each year, Maybankers worldwide come together to simultaneously engage in meaningful outreach projects that impact the lives of the communities where the Bank has presence. This one day of simultaneous community outreach has been known as Global CSR Day and

it was an occasion the entire Maybank family participates in and looks forward to. However, movement restrictions brought about by the pandemic had posed challenges to the programme, thus temporarily halting its implementation in 2020.

Maybank Performing Arts Theater

The BGC Arts Center is regarded as the newest cultural hub in Bonifacio Global City, and this latest venue for the arts boasts of three inspired spaces – the most prominent of them all is the Maybank Performing

Arts Theater, a 3-storey building that houses six different function halls and performance spaces.

In 2019, the Maybank Performing Arts Theater was the venue of Maybank Philippines' two key corporate events: the country pilot of the award-winning CashVille Kidz (July) and the regional launch of R.I.S.E. 2.0. (September).

In 2013, Maybank committed a USD 1.0 million sponsorship to Bonifacio Arts Foundation, Inc. for the construction of the theater. This sponsorship, shared between the Maybank Group,





Maybank Philippines and Maybank Kim Eng, will grant Maybank the naming rights for the three-storey performing arts theater for ten (10) years.

Corporate Donation

In 2020, MPI decided to forego the traditional corporate giveaways exercise and instead reallocated the funds to extend assistance to two key beneficiaries. First is

a donation of 250 sets of full Level 4 personal protective equipment (PPE) to two designated Covid-19 referral hospitals – the Western Visayas Medical Center in Iloilo City and the Southern Philippines Medical Center in Davao City. Second is extending food augmentation assistance to 250 farmer-tenant families displaced by Typhoons Rolly (particularly near Naga City) and Typhoon Ulysses (in Santiago, Isabela).

Sustainability Direction

In 2020, MPI was able to realise key achievements in expanding its community impact, accelerating the provision for digital services, supporting the development of our workforce and more. As we continue to do our part in helping build a sustainable future for generations to come, it is important we transition with purpose, upholding stakeholders' confidence in Maybank Philippines as a trusted financial services provider. This will be particularly significant

and relevant as the nation – and the world – continue to respond to and recover from the impact of the pandemic.

As we move forward to the next normal, sustainability will play a key role in our plans for the next five years and beyond. We will continue to be guided by Maybank Group's M25 strategic priorities in order to deepen our efforts to humanise financial services in communities in which we operate, and ultimately help build a more sustainable future for generations to come.



Maybank Philippines, Inc. offers the best products and services that will fit its clients' needs. The Bank continuously reviews and undergoes product enhancements to meet market demands and reinforce its position over competition. MPI's products and services can be availed by clients through the Bank's extensive branch network nationwide.

DEPOSIT PRODUCTS

Classic

Uncomplicated effortless banking

- Traditional Savings, Checking and Time Deposit Accounts

Save n' Protect Savings Account

Peace of mind at a higher level

- Comes with a passbook and Regional ATM card
- With Free Life Insurance Coverage of up to Php 5,000,000

Premier 1 Checking Account

All you need in a Checking Account

- A specialized checking account with tier-based interest provision depending on the number of withdrawals and the account's daily ending balance
- Comes with a record book for itemized posting of inward checks
- With free Regional ATM card

Yippie and ImTeen Savings Account

Teach children the value of saving

- A savings account for children 17 years old and below
- Comes with a passbook and free Regional ATM card
- Free Personal Accident Insurance with Medical Reimbursement Benefit

ADDvantage 5-year Time Deposit

Take advantage of the time of your life

- A fixed-interest time deposit account for 5 years + 1 day term
- Tax-free for individual accounts

US Dollar Savings Account

Save in USD, Earn interest in USD

- A regular interest-earning dollar savings passbook account

US Dollar Time Deposit Account

Maximize your dollars' earning potential

Earn more with higher rates with an affordable US Dollar product

Activate your Maybank2u PH app
and discover convenient banking
right at your fingertips!



Regulated by the Bangko Sentral ng Pilipinas.

A proud member of:  and 

Deposits are insured by PDIC up to P500,000 per depositor.



ELECTRONIC BANKING PRODUCTS

M2U

Enjoy the convenience of online banking transactions at your own place and pace with M2U Internet and Mobile Banking.

Bank safely with our double-layered security feature using a Transaction Authorization Code (TAC) which is sent to your registered mobile number every time you transact.

- View your deposit, loan, and credit card accounts
- Transfer funds to your own or to third-party Maybank accounts and even to other BancNet member bank accounts.
- Pay your bills
- Reload your prepaid mobile phone, other prepaid and other e-Wallet accounts
- Convert your dollar to peso
- Make a time deposit placement
- Request for checkbook
- Perform stop payment order
- Request for Credit Card EzyCash

Money2u Remittance

Before you take over the world, let us first take care of you

- Same day crediting to your Maybank account and within 24 hours to other banks
- Receive remittances worldwide
- First 2 monthly withdrawal charges are waived

Maybank ATM

Your other passport

- Access your account at any Maybank ATMs in Malaysia, Singapore, Brunei, Cambodia and Vietnam.
- Use your card in Bancnet or Megalink ATMs in the Philippines
- Pay your bills anytime via ATM or M2U
- Internet Banking
- Shop at any POS-enabled merchant establishments nationwide
- Transfer funds real time from your Maybank account to accounts in other BancNet banks
- Get access to your account anytime, anywhere via M2U Internet

My Cash Card

It's Cash in a Card

- No maintaining balance
- No expiration
- No dormancy charges
- Easy application process

iSave Savings Account

- Open an account online.
- No initial deposit and zero maintaining balance required
- Withdraw for free in all BancNet ATMs in the Philippines
- Deposit to over 12,000 touch points nationwide

CONSUMER LOANS

Home Loans

Enjoy big advantage in building your dream home. Available for your purchase of residential house and lots, vacant lots, townhouses or condominium units, for building or construction of your dream home, or for refinancing of your existing housing loan. Borrow as much as 80% of the property's appraised value at flexible terms and longer repayment period of up to 20 years.

Auto Loans

Owning made easy

- Designed for the acquisition of brand new and pre-owned vehicles with a one-day approval and repayment term of up to 60 months.

Truck Loans

Purchase brand new, used or reconditioned trucks and borrow up to 60% of the vehicles cash price or appraised value. Repayment terms are up to 36 months.

Auto Refinancing

A quick loan using owned motor vehicles up to 60% of the vehicle's appraised value and repayment terms up to 24 months.



Floor Stock Financing

A revolving facility providing finance for auto dealer's working capital requirements to support purchase of inventory of new vehicles for a short term period.

enAble Personal Loan

Now you can!

- A no – collateral loan which can be used to pay-off credit card bills, medical expenses, tuition fees, travel/vacation, home furnishings or purchase of high-end appliances and electronic products. Enjoy competitive rates and terms up to 36 months, at attractive and affordable rates

Maybank Credit Card Standard/ Classic and Gold

Enjoy financial flexibility

- Available in MasterCard and Visa
- Financial flexibility through Maybank EzyPlans (EzyPay, EzyTransfer, EzyConvert and EzyCash)
- Cross-border treats in Malaysia, Singapore, Indonesia and Cambodia

Maybank Credit Card Platinum

Experience The Best Of Both Worlds

- Available in MasterCard and Visa
- Earn one (1) Asia Miles or Krisflyer mile for every Php 50 spend anywhere
- Enjoy 1% cashback on overseas spend Worldwide golf privileges
- Cross-border treats in Malaysia, Singapore, Indonesia and Cambodia

Maybank - Manchester United Credit Card

Be Part of the Team

- 5x TREATS Points when Manchester United wins a Premier League Match
- 10x TREATS Points for purchases at United Direct Online Megastore
- 10% Discount at United Direct Online Megastore and Outlet
- 10% Discount at Red Café, Old Trafford on food and drinks
- 20% Discount on Manchester United Stadium and Museum Tour tickets (only upon purchase at the Old Trafford Football Ground)
- Cross-border treats in Malaysia, Singapore, Indonesia and Cambodia

Maybank Visa Infinite Credit Card

Exclusive to Maybank Premier Members

The Maybank Visa Infinite Credit Card is the ultimate travel companion to the privileged few.

1% Cashback on Overseas Spend * Lowest Issuer's Service Fee on Foreign Currency Transactions * Complimentary Airport Lounge Access * Travel and Accident Insurance Coverage

Find out more at www.maybank.com.ph/visainfinite

WEALTH MANAGEMENT

Maybank Premier

Turn Your Inspiration Into Reality

Carefully crafted and specialized suite of product offerings, benefits and privileges to address our clients' unique financial and lifestyle needs.

Wealth Solutions

Wealth Management Advisory. We help our clients create a financial plan tailored to their specific financial requirements and aspirations, enabling them to build a legacy for their future generations.

Research Capability. We help our clients make more informed decisions, through first-hand access to expert wealth research of the Maybank Group and invites to exclusive market outlook sessions.

Premier Benefits

Dedicated Relationship Manager. We match our clients with a single point of contact and account handler for all their banking and financial requirements with Maybank.

Priority Service. We provide our clients the convenience to perform all their banking needs in the comfort and privacy of any of our Maybank Premier Centers in the country.



Preferential Pricing Privileges. We extend only to our select Premier clients preferential pricing on banking products and services, including foreign exchange.

Lifestyle Privileges

Maybank Visa Infinite Credit Card. Only our well-travelled Premier clients can gain access to exclusive privileges that come with this credit card, including 1% cashback on overseas spend

CASH MANAGEMENT SERVICES

Collection Solutions

Express Collect

- Unique deposit taking service which provides a *flexible and safe* solution for transporting check collections

from the client's office for deposit into their Maybank account via the bank's accredited motorized collector.

Cash Collect

- Nationwide cash pick-up service which ensures a *secure, efficient and convenient* solution for transferring cash and check collections from the customer's office into their Maybank account

Over-the-counter Bills Payment

- Automated receivables solution that allows corporate customers to collect from their clients via *Maybank's branches*

Check Warehousing

- Outsource the management and handling of Post Dated Checks (PDC) and generating reports for *easy reconciliation*.

Night Depository Box

- Secure and safe deposit solution for businesses operating beyond banking hours, weekends and holidays. Deposits are kept safe until they can be counted and verified the next banking day.

E-Gov

- An online payment facility managed by Bancnet for government contributions and loans such as SSS, Philhealth and Pag-ibig.

Payment Solutions

Check Cutting

- Allows corporate customers to outsource the check making and releasing activities to the bank and gives an *option to use* either Corporate Checks or Maybank Manager's Checks

Check Master

- Stand-alone check writing solution for the *automated preparation* of checks, vouchers and reports.

Products & Services

Payroll Solutions

Payroll Manager

- Hassle free payroll solution that provides convenience of paying the periodic salaries of employees into their Maybank ATM accounts.

Payroll Manager Plus

- Leading edge payroll solution that combines functionalities of a traditional payroll service coupled with up-to-date software to ensure security, efficiency and cost-saving during payroll activities.

Payroll Master

- Stand alone payroll system that automates the computation of the distribution of salaries and other benefits directly into the employees' ATM accounts.

Internet Banking

Maybank2E

- It is Maybank's dedicated business portal covering all aspects of cash management including management of information, payables, receivables and liquidity, and runs across major mobile operating systems. Its multi-channel accessibility

via web browsers, laptops, personal computers, tablets and smartphones running on Android, iOS, Blackberry OS 10 and Windows Phone 8, allow customers to view and transact anytime, anywhere.

Regional Cash Management System

- Maybank's corporate internet banking facility that is capable of real-time account inquiry, local and international funds transfer, payroll crediting and check disbursement.

Supplier's Collection Arrangement (SCA)

- It is a collections solution for Suppliers designed to provide a faster and more convenient way of collecting regular check payments issued by Maybank Check Cutting clients. It is an auto-deposit arrangement of check payments to the Maybank account of the SUPPLIERS.

MT940 SWIFT

- A structured customer statement or message developed by SWIFT (Society for Worldwide Interbank Financial Telecommunication). It is an end-of-day electronic account statement showing entries booked to an account.



REMITTANCE

Local and International Fund Transfer

- Send to and receive remittances from your relatives, friends or business partners.

Maybank has various EFTS (Electronic Fund Transfer System) to facilitate fund transfer anywhere in the Philippines and abroad.

Domestic

- PDDTS/RTGS – USDollar local wire fund transfer
- Philpass/RTGS – Philippine PESO local fund transfer

- PCHC Electronic Peso Clearing System (EPCS) – Peso fund transfer
- SSS Local Pension Remittance – monthly auto credit of SSS pension; “2 banking days earlier”

International

- SWIFT
- Money2U (from Malaysia to any Philippine local banks or MPI depository)
- Regional Switch-OTC Payment (from Maybank KL, Brunei, Singapore)
- MME (Maybank KL Money Express) payout center for Manila
- I-REMIT- payout counter
- U.S. Veterans Affairs & Social Security (USVA-SSA) Direct Deposit Remittance



Other Payment Services Outward Bills for Collection (OBC)

- Deposit your international checks for credit to your account after the 45-day clearing period.

TRUST & FIDUCIARY ACCOUNTS

Investment Management Account (IMA)

- This product is ideal for clients who want to diversify their portfolio through a wide array of investment vehicles and are looking for potentially higher yields than traditional bank products. MPI-Trust prudently manages investment funds according to client's risk and return objectives, investment mandate, and its internal parameters.

Personal Management Trust

- MPI-Trust helps to create a trust portfolio which aims to preserve the client's assets or properties for their beneficiaries' benefit, whether it is for future use or to answer for the client's beneficiaries' current needs.

Escrow Account

- MPI-Trust facilitates the delivery of exchange of money, securities or property between contracting parties who are looking for an independent third-party who will ensure that the terms and conditions of their contract/ agreement are complied with.

Employee Benefit Trust

- Maybank Trust acts as a keeper and investment manager of entrusted accumulated funds for companies, their employees, or both, for use as payments for retirement or separation benefits to employees. This arrangement provides for a systematic retirement plan scheme while enjoying certain tax benefits both for the company and its employees.

Life Insurance Trust

- MPI-Trust handles and distributes the proceeds of the assigned life insurance policy of the client for the best interest and in behalf of the client's designated beneficiaries

UITF (Unitized Investment Trust Fund)

- A collective investment scheme where money from various investors are pooled together into one fund, to be managed professionally by MPI-Trust, for the purpose of achieving the intended investment objective.

BUSINESS LOANS

Revolving Credit Line (RCL)

- Short-term loans granted for working capital purposes where the amount paid is made continually available provided it does not exceed the approved credit line.

Term Loan

- Granted for the purpose of project financing, capital assets acquisition/ expenditures or business expansion

Domestic Bills Purchase Line

- Credit facility granted to augment the working capital of the borrower through advance made by the Bank against current-dated checks.

Discounting Line

- Credit facility granted to augment the working capital of the borrower through the discounting of trade-related, third-party post-dated checks

Letter of Credit/Trust Receipt

- Issued by the Bank on behalf of the importer-customer for the benefit of the supplier (exporter); issued to cover the purchase of goods for the final use of the buyer or for resale. Trust Receipt financing allows the applicant (importer) to take possession of the goods and to convert the same into cash within a maximum allowable period. Trade transactions that require TR financing may or may not be covered by Letter of Credit.

Stand-by letters of Credit

- A letter of credit used to guarantee payment in case of non-performance of the applicant/customer or payment to a beneficiary under a contractual obligation between the applicant and the beneficiary

Bank Guarantee

- Issued by the Bank on behalf of its client favoring a third party. Under the BG, the Bank agrees to indemnify/ pay the Beneficiary should the Bank's client fails to perform or be unable to pay in accordance to the terms of the contract.

Export Advance Line/Packing Credit

- Loans granted to exporters for the purchase or preparation of goods for shipment against the assignment to MPI of export proceeds covered by Letter of Credit, Purchase Order or Supplier's Credit

Export Bills Purchased Line

- Facility granted that allows the outright purchase of export proceeds upon presentation of client's export bills

Trade Loan

- A facility that provides financing for domestic, international, and cross-border merchandise trade



transactions under Open Account, Advance Payment, Direct Remittance, Documentary Collection, and Documentary Credit

Contract-To-Sell (CTS) Financing

- Purchase of receivables from in-house financing of real estate developers

Receivables Financing

- Form of business financing wherein a supplier sells his or her trade/accounts receivables as evidenced by invoices to a bank or financial institution at a discount so that the invoice amount

can be advanced; the bank/FI takes over collection of payment against invoices from the supplier's buyers.

Buyer Centric Supplier Finance (BCSF)

- Otherwise known as Vendor Financing, is an Open Account Trade Financing Programme that discounts a buyer/ customer's approved credit invoices/ purchase order to their suppliers on a without recourse basis. The product allows 100% financing (less interest and fees), with interest generally borne by suppliers.

Dealer Financing

- A Trade Financing Programme that aims to provide working capital to distributors of large principals. Working capital funding is aimed at financing domestic transactions under open account or advance payment.

GLOBAL MARKETS PRODUCTS AND SERVICES

All trades executed by GM Sales are based on client's requirements and the products offered include but not limited to the buying/ selling of the following products, unless otherwise restricted by Maybank Philippines, Inc. (MPI).

Fixed Income Securities

- Local Currency Denominated
 - Treasury Bills (T-Bills)
 - Fixed Rate Treasury Notes (FXTN)
 - Retail Treasury Bonds (RTB)
 - Corporate Bonds
 - Commercial Papers
 - Long Term Negotiable Certificate of Deposits (LTNCD)
- Foreign Currency Denominated
 - Republic of the Philippines, offshore and onshore (ROP, ODB)
 - United States Treasuries (UST)
 - Other Foreign Sovereign Bonds
 - Corporate Bonds (foreign and local)

Foreign Exchange

- Unless otherwise instructed by MPI Senior Management and Board of Directors, Global Markets Sales is authorized to deal all currencies that may be acceptable by Bangko Sentral ng Pilipinas (BSP) as follows:
 - Australian Dollar
 - Euro
 - Great Britain Pound
 - Hong Kong Dollar
 - Japanese Yen
 - Chinese Yuan
 - Singapore Dollar
 - United States Dollar
 - Malaysian Ringgit

Money Market Deposits / Time Deposits

Derivatives

Financial products such as derivatives transactions may be offered by Global Markets Sales provided that they are authorized derivatives for distribution in accordance to BSP Circular 594 and its amendments or BSP-approved derivatives products under the Bank's Type 2 expanded derivatives license.

The following derivatives products, as approved by the BSP, can be offered by GM Sales provided these are suited to the client's overall suitability profile:

- Foreign Exchange Forwards (Deliverable and Non-deliverable)
- Foreign Exchange Swaps
- Interest Rates Swaps (IRS)

- Interest Rates Options (IRO)
- Cross Currency Swaps (CCS)
- Non-Deliverable Cross Currency Swaps (NDCCS)
- Foreign Exchange Options (FXO)
- Non-Deliverable Foreign Exchange Options (NDFXO)
- Dual Currency Investments (DCI)
- Par Forwards
- Flexi Forwards

- A Swap is a derivative contract through which two parties exchange the cash flows or liabilities from two different financial instruments. For example, in a currency swap there is a simultaneous exchange of fixed amount of currencies at different settlement dates.

- An FX Option (FXO) contract is an agreement under which a seller (writer) conveys to a buyer (holder) of a contract, the right but not the obligation to buy/sell a specified quantity of a currency at a specified exchange rate, on or before a specified date

- A Dual Currency Investment (DCI) is a non-principal protected currency linked structured investment offered to qualified investors with the objective of yield enhancement in a short period of time. It consists of a money market deposit and an FX option (FXO).



Branch Network

Main Office Branch

G/F Maybank Corporate Centre
7th Ave. corner 28th Street
Bonifacio High Street Central
Bonifacio Global City, Taguig City
Tel. No. (02) 8478-1155 loc. 3730
Fax No. (02) 8519-6325

Legaspi Towers Center (LTC)

G/F Legaspi Towers 300
Roxas Boulevard corner
Pablo Ocampo Street
Malate, Manila, 1004
Tel. No. (02) 8527-5202
Fax No. (02) 8521-0545

METRO MANILA BRANCHES

A. Mabini

G/F Metropolitan
Towers Condominium
1746 A. Mabini Street
Malate, Manila, 1004
Tel. No. (02) 8526-0666
Fax No. (02) 8526-0667

Ayala Alabang

G/F Mapfre Insular Corporate Center
Acacia Ave., Madrigal Business Park
Ayala Alabang, Muntinlupa City, 1770
Tel. No. (02) 8842-9473
Fax No. (02) 8842-9422

Ayala Ave.

G/F Tower One & Exchange Plaza
Ayala Triangle, Ayala Ave.
Makati City 1200
Tel. No. (02) 8240-9145

Bel-Air

G/F 357 New Solid Bldg.
Senator Gil Puyat Ave.
Makati City, 1200
Tel. No. (02) 8890-4679
Fax No. (02) 8890-4824

Binondo

G/F Co Chin Leng Bldg.
567-569 Quintin Paredes Street
Binondo, Manila, 1006
Tel. No. (02) 8247-4576
Fax No. (02) 8243-9735

Caloocan

Rizal Ave. corner 10th Ave.
Caloocan City, 1400
Tel. No. (02) 8364-5545
Fax No. (02) 8364-5526

Cubao

178 P. Tuazon Blvd.
corner 8th Ave. Cubao
Quezon City, 1109
Tel. No. (02) 8911-7366
Fax No. (02) 8911-6770

Del Monte

No. 483 Del Monte Ave.
Quezon City, 1800
Tel. No. (02) 8365-0855
Fax No. (02) 8365-0955

Edsa Caloocan

Edsa corner Plata Street
Caloocan City, 1400
Tel. No. (02) 8287-0288
(02) 8281-4225

Resorts World

G/F Events Place Maxims Hotel
Newport City, Pasay City, 1300
Tel. No. (02) 8239-5649
Fax No. (02) 8831-3267

Global City-Burgos Circle

G/F ACCRALAW Tower 2nd Ave.
corner 30th Street
Bonifacio Global City
Taguig City, 1634
Tel. No. (02) 8403-5485
Fax No. (02) 8501-8691

Global City-32nd Street

G/F Unit 6, Trade and Financial Tower
7th Ave. corner 32nd Street
Fort Bonifacio Global City
Taguig City, 1634
Tel. No. (02) 8478-7961
Fax No. (02) 8478-9499

Greenhills

G/F Unit 2 Greenhills Mansions
37 Annapolis Street, Greenhills
San Juan, 1500
Tel. No. (02) 8721-3194
Fax No. (02) 8721-6163

Katipunan Branch

#333 G/F Golan Plaza
Katipunan Ave.
Quezon City, 1400
Tel. No. (02) 8738-6031
Fax No. (02) 8426-0521

Las Piñas

Alabang-Zapote Rd.
Pamplona Tres
Las Piñas City, 1700
Tel. No. (02) 8872-6649
Fax No. (02) 8808-8384

Malabon

155-C Gov. Pascual Ave.
Acacia, Malabon City, 1470
Tel. No. (02) 8990-4058
Fax No. (02) 8990-4057 to 59

Marikina

#54 Bayan-Bayanan Ave.
Concepcion Uno
Marikina City, 1800
Tel. No. (02) 8571-7104

Makati Ave.

Street Giles Hotel corner
Makati Ave. & Kalayaan Ave.
Poblacion, Makati City
Tel. No. (02) 8553-8115
Fax No. (02) 8553-8117

Newport City

Unit R4 G/F Star Cruises Bldg.
110 Andrews Ave., Newport City
Cybertourism Zone, Pasay City, 1309
Tel. No. (02) 8556-8583
Fax No. (02) 8804-0691

Ortigas

G/F Unit 101 Pacific Center Bldg.
San Miguel Ave., Ortigas Center
Pasig City, 1605
Tel. No. (02) 8706-5270
Fax No. (02) 8638-7646

Sucut Parañaque

8212 Dr. A. Santos Ave.
Brgy. San Isidro
Parañaque City, 1700
Tel. No. (02) 8822-1781
Fax No. (02) 8826-7633

Rufino

G/F Plaza 100 Bldg. V.A. Rufino
corner Dela Rosa Streets, Legaspi Village
Makati City, 1229
Tel. No. (02) 8856-5972
Fax No. (02) 8856-5973

San Juan

G/F LM Bldg.
157 F. Blumentritt Street
San Juan City, 1500
Tel. No. (02) 8724-3247
Fax No. (02) 8725-9905

Tomas Morato

G/F MJB Bldg.
220 Tomas Morato Ave.
corner Scout Lascano Street
Barangay Sacred Heart
Quezon City, 1103
Tel. No. (02) 8929-8816
Fax No. (02) 8920-9262

Valenzuela

209-211 McArthur Highway
Karuhatan, Valenzuela City, 1440
Tel. No. (02) 7443-2014
Fax No. (02) 8293-6483

LUZON BRANCHES

Alaminos

Marcos Ave., Brgy. Palamis
Alaminos City, Pangasinan, 2404
Tel. No. (075) 540-5458

Angeles

McArthur Highway, Balibago
Angeles City, Pampanga, 2000
Tel. No. (045) 405-0182

Baguio

#80 Rancho Guillermo Bldg.
North Drive, Baguio City, 2600
Tel. No. (074) 423-3571
Fax No. (074) 446-7244

Batangas City

P. Burgos Street
Batangas City
Tel. No. (043) 980-1032
Fax No. (043) 702-5513

Biñan

Km 35 National Highway
Brgy San Antonio
Biñan City, Laguna, 4024
Tel. No. (049) 5113032

Cabanatuan

114 Maharlika Highway
Cabanatuan, Nueva Ecija
Tel. No. (044) 463-0726

Clark

Pavilion 8, Berthaphil III Clark Center
Jose Abad Santos Ave.
Clark Freeport Zone Clark
Pampanga, 2000
Tel. Nos. (045) 499-2125
(045) 499-3037

Dagupan

290 A. B. Fernandez Ave.
Dagupan City, Pangasinan, 2400
Tel. No. (075) 523-1194

Hagonoy

G/F Puso Nino Mall Bldg.
Sto. Nino, Hagonoy
Bulacan 3002
Tel. No. (044) 793-0007
Fax No. (044) 793-3044

Laoag

Brgy. 16, Villanueva Street
Laoag City, 2900
Tel. No. (077) 772-0050

La Union

Quezon Ave., Brgy. Sevilla
San Fernando City, La Union
Tel. No. (072) 607-3523
Fax No. (072) 607-3563

Lipa

C.M. Recto Ave.
corner Rizal Street
Lipa City, Batangas, 4217
Tel. No. (043) 702-1599
Fax No. (043) 702-1600

Branch Network

Lucena

Quezon Ave. corner
Lakandula Street
Lucena City, 4301
Tel. No. (042) 797-1649
Fax No. (02) 250-8252

Meycauayan

MacArthur Highway
corner Malhacan Road
Meycauayan, Bulacan, 3020
Tel. No. (044) 840-8710
Fax No. (044) 769-9680

Naga

G/F BDPHI Bldg.
Bicol Diamond Property Holding Inc.
corner Panganiban Street
and Peñafrañcia Ave.
Naga City, 4400
Tel. No. (054) 881-2009

Subic

G/F The Formosa Tower
Subic Commercial & Light Industrial Park
Manila Ave., Subic Bay Freeport Zone, 2209
Tel. No. (047) 250-3537
Fax No. (047) 250-3538

San Fernando

G/F Odette Grace Bldg.
MacArthur Highway, Dolores
San Fernando, Pampanga, 2000
Tel. No. (045) 961-2274
Fax No. (045) 961-5479

Santiago Isabela

Camacam Street City Road
Santiago, Isabela, 3311
Tel. No. (078) 305-3089
Fax No. (078) 305-3093

Sta. Rosa

J.P. Rizal Blvd. corner
F. Gomez Street
Sta. Rosa City, Laguna, 4026
Tel. No. (049) 534-1019
Fax No. (02) 8520-8686

Urdaneta

MacArthur Highway
Urdaneta City
Pangasinan, 2428
Tel. No. (075) 656-2401

Vigan

G/F GSP Bldg.
Leona Florentino corner
Plaridel Sts., Vigan City
Ilocos Sur, 2700
Tel. No. (077) 722-2836
Fax No. (077) 632-0747

Tarlac

Unit 105 & 106 A Benry Square
No. 1 F. Tanedo Street
Tarlac City, 2300
Tel. No. (045) 491-2062

VISAYAS BRANCHES

Bacolod

G/F R & B Bldg.
corner Hilado Street and Narra Street
Capitol Shopping Center
Bacolod City, 6100
Tel. No. (034) 435-1443

Cebu Business Center

Zenith Central, Lot 2 Blk 19
Luzon Ave., Cebu Business Park
Cebu City, 6000
Tel. No. (032) 520-5425
Fax No. (032) 520-5031/37

Cebu Downtown Branch

137 Plaridel Street
Cebu City, 6000
Tel. No. (032) 412-0433

Cebu-Mandaue

Lopez Jaena Street
National Highway, Subangdaku
Mandaue City, 6000
Tel. No. (032) 268-0829

Dumaguete

Real Street corner
Surban Street
Dumaguete City, 6200
Tel. No. (035) 522-1259

Iloilo

G/F J & B Bldg. II
corner Ledesma Street and
Mabini Street, Iloilo City, 5000
Tel. No. (033) 337-9067
Fax No. (033) 337-1707

Iloilo-Jaro

No. 12 Lopez Jaena Street
Jaro, Iloilo City, 5043
Tel. No. (033) 503-2621

Roxas

1068 Roxas Ave.
Roxas City, 5800
Tel. No. (036) 621-0561
Fax No. (036) 621-1007

Tacloban

M.H. Del Pilar Street
Tacloban, Leyte, 6500
Tel. No. (053) 523-1514

MINDANAO BRANCHES

Butuan

J. C. Ave., Butuan City, 8600
Tel. No. (085) 341-0224
Fax No. (085) 816-0524

Cagayan de Oro

Pioneer House CDO
corner A. Velez Street & Mabini Street
Cagayan de Oro City, 9000
Tel. No. (088) 857-4439
Fax No. (082) 272-6060

Davao Business Center

G/F HAI Bldg.
Pryce Business Park, JP Laurel Ave.
Davao City, 8000
Tel. No. (082) 321-7600
Fax No. (082) 222-0295

Davao Lanang

Nova Tierra Square Bo. Pampanga
Lanang Sasa, Davao City, 8000
Tel. No. (082) 233-1357

Davao Monteverde

Units A and B, G/F Veterans Bldg.
Monteverde Street, Davao City, 8000
Tel. No. (082) 227-8904
Fax No. (082) 226-4667

Davao San Pedro

Gustavo Bldg., San Pedro Street
Davao City 8000
TEL. NO. (082) 222-0004
FAX NO. (082) 305-2870

Zamboanga

G/F BG Bldg. Veterans Ave.
Zamboanga City, 7000
Tel. No. (062) 992-6772
Fax No. (062) 992-6759



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