



**Maybank**

2019 ANNUAL REPORT

**BUILDING  
MEANINGFUL  
CONNECTIONS**



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## THIS IS OUR MAYBANK: OUR FUTURE

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

As of 31 December 2019



**Php 105.07 billion**  
Asset size



**73 Branches**  
[29 Metro Manila, 26 Luzon,  
11 Visayas, 7 Mindanao]  
including 1 Premier Centre



**3 Business Centers,**  
**13 Auto Lending Centers**



**93 ATMs**  
Onsite and Offsite



**1,310 Maybankers**  
serving more than 200,000  
customers nationwide

**M**aybank 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 73 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 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 includes 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.

## 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.



### **T**eamwork

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



### **I**ntegrity

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



### **G**rowth

We are passionate about constant improvement and innovation.



### **E**xcellence & Efficiency

We are committed to delivering outstanding performance and superior service.



### **R**elationship Building

We continuously build long-term and mutually beneficial partnership.

## 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 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

**M**aybank 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.

## 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.**

Over **43,000 Maybankers worldwide** who serve the mission, empowered by our **T.I.G.E.R.** values

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.

#### Group Corporate Support Functions

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

## Help Deliver Value Across ASEAN...

We take a leading role in driving economic growth and helping communities progress towards a sustainable future. Our strategy is focused on areas where we believe we can make a significant difference in fulfilling our customers' and communities' ambitions including financial inclusion, whilst supporting businesses, big and small, to succeed in ASEAN and beyond.

## 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.

**2,629**

Retail branches worldwide

**65**

Investment banking branches worldwide



## ASEAN Presence

 <b>BRUNEI</b> 2 retail branches	 <b>INDONESIA</b> 373 branches 11 investment banking houses	 <b>MALAYSIA</b> 354 retail branch 6 investment banking houses	 <b>PHILIPPINES</b> 73 retail branches 1 investment banking house	 <b>THAILAND</b> 35 investment banking houses
 <b>CAMBODIA</b> 21 retail branches	 <b>LAOS</b> 2 retail branches	 <b>MYANMAR</b> 2 retail branches	 <b>SINGAPORE</b> 18 retail branches 2 investment banking houses	 <b>VIETNAM</b> 167 retail branches 6 investment banking houses

The non-ASEAN countries are Greater China, Saudi Arabia, India, Pakistan, United Kingdom, United States of America, Uzbekistan and United Arab Emirates

## STRATEGIC BUSINESS UNITS



Malayan Banking Berhad is the holding company and listed entity for the Maybank Group. Our key subsidiaries and associates are as follows:

### Islamic Banking



Maybank Group Islamic Banking is the largest Islamic banking group by assets in ASEAN. Leveraging on the Group's system, IT infrastructure and distribution network, we offer a range of Islamic financial products and services across 354 Maybank touchpoints in Malaysia, as well as in our international operations in Indonesia, Singapore, Hong Kong, London, Labuan and Dubai.

In Malaysia, Maybank Islamic continues to be the market leader in terms of total assets, total financing, and total funding (Deposits and Unrestricted Investment Account) as well as profitability across all key business segments.

The Group adopts an Islamic-first approach where we offer Shariah-compliant products and services to customers as a standard product. Our Islamic banking business contributed 60.7% to Maybank's financing in Malaysia as at 31 December 2019.

### 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 our multiple distribution channels of over 10,000 agents, 46 branches and 17 offices, and over 490 bancassurance network (via branches, cooperatives, brokers and online platforms) across Malaysia, Singapore, Indonesia, the Philippines and Cambodia. We are also the leading digital insurance/Takaful player in Malaysia with over 60% market share of online premium/contribution in the past three consecutive years.

### Investment Banking



Maybank Kim Eng (MKE) Group is the investment banking arm of Maybank Group. It comprises two groups of companies namely, Maybank Investment Bank Berhad (MIBB) and Maybank Kim Eng Holdings Limited (MKEH). Through MIBB and MKEH, MKE operates in Malaysia, Singapore, Thailand, the Philippines, Indonesia, Vietnam, Hong Kong, India, New York and London through a total of 65 investment banking branches and 87 touchpoints.

MKE offers a complete range of investment banking products and solutions to various retail, mid-market, corporate and institutional segments, including debt advisory and arrangement via bonds and sukuk, project financing, leverage financing, and loan syndication; alongside equity capital markets solutions as well as advisory, including mergers and acquisitions and strategic advisory.

MKE also offers equity derivatives, market access and financing via its securities operations covering retail, prime and institutional broking, supported by its on-ground, ASEAN-wide company, sector, country and macro research.

### Asset Management



Maybank Asset Management Group Berhad (MAMG) is the asset management arm of the Maybank Group. It has a highly experienced fund management team, averaging over 20 years of individual investment experience and expertise in ASEAN markets. MAMG offers a variety of conventional and Islamic investment solutions and manages portfolios that range from equity, fixed income to money market instruments for high net worth individuals, corporates and institutions. MAMG also offers alternative investment solutions and maintains strategic partnerships with reputable asset managers to offer global investment solutions. MAMG operates across the Group's three home markets, namely Malaysia, Singapore and Indonesia. MAMG's Assets Under Management amounted to RM26.7 billion as at 31 December 2019.

## International Operations



### Maybank Singapore

Maybank Singapore has a net asset size of approximately SGD76.5 billion and staff strength of over 2,000. As one of the domestic systemically important banks (D-SIBs) identified by the Monetary Authority of Singapore, Maybank Singapore Limited (MSL) was established as a Singapore-incorporated subsidiary with Qualifying Full Bank (QFB) privileges in 2018. Operating in 27 services locations, MSL operates the retail and commercial businesses (CFS) which offer retail (personal banking, privilege wealth, premier wealth), private wealth and SME banking services. MSL is part of **atm5**, Singapore's only shared ATM network among six participating QFBs, giving retail customers access to more than 200 ATMs located across the country. Meanwhile, the corporate and institutional businesses still operating under Maybank's Singapore Branch, offers a wide range of wholesale and Investment banking solutions, and provides banking services at 10 branch locations. Maybank Singapore contributes 0.7% and 24.4% to the Group's profit before tax and gross loans\* respectively in FY2019.

*\*including Islamic loans sold to Cagamas and excluding unwinding of interest*



### PT Bank Maybank Indonesia Tbk

PT Bank Maybank Indonesia Tbk (Maybank Indonesia) is a subsidiary of Maybank and is listed on the Indonesia Stock Exchange (Ticker: BNII). It provides a comprehensive range of products and services to individual and corporate customers through its Community Financial Services (Retail Banking and Non-Retail Banking) and Global Banking businesses through a network of 374 branches (which includes 13 Shariah branches and one overseas branch in Mumbai) and 1,571 ATMs including 87 cash deposit machines. Maybank Indonesia is one of the largest commercial banks in Indonesia by assets at IDR169.08 trillion as at 31 December 2019. Maybank Indonesia contribute 6.0% and 7.1% to the Group's profit before tax and gross loans\* respectively in FY2019.

*\*including Islamic loans sold to Cagamas and excluding unwinding of interest*

## International Operations



### 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 including mortgage, trade finance and remittance.



### Maybank Cambodia Plc

Maybank Cambodia Plc (MCP) was established in 1993 and locally incorporated in 2012, with 21 branches across Cambodia. MCP provides the 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 located in Ho Chi Minh and Hanoi that provide wholesale banking services including capital expenditure financing, working capital, trade and project financing as well as foreign exchange products to regional clients.



### Maybank Laos

Maybank Laos was established in 2012 with two branches in Vientiane that provide commercial banking services including trade financing and remittance to SMEs as well as mid-tier local and ASEAN corporate clients.



### Maybank Myanmar

Maybank Myanmar was the first and only Malaysian bank to be granted a foreign banking license by the Central Bank of Myanmar in 2015. This branch offers wholesale banking services including capital expenditure financing, working capital, project financing, trade and remittances to regional corporate clients, primarily ASEAN corporates.

## International Operations



### Maybank Philippines Incorporated

Maybank Philippines Incorporated (MPI) was established in 1997 as a full-fledged commercial bank with 73 branches across the Philippines. MPI offers a wide array of financial solutions including treasury and trust services to retail and corporate clients, servicing emerging affluent and affluent clients, retail SMEs, top and mid-tier corporations.



### Maybank Greater China

Maybank started its presence in Greater China in 1962 with a branch in Hong Kong and has now expanded to Shanghai, Beijing, Kunming and Shenzhen. It provides wholesale banking services to corporate clients in Hong Kong and Mainland China, primarily to inbound/outbound ASEAN corporates, Chinese/HK corporates with regional operations and projects, as well as financial institutions. Maybank Hong Kong also offers Private Wealth products to cater to our high net worth clients.



### 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

Maybank London was established in 1962 and offers wholesale banking products primarily to our regional ASEAN corporate clients and financial institutions, focusing on corporate lending, treasury products, capital markets and trade finance. It also provides Shariah-compliant products to both corporate and high net worth retail clients.

## Associates



### MCB Bank Ltd.

MCB Bank (MCB) is an 18.78%-owned associate of Maybank. Incorporated in 1947 and privatised in 1991, MCB operates as one of the premier financial institutions in Pakistan with more than 70 years of experience. MCB serves through a network of 1,598 branches within Pakistan and 10 branches outside the country and has a presence in Sri Lanka, Dubai, Bahrain and Azerbaijan. MCB also caters to the financial needs of the growing Islamic segment through its wholly owned subsidiary, MCB Islamic Bank Limited.



### An Binh Bank

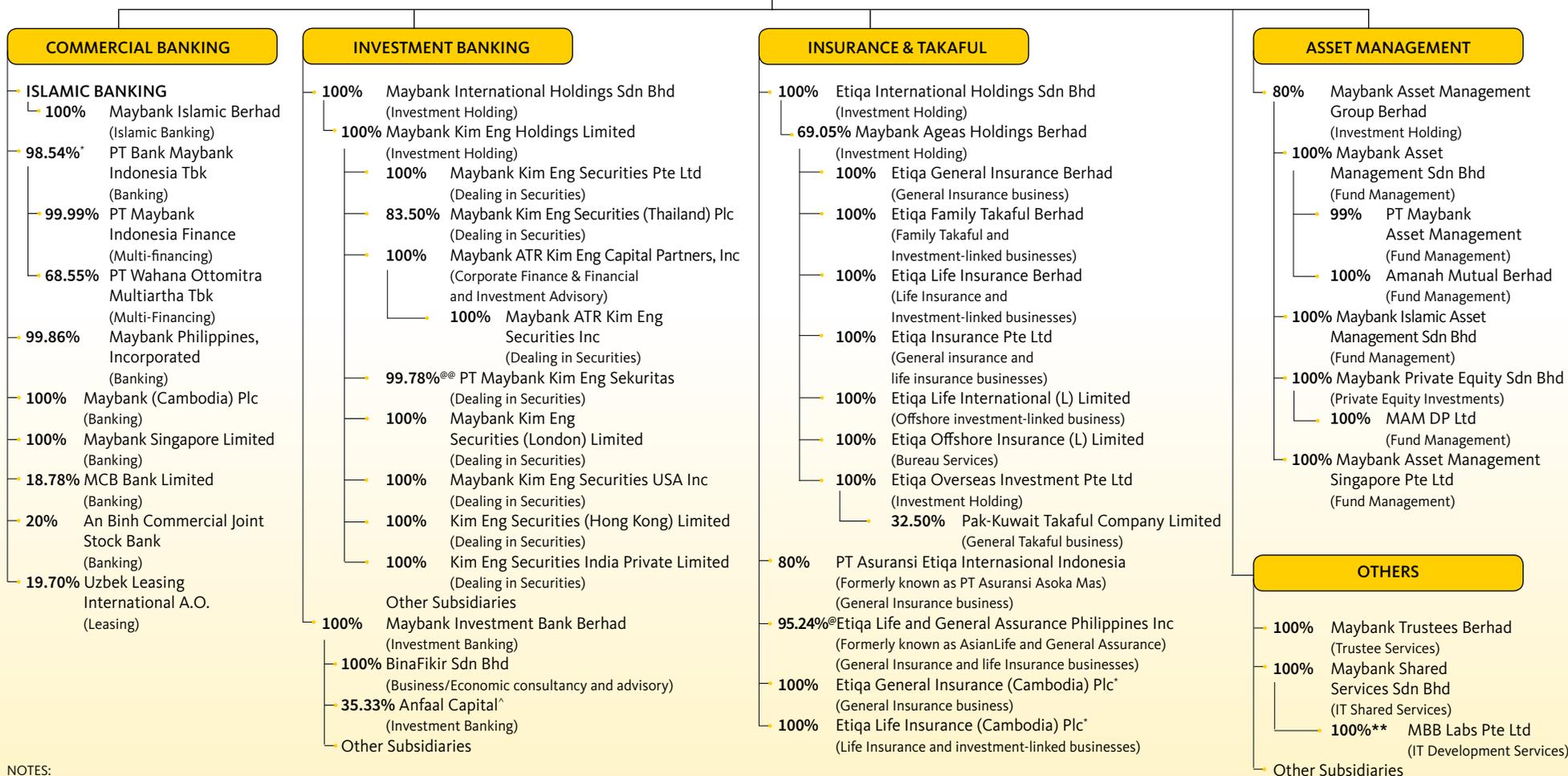
An Binh Bank (ABBank) is a 20%-owned associate of Maybank. Founded in May 1993, ABBank offers the full range of retail and commercial banking products and services through its network of 165 branches and sub-branch offices across 34 provinces in Vietnam.



### Uzbek International A.O.

Uzbek Leasing International A.O. (Uzbek Leasing) is a 19.7%-owned associate of Maybank. It specialises in providing a wide spectrum of financial and leasing services from 10 regional representative offices located throughout the country.

# GROUP CORPORATE STRUCTURE



NOTES:

- This Chart is not the complete list of Maybank subsidiaries and associates. Companies that are not shown include those that are dormant, under liquidation, have ceased operations, or are property investment or nominee services companies. For the complete list refer to Note 66: Details of Subsidiaries, Deemed Controlled Structured Entities, Associates and Joint Ventures in the Financial Book.
- Where investment holding companies are omitted, shareholdings are shown as effective interest.
- \* Effective interest held by the Group, Refer to Note 66, footnote 14, page 268 in the Financial Book for the details.
- \*\* 0.01% is held by Dourado Tora Holdings Sdn Bhd.
- ^ Joint Venture.
- # New subsidiaries incorporated in Cambodia. Refer to Notes 18(iii) and 18(iv), page 90 in the Financial Book for the details.
- @ Effective interest held by the Group. 54.66% is held by Etiqa International Holdings Sdn Bhd and 40.58% is held by Maybank ATR Kim Eng Capital Partner, Inc.
- @@ Effective interest held by the Group. 85% is held by Maybank Kim Eng Holdings Limited and 15% is held by PT Maybank Indonesia Finance (14.78% effective interest held by the Group).

## CHAIRMAN'S MESSAGE

“Having assumed the Chairmanship of the Board of Directors in April 2019, I have witnessed first-hand how each and every Maybanker contributed in our collective move to strengthen our franchise in the country.”

**FAUZIAH  
HISHAM**

Chairman  
Maybank Philippines, Inc.



## Dear Shareholders,

The year 2019 was a subdued year as far as the global economic landscape is concerned, yet it marked another remarkable milestone for the Maybank Group as we once again recorded our highest ever net profit at RM 8.20 billion (USD 1.979 billion) which translates to a return on equity of 10.9%. We have maintained our #4 ranking in Southeast Asia in terms of assets, and our brand has consistently been recognised as the most valuable and strongest in terms of brand value and equity.

This achievement was realized with Maybank Group holding steadfast in preserving capital and liquidity strength given unfolding market uncertainties, by being selective in balance sheet expansion and placing emphasis on protecting margins in a low rate environment, while being consistent in cultivating long-lasting relationships with our customers and communities.

Echoing what our Group Chairman, Datuk Mohaiyani Shamsudin, has emphasized in her Message to Shareholders, our priority as an organisation and as Maybankers continues to be on upholding and embodying our mission statement of Humanising Financial Services in any operating landscape as it serves as our key differentiator in achieving sustainable practices and profitability.

It thus gives me pleasure to share with you that Maybank Philippines Inc. (MPI) has likewise maintained a steady performance reflective of this Group mission.

Having assumed the Chairmanship of the Board of Directors in April 2019, I have witnessed first-hand how each and every Maybanker contributed in our collective move to strengthen our franchise in the country.

The year 2019 was all about sustaining our upward momentum and focusing on growth opportunities in areas and segments where we can further make a difference. Of strengthening partnerships with our regulators; continued commitment to ethics and compliance; forging new business alliances; advancing operational efficiency and customer experience management; taking care of our employees; and advancing our corporate social responsibility advocacies.

I am particularly delighted with our proprietary iSAVE account which has paved the way for our strong entry into the digital banking space and becoming a platform for financial inclusion. With the expanding of R.I.S.E. (Reach Independence and Sustainable Entrepreneurship) program and launching of the CashVille Kidz – Maybank Foundation flagship programmes that are present in the country – we can leverage on iSave as our beneficiaries' entry point into the banking ecosystem.

This year's Annual Report theme of "Building Meaningful Connections" puts into proper perspective the steady strides that Maybank Philippines Inc. is taking in order to ensure that banking is made convenient, accessible, and relevant to our customers, so that their relationship with Maybank will become an integral part of their daily lives.

To build meaningful connections is to align with our mission of "humanising financial services", as we move hearts and minds with our own brand of banking experience. It will be more meaningful in 2020 as the Maybank Group enters its 60<sup>th</sup> year – a celebration of six decades of rich, deep and meaningful relationships that are built on trust with our various stakeholders across 18 countries where we have presence, including the Philippines.

I would like to thank our shareholders, our customers, the Board Members, the Management Team and most specially our Maybankers, for their commitment in leading Maybank Philippines' continued growth and sustained success.

I look forward to another rewarding journey with you in 2020.

### **FAUZIAH HISHAM**

Chairman of the Board  
Maybank Philippines, Inc

## PRESIDENT'S MESSAGE

“The year 2019 saw our profit before tax grow by 22.2%. From PHP 692.2M in FY18, our PBT grew to PHP 846.1M driven by a combination of tactical and long term strategic initiatives.”

**CHOONG  
WAI  
HONG**

President and  
Chief Executive Officer



## Dear Valued Shareholders, Clients and Fellow Maybankers

**M**aybank Philippines, Inc. looks back at 2019 in unity with the Philippine banking industry's and Maybank Group's optimism on the country's economic prospect amidst global uncertainties and market volatilities.

On behalf of the management and staff of Maybank Philippines Inc., allow me to share with you our operating results for the financial year ended 31 December 2019.

The year 2019 saw our profit before tax grow by 22.2%. From PHP 692.2M in FY18, our Profit before Tax (PBT) grew to PHP 846.1M driven by a combination of tactical and long term strategic initiatives.

MPI's provisions for impairment and credit losses improved as an updated loan loss model, which considers the Bank's most recent improved collection capabilities has been implemented. Efficiency improvements in the Bank's operations have also led to a decrease in operating expenses by 2.7% year on year.

I am pleased to report that we stayed on the profitability track in 2019. Let me run through the key highlights of our 2019 financial performance.

### Sustained Business Growth in Targeted Segments and Products

In line with the bank's strategic initiatives, we have diversified out of auto loans, growing our mortgage, cards and RSME portfolios faster than our auto loans.. Asset quality also played a key role in moving towards a more responsible and sustainable growth model with a decrease in our credit charge-off ratio to 40 bps from the previous year's over 100 bps. In particular, mortgage and the SME portfolio improved significantly in terms of their credit charge off rates.

On the funding side, the Bank's PHP current and savings accounts [CASA] grew by 15.5% to Php 32.7B with the retail and corporate banking cash management related deposits driving the increase.

Significantly, MPI has aggressively expanded into the digital space with iSAVE. Launched in 2018, iSAVE is an online

only account that enables customers to open an account fully online without going to the branch. All forms and documentary requirements can be submitted via the Maybank2U PH App. iSAVE deposit levels grew by 11,941% year on year, breaching the PHP 1B mark and total number of accounts grew sevenfold. We have also secured strategic partnerships as we continued to develop our digital ecosystem.

We have also aggressively targeted the affluent and high net worth segments through our Premier Wealth management team supported by a new credit card offering, Visa Infinite. To support our expansion into these segments, we opened a new Premier Wealth Center in Ayala Avenue, the heart of the Makati business district.

Sustainable and targeted growth, however, come with costs and challenges. With our focused and strategic growth, total deposits dropped by 11.5% to reduce cost of funds and focus on low cost CASA. Total loans decreased by 5.9% and total assets dropped by 16.2% as we focused on more profitable and sustainable lines of business.

### Profitability in a Dynamic and Challenging Environment

We remained on the profitability track despite an increasingly more competitive environment with high policy rates for the most part of the year, tougher liquidity compliance requirements related to Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and more aggressive competition in our selected segments.

The Bank's liquidity coverage ratio stood at 105.9%, well above minimum regulatory requirements of 100%. This was achieved via aggressive marketing of retail deposits through Premier Wealth and iSAVE as well as cash management products.

The Bank's total capital position has remained strong with CAR at 17.30% and tier 1 CAR at 14.23%. With growth opportunities still strong in the country, the Bank reinvested all

net income into its operations. Commitment to local operations in the Philippines, as well as MPI's aspirations to be able to support local operations independent of Maybank Group support, the Bank fuelled local expansion with internally generated capital.

While maintaining above minimum regulatory compliance, our net interest margin remains to be one of the highest in the industry at 4.3%. This is due to our focus on higher yielding asset growth.

More banks have also began expanding into the digital space, resulting in a highly competitive environment. Through strategic partnerships and an improved user interface and experience via our mobile app, MPI managed to secure a significant market share and became a key player in the digital banking space.

### Upgrading Support Capabilities in Order to Increase Capacity

With sustained business growth, we placed emphasis on upgrading and enhancing our support infrastructure via replacement of legacy systems, automation and robotics process optimization.

In 2019, MPI successfully rolled out the following:

- Implemented behavioural scoring to integrate client behaviour into the Bank's collection and loan approval strategy.
- Institutionalized a risk team embedded into the Community Financial Services business unit which has reduced the number of internal and external fraud cases.
- Implemented robotics process automation in Central Operations which has automated key processes in loan administration.
- Set-up Premier Wealth management centers in key business districts to cater to our target segment.
- Completed several IT systems to support digital banking growth such as CASA straight through processing which allowed for online deposit account creation and improvements in the UI/UX of M2U.

### Strengthening Our Brand Equity

The year 2019 saw the introduction of several new products and services coupled with key marketing efforts which have enabled MPI to strengthen its brand presence in the Philippines.

These included:

- Launch of the Visa Infinite credit card.
- Relaunch of Premier Wealth management and exclusive events for these clients such as market outlook forums, legacy planning and investment discussions with key experts from Maybank Group.
- Maybank on-site kiosks which exclusively featured the Bank's digital banking deposit product
- Several RSME mini-conferences with at least two business talks a month across the country.
- Strategic event partnerships such as those with the Philippine Automotive Dealer's Association, major developers such as Megawide among others

Leveraging on Maybank Group's sustainability strategy are MPI's corporate social responsibility programs that further strengthened the Maybank brand in the Philippines. In 2019, MPI launched the CashVille Kidz (CVK) program which benefited eight (8) pilot schools across the country. Through the CVK, the Bank introduced unique and creative financial literacy modules for students and teachers, in support of the Bangko Sentral ng Pilipinas' Financial Education Program.

With the heightened success of R.I.S.E. (Reach Independent and Sustainable Entrepreneurship) pilot program, MPI launched R.I.S.E. 2.0 to benefit more marginalized and persons with disabilities in more areas.

Bangko Sentral ng Pilipinas (BSP) Deputy Governor, Chuchi G. Fonacier commended Maybank Foundation and

MPI as BSP's valued partners in promoting financial inclusion among the marginalized through the R.I.S.E. program that helps create sustainable income for local communities by supporting small local businesses.

### Prospects for 2020

The Bank is now at the forefront of innovation in the Philippine banking industry. As we utilize new technologies in order to deliver the best and most convenient banking products to our clients, we are also constantly strengthening our corporate governance and risk management capabilities to protect our clients.

The year 2020 poses an interesting economic backdrop as more consumers move into digital, as well as prioritize user-experience and relationship management. MPI is poised to take advantage of this competitive landscape as we have been investing in key infrastructure, support and capabilities targeted to these specific consumer needs.

### Acknowledgements

On behalf of the MPI Management, I wish to thank the members of our Board, our customers, our partners and our shareholders for their continued support.

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

Sincerely,

### CHOONG WAI HONG

President and CEO



# 73

Branches  
Nationwide



# 93

ATMs

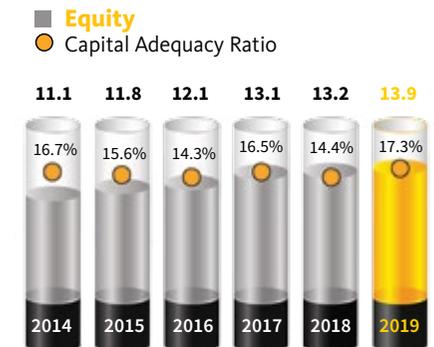
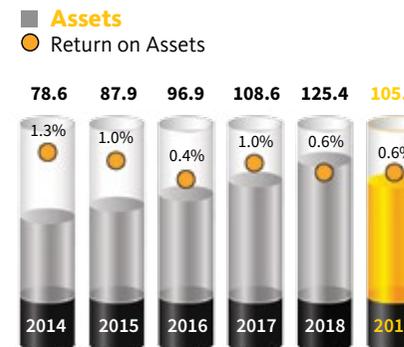
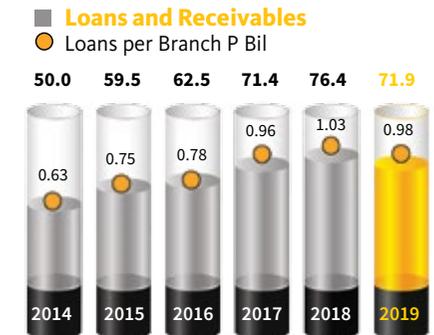
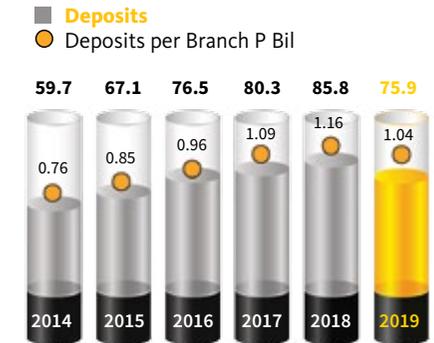
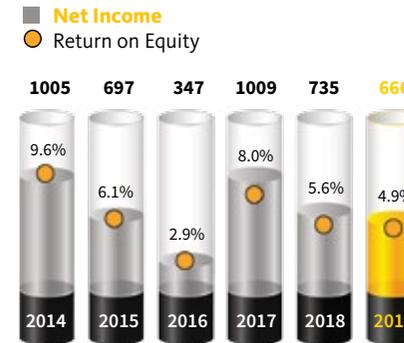


# 1,310

Maybankers

# FINANCIAL HIGHLIGHTS

	2019	2018
<b>Profitability in Php</b>		
Total Net Interest Income	4,695,593,439	4,947,833,118
Total Non-Interest Income	743,582,293	889,411,063
Total Non-Interest Expenses	4,271,323,503	4,390,199,393
Pre-Provisioning Profit	1,167,852,229	1,447,044,788
Provision for Impairment and Credit Losses	321,715,104	754,875,346
Profit Before Tax	846,137,125	692,187,442
Net Income	666,250,980	735,214,426
<b>Selected Balance Data Sheet in Php</b>		
Liquid Assets	15,149,200,585	29,759,926,833
Gross Loans	71,923,846,381	77,097,031,996
Total Assets	105,074,940,935	125,395,866,778
Deposits	75,880,804,285	85,771,973,804
Total Equity	13,925,604,803	13,194,415,451
<b>Selected Ratios</b>		
Return on Average Equity	4.91%	5.59%
Return on Average Assets	0.58%	0.63%
CET <sub>1</sub> Capital Ratio	14.23%	11.48%
Capital Adequacy Ratio	17.30%	14.38%
<b>Per Common Share Data</b>		
Net Income per Share	2.62	2.89
Basic	2.27	2.50
Diluted	1.88	2.08
<b>Book Value Per Share in Php</b>		
Total Equity	13,925,604,803	13,194,415,451
Average Outstanding Shares	254,661,846	254,661,846
Book Value per Share	54.68	51.81
<b>Others</b>		
Cash Dividends Declared	0	0
Headcount	1,310	1,297
Officers	832	783
Staff	478	514





## A REVIEW OF 2019 OPERATIONS

“Without change there is no innovation, creativity, or incentive for improvement. Those who initiate change will have a better opportunity to manage the change that is inevitable.”

- William Pollard

## COMMUNITY FINANCIAL SERVICES

Community Financial Services (CFS) finds its purpose in the people that we serve. Offering a wide array of financial solutions from deposits, auto loans, mortgage, personal loans and credit cards, it continuously aims to fulfill its mission of humanising financial services for the community.

Last year, CFS has placed a focus on its Premier segment, catering to the affluent market of the Bank. At the same time, it has reached out to a broader base of the bankable market by providing a fully digital and virtually free savings account.

2019 was a year for Premier to fully turn inspirations into reality. With Maybank Premier's re-launch, the Bank fulfilled its promise of providing wealth management solutions and advisories through a series of events designed specifically for its high networth clients. To better serve the Premier segment in offering personalized and curated services, the first Premier Center was opened in the heart of Makati City. Located inside Maybank's Ayala Avenue Branch, the Premier Center makes it more accessible for Premier clients to perform their financial requirements, with the assistance of our dedicated Relationship Managers. Leveraging on its value proposition of Wealth Management and Advisory, Premier Benefits and Lifestyle Privileges, the segment executed a more tailored approach in addressing the financial needs and aspirations of its respective high networth clients.

While the services provided have the best interest of the affluent and emerging affluent markets, CFS remains steadfast in its mission of providing inclusive banking for the underserved community thru the iSave Savings account. With the combination of traditional banking through the branches and online presence through various digital initiatives, its customer base quadrupled by the end of 2019. iSave remains to be one of the leading fully digital savings accounts in the country. On the strength of iSave, Maybank Philippines has been recognised as Finalist for the Outstanding

Partner for Innovative Mobile Financial Services - Bank category by the Bangko Sentral ng Pilipinas (BSP), and was 2nd Runner-Up in the 2019 Best Bank in Digital Financial Inclusion Search of the Bankers Institute of the Philippines (Baiphil).

Still maintaining the "phy-gital" proposition, opening or expansion of Premier Centers will be seen in 2020, to afford high networth clients the convenience and privacy when they visit for their portfolio review.

Expanding the service offerings to the RSME segment and addressing their business needs beyond financing is also in the offing, through solutions for their cash management requirements enabled through traditional and digital banking platforms. They will continue to be serviced through the branches with the assistance of the RSME Business Development Executives.

Moving forward in 2020, CFS strives to drive higher revenue by providing clients with solutions that are accessible

and innovative. Through improved customer experience, targeted cross selling initiatives, and a scaled up wealth management team while taking into heart a stricter conformity with Compliance, CFS will be able to service more of the community with products made for the community.



## GLOBAL BANKING



**L**everaging 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 edge lies in the team's association with both local and international markets, premier ASEAN global markets and trade finance capabilities, and competency of key business lines -- making these differentiators work as GB introduces wholesale banking customers to different opportunities and equips them with unique strengths laid out by Maybank across Asia.

GB provides our partners a wide array of financing, investment, cash management, trade finance, capital markets 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.

Continuing to provide a major component to the PBT for 2019, 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.

Notable GB Deals in 2019:

1. South Luzon Tollways Corporation  
Cash Collect Facility via armored vehicles
2. All Value Holdings  
Cash Collect and Check Cutting Facility for several companies under the group
3. Hotel Okura  
Cash Collect, Check Cutting, Express Collect, Check Master, and Bills Payment Facility
4. VPBank Vietnam  
USD 15.0M participation in a USD 200.0M syndication deal in partnership with Maybank Singapore and Maybank Vietnam

## GLOBAL MARKETS

**M**PI Global Markets (GM) team performed adroitly in 2019 with timely positioning to capture the movements of both local and regional financial markets. The BSP had a total reduction of 75 bp in the policy rates as well as a 200 bp lowering of the reserve rate requirements, allowing liquidity to flow back into the economy. This was on the back of benign inflation numbers and to a certain extent, following the path of lower US Fed Funds.

We are pleased to note that 2019 Revenue and PBT were higher by 52% and 111% respectively. All 3 sectors of Sales, Trading and Rates performed strongly as we were able to capture significant client flows arising from a dovish interest rate outlook. GM was able to revive MPI's status as Accredited Selling Agent for the Bureau of Treasury's 5y Retail Bond (RTB 5-12) issuance (with a minimum P500 million order with a strict retail/institution ratio).

We remain committed to assist our clients' requirements in all manner of Treasury products and services, on a local and regional capacity with Maybank's Asean footprint.



# TRUST



**M**aybank 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, and named as UITF Tiger Funds to reflect the MPI brand.

The year 2019 was again a year full of challenges for MPI-Trust. However, with the support and guidance of the Trust Committee, MPI-Trust Assets Under Management has ended the year stronger as compared to the previous year, growing a decent growth of 4% from 2018. Some of the notable achievements are as follows:

- New-to-Trust account booked, totaling to 450 Peso and 46 USD accounts, giving an increase of the number of Trust accounts by 5%;
- Offered a wider asset universe to Trust clients with participation in various government and corporate bond issues;
- Provided Trust clients with access to various investment outlets available in the market such as Mutual Funds and UITFs; and
- Strengthened risk and compliance framework to support the growing business of Trust.

MPI Trust business continued growth resulted in a 3-Yr CAGR of 9%.

## Outlook

The Philippine economic growth faces internal and external challenges due to the COVID-19 pandemic. However, the Philippines economy presents a positive growth direction for 2020 in terms of sustainability and inclusiveness, notwithstanding the Philippine government's efforts to tackle domestic risks through careful fiscal management and timely implementation of tax reforms and public investment programs such as the "Build, Build, Build" scheme.

Based on Moody's investor service report on the Philippines banking system, the Philippines maintains a Baa2 rating credit outlook with very positive features. Moody predicts that a stable credit growth will continue for the next 12-18 months, noting that cost-effectiveness is improving.

With the Philippine economy seen to remain strong and is projected to grow in 2020, 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

In the face of booming Fintech companies and growing digital natives, traditional banking certainly needs to modernize the way it does business at a faster pace. Central Operations responded by adopting Robotic Process Automation (RPA), centralizing post-dated check (PDC) management and digitizing client records.

### 1. Robotics Process Automation

With the help of Maybank Malaysia Transformation & Strategy, RPA was introduced and piloted in operations to sustain optimal productivity without adding headcount. Processes that are repetitive, rule-based and with high volume are the criteria for RPA project. The first RPA in security document management was completed in September 2019. About 500 Auto collateral documents are being encoded daily in the system before and after the completion of loan registration. With bot-led encoding, turnaround time improved by 42%.

### 2. Centralized PDC Management

Because of the PDC processing automation, Loan Administration Department was able to successfully support Branch's warehousing service to a high-value CMS client. As a result, Main Office Branch was able to re-allocate 51% of its capacity for other tasks while LAD continued the processing of 100 checks daily.

### 3. Digitization of Loan Documents

In a year's time, three (3) million collateral and other loan documents were scanned nationwide and uploaded in a secure document management system through an accredited service provider. The efficient document retrieval made a huge impact to foreclosure process, compliance investigation, audit review and full loan payment processing. Moreover, this gave MPI Compliance a head start on BSP's mandate of customer record digitization by 2021.

On top of sustaining optimal productivity, Central Operations endeavored to increase risk awareness of its employees across all levels. In partnership with Non-Financial Risk, all Metro Manila-based Operations employees underwent a half-day workshop on risk and control assessment and incident reporting. No amount of automation or technology can fully safeguard a company from cyberattack and fraudulent schemes than a well-informed employee who has a risk mindset and is quick to act on risk issues.



# 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 2019, the leadership bench is generally healthy with 4:1 cover ratio for MCPs and 1:1 cover ratio for OCPs.

## Culture Reinforcement Programs

Anchored on the Bank's T.I.G.E.R. Values of Teamwork, Integrity, Growth, Excellence and Efficiency, and Relationship Building, 2 flagship programs were launched in 2019.

(1) I of the TIGER harped on exuding the Value of Integrity at the workplace that provided an avenue and gave voice to employees to escalate unusual Bank activities. This program was augmented by (2) TIGER WAVE that focused on how Maybankers embody the TIGER Values and *malasakit* in the workplace.

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 and Internal Communication Channels*

- Skip-level discussions – a focused group discussion where the employees (excluding their Supervisor) sit down with the PCEO to share their experiences and raise their current business and operational challenges.

- Coffee with Mancom - Employee Engagement Program initiated by the Management Committee to learn and collaborate with the employees through discussion of various topics related or not to the organisation.
- TIGER Cup - Annual sports fest event to engage MPI employees and MPI subsidiaries (MATRKE and eTiqa) in a friendly competitive environment.

### *Internal Communication Channels*

- M.E.N.U. (Milestones, Engagements, News, Updates) Newsletter - Used to disseminate the PCEO Message, business milestones, recent and upcoming events and engagements, trainings, and significant announcements. Do the Right Thing Comic Strip that reinforces I of the TIGER Culture Program and #TIGERStory that recognizes Maybankers who lived by the TIGER Values are features here as well.
- Enterprise Social Network (One Maybank PH – 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.

# KEY CORPORATE HIGHLIGHTS

## 24 JANUARY CORPORATE

Malaysia Export Academy (MEA) and SME Bank Malaysia Export Mission to Manila hosted a Briefing Session on “Doing Business in the Philippines”, with Maybank Philippines Inc. Business Banking Head Julian Kieth J. Mungcal as resource speaker.

## 26 JANUARY EMPLOYEE ENGAGEMENT

Maybank Philippines held its annual employees townhall at The Tent, Enderun, Taguig City, with over 500 Maybankers present. The Management Committee presented the company’s 2019 goals and direction and the “I of the TIGER” culture program with a resounding roar from the audience.

## 04 APRIL CORPORATE RESPONSIBILITY

Handover Ceremony of Maybank Training and Learning Center (TLC) in Lumbia, Cagayan de Oro City, highlighting a two-year community engagement endeavor. A Maybank Foundation flagship programme, the TLC is formally handed over to the Xavier Ecoville Multi-Purpose Cooperative, which takes on full managerial and operational function and responsibility of the project, with support and oversight of Xavier University, Maybank Foundation’s Philippine programme partner.

## 23 APRIL CORPORATE

Choong Wai Hong, Maybank Philippines President and CEO, was Resource Person at the CEOs Forum: Embedding Environmental, Social and Governance (ESG) in the Strategic Direction, organised by the Bankers Institute of the

Philippines (BAIPHIL). He cited MPI’s ESG initiatives as long-term commitment to the Philippines.

## 21 MAY CORPORATE RESPONSIBILITY

Maybank Foundation was honored at the 3<sup>rd</sup> City of Life Awards of the City Government of Biñan, Laguna as one of outstanding companies and organisations in the city. Maybank was awarded “Outstanding PWD Project for Biñan conducted by a Company/Organisation” for its R.I.S.E. (Reach Independence and Sustainable Entrepreneurship) Program. MPI Biñan Branch manager received the award on behalf of Maybank Foundation.

## 27 MAY EMPLOYEE ENGAGEMENT

Maybank Philippines held its annual Star Awards, an awards night dedicated to recognizing its outstanding employees, branches, and business and support units for outstanding programs and leadership initiatives.

## 19 JUNE CORPORATE RESPONSIBILITY

The CashVille Kidz (CVK) financial literacy program was launched in the Philippines by Maybank Foundation and program partner MoneyTree Asia Pacific, attended by select private primary schools and students for the pilot run. Special guests at the event were Bangko Sentral ng Pilipinas Deputy Governor Chuchi G. Fonacier and Department of Education Undersecretary Diosdado M. San Antonio, who both lauded CVK as an innovative and relevant program. Also announced during the event held at the Maybank Performing Arts Theater (MPAT) were the first awardees of the Maybank Group Scholarship Programme outside Malaysia.



## KEY CORPORATE HIGHLIGHTS



04 JULY BUSINESS

Maybank Philippines rolled out premium banking services with the grand launch of Maybank Premier and VISA Infinite Credit Card in the Philippines, targeting high networth clients and the discriminating market. The formal launch ceremony and unveiling was held at the Grand Hyatt Manila with more than 300 valued customers, key stakeholders, Maybank Group Regional CFS Heads, and MPI Board of Directors and Senior Management led by Puan Fauziah Hisham, Chairman of the MPI BOD.



02 AUGUST CORPORATE RESPONSIBILITY

Maybank Foundation collaborated with the Bangko Sentral ng Pilipinas (BSP) and National Council on Disability Affairs (NCDA), for the first Financial Literacy Orientation with Persons With Disabilities in celebration of the National Disability Prevention and Rehabilitation Week. At the event attended by close to 500 guests, MPI CEO Choong Wai Hong gave an Overview of the Maybank Foundation while MPI Head for CFS Gail Del Rosario talked about the Maybank R.I.S.E. Program. Financial literacy training was conducted by R.I.S.E. Program Partner People Systems and Consultancy (PSC).

10 AUGUST EMPLOYEE ENGAGEMENT

Maybank Philippines hosted the opening of the Tiger Cup 2019, the company's annual sportsfest event, which was participated by delegates from Maybank ATR Kim Eng and ETIQA Philippines. Highlights of the event include the customary Parade of Colors, a cheering competition among participating inter-color teams, and the inaugural basketball games.

7 – 9 SEPTEMBER CORPORATE

Maybank Philippines Premier clients and members of the Management Committee led by PCEO Choong Wai Hong joined the annual region-wide 2019 Maybank Bali Marathon held in Gianyar, Bali. The event was attended by Private and Premier clients from different Maybank Groups across the region and the Maybank Group Board of Directors.

23 SEPTEMBER CORPORATE

Malaysia National Day Celebration event in the Philippines was a special milestone hosted by the Embassy of Malaysia. Maybank Philippines sponsored the program. At the MPI booth, guests were given a showcase of the Maybank Premier brand features and products.

26 SEPTEMBER CORPORATE RESPONSIBILITY

The regional launch of Reach for Independence & Sustainable Entrepreneurship (R.I.S.E.) 2.0, a scaled-up version of the award-winning Maybank Foundation flagship program, was held at the Maybank Performing Arts Theater, Philippines. The well-attended event was graced by key stakeholders from the Regulatory, Government, Embassy and Finance sectors, as well as the Maybank Group Board of Directors and the Maybank Philippines Board.

25 OCTOBER EMPLOYEE ENGAGEMENT

Maybank Philippines employees celebrated the popular annual Halloween Celebration with Maybank employees and their children. The Halloween "Disney and PIXAR" decoration competition was attended by guest judge, Filipino Singer, Mr. Jed Madela.

12 NOVEMBER

CORPORATE

Maybank was a strategic partner in the first Women Influence Forum held in Manila, Philippines presented by The Philippine Star, a leading Philippine newspaper, in partnership with Globe Telecom and the Women Influence Community. The event cast a major spotlight on the Maybank brand throughout the day-long program.

25-26 NOVEMBER

CORPORATE RESPONSIBILITY

Maybank Philippines Inc. was a Special Partner in the 2<sup>nd</sup> Bangko Sentral ng Pilipinas (BSP) Financial Education Stakeholders Expo held at the SMX Convention Center Manila. MPI PCEO Choong Wai Hong was Panelist in the Breakout Session: “Mainstreaming Financial Education in School Curriculum”, with the discussion centering on the private sector support for financial education in the Philippines. MPI was likewise allocated booth spaces which showcased the R.I.S.E. and CashVille Kidz programs. Both further strongly reinforced BSP’s financial education agenda. The plenary session was highlighted by the innovative presentation of the CashVille Kidz Grand Finale and a CashVille Kidz testimonial.

2 DECEMBER

EMPLOYEE ENGAGEMENT

Maybank Philippines Inc. held the annual Employees Year-End Party at The Tent, Enderun, Taguig City. Themed “MPI Goes Disco”, the event was attended by Maybank International CEO, Mr. Michael Foong, Maybank Philippines Board of Directors, Maybank Philippines Management Committee, Maybank ATR Kim Eng President, ETIQA Philippines President, and Maybank Philippines Metro Manila Employees. It was a most fitting year-end event that celebrated a good year.

## Awards & Citations

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

2019 Best Bank in Digital Financial Inclusion Award  
2<sup>nd</sup> Runner-up

### **Bangko Sentral ng Pilipinas**

16<sup>th</sup> Awards Ceremony and Appreciation Lunch for  
BSP Stakeholders  
Outstanding Partner for  
Innovative Mobile Financial Services - Bank  
Finalist

### **City Government of Biñan 3<sup>rd</sup> 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)



# BOARD OF



**FAUZIAH  
HISHAM**  
Chairman



**CHOONG  
WAI HONG**  
Director/ President & CEO



**POLLIE  
SIM SIO HOONG**  
Director



**DATUK LIM  
HONG TAT**  
Director

# DIRECTORS



**MANUEL N.  
TORDESILLAS**  
Director



**RENATO T.  
DE GUZMAN**  
Director



**ATTY. RAY C.  
ESPINOSA**  
Director



**ALOYSIUS B.  
COLAYCO**  
Director



**SIMOUNS S.  
UNG**  
Director

**Fauziah Hisham | Chairman of the Board**

63 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 also sits as an Independent, Non-Executive Director of the Maybank Group 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.

Puan Fauziah also sits 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

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

Mr. Choong brings with him 22 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, Mr. Choong held leadership roles in banking, project management and consulting in Standard Chartered Bank, DHL (Asia Pacific IS) and Accenture Sdn Bhd. He holds a degree in Computer Science (First Class Honors) from the University Malaya. He pursued and earned his Executive Masters in Business Administration from the Royal Melbourne Institute of Technology and Master of Science in Innovation from the Singapore Management University. 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**

58 years old, Singapore | Non-Independent, Non-Executive

Ms. Pollie Sim was appointed Director of MPI in 2013. She is presently the Chairman of the Trust Committee and is a member of the Executive Committee, Corporate Governance Committee and Strategy 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**

60 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 Risk Management 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 4<sup>th</sup> Annual Cards & Electronics Payments International Awards and the Asian Banker of the Year by Fortune Times Magazine.

**Manuel N. Tordesillas | Director**

67 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

69 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 Executive Committee, Corporate Governance Committee, Risk Management Committee, 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 and Related Party Transactions (RPT) 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.

### Aloysius B. Colayco | Director

69 years old, Philippines | Independent, Non-Executive

Aloysius B. Colayco has been a member of MPI Board of Directors since 2010. He is the Chairman of the Corporate Governance Committee and the Related Party Transactions (RPT) Committee and is a member of the Audit Committee of the Board (ACB), Risk Management Committee and Strategy Committee.

He previously held directorships in Aboitiz Transport Group, United Industrial Corp. (Singapore) and Genesis Emerging Market Fund (London), Davies Energy Systems, Mandarin Manila Hotel, Jardine Shipping Services, Republic Cement Corp., and TVI Pacific. He held senior management positions in various companies such as Philippine American Life and General Insurance Company, Jardine Matheson Group; and AIG Investment Corp. Mr. Colayco obtained his MBA degree from the Ateneo Graduate School of Business.

### Simoun S. Ung

53 years old, Philippines | Independent Director, Non-Executive

Mr. Simoun S. Ung assumed the position of Director of the MPI Board on December 3, 2019. 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 2<sup>nd</sup> 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 TEAM



**Choong Wai Hong**  
Chairman, President and CEO

**Hazli Abu Samah**  
Chief Financial Officer

**Theresa Fung**  
Head, Human Capital

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

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

**Jose A. Morales III**  
Chief Audit Executive



**Rajagopal Ramasamy**  
Chief Risk Officer

**Maria Alicia C. Marasigan**  
Head, Central Operations

**Ma. Bernadette T. Ratcliffe**  
Chief Compliance Officer

**Bernardo G. Talimban, Jr.**  
Head, Information Technology

**Atty. Gerardo J. De Leon**  
Corporate Secretary/ Head, Legal

**Choong Wai Hong** | President and CEO

48 years old, Malaysia

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

Mr. Choong brings with him 22 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, Mr. Choong held leadership roles in banking, project management and consulting in Standard Chartered Bank, DHL (Asia Pacific IS) and Accenture Sdn Bhd. He holds a degree in Computer Science (First Class Honors) from the University Malaya. He pursued and earned his Executive Masters in Business Administration from the Royal Melbourne Institute of Technology and Master of Science in Innovation from the Singapore Management University. 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.

**Hazli Abu Samah** | Chief Financial Officer

48 years old, Malaysia

Hazli Abu Samah was appointed Chief Financial Officer of Maybank Philippines, Inc. in June 2013.

He holds a Bachelor's Degree in Economics from University of Bristol, United Kingdom and is a Certified Information Systems Auditor as well as a certified Project Management Professional. He has over 23 years of working experience in various disciplines covering external audit, finance, management consultancy, information technology and strategy in both public and private sectors.

Hazli started his career in 1995 at Ernst & Young, Kuala Lumpur and later joined Multimedia Development Corporation (Malaysia) as an advisor to the Government of Malaysia during the implementation of several key initiatives under the Multimedia Super Corridor program. In 2004, he was appointed Program Director for the implementation of Strategic Transformation Readiness initiative by the Government of Al-Madinah Al-Munawarah in Saudi Arabia. Throughout his career, he has counselled numerous government and international organisations including the UNDP, Government of Malaysia and Kingdom of Saudi Arabia.

He joined the Maybank Group in July 2008 and has served in numerous functions covering strategy, financial management and performance management before being assigned to MPI.

**Theresa Fung** | Head, Human Capital

45 years old, Malaysia

Theresa Fung Hoi Yeen joined Maybank Philippines, Inc. as Head of Human Capital in March 1, 2018. She brings with her more than 15 years of experience in human resource management, with a specialization in HR strategy, and HR operations, particularly in talent acquisition, manpower planning, employer branding, and talent development.

Prior to joining Maybank Philippines, Theresa handled Maybank Group's Retail Banking Transformation, Career Transition Center, and was the Head of HR for the Global Banking Group in Malaysia. In addition to her professional experience, she also holds a Master of Business Administration (MBA) degree from University of South Australia. She is a graduate of Chartered Institute of Marketing (CIM) in the United Kingdom.

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

57 years old, Philippines

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

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.

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

51 years old, Philippines

Manuel G. Bosano III joined Maybank Philippines, Inc. in 2009. He was subsequently appointed as Head of Global Banking in November.

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, he was promoted to Vice President in 2001. 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, Mannix 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.

**Jose A. Morales III | Chief Audit Executive**

58 years old, Philippines

Jose A. Morales III joined MPI 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.

**Rajagopal Ramasamy | Chief Risk Officer**

55 years old, Malaysia

Rajagopal Ramasamy was appointed Chief Risk Officer of Maybank Philippines, Inc. in June 2018. Raj brings with him more than 25 years of experience in credit risk management compassing the 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 in 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 Masters in Business Administration 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.

**Maria Alicia C. Marasigan | Head, Central Operations**

46 years old, Philippines

Maria Alicia C. Marasigan is the incumbent Head of Central Operations Group and concurrent Head of Transformation and Strategy. Joining Maybank in 2014, Alice brings with her an extensive banking experience in Small and Medium Enterprise, Mortgage and Salary Loans. She pioneered and headed the salary loans business of then Planters Development Bank (now China Bank Savings) and Premiere Development Bank (absorbed by Security Banking Corporation).

Her 20-year sales stint equipped her with the business acumen that is pivotal in her career move to Operations. Her in-depth business understanding is instrumental in successfully transforming Central Operations as a business enabler. Alice championed Productivity Review and Process Improvement Program, which resulted to the creation of the Operational Efficiency or OE Team. Because of her significant contribution, she was appointed Head of Central Operations 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 Masters degree in Business Administration from Ateneo de Manila University.

**Ma. Bernadette T. Ratcliffe | Chief Compliance Officer**

58 years old, Philippines

Joining Maybank in 01 June 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 Maybank, Dette was with East West Bank for six years, starting out as Chief of Staff to the President and CEO in 2012 and eventually became Chief Compliance Officer two years later.

Dette started her banking career at Planters Development Bank (now China Bank Savings) where she started off as Corporate Planning Manager before moving up to assume leadership of the Management Information Systems Department, Controllership Group and Compliance. She was also Corporate Secretary of the Bank and handled Investor Relations.

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 the 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 from the University of the Philippines, Diliman, Quezon City.

**Bernardo G. Talimban, Jr. | Head, Information Technology**

50 years old, Philippines

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

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 Masters in Business Administration from the University of Santo Tomas.

**Atty. Gerardo J. De Leon | Head of Legal and Corporate Secretary**

55 years old, Philippines

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

Prior to joining Maybank Philippines, Inc., 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 to 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 University of Santo Tomas. He obtained his Law Degree from San Beda University, formerly San Beda College.

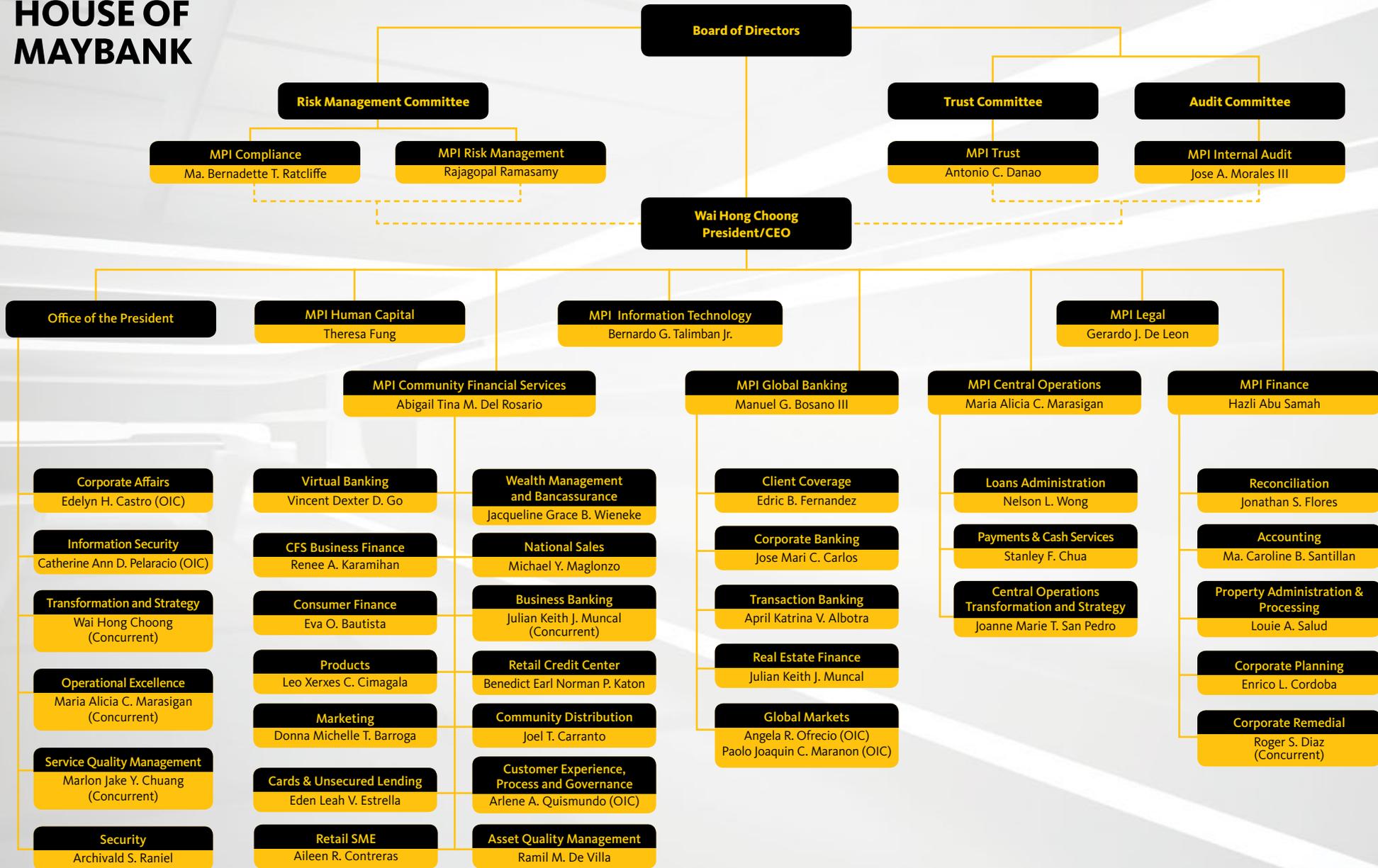


## CORPORATE GOVERNANCE

“Meaningful work is work that extends  
beyond ourselves.”

- Paul Hughes

# HOUSE OF MAYBANK



# MANAGEMENT DIRECTORY

## MAYBANK PHILIPPINES, INC.

Board of Directors and Management Committee Membership  
As of 31 December 2019

### Chairman of the Board

Fauziah Hisham

### Members of the Board

Pollie Sim  
Datuk Lim Hong Tat  
Choong Wai Hong  
Manuel N. Tordesillas  
Aloysius B. Colayco, ID  
Renato T. De Guzman, ID  
Atty. Ray C. Espinosa, 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

Hazli Abu Samah  
Theresa Fung  
Abigail Tina M. Del Rosario  
Manual G. Bosano III  
Maria Alicia C. Marasigan  
Bernardo G. Talimban, Jr.

#### 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-Presidents

Abigail Tina M. Del Rosario  
Hazli Abu Samah  
Theresa Fung

#### Senior Vice-Presidents

Manuel G. Bosano III  
Jose A. Morales III  
Rajagopal Ramasamy  
Eva O. Bautista  
Joel T. Carranto  
Ramil M. De Villa  
Maria Alicia C. Marasigan  
Ma. Bernadette T. Ratcliffe  
Bernardo G. Talimban, Jr.  
Jacqueline Grace B. Wieneke

### Vice-Presidents

April Katrina V. Albotra  
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  
Eden Leah V. Estrella  
Edric B. Fernandez  
Benedict Earl Norman P. Katon  
Michael Y. Maglonzo  
Paolo Joaquin C. Maranon  
Angela R. Ofrecio  
Michael B. Pagkalinawan  
Ma. Cristina T. Perez  
Annabelle M. Piatos  
Erriol Brian B. Sadie  
Roxanne Beatriz M. Salud  
Antonette P. Santos  
Melanie P. Santos  
Santiago F. Sebastian  
Rolly G. Tamondong  
Ronel Loreto R. Tapiador

# CORPORATE GOVERNANCE

**M**aybank Philippines, Inc. (MPI) believes that measures to exercise good corporate governance must be in place and ingrained in the Bank's philosophy to ensure that the business is run responsibly and in turn protect all its stakeholders.

On top of complying with the Bangko Sentral ng Pilipinas' regulatory requirements and its CAMELS (capital, asset quality, management, earnings, liquidity, and sensitivity to market risk) framework, the Bank adheres to the values of integrity, fairness, accountability, and transparency in carrying out its daily operations.

The practice of good corporate governance is vital to keep the checks and balances in the Bank's operations and top officials' 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 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 2019, the Annual Stockholders' Meeting was held on April 16<sup>th</sup>.

### 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 2019)	No. of Years served as director	No. of Direct (D) and Indirect Shares as of December 31, 2019	Percent to Total Outstanding Shares
Chairman Fauziah Hisham*	Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank)	6/6	1	1 (D)	0%
Pollie Sim (Sim Sio Hoong)	Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank)	6/6	6	1 (D)	0%
Datuk Lim Hong Tat**	Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank)	6/6	5	1 (D)	0%
MPI PCEO Choong Wai Hong	Non-Independent / Executive representing Malayan Banking Berhad (Maybank)	6/6	2	1 (D)	0%
Manuel N. Tordesillas	Non-Independent / Non-Executive	6/6	1	1 (D)	0%
Renato T. De Guzman	Independent / Non-Executive	5/6	3	1 (D)	0%
Atty. Ray C. Espinosa	Independent / Non-Executive	5/6	3	1 (D)	0%
Aloysius B. Colayco	Independent / Non-Executive	6/6	9	1 (D)	0%
Simoun S. Ung ***	Independent/Non- Executive	0/6	0	1 (D)	0%
Dato Dr. Tan Tat Wai****	Non-Independent / Non-Executive	2/2	3	1 (D)	0%

\* Elected as Chairman of the Board On 16 April 2019

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

\*\*\*Elected to the Board on December 3, 2019

\*\*\*\*Retired in April 2019

## 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".

## TRAINING AND DEVELOPMENT

The members of the Board undergo an annual training on relevant topics related to corporate governance, banking trends and regulatory developments. For 2019, the Board and Senior Management attended a four-hour seminar on BASEL regulatory developments and its

impact on the local banking industry, cyber risk trends and liabilities and obligations of MPI's Board and Senior Management as defined in the Manual of Regulations for Banks (MORB).

Annually, each Senior Management attends executive development and alignment programs for continuous learning and leadership capabilities enhancement. In 2019, one member of the Management Committee attended the Malaysia Leadership Summit.

In 2019, Maybank Philippines Inc. (MPI) rolled out its "I of the TIGER Culture-Building Program", aimed at expanding the risk, compliance and governance awareness of employees in support of the Group's aspiration to be The Digital Bank of Choice.

In addition, through the partnership of Maybank Group with Harvard Business Publishing and the Asian Institute of Chartered Bankers (AICB), MPI was able to introduce the Harvard Manage-Mentor online leadership courses and the Chartered Banker Programme, which both promotes continuous professional and personal development of all employees. As at end-2019, there were 980 active users of the Harvard Manage-Mentor. On the other hand, of the 102 MPI Managers who attended the Chartered Banker Programme Briefing Sessions, 21 have active applications.

#### 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 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 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 2019 amounted to **Php 16,411,272.45**, as compared to Php 16,376,242.90 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, three Executive Vice Presidents and three Senior Vice Presidents.

The total amount spent last 2019 for Maybank employees' compensation and benefits is **Php 1,596,946,206.00**, slightly lower than the 2018 manpower Cost of **Php 1,637,578,455.00**. 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 2019, 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 operations of MPI. It helps MPI accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

### COMPLIANCE SYSTEM

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 framework, 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 Senior Management, 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 with 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.

### 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.

## 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.

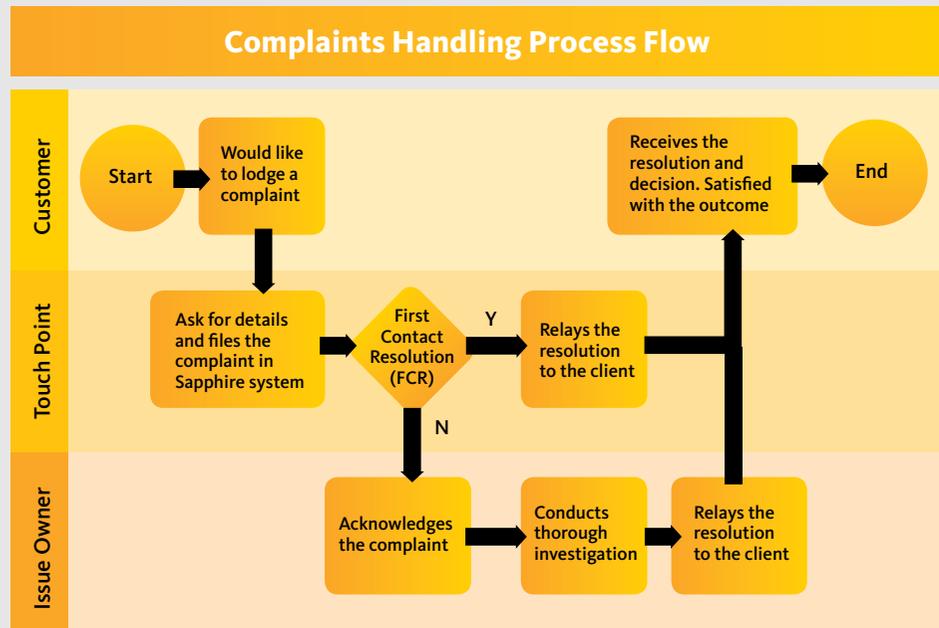
Changes/updates in processes are well-documented and approved by relevant parties. This confirms each department/unit is aware of its responsibilities and accountability is clear.

**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, the Service Quality Management (SQM) will have oversight on the Centralized Complaints Team (CCT). 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 also part of the Centralized Complaints Team (CCT).
- Issue Owner is required to acknowledge complaints received, ensures resolution and communicates the resolution to the customer for proper closure.
- CCT Managers 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 resolved within timeline. Discussions on preventive measures happen with the issue owners and the department heads to improve quality of work and efficiency.

**BOARD COMMITTEES**



MPI has seven 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.

The Executive Committee		
Position in the Committee	Name	No. of Meetings Attended
Chairman	TBA	0/0
Member	Pollie Sim (Sim Sio Hoong)	0/0
Member	MPI PCEO Choong Wai Hong	0/0
Member	Renato T. De Guzman	0/0
Former Chairman	Dato Dr. Tan Tat Wai*	0/0

\* Retired on April 2019

## 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.

The Nominations/ Corporate Governance Committee		
Position in the Committee	Name	No. of Meetings Attended
Chairman	Aloysius B. Colayco	5/6
Member	Pollie Sim (Sim Sio Hoong)	6/6
Member	Renato De Guzman	6/6
Former Member	Dato' Dr. Tan Tat Wai*	2/2

\* Retired on April 2019

## 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.

The Audit Committee of the Board		
Position in the Committee	Name	No. of Meetings Attended
Chairman	Renato De Guzman	6/6
Member	Aloysius B. Colayco	6/6
Member	Datuk Lim Hong Tat	6/6

## RISK MANAGEMENT COMMITTEE

The Risk Management Committee provides oversight of the Board's activities in managing the Bank's credit, market, liquidity, operational, 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 also ascertain that compliance issues are resolved expeditiously.

#### The Risk Management Committee

Position in the Committee	Name	No. of Meetings Attended
Chairman	Atty. Ray C. Espinosa	4/6
Member	Datuk Lim Hong Tat	6/6
Member	Aloysius B. Colayco	6/6
Member	Renato De Guzman	5/6
Member	Choong Wai Hong	6/6

#### 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.

#### The Trust Committee

Position in the Committee	Name	No. of Meetings Attended
Madam Chairman	Pollie Sim (Sim Sio Hoong)*	6/6
Member	Atty. Ray C. Espinosa	4/6
Member	Choong Wai Hong	6/6
Member	Antonio C. Danao	6/6
Former Chairman	Dato Dr. Tan Tat Wai**	2/2

\*Appointment as Chairperson of the Trust Committee was approved on 09 August 2019.

\*\*Retired on April 2019

#### STRATEGY COMMITTEE

The creation of the Strategy Committee was approved by the Board by 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 of the Bank to the Board for its approval, as well as any revisions or changes thereto.

#### The Strategy Committee

Position in the Committee	Name	No. of Meetings Attended
Madam Chairman	Puan Fauziah Binti Hisham*	2/2
Member	Pollie Sim (Sim Sio Hoong)	4/4
Member	Renato De Guzman	4/4
Member	Aloysius B. Colayco	4/4
Former Chairman	Dato Dr. Tan Tat Wai**	2/2

\* Appointment as Madam Chairman of the Board Strategy Committee was approved on 09 August 2019.

\*\* Retired on April 2019

#### RELATED PARTY TRANSACTIONS COMMITTEE

The Related Party Transactions 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.

#### The Related Party Transactions Committee

Position in the Committee	Name	No. of Meetings Attended
Chairman	Aloysius B. Colayco	5/5
Member	Renato De Guzman	3/5
Member	Atty. Ray C. Espinosa	5/5

## 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 & Liability Committee, the Credit & Loans Committee, the Staff Committee, the 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 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.

## 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

“All good work is done in defiance  
of management.”

- *Bob Woodward*

# RISK MANAGEMENT

## INTRODUCTION

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

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.

## 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 with the Bank. The Board focuses on the deficiencies reported, understands the root causes and directs Management to take all steps necessary to correct the circumstances and conditions that had caused the compliance deficiencies. This includes specific remediation plans and follow-up actions to ensure the deficiencies are addressed.

## 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 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.

Principal Risk	What It Means to Us
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.
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

- i. 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.
- ii. Driving capital management by strategic objectives that takes into account the relevant regulatory, economic and commercial environments in which the Group operates
- iii. 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
- iv. Promoting a strong risk culture that supports and provides appropriate standards and incentives for professional and responsible behavior.
- v. Implementing risk frameworks, policies and procedures to ensure that risk management practices and processes are effective at all levels.
- vi. 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

- vii. 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 Bank 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 3<sup>rd</sup> 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 GROUP

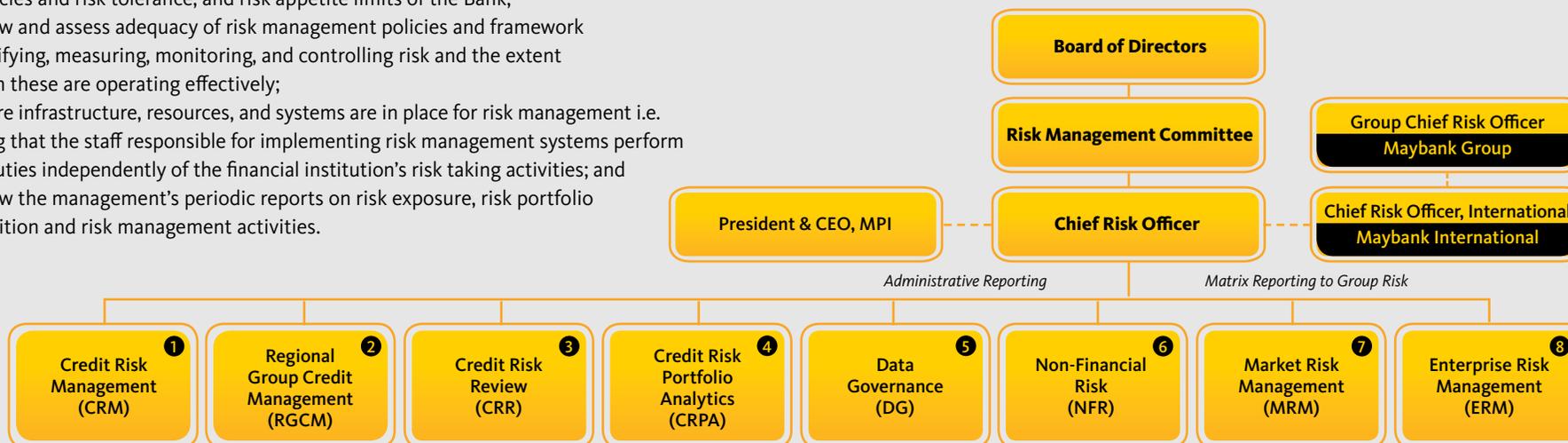
Risk Management is functionally independent of risk-taking units within the Bank. It is responsible for the development of measures to ensure that the risk inherent to the Bank's activities are properly identified, measured, controlled, monitored, and reported.

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 Group 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 (CRPA)** 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.

**Data Governance (DG)** is 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.

**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.

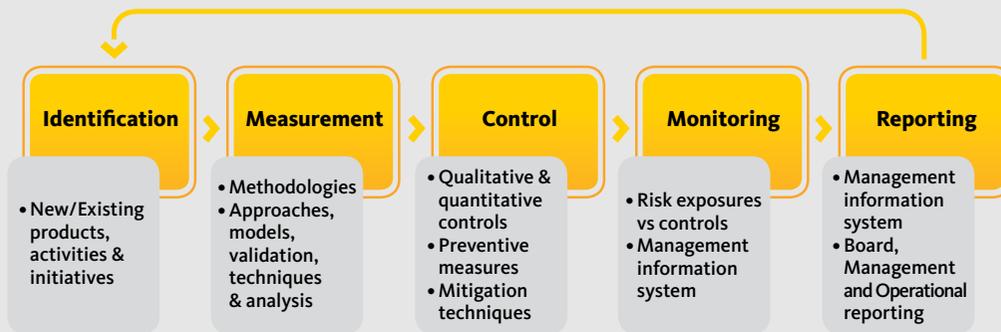
## RISK CULTURE

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:
  1. Establish a formal capital management framework for MPI within which the capital management policies and procedures will be developed and implemented;
  2. Formulate the principles and strategies to be adopted by MPI in managing and optimizing its capital;
  3. 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;
  4. Establish guidelines for managing capital in an integrated basis and to ensure compliance with all internal and regulatory requirements across the Bank; and
  5. 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 Senior 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 2018 and 2019), 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 82% of regulatory capital as of end-December 2019, with improvement coming from 2018 on account of full reinvestment of net income into operations.

Tier 2 capital was increased due to the PhP2.0 billion subordinated debt from the Group, availed by MPI in October 2017 after receipt of requisite regulatory approval.

### 2017-2019 MPI Capital composition:

Capital Composition (in PhP Millions)	FYE2017	FYE2018	FYE2019
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	1,204.35	2,026.24	2,203.58
Undivided Profits	1,085.74	71.46	794.84

Capital Composition (in PhP Millions)	FYE2017	FYE2018	FYE2019
Cumulative FX Translations	-	-	-
Other Comprehensive Income	(150.22)	(248.59)	21.88
Less: Regulatory Adjustments	1,080.04	1,068.40	1,019.97
<b>Common Equity Tier 1 Capital</b>	<b>11,635.78</b>	<b>11,356.66</b>	<b>12,576.29</b>
Additional Tier 1			
<b>Total Tier 1 Capital</b>	<b>11,635.78</b>	<b>11,356.66</b>	<b>12,576.29</b>
Paid-up Perpetual and Cumulative Preferred Stock	232.31	-	-
Net Unrealized Gains on AFS Equity Sec purchased (subject to 55% discount)			
General Loan Loss Provision	513.48	879.80	724.78
Other Limited Life Capital Instruments	1,990.00	1,990.00	1,990.00
<b>Total Tier 2 Capital</b>	<b>2,735.79</b>	<b>2,869.80</b>	<b>2,714.78</b>
<b>Total Qualifying Capital</b>	<b>14,371.58</b>	<b>14,226.46</b>	<b>15,291.06</b>
Minimum Required	2,400.00	2,400.00	2,400.00
Excess (Deficiency)	11,971.58	11,826.46	12,891.06
<b>Capital Conservation Buffer</b>	<b>7.37%</b>	<b>5.48%</b>	<b>8.23%</b>

## 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 31<sup>st</sup>. 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 emplaced 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 2017	FYE 2018	FYE 2019
Common Equity Tier 1 Capital	11,635.78	11,356.66	12,576.29
Total Tier 1 Capital	11,635.78	11,356.66	12,576.29
Total Tier 2 Capital	2,735.79	2,869.80	2,714.776
<b>Total Qualifying Capital</b>	<b>14,371.58</b>	<b>14,226.46</b>	<b>15,291.06</b>
Pillar 1 – Credit RWAs	78,050.73	87,676.59	77,579.75
Pillar 1 – Market RWAs	991.67	2,429.92	1,604.65
Pillar 1 – Operational RWAs	7,958.99	8,823.48	9,223.92
<b>Pillar 1 RWAs</b>	<b>87,001.39</b>	<b>98,929.99</b>	<b>88,408.323</b>
CET 1 Ratio	13.37%	11.48%	14.23%
Tier 1 Capital Ratio	13.37%	11.48%	14.23%
Total Capital Adequacy Ratio	16.52%	14.38%	17.30%
Pillar 2 RWAs	4,418.63	2,653.46	2,556.43
<b>Pillar 1 + Pillar 2 RWAs</b>	<b>91,420.02</b>	<b>101,583.45</b>	<b>90,964.75</b>

### 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 2019, risk-weighted CAR is at 17.30%. Inclusive of Pillar 2 RWAs, total capital ratio was at 16.81%. 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.

Credit Risk Management is responsible for setting concentration limits. CRPA aids CRM in compliance monitoring with respect to these limits. CRPA 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 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 2017			FYE 2018			FYE 2019		
	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	74,125.28	5,930.02	7,412.53	82,815.99	6,625.28	8,281.60	74,176.70	5,934.14	7,417.67
Off-Balance Sheet Assets	3,774.97	302.00	377.50	4,801.95	384.16	480.20	3,107.92	248.63	310.79
Counterparty Risk	150.49	12.04	15.05	362.34	28.99	36.23	295.12	23.61	29.51
<b>TOTAL</b>	<b>78,050.74</b>	<b>6,244.06</b>	<b>7,805.07</b>	<b>87,980.29</b>	<b>7,038.42</b>	<b>8,798.03</b>	<b>77,579.75</b>	<b>6,206.38</b>	<b>7,757.97</b>

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

FYE 2017					
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	1,805.11	-	1,805.11	-	
Checks and Other Cash items	5.36	-	5.36	1.07	
Due from Bangko Sentral ng Pilipinas (BSP)	15,220.57	-	15,220.57	-	
Due from Other Banks	2,941.64	-	2,941.64	915.59	
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	
Available-for-Sale (AFS) Financial Assets	5,219.61	-	5,219.61	2,221.32	
Held-to-Maturity (HTM) Financial Assets	2,849.54	-	2,849.54	925.78	
Unquoted Debt Securities Classified as Loans	-	-	-	-	
Loans and Receivables	68,843.58	991.46	67,852.12	63,928.92	
Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	4,957.26	-	4,957.26	-	
Sales Contract Receivables (SCR)	60.75	-	60.75	62.65	
Real and Other Properties Acquired (ROPA)	1,285.68	-	1,285.68	1,928.53	
<b>Total Exposures Excluding Other Assets</b>	<b>103,189.08</b>	<b>991.46</b>	<b>102,197.62</b>	<b>69,983.85</b>	
Other Assets	4,003.12	-	4,003.12	4,003.12	
<b>Total Exposures Including Other Assets</b>	<b>107,192.20</b>	<b>991.46</b>	<b>106,200.74</b>	<b>73,986.97</b>	
<b>Total Risk-weighted On-Balance Sheet Assets not covered by CRM</b>				<b>73,986.97</b>	
<b>Total Risk-weighted On-Balance Sheet Assets covered by CRM</b>				<b>138.31</b>	
<b>TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS</b>				<b>74,125.28</b>	

FYE 2018

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	1,667.13	-	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
<b>Total Exposures Excluding Other Assets</b>	<b>120,242.64</b>	<b>728.25</b>	<b>119,514.38</b>	<b>78,808.29</b>
Other Assets	4,598.91	-	4,598.91	3,990.82
<b>Total Exposures Including Other Assets</b>	<b>124,841.54</b>	<b>728.25</b>	<b>124,113.29</b>	<b>82,799.11</b>
<b>Total Risk-weighted On-Balance Sheet Assets not covered by CRM</b>				<b>82,799.11</b>
<b>Total Risk-weighted On-Balance Sheet Assets covered by CRM</b>				<b>16.89</b>
<b>TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS</b>				<b>82,815.99</b>

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
<b>Total Exposures Excluding Other Assets</b>	<b>98,901.27</b>	<b>240.43</b>	<b>98,660.84</b>	<b>69,276.09</b>
Other Assets	5,492.11	-	5,492.11	4,874.67
<b>Total Exposures Including Other Assets</b>	<b>104,393.38</b>	<b>240.43</b>	<b>104,152.94</b>	<b>74,150.76</b>
<b>Total Risk-weighted On-Balance Sheet Assets not covered by CRM</b>				<b>74,150.76</b>
<b>Total Risk-weighted On-Balance Sheet Assets covered by CRM</b>				<b>25.94</b>
<b>TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS</b>				<b>74,176.70</b>

	FYE 2017		
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)	1,149.89	1,149.89	1,127.12
Transaction-related contingencies (e.g. performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	808.10	404.05	286.40
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	11,807.25	2,361.45	2,361.45
Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk	12,676.55	-	-
<b>Total Notional Principal Amount</b>	<b>26,441.80</b>	<b>3,915.39</b>	
<b>TOTAL RISK WEIGHTED OFF-BALANCE SHEET ASSETS</b>			<b>3,774.97</b>
	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	-	-
<b>Total Notional Principal Amount</b>	<b>32,000.45</b>	<b>4,909.26</b>	
<b>TOTAL RISK WEIGHTED OFF-BALANCE SHEET ASSETS</b>			<b>4,801.95</b>

Total Risk-Weighted Off-Balance Sheet Assets (in PhP Millions)	FYE 2019		
	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	-	-
<b>Total Notional Principal Amount</b>	<b>27,774.56</b>	<b>3,550.39</b>	
<b>TOTAL RISK WEIGHTED OFF-BALANCE SHEET ASSETS</b>			<b>3,107.92</b>

Total Counterparty Risk-Weighted Assets in the Banking Book (in PhP Millions)	FYE 2017			
	Notional Amount	Potential Future Credit Exposure	Credit Equivalent Amount	Risk-Weighted Assets
Interest Rate Contracts	1,548.60	7.74	149.57	73.39
Exchange Rate Contracts	9,028.32	90.28	147.95	77.10
Equity Contracts	-	-	-	-
Credit Derivatives	-	-	-	-
<b>Total Notional Amount</b>	<b>10,576.92</b>	<b>98.03</b>	<b>297.51</b>	
<b>TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS</b>				<b>150.49</b>

## 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	-	-	-	-
<b>Total Notional Amount</b>	<b>30,125.42</b>	<b>270.74</b>	<b>698.69</b>	
<b>TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS</b>				<b>362.34</b>

## 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	-	-	-	-
<b>Total Notional Amount</b>	<b>31,192.42</b>	<b>307.42</b>	<b>555.66</b>	
<b>TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS</b>				<b>295.12</b>

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 Committee or 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 Market Risk Management Unit (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
  - IRRBB, which covers the risk of loss in earnings or in economic value on banking book exposures arising from movements in the interest rates
- Provide 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
- Provide 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
- Participate, 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
- Perform regular independent supervision of Global Markets operations
- If the need arises, act 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 (PV01)

PV01 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 PV01 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 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.

## 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 Statement, 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 105.93% for the month-end December 2019.

### 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 2017			FYE 2018			FYE 2019		
	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge
Interest Rate Exposures	146.14	11.69	14.61	373.17	29.85	37.32	230.14	18.41	23.01
Equity Exposures	-	-	-	-	-	-	-	-	-
Foreign Exposures	845.53	67.64	84.55	2,056.75	164.54	205.68	1,374.52	109.96	137.45
Options	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>991.67</b>	<b>79.33</b>	<b>99.17</b>	<b>2,429.92</b>	<b>194.39</b>	<b>242.99</b>	<b>1,604.65</b>	<b>128.37</b>	<b>160.47</b>

## 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.

**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 2017	7,958.99	636.72	795.90
FYE 2018	8,823.48	705.88	882.35
FYE 2019	9,223.92	737.91	922.39

**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: (a) adequate and active Board and Senior Management oversight; (b) acceptable policies and procedures; (c) appropriate monitoring and MIS; and (d) comprehensive internal controls and audit. The Bank further recognizes the management and defense of AML & CFT risk is premised on three lines of defense, as follows:



MPI has a Board-approved AML/CFT Policy and Procedures 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 is revisited periodically in order to determine its effectiveness and is revised accordingly, or as often as may be deemed necessary. The Bank's AML/CFT Policy has been revised and approved by the Board of Directors in April 2019.

### 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	830.74
Other Related Party	1,099.48
<b>Sub-Total DOSRI &amp; Other RPT</b>	<b>1,930.22</b>
Internal Borrowings	8,911.76
Unsecured Subordinated Loans	1,991.82
Sub-Total Internal Borrowings	10,903.58
<b>TOTAL MATERIAL RPTs</b>	<b>12,833.80</b>

## 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.

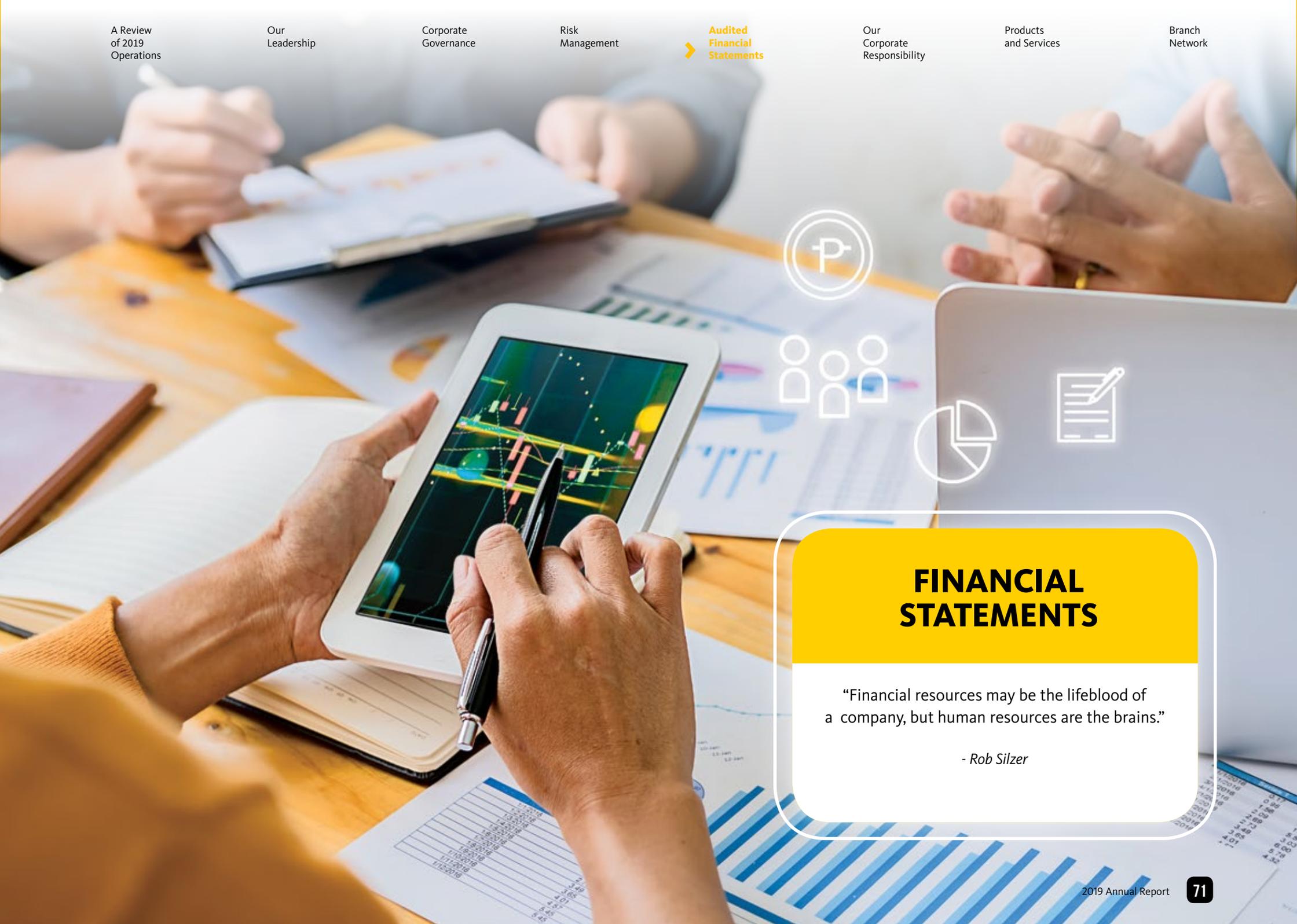
The Bank's Legal Department is committed to support and service the business units of the bank by providing professional legal advisory services in a timely, accurate and efficient manner to facilitate the execution of MPI's business objectives.

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.



## FINANCIAL STATEMENTS

“Financial resources may be the lifeblood of a company, but human resources are the brains.”

- Rob Silzer

# 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, 2019 and 2018, 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, 2019 and 2018, 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:

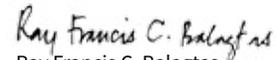
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

**Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations 152010**

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 32 and Revenue Regulations 152010 in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue 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

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. 08-001998-107-2018,

February 14, 2018, valid until February 13, 2021

PTR No. 8125208, January 7, 2020, Makati City

June 26, 2020

# MAYBANK PHILIPPINES, INCORPORATED

## STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
<b>ASSETS</b>		
<b>Cash and Other Cash Items</b>	P 1,525,384,334	P 1,685,366,097
<b>Due from Bangko Sentral ng Pilipinas (Note 13)</b>	9,767,154,508	13,670,378,655
<b>Due from Other Banks (Note 28)</b>	3,489,488,184	13,090,490,156
<b>Financial Assets at Fair Value</b>		
<b>Through Profit or Loss (Notes 6 and 17)</b>	367,173,359	613,495,866
<b>Financial Assets at Fair Value Through</b>		
<b>Other Comprehensive Income (Note 7)</b>	2,861,159,643	4,289,577,357
<b>Investment Securities at Amortized Cost (Note 8)</b>	11,538,964,499	12,300,290,249
<b>Loans and Receivables (Note 9)</b>	71,867,473,016	76,379,381,182
<b>Property and Equipment (Note 10)</b>	268,400,288	287,270,381
<b>Right-of-Use Assets (Note 24)</b>	661,697,559	–
<b>Investment Properties (Note 11)</b>	1,136,172,532	1,338,292,042
<b>Deferred Tax Assets (Note 25)</b>	975,645,803	913,480,037
<b>Other Assets (Note 12)</b>	616,227,210	827,844,756
<b>TOTAL ASSETS</b>	<b>P 105,074,940,935</b>	<b>P 125,395,866,778</b>

### LIABILITIES AND EQUITY

#### LIABILITIES

<b>Deposit Liabilities (Notes 13 and 28)</b>		
Demand	P 23,267,475,263	P 19,973,207,626
Savings	19,987,100,447	21,437,661,176
Time	32,626,228,575	44,361,105,002
	<b>75,880,804,285</b>	85,771,973,804
<b>Bills Payable (Notes 14 and 28)</b>	<b>8,911,760,000</b>	20,685,920,000
<b>Subordinated Debt (Note 28)</b>	<b>1,991,777,972</b>	1,990,956,784
<b>Accrued Interest, Taxes and Other Expenses (Note 15)</b>	<b>1,185,770,350</b>	1,393,553,023
<b>Lease Liability (Note 24)</b>	<b>821,054,982</b>	–
<b>Financial Liabilities at Fair Value</b>		
<b>through Profit or Loss (Notes 17 and 28)</b>	288,170,199	619,298,849
<b>Manager's Checks</b>	698,382,887	544,534,813
<b>Outstanding Acceptances</b>	33,127,228	106,945,606
<b>Income Tax Payable</b>	29,174,050	–
<b>Other Liabilities (Note 16)</b>	1,309,314,179	1,088,268,448
	<b>91,149,336,132</b>	112,201,451,327

(Forward)

	December 31	
	2019	2018
<b>EQUITY</b>		
<b>Preferred Stock (Note 19)</b>	232,539,724	232,539,724
<b>Common Stock (Note 19)</b>	10,313,344,184	10,313,344,184
<b>Cost of Share-based Payments (Note 19)</b>	262,761,718	262,761,718
<b>Surplus Reserve (Note 19)</b>	56,817,291	53,680,606
<b>Surplus</b>	<b>3,148,703,461</b>	2,485,589,166
<b>Net Unrealized Gains (Losses) on Financial Assets</b>		
<b>at Fair Value Through Other Comprehensive Income (Note 7)</b>	22,257,243	(159,841,465)
<b>Remeasurement Gains (Losses) on Retirement Plan (Note 20) (</b>	<b>97,932,745)</b>	7,516,987
<b>Cumulative Translation Adjustment</b>	<b>(12,502,468)</b>	(791,864)
<b>Treasury Shares (Note 19)</b>	<b>(383,605)</b>	(383,605)
	<b>13,925,604,803</b>	13,194,415,451
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 105,074,940,935</b>	<b>P 125,395,866,778</b>

See accompanying Notes to Financial Statements.

# MAYBANK PHILIPPINES, INCORPORATED

## STATEMENTS OF INCOME

	Years Ended December 31		Years Ended December 31	
	2019	2018	2019	2018
<b>INTEREST INCOME ON</b>				
Loans and receivables (Notes 9 and 28)	P 6,501,299,506	P 6,562,514,449		
Financial investments (Notes 6, 7 and 8)	811,197,118	552,916,505		
Interbank loans receivable and securities purchased under resale agreements	195,921,305	103,815,121		
Due from Bangko Sentral ng Pilipinas and other banks	33,246,017	7,225,200		
	<b>7,541,663,946</b>	<b>7,226,471,275</b>		
<b>INTEREST EXPENSE ON</b>				
Deposit liabilities (Notes 13 and 28)	1,989,675,469	1,778,503,887		
Bills payable and other borrowings (Notes 14 and 28)	774,733,793	482,939,010		
Financial liabilities at fair value through profit or loss (Note 17 and 28)	7,501,755	17,195,260		
Lease liability (Note 24)	74,159,490	–		
	<b>2,846,070,507</b>	<b>2,278,638,157</b>		
<b>NET INTEREST INCOME</b>	<b>4,695,593,439</b>	<b>4,947,833,118</b>		
<b>OTHER INCOME AND CHARGES</b>				
Service charges, fees and commissions (Notes 22 and 28)	744,443,207	743,304,331		
Foreign exchange losses – net	( 642,156,839)	( 6,822,967)		
Net trading gains (losses) (Note 21)	233,319,128	( 94,185,428)		
Gain (loss) on sale of properties	203,633,524	( 37,470,714)		
Gain (loss) on foreclosures	( 51,533,597)	17,041,259		
Miscellaneous (Note 23)	255,876,870	267,544,582		
<b>TOTAL OPERATING INCOME</b>	<b>5,439,175,732</b>	<b>5,837,244,181</b>		
<b>OTHER EXPENSES AND CHARGES</b>				
Compensation and fringe benefits (Notes 20 and 26)	1,596,946,206	1,637,578,455		
Taxes and licenses	847,757,491	804,385,680		
Provision for impairment and credit losses (Notes 9, 11 and 12)	321,715,104	754,857,346		
Depreciation and amortization (Notes 10, 11 and 12)	450,317,734	363,880,256		
Occupancy (Note 24)	102,450,467	301,205,122		
Insurance	183,651,228	210,433,395		
Security, messengerial and janitorial	134,646,584	148,814,647		
Litigation and asset acquired	104,429,061	88,724,311		
Traveling	39,394,783	50,662,601		
Postage, telephone and telegrams	42,543,964	38,669,061		
Stationery and supplies used	27,601,841	37,232,151		
Management and other professional fees	24,067,176	29,164,920		
Repairs and maintenance	20,377,682	20,224,948		
Entertainment, amusement and recreation	2,359,141	5,438,181		
Miscellaneous (Note 23)	694,780,145	653,785,665		
<b>TOTAL OPERATING EXPENSES</b>	<b>4,593,038,607</b>	<b>5,145,056,739</b>		
<b>INCOME BEFORE INCOME TAX</b>	<b>846,137,125</b>	<b>692,187,442</b>		
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 25)	<b>179,886,145</b>	<b>( 43,026,984)</b>		
<b>NET INCOME</b>	<b>P 666,250,980</b>	<b>P 735,214,426</b>		

See accompanying Notes to Financial Statements.

(Forward)

# MAYBANK PHILIPPINES, INCORPORATED

## STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
<b>NET INCOME</b>	<b>P 666,250,980</b>	<b>P 735,214,426</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<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)	<b>186,710,993</b>	( 154,320,305)
Tax effect	( <b>4,612,285</b> )	–
Cumulative translation adjustment	( <b>11,710,604</b> )	962,569
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gains (losses) on retirement plan (Note 20)	( <b>150,642,474</b> )	136,389,363
Tax effect	<b>45,192,742</b>	( 40,916,809)
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<b>64,938,372</b>	( 57,885,182)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P 731,189,352</b>	<b>P 677,329,244</b>

See accompanying Notes to Financial Statements.

# MAYBANK PHILIPPINES, INCORPORATED

## 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"									
<b>Balances at January 1, 2019</b>	<b>P 4,440,000</b>	<b>P 8,880,000</b>	<b>P 219,219,724</b>	<b>P 10,313,344,184</b>	<b>P 262,761,718</b>	<b>P 53,680,606</b>	<b>P 2,485,589,166</b>	<b>(P 791,864)</b>	<b>P 7,516,987</b>	<b>(P 159,841,465)</b>	<b>P 383,605</b>	<b>P 13,194,415,451</b>
Net income	-	-	-	-	-	-	666,250,980	-	-	-	-	666,250,980
Other comprehensive income (loss)	-	-	-	-	-	-	-	( 11,710,604)	105,449,732	182,098,708	-	64,938,372
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666,250,980</b>	<b>( 11,710,604)</b>	<b>105,449,732</b>	<b>182,098,708</b>	<b>-</b>	<b>731,189,352</b>
Transfer to surplus reserve	-	-	-	-	-	3,136,685	( 3,136,685)	-	-	-	-	-
<b>Balances at December 31, 2019</b>	<b>P 4,440,000</b>	<b>P 8,880,000</b>	<b>P 219,219,724</b>	<b>P 10,313,344,184</b>	<b>P 262,761,718</b>	<b>P 56,817,291</b>	<b>P 3,148,703,461</b>	<b>(P 12,502,468)</b>	<b>P 97,932,745</b>	<b>(P 22,257,243)</b>	<b>P 383,605</b>	<b>P 13,925,604,803</b>
Balances at January 1, 2018	P 4,440,000	P 8,880,000	P 219,219,724	P 10,313,344,184	P 262,761,718	P 49,428,986	P 1,754,626,360	(P 1,754,433)	87,955,567	(P 5,521,160)	P 383,605	P 12,517,086,207
Net income	-	-	-	-	-	-	735,214,426	-	-	-	-	735,214,426
Other comprehensive income (loss)	-	-	-	-	-	-	-	962,569	95,472,554	( 154,320,305)	( 57,885,182)	677,329,244
Total comprehensive income (loss)	-	-	-	-	-	-	735,214,426	962,569	95,472,554	( 154,320,305)	-	677,329,244
Transfer to surplus reserve	-	-	-	-	-	4,251,620	( 4,251,620)	-	-	-	-	-
Balances at December 31, 2018	P 4,440,000	P 8,880,000	P 219,219,724	P 10,313,344,184	P 262,761,718	P 53,680,606	P 2,485,589,166	(P 791,864)	P 7,516,987	(P 159,841,465)	P 383,605	P 13,194,415,451

See accompanying Notes to Financial Statements.

# MAYBANK PHILIPPINES, INCORPORATED

## STATEMENTS OF CASH FLOWS

	Years Ended December 31		Years Ended December 31	
	2019	2018	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	P 846,137,125	P 692,187,442		
Adjustments for:				
Net loss (gain) on sale of:				
Investment properties and other properties acquired	( 203,633,525)	37,475,215		
Property and equipment	( 60,000)	4,500		
Depreciation and amortization (Notes 10, 11 and 12)	450,317,735	363,880,256		
Provision for impairment and credit losses (Notes 9,11 and 12)	321,715,101	392,725,581		
Amortization of premium (discount)	( 109,951,680)	98,726,631		
Loss (gain) on foreclosure of investment properties and other properties acquired	51,533,597	( 17,041,259)		
Unrealized gain (loss)	( 195,213,261)	69,646,913		
Retirement expense (Note 20)	75,593,357	100,207,918		
Interest expense on lease contracts (Note 24)	74,159,490	-		
Realized trading loss on sale of available-for-sale investments	( 38,105,867)	( 25,212,935)		
Changes in operating assets and liabilities:				
Decrease (increase) in the amounts of:				
Loans and receivables	6,311,361,063	( 6,721,585,609)		
Financial assets at fair value through profit or loss	246,322,508	585,965,343		
Other assets	( 192,204,776)	( 103,353,087)		
Increase (decrease) in the amounts of:				
Deposit liabilities	( 9,891,169,519)	5,438,743,556		
Financial liabilities at fair value through profit or loss	( 419,194,095)	472,815,319		
Outstanding acceptances	( 73,818,378)	66,196,757		
Accrued interest, taxes and other expenses	( 207,029,645)	260,994,874		
Manager's checks	( 153,848,074)	( 325,283,159)		
Other liabilities	91,988,570	150,643,282		
Net cash provided by (used in) operations	( 3,015,100,274)	1,207,881,762		
Retirement contribution (Note 20)	( 75,593,357)	( 100,207,918)		
Income taxes paid	( 172,297,405)	( 260,227,179)		
Net cash provided by (used in) operating activities	( 3,262,991,036)	847,446,665		
(Forward)				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of:				
Financial assets at FVOCI	( 795,000,000)	( 3,388,000,000)		
Financial assets at amortized cost	( 31,617,303,000)	( 9,485,878,325)		
Property and equipment (Notes 10 and 31)	( 74,320,863)	( 79,902,712)		
Software costs (Note 12)	( 23,172,624)	( 57,110,257)		
Proceeds from:				
Sale of financial assets at FVOCI	719,987,100	4,182,084,749		
Maturities of financial assets at amortized cost	32,116,156,000	82,000,000		
Disposals of property and equipment (Note 10)	5,058,145	7,671,227		
Sale of investment properties (Note 11)	616,550,423	98,706,845		
Disposals of other properties acquired (Note 12)	628,528,057	454,903,012		
Net cash provided by (used in) investing activities	1,576,483,238	( 8,185,525,461)		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net availments (settlements) of bills payable	( 11,774,160,000)	( 10,999,500,000)		
Payment for principal portion of lease liabilities	( 191,829,478)	-		
Net cash provided by (used in) financing activities	( 11,965,989,478)	10,999,500,000		
<b>CUMULATIVE TRANSLATION ADJUSTMENT</b>	( 11,710,605)	962,569		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	( 13,664,207,881)	3,662,383,773		
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
Cash and other cash items	1,685,366,097	1,810,596,016		
Due from Bangko Sentral ng Pilipinas (BSP)	13,670,378,655	15,127,322,201		
Due from other banks	13,090,490,156	2,889,498,085		
Interbank loans receivable and securities purchased under resale agreement (SPURA)	-	4,956,434,833		
	28,446,234,908	24,783,851,135		
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
Cash and other cash items	1,525,384,334	1,685,366,097		
Due from BSP	9,767,154,509	13,670,378,655		
Due from other banks	3,489,488,184	13,090,490,156		
	P 14,782,027,027	P 28,446,234,908		
<b>OPERATIONAL CASH FLOWS FROM INTEREST</b>				
Interest received	P 7,557,740,395	P 7,102,544,112		
Interest paid	2,771,572,445	2,077,552,735		

See accompanying Notes to Financial Statements.

# MAYBANK PHILIPPINES, INCORPORATED

## 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 73 and 74 branches as of December 31, 2019 and 2018, 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, 7<sup>th</sup> Avenue corner 28<sup>th</sup> 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 June 26, 2020.

### 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 (PFRS).

#### 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 balance sheets 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, 2018. Adoption of these pronouncements did not have a significant impact on the Bank's financial position or performance, unless otherwise indicated.

#### PFRS 16, Leases

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

The Bank adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Bank therefore did not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

The Bank has various lease contracts for its main offices and retail branches. Before the adoption of PFRS 16, the Bank classified each of its leases (as lessee) at the inception date as operating lease. Refer to page 19 for the lease accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to page 18 for the accounting policy beginning 1 January 2019.

### Leases previously accounted for as operating leases

The Bank recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, the effect of PFRS 16 adoption as of January 1, 2019 is as follows:

		Increase (decrease)
<b>Statement of financial position:</b>		
Right-of-use assets	P	768,505,677
Prepayments	(	18,108,129)
Accrued expenses	(	164,953,581)
Lease liability		915,351,129
Deferred tax assets		44,053,636

- Right-of-use assets was increased by P768.51 million, representing the amount set up on transition date.
- Additional lease liabilities of P915.35 million were recognized.
- Advance rental payments recognized under 'Other Assets' of P18.11 million related to previous operating leases were derecognized.

As of January 1, 2019, the Bank used incremental borrowing rate ranges from xxx – xxx.

The lease liability at as 1 January 2019 as can be reconciled to the operating lease commitments as of 31 December 2018 follows:

<b>Operating lease commitments as at 31 December 2018</b>	P	2,289,882,928
Weighted average incremental borrowing rate at 1 January 2019		8.44%
<b>Lease liabilities recognized at 1 January 2019</b>	P	915,351,129

Due to the adoption of PFRS 16, the Bank's operating profit improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have an impact on equity on January 1, 2019, since the Bank elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any lease prepayments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

### Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Bank is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Bank has assessed whether it has any uncertain tax position. The Bank applies significant judgement in identifying uncertainties over its income tax treatments. The Bank determined, based on its tax compliance assessment that it is probable that its uncertain income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the financial statements of the Bank.

- *Amendments*
  - Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  - PFRS 9 (Amendment), *Prepayment Features with Negative Compensation*
  - PAS 19 (Amendments), *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  - PAS 28 (Amendments), *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRS 2015-2018 Cycle*
  - Amendments to PFRS 3, *Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

### Significant Accounting Policies

#### Foreign Currency Translation

##### *Transactions and balances*

The books of accounts of the RBU are maintained in PHP, while 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 Banker's 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.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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.

### 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 it is recognized 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.

#### *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 arrangement 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, 2019 and 2018, 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) – net' 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 unrealized gain (loss) on financial assets carried 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 gain (loss) on financial assets carried at FVOCI' in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Net unrealized gain (loss) on financial assets carried 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 'Financial assets 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 solely payments of principal and interest (SPPI) on the principal amount outstanding.

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## NOTES TO FINANCIAL STATEMENTS

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

### *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: 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 (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

#### *Derecognition due to substantial modification of terms and conditions*

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit-impaired (POCI).

When assessing whether or not to derecognize a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

*Derecognition other than substantial modification  
Financial asset*

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

- the rights to receive cash flows from the asset have expired;
- 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 over the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognize the transferred asset to the extent of the Bank’s continuing involvement. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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.

*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.

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.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### 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

Effective January 1, 2019, the Bank recorded right-of-use assets in its statement of financial position. Prior to that date, the Bank's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. 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). 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.

# MAYBANK PHILIPPINES, INCORPORATED

## 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.

### Accounting policy on Leases effective January 1, 2019

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 to page 88 for the accounting policy on right-of-use assets.

#### *Policy prior to January 1, 2019*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- there is a substantial change to the asset.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above and at the date of renewal or extension period for scenario b.

### *Bank as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense under 'Occupancy' in the statement of income on a straight-line basis over the lease term.

### *Bank as lessor*

Leases where the Bank does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating lease. Lease payments received are recognized as an income in the statement of income on a straight-line basis over the lease term.

### 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.

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, 2020*

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

#### *Effective beginning on or after January 1, 2021*

- 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.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### 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 test assessment is a matter of fact, rather than merely an assertion.

As of December 31, 2019 and 2018, 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).

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.

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 as of and related ECL allowances for credit losses as of December 31, 2019 and 2018 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, 2019 and 2018, the Bank recognized deferred tax assets amounting to P1,179.8 million and P1,187.7 million, 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, 2019 and 2018 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), Non-Financial Risk (NFR), Enterprise Risk Management (ERM), Credit Risk Review, Data Governance (DG), 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

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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.

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 receivables as of December 31, 2019 and 2018:

December 31, 2019				
Maximum Exposure				
	Gross maximum exposure	Fair value of collateral	Financial effect of collateral	Net exposure
Loans and receivables:				
Loans:				
Corporate	P 19,311,645,232	P 2,451,446,521	P 1,598,173,451	P 17,713,471,781
Commercial	3,173,204,417	3,890,306,355	1,662,314,947	1,510,889,470
Consumer:				
Auto loans	34,549,880,501	67,938,608,102	31,957,185,482	2,592,695,019
Housing loans	11,641,163,871	19,354,539,506	11,342,162,379	299,001,492
Others	1,780,087,117	17,952,300	10,511,937	1,769,575,180
	<b>70,455,981,138</b>	<b>93,652,852,784</b>	<b>46,570,348,196</b>	<b>23,885,632,942</b>
Accounts receivable:				
Corporate	941,225,271	619,666,837	619,666,837	321,558,434
Individual	9,754,596	-	-	9,754,596
	<b>950,979,867</b>	<b>619,666,837</b>	<b>619,666,837</b>	<b>331,313,030</b>
Sales contract receivable:				
Individual	423,021,069	500,024,023	423,021,069	-
Corporate	37,151,546	86,652,145	37,151,546	-
	<b>460,172,615</b>	<b>586,676,168</b>	<b>460,172,615</b>	<b>-</b>
RCOCI	339,396	-	-	339,396
	<b>P 71,867,473,016</b>	<b>P 94,859,195,789</b>	<b>P 47,650,187,648</b>	<b>P 24,217,285,368</b>

December 31, 2018				
Maximum Exposure				
	Gross maximum exposure	Fair value of collateral	Financial effect of collateral	Net exposure
Loans and receivables:				
Loans:				
Corporate	P 23,495,518,996	P 5,344,105,770	P 1,863,074,106	P 21,632,444,890
Commercial	3,420,257,972	3,267,640,130	1,659,891,446	1,760,366,526
Consumer:				
Auto loans	35,297,894,164	66,405,820,270	32,944,805,571	2,353,088,593
Housing loans	11,011,337,129	18,320,036,714	10,785,548,803	225,788,326
Others	2,204,185,357	5,170,716	4,678,679	2,199,506,678
	<b>75,429,193,618</b>	<b>93,342,773,600</b>	<b>47,257,998,605</b>	<b>28,171,195,013</b>
Accounts receivable:				
Corporate	910,181,172	604,365,421	604,365,421	305,815,751
Individual	9,976,484	-	-	9,976,484
	<b>920,157,656</b>	<b>604,365,421</b>	<b>604,365,421</b>	<b>315,792,235</b>
Sales contract receivable:				
Individual	24,643,382	83,591,596	24,643,382	-
Corporate	4,934,640	7,925,262	4,934,640	-
	<b>29,578,022</b>	<b>91,516,858</b>	<b>29,578,022</b>	<b>-</b>
RCOCI	451,886	-	-	451,886
	<b>P 76,379,381,182</b>	<b>P 94,038,655,879</b>	<b>P 47,891,942,048</b>	<b>P 28,487,439,134</b>

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2019 and 2018.

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.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### 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, 2019		December 31, 2018	
	Amount	%	Amount	%
<b>Loans and Receivables</b>				
Construction and real estate	P 18,383,248	25.58	P 12,549,626	16.43
Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods	16,106,660	22.41	18,724,765	24.51
Transportation, storage and communication	6,311,777	8.78	6,883,419	9.01
Power, electricity and water distribution	4,615,909	6.42	6,082,797	7.96
Trading and manufacturing	4,128,984	5.75	5,093,786	6.67
Agriculture	1,575,606	2.19	1,593,445	2.09
Government	1,329,343	1.85	1,098,789	1.44
Financial intermediaries	1,098,986	1.53	3,413,139	4.47
Other	18,316,959	25.49	20,939,615	27.42
	<b>71,867,472</b>	<b>100.00</b>	<b>76,379,381</b>	<b>100.00</b>
<b>Loans and Advances to Banks*</b>				
Government	9,767,155	73.68	13,670,379	51.08
Financial intermediaries	3,489,488	26.32	13,090,490	48.92
	<b>13,256,643</b>	<b>100.00</b>	<b>26,760,869</b>	<b>100.00</b>

(Forward)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
<b>Trading and Financial Investment Securities**</b>				
Government	10,586,768	71.81	12,892,810	74.95
Construction and real estate	1,707,566	11.58	960,393	5.59
Financial intermediaries	1,681,206	11.40	1,693,908	9.86
Activities of holding companies	469,286	3.19	-	-
Power, electricity and water distribution	298,327	2.02	-	-
Trading and manufacturing	-	-	1,632,107	9.50
	<b>14,726,603</b>	<b>100.00</b>	<b>17,179,218</b>	<b>100.00</b>
<b>Others***</b>				
Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods	341,798	44.24	41,500	1.43
Trading and manufacturing	183,621	23.77	447,351	15.45
Financial intermediaries	70,635	9.14	2,154,950	74.42
Power, electricity and water distribution	13,837	1.79	117,881	4.07
Construction and real estate	-	-	6,573	0.23
Others	162,723	21.06	127,445	4.40
	<b>772,614</b>	<b>100.00</b>	<b>2,895,700</b>	<b>100.00</b>
	<b>P 100,623,332</b>		<b>P 123,243,245</b>	

\* 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.
  - a. 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.
  - b. 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.
  - c. 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.
  - a. 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.
  - b. Grade 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.
  - c. 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.
    - Start-up companies, regardless of the strength of their percentage have default grade cap of 19.

# MAYBANK PHILIPPINES, INCORPORATED

## 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
<b>Auto</b>								
Unrated	P	31,364,344	P	990,477	P	-	P	32,354,821
Especially Mentioned		-		1,369,867		-		1,369,867
Doubtful		-		492,166		-		492,166
Non-performing grade		-		-		766,986		766,986
<b>Auto Total</b>		<b>31,364,344</b>		<b>2,852,510</b>		<b>766,986</b>		<b>34,983,840</b>
<b>Commercial</b>								
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
<b>Commercial Total</b>		<b>3,093,369</b>		<b>54,797</b>		<b>175,755</b>		<b>3,323,921</b>
<b>Corporate</b>								
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
<b>Corporate Total</b>		<b>18,412,306</b>		<b>529,612</b>		<b>893,164</b>		<b>19,835,082</b>
<b>Housing</b>								
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
<b>Housing Total</b>		<b>10,849,594</b>		<b>828,742</b>		<b>93,535</b>		<b>11,771,871</b>
<b>Other</b>								
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
<b>Other Total</b>		<b>1,891,922</b>		<b>61,174</b>		<b>56,037</b>		<b>2,009,133</b>
<b>Grand Total</b>	<b>P</b>	<b>65,611,535</b>	<b>P</b>	<b>4,326,835</b>	<b>P</b>	<b>1,985,477</b>	<b>P</b>	<b>71,923,847</b>

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
<b>Due from BSP</b>								
High Grade	P	9,767,155	P	-	P	-	P	9,767,155
<b>Due from other banks</b>								
High Grade	P	2,776,581	P	-	P	-	P	2,776,581
Standard Grade		714,532		-		-		714,532
<b>Due from other banks Total</b>	<b>P</b>	<b>3,491,113</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>3,491,113</b>
<b>Financial Instruments at FVTPL</b>								
High Grade	P	367,173	P	-	P	-	P	367,173
<b>Financial Instruments at FVOCI</b>								
High Grade	P	2,831,021	P	-	P	-	P	2,831,021
Substandard Grade		30,139		-		-		30,139
<b>Financial Instruments at FVOCI Total</b>	<b>P</b>	<b>2,861,160</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>2,861,160</b>
<b>Financial Instruments at Amortized Cost</b>								
High Grade	P	11,198,526	P	-	P	-	P	11,198,526
Substandard Grade		51,319		300,729		-		352,048
<b>Financial Instruments at Amortized Cost-Total</b>	<b>P</b>	<b>11,249,845</b>	<b>P</b>	<b>300,729</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>11,550,574</b>

The credit quality of the Bank's receivables from customers as of December 31, 2018 follow (in thousands):

		Stage 1		Stage 2		Stage 3		TOTAL
<b>Auto</b>								
High Grade	P	30,056,219	P	450,940	P	-	P	30,507,159
Especially Mentioned		2,289,160		427,889		-		2,717,049
Substandard Grade		-		1,865,687		136,789		2,002,476
Doubtful		-		-		695,871		695,871
<b>Auto Total</b>		<b>32,345,379</b>		<b>2,744,516</b>		<b>832,660</b>		<b>35,922,555</b>
<b>Commercial</b>								
High Grade		1,863,681		-		5,351		1,869,032
Standard grade		1,281,322		71,229		-		1,352,551
Substandard Grade		101,245		22,384		-		123,629
Especially Mentioned		49,629		-		-		49,629
Doubtful		-		-		7,274		7,274
Non-performing grade		-		-		235,980		235,980
<b>Commercial Total</b>		<b>3,295,877</b>		<b>93,613</b>		<b>248,605</b>		<b>3,638,095</b>

(Forward)

	Stage 1	Stage 2	Stage 3	TOTAL
<b>Corporate</b>				
High Grade	9,251,667	-	-	9,251,667
Standard grade	13,252,239	678,489	-	13,930,728
Substandard Grade	183,039	227,665	-	410,704
Non-performing grade	-	-	414,125	414,125
Corporate Total	22,686,945	906,154	414,125	24,007,224
<b>Housing</b>				
High Grade	9,970,065	134,106	-	10,104,171
Substandard Grade	-	429,745	27,935	457,680
Especially Mentioned	505,958	131,528	-	637,486
Doubtful	-	-	94,359	94,359
Non-performing grade	-	-	625	625
Housing Total	10,476,023	695,379	122,919	11,294,321
<b>Other</b>				
High Grade	2,035,496	67,818	31,293	2,134,607
Substandard Grade	-	22,023	1,261	23,284
Especially Mentioned	33,170	3,268	1,947	38,385
Doubtful	-	8,230	4,688	12,918
Non-performing grade	-	-	25,644	25,644
Other Total	2,068,666	101,339	64,833	2,234,838
<b>Grand Total</b>	P 70,872,890 P	4,541,001 P	1,683,142 P	77,097,033

The credit quality of the Bank's financial assets other than loans and receivables as of December 31, 2018 follow:

	Stage 1	Stage 2	Stage 3	TOTAL
<b>Due from BSP</b>				
High Grade	P 13,670,379 P	- P	- P	13,670,379
Especially Mentioned	-	-	-	-
Doubtful	-	-	-	-
Substandard Grade	-	-	-	-
Due from BSP Total	P 13,670,379 P	- P	- P	13,670,379
<b>Due from other banks</b>				
High Grade	P 13,094,057 P	- P	- P	13,094,057
Substandard Grade	-	-	-	-
Especially Mentioned	-	-	-	-
Doubtful	-	-	-	-
Due from other banks Total	P 13,094,057 P	- P	- P	13,094,057

(Forward)

	Stage 1	Stage 2	Stage 3	TOTAL
<b>Financial Instruments at FVTPL</b>				
High Grade	P 613,496 P	- P	- P	613,496
<b>Financial Instruments at FVOCI</b>				
High Grade	P 4,289,577 P	- P	- P	4,289,577
Substandard Grade	-	-	-	-
Financial Instruments at FVOCI Total	P 4,289,577 P	- P	- P	4,289,577
<b>Financial Instruments at Amortized Cost</b>				
High Grade	P 11,449,605 P	300,000 P	- P	11,749,605
Substandard Grade	570,000	-	-	570,000
Financial Instruments at Amortized Cost-Total	P P12,019,605 P	P300,000 P	- P	P12,319,605

As of December 31, 2019 and 2018, allowance on individually impaired receivables of the Bank amounted to P498.6 million and P416.7 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.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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 limits 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, 2019 and 2018 (amounts expressed in thousands).

	Rates Trading	
	2019	2018
Desk		
PHP	(P 50,64)	(P 1,482)
USD	0,000	0,000
Net	(P 50,64)	(P 1,482)

	Interest Rate Derivatives	
	2019	2018
Desk		
PHP	(P 72,206)	(P 46,064)
USD	53,623	12,824
Net	(P 18,583)	(P 33,240)

### 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, 2019 and 2018 (amounts expressed in thousands).

	Rates Banking	
	2019	2018
Desk		
PHP	(P 2,556)	(P 2,842)
USD	596	1,579
NET	(P 3,152)	(P 4,421)

*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, 2019 and 2018 (amounts in thousands):

					December 31, 2019			
Currency	PHP				US\$			
Changes in interest rates (in basis points)		+100		-100		+100		-100
Change in net income	(P	206,496)	P	206,496	(P	124,752)	P	124,752
Change in equity	(	150,519)		150,519	(	64,746)		64,746

					December 31, 2018			
Currency	PHP				US\$			
Changes in interest rates (in basis points)		+100		-100		+100		-100
Change in net income	(P	281,186)	P	281,186	(P	182,356)	P	P182,356
Change in equity	(	23,788)		23,788	(	41,699)		41,699

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).

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018.

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, 2019			
Changes in foreign currency exchange rate		+5.0%		-5.0%
Effect on profit before tax (in thousands)	(P	17,663)	P	17,663

	December 31, 2018			
Changes in foreign currency exchange rate		+5.0%		-5.0%
Effect on profit before tax (in thousands)	(P	44,929)	P	44,929

### Trading FX USD Position

	December 31, 2019			December 31, 2018		
	Spot	Forwards	FX Options	Spot	Forwards	FX Options
PV01	0	(455.72)	0	(12.23)	(758.58)	(0.34)

### 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 annually and endorsed by ALCO and approved by 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 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 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

On March 10, 2016, the BSP issued Circular No. 905 which provides the implementing guidelines on Liquidity Coverage Ratio (LCR) and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. Compliance with the minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019.

The Bank monitors its LCR on a daily basis; joint management and monitoring are carried out by Global Markets and Group Finance. As of December 31, 2019, bank-wide LCR level as reported to the BSP stood at 105.93%.

### 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.

### 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, 2019					
	U to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
<b>Financial Assets</b>						
Cash and other cash items	P 1,525,384	P -	P -	P -	P -	P 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	41,805	158,425	150,000	153,110	2,026,588	2,529,928

(Forward)

	December 31, 2019					
	U to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
<b>Financial assets at FVOCI:</b>						
Government	-	68,881	-	-	2,074,117	2,142,998
Private debt securities	-	-	-	264,119	442,585	706,704
Quoted	-	-	-	-	8,761	8,761
Unquoted	-	-	-	-	15,184	15,184
<b>Financial assets at amortized cost:</b>						
Government	3,169,061	-	83,065	7,799	5,146,135	8,406,060
Private	-	-	51,319	1,342	3,174,341	3,227,002
<b>Loans and receivables:</b>						
<b>Loans:</b>						
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
	23,873,169	5,866,568	2,906,909	2,679,655	101,228,157	136,554,458
<b>Sales contract receivable:</b>						
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
<b>Accounts receivable:</b>						
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
<b>RCOCI</b>	339	-	-	-	-	339
	P 24,185,998	P 6,290,697	P 2,924,378	P 2,695,822	P 101,943,450	P 138,040,345
<b>Financial Liabilities</b>						
<b>Deposit liabilities:</b>						
Demand	P 23,267,475	P -	P -	P -	P -	P 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

(Forward)

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019						
	U to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
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
	P 57,072,956	P 7,999,549	P 9,399,996	P 18,203,651	P 5,703,555	P 98,379,707

December 31, 2018						
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
<b>Financial Assets</b>						
Cash and other cash items	P 1,685,366	P -	P -	P -	P -	1,685,366
Due from BSP	13,670,379	-	-	-	-	13,670,379
Due from other banks	13,090,490	-	-	-	-	13,090,490
Financial assets at FVPL:						
Government securities	13	162	1,753	1,213,319	65,410	1,280,657
Derivative assets	43,754	12,803	3,332	132	4,989	65,010
Financial assets at FVOCI:						
Government	3,215,633	19,899	1,058,715	107,585	4,816,417	9,218,249
Private debt securities	-	-	2,001	-	3,080,040	3,082,041
Quoted equity	-	-	-	-	8,761	8,761
Unquoted	-	-	-	-	3,164	3,164
Financial assets at amortized cost:						
Government	2,465	64,079	39,683	50,017	1,229,713	1,385,957
Private	-	7,288	24,980	40,653	1,809,743	1,882,664
Loans and receivables:						
Loans:						
Corporate	6,114,687	4,368,547	1,546,281	557,993	17,705,395	30,292,903
Commercial	1,382,083	933,883	648,618	379,257	457,536	3,801,377
Consumer:						
Auto loans	112,366	131,781	382,506	1,425,084	45,781,952	47,833,689
Housing loans	1,792	853	1,985	11,928	20,035,092	20,051,650
Others	973,596	14,701	35,046	183,380	1,592,544	2,799,267
	40,292,624	5,553,996	3,744,900	3,969,348	96,590,756	150,151,624

(Forward)

December 31, 2018						
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
Sales contract receivable:						
Individual	191	697	-	987	32,722	34,597
Corporate	-	-	-	-	6,928	6,928
	191	697	-	987	39,650	41,525
Accounts receivable:						
Corporate	36,718	20,627	9,978	14,307	673,155	754,785
Individual	1,196	1,023	1,132	1,129	240,268	244,748
	37,914	21,650	11,110	15,436	913,423	999,533
Accrued interest receivable	3,055	15,470	10,240	24,399	570,051	623,215
RCOCI	452	-	-	-	-	452
	P 40,334,236	P 5,591,813	P 3,766,250	P 4,010,170	P 98,113,880	P 151,816,349

**Financial Liabilities**

Deposit liabilities:						
Demand	P 19,973,208	P -	P -	P -	P -	19,973,208
Savings	19,792,876	1,363,541	97,005	184,239	-	21,437,661
Time	15,340,533	9,231,634	1,961,544	3,969,425	16,042,700	46,545,836
	55,106,617	10,595,175	2,058,549	4,153,664	16,042,700	87,956,705

Financial liabilities at FVPL:						
Interest rate swaps	-	-	-	-	337,636	337,636
Forward contracts	135,233	140,759	-	-	-	275,992
Bills payable	-	20,685,920	-	-	-	20,685,920
Manager's checks	544,534	-	-	-	-	544,534
Accrued interest payable	27,406	16,604	34,517	20,570	64,429	163,526
Accounts payable	61,106	37,021	76,961	45,864	143,654	364,606
Due to Treasurer of the Philippines	685,682	-	-	-	-	685,682
Subordinated debt	-	-	28,111	55,000	2,990,000	3,073,111
	1,453,961	20,880,304	139,589	121,434	3,535,719	26,131,007
Contingent liabilities	1,426,555	20,863,701	105,072	100,864	3,486,336	25,982,528
	P 57,987,133	P 52,339,180	P 2,303,210	P 4,375,962	P 23,064,755	P 140,070,240

## 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, 2019				
		Fair Value				
		Carrying value	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value</b>						
<b>Financial assets</b>						
Financial assets at FVTPL:						
HFT investments:						
Government securities	P	108,381,259	P 108,381,259	P 108,381,259	P -	-
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
		<b>3,228,333,001</b>	<b>3,228,333,001</b>	<b>2,954,157,302</b>	<b>258,792,099</b>	<b>15,383,600</b>
<b>Assets for which fair values are disclosed</b>						
<b>Financial assets</b>						
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	-	-
		<b>11,538,964,499</b>	<b>11,629,534,926</b>	<b>11,629,534,926</b>	<b>-</b>	<b>-</b>
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
		<b>69,750,837,925</b>	<b>84,408,843,040</b>	<b>-</b>	<b>-</b>	<b>84,408,843,040</b>
<i>(Forward)</i>						
<b>Non-financial assets</b>						
Investment properties		1,136,172,532	2,021,713,905	-	-	2,021,713,905
<b>Total assets</b>	<b>P</b>	<b>85,654,307,957</b>	<b>P 101,288,424,872</b>	<b>P 14,583,692,228</b>	<b>P 258,792,099</b>	<b>86,445,940,545</b>

		December 31, 2019					
		Fair Value					
		Carrying value	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Liabilities measured at fair value</b>							
<b>Financial liabilities</b>							
Derivative liabilities	P	288,170,199	P 288,170,199	P -	P 288,170,199	P -	
<b>Liabilities for which fair values are disclosed</b>							
<b>Financial liabilities</b>							
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	
<b>Total liabilities</b>	<b>P</b>	<b>43,817,936,746</b>	<b>P 44,614,186,407</b>	<b>P -</b>	<b>P 288,170,199</b>	<b>P 44,326,016,208</b>	

		December 31, 2018				
		Fair Value				
		Carrying value	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value</b>						
<b>Financial assets</b>						
Financial assets at FVTPL:						
HFT investments:						
Government securities	P	179,972,246	P 179,972,246	P 179,972,246	P -	-
Derivative assets		433,523,619	433,523,619	-	433,523,619	-
Financial assets at FVOCI:						
Government securities		3,459,013,375	3,459,013,375	3,459,013,375	-	-
Private debt securities		806,419,000	806,419,000	806,419,000	-	-
Quoted equity securities		8,761,382	8,761,382	8,761,382	-	-
Unquoted equity instruments		15,383,600	15,383,600	-	-	15,383,600
		<b>4,903,073,222</b>	<b>4,903,073,222</b>	<b>4,454,166,003</b>	<b>433,523,619</b>	<b>15,383,600</b>

*(Forward)*

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

	Carrying value	Fair Value		
		Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)
<b>Assets for which fair values are disclosed</b>				
<b>Financial assets</b>				
Investment securities at amortized cost:				
Government securities	P 9,218,248,309	P 9,245,706,436	P 9,245,706,436	P -
Private debt securities	3,082,041,940	3,091,222,328	3,091,222,328	-
	12,300,290,249	12,336,928,764	12,336,928,764	-
Loans and receivables				
Receivable from customers:				
Corporate lending	23,368,667,506	22,375,261,864	-	22,375,261,864
Commercial lending	3,413,458,729	3,623,121,405	-	3,623,121,405
Consumer lending	47,972,533,308	54,140,559,375	-	54,140,559,375
	74,754,659,543	80,138,942,644	-	80,138,942,644
<b>Non-financial assets</b>				
Investment properties	1,338,292,042	2,034,858,752	-	2,034,858,752
<b>Total assets</b>	P 93,296,315,056	P 99,413,803,382	P 16,791,094,767	P 433,523,619
<b>Liabilities measured at fair value</b>				
<b>Financial liabilities</b>				
Derivative liabilities	P 619,298,849	P 619,298,849	-	P 619,298,849
<b>Liabilities for which fair values are disclosed</b>				
<b>Financial liabilities</b>				
Time deposits	32,626,228,575	32,089,681,868	-	32,089,681,868
Bills payable	8,911,760,000	8,911,760,000	-	8,911,760,000
Subordinated debt	1,991,777,972	2,966,242,540	-	2,966,242,540
<b>Total liabilities</b>	P 44,149,065,396	P 44,586,983,257	-	P 619,298,849

In 2019 and 2018, 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 incremental lending rates for similar types of loans and receivables.

Fair values of loans and receivables are estimated based on the discounted cash flow methodology, using interest rates offered for similar loans to borrowers with ranging from 3.16% to 5.24% in 2019 and 5.41% to 7.50% in 2018. 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

### 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:

	2019	2018
Derivative assets (Note 17)	<b>P 258,792,099</b>	P 433,523,620
Government securities	<b>108,381,260</b>	179,972,246
	<b>P 367,173,359</b>	P 613,495,866

As of December 31, 2019 and 2018, financial assets at FVPL include net unrealized loss of P8.4 million and P3.4 million, respectively.

Effective interest of government securities ranges from 1.04% to 7.12% and 4.93% to 6.60% in 2019 and 2018, respectively.

Interest income on financial assets at FVPL amounted to P64.7 million and P21.5 million in 2019 and 2018, respectively.

### 7. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

	2019	2018
Debt instruments:		
Government securities	<b>P 2,138,152,559</b>	P 3,459,013,375
Private	<b>698,862,102</b>	806,419,000
	<b>2,837,014,661</b>	4,265,432,375
Quoted equity instruments	<b>8,761,382</b>	8,761,382
Unquoted equity instruments	<b>15,383,600</b>	15,383,600
	<b>P 2,861,159,643</b>	P 4,289,577,357

As of December 31, 2019 and 2018, the ECL on debt securities at FVOCI (included in 'Net unrealized loss in investment securities at FVOCI') amounted to P1.87 million and P3.06 million, respectively.

Interest income from FVOCI investments in 2019 and 2018 amounted to P240.3 million and P196.5 million, respectively.

Peso-denominated financial instruments at FVOCI have effective interest rates ranging from 3.35% to 6.49% and 3.88% to 7.88% in 2019 and 2018, respectively. Foreign currency-denominated financial instruments at FVOCI bear interest of 2.75% in 2019 and 2018.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### 8. Investment Securities at Amortized Cost

This account consists of:

	2019		2018
Government securities (Note 26)	P 8,512,152,437	P	9,225,954,921
Private debt securities	3,038,421,753		3,093,649,646
	<b>11,550,574,190</b>		12,319,604,567
Allowance for credit losses	( 11,609,691)	(	19,314,318)
	<b>P 11,538,964,499</b>	P	12,300,290,249

Peso-denominated bonds have effective interest rates ranging from 3.20% to 6.64% and 2.97% to 6.64% in 2019 and 2018, respectively. Foreign currency-denominated bonds have effective interest rates ranging from 1.46% to 5.53% and 2.28% to 5.52% in 2019 and 2018, respectively.

Interest income from financial assets held at Amortized Cost amounted to P506.2 million and P334.9 million in 2019 and 2018, respectively.

### 9. Loans and Receivables

This account consists of:

	2019		2018
Receivables from customers:			
Corporate (Note 28)	P 19,835,082,039	P	24,007,223,631
Commercial (Note 28)	3,323,920,952		3,638,094,814
Consumer:			
Auto loans	34,983,839,699		35,922,555,222
Housing loans	11,771,870,796		11,294,320,769
Others	2,009,132,895		2,234,837,560
	<b>71,923,846,381</b>		77,097,031,996
Less unearned discounts and other deferred income	32,009,605		22,788,412
	<b>71,891,836,776</b>		77,074,243,584
Accounts receivable:			
Corporate (Note 28)	1,017,681,679		979,223,456
Individual	9,754,597		10,117,121
	<b>1,027,436,276</b>		989,340,577
Less unearned discounts and other deferred income	-		-
	<b>1,027,436,276</b>		989,340,577
Accrued interest receivable (Note 28)	741,065,991		757,142,440
Sales contract receivable:			
Individual	420,735,595		34,596,919
Corporate	37,151,546		6,927,757
	<b>457,887,141</b>		41,524,676
RCOCI	339,396		451,886
	<b>74,118,565,580</b>		78,862,703,163
Less allowance for credit losses	2,251,092,564		2,483,321,981
	<b>P 71,867,473,016</b>	P	76,379,381,182

Loans consist of:

	2019	2018
Loans and discounts	P 69,029,175,240	P 73,165,966,269
Customers' liabilities and other loans	2,712,757,507	3,680,806,367
Bills purchased (Note 16)	78,267,897	100,906,484
Restructured loans	103,645,737	149,352,881
	P 71,923,846,381	P 77,097,032,001

Changes in the staging assessment of loans receivable are presented below:

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Corporate loans</b>				
Gross carrying amount as at December 31, 2018	P 22,686,946	P 906,153	P 414,126	P 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
<b>Commercial loans</b>				
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

(Forward)

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Auto loans</b>				
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
<b>Housing loans</b>				
Gross carrying amount as at December 31, 2018	P 10,476,023	P 695,379	P 122,918	P 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
<b>Others</b>				
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	P 1,891,922	P 61,174	P 56,037	P 2,009,133

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
<b>Corporate loans</b>				
Gross carrying amount as at January 1, 2018	P 21,816,085	P 1,507,713	P 497,107	P 23,820,905
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	12,963,269	-	-	12,963,269
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	248,939	-	248,939
Payments and assets derecognized (excluding write offs)	( 12,508,520)	( 399,098)	( 118,271)	( 13,025,889)
Transfers to Stage 1	674,901	( 674,901)	-	-
Transfers to Stage 2	( 258,790)	258,790	-	-
Transfers to Stage 3	-	(35,290)	35,290	-
At December 31, 2018	22,686,945	906,153	414,126	24,007,224
<b>Commercial loans</b>				
Gross carrying amount as at January 1, 2018	3,235,503	250,909	171,329	3,657,741
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	3,061,594	-	-	3,061,594
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	93,613	61,142	154,755
Payments and assets derecognized (excluding write offs)	( 3,012,942)	( 96,097)	( 126,956)	( 3,235,995)
Transfers to Stage 1	120,275	( 120,275)	-	-
Transfers to Stage 2	( 49,461)	49,461	-	-
Transfers to Stage 3	( 59,091)	( 83,998)	143,089	-
At December 31, 2018	3,295,878	93,613	248,604	3,638,095
<b>Auto loans</b>				
Gross carrying amount as at January 1, 2018	31,045,586	2,298,079	724,517	34,068,182
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	13,720,709	-	-	13,720,709
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	646,916	81,378	728,294
Payments and assets derecognized (excluding write offs)	( 10,708,587)	( 1,423,668)	( 462,375)	( 12,594,630)
Transfers to Stage 1	583,852	( 564,335)	( 19,517)	-
Transfers to Stage 2	( 2,016,834)	2,048,608	( 31,774)	-
Transfers to Stage 3	( 279,346)	( 261,085)	540,431	-
At December 31, 2018	32,345,380	2,744,515	832,660	35,922,555
<b>Housing loans</b>				
Gross carrying amount as at January 1, 2018	7,051,042	571,941	87,571	7,710,554
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	4,456,333	-	-	4,456,333
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	118,135	9,038	127,173
Payments and assets derecognized (excluding write offs)	( 640,300)	( 305,280)	( 54,160)	( 999,740)
Transfers to Stage 2	( 354,669)	356,403	( 1,734)	-
Transfers to Stage 3	( 36,383)	( 45,820)	82,203	-
At December 31, 2018	10,476,023	695,379	122,918	11,294,320

(Forward)

	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
<b>Others</b>				
Gross carrying amount as at January 1, 2018	P 1,948,756	P 75,446	P 66,288	P 2,090,490
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	788,610	-	-	788,610
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	14,879	5,473	20,352
Payments and assets derecognized (excluding write offs)	( 603,797)	( 18,108)	( 42,709)	( 664,614)
Transfers to Stage 1	5,586	( 4,539)	( 1,047)	-
Transfers to Stage 2	( 37,384)	38,342	( 958)	-
Transfers to Stage 3	( 33,104)	( 4,681)	37,785	-
At December 31, 2018	P 2,068,667	P 101,339	P 64,832	P 2,234,838

Movement of ECL during the year is presented in the table below:

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Corporate loans</b>				
Balance at beginning of the year	P 251,565	P 19,228	P 361,524	P 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
<b>Commercial loans</b>				
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

(Forward)

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Auto loans</b>				
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
<b>Housing loans</b>				
Balance at beginning of the year	P 234,998	P 54,126	P 42,836	P 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
<b>Others</b>				
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	P 151,453	P 46,072	P 41,921	P 239,446

	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
<b>Corporate loans</b>				
Balance at beginning of the year	P 255,348	P 49,626	P 255,172	P 560,146
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	638	-	-	638
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	115,882	-	115,882
Effect of collections and other movements in receivable balance (	13,647)	( 5,910)	( 24,792)	( 44,349)
Transfers to Stage 1	11,113	( 11,113)	-	-
Transfers to Stage 2	( 1,887)	1,887	-	-
Transfers to Stage 3	-	( 15,262)	15,262	-
At December 31, 2018	251,565	135,110	245,642	632,317
<b>Commercial loans</b>				
Balance at beginning of the year	33,049	10,895	117,406	161,350
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	72	-	-	72
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019	-	93,613	61,142	154,755
Effect of collections and other movements in receivable balance	1,874	( 93,775)	( 10,294)	( 102,195)
Transfers to Stage 1	3,177	( 3,177)	-	-
Transfers to Stage 2	( 487)	487	-	-
Transfers to Stage 3	( 671)	671	-	-
At December 31, 2018	37,014	8,714	168,254	213,982
<b>Auto loans</b>				
Balance at beginning of the year	509,185	53,565	279,883	842,633
New assets originated or purchased that remained at Stage 1 asset December 31, 2019	264,476	-	-	264,476
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	25,276	214,223	239,499
Effect of collections and other movements in receivable balance (	208,292)	( 38,851)	-	( 247,143)
Write-offs	-	-	( 139,923)	( 139,923)
Transfers to Stage 1	19,672	( 13,241)	( 6,431)	-
Transfers to Stage 2	( 36,330)	47,293	( 10,963)	-
Transfers to Stage 3	( 5,521)	( 6,556)	12,077	-
At December 31, 2018	P 543,190	P 67,486	P 348,866	P 959,542

(Forward)

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

	Stage 1		Stage 1	
<b>Housing loans</b>				
Balance at beginning of the year	P	97,238	P	30,741
New assets originated or purchased that remained at Stage 1 asset December 31, 2019		134,108		-
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019		-		31,185
Effect of collections and other movements in receivable balance	(	3,109)	(	3,109)
Transfers to Stage 1		12,281	(	10,833)
Transfers to Stage 2	(	5,001)	(	5,570)
Transfers to Stage 3	(	519)	(	2,537)
At December 31, 2018		234,998		54,126
<b>Others</b>				
Balance at beginning of the year		156,032		22,984
New assets originated or purchased that remained at Stage 1 asset December 31, 2019		52,358		-
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2019		-		1,736
Effect of collections and other movements in receivable balance	(	89,999)	(	8,572)
Transfers to Stage 1		1,116	(	352)
Transfers to Stage 2	(	1,471)	(	1,985)
Transfers to Stage 3	(	1,306)	(	420)
At December 31, 2018	P	P116,730	P	17,361
				47,693
				181,784

As of December 31, 2019 and 2018, allowance for credit losses on accounts receivable and sales contract receivable amounted to P76.8 million and P163.7 million.

Interest income on loans and receivables consists of:

	2019	2018
Loans and discounts	P 6,247,900,375	P 6,337,242,942
Customers' liabilities and other loans	217,495,603	176,713,090
Accounts receivable – PPI (Note 29)	25,185,248	33,103,843
Restructured loans	7,303,422	12,001,113
Sales contract receivable	3,414,858	3,453,461
	P 6,501,299,506	P 6,562,514,449

Of the total peso-denominated loans of the Bank as of December 31, 2019 and 2018, 93.32% and 40.67% respectively, are subject to periodic interest repricing. Remaining peso-denominated loans earned annual EIR ranging from 2.99% to 33.13% and from 2.99% to 31.68% for the years ended December 31, 2019 and 2018, respectively. All foreign currency-denominated loans of the Bank as of December 31, 2019 and 2018 are subject to periodic interest repricing and earned annual EIR ranging from 3.05% to 8.40% and from 3.04% to 8.43% for the years ended December 31, 2019 and 2018, respectively.

All sales contract receivable as of December 31, 2019 and 2018 are subject to periodic interest repricing.

### Receivable from Philmay Property, Incorporated (PPI)

As of December 31, 2019 and 2018, receivable from PPI (included under Accounts Receivable – Corporate) has a carrying value of P619.67 million and P600.5 million, respectively. The receivable bears an interest rate based on one-month PH BVAL reference rates plus 1.00%, repriced every month. The Memorandum of Agreement (MOA) originally signed on September 15, 2009 between the Bank and PPI has expired on September 19, 2019. On October 1, 2019, the Bank and PPI has 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, 2019				
	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
<b>Cost</b>				
Balances at beginning of year	P 262,553,193	P 897,538,921	P 564,214,539	P 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
<b>Accumulated Depreciation and Amortization</b>				
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
<b>Net Book Value at end of year</b>	<b>P 75,218,904</b>	<b>P 172,236,288</b>	<b>P 20,945,096</b>	<b>P 268,400,288</b>
December 31, 2018				
	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
<b>Cost</b>				
Balances at beginning of year	P 262,553,193	P 839,964,250	P 555,477,996	P 1,657,995,439
Additions	-	71,166,169	8,736,543	79,902,712
Disposals/write-off	-	( 13,591,498)	-	( 13,591,498)
Balances at end of year	262,553,193	897,538,921	564,214,539	1,724,306,653
<b>Accumulated Depreciation and Amortization</b>				
Balances at beginning of year	156,012,041	645,562,147	504,858,752	1,306,432,940
Depreciation and amortization	25,181,004	80,164,202	31,182,897	136,528,103
Disposals/write-off	-	( 5,924,771)	-	( 5,924,771)
Balances at end of year	181,193,045	719,801,578	536,041,649	1,437,036,272
<b>Net Book Value at end of year</b>	<b>P 81,360,148</b>	<b>P 177,737,343</b>	<b>P 28,172,890</b>	<b>P 287,270,381</b>

Depreciation and amortization consist of:

	2019	2018
Right-of-use assets (Note 24)	P 126,595,247	P -
Chattel properties acquired (Note 12)	116,894,679	122,606,050
Property and equipment	88,192,809	136,528,103
Investment properties (Note 11)	76,081,724	56,753,709
Software costs (Note 12)	42,553,275	47,992,394
	<b>P 450,317,734</b>	<b>P 363,880,256</b>

As of December 31, 2019 and 2018, the cost of fully depreciated property and equipment still in use by the Bank amounted to P1,034.4 million.

## 11. Investment Properties

The composition of and movements in this account follow:

December 31, 2019				
	Land	Building	Total	
<b>Cost</b>				
Balances at beginning of year	P 633,657,199	P 879,865,443	P 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	
<b>Accumulated Depreciation</b>				
Balances at beginning of year	-	153,451,880	153,451,880	
Depreciation	-	76,081,724	76,081,724	
Disposals	-	( 11,943,152)	( 11,943,152)	
Balances at end of year	-	217,590,452	217,590,452	
<b>Accumulated Impairment Loss</b>				
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	
<b>Net Book Value at end of year</b>	<b>P 332,159,403</b>	<b>P 804,013,129</b>	<b>P 1,136,172,532</b>	

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

		Land		Building		Total
<b>Cost</b>						
Balances at beginning of year	P	655,056,111	P	765,088,175	P	1,420,144,286
Additions		22,211,696		141,701,456		163,913,152
Disposals	(	43,610,608)	(	26,924,188)	(	70,534,796)
Balances at end of year		633,657,199		879,865,443		1,513,522,642
<b>Accumulated Depreciation</b>						
Balances at beginning of year		-		105,144,959		105,144,959
Depreciation		-		55,753,709		55,753,709
Disposals	-	(	7,446,788)	(	7,446,788)	
Balances at end of year		-		153,451,880		153,451,880
<b>Accumulated Impairment Loss</b>						
Balances at beginning of year		22,061,671		6,143,358		28,205,029
Provision (Reversals)	(	20,000)	(	3,725,946)	(	3,745,946)
Disposals	(	2,680,363)		-	(	2,680,363)
Balances at end of year		19,361,308		2,417,412		21,778,720
<b>Net Book Value at end of year</b>	P	614,295,891	P	723,996,151	P	1,338,292,042

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, 2019 and 2018 amounted to P2.0 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 P104.4 million and P88.7 million for the years ended December 31, 2019 and 2018, respectively.

### 12. Other Assets

This account consists of:

		2019		2018
Chattel properties acquired	P	256,180,992	P	354,293,864
Software costs		150,595,939		169,976,589
Security deposits		67,909,207		81,273,716
Documentary stamps		57,465,311		64,465,935
Prepaid expenses		35,989,717		39,676,571
Sundry debits		2,674,852		27,588,014
Prepaid interest		1,741,545		3,847,173
Miscellaneous		43,669,647		86,722,894
	P	616,227,210	P	827,844,756

Prepaid interest represents advance interest payments on certain time deposit product.

Allowance for impairment loss on certain other assets amounted to P4.7 million of December 31, 2019 and 2018.

Movements in chattel properties acquired follow:

		2019		2018
<b>Cost</b>				
Balances at beginning of year	P	524,761,425	P	509,055,310
Additions (Note 31)		706,018,241		667,380,045
Disposals	(	855,223,860)	(	651,673,930)
Balances at end of year		375,555,806		524,761,425
<b>Accumulated Depreciation</b>				
Balances at beginning of year		170,467,561		168,826,538
Depreciation		116,894,679		122,606,050
Disposals	(	170,423,432)	(	120,965,027)
Balances at end of year		116,938,808		170,467,561
<b>Accumulated Impairment Loss</b>				
Balances at beginning of year		-		131,375
Provision		5,316,309	(	99,900)
Disposals	(	2,880,303)	(	31,475)
Balances at end of year		2,436,006		-
<b>Net Book Value at end of year</b>	P	256,180,992	P	354,293,864

Movements in software costs follow:

	2019		2018	
<b>Cost</b>				
Balances at beginning of year	P	344,197,842	P	287,087,585
Additions		23,172,624		57,110,257
Balances at end of year		367,370,466		344,197,842
<b>Accumulated Depreciation</b>				
Balances at beginning of year		174,221,253		126,228,859
Amortization		42,553,274		47,992,394
Balances at end of year		216,774,527		174,221,253
<b>Net Book Value at end of year</b>	P	150,595,939	P	169,976,589

As of December 31, 2019 and 2018, the cost of fully amortized software still in use by the Bank amounted to P56.7 million and P81.2 million, respectively.

### 13. Deposit Liabilities

In 2019, BSP Circular Nos. 1041 and 1056 were issued reducing the reserve requirements against deposit and deposit substitute liabilities. As of December 31, 2019, non-FCDU deposit liabilities of the Parent Company and deposit substitutes are subject to required reserves of 15.0% from 18.0% in 2018. 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, 2019 and 2018.

As of December 31, 2019 and 2018, the total statutory and liquidity reserves (under 'Due from BSP' account) as reported to the BSP amounted to P9.76 billion and P13.7 billion, respectively.

Interest expense on deposit liabilities consists of:

	2019		2018	
Time	P	1,445,597,795	P	1,414,659,213
Savings		370,013,116		213,949,960
Demand		174,064,558		149,894,714
	P	1,989,675,469	P	1,778,503,887

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.25% to 5.88% and from 0.25% to 7.5% for the years ended December 31, 2019 and 2018, respectively, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.25% to 2.80% and from 0.25% to 3.35% for the years ended December 31, 2019 and 2018, respectively.

### 14. Bills Payable

This account consists of borrowings from banks including related parties (see Note 28) amounting to P8.91 billion and P20.7 billion as of December 31, 2019 and 2018, respectively. These are unsecured borrowings by the Bank.

Dollar-denominated borrowings are subject to annual EIR ranging from 2.70% to 3.45% and from 3.30% to 3.85% for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, there are no peso-denominated borrowings.

As of December 31, 2019 and 2018, the terms of the borrowings range from 36 to 500 days and 5 to 352 days, respectively.

Interest expense on bills payable and other borrowings consists of:

	2019		2018	
Bills payable	P	662,382,494	P	370,248,800
Subordinated debt (Note 28)		112,351,299		112,690,210
	P	774,733,793	P	482,939,010

### 15. Accrued Interest, Taxes and Other Expenses

This account consists of:

	2019		2018	
Accrued interest payable	P	364,943,965	P	364,605,391
Accrued employee benefits		283,989,865		319,336,435
Accrued taxes and licenses		138,670,822		121,912,896
Accrued rent		2,539,368		167,745,353
Accrued other expenses		395,626,330		419,952,948
	P	1,185,770,350	P	1,393,553,023

Accrued other expenses include accrual for various administrative expenses, professional fees and information technology expenses.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### 16. Other Liabilities

This account consists of:

	2019		2018	
Accounts payable	P	779,855,262	P	685,682,211
Net pension liability (Note 20)		379,016,277		228,373,804
Withholding taxes payable (Note 31)		67,000,852		51,143,592
Bills purchased – contra		29,074,041		46,296,667
Other dormant credits		10,176,855		18,337,251
Due to the Treasurer of the Philippines		16,105,965		15,046,647
Other deferred credits		3,803,318		637,089
Miscellaneous		24,281,609		42,751,187
	P	1,309,314,179	P	1,088,268,448

### 17. Derivative Financial Instruments

As of December 31, 2019 and 2018, 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, 2019			December 31, 2018		
	Notional Amount	Derivative Asset	Derivative Liability	Notional Amount	Derivative Asset	Derivative Liability
Interest rate swaps	\$ 2,500,000	P 6,897,967	P 6,592,672	\$ 1,051,600,000	P –	P 47,675,824
	P 2,350,000,000	188,299,585	193,366,594	P 2,900,000,000	329,364,424	289,960,391
Cross-currency						
interest rate swap	\$ 2,400,000	–	3,350,309	\$ –	–	–
Non-deliverable						
swaps (NDS)	P 5,343,750,000	–	20,321,016	P –	–	–
Forward contracts	\$ 18,652,896	63,570,027	58,163,123	\$ 527,328,236	103,865,520	275,992,573
Non-deliverable						
forwards	–	24,520	6,376,485	–	293,676	5,670,061
		P 258,792,099	P 288,170,199		P 433,523,620	P 619,298,849

For foreign currency-denominated interest rate swaps, the Bank pays quarterly interests ranging from 1.52% to 8.14% and 3.73% to 5.95% for the years ended December 31, 2019 and 2018 and receives quarterly interests based on 3-month London Interbank Offered Rate (LIBOR).

Interest income from NDS in 2019 and 2018 amounted to P46.10 million and nil, respectively.

The movements in the Bank's derivative financial instruments follow:

	2019		2018	
<b>Derivative Assets</b>				
Balance at beginning of year	P	433,523,620	P	65,009,362
Changes in fair value (Note 21)		158,377,280		255,137,636
Net addition (settlement)	(	333,108,801)		113,376,622
Balance at end of year	P	258,792,099	P	433,523,620

	2019		2018	
<b>Derivative Liabilities</b>				
Balance at beginning of year	P	619,298,849	P	146,483,530
Changes in fair value (Note 21)	(	13,123,596)		353,082,026
Net addition (settlement)	(	318,005,054)		119,733,293
Balance at end of year	P	288,170,199	P	619,298,849

### 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, 2019			December 31, 2018		
	Up to One Year	Over One Year	Total	Up to One Year	Over One Year	Total
<b>Financial Assets</b>						
Cash and other cash items	P 1,525,384,334	P –	P 1,525,384,334	P 1,685,366,097	P –	P 1,685,366,097
Due from BSP	9,767,154,508	–	9,767,154,508	13,670,378,655	–	13,670,378,655
Due from other banks	3,489,488,184	–	3,489,488,184	13,090,490,156	–	13,090,490,156
Financial assets at FVPL:						
Government securities	108,381,260	–	108,381,260	179,972,246	–	179,972,246
Derivative assets	258,792,099	–	258,792,099	433,523,619	–	433,523,619
	P 15,149,200,385	P –	P 15,149,200,385	P 29,059,730,773	P –	P 29,059,730,773

(Forward)

	December 31, 2019			December 31, 2018		
	Up to One Year	Over One Year	Total	Up to One Year	Over One Year	Total
<b>Financial assets at FVOCI</b>						
Government debt securities	68,881,054	2,069,271,505	2,138,152,559	-	3,459,013,375	3,459,013,375
Private debt securities	261,376,405	437,485,697	698,862,102	-	806,419,000	806,419,000
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
	<b>330,257,459</b>	<b>2,530,902,184</b>	<b>2,861,159,643</b>	-	<b>4,289,577,357</b>	<b>4,289,577,357</b>
<b>Financial assets at amortized cost</b>						
Government debt securities	3,243,717,500	5,268,434,937	8,512,152,437	-	9,218,248,309	9,218,248,309
Private debt securities	52,123,190	2,986,298,563	3,038,421,753	-	3,082,041,940	3,082,041,940
	<b>3,295,840,690</b>	<b>8,254,733,500</b>	<b>11,550,574,190</b>	-	<b>12,300,290,249</b>	<b>12,300,290,249</b>
<b>Loans and receivables:</b>						
<b>Loans:</b>						
Corporate	9,683,554,526	10,151,527,512	19,835,082,038	12,452,585,107	11,554,638,524	24,007,223,631
Commercial	2,953,050,310	370,870,642	3,323,920,952	3,265,514,157	372,580,656	3,638,094,813
Consumer:						
Auto loans	2,127,123,724	32,856,715,975	34,983,839,699	1,866,808,374	34,055,746,848	35,922,555,222
Housing	21,249,438	11,750,621,357	11,771,870,795	15,467,426	11,278,853,343	11,294,320,769
Others	1,206,537,576	802,595,320	2,009,132,896	1,175,258,281	1,059,579,279	2,234,837,560
	<b>15,991,515,574</b>	<b>55,932,330,806</b>	<b>71,923,846,380</b>	<b>18,775,633,345</b>	<b>58,321,398,650</b>	<b>77,097,031,995</b>
<b>Sales contract receivable:</b>						
Corporate	419,478,355	1,257,240	420,735,595	-	6,927,757	6,927,757
Individual	2,518,024	34,633,522	37,151,546	672,170	33,924,748	34,596,918
	<b>421,996,379</b>	<b>35,890,762</b>	<b>457,887,141</b>	<b>672,170</b>	<b>40,852,505</b>	<b>41,524,675</b>
<b>Accounts receivable:</b>						
Corporate	362,326,256	663,954,876	1,026,281,132	264,273,462	490,511,648	754,785,110
Individual	815,150	339,994	1,155,144	234,555,468	-	234,555,468
	<b>363,141,406</b>	<b>664,294,870</b>	<b>1,027,436,276</b>	<b>498,828,930</b>	<b>490,511,648</b>	<b>989,340,578</b>
Accrued interest receivable	741,065,991	-	741,065,991	757,142,440	-	757,142,440
RCOCI	339,396	-	339,396	451,886	-	451,886
	<b>17,518,058,746</b>	<b>56,632,516,438</b>	<b>74,150,575,184</b>	<b>20,032,728,771</b>	<b>58,852,762,803</b>	<b>78,885,491,574</b>
	<b>36,293,357,280</b>	<b>67,418,152,122</b>	<b>103,711,509,402</b>	<b>49,092,459,544</b>	<b>75,442,630,409</b>	<b>124,535,089,953</b>

(Forward)

	December 31, 2019			December 31, 2018				
	Up to One Year	Over One Year	Total	Up to One Year	Over One Year	Total		
<b>Nonfinancial Assets</b>								
Property and equipment	P	-	P 268,400,288	P 268,400,288	P	-	P 287,270,381	P 287,270,381
Right-of-Use Assets	-	-	661,697,559	661,697,559	-	-	-	-
Investment properties	-	-	1,136,172,532	1,136,172,532	-	-	1,338,292,042	1,338,292,042
Deferred tax assets	-	-	975,645,803	975,645,803	-	-	913,480,037	913,480,037
Other assets	141,541,073	474,686,138	616,227,211	153,737,477	674,107,279	827,844,756	827,844,756	
	<b>141,541,073</b>	<b>3,516,602,320</b>	<b>3,658,143,393</b>	<b>153,737,477</b>	<b>3,213,149,739</b>	<b>3,366,887,216</b>	<b>3,366,887,216</b>	
Less: Allowance for impairment and credit losses	-	-	( 2,251,092,564)	-	-	-	2,483,321,981	
Unearned discounts and other deferred income	-	-	( 32,009,605)	-	-	-	22,788,412	
<b>Total Assets</b>	<b>P 36,433,173,052</b>	<b>P 70,924,870,052</b>	<b>P 105,074,940,935</b>	<b>P 49,246,197,021</b>	<b>P 78,655,780,148</b>	<b>P 130,408,087,562</b>	<b>P 130,408,087,562</b>	
<b>Financial Liabilities</b>								
<b>Deposit liabilities:</b>								
Demand	P 23,267,475,263	P	-	P 23,267,475,263	P 19,973,207,626	P	-	P 19,973,207,626
Savings	19,987,100,447	-	19,987,100,447	21,437,661,176	-	21,437,661,176	-	
Time	32,464,530,779	161,697,796	32,626,228,575	30,389,135,510	13,971,969,492	44,361,105,002	44,361,105,002	
	<b>75,719,106,489</b>	<b>161,697,796</b>	<b>75,880,804,285</b>	<b>71,800,004,312</b>	<b>13,971,969,492</b>	<b>85,771,973,804</b>	<b>85,771,973,804</b>	
<b>8Financial liabilities at FVPL:</b>								
Derivative liabilities (Forward)	288,170,199	-	288,170,199	619,298,849	-	619,298,849	-	
Bills payable	8,911,760,000	-	8,911,760,000	20,685,920,000	-	20,685,920,000	-	
Manager's checks	698,382,887	-	698,382,887	544,534,813	-	544,534,813	-	
Accrued interest payable	P 364,943,965	P	-	P 364,943,965	P 364,605,391	P	-	P 364,605,391
Outstanding acceptances	33,127,228	-	33,127,228	106,945,606	-	106,945,606	-	
Accounts payable	779,855,263	-	779,855,263	685,741,257	-	685,741,257	-	
Subordinated debt	-	1,991,777,972	1,991,777,972	-	1,990,956,784	1,990,956,784	-	
Due to Treasurer of the Philippines	-	16,105,965	16,105,965	-	15,046,647	15,046,647	-	
	<b>11,076,239,542</b>	<b>2,007,883,937</b>	<b>13,084,123,479</b>	<b>23,007,045,916</b>	<b>2,006,003,431</b>	<b>25,013,049,347</b>	<b>25,013,049,347</b>	
<i>(Forward)</i>								

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## NOTES TO FINANCIAL STATEMENTS

	December 31, 2019			December 31, 2018		
	Up to One Year	Over One Year	Total	Up to One Year	Over One Year	Total
<b>Nonfinancial Liabilities</b>						
Lease Liabilities	125,294,262	695,760,720	821,054,982	-	-	-
Income tax payable	29,174,050	-	29,174,050	-	-	-
Accrued taxes and other expenses	820,826,352	-	820,826,352	1,028,947,632	-	1,028,947,632
Other liabilities	513,352,983	-	513,352,983	387,480,542	-	387,480,542
	1,488,647,647	695,760,720	2,184,408,367	1,416,428,174	-	1,416,428,174
<b>Total Liabilities</b>	<b>P 88,283,993,678</b>	<b>P 2,865,342,453</b>	<b>P 91,149,336,131</b>	<b>P 96,223,478,402</b>	<b>P 15,977,972,923</b>	<b>P 112,201,451,325</b>

### 19. Capital Funds

The Bank's capital stock as of December 31, 2019 and 2018 consists of:

Preferred stock - P3.7 par value

"A" – Authorized and issued – 1,200,000 shares P 4,440,000

"B" – Authorized and issued – 2,400,000 shares 8,880,000

"C" – Authorized – 291,400,000 shares  
Issued – 59,208,574 shares 219,071,724

Subscribed – 1,602,500 shares, net of subscriptions receivable of P5,781,250 148,000  
232,539,724

Common stock – P35.0 par value Authorized – 473,366,128 shares

Issued and outstanding – 294,636,458 shares 10,313,164,669

Subscribed shares – 11,380 shares 179,550

net of subscriptions receivable of P218,750 10,313,344,219

P 10,545,883,943

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.

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 embraced 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, 2019 and 2018, dividends in arrears on cumulative preferred shares amounted to P1.2 billion and P1.1 billion, respectively.

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 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 P28.2 million and P25.1 million as of December 31, 2019 and 2018, respectively. In compliance with existing BSP regulations, 10.00% of the net profits realized by the Bank from its trust business are 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 P2.4 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, 2019 and 2018 (amounts in millions):

		2019		2018
Tier 1 capital	P	12,576	P	11,356
Tier 2 capital		2,715		2,870
<b>Total Qualifying Capital</b>	<b>P</b>	<b>15,291</b>	<b>P</b>	<b>14,226</b>
<b>Risk-Weighted Assets</b>	<b>P</b>	<b>88,408</b>	<b>P</b>	<b>98,930</b>
Tier 1 capital ratio		14.23%		11.48%
Total capital ratio		17.30%		14.38%

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.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018, 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.

### *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, 2019 as reported to the BSP are shown in the table below (amounts in millions).

		<b>2019</b>
Tier 1 Capital	<b>P</b>	<b>12,576</b>
Exposure Measure		<b>109,413</b>
<b>Leverage Ratio</b>		<b>11.49%</b>

#### *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, 2019, the LCR of the Bank as reported to the BSP in single currency is 105.93%.

#### *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, 2019, the NSFR of the Bank as reported to the BSP is 114.00%.

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 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:

		<b>2019</b>		<b>2018</b>
Present value of the defined benefit obligation	<b>P</b>	<b>660,934,694</b>	<b>P</b>	471,561,833
Fair value of plan assets	<b>(</b>	<b>281,918,417)</b>	<b>(</b>	243,188,029)
<b>Net pension liability</b>	<b>P</b>	<b>379,016,277</b>	<b>P</b>	228,373,804

Changes in the present value of the defined benefit obligation as of December 31, 2019 and 2018 recognized in the statements of financial position follow:

		<b>2019</b>		<b>2018</b>
Balance at beginning of year	<b>P</b>	<b>471,561,833</b>	<b>P</b>	564,892,020
Current service cost		<b>66,163,597</b>		79,270,514
Interest cost		<b>33,677,690</b>		31,367,809
Remeasurement loss (gain):				
Actuarial loss arising from experience adjustments		<b>42,932,588</b>		7,379,304
Actuarial (gain) arising from changes in demographic assumptions	<b>(</b>	<b>12,093,966)</b>	<b>(</b>	14,369,966)
Actuarial loss (gain) arising from changes in financial assumptions		<b>105,743,295</b>	<b>(</b>	138,365,756)
Benefits paid	<b>(</b>	<b>(47,050,343)</b>	<b>(</b>	58,612,092)
<b>Balance at end of year</b>	<b>P</b>	<b>660,934,694</b>	<b>P</b>	471,561,833

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

Changes in fair value of plan assets are as follows:

		2019		2018
Balance at beginning of year	P	243,188,029	P	200,128,854
Contributions		75,593,357		100,207,919
Interest income		24,247,930		10,430,404
Remeasurement loss	(	14,060,556)	(	8,967,056)
Benefits paid	(	47,050,343)	(	58,612,092)
Balance at end of year	P	281,918,417	P	243,188,029

The fair value of plan assets by each class is as follows:

		2019		2018
Cash and cash equivalents	P	197,798,269	P	100,812,825
Accrued interest and other receivables		3,354,536		36,556,853
Debt instruments				
Government securities		42,178,168		69,137,501
Private securities		20,442,820		19,447,552
Equity instruments				
Manufacturing		16,949,000		16,949,000
Wholesale and Retail		-		3,920,000
Revaluation		1,195,624	(	3,635,702)
Fair value of plan assets	P	281,918,417	P	243,188,029

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, 2019 and 2018 was approved by the Staff Committee.

The Bank expects to contribute P128.1 million to the plan in 2020.

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:

	2019	2018
Discount rate		
At January 1	7.35%	5.74%
At December 31	4.82%	7.35%
Future salary increase rate	5.00%	5.00%
Average remaining working life	8	14

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, 2019 and 2018, assuming all other assumptions were held constant.

	2019	2018
Increase in discount rate by 1%	(P 46,069,109)	(P 38,973,584)
Decrease in discount rate by 1%	52,942,043	45,257,611
Increase in salary increase rate by 1%	55,265,540	49,249,922
Decrease in salary increase rate by 1%	( 48,909,717)	( 43,004,979)

The amounts included in 'Compensation and fringe benefits' expense in the statements of income are as follows:

	2019	2018
Current service cost	P 66,163,597	P 79,270,514
Net interest cost	9,429,760	20,937,405
Expense recognized during the year	P 75,593,357	P 100,207,919

The Bank also has a defined contribution plan for certain employees. The pension expense recognized under this plan amounting to P27.6 million and P26.0 million for the years ended December 31, 2019 and 2018, respectively, is included in 'Compensation and fringe benefits' in the statements of income.

The average duration of the retirement liability is 14.7 years in 2019. Maturity analysis of the undiscounted benefit payments follow:

		Normal Retirement		Other than Normal Retirement		Total
Less than one year	P	29,266,476	P	43,609,405	P	72,875,881
More than one to five years		68,341,023		197,295,565		265,636,588
More than five to 10 years		161,433,163		268,654,914		430,088,077
More than 10 to 15 years		365,244,107		223,124,616		588,368,723
More than 15 to 20 years		275,376,364		157,877,409		433,253,773
More than 20 years		643,289,769		158,302,527		801,592,296

## 21. Net Trading Gains (Losses)

This account consists of:

		2019		2018
Financial instruments at FVPL:				
HFT investments (Note 6)	P	49,896,868	P	28,971,897
Derivatives (Note 17)		145,253,684	(	97,944,390)
Financial assets at FVOCI		38,168,576	(	25,212,935)
	P	233,319,128	(P	94,185,428)

## 22. Service Charges, Fees and Commissions

This account consists of:

		2019		2018
Credit-related (Note 28)	P	629,296,222	P	648,024,630
Deposit-related		81,743,606		73,519,843
Others		33,403,379		21,759,858
	P	744,443,207	P	743,304,331

## 23. Miscellaneous Income and Expense

Miscellaneous income consists of:

		2019		2018
Trust fees (Note 28)	P	144,593,707	P	42,516,209
Recovery on written-off accounts		31,366,847		68,242,912
Gain from derecognition of financial asset (Note 9)		13,943,409		–
Others		65,972,907		156,785,461
	P	255,876,870	P	267,544,582

Others include miscellaneous income from penalties, inspection and appraisal and processing fees on charged off assets and rental income.

Miscellaneous expense consists of:

		2019		2018
Outsourced services	P	178,334,279	P	148,795,990
Information and technology		162,076,325		175,138,852
Cards-related expenses		90,597,814		75,800,458
Advertising and publications		54,811,408		43,353,563
Fines and Penalties		48,635,758		48,866,774
Commissions and service charges		46,579,909		69,828,719
Banking fees		36,124,923		31,626,010
Membership fees and dues		28,499,689		23,611,234
Freight		17,771,151		17,779,609
Minor tools and equipment		3,575,074		368,579
Fuel and lubricants		2,724,167		2,295,840
Philippine Clearing House Corporation fees		1,976,480		2,352,093
Others		23,073,168		13,967,944
	P	694,780,145	P	653,785,665

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.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### 24. Lease Contracts

The rollforward analysis of right-of-use assets follows:

		2019
Effect of adoption of standard	P	P768,505,677
Additions		23,373,841
Disposals		(3,586,712)
Depreciation		(126,595,247)
Net Book Value	P	P661,697,559

Set out below, are the amounts recognized in the statement of income:

		2019
Expenses		
Depreciation expense of right-of-use assets	P	126,595,247
Interest expense on lease liabilities		74,159,490
Rent expense – short-term leases and leases of low-value assets		47,203,582
Total amounts recognized in statement of income	P	247,958,319

The Bank entered into lease agreements with third parties.

The rollforward analysis of lease liabilities follows:

		2019
Effect of adoption of standard	P	915,351,129
Payments	(	191,829,478)
Interest expense		74,159,490
Additions		23,373,841
As at December 31, 2019	P	821,054,982

Shown below is the maturity analysis of the undiscounted lease payments:

		2019		2018
Within one year	P	201,072,499	P	197,282,928
More than 1 years to 2 years		192,153,187		194,742,359
More than 2 years to 3 years		173,983,961		182,452,726
More than 3 years to 5 years		145,715,084		167,230,380
More than 5 years		1,434,430,111		1,548,174,560
	P	2,147,354,842	P	2,289,882,953

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 P47.2 million and P244.5 million for the years ended December 31, 2019 and 2018, 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.

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:

	2019		2018
Current:			
Final	P 116,457,801	P	40,916,243
RCIT and MCIT	85,013,654		166,017,928
	<b>201,471,455</b>		206,934,171
Deferred	( 21,585,310)	(	249,961,155)
	<b>P 179,886,145</b>	P	<b>43,026,984</b>

The details of net deferred tax assets follow:

	2019		2018
Deferred tax asset on:			
Allowance for impairment and credit losses	P 690,748,146	P	725,977,865
Provisions and accruals	129,192,303		192,760,213
Retirement liability and unamortized past service cost	129,473,631		133,243,127
Accumulated depreciation on investment and chattel properties	100,358,778		97,501,408
Unrealized foreign exchange loss	54,573,382		-
Lease liability net of right-of-use assets	47,807,227		-
Excess of MCIT over RCIT	27,626,100		-
Fair value loss on HFT investments	-		26,464,926
Fair value loss on financial assets	-		11,738,597
	<b>1,179,779,567</b>		<b>1,187,686,136</b>
Deferred tax liability on:			
Fair value of investment properties and chattel properties	83,636,981		99,097,059
Unrealized profit on assets sold	73,361,815		76,468,616
Fair value gain on HFT investments	42,522,683		-
Fair value gain on FVOCI investments	4,612,285		-
Unrealized foreign exchange gain	-		98,640,424
	<b>204,133,764</b>		<b>274,206,099</b>
	<b>P 975,645,803</b>	P	<b>913,480,037</b>

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

Provision for (benefit from) deferred income tax recognized directly against OCI for the years ended December 31, 2019 and 2018 amounted to (P40.6 million) and P40.9 million, respectively.

As of December 31, 2019 and 2018, the Bank did not recognize deferred tax assets on certain allowance for impairment and credit losses amounting to P1.3 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 for the year amounting to P27.6 million can be utilized against annual income tax payable until 2022.

Reconciliation between the statutory income tax rate and the effective income tax rate follows:

	2019	2018
Statutory income tax rate	30.00%	30.00%
Tax effects of:		
Tax-exempt income and income subjected to final tax	( 36.68%) (	30.50%)
Nondeductible expenses	33.97	21.09
FCDU income before income tax	( 6.03) (	6.35)
Movements in unrecognized deferred tax assets	-	( 20.32)
Effective income tax rate	21.26% (	6.08%)

### 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 and P84.0 million and P82.0 million as of December 31, 2019 and 2018 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:

	2019	2018
Forward exchange sold	P 31,085,690,607	P 30,306,321,341
Forward exchange bought	31,085,144,607	30,306,321,341
Currency Swap Receivable	10,905,507,000	30,106,291,394
Trust department accounts (Note 26)	7,168,590,859	7,903,200,000
Broker Customer Securities account	2,594,880,906	6,900,367,554
Interest rate swap payable	2,476,587,500	2,418,092,238
Interest rate swap receivable	2,476,587,500	7,903,200,000
Export letters of credit-confirmed	788,133,775	3,951,600,000
Spot exchange sold	786,672,500	929,377,790
Spot exchange bought	785,500,000	2,828,559,000
Unused commercial letters of credit	772,613,885	2,827,578,000
Outstanding guarantees	668,881,782	2,896,152,048
Inward bills for collection	601,965,445	703,628,559
Deficiency claims receivable	553,709,019	1,139,201,122
Late deposits and payments received	74,615,405	511,456,767
Outward bills for collection	6,057,582	13,011,364
Items held for safekeeping	758,837	44,468,519
Items held as collateral	82,903	19,496

## 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 P236.0 million and P243.2 million as of December 31, 2019 and 2018, 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 2019 and 2018. Deposits with the Bank amounted to P144.7 million and P75.8 million as of December 31, 2019 and 2018, respectively. The Bank earned P2.6 million and P17.9 million of trust fees for the years ended December 31, 2019 and 2018, 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:

	2019		2018	
Salaries and other short-term benefits	P	152,474,015	P	130,710,446
Post-employment benefits		13,622,217		21,731,642
	P	166,096,232	P	152,442,088

### 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
	2019	2018	
<b>Parent Company</b>			
Due from other banks	P 23,832,863	P 25,750,991	Foreign currency demand deposit accounts, non-interest bearing and no impairment
Accounts receivable	-	183,840	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	-	17,195,260	Interest income from interbank loans receivable, interest rate swaps and due from other banks
Bills payable	8,911,760,000	20,685,920,000	Short-term foreign currency borrowings subject to annual fixed interest rate ranging from 2.7% to 3.45% and 3.32% to 3.85% and with maturity terms from 36 to 500 and 99 to 352 days in December 31, 2019 and 2018, respectively, unsecured
Net availments	8,124,160,000	7,349,500,000	

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

	Outstanding Balance /Volume		Nature, Terms and Conditions
	2019	2018	
Financial liabilities at FVPL	<b>517,203</b>	47,675,824	Interest rate swaps where the Bank pays fixed semi-annual interest of 8.38% and receives semi-annual interests based on 6-month LIBOR, unsecured with a maturity of 110 months
Accrued interest payable	<b>191,705,490</b>	126,022,885	Accrued interest expense on bills payable and interest rate swaps
Subordinated Debt	<b>1,991,777,972</b>	1,990,956,784	Direct, unconditional, unsecured and subordinated obligation of the Bank
Interest expense	<b>792,169,920</b>	578,918,978	Interest expense on interest rate swaps, bills payable, subordinated loan and deposit liabilities

	Outstanding Balance /Volume		Nature, Terms and Conditions
	2019	2018	
<b>Other related parties</b>			
Due from other banks	<b>61,272,325</b>	39,077,980	Various foreign currency demand deposit accounts, non-interest bearing and no impairment
Loans and receivables	<b>129,600,000</b>	84,000,000	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	<b>129,600,000</b>	84,000,000	
Settlements	<b>84,000,000</b>	54,500,000	
Accounts receivable	<b>620,845,181</b>	604,368,921	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	<b>2,382,167</b>	3,531,589	Accrued interest income on accounts receivable

(Forward)

<b>Outstanding Balance /Volume</b>			
	<b>2019</b>	<b>2018</b>	<b>Nature, Terms and Conditions</b>
Interest income	<b>71,896,750</b>	67,740,949	Net interest income from interbank loans receivable, loans and receivables, interest rate swaps and due from other banks
Financial liabilities at FVPL	<b>5,295,165</b>	25,933,817	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.
Accrued interest payable	<b>333,680</b>	23,797,928	Accrued interest expense on time deposits
Interest Expense	<b>43,035,945</b>	-	Interest expense on interest rate swaps, bills payable and deposit liabilities
Service charges, fees and commissions	<b>19,084,017</b>	9,560,949	Transaction fees from various services rendered
<b>Retirement fund of the Bank</b>			
Deposit with the Bank	<b>144,670,314</b>	75,768,472	This deposit earns annual fixed interest rates ranging from 0.25% to 3.25%.
Interest expense	<b>4,858,322</b>	2,800,413	

Deposit liabilities to Parent Company amounted to P1.22 billion and P1.05 billion as of December 31, 2019 and 2018, respectively. Deposit liabilities to other related parties amounted to and P1.2 million as of December 31, 2019 and 2018, 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 P2.9 million and P5.3 million for the years ended December 31, 2019 and 2018, 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 2019 and 2018, the Bank earned service fees and commissions amounting to P15.8 million and P3.9 million, respectively (Note 22).

#### *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 P2.0 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.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

- 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 2019 and 2018, interest expense on subordinated loans included in 'Interest expense on bills payable and other borrowings' amounted to P112.3 million and P112.7 million, respectively.

### 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

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 off setting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights offset-off (including rights to setoff financial collateral) that do not meet PAS 32 off setting criteria			
					Financial instruments	Fair value of financial collateral	Net exposure [c-d]	
		[a]	[b]	[c]	[d]		[e]	
Derivative assets (Note 17)	P	395,677 P	136,885 P	258,792 P	- P	- P	258,792	
<b>Total</b>	<b>P</b>	<b>395,677 P</b>	<b>136,885 P</b>	<b>258,792 P</b>	<b>- P</b>	<b>- P</b>	<b>258,792</b>	

December 31, 2018								
Financial assets recognized at end of reporting period by type		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 [c-d]	
		[a]	[b]	[c]	[d]		[e]	
Derivative assets (Note 17)	P	433,523 P	- P	433,523 P	- P	- P	433,523	
<b>Total</b>	<b>P</b>	<b>433,523 P</b>	<b>- P</b>	<b>433,523 P</b>	<b>- P</b>	<b>P</b>	<b>433,523</b>	

### Financial Liabilities

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	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 [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities (Note 17)	P 425,055	P 140,235	P 288,170	P -	P -	P 288,170
<b>Total</b>	<b>P 425,055</b>	<b>P 140,235</b>	<b>P 288,170</b>	<b>P -</b>	<b>P -</b>	<b>P 288,170</b>

December 31, 2018

Financial assets recognized at end of reporting period by type	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 [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities (Note 17)	P 619,299	P -	P 619,299	P -	P -	P 619,299
<b>Total</b>	<b>P 619,299</b>	<b>P -</b>	<b>P 619,299</b>	<b>P -</b>	<b>P -</b>	<b>P 619,299</b>

### 30. Notes to Statements of Cash Flows

Non-cash additions to investment properties and other properties acquired in settlement of loans amounted to P272.3 million and P163.9 million, and P706.0 million and P667.4 million, respectively, for the years ended December 31, 2019 and 2018, respectively.

#### Changes in liabilities arising from financing activities

	January 1, 2019	Cash flows	Changes on fair values	Others	December 31, 2019
<b>Liabilities from financing activities</b>					
Bills payable	P 20,685,920,000	(P 11,774,160,000)	P -	P -	P 8,911,760,000
Subordinated debt	1,990,956,784	-	821,188	-	1,991,777,972
	<b>P 22,676,876,784</b>	<b>(P 11,774,160,000)</b>	<b>P 821,188</b>	<b>P -</b>	<b>P 10,903,537,972</b>

	January 1, 2018	Cash flows	Changes on fair values	Others	December 31, 2018
<b>Liabilities from financing activities</b>					
Bills payable	P 9,686,420,000	P 10,999,500,000	P -	P -	P 20,685,920,000
Subordinated debt	1,990,180,683	-	776,101	-	1,990,956,784
	<b>P 11,676,600,683</b>	<b>P 10,999,500,000</b>	<b>P 776,101</b>	<b>P -</b>	<b>P 22,676,876,784</b>

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### 31. Events after reporting period

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020, unless earlier lifted or extended. On April 6, 2020, a resolution was issued to extend the enhanced community quarantine over the entire Luzon until April 30, 2020. On April 30, 2020, an executive order was issued imposing enhanced community quarantine on high risk geographic areas and general community quarantine for the rest of the country from May 1 to May 15, 2020. On May 11, 2020, the classification of provinces, highly urbanized cities and independent component cities were revised, subjecting the high risk, medium risk and low risk areas to modified enhanced community quarantine, general community quarantine and modified general community quarantine, respectively, from May 16 to May 31, 2020, without prejudice to the declaration of localized ECQ in critical areas. On May 19, 2020, the Bank availed the regulatory relief package as outlined in the BSP memorandum No. M-2020-008, specifically on the non-imposition of monetary penalties for delays in the submission of all prudential reports to the BSP for a period of six (6) months. On May 27, the IATF issued resolution no. 40 declaring National Capital Region (NCR) to be placed under general community quarantine beginning June 1 until June 15, 2020. On June 15, it was announced that the Metro Manila general community quarantine was extended until June 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. Management will continuously pay close attention to the development of the COVID-19 outbreak in the Philippines, its impact to the Bank's customers and their ability to meet their obligations to the Bank.

The Bank considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak may have a financial impact, if any, on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Bank cannot determine at this time the impact to its financial position, performance and cash flows. Bank will continue to monitor the situation and assess the financial implication arising from the outbreak.

### 32. 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:

	2019	2018
Return on average asset (ROA)	0.58%	0.63%
Return on average equity (ROE)	4.91%	5.59%
Net interest margin over average earning assets (NIM)	4.26%	4.42%

#### Description of capital instruments issued

As of December 31, 2019 and 2018, 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, 2019		December 31, 2018	
	Gross Amount	%	Gross Amount	%
Real estate activities	P 16,456,439	22.88	P 12,724,184	16.5
Consumer	13,136,901	18.27	34,879,278	45.24
Wholesale and retail trade	7,255,292	10.09	7,700,958	9.99
Transportation and storage	6,461,201	8.98	2,437,497	3.16
Manufacturing	4,568,851	6.35	5,226,171	6.78
Electric, gas, steam and air-conditioning supply	4,340,784	6.04	4,358,624	5.65
Accommodation and food service activities	4,094,925	5.69	1,371,324	1.78
Construction	3,911,101	5.44	2,882,700	3.74
Human health and social work activities	3,659,192	5.09	1,470,318	1.91
Other service activities	2,796,087	3.89	607,662	0.79
Agriculture, forestry and fishing	1,814,205	2.52	484,479	0.63
Education	1,640,151	2.28	343,398	0.45
Financial and insurance activities	1,616,751	2.25	2,537,807	3.29
Mining and quarrying	171,966	0.24	72,632	0.09
	P 71,923,846	100.00	P 77,097,032	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:

	2019		2018	
Gross NPLs	P	1,985,480,257	P	1,683,141,285
Less: Deductions as required by the BSP		993,347,026		976,825,324
Net NPLs	P	992,133,231	P	706,315,961

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:

	2019			2018		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Loans and discounts						
Corporate lending	P 18,941,916,253	P 893,165,785	P 19,835,082,038	P 23,593,098,539	P 414,125,092	P 24,007,223,631
Commercial lending	3,148,165,682	175,755,270	3,323,920,952	3,389,489,643	248,605,170	3,638,094,813
Consumer lending						
Auto	34,216,854,004	766,985,695	34,983,839,699	35,089,895,414	832,659,808	35,922,555,222
Housing	11,678,333,952	93,536,843	11,771,870,795	11,171,402,252	122,918,516	11,294,320,768
Others	1,953,096,232	56,036,664	2,009,132,896	2,170,004,862	64,832,699	2,234,837,561
	P 69,938,366,123	P 1,985,480,257	P 71,923,846,380	P 75,413,890,710	P 1,683,141,285	P 77,097,031,995

### Loans per security

As of December 31, 2019 and 2018, secured and unsecured NPLs of the Bank, as reported to the BSP follow:

	2019		2018	
Secured	P	1,408,693,774	P	970,707,284
Unsecured		576,786,483		712,434,001
	P	1,985,480,257	P	1,683,141,285

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, 2019		December 31, 2018	
	Amount	%	Amount	%
Secured by:				
Chattel	P 35,050,583	48.73	P 32,944,806	42.73
Real estate	16,961,832	23.58	12,561,491	16.29
Deposits hold-out	2,875,785	4.00	1,759,112	2.28
Others	-	-	-	-
	54,888,200	76.31	47,265,409	61.31
Unsecured	17,035,646	23.69	29,831,623	38.69
	P 71,923,846	100.00	P 77,097,032	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.

# MAYBANK PHILIPPINES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

### 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.

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, 2019 and 2018, 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:

	2019		2018	
Total outstanding DOSRI loans (in thousands)	P	<b>830,737</b>	P	762,281
Percent of DOSRI loans granted prior to effectivity				
of BSP Circular No. 423 to total loans		<b>1.21%</b>		1.03%
Percent of DOSRI loans granted after effectivity				
of BSP Circular No. 423 to total loans		<b>1.21%</b>		1.03%
Percent of DOSRI loans to total loans		<b>1.21%</b>		1.03%
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 P71.90 million and P67.74 million for the years ended December 31, 2019 and 2018, respectively, including accretion of interest from AR-PPI amounting to P25.2 million and P32.6 million in 2019 and 2018, respectively.

For the years ended December 31, 2019 and 2018, interest rates on DOSRI loans ranged from 2.50% to 4.50% and 2.17% to 4.50%, respectively.

### Commitments and contingencies

The following is a summary of contingencies and commitments of the Bank with the equivalent peso contractual amounts:

	2019		2018	
Forward exchange sold	P	<b>31,085,690,607</b>	P	30,306,321,341
Forward exchange bought		<b>31,085,144,607</b>		30,306,321,341
Currency Swap Receivable		<b>10,905,507,000</b>		30,106,291,394
Trust department accounts (Note 26)		<b>7,168,590,859</b>		7,903,200,000
Broker Customer Securities account		<b>2,594,880,906</b>		6,900,367,554
Interest rate swap payable		<b>2,476,587,500</b>		2,418,092,238
Interest rate swap receivable		<b>2,476,587,500</b>		7,903,200,000
Export letters of credit-confirmed		<b>788,133,775</b>		3,951,600,000
Spot exchange sold		<b>786,672,500</b>		929,377,790
Spot exchange bought		<b>785,500,000</b>		2,828,559,000
Unused commercial letters of credit		<b>772,613,885</b>		2,827,578,000
Outstanding guarantees		<b>668,881,782</b>		2,896,152,048
Inward bills for collection		<b>601,965,445</b>		703,628,559
Deficiency claims receivable		<b>553,709,019</b>		1,139,201,122
Late deposits and payments received		<b>74,615,405</b>		511,456,767
Outward bills for collection		<b>6,057,582</b>		13,011,364
Items held for safekeeping		<b>758,837</b>		44,468,519
Items held as collateral		<b>82,903</b>		19,496

### 33. 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, 2019, GRT, DST and other taxes and licenses consist of the following:

Gross receipts tax	P	471,152,721
Documentary stamp tax		322,630,651
License and permit fees		29,090,467
Real estate taxes		2,595,374
Registration fees		22,288,278
	P	847,757,491

Others include VAT expenses incurred by the Bank in relation to its lease contracts.

#### Withholding Taxes

Details of withholding taxes for the year ended December 31, 2019 are as follows:

		Total Amount Remitted		Balance as at December 31
Final withholding taxes	P	401,109,491	P	24,270,434
Expanded withholding taxes		356,305,437		22,669,160
Withholding taxes on compensation and benefits		240,381,152		19,939,607
Final withholding VAT		2,059,782		121,651
	P	999,855,862	P	67,000,852

#### Tax Assessments and Cases

The Bank has no outstanding assessments from the BIR as of December 31, 2019.

SUCCESS

## OUR CORPORATE RESPONSIBILITY

“The true sign of intelligence is not knowledge but imagination.”

- Albert Einstein

BACK TO SCHOOL

## OUR CORPORATE RESPONSIBILITY

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: from making ethical decisions and providing innovative financing and investment services to empowering communities and conserving the environment. We remain committed to the fundamentals of our business while endeavoring to positively impact the markets where we operate. Beyond charitable giving, we are committed to giving back through long-term partnerships, volunteer 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 corporate social responsibility initiatives are guided by the six focus areas of the Maybank Foundation:

**Education.** We want to make sure all children and youth have access to education and are given opportunity to fulfill their potential.

**Community Empowerment.** We ensure inclusiveness of those in our communities through interventions like innovative business-based solutions. We also support people with disabilities to achieve financial independence.

**Arts and Culture.** We promote artistic creativity of our youth and support artists with disabilities through various programmes.

**Environmental Diversity.** We help protect our planet's diversity for our future generations by supporting conservation efforts in Southeast Asia.

**Healthy Living.** We help underprivileged patients to gain access to quality healthcare. In addition to sports

sponsorships and support of sport development programmes, we promote community compassion through healthy lifestyle.

**Disaster Relief.** We are committed to providing humanitarian aid in our disaster-prone areas and support communities in rebuilding, including mobilising our employees together with our partners in disaster situation, as needed.

### 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.

### Maybank R.I.S.E.

Reach Independence & Sustainable Entrepreneurship or R.I.S.E. is an economic empowerment programme 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 conducted in partnership with People Systems Consultancy Sdn Bhd (PSC). As of end-2019, a total 1,856 participants have been trained nationwide, with the top 40% recording an average income increase of 646.38% (equivalent to Php7,580.93 average income increase) – still the highest among four countries (Malaysia, Indonesia, the Philippines, and Laos) where the program is presently running.





## 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. Developed in partnership with MoneyTree Asia Pacific Sdn Bhd, the programme is designed to prepare young children to meet future financial challenges by focusing on specific financial lessons that range from the importance of saving money, to developing positive spending habits and making smart investments. Students undergo a financial literacy assessment before and after the programme intended for progress tracking.

The Cashville Kidz programme is delivered by adopting a 'product tiering' approach consisting of three (3) versions to suit the countries or market that the programme is being implemented in; Cashville Kidz Lite, Cashville Kidz Standard, and Cashville Kidz Advance.

As of today, the Cashville Kidz programme has touched the lives of over 205,000 students in more than 900 schools, exceeding its target of having 50% of participating students improving their financial knowledge. Launched in the Philippines in 2019, a total of 2,145 students in 9 schools have benefitted from the programme.

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 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.

The programme is currently running in Myanmar as well.

## Global CSR Day 2019

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 time around, August 24, 2019 has been designated as Global CSR Day for the entire Maybank family.

Leveraging on the gains and learnings of last year's activity, Maybank Philippines leveled up its #EnvironmentChallenge campaign to bring in more volunteers and involve more community stakeholders. A total of 26 Public Elementary Schools (in partnership with CFC Cornerstone), 1 Day Care Center and 7 Barangays (Municipalities) covering 34 sites nationwide benefitted from the environment campaign.

MPI Volunteer Teams either undertook urban farming, vegetable gardening, flower potting or tree planting, and reinforced the outdoor activity with storytelling sessions on environment care, appreciation and protection. Volunteer teams also introduced garbage segregation and recycling talks in their activities and made donations for the school's clean-up drive.

Unveiling of the Commitment Tree was highlight of the program, with the beneficiaries either showing their pledges to care for the environment and plants via hand/thumb imprints or stick-on commitments.

Program partner for this year's Global CSR Day is again Cornerstone, a Couples for Christ Answering the Cry of the Poor (CFC ANCO) Partnership Program for Education. Over 700 Maybankers in the Philippines volunteered in this year's Global CSR Day.

## 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.



# PRODUCTS & SERVICES

**M**aybank 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 US, Earn interest in US*

- A regular interest-earning dollar passbook account

### US Dollar Time Deposit Account

*Maximize your dollars' earning potential*

- Earn more with higher rates with an affordable US Dollar product

## 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
- Convert your dollar to peso
- Make a time deposit placement
- Request for checkbook
- Perform stop payment order

### Moneyzu 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 10,000 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](http://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.

### 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 & 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)

- Maximize returns on your investment and make Maybank Trust your Investment Manager for a minimum placement of Php 1,000,000. IMA allows



you flexibility and involvement in deciding where to invest your funds.

#### Personal Management Trust

- Create a trust portfolio out of your cash and other properties that Maybank Trust will manage for you or your designated beneficiaries.

#### Escrow Account

- Meet your future obligations as well as protect the interests of the contracting parties by letting Maybank Trust facilitate the delivery or exchange of money, securities or property, between two parties engaged in a business transaction upon fulfillment of your stipulated.

#### 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

- Make your life Insurance policies payable to Maybank Trust, and we will handle and distribute the proceeds thereof in accordance with your intended dispositions.

#### Mortgage Trust Indenture

- Maybank Trust will act as an intermediary between your company and its creditors in the administration of properties securing the company's loans, specifically to manage the collateral under a Mortgage Trust Indenture and issue Mortgage Participation Certificates.

#### Facility and Paying Agency

- Maybank Trust can act as intermediary between corporate borrower and lenders in a syndicated loan facility, by tracking the covenants of the loan agreement. Maybank Trust also takes care of collecting loan proceeds from the lenders and vice versa receiving regular payments from the borrower.

#### Pre-Need Plan

- Let Maybank Trust manage your funds for the protection of the plan holders.

#### UITF (Unitized Investment Trust Fund)

- An opportunity to participate in a pooled fund to be managed professionally by Maybank Trust.

## 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 (ROP)
  - Onshore Dollar Bonds (ODB)
  - United States Treasuries (UST)
  - Foreign Sovereign Bonds
  - Foreign Corporate Bonds

### Foreign Exchange

- Unless otherwise instructed by Maybank Philippines, Inc. (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:
  - Non-Deliverable Forwards (NDFs)
  - 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)

- 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  
7<sup>th</sup> Ave. corner 28<sup>th</sup> 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

### › Cainta

Felix Ave.  
Cainta, Rizal, 1800  
Tel. No. (02) 8875-7906  
Fax No. (02) 8995-3576

### › Caloocan

Rizal Ave. corner 10<sup>th</sup> Ave.  
Caloocan City, 1400  
Tel. No. (02) 8364-5545  
Fax No. (02) 8364-5526

### › Cubao

178 P. Tuazon Blvd.  
corner 8<sup>th</sup> 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 30<sup>th</sup> 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  
7<sup>th</sup> 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
- **McKinley**  
G/F Commerce and Industry Plaza  
1030 Campos Ave. corner Park Ave.  
McKinley Hill Town Center, Fort Bonifacio  
Taguig City 1634  
Tel. No. (02) 8822-3708  
Fax No. (02) 8822-0063

- **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
- **Sucab 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
- **Alaminos**  
Marcos Ave., Brgy. Palamis  
Alaminos City, Pangasinan, 2404  
Tel. No. (075) 540-5458

**LUZON BRANCHES**

- **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
- **Binan**  
Km 35 National Highway  
Brgy San Antonio  
Binan City, Laguna, 4024  
Tel. No. (049) 5113032
- **Cabanatuan**  
114 Maharlika Highway  
Cabanatuan, Nueva Ecija  
Tel. No. (044) 463-0726

### ▶ Calapan

J.P. Rizal Street  
San Vicente South  
Calapan City  
Oriental Mindoro, 5200  
Tel. No. (043) 288-1633  
Fax No. (043) 441-6340

### ▶ 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

### ▶ Guagua

Gil J. Puyat Street  
Sto. Niño, Guagua  
Pampanga, 2001  
Tel. No. (045) 900-4107  
Fax No. (045) 900-0265

### ▶ Hagonoy

G/F Puso Niño Mall Bldg.  
Sto. Niño, Hagonoy  
Bulacan, 3002  
Tel. No. (044) 793-0007  
Fax No. (044) 793-3044

### ▶ Imus

550 Aguinaldo Highway  
Tanzang Luma, Imus City  
Cavite, 4103  
Tel. No. (046) 431-7543  
Fax No. (046) 502-1806

### ▶ 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

### ▶ 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 Peñafrancia 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

### ▶ Santa Rosa Estates

Block 5 Lot 2 Santa Rosa Estates  
Commercial Property  
Brgy. Sto. Domingo  
Sta. Rosa City, Laguna, 4026  
Tel. No. (049) 508-2315  
Fax No. (049) 508-1517

### ▶ 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

### ➤ Bago

Gonzaga Street  
Barangay 1 Poblacion  
Bago City, Negros Occidental, 6101  
Tel. No. (034) 461-1158

### ➤ 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

### ➤ Cebu Lahug

JY Square Annex  
Gorordo Ave. corner  
Sanson Road  
Lahug, Cebu City, 6000  
Tel. No. (032) 239-6215

### ➤ 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







**Maybank**

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