# Humanising the New Banking Experience

Maybank | 2021 ANNUAL REPORT

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The Maybank Philippines 2021 Annual Report is also available online. Scan the QR code to view or download the online version of this report.

**2021 Maybank Philippines Annual Report: Humanising the New Banking Experience**

Things may not be going back to how they were before any time soon, but the pandemic should not be made an excuse for not delivering on our promise. After a year of "living with the virus", we continue to conduct ourselves as true frontliners, forces of good: by ensuring our financial services remain available and dependable, convenient and consistent; whether physical or digital or hybrid interactions.

This is our new normal, so we embrace it, move forward, and thrive through it all-- together.

This is what humanising the new banking experience is about.

# Corporate Profile

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

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

Now on its 25th year 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 more than 60 branches and 84 offsite and onsite ATMs nationwide – the only foreign bank with the largest branch network in the country.

MPI is a member of the Maybank Group, one of Asia's leading banking groups and Southeast Asia's fourth largest bank by assets. Maybank is the only foreign bank that has operations in all 10 ASEAN countries, as well as presence in key financial centers such as London, New York, Hong Kong and Dubai.

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

# Our Mission

**Humanising Financial Services.**

Being at the heart of the community, we will:

1. Make financial services simple, intuitive and accessible
2. Build trusted partnerships for a sustainable future together
3. Treat everyone with respect, dignity, fairness and integrity

# Our Core Values

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

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

Our T.I.G.E.R. values guide our actions and decisions, creating an inclusive and innovative culture for positive work to thrive.

**T**

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

**I**

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

**G**

**Growth**
We are passionate about constant improvement and innovation.

**E**

**Excellence & Efficiency**
We are committed to delivering outstanding performance and superior service.

**R**

**Relationship Building**
We continuously build long-term and mutually beneficial partnership.

# Humanising Financial Services

## Our Brand Promise

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

It's about Humanity, Community and our Commitment to do the Right Thing – for our customers, employees, shareholders, stakeholders and the society.

To humanise financial services is to

**Do the Right Thing**

**Leave No One behind**

**Serve as a Force for Good**

## Our Brand Personality

The Maybank brand is built by Maybankers, each having a vital role to play in delivering our brand promise. By putting people at the center of all that we do, and by acting consistently in accordance to our values, we aim to differentiate ourselves from our competitors and peers, while continuing to build a sustainable business for generations to come.

**Authentic**
We speak from the heart.
We always make sure the benefit is clear.
We stress simplicity in approach and words, using language that is easy to understand.

**Humble**
We are active listeners.
We express our opinions and respect what others have to say.
We put ourselves in the heart of the communities around us.

**Accountable**
We deliver on our promise.
We do not make unrealistic claims, exaggerate the truth or be ambiguous on products and services.
We exceed expectations, even in small ways, as this always wins hearts and inspires confidence.

# 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.

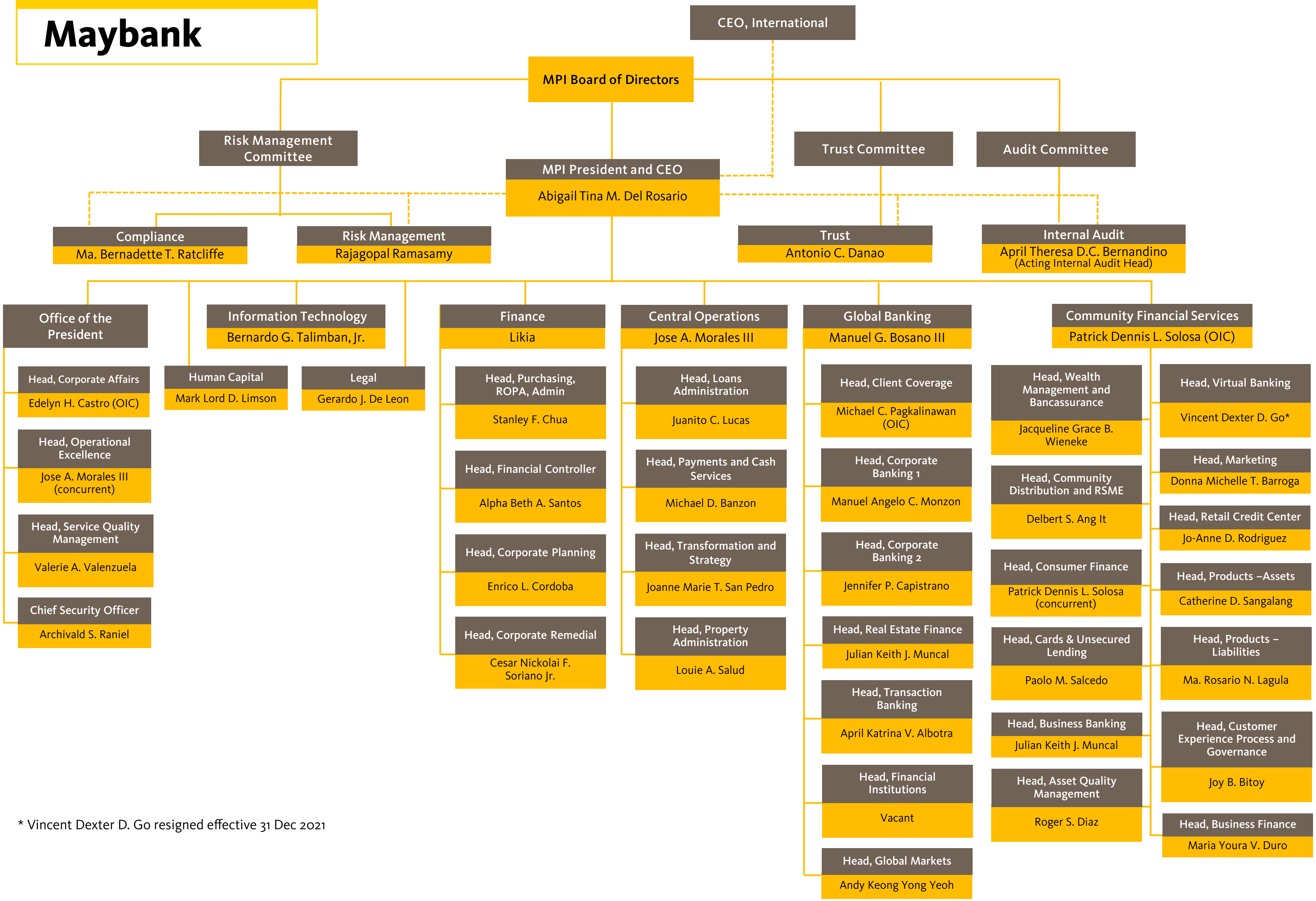
**Customers**
We focus on providing next-generation customer experience to fulfill our customers' financial needs.

**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.

# House of Maybank




* Vincent Dexter D. Go resigned effective 31 Dec 2021

# Maybank Group: Who We Are and What We Do

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

## Our Values

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

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

## Our Mission

Humanising Financial Services.
Being in the heart of the community, we will:

1. Make financial services simple, intuitive and accessible
2. Build trusted partnerships for a sustainable future together
3. Treat everyone with respect, dignity, fairness and integrity

## Our Unique Differentiators

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

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

Our **M25 strategy** pillared on Pervasively Digital, New Value Drivers and Sustainability.

## Our Structure...

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

### Business Pillars

**Group Community Financial Services**
For: individuals, retail SMEs and mid-sized corporates
Offers: Retail banking services such as wealth management, mortgage, auto financing, credit cards, short-term credit and long-term business loans.

**Group Global Banking**
For: large corporates and institutions
Offers: Wholesale banking services such as transaction banking, investment banking, corporate banking, global markets and treasury, and asset management.

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

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

### Group Corporate Support Functions

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

## Help Deliver Value Across ASEAN and Beyond.

Being at the heart of the community, we remain at the forefront in supporting our stakeholders in navigating yet another year filled with challenges from the global pandemic, while leading the path towards recovery.

We are in 18 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.

**2,617**
**Retail Branches** worldwide

**45**
**Investment Banking Branches** worldwide

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

# 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 (MGIB) is the largest Islamic banking group by assets in ASEAN. This position is supported by our Islamic-first approach where Shariah-compliant products and services are standard offerings. MGIB operates by leveraging the Group's system, IT infrastructure and distribution network of 352 Maybank touchpoints in Malaysia, and has presence in Indonesia, Singapore, Hong Kong, the United Kingdom (UK) and the United Arab Emirates (UAE).

## Insurance & Takaful

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

## Investment Banking

Maybank Investment Banking Group (Maybank IBG), formerly Maybank Kim Eng, is the largest homegrown investment bank in ASEAN. It comprises Maybank Investment Bank Berhad and Maybank IBG Holdings Limited (formerly Maybank Kim Eng Holdings Limited), with the latter having licensed entities in Singapore, Thailand, the Philippines, Indonesia, Vietnam, Hong Kong, India, UK and the United Stated of America. With a total of 45 branches and 100 touchpoints, Maybank IBG offers investment banking solutions supported by on-ground ESG, macro, sector and company research.

## Asset Management

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

## International Operations

**Maybank Singapore**

Maybank Singapore Limited (MSL), the Group's Singapore-incorporated subsidiary, is recognised as a domestic systemically important bank (D-SIB) with Qualifying Full Bank (QBF) privileges. MSL operates the retail and commercial businesses in 18 branches and has access to over 200 ATMs across the country as part of **atm5**, Singapore's only shared ATM network among six participating QBFs. On the other hand, Maybank's Singapore Branch operates the corporate and institutional businesses in nine branch locations.

**Maybank Indonesia (PT Bank Maybank Indonesia Tbk)**

Maybank Indonesia is one of the largest commercial banks in Indonesia by assets and is listed on the Indonesia Stock Exchange (Ticker: BNII). It offers retail, non-retail and global banking products and services through its network of 356 branches (which includes 19 Shariah branches and one overseas branch in Mumbai), 1,033 ATMs, as well as mobile and internet banking services.

**Maybank Greater China**

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

**Maybank Philippines Incorporated (MPI)**

MPI is a full-fledged commercial bank established in 1997 serving retail and corporate clients through its more than 60 branches across the Philippines.

**Maybank Cambodia Plc (MCP)**

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

**Maybank Vietnam**

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

**Maybank Myanmar**

Maybank Myanmar was established as a Representative Office in 1994 and became the only Malaysian bank to be granted a full branch banking license in 2014, providing wholesale banking services to foreign and local corporates, as well as domestic financial institutions.

**Maybank Laos**

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

**Maybank Brunei**

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

**Maybank New York**

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

**Maybank London**

Established in 1962, Maybank London offers wholesale banking services primarily to Maybank's regional ASEAN corporate clients focusing on capital markets, trade finance services and global markets.

# Group Corporate Structure

**Maybank**

MALAYAN BANKING BERHAD

## COMMERCIAL BANKING

- ISLAMIC BANKING
  - **100%** Maybank Islamic Berhad (Islamic Banking)
- **98.54%** PT Bank Maybank Indonesia Tbk (Banking)
  - **99.99%** PT Maybank Indonesia Finance (Multi-financing)
  - **68.55%** PT Wahana Ottomitra Multiartha Tbk (Multi-Financing)
- **99.86%** Maybank Philippines, Incorporated (Banking)
- **100%** Maybank (Cambodia) Plc (Banking)
- **100%** Maybank Singapore Limited (Banking)
- **18.78%** MCB Bank Limited (Banking)
- **16.39%** An Binh Commercial Joint Stock Bank (Banking)
- **19.70%** Uzbek Leasing International A.O. (Leasing)

## ISLAMIC BANKING

- **100%** Maybank International Holdings Sdn Bhd (Investment Holding)
  - **100%** Maybank IBG Holdings Limited (formerly known as Maybank Kim Eng Holdings Limited) (Investment Holding)
    - **100%** Maybank Securities Pte Ltd (formerly known as Maybank Kim Eng Securities Pte Ltd)(Dealing in Securities)
    - **83.50%** Maybank Securities (Thailand) Public Company Limited (formerly known as Maybank Kim Eng Securities (Thailand) Public Company Limited (Dealing in Securities)
    - **100%** Maybank Kim Eng Capital, Inc (Corporate Finance & Financial and Investment Advisory)
      - **100%** Maybank Securities Inc (formerly known as Maybank ATR Kim Eng Securities, Inc.) (Dealing in Securities)
    - **99.78%@@** PT Maybank Sekuritas Indonesia (formerly known as PT Maybank Kim Eng Sekuritas) (Dealing in Securities)
    - **100%** Maybank Securities (London) Limited (formerly known as Maybank Kim Eng Securities (London) Limited) (Dealing in Securities)
    - **100%** Maybank Securities USA Inc (formerly known as Maybank Kim Eng Securities USA Inc) (Dealing in Securities)
    - **100%** MIB Securities (Hong Kong) Limited (formerly known as Maybank Kim Eng Securities (Hong Kong) Limited) (Dealing in Securities)
    - **100%** MIB Securities India Private Limited (formerly known as Kim Eng Securities India Private Limited) (Dealing in Securities)
    - **100%** Maybank Kim Eng Securities Limited (Dealing in Securities)
    - Other Subsidiaries
- **100%** Maybank Investment Bank Berhad
  - **35.33%** Anfaal Capital^ (Investment Banking)
  - Other Subsidiaries

## INSURANCE & TAKAFUL

- **100%** Etiqa International Holdings Sdn Bhd (Investment Holding)
  - **69.05%** Maybank Ageas Holdings Berhad (Investment Holding)
    - **100%** Etiqa General Insurance Berhad (General insurance business)
    - **100%** Etiqa Family Takaful Berhad (Family Takaful and investment-linked businesses)
    - **100%** Etiqa Life Insurance Berhad (Life insurance and investment-linked businesses)
    - **100%** Etiqa General Takaful Berhad (General Takaful business)
    - **100%** Etiqa Insurance Pte Ltd (General insurance and life insurance businesses)
    - **100%** Etiqa Life International (L) Limited (Offshore investment-linked business)
    - **100%** Etiqa Offshore Insurance (L) Limited (Bureau Services)
- **79.87%** PT Asuransi Etiqa Internasional Indonesia (General Insurance business)
- **95.24%@** Etiqa Life and General Assurance Philippines Inc (General Insurance and life Insurance businesses)
- **100%***** Etiqa General Insurance (Cambodia) Plc (General Insurance business)
- **100%***** Etiqa Life Insurance (Cambodia) Plc (Life insurance and investment-linked businesses)
- **100%** Etiqa Digital Solutions Sdn Bhd (Other IT, business management consultancy/ support services)

## ASSET MANAGEMENT

- **80%** Maybank Asset Management Group Berhad (Investment Holding)
  - **100%** Maybank Asset Management Sdn Bhd (Fund Management)
    - **99%** PT Maybank Asset Management (Fund Management)
    - **100%** Amanah Mutual Berhad (Fund Management)
  - **100%** Maybank Islamic Asset Management Sdn Bhd (Fund Management)
  - **100%** Maybank Private Equity Sdn Bhd (Private Equity Investments)
  - **100%** Maybank Asset Management Singapore Pte Ltd (Fund Management)

## OTHERS

- **100%** Maybank Trustees Berhad (Trustee Services)
- **100%** Maybank Shared Services Sdn Bhd (IT Shared Services)
  - **100%** MBB Labs Pte Ltd (IT Development)
- **100%** BinaFikir Sdn Bhd (Business/economic consultancy and advisory)
- Other subsidiaries

NOTES:

1. 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 of the Maybank Group 2021 Annual Report.
2. 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 263 in the Maybank Group 2021 Annual Report Financial Book for the details.

** 0.01% is held by Dourado Tora Holdings Sdn Bhd.

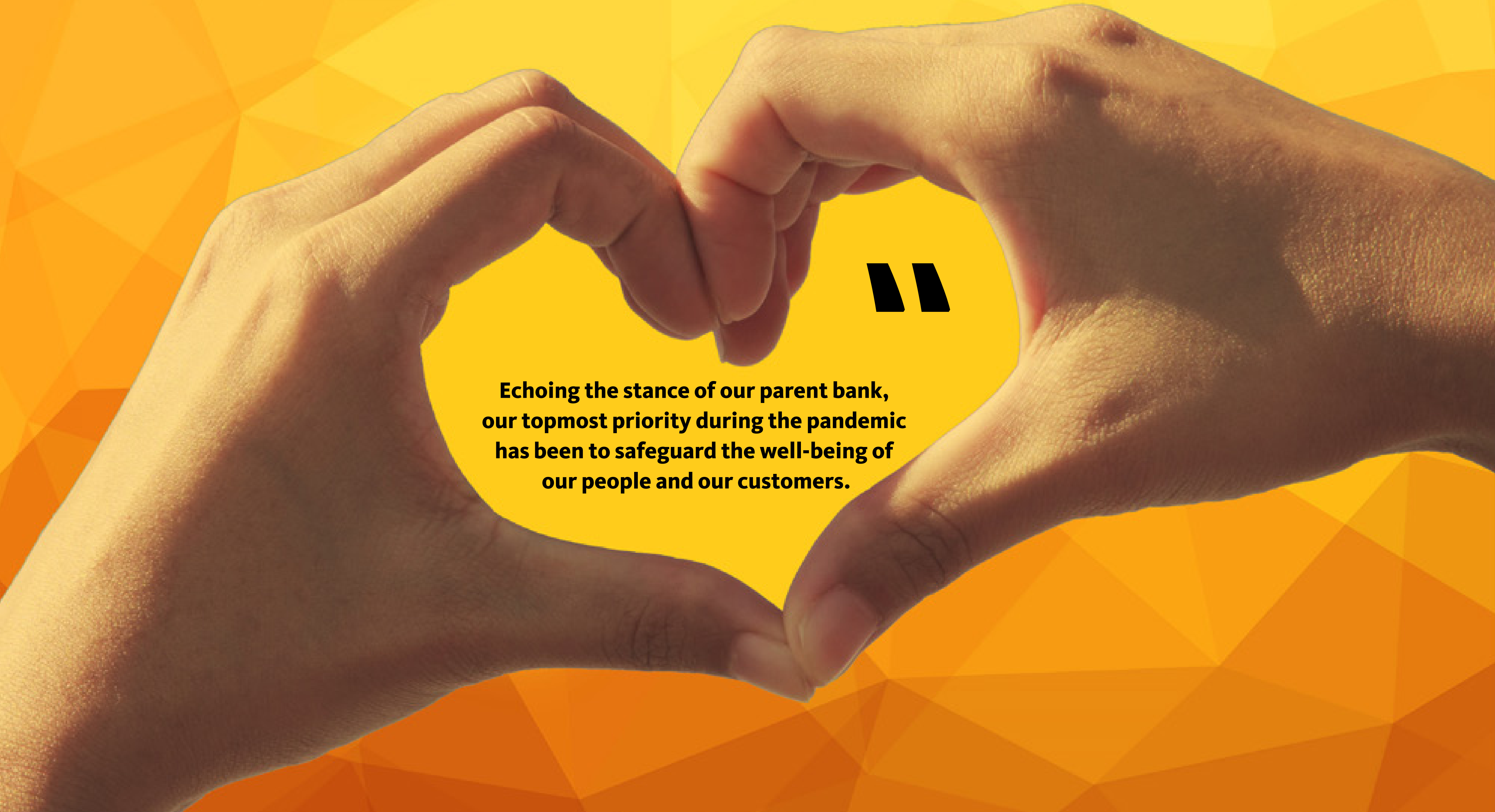
*** 99.98% isheld by Etiqa International Holdings Sdn Bhd.

^ Joint Venture.

@ Effective interest held by the Group. 54.66% is held by Etiqa International Holdings Sdn Bhd and 40.58% is held by Maybank Kim Eng Capital, Inc.

@@ Effective interest held by the Group. 85% is held by Maybank IBG Holdings Limited and 15% is held by PT Maybank Indonesia Finance (14.78% effective interest held by the Group).

# Key Messages to Stakeholders



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

# Chairman's Message

"Humanizing the new banking experience", this year's theme of the Annual Report captures the Maybank Group's overriding objective: to build a sustainable, ethical and profitable company that is future ready through its products, projects and contributions...

## Fauziah Hisham

Chairman of the Board
Maybank Philippines, Inc.

There is no denying the challenges we faced over the past year — as individuals and communities, as a company and workplace, and as part of a global society. As the global economy is gradually recovering from the COVID-19 recession, we are optimistic that this signals the dawn of a new growth cycle for the economy.

While the disruption caused by the COVID-19 pandemic has brought many challenges for Maybank Philippines, it has also taught us very important lessons. Primarily, it is putting people first in our hierarchy of needs: the need to protect our customers, our colleagues, and our communities the best way we can. We are humbled that we have emerged from the pandemic stronger, more focused and better positioned to deliver on our mission of humanizing financial services, and making time to be a force for good.

We doubled our efforts in making it a better year for the Maybank Group. While it may have been a busy year, it was rewarding for good reason. We witnessed the launch of our new five-year strategy, M25 where three long-term goals were outlined, namely: achieving a Sustainable Return on Equity (ROE), offering a Top Rated Customer Experience and becoming a Regional ESG Leader by 2025, supported by a focus on three strategic priorities – Pervasively Digital, New Value Drivers, and Sustainability.

Despite the operational and financial pressures brought on by the pandemic, Maybank Group delivered a commendable performance in FY2021 on the back of stronger net operating income, diligent cost management and lower impairment losses on an improving regional economic outlook.

On the back of our lower provisioning and improved pre-provisioning operating profit, Maybank Group's net profit grew by 24.9% YoY to RM8.10 billion while earnings per share was up by 20.8%. The Group's ROE came in at 9.8%, above our guidance of circa 9% for FY2021.

Maybank Group's strategy in managing risks well, maintaining a diversified portfolio, improving efficiency across the network as well as leveraging on digital capabilities have helped us to continue creating value for all our stakeholders to sustain the Group's performance in today's disruptive environment.

The Group's long-term strategy has paved for Maybank Philippines to register a strong performance in 2021. The Bank's assets grew to PhP102.4 billion with operating income reaching PhP5.4 billion. Improvements in risk management, operational efficiency as well as expanded automation and digitization of processes enabled the Bank to register a 32.6% reduction in operating expenses, leading to an income before taxes of PHP 724.4 million for the year.

As we enter our second year of the M25 plan, we remain focused on income growth from fee based opportunities in wealth management, global markets, investment banking and asset management by leveraging our digital capabilities.

We accomplished significantly and I'm very pleased with our progress on several fronts, including the appointment of our first Filipina President and CEO Abigail 'Gail' Del Rosario. In February 2021, Gail took the reins of Maybank Philippines as PCEO officer-in-charge. Until her official appointment in November 2021, Gail was driving our strategic plan to improve our financial performance and shareholder value, which generated our strong 2021 financial results. She has been successfully refocusing our organization on enhancing strategy execution and growing earnings with the Board's full endorsement.

"Humanizing the new banking experience", this year's theme of the Annual Report captures the Maybank Group's overriding objective: to build a sustainable, ethical and profitable company that is future ready through its products, projects and contributions, as it generates enduring value for all stakeholders and the communities it works in.

Most significantly, we are committed to deepen our accountability in embedding sustainability in our operations. We are steadfast in creating greater sustainability awareness within the organisation through training programmes to build sustainability capabilities among Maybankers and constant reinforcement of messages through internal newsletters and multi-media platforms.

We will continue to put sustainability at the forefront of our business, balancing between economic objectives and social responsibility to the best of our abilities.

**FAUZIAH HISHAM**
Chairman of the Board
Maybank Philippines, Inc.

Note of gratitude:

I would like to express my gratitude to all our Maybankers for valiantly fighting through the challenges posed by this unprecedented crisis. My sincerest thanks to the Management Team and to the Board for their continued guidance and support.

Let us keep our confidence in the future today for a sustainable value for all.

# President's Message

"

In 2021, digital monetary transactions grew by 49% YoY, resulting to a growth in digital fee-based income by 2.09 times, while our digital sales penetration reached 64.8%.

## Abigail Tina M. Del Rosario

President & Chief Executive Officer
Maybank Philippines, Inc.

On behalf of the management and staff of Maybank Philippines Inc., allow me to share with you our operating results for the financial year which ended 31 December 2021.

The year 2021 has been marked by a great number of changes and required a good deal of reinvestment and retooling to create new engines of growth. This year also saw the Bank recovering from the height of the economic standstill in 2020, registering a Profit Before Tax (PBT) of P724M for 2021.

I am pleased to report that, while the health pandemic still remains a challenge to the Bank's operations and revenue, we were able to reinvest our resources into lines of business that will drive future profitability given the changes in the business environment.

**Growth Transition**

With the shift in business environment owing to the implementation of the quarantine protocols during the health pandemic, some of our business partners were unable to operate uninterruptedly as they normally would. As such, our loan portfolio contracted by 16.7% as lower economic activity reduced the need for lending.

We focused on acquiring new customers by leveraging on our phygital (physical/digital) distribution structure in delivering new products and services to our clients. In 2021, digital monetary transactions grew by 49% YoY, resulting to a growth in digital fee-based income by 2.09 times, while our digital sales penetration reached 64.8%. In addition, the number of active users of our M2U platform grew by 13%.

At the same time, we continued to accelerate the growth of our affluent customer base by further strengthening our Premier capacity and capability. In 2021, the Premier segment grew its client base by 21.06%, with total Asset Under Management (AUM) growing by 11.3%, investments growing by 39.8%, and bancassurance doubling its portfolio.

Meanwhile, given the contraction in our loan balances, excess funding and unnecessary funding costs have been unloaded, resulting in lower cost of funds at 1.0% for 2021 compared to the 1.8% in 2020. Still, low cost CASA deposits increased by 2.6%, improving our CASA ratio to 63.2% in December 2021 from 54.8% in December 2020.

**Preventive Asset Quality Management**

Given the economic downturn that started in 2020 arising from COVID-19, the banking industry's non-performing loan portfolio increased by almost two-fold during that year. Based on Bangko Sentral ng Pilipinas (BSP) data, NPLs increased from PHP 156.1B to PHP 308.3B between December 2019 and December 2020 which further went up to PHP 371.2B by December 2021.

Despite the uptrend in the banking industry's non-performing loans, we were able to manage our NPL portfolio with an improvement in volume from PHP 4.7B in December 2020 to PHP 4.1B in December 2021. This enabled us to end FY21 with provisions of PHP 129M, far from the PHP 2.9B from the preceding year and the PHP 418M budgeted provisions, largely contributed by write-backs amounting to PHP 508M. We were able to perform better and were able to avoid deterioration of our asset quality by reallocating resources towards account servicing and collections.

While strict quarantine measures affected sales mobility, we migrated a good number of headcount from our salesforce into the asset quality management team. We also bolstered our remedial efforts, offering restructuring programs and penalty waivers to clients. Furthermore, training programs were conducted online that equipped the repurposed staff with the skills necessary to ensure proper asset quality management.

Effective ROPA disposal was also evident with the decline in the volume of repossessed assets by PHP 168M YoY.

MPI remains well capitalized with capital adequacy ratio at 21% as of yearend 2021, more than 200% of BSP's minimum regulatory requirement of 10.0%.

# President's Message

**Sustained on-the Ground Operations to Enforce COVID-19 Health Standards**

We were able to adapt quickly with the challenges of the COVID-19 pandemic, with our operations continuing to meet our clients' requirements despite the largest nationwide quarantine in the country's history. In 2021, we continued to adhere to strict health protocols while constantly updating our policies and procedures, which included:

- Implementation of weekly Crisis Management Team meetings which consistently reviewed our policies and procedures given the health pandemic.
- Migration of over 50% of our workforce to a work-from-home arrangement with adequate tools to perform their duties during the period of the community quarantine.
- Provision of transportation and accommodation for critical business functions that could not migrate to a work-from-home arrangement, such as our Call Center.
- Migration of all training programs to online learning, ensuring all personnel were able to complete required regulatory training programs and were aware of new bank policies given the new normal.
- Provision of Antigen Testing Kits to employees and requiring them to test regularly and prior to returning to work on-site.
- Strict enforcement of social distancing and co-mingling protocols in the workplace.

**Strengthening Our Brand and Employer Equity**

A continuous shift to digital channels was exhibited by consumers in 2021. In adapting to this, we continue to hold our quarterly town hall online, with over 1,000 Maybankers attending from nationwide branches or those work-from-home. We also hosted several online webinars targeted to our niche segments such as a financial wellness event, co-hosted with ETIQA and ATRKE.

**Prospects for 2022**

The country's potential for growth remains robust with the Philippines expected to make a full economic recovery in 2022. Maybank Philippines is poised to ride the wave of recovery given our reinvestment of focus lines on businesses that have become more profitable given the new operating environment. Hand-in-hand, we will grow in our selected niche segments aggressively while vigilantly managing risks and ensuring regulatory compliance.

**Acknowledgements**

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

We are also grateful for the continued guidance of our regulators.

Sincerely,

**Abigail Tina M. Del Rosario**
President and CEO
Maybank Philippines, Inc.

**Acknowledgements**

On behalf of the management and staff, I wish to thank the members of our Board, our customers, our partners and our shareholders for their continued support.
We are also grateful for the continued guidance of our regulators.

# Financial Highlights

| | 2021 | 2020 |
|---|---|---|
| **Profitability in Php** | | |
| Total Net Interest Income | 4,141,541,069 | 4,598,052,558 |
| Total Non-Interest Income | 1,291,218,162 | 581,661,619 |
| Total Non-Interest Expenses | 4,289,791,054 | 4,201,062,169 |
| Pre-Provisioning Profit | 1,142,968,177 | 978,652,008 |
| Provision for Impairment and Credit Loses | 418,593,218 | 2,789,763,656 |
| Profit Before Tax | 724,374,959 | (1,811,111,648) |
| Net Income | 389,589,006 | (1,442,785,029) |
| **Selected Balance Data Sheet in Php** | | |
| Liquid Assets | 31,244,068,361 | 21,873,906,623 |
| Gross Loans | 49,568,323,721 | 59,527,045,401 |
| Total Assets | 102,428,894,132 | 101,161,762,643 |
| Deposits | 71,780,105,172 | 80,537,036,077 |
| Total Equity | 12,837,811,253 | 12,595,777,659 |
| **Selected Ratios** | | |
| Return on Average Equity | 3.06% | -10.88% |
| Return on Average Assets | 0.38% | -1.29% |
| CET1 Capital Ratio | 17.01% | 13.62% |
| Capital Adequacy Ratio | 21.02% | 17.13% |
| **Per Common Share Data** | | |
| Net Income per Share | 1.32 | (4.90) |
| Basic | 1.32 | (4.90) |
| Diluted | 1.09 | (4.04) |
| **Book Value Per Share** | | |
| Total Equity | 12,837,811,253 | 12,595,777,659 |
| Average Outstanding Shares | 294,666,980 | 294,666,980 |
| Book Value per Share | 43.57 | 42.75 |
| **Others** | | |
| Cash Dividends Declared | 0 | 0 |
| Headcount | 1,244 | 1,309 |
| Officers | 807 | 852 |
| Staff | 437 | 457 |

# Review of 2021 Operations

**"**

**Difficult lessons have been learned in 2021, but these disruptions have tested our mettle and resilience to rise above the challenges and ensure banking is business as usual for our valued clients.**

# Community Financial Services

Reflecting on the events that transpired in 2020, this famous quote is most relevant: *"light shines at the end of the tunnel..."* as this appropriately applies to 2021, with the hope and promise that it brought. Despite 2021 being a *long tunnel* indeed, Maybank Philippines, Inc. (MPI) is grateful to have ended the year strong, thereby kicking-off our road to recovery as well as bringing us back on track to our 2025 strategic journey (M25).

In 2021, Community Financial Services (CFS) continued to be a significant driver to the overall financial performance of MPI, contributing 58% of the Bank's Profit Before Tax (PBT), 76% of total loans and 69% of deposit balances.

While MPI's consumer loans are still dominated by Auto business (57%), we have seen exciting growth coming from Mortgage and RSME businesses, both of which posted a significant turn-around from the previous year. Overall, CFS PBT was 158% better than last year, mainly due to a whopping 226% improvement in Non-Interest Income (NOII) and a 121% improvement in provisions, with the latter showing our focus and commitment on managing asset quality.

Auto Loans still remains as MPI's largest business, and in 2021 we launched several initiatives to foster continued growth. To name a few of the major activities: (1) we further strengthened our relationships with partner dealers by launching our dealer-oriented campaign - *Dealer Race for Incentive and Validation Event* (D.R.I.V.E.) – which helped us kick-start our business going into 2021; (2) we launched our Auto Direct Channel (ADC), whose sole objective was to put focus and push growth of auto loans through our branch network – immediately giving us good results as branch sourced bookings jumped from a meager 3% in 2020, to 8% by the end of 2021, despite only being launched mid-year; and finally (3) our conscious efforts to be better, with the strengthening of our internal processes to improve our approval turn-around time (TAT), while managing risk and not sacrificing on asset quality.

Particular to Mortgage business, sales growth persevered despite intermittent lockdowns as we sought alternative ways to source applications from our partner developers. The launch of campaigns and developer incentive programs – such as the annual *Tiger Cup* - likewise helped in the accelerated growth last year.

In 2021, branch performance and productivity were reviewed and appropriately classified based on their respective business opportunities. Added to this, branches were also assessed on their potential for being "hubs" for our RSME business. As RSME had also shown a strong performance last year, we had consequently bulked-up our support of these hubs – whether on resource or marketing support – to ensure we can facilitate growing our RSME business even further.

Credit cards also experienced steady growth as we adapted to the new normal setting by looking inward and going digital. New cards grew by 22% as we tapped existing clients via intensified cross-selling efforts, highlighting a "hassle-free" application process. Also, credit card billings grew 17% from the previous year on the back of increased online and e-commerce transactions, as well as the resurgence of Point-of-Sale (POS) transactions as we slowly returned to normalcy with the lifting of restrictions and the economy opening up.

Deposit levels were maintained at last year's base but with tweaks to our product mix composition to put us in a more cost-efficient position, as we consciously grew our low-cost consumer CASA by 9%. In addition, we posted a 38% growth in CASA coming from the resurgence of our RSME business, as mentioned earlier.

With Sustainability as one of the main strategic pillars of the Bank for the next 5 years, CFS is geared towards digitization in order to address our clients' present and future needs. Our digital platform – Maybank2U PH – combines the best facilities across our regional counterparts, making these available to the Philippine market. Last year alone saw numerous improvements in the Maybank2U PH platform, which included among others increasing our billers list to 386 partner merchants (including major and real-time utility billers, RFID toll fee and other regional billers); adding top-up merchants such as Meralco Prepaid, PLDT Smart Prepaid Wifi, and Cignal Prepaid through our partnership with ECPay; and launching the Maybank Credit Card EzyCash application via the website. Consequently, additional functionalities were also made available last year in the mobile app, such as the availability of a recurring payment request, management of future bills payment and funds transfer options. And to provide further delight to our users, clients can enjoy personalised background screens and birthday greetings when they access their M2U account.

In spite of our aim to be pervasively digital, we still kept to our traditional banking roots by strategically placing our branch network within key locations across the country. To capture and support business and opportunity growth, the following branch optimization endeavors were implemented: (1) We moved Alabang branch to a better location within the same area for better client accessibility; (2) New Premier Centers at Binondo and Greenhills branches were opened to cater to high net-worth clients within these locations; (3) By year-end, we completed the expansion of our Premier Center at Ayala Avenue-Makati, providing a more spacious and convenient area for our growing base of affluent clients in the area.

We carry over to 2022 our growth momentum that we started in 2021. To further streamline our customer's digital account experience, we will roll out CASA straight-through processing Phase 2, enabling real time, fully operational Maybank iSave accounts. With this, a customer will have no limits on their iSave accounts – unlimited deposits, unlimited funds transfers and bills payment. Maybank Philippines will also rollout out Visa Debit in in two (2) variants – Classic (for non-Premier clients) and Platinum (for Premier clients). Visa Debit will allow Maybank's customer to purchase goods and services from any Visa, Mastercard or Bancnet accredited point of sale or online merchant while enjoying the full benefits of an ATM card.

In 2022, we will work towards further enhancing our internal processes to do work more efficiently. We will continue with our journey on strengthening risk culture and enhancing complaints management through automation and better transparency, as well as forging more synergies and partnerships – internal and external – to boost our digital acquisition and cross-sell initiatives.

We in CFS will continue to put the community at the heart of our service, fully embracing the brand promise of Maybank Philippines Inc. to *Humanize Financial Services*. CFS proudly works hard to provide our clients with alternative and effective ways to bank, thereby enabling technical, personal and financial growth to come together – whether it be through the various client touch-points (physical or digital) or the offering of relevant products and services. We create these innovations to improve client experience and expand our reach by bringing our financial services closer to our valued clients.

# Global Banking

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

The GB team is composed of the following business lines: Client Coverage, Corporate Banking, Real Estate Finance, Cash Management Services, Trade & Supply Chain Finance and Financial Institutions.

Despite the lingering impact of COVID-19 and new challenges brought about by surges of reported cases, new virus variants and return to selective lockdowns in the first half of 2021, GB managed to on-board new clients and book major deals in the form of Omnibus Lines and Cash Management Services. These ensured a steady stream of interest and fee-based income from both existing and new clients.

The GB loan book stood at **PHP 11,268 million** by the end of 2021, down by PHP 3,193 million compared to 2020's loan level of PHP 14,460 million while total deposits amounted to **PHP 22,059 million** with CASA comprising **51.3%** of these deposits. Total net interest income amounted to **PHP 812.0** million from PHP 987.0 million in 2020 largely due to lower portfolio while non-interest income reached **PHP 71.0 million,** a 45% hike from last year's PHP 49.0 million, bringing GB's contribution to 16.2% of MPI's total revenues.

For cash management services unit, over-all enrollments increased from 428 in 2020 to 585 in 2021 for a 34% growth. Furthermore, enhancements to the product and service offerings were made to add on to the features of our existing payments and collections services. These included the M2E Payment Advice Service, PDDTS via M2E Bulk Payment Service, the implementation of Maybank2E Host-to-Host and development of the Virtual Account Centralized Collection Solution, among others. Worthy to note that the volume and value of corporate online transactions grew 102% and 94%, respectively in 2021 vis-à-vis 2020 numbers.

The M2E Payment Advice Service enables the customers to send emailed payment advice to their beneficiaries via M2E. On the other hand, PDDTS via M2E Bulk Payment Service allows the customers to send in bulk PDDTS transactions via M2E. The Maybank2E Host-to-Host service permits customers to electronically interface with M2E through their host system.

In view of the continued close monitoring of GB's loan portfolio, paying more attention to borrowers whose businesses were adversely affected by the health pandemic, we managed to significantly reduce loan provisions, resulting to better bottom-line for year 2021. This strategic initiative included the proactive restructuring of loan clients in troubled industries and extensive remedial and recovery efforts toward defaulted borrowers.

For year 2022, and cognizant that while the COVID-19 situation has improved and more businesses are gradually bouncing back, GB will shift onboarding and business generation efforts towards select top conglomerates in the country and their subsidiaries. This strategy provides reassurance of better asset quality which will then keep loan-loss provisions at bay. It is also expected to generate bigger ticket-size deals for the Group.

To achieve this direction, the key strategy of GB includes generating flow business, synergizing with the Maybank Investment Banking Group, and strengthening relationships with targeted conglomerates by catering to their expansion requirements locally and in the ASEAN region where Maybank has presence.

# Global Markets

The gradual reopening of the economy and accelerated rollout of vaccination in most countries saw 2021 get off to a promising start towards recovery. While the infectious delta and omicron variants continued to make inroads to the public, both locally and abroad, health and movement restrictions had been eased to help jumpstart trade and commerce.

In the Philippines, the Bangko Sentral ng Pilipinas (BSP) kept its policy benchmark rate at a record low of 2% to remain accommodative, and maintained its thrust towards continued support for economic growth. The Philippine government also successfully raised Php 823 billion in the 25th and 26th tranches of its retail treasury bonds. More importantly, positive GDP in 3Q2021 onwards was maintained as the country slowly bounces back.

Amidst the prolonged pandemic situation, we at MPI Global Markets continued to support our customers, connecting them to growth opportunities while helping them manage the risks of heightened uncertainties and market volatility.

While markets remained challenging especially when bond yields were rising both globally and locally, MPI Global Markets stuck to the plan of focusing on the FX space while assuming a defensive stance in fixed income and a relative short duration in the investments portfolio.

We reinforced our unwavering commitment to customers by ensuring continuous and excellent service delivery during the pandemic – enabling us to focus more on supporting customer flows and expand our foreign exchange and fixed income product offerings to cater to the growing needs of our institutional and retail clients.

Highlights:
- Growth in Fixed Income book brought by increased participation in new issuances and more active secondary trading
- Active promotion of GM products and services through branch teach-ins and referral programs
- Strong recovery in Trading Desk revenues from a poor 1Q2021
- FY2021 Revenue was at P963 million

2022 promises newer opportunities for growth, with transitioning to more sustainable finance solutions and differentiated financial advisory. GM will roll out fresh products to suit customers' requirements, while maintaining strategies that worked from late 2021.

Pursuing more dynamic and stronger synergies within the Maybank Philippines family and the entire Maybank Group, MPI Global Markets remains committed to supporting the aspirations of our customers.

# Trust

Maybank Philippines, Inc. Trust (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 variants: Money Market Fund, Peso Bond Fund and USD Bond Fund, which are all structured as a Feeder Fund. Our UITFs are labelled as Maybank UITF Tiger Funds to reflect the MPI brand.

The year 2021 was a year of recovery for the entire trust industry, including MPI-Trust, as proven by the continued growth in Trust Assets. Adapting to the new normal, however, is still the biggest challenge we are facing, as this health pandemic requires each of us to be more agile in the coming years. With the support and guidance of the Trust Committee, MPI-Trust was able to end the year stronger on both Assets Under Management (AUM) and Trust Fees from 2020.

Some of the notable achievements are as follows:

- Booked New-to-Trust accounts (322 PHP and 61 USD accounts), resulting to a net increase in AUM by P129M;
- Grew revenue by 27% from 2020;
- Made available a wider asset universe to Trust clients to invest into; and
- Strengthened risk and compliance framework to support the growing business of Trust.

Despite the health pandemic, MPI-Trust business' continued growth resulted to a modest 3-Yr Compounded Annual Growth Rate of 2%.

**Key Strategies**

In 2022, Trust will embark into a new foreign denominated UITF named Maybank Tiger USD Asian Income Feeder Fund which was already approved by the Bangko Sentral ng Pilipinas (BSP). The Fund's objective is to provide investors with capital growth and income over the medium term, by investing primarily in a portfolio of Asian fixed income securities and U.S. government debt.

To provide alternative investments / assets that will diversify clients' portfolio and ensure constant improvements in asset quality, Trust will continue to accredit alternative investment outlets for MPI Trust clients.

We are also undergoing business transformation to focus on various system enhancements and streamlining initiatives to support continued growth and efficient transactions processing for ease in customer experience.

With our current economic and market trends, MPI-Trust was able to adapt to the different market scenarios and continues to deliver trust products and services that surpass customer expectations in value and every aspect of customer services.

# Information Technology

Information Technology stood firm in its commitment to accelerate the digital transformation of MPI even in the face of the pandemic. The need to modernize legacy enterprise applications to stay competitive and strengthen cybersecurity to protect the Bank from evolving internet threats; the need for data analytics to drive business processes; the continuous development of Robotic Process Automations to streamline and focus on key strategic capabilities; adapting hybrid work arrangements making people effective, mobile, and still productive amid the lockdown implemented nationwide –- these enhancements continued to be our key focus areas each year.

Ultimately, Information Technology supports MPI in achieving the M25 Strategic Priorities and Business Strategic Thrusts: agility in building and growing the business by enabling client solutions via digital transformation; minimizing the time needed to generate new business and strengthening customer experience; adding and providing electronic security, data storage, and efficient communication thru a stable and resilient IT infrastructure.

**Stable and Reliable Infrastructure:** With the improvements in the DR Network infrastructure, increase of server resources, migration of new servers in DR Nutanix and upgrade of the core-banking hardware and operating system in 2021, stability and reliability of the Bank's IT infrastructure sustainability have been put into crucible via successfully completing the 5-day live DR exercise.

**Secure Connectivity and Work Anywhere.** With the implementation of Network Access Control system, network access to compliant and authorized devices was easily managed. To enable routers to exchange information more efficiently, the Network Dynamic routing EIGRP (Enhanced Interior Gateway Routing Protocol) on all MPI back bone routers was done. We will further enable mobility and work from home or hybrid capability not only to keep our people safe but also productive.

**Shifting to 'New Normal' Banking:** With the acceleration of digital transformation, we invested in projects to enable onboarding of clients, processing transaction and servicing clients digitally. The journey to be agile and strong collaboration with Operations and Business to leverage on new technologies and methods will lead to the creation of new business models and value propositions.

VISA Debit was implemented to complement the Group's mission of digitalization and become the chosen digital bank in the Region. This new product aims to increase card-base, worldwide usage and will entice more customers to open a Maybank account. International withdrawal for all MPI VISA debit card holders and Worldwide Merchant Acceptance (POS & e-CASA STP) are already available.

Continuing the Digital Roadmap, we embarked on CASA STP Phase 2 which introduced the ID validation and liveliness detection capability of our Straight Through Process (STP) Online Application for Savings Account via M2U Application streamlined and improved the customer experience on opening an iSave account.

Since 2019, the Mobile UI/UX has been enhanced to incorporate new services and continue the momentum and digital push of MPI. In 2021, credit card order taking services were added to make it more accessible to customers while recurring payments and customization of future payments & fund transfers went live in the tail end of the same year, including birthday greeting and changing background screens, giving the M2U App a personalized experience.

The Virtual Account for Consolidated Collections was offered as a new cash management solution which enables our Corporate Clients to consolidate their receivables from various sources and provide ease of reconciliation.

**Information Technology Risk Management:** In December 2021, obsolescence management for critical applications was at 0% while for critical servers was at 1.67%. The favorable obsolescence risk is attributed to the execution of key initiatives such as the upgrade of AS/400 550 to P9 machine as well as the OS upgrade from V6r1 to V7R3; Nutanix Acropolis & WMWare Hypervisor firmware upgrade to the latest version; and the migration of Windows OS and Database Server 2008 to Windows 2016 & Windows 2019.

**Information and Cyber Security:** For MPI, making considerable investment on cybersecurity continues to grow. As we are undergoing digital transformation, there is a great need protect our digital business assets and environment. We have been assessing the risks of data breaches and realizing the amount of financial and other losses that can be avoided by developing a comprehensive cybersecurity strategy. In 2021, key initiatives have been successfully implemented such as the Cyber Defense Capability, Review of VPN Security Infrastructure, Endpoint Detection Response (FireEye), Virtual Patching (Deep Security) and Privilege Access Management (CyberArk). Deployment of these activities serves as ground work to have Zero-Trust architecture and brought Maybank Philippines to reach the Group's target maturity level of 4.0 on information security and cyber security.

# Central Operations

Amidst the challenges brought about by the global health pandemic, Central Operations continue to adapt to the many possibilities of what we call the "new normal". Then and now, Central Operations has strengthened its business continuity plan to ensure that efficient processes are in place to withstand any further disruption in the delivery of financial services to clients.

These Initiatives implemented at the height of the pandemic resulted to strong reinforcement and improvement:

1. Resiliency

Business resiliency is key to business operations. It was imperative to put in place mechanisms to ensure the team's flexibility to promptly respond to the fast-paced changes in both the market and the needs of our clients. Split operations served a crucial role in sustaining service delivery. As business transactions began to increase, Central Operations aligned its support with the needs of the business. An alternative structure comprised of representatives from other functional units is underway as part of the team's contingency plans for critical roles. Hybrid work arrangements were likewise initiated to strengthen processes and to ensure the preparedness of the team for any business disruption.

2. Risk and Control

Despite the volatility of the year 2021, Central Operations proved that strict adherence to functional controls remains a top priority. Challenges from the past were used as a learning experience in achieving work efficiency which were evident in the team's performance during reviews.

To embed a stronger risk-based culture, Central Operations continued to invest time on training and coaching. Mandatory e-learning courses as well as coaching discussions were continuously conducted. This constant learning and feedback mechanism kept the team better informed and more vigilant in performing essential functions in a highly volatile financial environment.

3. Agility, Digitization and Automation

As the country moves towards the new normal, businesses are now conducting their operations with less restrictions and as such, transactions are expected to continuously grow, initially at a steady pace but eventually with increased momentum. For Central Operations, this is an opportunity to review and challenge processes as well as implement digitization and automation initiatives to improve client experience, establish standardized and future-ready processes, increase productivity and provide cost-effective services. The team has lined up a number of robotic process automation projects as well as local and other Group-wide initiatives for the year.

Central Operations will continue to navigate progressively in order to quickly adapt to a changing business environment and deliver even stronger performance results. Streamlining processes – including simple ways of reducing the use of paper, to innovations on automation, use of robotics and end-to-end process reviews will be the banner of the Sector in 2022.

# Human Capital

**Developing Leaders, Accelerating Talents**
As Maybank Philippines continues to develop and grow 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 annually at both Country and Group levels. In 2021, the leadership bench is generally healthy with 3.5:1 cover ratio for Mission Critical Positions (MCP) and 1:1 cover ratio for Operational Critical Positions (OCP).

Consistent with its goal of becoming FutureReady by being agile, the Bank continues to develop and accelerate its talents through exposure and experiential development programs. In 2021, 24 employees were appointed as officers-in-charge and underwent a developmental plan; out of which nine (9) are confirmed to full time positions.

**Culture Reinforcement Programs**

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

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

*Employee Engagement Initiative*

Despite the challenges of the pandemic in the past two years, the Bank improved its employee engagement scores, where 87% of the MPI personnel participated in the survey with Leadership (94%), Communication (93%) and Operating Efficiency (91%) being most recognized.

The following programs have helped ensure that employee experience is of utmost importance:

- **Zoom Engagement Sessions** – skip level sessions done online meant as *kumustahan,* in lieu of the informal coffee session done pre-pandemic. This provided insights on the ground on matters of engagement, productivity, and work relationships.
- **Facebook Live and Learn Sessions**– MPI continues to leverage on the power of social media through its interactive virtual bi-monthly FB sessions, where the Management Committee and the Bank's Subject Matter Experts address and discuss health & social issues, business strategies and market insights.
- **Virtual Town Hall** – a virtual event attended by employees where the Management Committee cascades updates on the Bank's financial performance, strategies and business achievements.

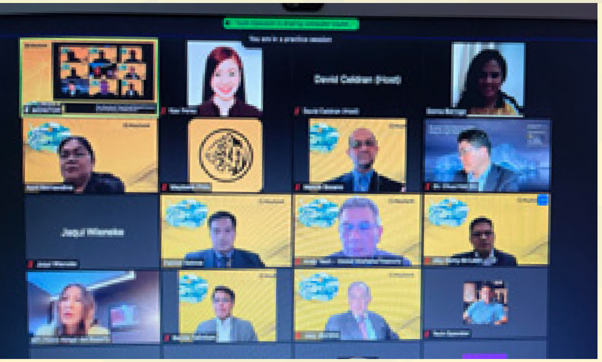
*Industrial Relations*

MPI successfully closed a record-setting one-day meeting conclusion of the CBA negotiation, the shortest and fastest negotiation in Maybank Philippines, as currently recorded in the local banking industry. This was commended by no less the Department of Labor and Employment – National Conciliation and Mediation Board for the speedy and peaceful negotiation.

*Internal Communication Channels*

- **M.E.N.U. (Milestones, Engagements, News, Updates) Newsletter** – Published monthly to disseminate the PCEO Message, business milestones, recent and upcoming events and engagements, trainings, currently promoted business products and services, human interest stories of employees and community partners, and relevant bank announcements.
- **Enterprise Social Network (MPI TIGERS - Facebook Closed Group)** – Used by Maybank Philippines to collaborate and communicate projects, initiatives, and programs online. Used by Maybankers to share and comment on work-related ideas, news, and activities.
- **Point-of-Contact (POC) and Team Leaders (TL) Meeting** – A weekly virtual meeting presided over by Human Capital and attended by all identified POCs and TLs of business and support groups which aims to cascade and discuss information and issues related to COVID-19 SOPs and other people-related matters.

# Key Corporate Milestones



### 23 JANUARY | BUSINESS
Maybank Philippines Community Financial Services (MPI CFS) teams from sales, support and operations gathered virtually to attend the first CFS rally themed MORE (Move Onwards Revitalized, Energized) AS ONE. Attended by 900 Maybankers from all over the Philippines, the rally aimed to set everyone in the same starting position in preparation for the 2021 race. Aside from the CFS Top Team, MORE AS ONE was graced by Group CFS CEO Dato' John Chong and Group Chief Strategy Officer and CEO-International Michael Foong.

### 27 JANUARY | BUSINESS
Maybank Philippines, Inc. (MPI) and eTiqa Philippines fortified their existing alliance through a Bancassurance Exclusivity Agreement signed in November 2019 and formally announced during the virtual Banca One in 21 kick-off event, attended by then MPI PCEO Choong Wai Hong, eTiqa Philippines President Rico T. Bautista, CFS Head Abigail Tina M. del Rosario, MPI CFS leaders, MPI Wealth Management Team, MPI Offices and Branch Employes, eTiqa Group and eTiqa Philippines Executive and eTiqa Financial Advisors.

### 31 JANUARY | INTERNAL ENGAGEMENT
In celebration of Maybank Group's 60 years of strong international leadership, Maybank Philippines launched the digital book "Power of 60" – a collection of 60 micro-stories creatively written in 60 words by 60 MPI Tigers whose loyalty has been proven and whose business contribution has been recognized.

### 24 MARCH | COMMUNITY
Maybank Philippines made a substantial donation through program partner CFC-ANCOP Global Foundation Inc. to provide for supplemental food packs to 250 farmer-tenants and their families severely affected by Typhoon Rolly (international name: Goni) in Bicol area and Typhoon Ulysses (international name: Vamco) in Isabela province.

### 24 MARCH | COMMUNITY
Maybank Philippines formally handed over 100 sets of Level-4 personal protective equipment (PPE) for the use frontliners of Southern Philippines Medical Center, a designated Covid-19 referral hospital in Davao City.

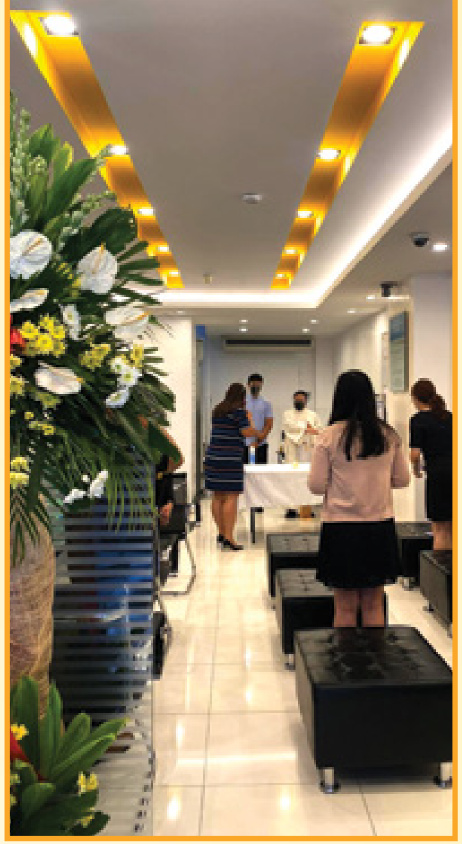
### 28 APRIL | BUSINESS
Maybank Philippines, Inc. (MPI) and eTiqa Philippines celebrated together MPI's 2020 Top Achievers during the Banca Brilliant Banker 2020 Awards Night held virtually and streamed live via MPI Tigers Facebook Group. The virtual ceremony trained the spotlight on the achievements of select Maybankers who have made significant contributions to the business despite a year full of challenging and defining moments.

### 20 MAY | COMMUNITY
Maybank Philippines PCEO-OIC Abigail Tina M. Del Rosario was one of key speakers invited to the National Council for Disability Affairs (NCDA) Webinar on Financial Literacy for Persons with Disabilities, presenting on R.I.S.E. as Maybank Foundation's Pathway to Economic Empowerment of PWDs.

### 21 MAY | BUSINESS
Maybank Philippines teamed up with trusted payment authority Bayad to boost bills payment capability and augment the list of available billers on the MaybankPH 2U online and mobile platforms.

**08 JUNE | BUSINESS**
Premier banking services launched in the heart of Manila's Chinatown with the inauguration of the newly-renovated Maybank Binondo Branch and Premier Center.

**24 JUNE | ENGAGEMENT**
Maybank Philippines, Inc.'s (MPI) mid-year Townhall culminated with the much-awaited 2021 STAR Awards, which recognised exceptional Maybankers who delivered outstanding performances in 2020 amidst the operational challenges brought about by the pandemic.




**24 NOVEMBER | BUSINESS**
Maybank Philippines hosted Enable the Future: Leading Sustainability for Responsible Finance, a year-end market forum for clients. Bangko Sentral ng Pilipinas Governor Benjamin E. Diokno and Finance Secretary Carlos G. Dominguez III were keynote speakers, and both were joined by Undersecretary Rosemarie G. Edillon of the National Economic and Development Authority and Senior Economist Dr. Chua Hak Bin of Maybank Kim Eng.

**26 NOVEMBER | COMMUNITY**
The CashVille Kidz Financial Education Excellence Awards (Philippines) 2021 was highlight of Day 5 of the BSP (Bangko Sentral ng Pilipinas) Financial Education Stakeholders Expo 2021 hosted virtually and participated in by key fin-ed partners and advocates. Maybank Foundation and Maybank Philippines were key partners in the five-day event.

**22 DECEMBER | COMMUNITY**

Maybankers based in the Legaspi Towers corporate office held a gift-giving program for its LTC neighbors— pedicab drivers, sidewalk vendors, security guards and street cleaners. A total of 50 food bags containing spaghetti packs, coffee, sugar, instant noodles and rice were given out to the beneficiaries by Maybank volunteers.

**26 DECEMBER | COMMUNITY**

MPI provided assistance to its Maybank VisMin family affected by Typhoon Odette by sending over holiday Noche Buena food packs and drinking water to 173 full-time employees and 98 outsourced personnel including Security Guards, Messengers, Janitors and Contractuals. Financial assistance through the Maybank Staff Welfare Fund were also extended to those whose houses were damaged by the typhoon.

# Awards and Citations

## 2020

**Bangko Sentral ng Pilipinas**
BSP Stakeholder Partner, Financial Education 2020

**The Digital Banker**
Global Retail Banking Innovation Awards
Best Digital Transformation Program 2020

**World HRD Congress**
15th Employer Branding Awards
Best Employer Brand Award 2020 - Philippines

## 2019

**Bankers Institute of the Philippines Inc. (BaiPhil)**
2nd Runner-up, 2019 Best Bank in Digital Financial Inclusion Award

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

**City Government of Biñan 3rd City of Life Awards**
2019 Outstanding PWD Project for Biñan Conducted by a Company/Organisation

**Persons with Disability Affairs Office (PDAO) and City Social Welfare and Development Office City Government of Sta. Rosa, Laguna**
Plaque of Appreciation (for R.I.S.E. Program)

**VISA Philippines**
Best New Segment Launch (for Maybank Visa Infinite Card)

## 2018

**Bangko Sentral ng Pilipinas**
Special Citation on Accessibility

**Ministry of International Trade and Industry, Malaysia**
MATRADE Award – Best Malaysia Brand

# Our Leadership

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

# Board of Directors

**Fauziah Hisham**
*Madam Chairman*

**Abigail Tina M. Del Rosario**
*President & CEO*

**Datuk Lim Hong Tat**
*Director*

**Manuel L. Tordesillas**
*Director*

**Renato T. De Guzman**
*Director*

**Atty. Ray C. Espinosa**
*Director*

**Pollie Sim Sio Hoong**
*Director*

**Jesus Roberto S. Reyes**
*Director*

**Simoun S. Ung**
*Director*

# Board of Directors Profile

**Puan Fauziah Hisham | Chairman of the Board**
**66 years old, Malaysia | Non-Independent, Non-Executive**

Puan Fauziah Hisham was appointed Director of MPI in September 2018, and subsequently elected as Chairman of the Board in April 2019. She is also an Independent Non-Executive Director of Maybank and serves as Chairman of the Credit Review Committee of the Maybank Board and as a member of the Risk Management Committee and Nomination and Remuneration Committee of the Maybank Board.

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 and Agensi Kaunseling dan Pengurusan Kredit (AKPK).

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

Renato T. De Guzman became an Independent 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 Board Strategy Committee, Corporate Governance 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 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**
**65 years old, Philippines | Independent, Non-Executive**

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

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

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

**Pollie Sim Sio Hoong | Director**
**60 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 Corporate Governance Committee.

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

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

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

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

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

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

## Manuel N. Tordesillas | Director
**69 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 Risk Management Committee and 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.

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

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

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

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

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

## Jesus Roberto S. Reyes | Director
**63 years old, Philippines | Independent Director, Non-Executive**

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

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

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

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

## Abigail Tina M. Del Rosario | President and Chief Executive Officer
**59 years old, Philippines | Non-Independent, Executive**

Abigail Tina M. Del Rosario was formally appointed as the first female President and CEO of Maybank Philippines in 05 January 2022. Prior to this appointment, Gail was the Officer-In-Charge (OIC) of MPI since 11 February 2021, and has steered MPI in achieving its financial targets during the last financial year.

Gail joined Maybank Philippines in 23 July 2018 as Head of Community Financial Services, bringing 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.

# Management Committee

**Abigail Tina M. Del Rosario**
*President and Chief Executive Officer*

**Likia**
*Chief Financial Officer*

**Patrick Dennis Solosa**
*OIC, Community Financial Services and Head, Consumer Finance*

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

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

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

**Jose A. Morales III**
*Interim Head, Central Operations*

**April Theresa D.C. Bernandino**
*Acting Internal Audit Head*

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

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

**Rajagopal Ramasamy**
*Chief Risk Officer*

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

# Management Committee Profile

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**President and Chief Executive Officer**
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Gail graduated from the University of the Philippines with a degree in Bachelor of Science in Business Management.

## Likia
**Chief Financial Officer**
**48 years old, Indonesia**

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

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

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

## Andy Yeoh (Yeoh Keong Yong)
**Treasurer and Head, Global Markets**
**56 years old, Singapore**

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

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

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

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

## Jose A. Morales III
**Interim Head, Central Operations**
**60 years old, Philippines**

Jose Morales III joined Maybank Philippines in 2011 as Senior Vice President and Chief Audit Executive, and in 2021 was appointed Interim Head, Central Operations. 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 SGC 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.

### Patrick Dennis L. Solosa

**OIC, Community Financial Services and Head, Consumer Finance**
**48 Years old, Philippines**

Patrick Dennis Solosa joined MPI on April 16, 2021 as Senior Vice President and Head of Consumer Finance. He was concurrently appointed as Officer-in-Charge of Community Financial Services on October 11, 2021. Pat led the Auto Transformation Roadmap Phase 2 and 3 under Auto Working Group, which aims to increase Auto Loan profitability through new initiatives to improve process, people, technology and governance.

As an OIC, he was instrumental to the overall improvement of CFS' 2021 PBT & NOII as well as the performance of MPI's key business drivers: Mortgage & RSME, including deposits.

Pat continues to provide leadership in managing the Maybank's retail business and ensure to meet its short and long-term goals and objectives, comply with its policies and regulatory requirements, and maximize its return to our stakeholders.

### Bernardo G. Talimban, Jr.

**Head, Information Technology**
**52 years old, Philippines**

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

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

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

### Manuel G. Bosano III

**Head, Global Banking**
**53 years old, Philippines**

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

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

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

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

### Mark Lord D. Limson

**Head, Human Capital**
**45 years old, Philippines**

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

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

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

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

# Management Committee Profile

**Rajagopal Ramasamy**
**Chief Risk Officer**
**57 years old, Malaysia**

Rajagopal Ramasamy was appointed as the Chief Credit Officer of Maybank Philippines in June 2018.

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

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

**Ma. Bernadette T. Ratcliffe**
**Chief Compliance Officer**
**60 years old, Philippines**

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

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

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

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

**April Theresa D.C. Bernandino**
**Acting Internal Audit Head**
**50 years old, Philippines**

April Theresa DC. Bernandino joined Maybank Philippines on November 16, 2020 as Deputy Audit Head, and was subsequently appointed Acting Head, Internal Audit on 1 February 2021.

April comes with more than 20 years of experience in strategic and leadership roles of Internal Auditing. Prior to joining MPI, she was the Internal Audit Head of Maybank ATR Kim Eng Philippines (MATRKE PH) from 2012 to 2020, where she led the team that institutionalised Internal Audit in the MARTKE Group of Companies. During her stint, April introduced an internationally-accepted auditing framework together with conduct of preliminary meeting prior to engagement, and an audit exit meeting for better partnership between the auditees and auditors, which were eventually adapted by the Group.

Before MPI, April also worked with Joaquin Cunanan & Co. (Pricewaterhouse Philippines) and subsequently Isla Lipana & Co. (PricewaterhouseCoopers Philippines), handling different companies in diverse industries rendering internal audit outsourcing and risk management services. She also had a short stint with Rustan Supermarkets, Inc. as Head of Internal Audit Department.

April is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Accredited Internal Audit Quality Assessment Reviewer (QAR Assessor), Certified Fraud Examiner (CFE), and gained Certification in Risk Management Assurance Assessor (CRMA). She graduated with a degree in Bachelor of Science in Commerce Major in Accountancy from De La Salle University.

**Atty. Gerardo J. De Leon**
**Corporate Secretary and Head, Legal**
**57 years old, Philippines**

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

Before joining MPI, Atty. Gerry was the General Regulations Compliance Officer and Data Protection Officer of Security Bank Corporation where he was also appointed as Compliance Officer of its various subsidiaries and affiliates. He practiced law for more than 20 years, performing legal research and writing 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 the University of Santo Tomas. He obtained his Law Degree from San Beda University, formerly San Beda College.

# Management Directory

## President

**Abigail Tina M. Del Rosario**
CEO, Maybank Philippines

## Executive Vice President

**Rajagopal Ramasamy**
MPI Chief Risk Officer

## Senior Vice Presidents

**Delbert S. Ang It**
Head, Community Distribution

**April Theresa DC. Bernandino**
Acting Internal Audit Head

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

**Likia**
Chief Financial Officer

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

**Paolo Joaquin C. Maranon**
Head, Trading Desk

**Jose A. Morales III**
Interim Head, Central Operations

**Angela R. Ofrecio**
Head, Sales Desk

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

**Patrick Dennis L. Solosa**
OIC, Community Financial Services and Head, Consumer Finance

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

**Rolly G. Tamondong**
Head, Auto Finance

**Jacqueline Grace B. Wieneke**
Head, Wealth Management and Bancassurance

## Vice Presidents

**April Katrina V. Albotra**
Head, Transaction Banking

**Michael D. Banzon**
Head, Payments & Cash Services

**Joy B. Bitoy**
Head, Customer Experience and Process Governance

**Roxanne Beatriz S. Bradley**
Relationship Manager

**Chester M. Caluag**
Head, IT Audit

**Cristina B. Casipit**
Head, Rates and ALM Desk

**Noel G. Chan**
Head, Mortgage

**Stanley F. Chua**
Head, Purchasing, ROPA and Admin

**Enrico L. Cordoba**
Head, Corporate Planning

**Antonio C. Danao**
Head, MPI Trust

**Ma. Rosario C. Datuin**
Region Head

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

**Maria Luisa C. Layug**
Region Head

**Juanito C. Lucas**
Head, Loans Administration

**Michael Y. Maglonzo**
National Sales Team Head

**Michael B. Pagkalinawan**
Relationship Manager

**Jo-Anne D. Rodriguez**
Head, Retail Credit Center

**Errol Brian B. Sadie**
Head, Solutions Delivery & Applications

**Paolo M. Salcedo**
Head, Cards & Unsecured Lending

**Antonette P. Santos**
Head, Central Insurance

**Santiago F. Sebastian**
Head, Non-Financial Risk

**Ronel Loreto R. Tapiador**
Region Head

# Corporate Governance

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

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

The practice of good corporate governance is vital to keep the checks and balances in the Bank's operations and 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 also responsible for governing the business and affairs of the Bank, and for exercising all such powers pursuant to its Articles of Incorporation and By-Laws. The Board is allowed to seek external professional advice on any issue it deems necessary. To be effective, the Board subscribes to the 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 2021, the Annual Stockholders' Meeting was held on June 4, 2021.

### 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 2021) | No. of Years served as director | No. of Direct (D) and Indirect Shares as of December 31, 2021 | Percent to Total Outstanding Shares |
|---|---|---|---|---|---|
| Madam Chairman Fauziah Hisham | Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank) | 9/9 | 3 | 1 (D) | 0% |
| Ms. Pollie Sim (Sim Sio Hoong) | Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank) | 9/9 | 8 | 1 (D) | 0% |
| Datuk Lim Hong Tat | Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank) | 9/9 | 7 | 1 (D) | 0% |
| MPI PCEO Abigail Tina M. Del Rosario* | Non-Independent / Executive representing Malayan Banking Berhad (Maybank) | 2/2 | 0 | 1 (D) | 0% |
| Mr. Manuel N. Tordesillas | Non-Independent / Non-Executive | 9/9 | 3 | 1 (D) | 0% |
| Mr. Renato T. De Guzman | Independent / Non-Executive | 9/9 | 5 | 1 (D) | 0% |
| Atty. Ray C. Espinosa | Independent / Non-Executive | 9/9 | 5 | 1 (D) | 0% |
| Mr. Simoun S. Ung | Independent/Non- Executive | 9/9 | 2 | 1 (D) | 0% |
| Mr. Jesus Roberto S. Reyes | Non-Independent / Non-Executive | 9/9 | 1 | 1 (D) | 0% |
| Mr. Choong Wai Hong** | Former PCEO and Director | - | | | |

**Elected on 08 October 2021*

*** Resigned effective 11 April 2021.*

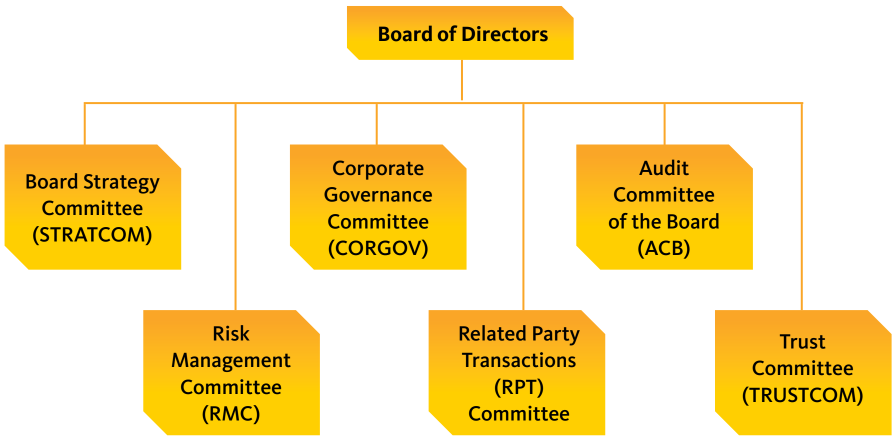
**BOARD PERFORMANCE EVALUATION**

The Board of Directors, upon the endorsement of the Corporate Governance Committee, adopted an Annual Performance Evaluation, which aims to ensure that the Directors are aware of their responsibilities as individual members and as part of the collegial board. It also allows the members of the Board to identify their strengths and weaknesses which, in turn, will enable the Corporate Governance Committee to formulate steps to address areas of improvement for each Director and the Board as a whole.

The evaluation form has two parts. The first part contains statements of the roles, duties and responsibilities of a Director as embodied under the Bangko Sentral ng Pilipinas' MORB and the Corporate Governance Self-Rating Form. The Director is asked to assess the level of his/her fulfillment to each of the statements as either "Exemplary", "Satisfactory" or "Below Expectation". The second part, on the other hand, consists of varying statements on the roles, functions and responsibilities of the Board. The Directors are asked to assess the performance of the Board on the aspects of Strategies and Plans, Performance Management, Risk Management, Financial Reporting, Policies, Human Capital Management, Effectiveness, Remuneration, Shareholders' Value, as well as its general assessment on the performance of the Board and Management Committees and the manner by which meetings are conducted. Assessment is either "Satisfactory", "Could Improve" or "Must Improve in Coming Year".

### BOARD COMMITTEES

MPI has six (6) Board-level Committees, which were formed to assist the Board in implementing its duties and responsibilities within the bounds of good corporate governance.




### BOARD 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.

| Board Strategy Committee 2021 | | |
|---|---|---|
| **Position in the Committee** | **Name** | **No. of Meetings Attended** |
| Madam Chairman | Puan Fauziah Binti Hisham | 5/5 |
| Member | Datuk Lim Hong Tat | 5/5 |
| Member | Mr. Renato T. De Guzman | 5/5 |
| Member | Mr. Jesus Roberto S. Reyes | 5/5 |
| Member | Mr. Simoun S. Ung | 5/5 |

### CORPORATE GOVERNANCE COMMITTEE

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

| Corporate Governance Committee 2021 | | |
|---|---|---|
| **Position in the Committee** | **Name** | **No. of Meetings Attended** |
| Chairman | Mr. Simoun S. Ung | 7/7 |
| Member | Ms. Pollie Sim (Sim Sio Hoong) | 7/7 |
| Member | Mr. Renato T. De Guzman | 7/7 |

### AUDIT COMMITTEE OF THE BOARD

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

| Audit Committee of the Board 2021 | | |
|---|---|---|
| **Position in the Committee** | **Name** | **No. of Meetings Attended** |
| Chairman | Renato T. De Guzman | 7/7 |
| Member | Datuk Lim Hong Tat | 7/7 |
| Member | Simoun S. Ung | 7/7 |

**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 statemen 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.

| Risk Management Committee 2021 | | |
|---|---|---|
| **Position in the Committee** | **Name** | **No. of Meetings Attended** |
| Chairman | Atty. Ray C. Espinosa | 6/6 |
| Member | Mr. Jesus Roberto S. Reyes | 6/6 |
| Member | Mr. Manuel N. Tordesillas* | 6/6 |

** Member since March 2021*

**RELATED PARTY TRANSACTIONS COMMITTEE**

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

| Related Party Transactions Committee 2021 | | |
|---|---|---|
| **Position in the Committee** | **Name** | **No. of Meetings Attended** |
| Chairman | Mr. Jesus Roberto S. Reyes | 6/6 |
| Member | Mr. Simoun S. Ung | 6/6 |
| Member | Mr. Renato De Guzman | 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.

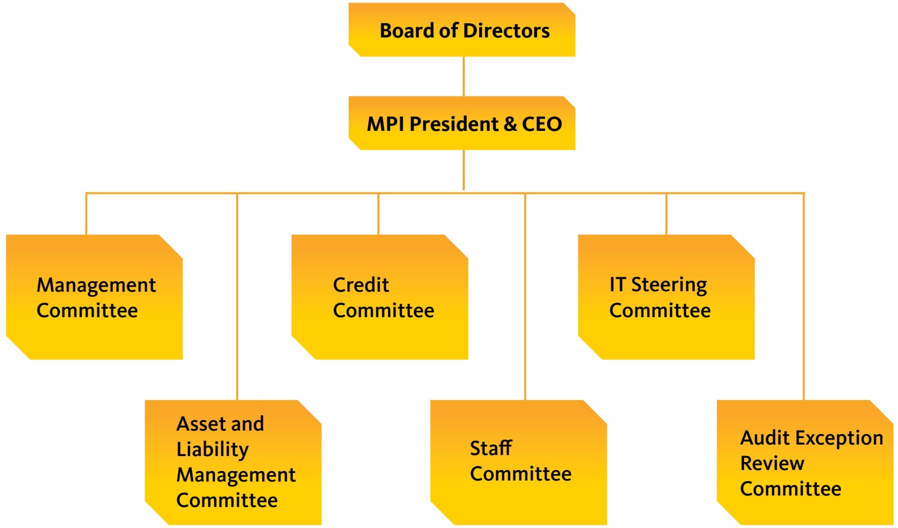
| Trust Committee 2021 | | |
|---|---|---|
| **Position in the Committee** | **Name** | **No. of Meetings Attended** |
| Madam Chairman | Ms, Pollie Sim (Sim Sio Hoong) | 6/6 |
| Member | Atty. Ray C. Espinosa | 6/6 |
| Member | Mr. Antonio C. Danao | 6/6 |
| Member | Mr. Jesus Antonio S Reyes | 6/6 |
| Member | Ms. Abigail Tina M. Del Rosario (MPI PCEO)* | 1/1 |
| | Mr. Likia Suteno** | 4/4 |

**appointed as Member on 02 December 2021*

***appointed as Interim Member from 29 March 2021 to 07 October 2021*

**MANAGEMENT-LEVEL COMMITTEES**

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




**MANAGEMENT COMMITTEE**

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

**ASSET AND LIABILITY MANAGEMENT COMMITTEE**

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

**CREDIT COMMITTEE**

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

**STAFF COMMITTEE**

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

**IT STEERING COMMITTEE**

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

**AUDIT EXCEPTION REVIEW COMMITTEE**

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

## TRAINING AND DEVELOPMENT

The members of the MPI Board undergo an annual training on relevant topics related to corporate governance, banking trends and regulatory developments

Annually, each Senior Management attends executive development and alignment programs for continuous learning and leadership capabilities enhancement, as available and offered within the Maybank Group.

In 2021, Maybank Philippines, Inc. continued its campaign to become FutureReady through providing employees training programs for upskilling and re-purposing aimed at ensuring business continuity and the growth and mobility of talents and to be able to provide continuous excellent customer experience. The introduction of the Digital Skills Development Program further supplemented the organization's FutureReady program wherein online and classroom learning sessions have heavily magnified the significance of Digital Awareness. Maybank's aspiration to lay down a strong foundation towards achieving complete digital transformation in view of the constant evolution in the digital landscape became an intrinsic motivation to promote the integration of digital literacy programs in enterprise worldwide to orient employees with future digital roadmap to achieve success and to stay relevant.

Regulatory trainings, spearheaded by the Risk, Compliance and Audit units in partnership with Human Capital, are continuously designed to ensure the organization's overall business compliance to protocols provided by internal and external regulators.

Project ROAR, which was launched in 2020, has remained a strong product knowledge training program for sales and operations employees which aimed to increase productivity and sales by equipping the employees with knowledge on how to cross-sell the retail products of the Bank.

# Corporate Governance

## 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 2021 amounted to **Php 23,154,964.00**, as compared to Php 15,603,576.00 recorded in the previous year.

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

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

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

The total amount spent last 2021 for Maybank employees' compensation and benefits is Php 1,929,683,698, slightly higher than the 2020 manpower cost of Php 1,596,946,206.00. This amount includes the salaries, bonuses, allowances, retirement provisions, and all other benefits of the officers and staff of Maybank Philippines, Inc.

## ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING AND DISCLOSURE

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

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

For the financial year ended 31 December 2021, the Bank's financial statements were prepared in full compliance with the Philippine Financial Reporting Standards.

**INTERNAL CONTROLS**

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

**ROLE OF INTERNAL AUDIT**

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

**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.

## COMPLIANCE MANAGEMENT

Compliance Management is a vital component of MPI's second line of defense for managing risks. Its role is to ensure that MPI conducts business with integrity; adheres to applicable laws, rules and regulations, codes of conduct and standards of good practice; and inculcates a strong sense of regulatory and ethical responsibility across the organization. The Compliance Management also identifies, records and assesses compliance risks associated with the Bank's operations, including new products and services, customer relations, and material changes in business strategies.

Compliance Management facilitates the effective regulatory risk management through advisory on regulatory requirements and expectations; establishment of adequate compliance program, policies, guidelines and procedures; conduct of compliance validation; development of structured compliance training programs; and periodic independent reports on MPI's state of compliance.

Compliance Management maintains independence from the business activities of the Bank. The Chief Compliance Officer reports to the Board of Directors through the Risk Management Committee. It continues to implement measures and controls to ensure that the duties performed, and the decisions taken, are carried out independently from Senior Management and all units of MPI.

Over the years, MPI Compliance Management has grown in resources and expanded in functions to adapt to the dynamic regulatory environment and advancement of MPI's business itself. It has transformed from being a mere adviser to one that is a partner of business, putting focus on active risk management, with significant increase in monitoring and surveillance activities, whether manual or automated. The department's compliance professionals have become active co-owners of risks, providing independent oversight of the overall compliance system.

In 2021, amidst the COVID-19 pandemic, Compliance Management started the implementation of its 3-year transformation program anchored on strengthening infrastructure, processes and capabilities to further mature compliance activities and promote a strong compliance culture. Various system enhancements were either implemented or in the pipeline in an effort to raise compliance infrastructure capabilities to global standards. Policies and procedures were enhanced and updated to align compliance controls and activities with the Bank's strategic priorities and risk appetite. Thematic compliance reviews were conducted to provide independent and objective assessment of compliance-related processes and/or controls. Compliance Management also employed all possible effective channels to increase awareness on compliance requirements and responsibilities, such as online learning courses, tailored/customized training modules, regular email advisories, among others. These transformation initiatives undoubtedly provided a more streamlined and efficient compliance risk management model that enabled MPI to keep pace and proactively navigate the ever-changing regulatory landscape.

For the year 2022, Compliance Management will focus on three pillars: 1) pursue the compliance transformation program which includes implementation of priority system enhancements for increased efficiency and effectiveness in compliance risk management; 2) fortify compliance engagement with more tailored and role-specific capability building programs, advisories and easy access regulations library; and 3) translate the heightened compliance awareness and understanding into consistent practice of MPI TIGER values and ethical employee behavior.

# Corporate Governance

As MPI adapts to the new normal, and despite the surge in challenges following the COVID-19 pandemic, Compliance Management will continue to institutionalize compliance in all stages of business. It will uphold its commitment to pursue enhancements in the compliance risk management approach for better anticipation and mitigation of compliance risks, and will continue to find the right balance in providing independent oversight while being sufficiently engaged in MPI's business growth.

## 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. MPI employees also confirm with Human Capital reading the Code each year.

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

## CONSUMER PROTECTION

Aligned with the Group's vision on 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 BSP's Financial Consumer Protection Program.

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.

Management Committee (ManCom) is expected to:

- Create an open and empowering culture to encourage responsible and ethical behaviour.
- 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.

**Effective Recourse**

MPI provides an accessible, affordable, independent, fair, accountable, timely, and efficient means to our customers for resolving concerns with their financial transactions. We have established a wide range of channels where customers can conveniently lodge their complaints, inquiries and requests; and put in place a dedicated helpdesk or hotline for the said purpose. Our employees have been adequately trained to acquire the skills and knowledge in handling various customer concerns. As a result of this, we have seen:

- 23% reduction in our complaints received for the year 2021 vs 2020
- Our customer survey results returned a Net Promoter Score of +40
- Our Service Level Performance on Complaints resolution increased by 29%

Our Service Quality Management (SQM) Unit is responsible in the end-to-end complaints management system. The unit monitors all complaints received are addressed and resolutions are properly communicated to the client. Apart from complaints management, SQM also ensures that the BSP's Financial Consumer Protection guidelines are adhered to by all business units. All new launches or changes in a product/service, its terms and conditions, rates and fees, advertising and communications to customers go through careful review and approvals should include the heads of SQM and Customer Care. This process confirms that the information given to customers are clear, concise and are easily understandable. Similarly, it allows a smooth journey for all customer concerns.

Employee trainings are conducted to ensure that they are well-informed on the Financial Customer Protection guidelines. Other courses include systems trainings on the complaints logging system to increase the efficiency in complaints handling.

Compliance and Internal Audit review the Bank's consumer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules and regulations. Changes/updates in processes are well-documented and approved by relevant parties. This confirms each department/unit is aware of its responsibilities and accountability is clear.

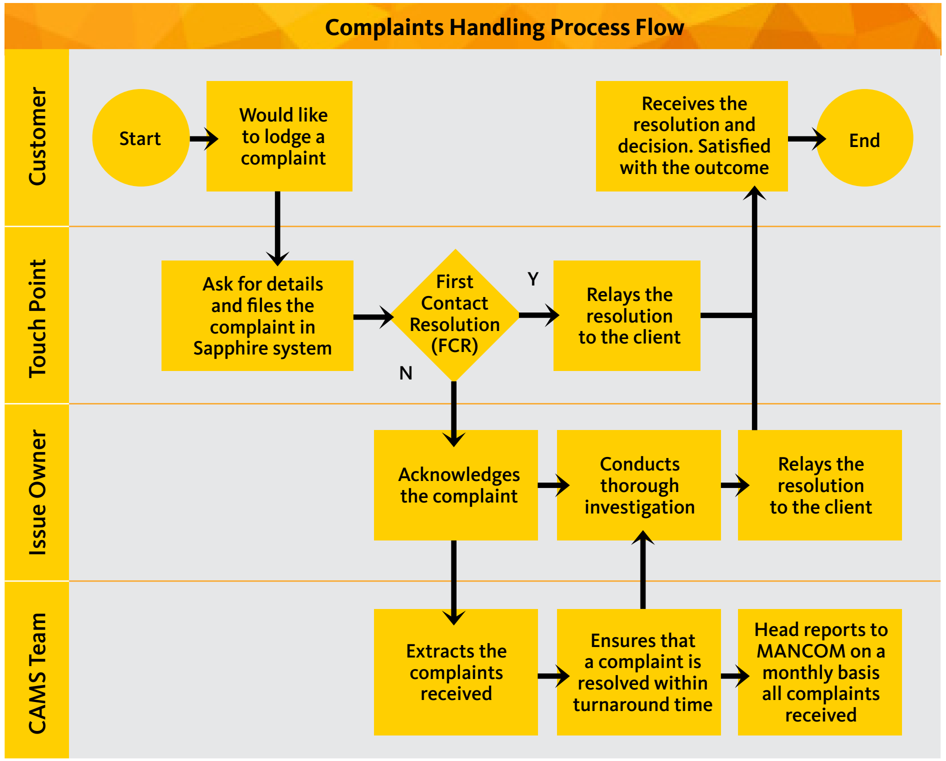
**COMPLAINT MANAGEMENT STANDARD OPERATING PROCEDURE**

Having a well-designed and well-managed mechanism for handling customer complaints can improve the quality of our work, enhance the trust and confidence of our stakeholders, identify our areas of improvement, and ensure that Maybank learns from the feedback provided through this process.

The complaints and response mechanism is linked to the principles of our Customer Experience Transformation and will ensure feedback, transparency, and learning which will strengthen our accountability as an organization. In line with Maybank's thrust of building a truly Customer Centric Framework across the Group, Service Quality Management (SQM) will have oversight on the complaints centralized team referred to as Consumer Assistance Management System (CAMS) Team. The members of the CAMS team ensure complaints are resolved within timeline.

MPI's SQM Head reports directly to the MPI PCEO and regularly presents to ManCom and Board of Directors the monthly complaints data report and the preventive measures being done to address possible reoccurrence.

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

## DIVIDEND POLICY

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

## SHAREHOLDER INFORMATION

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

# Risk Management

"

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

# Risk Management

## INTRODUCTION

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

| Strategic Objectives | Key Outcomes |
|---|---|
| Branch Network Optimization | • Refocusing of the branch's strategic intent and target customer type<br>• Relocation of branches to areas with higher potential |
| Workforce Management | • Re-allocation of headcount arising from reduced redundancies and increased automation to sustain growth<br>• Reach a specific ratio of front, middle, and back office personnel allocation to improve the Bank's Cost-to-Income Ratio (CIR) |
| Digital Roadmap and Straight-Through-Process | • Reduce reliance on traditional branch banking by means of digital products, thereby increasing local competitiveness while avoiding brick and mortar costs |
| Information Security/ Cyber Resiliency | • Adopt cyber resilience framework by implementing robust Cyber Defense capability and Information Security Blueprint Roadmap.<br>• Reduce cyber threat with real time detection, response and monitoring thru RSOC (Regional Security Operation Center). |

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

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

### COVID-19 PANDEMIC RISK RESPONSE

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

For operations, MPI has invested heavily on office reconfiguration, procurement of needed devices and PPE requirements to ensure the safety and welfare of its employees, as well as keeping the core business to serve the needs of its clients. The number of employees reporting to office is controlled to align with Covid-19 Risk Classification declared by the Government. Priority is given to Critical Business Functions (CBFs). Split Operations is implemented to ensure one team can assume the function when one is down due to infection.

IT infrastructure, with corresponding security requirements, was enhanced to enable some employees to work from home as needed. Head Office layout was modified and fortified to ensure the social distancing parameters are properly observed. Regular sanitation is being done for office/ branch premises. Staff health status were monitored daily and Human Capital has provided the necessary support for those infected until they have recovered. Regular reminders are being issued through various channels to observe protocols and other guidelines to be followed.

For Branches, closures and shortened banking hours are implemented to match with the declared movement restrictions of authorities. For closed branches, buddy branch is assigned to ensure continuous servicing to client. Internet Banking and ATMs were monitored closely to ensure availability to clients. Processes were also streamlined with matching controls to enable clients to issue instructions and do transactions remotely.

MPI has enhanced its back-to-work plan suited for the current Covid-19 situation. The plan is continuously being reviewed to optimize operations and implement necessary Covid-19 control measures for staff and clients."

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

### BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility in establishing a sound risk management and internal control system as well as in reviewing its adequacy and effectiveness. In view of the inherent limitations in any internal control system, the risk management and internal control system can only provide reasonable assurance that the significant risks impacting MPI's strategies and objectives are managed within the risk appetite set by the Board and

Management, rather than absolute assurance regarding achievement of the Bank's objectives. It does not in any way eliminate the risks of failure to realize the Bank's objectives against any material misstatement, fraud or loss. The inherent limitations include, amongst others, human error, the uncertainty inherent in judgment and the potential impact of external events outside management's control as well as human collusion to circumvent internal controls.

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

The Board receives reports on a periodic basis relating to regulatory developments and compliance deficiencies identified 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. |
| 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 Bank. It comprises operational, information, and reputational risks, as well as other downside risks (i.e. "known" unknowns). Holistically, it is from the point of discovery through active risk and business continuity management. |
| Information Technology Risk | Risk which impacts confidentiality, availability, and integrity of information and services related to information technology. This includes risks that customers or the business may suffer on service disruptions or may incur losses arising from system defects, illegal or unauthorized use of computer systems or data breach via computer systems perpetrated either by internal staff/vendors or external parties. This also includes Cyber Risk that can lead to losses due to cyber-crime and cyber terrorism. The consequences are potential breach of customer data/information and reputational impact to the Bank. |

# Risk Management

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

## RISK PRINCIPLES

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


### Key Risk Principles

i. Establishing a risk appetite and strategy which is approved by the Board that articulates the nature, type and level of risk the Bank 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 Bank operates
iii. Ensuring proper governance and oversight through a clear, effective and robust Bank governance structure with well-defined, transparent and consistent lines of responsibility established within the Bank
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 Bank
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 3rd line of defense and provides independent assessments and validation that risk management frameworks and practices are sufficiently robust in support of the Bank and consistent with regulatory standards.

# Risk Management

**Maybank Philippine Risk Governance Model**

| | | | | | |
|---|---|---|---|---|---|
| **BOARD OF DIRECTORS**<br>MPI's ultimate governing body with overall risk oversight responsibility including defining the appropriate governance structure and delegation of authority | | | | | |
| **BOARD RISK COMMITTEES** | **Risk Management Committee (RMC)**<br>Responsible for the risk oversight function including but not limited to approving the Bank's risk management strategies, frameworks, plans, policies, tolerances and risk appetite limits. | | | | |
| **MANAGEMENT COMMITTEES** | **Management Committee (ManCom)**<br>Responsible for directing the overall operations to achieve MPI's business objectives. ManCom also addresses other material risks of the bank except credit, market and liquidity risks. | **Credit Committee (CC)**<br>Responsible for the approval of the loans/proposals as per the thresholds set based on the authority limits. | **Asset & Liability Management Committee (ALCO)**<br>Responsible for the management of market and liquidity risk through the formulation of broad strategies for the balance sheet profile and funding structure of MPI. | **IT Steering Committee (SteCom)**<br>Responsible for planning and directing computerization of MPI that is commensurate with corporate objectives. | **Audit Exception Review Committee (AERC)**<br>Responsible to undertake periodic testing of the effectiveness and efficiency of the risk management frameworks and internal controls in place. |
| 1st Line of Defense | | 2nd Line of Defense | | 3rd Line of Defense | |
| **Risk-Taking Units**<br>Business and Other Support Units | | **Risk-Controls Units**<br>Risk Management & Compliance | | **Independent Validation**<br>Internal Audit | |
| Day-to-Day Management of Risks | | Risk Oversight of Frameworks, Policies & Procedures | | Independent Assurance | |

## 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

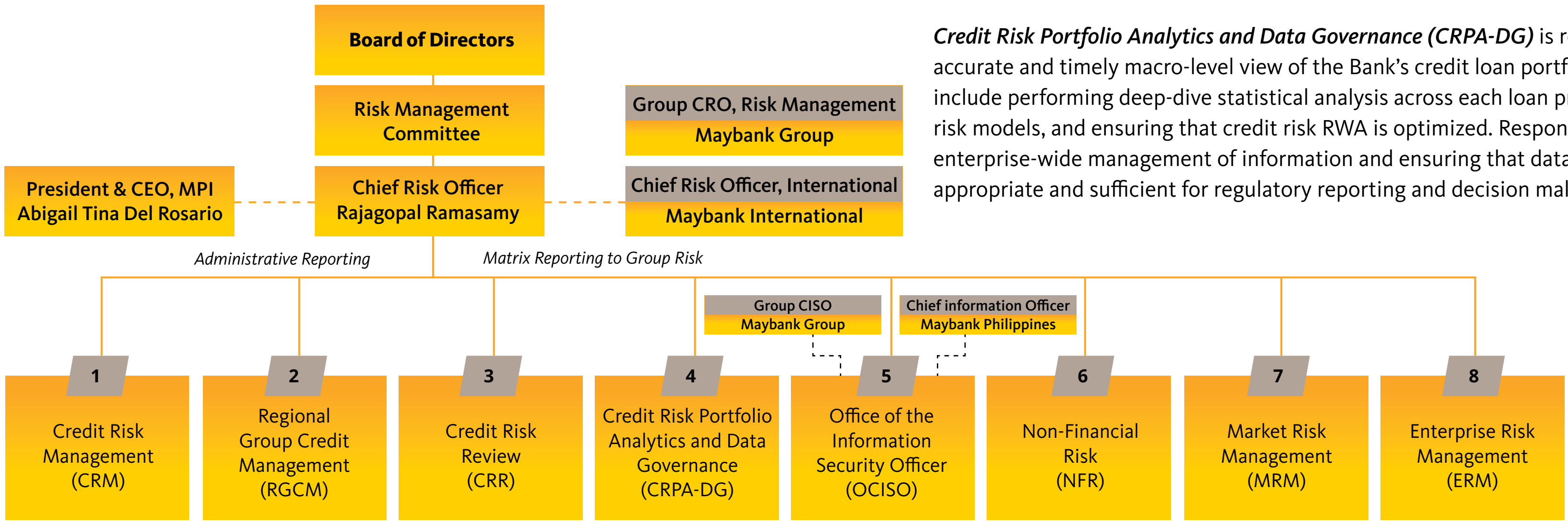
Risk Management is functionally independent of risk-taking units within the Bank. It is responsible for the development of measures to ensure that the risk inherent to the Bank's activities are properly identified, measured, controlled, monitored, and reported.

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 (CC).

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

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

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

# Risk Management

***Office of the Chief Information Security Officer (OCSIO)*** is responsible for the overall information security and cyber security programs of the Bank, by managing, maintaining, monitoring, and improving information security goals and objectives consistent with organizational and business needs. OCISO undertakes the eventual reduction of risks arising from potential and actual cyber-attacks by means of employing technical resources to monitor, detect, respond to, and eradicate emerging threats. The unit is also instrumental in maintaining the Bank's cyber security maturity rating at an acceptable level.

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

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

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

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

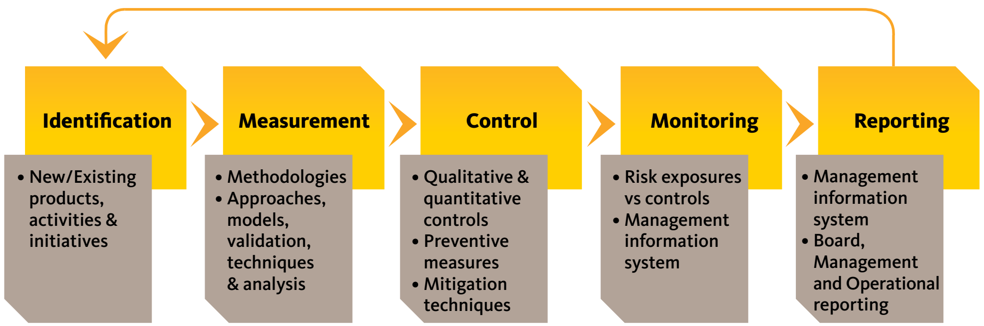
## RISK CULTURE

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

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

## RISK MANAGEMENT PRACTICES & PROCESSES

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




- Identification – Identification of entity-level and process-level risks through an established Risk Assessment Process and Risk and Control Self-Assessment exercise. The Bank has also established a process to identify and assess risks for new products and processes.
- Measurement – The Bank has established various methodologies, approaches, models, and techniques to measure both Pillars I and II risks. Data management and risk infrastructure is in place to carry out this process.

- Control – To control the identified risks, the Bank has established qualitative and quantitative controls, preventive measures, and mitigation actions and active management.
- Monitoring – Monitoring of risk exposures vs. limits/triggers are carried out by the risk control units.
- Reporting – Risk management matters are reported to management and RMC/BOD on an ongoing basis through various monitoring tools and reports.

## CAPITAL MANAGEMENT

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

### CAPITAL MANAGEMENT FRAMEWORK

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

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

### CAPITAL MANAGEMENT PLAN

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

The quality and composition of capital are key factors in the Board and 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 2020 and 2021), 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 81% of regulatory capital as of end-December 2021.

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

# Risk Management

*2019-2021 MPI Capital composition:*

| Capital Composition (in PhP Millions) | FYE 2019 | FYE 2020 | FYE 2021 |
|---|---|---|---|
| Paid-up Common Stock | 10,313.19 | 10,313.19 | 10,313.19 |
| Additional paid-in Capital | 262.76 | 262.76 | 262.76 |
| Retained Earnings | 2,203.58 | 2,953.21 | 1,572.68 |
| Undivided Profits | 794.84 | (1,538.82) | 247.88 |
| Cumulative FX Translations | - | - | - |
| Other Comprehensive Income | 21.88 | 41.14 | (145.79) |
| Less: Regulatory Adjustments | 1,019.97 | 1,713.99 | 1,564.95 |
| **Common Equity Tier 1 Capital** | **12,576.29** | **10,317.48** | **10,685.77** |
| Additional Tier 1 | | | |
| **Total Tier 1 Capital** | **12,576.29** | **10,317.48** | **10,685.77** |
| Paid-up Perpetual and Cumulative Preferred Stock | - | - | - |
| Net Unrealized Gains on AFS Equity Sec purchased (subject to 55% discount) | - | - | - |
| General Loan Loss Provision | 724.78 | 663.57 | 530.63 |
| Other Limited Life Capital Instruments | 1,990.00 | 1,990.00 | 1,990.00 |
| **Total Tier 2 Capital** | **2,714.78** | **2,653.57** | **2,520.63** |
| **Total Qualifying Capital** | **15,291.06** | **12,971.05** | **13,206.40** |
| Minimum Required | 2,400.00 | 2,400.00 | 2,400.00 |
| Excess (Deficiency) | 12,891.06 | 10,571.05 | 10,806.40 |
| **Capital Conservation Buffer** | **8.23%** | **7.62%** | **11.01%** |

## 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 annually submits a Board-approved ICAAP document to the BSP every March 31st, with exceptions for 2020 and 2021 which were due in October 2020 and June 2021 respectively, on account of regulatory relief afforded to local banks by the BSP during the COVID-19 Pandemic. The requirements include an overview of ICAAP, composed of the current and projected financial and capital position, ICAAP governance, risk assessment models and processes, risk appetite and capital management, stress testing, and capital planning and the use of ICAAP.

## COMPREHENSIVE RISK ASSESSMENT UNDER ICAAP FRAMEWORK

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

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

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

A key process called "Material Risk Assessment Process" is 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 2019 | FYE 2020 | FYE 2021 |
|---|---|---|---|
| Common Equity Tier 1 Capital | 12,576.29 | 10,317.48 | 10,685.77 |
| Total Tier 1 Capital | 12,576.29 | 10,317.48 | 10,685.77 |
| Total Tier 2 Capital | 2,714.78 | 2,653.57 | 2,520.63 |
| **Total Qualifying Capital** | **15,291.06** | **12,971.05** | **13,206.40** |
| Pillar 1 – Credit RWAs | 77,579.75 | 66,045.94 | 52,956.16 |
| Pillar 1 – Market RWAs | 1,604.65 | 547.33 | 982.47 |
| Pillar 1 – Operational RWAs | 9,223.92 | 9,137.58 | 8,876.61 |
| **Pillar 1 RWAs** | **88,408.32** | **75,730.85** | **62,815.24** |
| CET 1 Ratio | 14.23% | 13.62% | 17.01% |
| Tier 1 Capital Ratio | 14.23% | 13.62% | 17.01% |
| Total Capital Adequacy Ratio | 17.30% | 17.13% | 21.02% |
| **Pillar 2 RWAs** | **2,556.43** | **4,229.29** | **5,721.18** |
| **Pillar 1 + Pillar 2 RWAs** | **90,964.75** | **79,960.14** | **68,536.42** |

### 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 2021, risk-weighted CAR is at 21.02%. Inclusive of Pillar 2 RWAs, total capital ratio was at 19.27%. 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 risks arise from obligations from the Bank's direct lending operations, trade finance and its funding investment, and trading activities undertaken.

## CREDIT RISK MANAGEMENT FRAMEWORK

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

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

# Risk Management

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

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

## RISK MEASUREMENT AND REPORTING

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

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

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

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

## RISK MITIGATION

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

## CAPITAL TREATMENT FOR CREDIT RISK

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

| Credit Risk (in PhP Millions) | FYE 2019 | | | FYE 2020 | | | FYE 2021 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | 74,176.70 | 5,934.14 | 7,417.67 | 63,625.07 | 5,090.01 | 6,362.51 | 51,100.63 | 4,088.05 | 5,110.06 |
| Off-Balance Sheet Assets | 3,107.92 | 248.63 | 310.79 | 2,592.83 | 207.43 | 259.28 | 1,621.23 | 129.70 | 162.12 |
| Counterparty Risk | 295.12 | 23.61 | 29.51 | 138.71 | 11.10 | 13.87 | 341.16 | 27.29 | 34.12 |
| **Total** | **77,579.75** | **6,206.38** | **7,757.97** | **66,356.61** | **5,308.53** | **6,635.66** | **53,063.03** | **4,245.04** | **5,306.30** |

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

| Total Risk-Weighted On-Balance Sheet Assets (in PhP Millions) | FYE 2019 | | | |
|---|---|---|---|---|
| | 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 | - | 457.51 | 1,710.06 |
| **Total Exposures Excluding Other Assets** | **98,901.27** | **240.43** | **97,978.31** | **69,276.09** |
| Other Assets | 5,492.11 | - | 5,492.11 | 4,874.67 |
| **Total Exposures Including Other Assets** | **104,393.38** | **240.43** | **103,470.42** | **74,150.76** |
| **Total Risk-weighted On-Balance Sheet Assets not covered by CRM** | | | | **74,150.76** |
| **Total Risk-weighted On-Balance Sheet Assets covered by CRM** | | | | **25.94** |
| **TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS** | | | | **74,176.70** |

| Total Risk-Weighted On-Balance Sheet Assets (in PhP Millions) | FYE 2020<br>Exposures, Net of Specific Provisions | Exposures Covered by CRM, Gross of Materiality Threshold | Exposures Not Covered by CRM | Risk-Weighted Asset |
|---|---|---|---|---|
| Cash on Hand | 1,313.61 | - | 1,313.61 | - |
| Checks and Other Cash items | 4.33 | - | 4.33 | 0.87 |
| Due from Bangko Sentral ng Pilipinas (BSP) | 11,698.01 | - | 11,698.01 | - |
| Due from Other Banks | 3,933.66 | - | 3,933.66 | 2,042.96 |
| Financial Assets Designated at Fair Value through Profit or Loss | - | - | - | - |
| Available-for-Sale (AFS) Financial Assets | 7,870.95 | - | 7,870.95 | 1,693.62 |
| Held-to-Maturity (HTM) Financial Assets | 8,707.94 | - | 8,707.94 | 1,972.73 |
| Unquoted Debt Securities Classified as Loans | - | - | - | - |
| Loans and Receivables | 55,491.00 | 378.78 | 55,112.21 | 51,782.30 |
| Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions | 946.68 | - | 946.68 | - |
| Sales Contract Receivables (SCR) | 352.60 | - | 352.60 | 357.82 |
| Real and Other Properties Acquired (ROPA) | 1,272.50 | - | 352.60 | 1,908.75 |
| **Total Exposures Excluding Other Assets** | **91,591.27** | **378.78** | **90,292.58** | **59,759.03** |
| Other Assets | 4,437.73 | - | 4,437.73 | 3,834.33 |
| **Total Exposures Including Other Assets** | **96,029.00** | **378.78** | **94,730.31** | **63,593.36** |
| **Total Risk-weighted On-Balance Sheet Assets not covered by CRM** | | | | **63,593.36** |
| **Total Risk-weighted On-Balance Sheet Assets covered by CRM** | | | | **31.71** |
| **TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS** | | | | **63,625.07** |

| Total Risk-Weighted On-Balance Sheet Assets (in PhP Millions) | FYE 2021 | | | |
|---|---|---|---|---|
| | Exposures, Net of Specific Provisions | Exposures Covered by CRM, Gross of Materiality Threshold | Exposures Not Covered by CRM | Risk-Weighted Asset |
| Cash on Hand | 1,749.94 | - | 1,749.94 | - |
| Checks and Other Cash items | 7.47 | - | 7.47 | 1.49 |
| Due from Bangko Sentral ng Pilipinas (BSP) | 16,619.66 | - | 16,619.66 | - |
| Due from Other Banks | 2,291.63 | - | 2,291.63 | 1,169.95 |
| Financial Assets Designated at Fair Value through Profit or Loss | - | - | - | - |
| Available-for-Sale (AFS) Financial Assets | 8,623.50 | - | 8,623.50 | 1,128.19 |
| Held-to-Maturity (HTM) Financial Assets | 8,649.12 | - | 8,649.12 | 1,138.35 |
| Unquoted Debt Securities Classified as Loans | - | - | - | - |
| Loans and Receivables | 46,912.73 | 212.55 | 46,700.18 | 40,437.69 |
| Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions | 4,740.29 | - | 4,740.29 | - |
| Sales Contract Receivables (SCR) | 354.58 | - | 354.58 | 356.04 |
| Real and Other Properties Acquired (ROPA) | 1,112.11 | - | 354.58 | 1,668.17 |
| **Total Exposures Excluding Other Assets** | **91,061.03** | **212.55** | **90,090.94** | **45,899.88** |
| Other Assets | 5,895.84 | - | 5,895.84 | 5,162.82 |
| **Total Exposures Including Other Assets** | **96,956.87** | **212.55** | **95,986.79** | **51,062.70** |
| **Total Risk-weighted On-Balance Sheet Assets not covered by CRM** | | | | **51,062.70** |
| **Total Risk-weighted On-Balance Sheet Assets covered by CRM** | | | | **37.94** |
| **TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS** | | | | **51,100.63** |

| 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 | - | - |
| **Total Notional Principal Amount** | **27,774.56** | **3,550.39** | |
| **TOTAL RISK WEIGHTED OFF-BALANCE SHEET ASSETS** | | | **3,107.92** |

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

| Total Risk-Weighted Off-Balance Sheet Assets (in PhP Millions) | FYE 2021 | | |
|---|---|---|---|
| | Notional Principal Amount | Credit Equivalent Amount | Risk-Weighted Assets |
| Direct Credit Substitutes (e.g. general guarantees of indebtedness and acceptances) | 658.08 | 658.08 | 656.93 |
| Transaction-related contingencies (e.g. performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions) | 688.62 | 344.31 | 174.27 |
| 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 | 3,950.19 | 790.04 | 790.04 |
| Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk | 15,843.66 | - | - |
| **Total Notional Principal Amount** | **21,140.55** | **1,792.43** | |
| **TOTAL RISK WEIGHTED OFF-BALANCE SHEET ASSETS** | | | **1,621.23** |

| Total Counterparty Risk-Weighted Assets in the Banking Book (in PhP Millions) | FYE 2019 | | | |
|---|---|---|---|---|
| | Notional Amount | Potential Future Credit Exposure | Credit Equivalent Amount | Risk-Weighted Assets |
| Interest Rate Contracts | 2,476.59 | 10.13 | 205.33 | 111.15 |
| Exchange Rate Contracts | 28,715.83 | 297.29 | 350.33 | 183.97 |
| Equity Contracts | - | - | - | - |
| Credit Derivatives | - | - | - | - |
| **Total Notional Amount** | **31,192.42** | **307.42** | **555.66** | |
| **TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS** | | | | **295.12** |

# Risk Management

| Total Counterparty Risk-Weighted Assets in the Trading Book* (in PhP Millions) | FYE 2020 Notional Amount | Potential Future Credit Exposure | Credit Equivalent Amount | Risk-Weighted Assets |
|---|---|---|---|---|
| Interest Rate Contracts | 2,614.13 | 6.25 | 119.67 | 63.51 |
| Exchange Rate Contracts | 10,242.21 | 135.78 | 159.12 | 75.20 |
| Equity Contracts | - | - | - | - |
| Credit Derivatives | - | - | - | - |
| **Total Notional Amount** | **12,856.33** | **142.03** | **278.80** | |
| **TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS** | | | | **138.71** |

| Total Counterparty Risk-Weighted Assets in the Trading Book* (in PhP Millions) | FYE 2021 Notional Amount | Potential Future Credit Exposure | Credit Equivalent Amount | Risk-Weighted Assets |
|---|---|---|---|---|
| Interest Rate Contracts | 2,352.00 | 7.75 | 116.28 | 59.62 |
| Exchange Rate Contracts | 45,352.98 | 485.37 | 679.12 | 281.55 |
| Equity Contracts | - | - | - | - |
| Credit Derivatives | - | - | - | - |
| **Total Notional Amount** | **47,704.98** | **493.12** | **795.40** | |
| **TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS** | | | | **341.16** |

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

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

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

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

## MARKET RISK

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

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

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

The Bank established the Market Risk Management Unit (MRM) to assist the BOD, RMC, 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 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, 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 Maybank 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 147.87% for the month-end December 2021.

### 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 2019 RWA | FYE 2019 Total Capital Charge | FYE 2019 Adjusted Capital Charge | FYE 2020 RWA | FYE 2020 Total Capital Charge | FYE 2020 Adjusted Capital Charge | FYE 2021 RWA | FYE 2021 Total Capital Charge | FYE 2021 Adjusted Capital Charge |
|---|---|---|---|---|---|---|---|---|---|
| Interest Rate Exposures | 230.14 | 18.41 | 23.01 | 469.10 | 37.53 | 46.91 | 451.01 | 36.08 | 45.10 |
| Equity Exposures | - | - | - | - | - | - | - | - | - |
| Foreign Exposures | 1,374.52 | 109.96 | 137.45 | 78.23 | 6.26 | 7.82 | 531.45 | 42.52 | 53.15 |
| Options | - | - | - | - | - | - | - | - | - |
| Total | 1,604.65 | 128.37 | 160.47 | 547.33 | 43.79 | 54.73 | 982.47 | 78.60 | 98.25 |

## 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

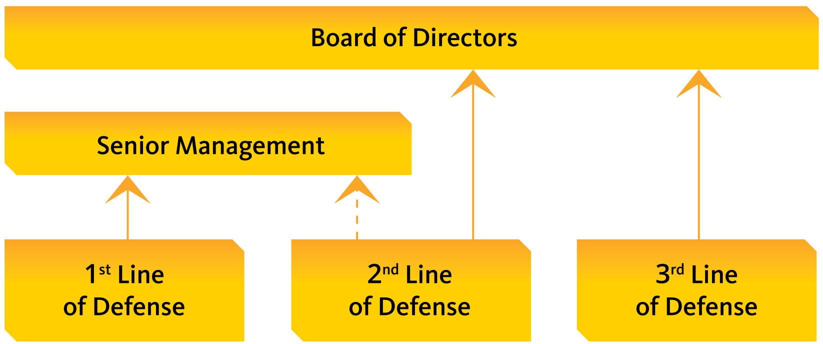
Operational Risk capital charge is calculated using The Standardized Approach (TSA) wherein business activities are mapped into eight business lines as prescribed by Basel II and BSP Risk-Based Capital Adequacy Framework.

| Operational Risk (in PhP Million) | RWA | Total Capital Charge | Adjusted Capital Charge |
|---|---|---|---|
| FYE 2019 | 9,223.92 | 737.91 | 922.39 |
| FYE 2020 | 9,137.58 | 737.91 | 922.39 |
| FYE 2021 | 8,876.61 | 710.13 | 887.66 |

## COMPLIANCE RISK

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

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



# Risk Management

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

## COMPLIANCE RISK MANAGEMENT

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

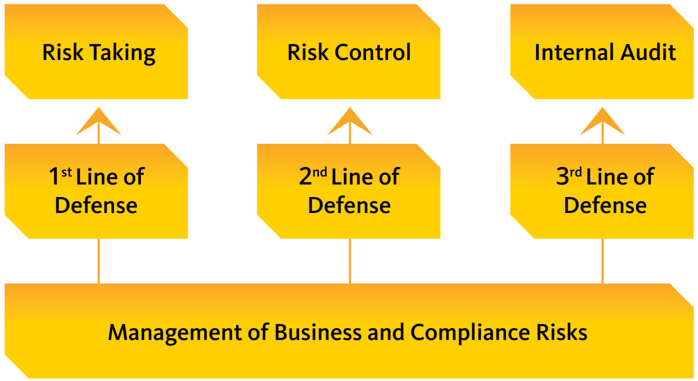
- Establish risk appetite & strategy which articulates the nature, type and level of compliance risk MPI is willing to assume and is reflective of the strategies and business objectives set by Management and the Board. The risk appetite and strategy is reviewed on a continuous basis to ensure that it remains relevant and reflects any changes in the business environment and strategic direction.
- Ensure a clear, effective and robust governance structure which includes the role of the Board and Senior Management with well defined, transparent and consistent lines of responsibility.
- Promote strong compliance culture that is guided by strong compliance risk management which support and provides appropriate standards and incentives for professional and responsible behavior. The compliance culture is to be embedded in the behavior of the organization at all levels, reflected in risk taking activities, roles and responsibilities, frameworks and policies. Structured learning programs are established to maintain the desired direction towards compliance and expected compliance behavior.
- Establish adequate frameworks, policies, procedures and guidelines that reflect the compliance risk profile including material and potential risk exposures, operating environment and compliance processes to guide businesses on day-to-day compliance risk management.
- Ensure sufficient resources & system infrastructure that appropriately support compliance risk management practices and processes and enable access to reliable, accurate and relevant information on a timely basis, thereby facilitating informed decision making by management.

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

## MANAGEMENT OF MONEY LAUNDERING AND TERRORISM FINANCING

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

MPI acknowledges sound AML & CFT risk management practices, as follows: (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 updated and approved by the Board of Directors in August 2021.

### 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 | 995.17 |
| Other Related Party | 1,812.83 |
| *Sub-Total DOSRI & Other RPT* | 2,808.01 |
| Internal Borrowings | 11,372.94 |
| Unsecured Subordinated Loans | 2,020.46 |
| *Sub-Total Internal Borrowings* | 13,393.40 |
| **Total Material RPTs** | **16,201.41** |

## 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.

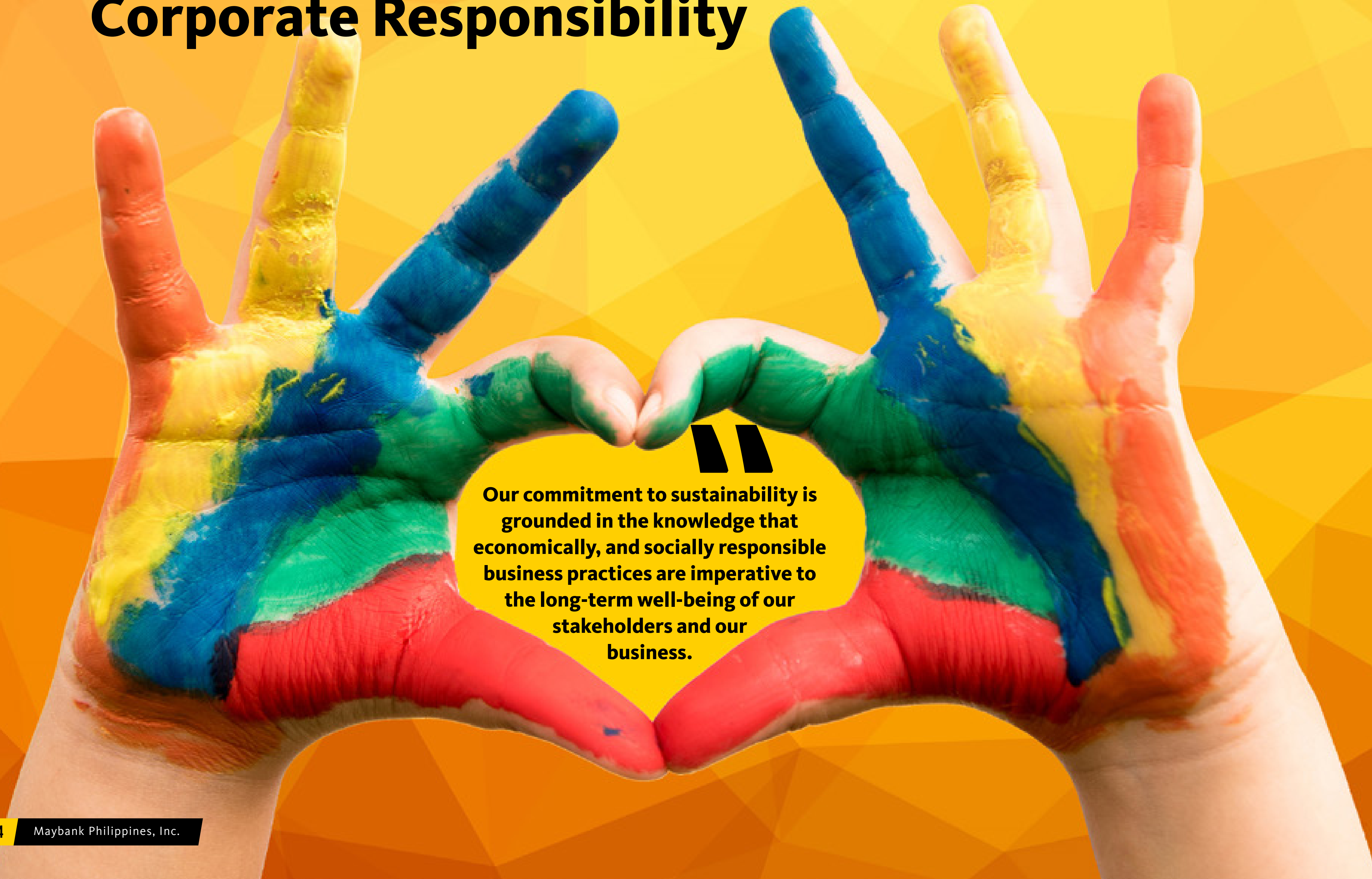
The Bank's Legal Department is committed to support and service the business units of the Bank by providing professional legal advisory services in a timely, accurate and efficient manner to facilitate the execution of MPI's business objectives.

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.

# Sustainability and Corporate Responsibility



**Our commitment to sustainability is grounded in the knowledge that economically, and socially responsible business practices are imperative to the long-term well-being of our stakeholders and our business.**

# Sustainability and Corporate Responsibility

In Maybank Philippines, we believe that financial sustainability goes hand in hand with the development of the communities where we have presence.

Our approach to sustainability is anchored on our mission and purpose of Humanising Financial Services, and places people at the heart of what we do, and guided by our T.I.G.E.R. core values.

Our purpose is also aligned with Maybank Group's long-term priorities and the new operating landscape by being in the heart of the community.

We remain committed to the fundamentals of our business while endeavoring to positively impact the markets where we operate. Our efforts to instill sustainability in our business are guided by the needs of those we serve, including our customers, our environment, our workforce and our community. Beyond charitable giving, we are committed to giving back through long-term partnerships, volunteerism efforts and targeted social investments, with our initiatives being purposely relevant, impactful and rewarding to our chosen beneficiaries in the long-term.

## Key Areas of Focus

As an organisation, our corporate social responsibility initiatives are guided by the Maybank Group's Sustainability Plan which focuses on the creation of long-term value across three pillars: Community and Citizenship, Our People and Access to Products. This sustainability plan has helped shape our corporate social responsibility commitments and strengthened the integration of sustainability and ESG (environment, social and governance) practices in our operations, creating foundation from which to drive impact and value.

**Community and Citizenship**

Our advocacies:
*Education * Community Empowerment * Arts and Culture * Healthy Living * Disaster Relief*

**Our People**

Our priorities:
*Employee Engagement * Talent and Leadership * Learning and Development * Diverse and Inclusive Workplace * Safety, Health and Well-Being*

**Access to Products and Services**

Our commitments:
*Focus on Customers * Digitalisation * Product Stewardship * Environment*

## 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.

### Core Programs and Initiatives

#### R.I.S.E. Programme

Reach Independence & Sustainable Entrepreneurship or R.I.S.E. is a unique economic empowerment programme designed to provide real and tangible support for disadvantaged communities, with a special focus on persons with disabilities (PWD).

The R.I.S.E. Program if one the flagship programs funded by the Maybank Foundation that is implemented in four countries (Malaysia, Indonesia, the Philippines and Laos) in partnership with People Systems Consultancy Sdn Bhd (PSC). It builds financial inclusion and intelligence across personas with disabilities and marginalized communities.

Piloted in the Philippines in 2017, a total 3,654 participants have been trained nationwide, with the top 40% recording an average income increase of 677.14%. With the onset of the Covid-19 pandemic, training modality has been adjusted to comply with IATF regulations on holding training sessions, and since shifting to online mode of training, a total of 1,557 participants from Luzon, Visayas and Mindanao have been trained and mentored.

#### CashVille Kidz

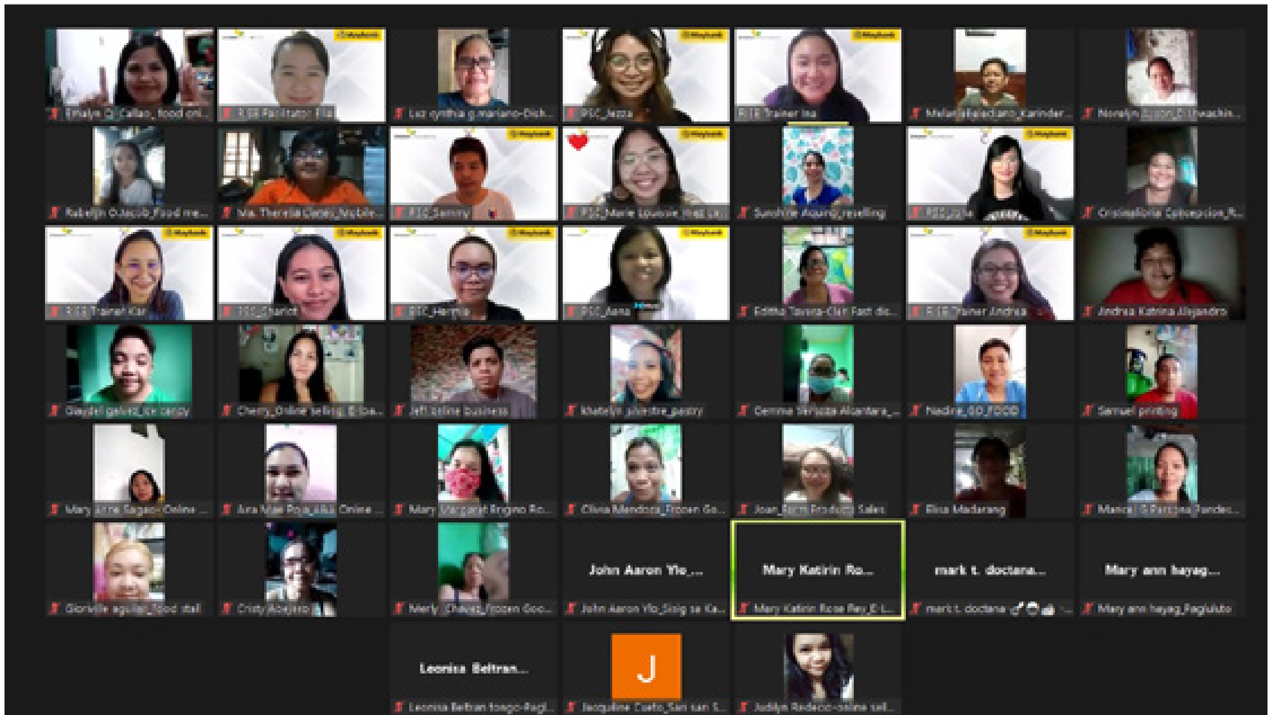
Cashville Kidz is an exciting, innovative and award-winning financial literacy animated series of 8 episodes per season, with each episode focusing on a specific financial lesson, designed to teach young children aged 9 – 12 years about the importance of money and financial management to be financially savvy.  A flagship programme of the Maybank Foundation, CashVille Kidz is developed in partnership with MoneyTree Asia Pacific Sdn Bhd.

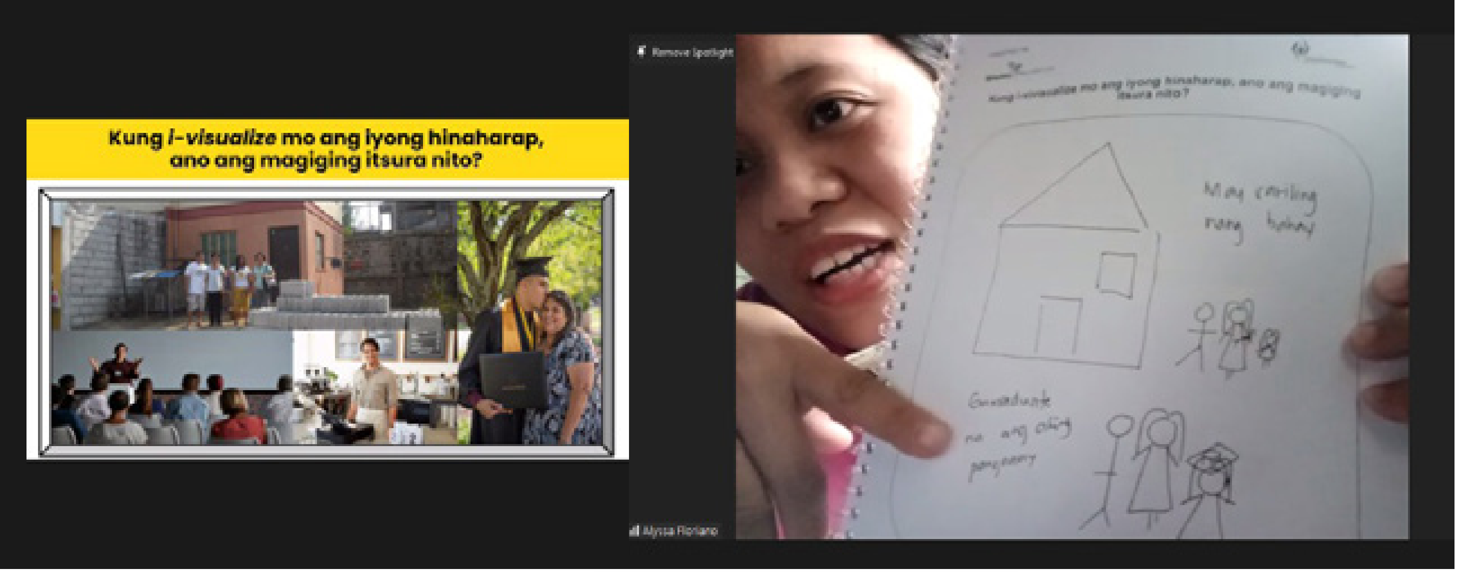
Since its launched in the Philippines in 2019, the CashVille Kidz financial education program has already reached more than 13,450 students in 48 public and private elementary schools in Metro Manila and nearby Cavite province— and surpassing target Key Performance Index areas each year. In 2021 alone, the CVK program has reached 5,940 students in 17 private and 8 public schools, surpassing its target of 4,550 students and 13 schools.

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 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

Each year, Maybankers worldwide come together to simultaneously engage in meaningful outreach projects that impact the lives of the communities where the Bank has presence. This one day of simultaneous community outreach has been known as Global CSR Day and it was an occasion the entire Maybank family participates in and looks forward to.

However, movement restrictions brought about by the pandemic had posed challenges to the programme, thus temporarily halting its implementation in 2020.

## Maybank Performing Arts Theater

The BGC Arts Center is regarded as the newest cultural hub in Bonifacio Global City, and this latest venue for the arts boasts of three inspired spaces – the most prominent of them all is the Maybank Performing Arts Theater, a 3-storey building that houses six different function halls and performance spaces.

In 2019, the Maybank Performing Arts Theater was the venue of Maybank Philippines' two key corporate events: the country pilot of the award-wining CashVille Kidz (July) and the regional launch of R.I.S.E. 2.0. (September).

In 2013, Maybank committed a USD 1.0 million sponsorship to Bonifacio Arts Foundation, Inc. for the construction of the theater. This sponsorship, shared between the Maybank Group, Maybank Philippines and Maybank Kim Eng, will grant Maybank the naming rights for the three-storey performing arts theater for ten (10) years.

## Corporate Donation

In 2020, MPI decided to forego the traditional corporate giveaways exercise and instead reallocated the funds to extend assistance to two key beneficiaries. First is a donation of full Level 4 personal protective equipment (PPE) to the Southern Philippines Medical Center in Davao City, a designated Covid-19 referral hospital. Second is extending food augmentation assistance to 250 farmer-tenant families displaced by Typhoons Rolly (particularly near Naga City) and Typhoon Ulysses (in Santiago, Isabela) through CFC Ancop.

# Audited Financial Statements

"Our key strengths is what sets us apart and enable us to create value for our stakeholders.

# Maybank Philippines, Incorporated
# Independent Auditor's Report

The Board of Directors and Stockholders
Maybank Philippines, Incorporated
Maybank Corporate Centre
7th Avenue corner 28th Street,
Bonifacio Global City, Taguig City

**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, 2021 and 2020, 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, 2021 and 2020, 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.

# Maybank Philippines, Incorporated
# Independent Auditor's Report

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 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.  The supplementary information required under BSP Circular No. 1074 in Note 32 and  Revenue Regulations 15-2010 in Note 33 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements.  Such information is the responsibility of the management of Maybank Philippines, Incorporated.  The information has been subjected to the auditing procedures applied in our audit of the basic financial statements.  In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 108795-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8853467, January 3, 2022, Makati City

April 13, 2022

# Maybank Philippines, Incorporated
## Statements of Financial Position

| | December 31 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| **Cash and Other Cash Items** | **₱1,757,511,280** | ₱1,318,048,371 |
| **Due from Bangko Sentral ng Pilipinas** (Note 13) | **16,670,508,819** | 11,740,621,685 |
| **Due from Other Banks** (Note 28) | **2,313,027,681** | 4,080,554,878 |
| **Interbank Loans Receivable and Securities Purchased under Resale Agreements** | **6,270,065,184** | 946,563,080 |
| **Financial Assets at Fair Value Through Profit or Loss** (Notes 6 and 17) | **4,232,955,397** | 3,788,118,609 |
| **Financial Assets at Fair Value Through Other Comprehensive Income** (Note 7) | **8,596,991,140** | 7,826,212,365 |
| **Investment Securities at Amortized Cost** (Note 8) | **10,442,445,542** | 8,643,768,228 |
| **Loans and Receivables** (Note 9) | **48,100,950,850** | 58,566,785,723 |
| **Property and Equipment** (Note 10) | **245,946,922** | 276,233,399 |
| **Right-of-Use Assets** (Note 24) | **567,135,113** | 589,928,379 |
| **Investment Properties** (Note 11) | **1,163,016,303** | 1,093,826,992 |
| **Deferred Tax Assets** (Note 25) | **1,413,624,970** | 1,530,014,203 |
| **Other Assets** (Note 12) | **654,714,931** | 761,086,731 |
| **TOTAL ASSETS** | **₱102,428,894,132** | ₱101,161,762,643 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **LIABILITIES** | | |
| **Deposit Liabilities** (Notes 13 and 28) | | |
| Demand | **₱26,990,507,379** | ₱25,751,394,611 |
| Savings | **22,404,961,178** | 24,152,905,334 |
| Time | **22,384,636,615** | 30,632,736,132 |
| | **71,780,105,172** | 80,537,036,077 |
| **Bills Payable** (Notes 14 and 28) | **11,372,777,000** | 2,209,058,000 |
| **Subordinated Debt** (Note 28) | **1,993,568,187** | 1,992,648,990 |
| **Accrued Interest, Taxes and Other Expenses** (Note 15) | **1,290,991,755** | 1,095,884,900 |
| **Lease Liabilities** (Note 24) | **717,848,794** | 752,327,010 |
| **Financial Liabilities at Fair Value through Profit or Loss** (Notes 17 and 28) | **219,594,198** | 164,574,417 |
| **Manager's Checks** | **501,201,983** | 375,475,955 |
| **Income Tax Payable** | **1,328,705** | 4,825,636 |
| **Other Liabilities** (Note 16) | **1,713,667,085** | 1,434,153,999 |
| | **89,591,082,879** | 88,565,984,984 |

| | December 31 2021 | 2020 |
|---|---|---|
| **EQUITY** | | |
| **Preferred Stock** (Note 19) | **232,539,724** | 232,539,724 |
| **Common Stock** (Note 19) | **10,313,344,184** | 10,313,344,184 |
| **Cost of Share-based Payments** (Note 19) | **262,761,718** | 262,761,718 |
| **Surplus Reserve** (Note 19) | **63,186,832** | 59,618,552 |
| **Surplus** | **2,089,137,897** | 1,703,117,171 |
| **Net Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income** (Note 7) | **(50,334,260)** | 105,387,149 |
| **Remeasurement Losses on Retirement Plan** (Note 20) | **(79,699,772)** | (76,766,794) |
| **Cumulative Translation Adjustment** | **7,258,535** | (3,840,440) |
| **Treasury Shares** (Note 19) | **(383,605)** | (383,605) |
| | **12,837,811,253** | 12,595,777,659 |
| **TOTAL LIABILITIES AND EQUITY** | **₱102,428,894,132** | ₱101,161,762,643 |

*See accompanying Notes to Financial Statements.*

# Maybank Philippines, Incorporated
## Statements of Income

| | Years Ended December 31 | |
|---|---|---|
| | **2021** | 2020 |
| **INTEREST INCOME ON** | | |
| Loans and receivables (Notes 9 and 28) | **₱4,288,610,229** | ₱5,251,053,808 |
| Financial investments (Notes 6, 7, 8 and 17) | **682,961,997** | 991,952,648 |
| Due from Bangko Sentral ng Pilipinas and other banks | **86,388,132** | 63,291,212 |
| Interbank loans receivable and securities purchased under resale agreements | **58,853,957** | 50,683,986 |
| | **5,116,814,315** | 6,356,981,654 |
| **INTEREST EXPENSE ON** | | |
| Deposit liabilities (Notes 13 and 28) | **773,679,468** | 1,495,508,001 |
| Bills payable and other borrowings (Notes 14 and 28) | **133,542,430** | 191,804,702 |
| Financial liabilities at fair value through profit or loss (Note 17 and 28) | **9,667,611** | 5,612,893 |
| Lease liabilities (Note 24) | **58,383,737** | 66,003,500 |
| | **975,273,246** | 1,758,929,096 |
| **NET INTEREST INCOME** | **4,141,541,069** | 4,598,052,558 |
| **OTHER INCOME AND CHARGES** | | |
| Service charges, fees and commissions (Notes 22 and 28) | **922,425,222** | 408,129,318 |
| Loss on sale of properties | **(43,024,962)** | (133,817,810) |
| Net trading gains (Note 21) | **546,703,110** | 127,378,125 |
| Foreign exchange gains (losses) – net | **(362,779,659)** | 47,888,141 |
| Gain on foreclosures | **92,362,239** | 38,971,674 |
| Miscellaneous (Note 23) | **135,532,212** | 93,112,171 |
| **TOTAL OPERATING INCOME** | **5,432,759,231** | 5,179,714,177 |
| **OTHER EXPENSES AND CHARGES** | | |
| Compensation and fringe benefits (Notes 20 and 28) | **1,688,917,428** | 1,634,801,007 |
| Taxes and licenses | **619,840,706** | 725,086,716 |
| Provision for impairment and credit losses (Notes 7, 8, 9, 11, 12 and 16) | **418,593,218** | 2,789,763,656 |
| Depreciation and amortization (Notes 10, 11, 12 and 24) | **393,903,348** | 429,683,543 |
| Information and technology | **248,077,576** | 229,926,342 |
| Litigation and asset acquired (Note 11) | **191,973,943** | 121,972,140 |
| Insurance | **185,842,036** | 191,048,447 |
| Security, messengerial and janitorial | **138,771,610** | 156,059,535 |
| Occupancy (Note 24) | **135,418,225** | 117,818,465 |
| Management and other professional fees | **85,392,869** | 19,183,625 |
| Postage, telephone and telegrams | **45,538,214** | 38,237,035 |
| Stationery and supplies used | **26,405,974** | 22,767,230 |
| Traveling | **8,542,120** | 12,722,824 |
| Entertainment, amusement and recreation | **198,372** | 686,257 |
| Miscellaneous (Note 23) | **520,968,633** | 501,069,003 |
| **TOTAL OPERATING EXPENSES** | **4,708,384,272** | 6,990,825,825 |
| **INCOME (LOSS) BEFORE INCOME TAX** | **724,374,959** | (1,811,111,648) |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 25) | **334,785,953** | (368,326,619) |
| **NET INCOME (LOSS)** | **₱389,589,006** | (₱1,442,785,029) |

*See accompanying Notes to Financial Statements.*

# Maybank Philippines, Incorporated
# Statements of Comprehensive Income

| | Years Ended December 31 | |
|---|---|---|
| | **2021** | 2020 |
| **NET INCOME (LOSS)** | **₱389,589,006** | (₱1,442,785,029) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | |
| ***Items that may be reclassified to profit or loss in subsequent periods*:** | | |
| Net change in unrealized gains (losses) on financial assets at fair value through other comprehensive income (Note 7) | **(212,874,299)** | 120,651,841 |
| Tax effect | **57,152,890** | (37,521,935) |
| Cumulative translation adjustment | **11,098,975** | 8,662,028 |
| ***Item that will not be reclassified to profit or loss in subsequent periods:*** | | |
| Remeasurement gains on retirement plan (Note 20) | **3,400,486** | 30,237,073 |
| Tax effect | **(6,333,464)** | (9,071,122) |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR** | **(147,555,412)** | 112,957,885 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **₱242,033,594** | (₱1,329,827,144) |

*See accompanying Notes to Financial Statements.*

# Maybank Philippines, Incorporated
# Statements of Changes in Equity

| | Preferred Stock (Note 19) "A" | "B" | "C" | Subtotal | Common Stock (Note 19) | Cost of Share-Based Payment (Note 7) | Surplus Reserve (Note 20) | Surplus | Net Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 7) | Remeasurement Losses on Retirement Plan (Note 20) | Cumulative Translation Adjustment | Treasury Shares (Note 19) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balances at January 1, 2021** | **₱4,440,000** | **₱8,880,000** | **₱219,219,724** | **₱232,539,724** | **₱10,313,344,184** | **₱262,761,718** | **₱59,618,552** | **₱1,703,117,171** | **₱105,387,149** | **(₱76,766,794)** | **(₱3,840,440)** | **(₱383,605)** | **₱12,595,777,659** |
| Net income | – | – | – | – | – | – | – | **389,589,006** | **–** | **–** | – | – | **389,589,006** |
| Other comprehensive income (loss) | – | – | – | – | – | – | – | – | **(155,721,409)** | **(2,932,978)** | **11,098,975** | – | **(147,555,412)** |
| **Total comprehensive income (loss)** | – | – | – | – | – | – | – | **389,589,006** | **(155,721,409)** | **(2,932,978)** | **11,098,975** | – | **242,033,594** |
| **Transfer to surplus reserve** | – | – | – | – | – | – | **3,568,280** | **(3,568,280)** | – | – | – | – | **–** |
| **Balances at December 31, 2021** | **₱4,440,000** | **₱8,880,000** | **₱219,219,724** | **₱232,539,724** | **₱10,313,344,184** | **₱262,761,718** | **₱63,186,832** | **₱2,089,137,897** | **(₱50,334,260)** | **(₱79,699,772)** | **₱7,258,535** | **(₱383,605)** | **₱12,837,811,253** |
| Balances at January 1, 2020 | ₱4,440,000 | ₱8,880,000 | ₱219,219,724 | ₱232,539,724 | ₱10,313,344,184 | ₱262,761,718 | ₱56,817,291 | ₱3,148,703,461 | ₱22,257,243 | (₱97,932,745) | (₱12,502,468) | (₱383,605) | ₱13,925,604,803 |
| Net loss | – | – | – | – | – | – | – | (1,442,785,029) | – | – | – | – | (1,442,785,029) |
| Other comprehensive income | – | – | – | – | – | – | – | – | 83,129,906 | 21,165,951 | 8,662,028 | – | 112,957,885 |
| Total comprehensive income (loss) | – | – | – | – | – | – | – | (1,442,785,029) | 83,129,906 | 21,165,951 | 8,662,028 | – | (1,329,827,144) |
| Transfer to surplus reserve | – | – | – | – | – | – | 2,801,261 | (2,801,261) | – | – | – | – | – |
| Balances at December 31, 2020 | ₱4,440,000 | ₱8,880,000 | ₱219,219,724 | ₱232,539,724 | ₱10,313,344,184 | ₱262,761,718 | ₱59,618,552 | ₱1,703,117,171 | ₱105,387,149 | (₱76,766,794) | (₱3,840,440) | (₱383,605) | ₱12,595,777,659 |

*See accompanying Notes to Financial Statements.*

# Maybank Philippines, Incorporated
# Statements of Cash Flows

| | Years Ended December 31 | |
|---|---|---|
| | **2021** | 2020 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income (loss) before income tax | **₱724,374,959** | (₱1,811,111,648) |
| Adjustments for: | | |
| Net loss (gain) on sale of: | | |
| Investment properties and other properties acquired | **44,246,308** | 133,819,754 |
| Property and equipment | **(1,221,346)** | (1,944) |
| Depreciation and amortization (Notes 10, 11, 12 and 24) | **393,903,348** | 429,683,543 |
| Provision for impairment and credit losses (Notes 9,11 and 12) | **419,412,718** | 2,789,763,656 |
| Amortization of premium/discount | **(42,894,751)** | (27,040,976) |
| Gain on foreclosure of investment properties and other properties acquired | **(92,362,239)** | (38,971,674) |
| Unrealized trading loss (gain) (Note 6) | **(592,072,522)** | 142,943,836 |
| Retirement expense (Note 20) | **88,880,537** | 93,679,844 |
| Interest expense on lease contracts (Note 24) | **58,383,737** | 66,003,500 |
| Realized trading loss (gain) on sale of financial assets at FVOCI investments (Note 21) | **1,240** | (57,582,083) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in the amounts of: | | |
| Financial assets at fair value through profit or loss | **147,235,734** | (3,563,889,086) |
| Loans and receivables | **8,916,358,729** | 9,607,692,735 |
| Other assets | **(8,126,760)** | (37,999,305) |
| Increase (decrease) in the amounts of: | | |
| Deposit liabilities | **(8,756,930,905)** | 4,656,231,792 |
| Financial liabilities at fair value through profit or loss | **55,019,781** | (123,595,782) |
| Accrued interest, taxes and other expenses | **195,106,855** | (89,885,485) |
| Manager's checks and outstanding acceptances | **125,726,028** | (338,603,782) |
| Other liabilities | **294,203,369** | 162,376,412 |
| Net cash provided by operations | **1,969,244,820** | 11,993,513,307 |
| Retirement contribution (Note 20) | **(90,112,129)** | (94,692,903) |
| Income taxes paid | **(244,948,758)** | (256,983,253) |
| Net cash provided by (used in) operating activities | **1,634,183,933** | 11,641,837,151 |

| | Years Ended December 31 | |
|---|---|---|
| | **2021** | 2020 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of: | | |
| Financial assets at FVOCI | **(46,722,785,707)** | (7,726,054,273) |
| Financial assets at amortized cost | **(17,383,790,668)** | (11,322,184,000) |
| Property and equipment (Note 10) | **(52,915,356)** | (94,160,799) |
| Software costs (Note 12) | **(39,177,692)** | (14,389,118) |
| Proceeds from: | | |
| Sale and maturities of financial assets at FVOCI | **45,851,518,110** | 2,972,705,083 |
| Maturities of financial assets at amortized cost | **15,561,901,655** | 14,209,537,600 |
| Disposals of property and equipment (Note 10) | **4,114,614** | 1,795,216 |
| Disposals of investment properties and other properties acquired (Notes 11 and 12) | **1,085,570,242** | 547,683,861 |
| Net cash used in investing activities | **(1,695,564,802)** | (1,425,066,430) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net availment/(settlement) of bills payable (Note 30) | **₱9,163,719,000** | (₱6,702,702,000) |
| Payment for principal portion of lease liabilities (Note 24) | **(188,112,156)** | (218,969,761) |
| Net cash provided by (used in) financing activities | **8,975,606,844** | (6,921,671,761) |
| **CUMULATIVE TRANSLATION ADJUSTMENT** | **11,098,975** | 8,662,028 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **8,925,324,950** | 3,303,760,988 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | |
| Cash and other cash items | **1,318,048,371** | 1,525,384,334 |
| Due from Bangko Sentral ng Pilipinas (BSP) | **11,740,621,685** | 9,767,154,508 |
| Due from other banks | **4,080,554,878** | 3,489,488,184 |
| Interbank loans receivable and SPURA | **946,563,080** | - |
| | **18,085,788,014** | 14,782,027,026 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | |
| Cash and other cash items | **1,757,511,280** | 1,318,048,371 |
| Due from BSP | **16,670,508,819** | 11,740,621,685 |
| Due from other banks | **2,313,027,681** | 4,080,554,878 |
| Interbank loans receivable and SPURA | **6,270,065,184** | 946,563,080 |
| | **₱27,011,112,964** | ₱18,085,788,014 |
| **OPERATIONAL CASH FLOWS FROM INTEREST** | | |
| Interest received | **₱5,741,009,734** | ₱5,380,431,649 |
| Interest paid | **1,004,553,150** | 1,997,801,888 |

*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 63 and 65 branches as of December 31, 2021 and 2020, respectively.

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

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

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

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

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

## 2. Summary of Significant Accounting Policies

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

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

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

Amounts are presented to the nearest PHP unless otherwise stated.

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

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

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Bank assesses that they have currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Bank or 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, 2021. Adoption of these pronouncements did not have a significant impact on the Bank's financial position or performance, unless otherwise indicated.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

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

  The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

**Significant Accounting Policies**

Foreign Currency Translation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Solely Payments of Principal and Interest (SPPI) test*
The Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test or SPPI test.

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

The most significant elements of interest within a lending 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 derivative instruments and government securities where the fair value option at initial recognition is applied.

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

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

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

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

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

*Financial assets at FVOCI – Debt investments*
The Bank applies this category when both the following conditions are met:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:
- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered SPPI

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Guarantees and Undrawn Loan Commitments

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.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, is not recorded in the statement of financial position.

These contracts are within the scope of the ECL requirements under PFRS 9 where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amount is recognized in 'Allowance for credit losses on off-balance sheet exposures' under 'Other liabilities'.

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.

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:

a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
c. 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.

*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.

<u>Share-Based Payment Transactions</u>
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.

<u>Treasury Shares</u>
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.

<u>Revenue Recognition</u>
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.

<u>Within the scope of PFRS 15</u>
*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.

<u>Outside the scope of PFRS 15</u>

*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.

*Interest expense*
Interest expense for all interest-bearing financial liabilities is recognized in 'Interest expense' in the statements of income using the EIR of the financial liabilities to which they relate.

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

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

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

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

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

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

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

Retirement Cost

*Defined benefit plan*

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

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

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

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.

'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, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to Philippine Accounting Standard (PAS) 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
    - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

## 3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Bank to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

*a)* *Contingencies*
The Bank has suits and claims that remain unsettled. Management believes, based on the opinion of its legal counsel that the ultimate outcome of such cases and claims will not involve sums having a material effect on its financial statements. It is possible, however, that the future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

*b)* *Fair value of financial assets*
When the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The carrying values and corresponding fair values of financial instruments as well as the manner in which fair values were determined are discussed in Note 5.

c) *Evaluation of business model in managing financial instruments*
The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers.

The business model criteria may be applied at the level of a portfolio of financial instruments (i.e. group of financial instruments that are managed together by the Bank) but not on an instrument-by-instrument basis (i.e. not based on intention for each individual financial instrument). This may include, for instance, a portfolio of investments that the Bank manages in order to collect contractual cash flows and another portfolio of investments that the Bank manages in order to trade to realize fair value changes. The Bank's business model is determined at portfolio level, which reflects how group of financial assets are managed together to achieve a particular business objective. Business model assessment is a matter of fact, rather than merely an assertion.

As of December 31, 2021 and 2020, 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.

Estimates

a. *Credit losses on loans and receivables*
The measurement of credit losses requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- Criteria for assessing if there has been a SICR so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of debt financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Bank's ECL models were internally developed and independently validated to compute for the potential credit loss of each loan account in adherence to PFRS 9 standards. Models were developed for each product line and mostly followed a "rated-approach" where each loan account were given internal risk grades based on their most recent financial condition for corporates or based on behavioral factors for retail such as repayment performance, delinquency history, etc. These risk grades are then translated to probability of defaults based on statistical models that utilized historical default experiences from the various internal risk grades.

Forward-looking adjustment (FLA) models were likewise developed statistically for each product line. These models attempt to establish a link between internal default experience and a combination of several macro-economic variables, resulting into additional ECL required on weak economic outlook and vice-versa. On the other hand, the determination of the economic outlook is determined by an economic research team and duly approved by management.

Lastly, the other significant variable used in ECL – the LGD – was likewise estimated based on internal loss experience and taking into consideration all direct/indirect costs involved in the loss recovery on the accounts.

Refer to Note 4 for detailed discussions regarding the abovementioned significant judgments and estimates in relation to ECL estimation.

The gross carrying amounts of loans and receivables subject to ECL and related ECL allowances for credit losses as of December 31, 2021 and 2020 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, 2021 and 2020, the Bank recognized deferred tax assets amounting to ₱1.4 billion and ₱1.5 billion, respectively (Note 25). Based on forecast, management assessed that it is probable that future taxable income will be available to utilize the deferred tax assets.

c. *Defined benefit retirement plan*
The cost of the defined benefit retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuation. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate single weighted average discount rate, management considers the interest rates of government securities, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases pension increases are based on historical annual merit, market and promotional increase and future inflation rates. The carrying amount of retirement liability as of December 31, 2021 and 2020 and the details of the assumptions used in the actuarial valuation are provided in Note 20.

## 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 ₱250.0 million for secured and ₱100.0 million for unsecured loans. Proposals beyond this level have to be escalated to Bank's Management Credit Committee for endorsement to BOD for approval.

Asset and Liability Management Committee (ALCO) is responsible for recommending strategies, policies and frameworks to identify, measure, control, monitor and manage market and liquidity risks, as well as balance sheet and capital management to the RMC/Board for approval.

Management Committee is responsible for directing and reviewing the Bank's overall operations to achieve its objectives and targets.

Risk Management is functionally independent of risk-taking units within the Bank. It is composed of Regional Group Credit Management (RGCM), Credit Risk Management (CRM), Market Risk Management (MRM), Operational Risk Management (ORM), Enterprise Risk Management (ERM), Credit Risk Review, Credit Investigation and Appraisal, and Credit Risk Portfolio Analytics (CRPA). It is responsible for the development of measures to ensure that the risk inherent in the Bank's activities are properly identified, measured, controlled and reported.

Risk Management has the following general objectives:

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

Internal Audit provides independent assurance of the effectiveness of the risk management approach. The Audit Committee, which is a Board-level committee, is responsible for the overall supervision of the audit function within the organization.

Risk Measurement and Reporting

To measure risk of default for corporate and commercial loans, the Bank makes use of the International Risk Rating System (IRRS) which consists of 25 risk grades that are mapped to external ratings, as well as risk classification according to BSP guidelines. The IRRS is used as a tool for decision making as well as in determining appropriate pricing for loan accounts. The key risk indicators measure the Bank's credit risk position against targets, historical performance or industry average in selected areas as of a given period.

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

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

Risk Mitigation
As part of its risk management, the Bank uses derivatives and other treasury products to manage exposures resulting from changes in interest rates and fluctuations in foreign exchange levels.

Where appropriate, the Bank requires a second way out in the form of eligible collaterals or guarantee/surety to mitigate credit risk.

Credit Risk
Credit risk comprises bulk of the Bank's risk capital. Credit risk is managed through a two-pronged approach: the credit risk management and credit portfolio management.

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.

The Bank now undertakes the maintenance, marketing and disposal of its acquired assets which is previously managed by its affiliate, Philmay Properties, Inc. (PPI). Pending disposal of acquired assets, the Bank arranges for the properties to be leased on a short-term basis by interested parties.

*Credit risk exposures*
The table below shows the Bank's maximum exposure to credit risk on loans and receivable as of December 31, 2021 and 2020:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Maximum Exposure | | | |
| | Carrying value | Fair value of collateral | Financial effect of collateral | Net exposure |
| SPURA | **₱4,740,095,184** | **₱4,740,198,613** | **₱4,740,095,184** | **₱–** |
| Loans and receivables: | | | | |
| Loans: | | | | |
| Corporate | **9,974,922,630** | **274,030,614** | **274,030,614** | **9,700,892,016** |
| Commercial | **2,787,092,634** | **7,224,338,401** | **2,620,741,477** | **166,351,157** |
| Consumer: | | | | |
| Auto loans | **21,607,161,671** | **52,611,659,428** | **21,492,852,348** | **114,309,323** |
| Housing loans | **11,438,432,367** | **20,335,169,878** | **11,123,673,076** | **314,759,291** |
| Others | **810,087,771** | **25,596,702** | **14,807,033** | **795,280,738** |
| | **46,617,697,073** | **80,470,795,023** | **35,526,104,548** | **11,091,592,525** |
| Accounts receivable: | | | | |
| Corporate | **1,017,463,290** | **579,666,837** | **579,666,837** | **437,796,453** |
| Individual | **5,835,717** | **–** | **–** | **5,835,717** |
| | **1,023,299,007** | **579,666,837** | **579,666,837** | **443,632,170** |
| Sales contract receivable: | | | | |
| Corporate | **316,384,293** | **509,971,567** | **316,384,293** | **–** |
| Individual | **38,195,916** | **93,168,511** | **38,195,916** | **–** |
| | **354,580,209** | **603,140,078** | **354,580,209** | **–** |
| RCOCI | **276,516** | **–** | **–** | **276,516** |
| | **₱52,735,947,989** | **₱86,393,800,551** | **₱41,200,446,778** | **₱11,535,501,211** |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | | Maximum Exposure | | |
| | Carrying value | Fair value of collateral | Financial effect of collateral | Net exposure |
| SPURA | ₱946,563,080 | ₱946,563,080 | ₱946,563,080 | ₱– |
| Loans and receivables: | | | | |
| Loans: | | | | |
| Corporate | 14,158,973,785 | 2,567,097,239 | 1,158,665,403 | 13,000,308,382 |
| Commercial | 2,586,051,320 | 4,337,388,956 | 1,667,655,736 | 918,395,584 |
| Consumer: | | | | |
| Auto loans | 27,995,304,963 | 62,050,989,410 | 27,991,961,057 | 3,343,906 |
| Housing loans | 11,141,302,316 | 19,661,622,924 | 10,098,301,978 | 1,043,000,338 |
| Others | 1,159,892,799 | 21,839,112 | 11,120,546 | 1,148,772,253 |
| | 57,041,525,183 | 88,638,937,641 | 40,927,704,720 | 16,113,820,463 |
| Accounts receivable: | | | | |
| Corporate | 1,041,397,123 | 599,666,837 | 599,666,837 | 441,730,286 |
| Individual | 8,728,171 | – | – | 8,728,171 |
| | 1,050,125,294 | 599,666,837 | 599,666,837 | 450,458,457 |
| Sales contract receivable: | | | | |
| Corporate | 318,579,592 | 509,971,567 | 318,579,592 | – |
| Individual | 33,077,222 | 81,871,376 | 33,077,222 | – |
| | 351,656,814 | 591,842,943 | 351,656,814 | – |
| RCOCI | 328,684 | – | – | 328,684 |
| | ₱59,390,199,055 | ₱90,777,010,501 | ₱42,825,591,451 | ₱16,564,607,604 |

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2021 and 2020.

Credit risk management has set concentration limits according to various categories such as individual/group borrower, banks, countries, collateral, economic sectors, and product types to ensure optimal portfolio diversification.

*Risk Concentration*
Concentration of credit arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location. Concentration limits are set by CRM, endorsed by RMC, and approved by the BOD. These include limits by business segments, credit facility/portfolio, collateral/security, economic sector, loan size and obligor type. These limits are established to ensure diversification, capital optimization and appropriate management of concentration risk.

The tables below show the distribution of maximum credit exposure by industry sector of financial assets and off-balance sheet items before taking into account the fair value of the loan collateral or other credit enhancements (amounts in thousands):

| | **December 31, 2021** | | December 31, 2020 | |
|---|---|---|---|---|
| | **Amount** | **%** | Amount | % |
| **Loans and Receivables** | | | | |
| Construction and real estate | **₱17,302,924** | **35.97** | ₱15,408,855 | 26.3 |
| Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods | **6,376,309** | **13.26** | 12,170,565 | 20.8 |
| Power, electricity and water distribution | **3,878,903** | **8.06** | 3,957,090 | 6.76 |
| Transportation, storage and communication | **3,319,452** | **6.90** | 4,792,464 | 8.18 |
| Trading and manufacturing | **1,777,362** | **3.70** | 2,768,073 | 4.73 |
| Agriculture | **1,541,891** | **3.21** | 1,393,078 | 2.38 |
| Government | **1,540,344** | **3.20** | 370,497 | 0.63 |
| Financial intermediaries | **839,971** | **1.75** | 373,915 | 0.64 |
| Others | **11,523,795** | **23.96** | 17,332,249 | 29.6 |
| | **48,100,951** | **100.00** | 58,566,786 | 100.00 |
| **Loans and Advances to Banks*** | | | | |
| Government | **22,940,574** | **90.84** | 12,687,185 | 75.66 |
| Financial intermediaries | **2,313,028** | **9.16** | 4,080,555 | 24.34 |
| | **25,253,602** | **100.00** | 16,767,740 | 100.00 |
| **Trading and Financial Investment Securities**** | | | | |
| Government | **20,648,939** | **88.82** | 16,558,610 | 81.84 |
| Construction and real estate | **896,245** | **3.86** | 951,967 | 4.70 |
| Financial intermediaries | **508,990** | **2.19** | 765,987 | 3.79 |
| Power, electricity and water distribution | **90,382** | **0.39** | 6,628 | 0.03 |
| Activities of holding companies | **–** | **–** | 1,950,762 | 9.64 |
| Others | **1,103,691** | **4.75** | – | – |
| | **23,248,247** | **100.00** | 20,233,954 | 100.00 |
| **Others***** | | | | |
| Financial intermediaries | **1,114,515** | **48.40** | 837,669 | 31.74 |
| Construction and real estate | **479,414** | **20.82** | 485,459 | 18.40 |
| Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods | **288,655** | **12.54** | 176,513 | 6.69 |
| Trading and manufacturing | **–** | **–** | 916,353 | 34.73 |
| Power, electricity and water distribution | **–** | **–** | 62,365 | 2.36 |
| Others | **419,970** | **18.24** | 160,396 | 6.08 |
| | **2,302,554** | **100.00** | 2,638,755 | 100.00 |
| | **₱98,905,354** | | ₱98,207,235 | |

*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.

The credit quality of the Bank's receivables from customers as of December 31, 2021 follow (in thousands):

| | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| **Auto** | | | | |
| Unrated | ₱17,507,770 | ₱2,995,688 | ₱– | ₱20,503,458 |
| Non-performing grade | – | – | 1,924,763 | 1,924,763 |
| Auto Total | 17,507,770 | 2,995,688 | 1,924,763 | 22,428,221 |
| **Commercial** | | | | |
| High Grade | 1,985,272 | – | – | 1,985,272 |
| Standard grade | 340,069 | 102,555 | – | 442,624 |
| Substandard Grade | 726 | 132,336 | 103,841 | 236,903 |
| Non-performing grade | – | – | 584,883 | 584,883 |
| Commercial Total | 2,326,067 | 234,891 | 688,724 | 3,249,682 |
| **Corporate** | | | | |
| High Grade | 3,059,041 | – | – | 3,059,041 |
| Standard grade | 4,999,530 | 462,784 | – | 5,462,314 |
| Substandard Grade | 424,497 | 1,119,693 | 814,103 | 2,358,293 |
| Non-performing grade | – | – | 388,173 | 388,173 |
| Corporate Total | 8,483,068 | 1,582,477 | 1,202,276 | 11,267,821 |
| **Housing** | | | | |
| Unrated | 9,982,961 | 1,244,330 | – | 11,227,291 |
| Non-performing grade | – | – | 445,168 | 445,168 |
| Housing Total | 9,982,961 | 1,244,330 | 445,168 | 11,672,459 |
| **Other** | | | | |
| Unrated | 856,008 | 49,628 | – | 905,636 |
| Non-performing grade | – | – | 44,504 | 44,504 |
| Other Total | 856,008 | 49,628 | 44,504 | 950,140 |
| **Grand Total** | ₱39,155,874 | ₱6,107,014 | ₱4,305,435 | ₱49,568,323 |

The credit quality of the Bank's financial assets other than loans and receivables as of December 31, 2021 follow (in thousands):

| | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| **Due from BSP** | | | | |
| High Grade | ₱16,670,509 | ₱– | ₱– | ₱16,670,509 |
| **Due from Other Banks** | | | | |
| High Grade | ₱2,313,028 | ₱– | ₱– | ₱2,313,028 |
| **Interbank Loans Receivables and SPURA** | | | | |
| High Grade | ₱6,270,065 | ₱– | ₱– | ₱6,270,065 |
| **Financial Instruments at FVOCI** | | | | |
| High Grade | ₱8,572,846 | ₱– | ₱– | ₱8,572,846 |
| **Financial Instruments at Amortized Cost** | | | | |
| High Grade | ₱10,489,112 | ₱– | ₱– | ₱10,489,112 |

The credit quality of the Bank's receivables from customers as of December 31, 2020 follow (in thousands):

| | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| **Auto** | | | | |
| Unrated | ₱22,693,305 | ₱3,808,550 | ₱– | ₱26,501,855 |
| Non-performing grade | – | – | 2,441,883 | 2,441,883 |
| Auto Total | 22,693,305 | 3,808,550 | 2,441,883 | 28,943,738 |
| **Commercial** | | | | |
| High Grade | 24,889 | – | – | 24,889 |
| Standard grade | 2,343,740 | 40,384 | – | 2,384,124 |
| Substandard Grade | – | 137,179 | – | 137,179 |
| Especially Mentioned | – | 70,057 | – | 70,057 |
| Non-performing grade | – | – | 142,154 | 142,154 |
| Commercial Total | 2,368,629 | 247,620 | 142,154 | 2,758,403 |
| **Corporate** | | | | |
| High Grade | 166,666 | – | – | 166,666 |
| Standard grade | 721,239 | – | – | 721,239 |
| Substandard Grade | 11,069,942 | 860,458 | – | 11,930,400 |
| Especially Mentioned | 9,966 | 367,881 | – | 377,847 |
| Doubtful | – | – | 1,742 | 1,742 |
| Non-performing grade | – | – | 1,801,932 | 1,801,932 |
| Corporate Total | 11,967,813 | 1,228,339 | 1,803,674 | 14,999,826 |

| | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| **Housing** | | | | |
| Unrated | 9,452,561 | 1,423,601 | – | 10,876,162 |
| Non-performing grade | – | – | 673,922 | 673,922 |
| Housing Total | 9,452,561 | 1,423,601 | 673,922 | 11,550,084 |
| **Other** | | | | |
| Unrated | 1,125,632 | 41,347 | – | 1,166,979 |
| Non-performing grade | – | – | 108,015 | 108,015 |
| Other Total | 1,125,632 | 41,347 | 108,015 | 1,274,994 |
| **Grand Total** | ₱47,607,940 | ₱6,749,457 | ₱5,169,648 | ₱59,527,045 |

The credit quality of the Bank's financial assets other than loans and receivables as of December 31, 2020 follow (in thousands):

| | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| **Due from BSP** | | | | |
| High Grade | ₱11,740,622 | ₱– | ₱– | ₱11,740,622 |
| **Due from Other Banks** | | | | |
| High Grade | ₱4,080,555 | ₱– | ₱– | ₱4,080,555 |
| **Financial Instruments at FVOCI** | | | | |
| High Grade | ₱7,802,067 | ₱– | ₱– | ₱7,802,067 |
| **Financial Instruments at Amortized Cost** | | | | |
| High Grade | ₱8,357,663 | ₱– | ₱– | ₱8,357,663 |
| Substandard Grade | – | 300,000 | – | 300,000 |
| Financial Instruments at Amortized Cost-Total | ₱8,357,663 | ₱300,000 | ₱– | ₱8,657,663 |

As of December 31, 2021 and 2020, allowance on individually impaired receivables of the Bank amounted to ₱1.2 billion and ₱0.7 billion, respectively.

*Impairment assessment*
The Bank uses a provision matrix to calculate ECL for receivables from retail customers. The provision matrix is initially based on the Bank's historical observed default rates. The Bank calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the financial sector, the historical default rates will be adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

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

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

The Bank established the MRM to assist the BOD, RMC, ALCO in monitoring and managing the Bank's market risk exposures independently from the risk-taking units. MRM also acts as business partners with Global Markets in the daily monitoring of its positions against approved risk measures. MRM's roles include the following:

- Ensure that the market, IRRBB and liquidity risk management objectives of the Bank are achieved through the development, implementation, maintenance and enhancement of a comprehensive risk management process that comprises of qualitative and quantitative methodologies to identify, measure, control and monitor, among others, the following:
  - Market risks, which covers the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities
  - Liquidity risks, which covers liquidity crisis, funding structure, fund raising policies and strategies, diversification of funding sources, gap analysis and management
- Provide support functions to the ALCO to facilitate informed strategic management decision making
- Provide consultative services and support functions to all relevant units within the Bank on matters pertaining to market and liquidity risks management and treasury operations
- Participate, in collaboration with other risk management units within the Bank on cross border risk management issues, to identify and mitigate various risks inherent in new Global Markets and core banking products prior to product introduction
- Provide revaluation prices of relevant Global Markets products transacted by various business units within the Bank
- Perform regular independent supervision of Global Markets operations

A Market and Liquidity Risk Management (MLRM) Framework is in place to institutionalize vigilance and awareness of market and liquidity risk. MLRM provides the foundation for the optimization of risk returns, consistent management of market and liquidity risk and governance and risk oversight. All market risk policies being issued are reviewed at least annually to ensure compliance with regulatory requirements and up to par with international best practices.

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

*Interest rate risk*

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

*Trading: PV01*

PV01 measures the change in the value of the portfolio with 1 basis point increase in the yield curve and is applicable for the trading portfolio. Thresholds are set annually to re-assess the Bank's risk appetite and strategy. The PV01 is computed and reported daily to Global Markets and monthly to ALCO.

Shown in the table below is the Interest Rate Sensitivities (PV01) Report – By Portfolio as at December 31, 2021 and 2020 (amounts expressed in thousands).

| | **Rates Trading** | |
|---|---|---|
| Desk | **2021** | 2020 |
| PHP | **(₱3.31)** | (₱363.20) |
| USD | **(0.00)** | 0.00 |
| Net | **(₱3.31)** | (₱363.20) |

| | **Interest Rate Derivatives** | |
|---|---|---|
| Desk | **2021** | 2020 |
| PHP | **₱8.77** | (₱178.02) |
| USD | **(54.16)** | 154.68 |
| Net | **(₱45.39)** | (₱23.34) |

*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, 2021 and 2020 (amounts expressed in thousands).

| | **Rates Banking** | |
|---|---|---|
| Desk | **2021** | 2020 |
| PHP | **(₱2,884)** | (₱2,225) |
| USD | **(1,560)** | (1,719) |
| Net | **(₱4,444)** | (₱3,944) |

*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 every 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, 2021 and 2020 (amounts in thousands):

| | **December 31, 2021** | | | |
|---|---|---|---|---|
| **Currency** | **PHP** | | **US$** | |
| Changes in interest rates (in basis points) | **+100** | **-100** | **+100** | **-100** |
| Change in net income | **(₱177,888)** | **₱177,888** | **(₱144,711)** | **₱144,711** |
| Change in equity | **(109,059)** | **109,059** | **(147,431)** | **147,431** |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| Currency | PHP | | US$ | |
| Changes in interest rates (in basis points) | +100 | -100 | +100 | -100 |
| Change in net income | (₱304,688) | ₱304,688 | (₱84,357) | ₱84,357 |
| Change in equity | (2,396) | 2,396 | (172,788) | 172,788 |

The sensitivity in the statements of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at the reporting date. The sensitivity of equity is calculated by revaluing fixed-rate FVOCI investments at reporting date for the effects of the assumed changes in interest rates. The impact on the equity as stated above already excludes the impact on transactions affecting the statements of income.

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

The Bank controls its FX exposures by transacting in permissible currencies. Management of FX risk is done via monitoring of FX NOP and PV01 for those FX positions in the trading book. If the level reaches the trigger point, action is required to bring back the level to within the normal range. FX risk is reviewed together with other risks to determine the Bank's overall risk profile.

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

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

The Bank has significant exposure to US$ monetary assets and liabilities as of December 31, 2021 and 2020.

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, 2021** | |
|---|---|---|
| Changes in foreign currency exchange rate | **+5.0%** | **-5.0%** |
| Effect on profit before tax (in thousands) | **(₱3,852)** | **₱3,852** |

| | December 31, 2020 | |
|---|---|---|
| Changes in foreign currency exchange rate | +5.0% | -5.0% |
| Effect on profit before tax (in thousands) | ₱588 | (₱588) |

*Trading FX USD Position*

| | **December 31, 2021** | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **Spot** | **Forwards** | **FX Options** | Spot | Forwards | FX Options |
| PV01 | **(102)** | **(153)** | **0.00** | 0.00 | 48.02 | 0.00 |

Liquidity Risk

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

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

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

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

- Maintaining an adequate portfolio that can easily be liquidated as protection against any unforeseen interruption in cashflows;
- Maintaining a stable funding to support illiquid assets and business activities;
- Daily and monthly monitoring of liquidity ratios against internal and regulatory requirements;
- Monthly monitoring of gaps arising from mismatched maturity of assets and liabilities;
- Monthly monitoring and managing of concentration ratios of deposits;
- Conducting monthly liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Contingency Funding Plan (CFP) testing to examine the effectiveness and robustness of the plans.

*Liquidity coverage ratio and Net stable funding ratio*
The Bank monitors its LCR and NSFR on a daily basis; joint management and monitoring are carried out by Global Markets and Group Finance.

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

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

*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, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Up to 1 Month** | **1 to 3 Months** | **3 to 6 Months** | **6 to 12 Months** | **Beyond 1 year** | **Total** |
| **Financial Assets** | | | | | | |
| Cash and other cash items | **₱1,757,511** | **₱–** | **₱–** | **₱–** | **₱–** | **₱1,757,511** |
| Due from BSP | **16,672,809** | **–** | **–** | **–** | **–** | **16,672,809** |
| Due from other banks | **2,313,028** | **–** | **–** | **–** | **–** | **2,313,028** |
| Interbank loans receivable and SPURA | **6,270,855** | **–** | **–** | **–** | **–** | **6,270,855** |
| Financial assets at FVPL: | | | | | | |
| Government securities | **3,902,000** | **–** | **–** | **–** | **–** | **3,902,000** |
| Derivative assets | **139,557** | **79,263** | **1,477** | **10,667** | **99,991** | **330,955** |
| Financial assets at FVOCI: | | | | | | |
| Debt instruments | | | | | | |
| Government | **2,016,638** | **34,035** | **51,052** | **635,049** | **6,053,432** | **8,790,206** |
| Private | **2,383** | **4,766** | **7,149** | **348,058** | **134,669** | **497,025** |
| Equity | | | | | | |
| Quoted | **–** | **–** | **–** | **–** | **8,761** | **8,761** |
| Unquoted | **–** | **–** | **–** | **–** | **15,184** | **15,184** |
| Financial assets at amortized cost: | | | | | | |
| Government | **1,288,670** | **569,480** | **130,420** | **1,431,901** | **6,001,340** | **9,421,811** |
| Private | **7,725** | **15,450** | **32,122** | **46,085** | **2,018,004** | **2,119,386** |
| Loans and receivables: | | | | | | |
| Receivables from: | | | | | | |
| Corporate | **2,792,296** | **1,605,739** | **840,361** | **669,348** | **7,667,938** | **13,575,682** |
| Commercial | **1,007,874** | **633,272** | **321,576** | **547,419** | **1,648,554** | **4,158,695** |
| Consumer: | | | | | | |
| Auto loans | **1,186,839** | **1,972,706** | **2,799,874** | **4,936,085** | **14,675,367** | **25,570,871** |
| Housing loans | **155,487** | **307,642** | **460,345** | **911,889** | **15,524,269** | **17,359,632** |
| Others | **714,104** | **35,658** | **43,817** | **63,125** | **153,307** | **1,010,011** |
| | **40,227,776** | **5,258,011** | **4,688,193** | **9,599,626** | **54,000,816** | **113,774,422** |

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Up to 1 Month** | **1 to 3 Months** | **3 to 6 Months** | **6 to 12 Months** | **Beyond 1 year** | **Total** |
| Sales contract receivable: | | | | | | |
| Corporate | 28 | – | – | 734 | 319,079 | 319,841 |
| Individual | 3,201 | – | 92 | 505 | 34,526 | 38,324 |
| | 3,229 | – | 92 | 1,239 | 353,605 | 358,165 |
| Accounts receivable: | | | | | | |
| Corporate | 366,871 | 8,075 | 28,915 | 70,796 | 679,682 | 1,154,339 |
| Individual | 19,473 | 1,743 | 1,794 | 1,815 | 6,007 | 30,832 |
| | 386,344 | 9,818 | 30,709 | 72,611 | 685,689 | 1,185,171 |
| RCOCI | 227 | – | – | – | – | 227 |
| | ₱40,617,576 | ₱5,267,829 | ₱4,718,994 | ₱9,673,476 | ₱55,040,110 | ₱115,317,985 |
| | | | | | | |
| **Financial Liabilities** | | | | | | |
| Deposit liabilities: | | | | | | |
| Demand | ₱26,990,507 | ₱– | ₱– | ₱– | ₱– | ₱26,990,507 |
| Savings | 21,473,417 | 848,150 | 70,132 | 13,262 | – | 22,404,961 |
| Time | 8,519,162 | 3,683,250 | 2,164,384 | 2,116,037 | 6,678,204 | 23,161,037 |
| | 56,983,086 | 4,531,400 | 2,234,516 | 2,129,299 | 6,678,204 | 72,556,505 |
| Financial liabilities at FVPL: | | | | | | |
| Interest rate swaps | 1,231 | 449 | 790 | 6,854 | 110,332 | 119,656 |
| Forward contracts | 77 | – | – | – | – | 77 |
| Non-deliverable swaps | 89,158 | 10,704 | – | – | – | 99,862 |
| Bills payable | 11,380,607 | – | – | – | – | 11,380,607 |
| Manager's checks | 501,202 | – | – | – | – | 501,202 |
| Accrued interest payable | 6,202 | 9,511 | 33,962 | 9,116 | 36,210 | 95,001 |
| Accounts payable | 640,233 | – | – | – | – | 640,233 |
| Subordinated debt | – | – | 28,722 | 83,722 | 2,557,944 | 2,670,388 |
| Due to Treasurer of the Philippines | – | – | – | – | 23,629 | 23,629 |
| | 12,618,710 | 20,664 | 63,474 | 99,692 | 2,728,115 | 15,530,655 |
| Contingent liabilities | 565,684 | 630,595 | 945,052 | 135,936 | 80,587 | 2,357,854 |
| | ₱70,167,480 | ₱5,182,659 | ₱3,243,042 | ₱2,364,927 | ₱9,486,906 | ₱90,445,014 |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 Month | 1 to 3 Months | 3 to 6 Months | 6 to 12 Months | Beyond 1 year | Total |
| **Financial Assets** | | | | | | |
| Cash and other cash items | ₱1,318,048 | ₱– | ₱– | ₱– | ₱– | ₱1,318,048 |
| Due from BSP | 11,740,622 | – | – | – | – | 11,740,622 |
| Due from other banks | 4,080,555 | – | – | – | – | 4,080,555 |
| Interbank loans receivable | 946,563 | – | – | – | – | 946,563 |
| Financial assets at FVPL: | | | | | | |
| Government securities | 1,001,032 | 2,672 | 344 | 2,032,810 | 930,326 | 3,967,184 |
| Derivative assets | 51,378 | 25,097 | 36,506 | 16,318 | 107,564 | 236,863 |
| Financial assets at FVOCI: | | | | | | |
| Debt instrument | | | | | | |
| Government | 645,938 | 234,432 | 444,882 | 1,006,971 | 5,344,916 | 7,677,139 |
| Private debt securities | – | – | – | – | 526,016 | 526,016 |
| Equity | | | | | | |
| Quoted | – | – | – | – | 8,761 | 8,761 |
| Unquoted | – | – | – | – | 15,384 | 15,384 |
| Financial assets at amortized cost: | | | | | | |
| Government | 950,855 | 115,000 | 79,000 | 146,885 | 4,571,716 | 5,863,456 |
| Private | 23,178 | 186,741 | 529,576 | 732,375 | 2,079,695 | 3,551,565 |
| Loans and receivables: | | | | | | |
| Receivables from: | | | | | | |
| Corporate | 3,203,832 | 3,220,677 | 1,106,318 | 515,448 | 10,961,775 | 19,008,050 |
| Commercial | 1,061,867 | 732,660 | 246,294 | 314,977 | 603,564 | 2,959,362 |
| Consumer: | | | | | | |
| Auto loans | 1,289,529 | 2,415,742 | 3,478,148 | 6,328,816 | 20,042,171 | 33,554,406 |
| Housing loans | 151,763 | 302,433 | 452,674 | 897,914 | 15,622,581 | 17,427,365 |
| Others | 892,388 | 10,909 | 34,710 | 162,350 | 519,828 | 1,620,185 |
| | 27,357,548 | 7,246,363 | 6,408,452 | 12,154,864 | 61,334,297 | 114,501,524 |

(Forward)

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Up to 1 Month | 1 to 3 Months | 3 to 6 Months | 6 to 12 Months | Beyond 1 year | Total |
| Sales contract receivable: | | | | | | |
| Individual | 1 | 2 | 2 | 5 | 318,580 | 318,590 |
| Corporate | 160 | 309 | 392 | 1,770 | 36,307 | 38,938 |
| | 161 | 311 | 394 | 1,775 | 354,887 | 357,528 |
| Accounts receivable: | | | | | | |
| Corporate | 406,733 | 67,890 | 631,948 | 3,113 | 2,715 | 1,112,399 |
| Individual | 12,977 | 749 | 838 | 647 | 348 | 15,559 |
| | 419,710 | 68,639 | 632,786 | 3,760 | 3,063 | 1,127,958 |
| RCOCI | 339 | – | – | – | – | 339 |
| | ₱27,777,758 | ₱7,315,313 | ₱7,041,632 | ₱12,160,399 | ₱61,692,247 | ₱115,987,349 |
| **Financial Liabilities** | | | | | | |
| Deposit liabilities: | | | | | | |
| Demand | ₱25,751,395 | ₱– | ₱– | ₱– | ₱– | ₱25,751,395 |
| Savings | 23,089,697 | 1,038,238 | 10,926 | 14,044 | – | 24,152,905 |
| Time | 13,901,840 | 1,233,695 | 2,845,337 | 3,053,860 | 9,815,654 | 30,850,386 |
| | 62,742,932 | 2,271,933 | 2,856,263 | 3,067,904 | 9,815,654 | 80,754,686 |
| Financial liabilities at FVPL: | | | | | | |
| Interest rate swaps | 690 | 812 | 5,167 | 15,279 | 94,121 | 116,069 |
| CIRS | – | – | – | – | 22,185 | 22,185 |
| Forward contracts | 17,899 | 7,786 | – | – | – | 25,685 |
| FX Corp | | 634 | – | – | – | 634 |
| Bills payable | 2,209,058 | – | – | – | – | 2,209,058 |
| Manager's checks | 375,476 | – | – | – | – | 375,476 |
| Accrued interest payable | 13,472 | 3,973 | 35,897 | 34,027 | 37,831 | 125,200 |
| Accounts payable | 939,288 | – | – | – | – | 939,288 |
| Subordinated debt | – | – | 28,722 | 55,917 | 2,669,472 | 2,754,111 |
| Due to Treasurer of the Philippines | – | – | – | – | 16,062 | 16,062 |
| | 3,555,883 | 13,205 | 69,786 | 105,223 | 2,839,671 | 6,583,768 |
| Contingent liabilities | 551,409 | 821,060 | 1,379,661 | 154,897 | 13,710 | 2,920,737 |
| | ₱66,850,224 | ₱3,106,198 | ₱4,305,710 | ₱3,328,024 | ₱12,669,035 | ₱90,259,191 |

## 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, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Carrying value | Quoted prices in active market (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| **Assets measured at fair value** | | | | | |
| **Financial assets** | | | | | |
| Financial assets at FVTPL: | | | | | |
| HFT investments: | | | | | |
| Government securities | ₱3,902,000,000 | ₱3,902,000,000 | ₱– | ₱– | ₱3,902,000,000 |
| Derivative assets | 330,955,397 | – | 330,955,397 | – | 330,955,397 |
| Financial assets at FVOCI: | | | | | |
| Government securities | 8,100,604,588 | 8,100,604,588 | – | – | 8,100,604,588 |
| Private debt securities | 472,241,570 | 472,241,570 | – | – | 472,241,570 |
| Quoted equity securities | 8,761,382 | 8,761,382 | – | – | 8,761,382 |
| Unquoted equity securities | 15,383,600 | – | – | 15,383,600 | 15,383,600 |
| | 12,829,946,537 | 12,483,607,540 | 330,955,397 | 15,383,600 | 12,829,946,537 |
| **Assets for which fair values are disclosed** | | | | | |
| **Financial assets** | | | | | |
| Investment securities at amortized cost: | | | | | |
| Government securities | 8,614,260,140 | 8,769,601,783 | – | – | 8,769,601,783 |
| Private debt securities | 1,828,185,402 | 1,889,531,530 | – | – | 1,889,531,530 |
| | 10,442,445,542 | 10,659,133,313 | – | – | 10,659,133,313 |
| Loans and receivables | | | | | |
| Receivable from customers: | | | | | |
| Corporate lending | 9,974,922,630 | – | – | 11,053,116,102 | 11,053,116,102 |
| Commercial lending | 2,787,092,634 | – | – | 3,097,883,629 | 3,097,883,629 |
| Consumer lending | 33,855,681,808 | – | – | 38,341,788,497 | 38,341,788,497 |
| | 46,617,697,072 | – | – | 52,492,788,228 | 52,492,788,228 |
| **Non-financial assets** | | | | | |
| Investment properties | 1,163,016,303 | – | – | 1,502,150,585 | 1,502,150,585 |
| **Total assets** | ₱71,053,105,454 | ₱23,142,740,853 | ₱330,955,397 | ₱54,010,322,413 | ₱77,484,018,663 |

| December 31, 2021 | | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | **Carrying value** | **Quoted prices in active market (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| **Liabilities measured at fair value** | | | | | |
| **Financial liabilities** | | | | | |
| Derivative liabilities | **₱219,594,198** | **₱–** | **₱219,594,198** | **₱–** | **₱219,594,198** |
| **Liabilities for which fair values are disclosed** | | | | | |
| **Financial liabilities** | | | | | |
| Time deposits | **22,384,636,615** | **–** | **–** | **22,384,636,615** | **22,384,636,615** |
| Bills payable | **11,372,777,000** | **–** | **–** | **11,372,777,000** | **11,372,777,000** |
| Subordinated debt | **1,993,568,187** | **–** | **–** | **2,042,418,945** | **2,042,418,945** |
| **Total liabilities** | **₱35,970,576,000** | **₱–** | **₱219,594,198** | **₱35,799,832,560** | **₱36,019,426,758** |

| December 31, 2020 | | | | | |
|---|---|---|---|---|---|
| | | | | | Fair Value |
| | Carrying value | Quoted prices in active market (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| **Assets measured at fair value** | | | | | |
| **Financial assets** | | | | | |
| Financial assets at FVTPL: | | | | | |
| HFT investments: | | | | | |
| Government securities | ₱3,651,217,844 | ₱3,651,217,844 | ₱– | ₱– | ₱3,651,217,844 |
| Derivative assets | 136,900,765 | – | 136,900,765 | – | 136,900,765 |
| Financial assets at FVOCI: | | | | | |
| Government securities | 7,329,134,155 | 7,329,134,155 | – | – | 7,329,134,155 |
| Private debt securities | 472,933,228 | 472,933,228 | – | – | 472,933,228 |
| Quoted equity securities | 8,761,382 | 8,761,382 | – | – | 8,761,382 |
| Unquoted equity securities | 15,383,600 | – | | 15,383,600 | 15,383,600 |
| | 11,614,330,974 | 11,462,046,609 | 136,900,765 | 15,383,600 | 11,614,330,974 |
| **Assets for which fair values are disclosed** | | | | | |
| **Financial assets** | | | | | |
| Investment securities at amortized cost: | | | | | |
| Government securities | 5,734,325,494 | 4,582,215,028 | – | – | 4,582,215,028 |
| Private debt securities | 2,909,442,734 | 3,852,034,786 | – | – | 3,852,034,786 |
| | 8,643,768,228 | 8,434,249,814 | – | – | 8,434,249,814 |

(Forward)

| December 31, 2021 | | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | **Carrying value** | **Quoted prices in active market (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| Loans and receivables | | | | | |
| Receivable from customers: | | | | | |
| Corporate lending | 14,158,973,785 | – | – | 16,478,319,660 | 16,478,319,660 |
| Commercial lending | 2,586,051,320 | – | – | 2,740,670,224 | 2,740,670,224 |
| Consumer lending | 40,296,500,078 | – | – | 46,281,751,802 | 46,281,751,802 |
| | 57,041,525,183 | – | – | 65,500,741,686 | 65,500,741,686 |
| **Non-financial assets** | | | | | |
| Investment properties | 1,093,826,992 | – | – | 1,846,010,751 | 1,846,010,751 |
| **Total assets** | 78,393,451,377 | 19,896,296,423 | 136,900,765 | 67,362,136,037 | 87,395,333,225 |
| **Liabilities measured at fair value** | | | | | |
| **Financial liabilities** | | | | | |
| Derivative liabilities | ₱164,574,417 | ₱– | ₱164,574,417 | ₱– | ₱ 164,574,417 |
| **Liabilities for which fair values are disclosed** | | | | | |
| **Financial liabilities** | | | | | |
| Time deposits | 30,632,736,132 | – | – | 30,632,736,132 | 30,632,736,132 |
| Bills payable | 2,209,058,000 | – | – | 2,209,058,000 | 2,209,058,000 |
| Subordinated debt | 1,992,648,990 | – | – | 2,138,880,446 | 2,138,880,446 |
| **Total liabilities** | ₱34,999,017,539 | ₱– | ₱164,574,417 | ₱34,980,674,578 | ₱35,145,248,995 |

In 2021 and 2020, 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, IBLR and SPURA* – The carrying amounts approximate fair values due to the short-term nature of these accounts. IBLR consists mostly of overnight deposits and floating rate placements.

*Trading and investment securities* – Fair values of debt securities (financial assets at FVPL and AFS investments and financial investments at FVOCI) and equity investments are generally based on quoted market prices. Where the government debt securities are not quoted or the market prices are not readily available, the fair value is determined in reference to interpolated PH BVAL reference rates provided by the Philippine Dealing and Exchange Corporation (PDEx). For equity investments that are not quoted, the investments are carried at cost less allowance for impairment losses due to the lack of suitable methods of arriving at a reliable fair value.

*Derivative instruments* – Fair values of derivative instruments, mainly forward foreign exchange contracts, are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing, which uses present value calculations. The model incorporates various inputs including the foreign exchange rates and interest rate curves prevailing at the reporting date.

*Loans and receivables* – Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Bank's current lending rates for similar types of loans and receivables ranging from 2.99% to 30.61% in 2021 and 2.99% to 33.13% in 2020. 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 |

<u>Significant Unobservable Inputs</u>

| | |
|---|---|
| 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 ranging from 0.1% to 8.5% 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:

| | **2021** | 2020 |
|---|---|---|
| Government securities | **₱3,902,000,000** | ₱3,651,217,844 |
| Derivative assets (Note 17) | **330,955,397** | 136,900,765 |
| | **₱4,232,955,397** | ₱3,788,118,609 |

As of December 31, 2021 and 2020, financial assets at FVPL include net unrealized gain of ₱592.1 million and net unrealized loss of ₱142.9 million, respectively.

Effective interest of government securities ranges from 1.80% to 1.94% and 1.57% to 4.88% in 2021 and 2020, respectively.

Interest income on financial assets at FVPL amounted to ₱54.4 million and ₱322.8 million in 2021 and 2020, respectively.

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

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Debt instruments: | | |
| Government securities | **₱8,100,604,588** | ₱7,329,134,155 |
| Private | **472,241,570** | 472,933,228 |
| | **8,572,846,158** | 7,802,067,383 |
| Quoted equity instruments | **8,761,382** | 8,761,382 |
| Unquoted equity instruments | **15,383,600** | 15,383,600 |
| | **₱8,596,991,140** | ₱7,826,212,365 |

The movements in net unrealized gain (loss) on financial investments at FVOCI follow:

| | 2021 | 2020 |
|---|---|---|
| Balance at beginning of year | **₱105,387,149** | ₱22,257,243 |
| (Gains)/losses taken to profit and loss | **1,240** | (57,582,083) |
| Changes in fair value recognized in equity | **(215,964,055)** | 170,718,530 |
| Expected credit losses | **3,088,516** | 7,515,394 |
| | **(107,487,150)** | 142,909,084 |
| Tax effect | **57,152,890** | (37,521,935) |
| Balance at end of year | **(₱50,334,260)** | ₱105,387,149 |

Interest income from FVOCI investments in 2021 and 2020 amounted to ₱281.9 million and ₱120.5 million, respectively.

Peso-denominated financial instruments at FVOCI have effective interest rates ranging from 1.69% to 6.49% and 1.70% to 6.49%in 2021 and 2020, respectively. Foreign currency-denominated financial instruments at FVOCI bear interest of 1.39% to 2.85% and 1.11% to 3.12% in 2021 and 2020, respectively.

## 8. Investment Securities at Amortized Cost

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Government securities (Note 26) | **₱8,616,811,153** | ₱5,744,497,972 |
| Private debt securities | **1,872,300,450** | 2,913,165,000 |
| | **10,489,111,603** | 8,657,662,972 |
| Allowance for credit losses | **(46,666,061)** | (13,894,744) |
| | **₱10,442,445,542** | ₱8,643,768,228 |

Peso-denominated bonds have effective interest rates ranging from 1.60% to 6.64% and from 2.37% to 6.64% in 2021 and 2020, respectively. Foreign currency-denominated bonds have effective interest rates ranging from 1.0% to 5.53% and from 2.9% to 5.53% in 2021 and 2020, respectively.

Interest income from financial assets held at amortized cost amounted to ₱346.7 million and ₱548.6 million in 2021 and 2020, respectively.

## 9. Loans and Receivables

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Receivables from customers: | | |
| Corporate | **₱11,267,821,090** | ₱14,999,825,810 |
| Commercial | **3,249,682,334** | 2,758,403,344 |
| Consumer: | | |
| Auto loans | **22,428,221,182** | 28,943,738,619 |
| Housing loans | **11,672,459,167** | 11,550,083,546 |
| Others | **950,139,948** | 1,274,994,082 |
| | **49,568,323,721** | 59,527,045,401 |
| Less: unearned discounts and other deferred income | **29,979,628** | 23,526,669 |
| | **49,538,344,093** | 59,503,518,732 |
| Accounts receivable: | | |
| Corporate (Note 28) | **1,135,810,639** | 1,113,548,527 |
| Individual | **9,974,954** | 13,527,087 |
| | **1,145,785,593** | 1,127,075,614 |
| Accrued interest receivable (Note 28) | **1,021,694,647** | 1,689,704,011 |
| Sales contract receivable: | | |
| Corporate | **316,756,819** | 318,576,952 |
| Individual | **38,197,906** | 33,023,261 |
| | **354,954,725** | 351,600,213 |
| RCOCI | **276,516** | 328,684 |
| | **52,061,055,574** | 62,672,227,254 |
| Less: allowance for credit losses | **3,960,104,724** | 4,105,441,531 |
| | **₱48,100,950,850** | ₱58,566,785,723 |

Receivables from customers consist of:

| | 2021 | 2020 |
|---|---|---|
| Loans and discounts | **₱44,858,117,684** | ₱54,543,273,047 |
| Customers' liabilities and other loans | **3,662,174,930** | 4,524,972,540 |
| Restructured loans | **1,018,422,855** | 435,599,814 |
| Bills purchased (Note 16) | **29,608,252** | 23,200,000 |
| | **₱49,568,323,721** | ₱59,527,045,401 |

Modification of Loans and Receivables

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the enhanced community quarantine (ECQ) period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time 60-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans.

In 2020, the Bank, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, offered financial reliefs to its borrowers or counterparties as a response to the effect of the COVID-19 pandemic, particularly the modification of existing loans and receivables which include extension of payment terms.

Based on the Bank's assessments, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and, therefore, do not result in the derecognition of the affected financial assets but would require the recognition of modification losses. The total modification losses amounted to ₱315.0 million. The net impact of the loan modification as of December 31, 2021 and 2020, after subsequent accretion of the modified loans, amounted to ₱127.3 million and ₱185.9 million, respectively.

Changes in the staging assessment of loans receivable are presented below (amounts in thousands):

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Corporate loans** | | | | |
| Gross carrying amount as at December 31, 2020 | **₱11,968,632** | **₱1,649,554** | **₱1,381,640** | **₱14,999,826** |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2021 | **3,790,552** | **–** | **–** | **3,790,552** |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2021 | **–** | **1,035,557** | **152,585** | **1,836,142** |
| Effect of collections and other movements in receivable balance | **(7,380,807)** | **(1,209,641)** | **(768,251)** | **(9,358,699)** |
| Transfers to Stage 1 | **996,617** | **(401,845)** | **(594,772)** | **–** |
| Transfers to Stage 2 | **(527,919)** | **546,537** | **(18,618)** | **–** |
| Transfers to Stage 3 | **(364,007)** | **(37,685)** | **401,692** | **–** |
| **At December 31, 2021** | **8,483,068** | **1,582,477** | **1,202,276** | **11,267,821** |
| | | | | |
| **Commercial loans** | | | | |
| Gross carrying amount as at December 31, 2020 | **₱2,368,629** | **₱247,620** | **₱142,154** | **₱2,758,403** |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2021 | **1,973,497** | **–** | **–** | **1,973,497** |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2021 | **–** | **72,077** | **35,288** | **107,365** |
| Effect of collections and other movements in receivable balance | **(1,656,896)** | **186,970** | **(80,107)** | **(1,550,033)** |
| Write-offs | **–** | **–** | **(39,550)** | **(39,550)** |
| Transfers to Stage 1 | **37,371** | **(25,615)** | **(11,756)** | **–** |
| Transfers to Stage 2 | **(161,918)** | **161,918** | **–** | **–** |
| Transfers to Stage 3 | **(234,616)** | **(408,079)** | **642,695** | **–** |
| **At December 31, 2021** | **2,326,067** | **234,891** | **688,724** | **3,249,682** |

(Forward)

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Auto loans** | | | | |
| Gross carrying amount as at December 31, 2020 | **22,693,305** | **3,808,550** | **2,441,883** | **28,943,738** |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2021 | **5,442,656** | **–** | **–** | **5,442,656** |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2021 | **–** | **281,234** | **85,880** | **367,114** |
| Effect of collections and other movements in receivable balance | **(9,464,423)** | **(1,435,673)** | **(1,135,380)** | **(12,035,477)** |
| Write-offs | **–** | **–** | **(289,810)** | **(289,810)** |
| Transfers to Stage 1 | **2,459,994** | **(1,718,520)** | **(741,474)** | **–** |
| Transfers to Stage 2 | **(2,166,218)** | **2,324,205** | **(157,987)** | **–** |
| Transfers to Stage 3 | **(1,457,544)** | **(264,107)** | **1,721,651** | **–** |
| **At December 31, 2021** | **17,507,770** | **2,995,688** | **1,924,763** | **22,428,221** |
| **Housing loans** | | | | |
| Gross carrying amount as at December 31, 2020 | **9,452,561** | **1,423,601** | **673,922** | **11,550,084** |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2021 | **1,840,267** | **–** | **–** | **1,840,267** |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2021 | **–** | **14,783** | **13,841** | **28,624** |
| Effect of collections and other movements in receivable balance | **(1,583,730)** | **(101,808)** | **(60,978)** | **(1,746,516)** |
| Transfers to Stage 1 | **1,636,179** | **(1,116,585)** | **(519,594)** | **–** |
| Transfers to Stage 2 | **(993,801)** | **1,066,138** | **(72,337)** | **–** |
| Transfers to Stage 3 | **(368,515)** | **(41,799)** | **410,314** | **–** |
| **At December 31, 2021** | **9,982,961** | **1,244,330** | **445,168** | **11,672,459** |
| **Others** | | | | |
| Gross carrying amount as at December 31, 2020 | **1,125,632** | **41,347** | **108,015** | **1,274,994** |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2021 | **73,129** | **–** | **–** | **73,129** |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2021 | **–** | **1,962** | **1,391** | **3,353** |
| Effect of collections and other movements in receivable balance | **(334,930)** | **(25,230)** | **144,689** | **(215,471)** |
| Write-offs | **–** | **–** | **(185,865)** | **(185,865)** |
| Transfers to Stage 1 | **17,338** | **(13,070)** | **(4,268)** | **–** |
| Transfers to Stage 2 | **(14,229)** | **46,876** | **(32,647)** | **–** |
| Transfers to Stage 3 | **(10,932)** | **(2,257)** | **13,189** | **–** |
| **At December 31, 2021** | **₱856,008** | **₱49,628** | **₱44,504** | **₱950,140** |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Corporate loans** | | | | |
| Gross carrying amount as at December 31, 2019 | ₱18,412,306 | ₱529,612 | ₱893,164 | ₱19,835,082 |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2020 | 4,490,224 | – | – | 4,490,224 |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020 | – | 987,818 | 168,209 | 1,156,027 |
| Effect of collections and other movements in receivable balance | (9,714,862) | (62,943) | (509,548) | (10,287,353) |
| Write-offs | – | – | (194,154) | (194,154) |
| Transfers to Stage 1 | (195,067) | 195,067 | – | – |
| Transfers to Stage 3 | (1,023,969) | – | 1,023,969 | – |
| At December 31, 2020 | 11,968,632 | 1,649,554 | 1,381,640 | 14,999,826 |
| **Commercial loans** | | | | |
| Gross carrying amount as at December 31, 2019 | 3,093,369 | 54,797 | 175,755 | 3,323,921 |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2020 | 2,151,258 | – | – | 2,151,258 |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020 | – | 204,585 | 2,169 | 206,754 |
| Effect of collections and other movements in receivable balance | (2,789,386) | (31,781) | (19,392) | (2,840,559) |
| Write-offs | – | – | (82,971) | (82,971) |
| Transfers to Stage 1 | 1,733 | (1,733) | – | – |
| Transfers to Stage 2 | (32,528) | 32,528 | – | – |
| Transfers to Stage 3 | (55,817) | (10,776) | 66,593 | – |
| At December 31, 2020 | 2,368,629 | 247,620 | 142,154 | 2,758,403 |
| **Auto loans** | | | | |
| Gross carrying amount as at December 31, 2019 | 31,364,344 | 2,852,510 | 766,986 | 34,983,840 |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2020 | 5,862,665 | – | – | 5,862,665 |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020 | – | 379,427 | 161,575 | 541,002 |
| Effect of collections and other movements in receivable balance | (9,725,528) | (1,856,860) | (563,648) | (12,146,036) |
| Write-offs | – | – | (297,733) | (297,733) |
| Transfers to Stage 1 | 472,548 | (468,467) | (4,081) | – |
| Transfers to Stage 2 | (3,753,072) | 3,758,885 | (5,813) | – |
| Transfers to Stage 3 | (1,527,652) | (856,945) | 2,384,597 | – |
| At December 31, 2020 | 22,693,305 | 3,808,550 | 2,441,883 | 28,943,738 |

(Forward)

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Housing loans** | | | | |
| Gross carrying amount as at December 31, 2019 | 10,849,594 | 828,742 | 93,535 | 11,771,871 |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2020 | 940,014 | – | – | 940,014 |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020 | – | 17,280 | 12,049 | 29,329 |
| Effect of collections and other movements in receivable balance | (952,653) | (171,620) | (66,857) | (1,191,130) |
| Transfers to Stage 1 | 186,130 | (185,541) | (589) | – |
| Transfers to Stage 2 | (1,172,901) | 1,172,901 | – | – |
| Transfers to Stage 3 | (397,623) | (238,161) | 635,784 | – |
| At December 31, 2020 | 9,452,561 | 1,423,601 | 673,922 | 11,550,084 |
| **Others** | | | | |
| Gross carrying amount as at December 31, 2019 | 1,891,922 | 61,174 | 56,037 | 2,009,133 |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2020 | 114,822 | – | – | 114,822 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020 | – | 4,100 | 4,535 | 8,635 |
| Effect of collections and other movements in receivable balance | (756,976) | (55,768) | 155,408 | (657,336) |
| Write-offs | – | – | (200,260) | (200,260) |
| Transfers to Stage 1 | 1,328 | (598) | (730) | – |
| Transfers to Stage 2 | (37,054) | 37,054 | – | – |
| Transfers to Stage 3 | (88,410) | (4,615) | 93,025 | – |
| At December 31, 2020 | ₱1,125,632 | ₱41,347 | ₱108,015 | ₱1,274,994 |

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

| | **December 31, 2021** | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Corporate loans** | | | | |
| Balance at beginning of the year | **₱119,400** | **₱140,845** | **₱722,946** | **₱983,191** |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2021 | **33,820** | **–** | **–** | **33,820** |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2021 | **–** | **44,602** | **811,422** | **856,024** |
| Effect of collections and other movements in receivable balance | **306,632** | **(100,190)** | **(724,576)** | **(518,134)** |
| Transfers to Stage 1 | **605** | **(2,879)** | **2,274** | **–** |
| Transfers to Stage 2 | **(23,552)** | **24,196** | **(644)** | **–** |
| Transfers to Stage 3 | **(369,624)** | **(37,770)** | **407,394** | **–** |
| At December 31, 2021 | **67,281** | **68,804** | **1,218,816** | **1,354,901** |

(Forward)

| | **December 31, 2021** | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Commercial loans** | | | | |
| Balance at beginning of the year | **6,089** | **106,169** | **55,147** | **167,405** |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2021 | **6,332** | **–** | **–** | **6,332** |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2021 | **–** | **29,888** | **35,647** | **65,535** |
| Effect of collections and other movements in receivable balance | **221,443** | **47,021** | **(5,744)** | **262,720** |
| Write-offs | **–** | **–** | **(39,550)** | **(39,550)** |
| Transfers to Stage 1 | **99** | **(99)** | **–** | **–** |
| Transfers to Stage 2 | **(95,238)** | **95,238** | **–** | **–** |
| Transfers to Stage 3 | **(130,539)** | **(153,092)** | **283,631** | **–** |
| At December 31, 2021 | **8,186** | **125,125** | **329,131** | **462,442** |
| **Auto loans** | | | | |
| Balance at beginning of the year | **590,044** | **695,384** | **806,502** | **2,091,930** |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2021 | **132,689** | **–** | **–** | **132,689** |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2021 | **–** | **63,188** | **27,390** | **90,578** |
| Effect of collections and other movements in receivable balance | **396,981** | **(512,847)** | **(438,487)** | **(554,353)** |
| Write-offs | | | **(289,810)** | **(289,810)** |
| Transfers to Stage 1 | **36,767** | **(25,837)** | **(10,931)** | **–** |
| Transfers to Stage 2 | **(325,081)** | **350,266** | **(25,185)** | **–** |
| Transfers to Stage 3 | **(521,119)** | **(93,292)** | **614,411** | **–** |
| At December 31, 2021 | **310,281** | **476,862** | **683,891** | **1,471,034** |
| **Housing loans** | | | | |
| Balance at beginning of the year | **188,806** | **157,076** | **198,755** | **544,637** |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2021 | **43,772** | **–** | **–** | **43,772** |
| Newly originated assets that moved to Stages 2 and Stage 3 as at December 31, 2021 | **–** | **1,537** | **4,078** | **5,615** |
| Effect of collections and other movements in receivable balance | **99,177** | **(112,823)** | **(177,169)** | **(190,815)** |
| Transfers to Stage 1 | **28,800** | **(18,812)** | **(9,988)** | **–** |
| Transfers to Stage 2 | **(72,454)** | **77,760** | **(5,306)** | **–** |
| Transfers to Stage 3 | **(112,180)** | **(12,385)** | **124,565** | **–** |
| At December 31, 2021 | **175,921** | **92,353** | **134,935** | **403,209** |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Others** | | | | |
| Balance at beginning of the year | **98,846** | **43,412** | **96,146** | **238,404** |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2021 | **2,078** | **–** | **–** | **2,078** |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2021 | **–** | **112** | **1,246** | **1,358** |
| Effect of collections and other movements in receivable balance | **1,459** | **(40,803)** | **160,435** | **121,091** |
| Write-offs | **–** | **–** | **(217,275)** | **(217,275)** |
| Transfers to Stage 1 | **358** | **(253)** | **(105)** | **–** |
| Transfers to Stage 2 | **(3,402)** | **21,562** | **(18,159)** | **–** |
| Transfers to Stage 3 | **(10,532)** | **(2,221)** | **12,753** | **–** |
| At December 31, 2021 | **₱88,807** | **₱21,808** | **₱35,041** | **₱145,656** |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Corporate loans** | | | | |
| Balance at beginning of the year | ₱250,268 | ₱11,430 | ₱526,147 | ₱787,845 |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2020 | 67,749 | – | – | 67,749 |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020 | – | 81,592 | 168,209 | 249,801 |
| Effect of collections and other movements in receivable balance | (174,020) | 45,837 | 200,133 | 71,950 |
| Write-offs | – | – | (194,154) | (194,154) |
| Transfers to Stage 2 | (1,986) | 1,986 | – | – |
| Transfers to Stage 3 | (22,611) | – | 22,611 | – |
| At December 31, 2020 | 119,400 | 140,845 | 722,946 | 983,191 |
| **Commercial loans** | | | | |
| Balance at beginning of the year | 23,569 | 3,195 | 116,188 | 142,952 |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2020 | 5,356 | – | – | 5,356 |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020 | – | 104,587 | 1,933 | 106,520 |
| Effect of collections and other movements in receivable balance | (22,351) | (1,198) | 19,097 | (4,452) |
| Write-offs | – | – | (82,971) | (82,971) |
| Transfers to Stage 2 | (102) | 102 | – | – |
| Transfers to Stage 3 | (383) | (517) | 900 | – |
| At December 31, 2020 | 6,089 | 106,169 | 55,147 | 167,405 |

(Forward)

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Auto loans** | | | | |
| Balance at beginning of the year | 284,345 | 225,022 | 301,045 | 810,412 |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2020 | 183,486 | – | – | 183,486 |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020 | – | 84,229 | 53,351 | 137,580 |
| Effect of collections and other movements in receivable balance | 170,038 | 429,150 | 658,997 | 1,258,185 |
| Write-offs | – | – | (297,733) | (297,733) |
| Transfers to Stage 1 | 30,360 | (29,066) | (1,294) | – |
| Transfers to Stage 2 | (51,158) | 52,991 | (1,833) | – |
| Transfers to Stage 3 | (27,027) | (66,942) | 93,969 | – |
| At December 31, 2020 | 590,044 | 695,384 | 806,502 | 2,091,930 |
| **Housing loans** | | | | |
| Balance at beginning of the year | 95,931 | 70,549 | 27,125 | 193,605 |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2020 | 21,785 | – | – | 21,785 |
| Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020 | – | 3,278 | 3,558 | 6,836 |
| Effect of collections and other movements in receivable balance | 80,891 | 101,410 | 140,110 | 322,411 |
| Transfers to Stage 1 | 12,648 | (12,475) | (173) | – |
| Transfers to Stage 2 | (15,959) | 15,959 | – | – |
| Transfers to Stage 3 | (6,490) | (21,645) | 28,135 | – |
| At December 31, 2020 | 188,806 | 157,076 | 198,755 | 544,637 |
| **Others** | | | | |
| Balance at beginning of the year | 151,453 | 46,072 | 41,921 | 239,446 |
| New assets originated or purchased that remained at Stage 1 as at December 31, 2020 | 4,978 | – | – | 4,978 |
| Newly originated assets that moved to Stages 2 and 3 as at December 31, 2020 | – | 623 | 4,452 | 5,075 |
| Effect of collections and other movements in receivable balance | (51,781) | (3,494) | 244,440 | 189,165 |
| Write-offs | – | – | (200,260) | (200,260) |
| Transfers to Stage 1 | 741 | (122) | (619) | – |
| Transfers to Stage 2 | (1,904) | 1,904 | – | – |
| Transfers to Stage 3 | (4,641) | (1,571) | 6,212 | – |
| At December 31, 2020 | ₱98,846 | ₱43,412 | ₱96,146 | ₱238,404 |

As of December 31, 2021 and 2020, allowance for credit losses on accounts receivable and sales contract receivable amounted to ₱122.9 million and ₱79.9 million, respectively.

Interest income on loans and receivables consists of:

| | 2021 | 2020 |
|---|---|---|
| Loans and discounts | **₱4,099,389,075** | ₱5,080,953,542 |
| Customers' liabilities and other loans | **108,320,377** | 140,465,713 |
| Restructured loans | **58,756,867** | 3,733,594 |
| Accounts receivable – PPI (Note 28) | **15,736,226** | 22,580,428 |
| Sales contract receivable | **6,407,684** | 3,320,531 |
| | **₱4,288,610,229** | ₱5,251,053,808 |

Of the total peso-denominated loans of the Bank as of December 31, 2021 and 2020, 45.56% and 61.92% respectively, are subject to periodic interest repricing. Remaining peso-denominated loans earned annual EIR ranging from 2.99% to 30.61% and from 2.99% to 33.13% for the years ended December 31, 2021 and 2020, respectively. All foreign currency-denominated loans of the Bank as of December 31, 2021 and 2020 are subject to periodic interest repricing and earned annual EIR ranging from 2.29% to 3.37% and from 2.42% to 8.40% for the years ended December 31, 2021 and 2020, respectively.

All sales contract receivable as of December 31, 2021 and 2020 are subject to periodic interest repricing.

Receivable from Philmay Property, Incorporated (PPI)
As of December 31, 2021 and 2020, receivable from PPI (included under Accounts Receivable – Corporate) has a carrying value of ₱579.7 million and ₱599.7 million, respectively. The receivable bears an interest rate based on one-month PH BVAL reference rates plus 1.00%, repriceable every month. The Memorandum of Agreement (MOA) originally signed on September 15, 2009 between the Bank and PPI expired on September 19, 2019. On October 1, 2019, the Bank and PPI signed an addendum to the original MOA extending the payment terms whereas PPI will settle the receivable within ten (10) years beginning October 1, 2019 until September 30, 2029.

The receivable from PPI is secured by deposit hold-out agreement, executed by the Parent Company, amounting to US$20.0 million. In the event that PPI fails to perform its obligation under the Memorandum of Agreement, and that the same is not cured or corrected within a period of thirty (30) days from notice by the Bank, the Bank is authorized by the Parent Company to immediately offset and apply the deposit as partial or full payment of the obligation without need of demand.

## 10. Property and Equipment

The composition of and movements in this account follow:

**December 31, 2021**

| | Condominium Units | Furniture, Fixtures and Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balances at beginning of year | **₱262,553,193** | **₱899,623,651** | **₱576,850,365** | **₱1,739,027,209** |
| Additions | **–** | **36,574,108** | **16,341,248** | **52,915,356** |
| Disposals/write-off | **–** | **(206,690,970)** | **(46,445,397)** | **(253,136,367)** |
| Balances at end of year | **262,553,193** | **729,506,789** | **546,746,216** | **1,538,806,198** |
| **Accumulated Depreciation and Amortization** | | | | |
| Balances at beginning of year | **₱193,475,533** | **₱712,150,384** | **₱557,167,893** | **₱1,462,793,810** |
| Depreciation and amortization | **6,141,244** | **65,268,068** | **8,899,253** | **80,308,565** |
| Disposals/write-off | **–** | **(203,797,897)** | **(46,445,202)** | **(250,243,099)** |
| Balances at end of year | **199,616,777** | **573,620,555** | **519,621,944** | **1,292,859,276** |
| **Net Book Value at end of year** | **₱62,936,416** | **₱155,886,234** | **₱27,124,272** | **₱245,946,922** |

December 31, 2020

| | Condominium Units | Furniture, Fixtures and Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balances at beginning of year | ₱262,553,193 | ₱827,774,219 | ₱568,654,926 | ₱1,658,982,338 |
| Additions | – | 85,375,859 | 8,784,940 | 94,160,799 |
| Disposals/write-off | – | (13,526,427) | (589,501) | (14,115,928) |
| Balances at end of year | 262,553,193 | 899,623,651 | 576,850,365 | 1,739,027,209 |
| **Accumulated Depreciation and Amortization** | | | | |
| Balances at beginning of year | 187,334,289 | 655,537,931 | 547,709,830 | 1,390,582,050 |
| Depreciation and amortization | 6,141,244 | 68,345,617 | 10,047,555 | 84,534,416 |
| Disposals/write-off | – | (11,733,164) | (589,492) | (12,322,656) |
| Balances at end of year | 193,475,533 | 712,150,384 | 557,167,893 | 1,462,793,810 |
| **Net Book Value at end of year** | ₱69,077,660 | ₱187,473,267 | ₱19,682,472 | ₱276,233,399 |

Depreciation and amortization consist of:

| | 2021 | 2020 |
|---|---|---|
| Right-of-use assets (Note 24) | **₱116,502,827** | ₱122,499,309 |
| Chattel properties acquired (Note 12) | **84,843,678** | 101,895,035 |
| Investment properties (Note 11) | **82,515,138** | 80,605,266 |
| Property and equipment | **80,308,565** | 84,534,416 |
| Software costs (Note 12) | **29,733,140** | 40,149,517 |
| | **₱393,903,348** | ₱429,683,543 |

As of December 31, 2021 and 2020, the cost of fully depreciated property and equipment still in use by the Bank amounted to ₱0.9 billion and ₱1.1 billion, respectively.

## 11. Investment Properties

The composition of and movements in this account follow:

| | December 31, 2021 | | |
|---|---|---|---|
| | **Land** | **Building** | **Total** |
| **Cost** | | | |
| Balances at beginning of year | **₱342,643,224** | **₱1,060,219,304** | **₱1,402,862,528** |
| Additions | **24,971,415** | **179,490,635** | **204,462,050** |
| Disposals | **(23,582,279)** | **(35,528,874)** | **(59,111,153)** |
| Balances at end of year | **344,032,360** | **1,204,181,065** | **1,548,213,425** |
| **Accumulated Depreciation** | | | |
| Balances at beginning of year | **₱–** | **₱290,592,293** | **₱290,592,293** |
| Depreciation (Note 10) | **–** | **82,515,138** | **82,515,138** |
| Disposals | **–** | **(7,440,554)** | **(7,440,554)** |
| Balances at end of year | **–** | **365,666,877** | **365,666,877** |
| **Accumulated Impairment Loss** | | | |
| Balances at beginning of year | **15,585,679** | **2,857,564** | **18,443,243** |
| Provisions (reversals) | **2,409,394** | **(745,165)** | **1,664,229** |
| Disposals | **(390,371)** | **(186,856)** | **(577,227)** |
| Balances at end of year | **17,604,702** | **1,925,543** | **19,530,245** |
| **Net Book Value at end of year** | **₱326,427,658** | **₱836,588,645** | **₱1,163,016,303** |

| | December 31, 2020 | | |
|---|---|---|---|
| | Land | Building | Total |
| **Cost** | | | |
| Balances at beginning of year | ₱351,120,108 | ₱1,021,911,380 | ₱1,373,031,488 |
| Additions | 10,492,560 | 74,986,290 | 85,478,850 |
| Disposals | (18,969,444) | (36,678,366) | (55,647,810) |
| Balances at end of year | 342,643,224 | 1,060,219,304 | 1,402,862,528 |
| **Accumulated Depreciation** | | | |
| Balances at beginning of year | – | 217,590,452 | 217,590,452 |
| Depreciation (Note 10) | – | 80,605,266 | 80,605,266 |
| Disposals | – | (7,603,425) | (7,603,425) |
| Balances at end of year | – | 290,592,293 | 290,592,293 |
| **Accumulated Impairment Loss** | | | |
| Balances at beginning of year | 18,960,705 | 307,799 | 19,268,504 |
| Provision (Reversals) | (3,375,026) | 2,589,230 | (785,796) |
| Disposals | – | (39,465) | (39,465) |
| Balances at end of year | 15,585,679 | 2,857,564 | 18,443,243 |
| **Net Book Value at end of year** | ₱327,057,545 | ₱766,769,447 | ₱1,093,826,992 |

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, 2021 and 2020 amounted to ₱1.5 billion and ₱1.8 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 ₱192.0 million and ₱122.0 million for the years ended December 31, 2021 and 2020, respectively.

## 12. Other Assets

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Chattel properties acquired | **₱245,779,777** | ₱370,094,191 |
| Software costs | **134,280,093** | 124,835,541 |
| Security deposits | **67,909,207** | 67,909,207 |
| Documentary stamps | **37,386,120** | 43,461,232 |
| Prepaid expenses | **34,831,618** | 29,445,282 |
| Sundry debits | **15,735,474** | 48,170,287 |
| Prepaid interest | **92,679** | 841,275 |
| Miscellaneous | **118,699,963** | 76,329,716 |
| | **₱654,714,931** | ₱761,086,731 |

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

Allowance for impairment loss on certain other assets amounted to ₱19.1 million and ₱18.9 million as of December 31, 2021 and 2020, respectively.

Movements in chattel properties acquired follow:

| | 2021 | 2020 |
|---|---|---|
| **Cost** | | |
| Balances at beginning of year | **₱478,185,228** | ₱375,555,806 |
| Additions (Note 30) | **1,077,391,213** | 909,431,852 |
| Disposals | **(1,271,101,776)** | (806,802,430) |
| Balances at end of year | **284,474,665** | 478,185,228 |
| **Accumulated Depreciation** | | |
| Balances at beginning of year | **89,160,137** | 116,938,808 |
| Depreciation (Note 10) | **84,843,678** | 101,895,035 |
| Disposals | **(136,875,474)** | (129,673,706) |
| Balances at end of year | **37,128,341** | 89,160,137 |
| **Accumulated Impairment Loss** | | |
| Balances at beginning of year | **18,930,900** | 2,436,006 |
| Provision | **38,138,772** | 40,681,762 |
| Disposals | **(55,503,125)** | (24,186,868) |
| Balances at end of year | **1,566,547** | 18,930,900 |
| **Net Book Value at end of year** | **₱245,779,777** | ₱370,094,191 |

Movements in software costs follow:

| | 2021 | 2020 |
|---|---|---|
| **Cost** | | |
| Balances at beginning of year | **₱378,250,670** | ₱363,861,552 |
| Additions | **39,177,692** | 14,389,118 |
| Balances at end of year | **417,428,362** | 378,250,670 |
| **Accumulated Depreciation** | | |
| Balances at beginning of year | **253,415,129** | 213,265,613 |
| Amortization (Note 10) | **29,733,140** | 40,149,517 |
| Balances at end of year | **283,148,269** | 253,415,129 |
| **Net Book Value at end of year** | **₱134,280,093** | ₱124,835,541 |

As of December 31, 2021 and 2020, the cost of fully amortized software still in use by the Bank amounted to ₱209.7 million and ₱125.0 million, respectively.

## 13. Deposit Liabilities

In 2020, BSP Circular No. 1082 was issued reducing the reserve requirements against deposit and deposit substitute liabilities. As of December 31, 2021 and 2020, non-FCDU deposit liabilities of the Parent Company and deposit substitutes are subject to required reserves of 12.0%. 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. Per BSP Circular No.1100, the use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks/NBQBs from April 24, 2020 to December 29, 2022. As of December 31, 2021, eligible MSME loans as alternative compliance to the reserve requirement amounted to ₱1.2 billion.

The Bank is in compliance with such regulations as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the total statutory and liquidity reserves (under 'Due from BSP' account) as reported to the BSP amounted to ₱6.4 billion and ₱9.0 billion, respectively. Deposits under Overnight Deposit Facility (ODF) as of December 31, 2021 and 2020 amounted to ₱7.3 billion and ₱2.7 billion, respectively. Deposits under Term Deposit Facility (TDF) as of December 31, 2021 and 2020 amounted to ₱3.0 billion and nil, respectively.

Interest expense on deposit liabilities consists of:

| | 2021 | 2020 |
|---|---|---|
| Time | **₱580,211,379** | ₱1,075,017,339 |
| Savings | **91,293,293** | 174,330,647 |
| Demand | **102,174,796** | 246,160,015 |
| | **₱773,679,468** | ₱1,495,508,001 |

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.10% to 8.50% and from 0.10% to 5.50% for the years ended December 31, 2021 and 2020, respectively, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.01% to 1.01% and from 0.03% to 1.90% for the years ended December 31, 2021 and 2020, respectively.

## 14. Bills Payable

This account consists of borrowings from the Parent Company (see Note 28) amounting to ₱11.4 billion and ₱2.2 billion as of December 31, 2021 and 2020, respectively. These are unsecured borrowings by the Bank.

Dollar-denominated borrowings are subject to annual EIR ranging from 0.28% to 0.33% and from 0.25% to 0.40% for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, there are no peso-denominated borrowings.

As of December 31, 2021 and 2020, the terms of the borrowings range from 3 to 7 days and from 36 to 500 days, respectively.

Interest expense on bills payable and other borrowings consists of:

| | **2021** | 2020 |
|---|---|---|
| Subordinated debt (Note 28) | **₱112,446,974** | ₱112,704,352 |
| Bills payable | **21,095,456** | 79,100,350 |
| | **₱133,542,430** | ₱191,804,702 |

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

This account consists of:

| | **2021** | 2020 |
|---|---|---|
| Accrued employee benefits | **₱329,737,474** | ₱219,770,030 |
| Accrued interest payable | **95,001,054** | 125,200,155 |
| Accrued taxes and licenses | **86,590,608** | 97,598,233 |
| Accrued rent | **16,624,803** | 5,636,679 |
| Accrued other expenses | **763,037,816** | 647,679,803 |
| | **₱1,290,991,755** | ₱1,095,884,900 |

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

### 16. Other Liabilities

This account consists of:

| | **2021** | 2020 |
|---|---|---|
| Accounts payable | **₱640,232,882** | ₱939,287,777 |
| Unearned bancassurance income (Note 28) | **466,666,667** | – |
| Net pension liability (Note 20) | **343,134,067** | 347,766,145 |
| Withholding taxes payable | **45,486,106** | 40,716,735 |
| Bills purchased – contra (Note 9) | **31,832,108** | 27,474,565 |
| Due to the Treasurer of the Philippines | **23,629,128** | 16,061,549 |
| Other dormant credits | **22,298,945** | 11,772,378 |
| Allowance for credit losses on off-balance sheet exposures | **9,648,143** | 19,706,346 |
| Other deferred credits | **1,236,852** | 2,468,699 |
| Miscellaneous | **129,502,187** | 28,899,805 |
| | **₱1,713,667,085** | ₱1,434,153,999 |

### 17. Derivative Financial Instruments

As of December 31, 2021 and 2020, 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, 2021** | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **Notional Amount** | **Derivative Asset** | **Derivative Liability** | Notional Amount | Derivative Asset | Derivative Liability |
| Interest rate swaps | **₱2,250,000,000** | **₱108,525,031** | **₱119,656,031** | ₱2,350,000,000 | ₱113,424,049 | ₱116,068,716 |
| Cross-currency interest rate swap | **₱374,997,500** | **4,616,298** | **–** | ₱374,997,500 | – | 22,185,318 |
| Non-deliverable swaps (NDS) | **₱12,920,685,000** | **–** | **99,861,592** | ₱961,200,000 | 2,685,105 | – |
| Non-deliverable forwards (NDF) | **₱752,970,000** | **12,029,605** | **–** | | | |
| Forward contracts | **US$384,817,137** | **205,784,463** | **76,575** | US$223,495,524 | 20,791,611 | 26,320,383 |
| | | **₱330,955,397** | **₱219,594,198** | | ₱136,900,765 | ₱164,574,417 |

The Bank has no foreign-currency denominated interest rate swaps in 2021 and 2020.

Interest income from derivatives in 2021 and 2020 amounted to ₱3.7 million and ₱278.3 million, respectively. Interest expense on derivatives in 2021 and 2020 amounted to ₱9.7 million and ₱5.6 million, respectively.

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

| | **2021** | 2020 |
|---|---|---|
| **Derivative Assets** | | |
| Balance at beginning of year | **₱136,900,765** | ₱258,792,099 |
| Changes in fair value (Note 21) | **211,012,387** | (151,320,334) |
| Net addition (settlement) | **(16,957,755)** | 29,429,000 |
| Balance at end of year | **₱330,955,397** | ₱136,900,765 |

| | **2021** | 2020 |
|---|---|---|
| **Derivative Liabilities** | | |
| Balance at beginning of year | **₱164,574,417** | ₱288,170,199 |
| Changes in fair value (Note 21) | **381,116,259** | 22,189,593 |
| Net settlement | **(326,096,478)** | (145,785,375) |
| Balance at end of year | **₱219,594,198** | ₱164,574,417 |

## 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, 2021** | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **Up to One Year** | **Over One Year** | **Total** | Up to One Year | Over One Year | Total |
| **Financial Assets** | | | | | | |
| Cash and other cash items | **₱1,757,511,280** | **₱–** | **₱1,757,511,280** | ₱1,318,048,371 | ₱– | ₱1,318,048,371 |
| Due from BSP | **16,670,508,819** | **–** | **16,670,508,819** | 11,740,621,685 | – | 11,740,621,685 |
| Due from other banks | **2,313,027,681** | **–** | **2,313,027,681** | 4,080,554,878 | – | 4,080,554,878 |
| Interbank loans receivable and SPURA | **6,270,065,184** | **–** | **6,270,065,184** | 946,563,080 | – | 946,563,080 |
| Financial assets at FVPL: | | | | | | |
| Government securities | **3,902,000,000** | **–** | **3,902,000,000** | 2,902,841,736 | 748,376,108 | 3,651,217,844 |
| Derivative assets | **230,964,740** | **99,990,657** | **330,955,397** | 46,148,262 | 90,752,503 | 136,900,765 |
| | **4,132,964,740** | **99,990,657** | **4,232,955,397** | 2,948,989,998 | 839,128,611 | 3,788,118,609 |

(Forward)

| | **December 31, 2021** | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **Up to One Year** | **Over One Year** | **Total** | Up to One Year | Over One Year | Total |
| Financial assets at FVOCI | | | | | | |
| Government debt securities | **₱2,593,130,635** | **₱5,507,473,953** | **₱8,100,604,588** | ₱2,067,866,116 | ₱5,261,268,039 | ₱7,329,134,155 |
| Private debt securities | **343,521,692** | **128,719,878** | **472,241,570** | – | 472,933,228 | 472,933,228 |
| Private equity securities: | | | | | | |
| Quoted | **–** | **8,761,382** | **8,761,382** | – | 8,761,382 | 8,761,382 |
| Unquoted | **–** | **15,383,600** | **15,383,600** | – | 15,383,600 | 15,383,600 |
| | **2,936,652,327** | **5,660,338,813** | **8,596,991,140** | 2,067,866,116 | 5,758,346,249 | 7,826,212,365 |
| Financial assets at amortized cost | | | | | | |
| Government debt securities | **3,155,607,482** | **5,461,203,671** | **8,616,811,153** | 1,369,893,828 | 4,374,604,144 | 5,744,497,972 |
| Private debt securities | **9,031,676** | **1,863,268,774** | **1,872,300,450** | 1,120,000,000 | 1,793,165,000 | 2,913,165,000 |
| | **3,164,639,158** | **7,324,472,445** | **10,489,111,603** | 2,489,893,828 | 6,167,769,144 | 8,657,662,972 |
| Loans and receivables: | | | | | | |
| Receivable from customers | | | | | | |
| Corporate | **5,496,282,912** | **5,771,538,178** | **11,267,821,090** | 7,348,612,765 | 7,651,213,045 | 14,999,825,810 |
| Commercial | **2,399,359,731** | **850,322,603** | **3,249,682,334** | 2,292,891,740 | 465,511,604 | 2,758,403,344 |
| Consumer: | | | | | | |
| Auto loans | **7,403,301,365** | **15,024,919,817** | **22,428,221,182** | 2,090,207,408 | 26,853,531,211 | 28,943,738,619 |
| Housing | **2,028,973,174** | **9,643,485,993** | **11,672,459,167** | 65,150,398 | 11,484,933,148 | 11,550,083,546 |
| Others | **782,845,075** | **167,294,873** | **950,139,948** | 953,027,616 | 321,966,466 | 1,274,994,082 |
| | **18,110,762,257** | **31,457,561,464** | **49,568,323,721** | 12,749,889,927 | 46,777,155,474 | 59,527,045,401 |
| Sales contract receivable: | | | | | | |
| Corporate | **756,819** | **316,000,000** | **316,756,819** | – | 318,576,952 | 318,576,952 |
| Individual | **3,769,789** | **34,428,117** | **38,197,906** | 1,061,567 | 31,961,694 | 33,023,261 |
| | **4,526,608** | **350,428,117** | **354,954,725** | 1,061,567 | 350,538,646 | 351,600,213 |
| Accounts receivable: | | | | | | |
| Corporate | **494,482,116** | **641,328,523** | **1,135,810,639** | 1,042,520,730 | 71,027,797 | 1,113,548,527 |
| Individual | **3,968,329** | **6,006,625** | **9,974,954** | 3,274,821 | 10,252,266 | 13,527,087 |
| | **498,450,445** | **647,335,148** | **1,145,785,593** | 1,045,795,551 | 81,280,063 | 1,127,075,614 |
| Accrued interest receivable | **1,021,694,647** | **–** | **1,021,694,647** | 1,689,704,011 | – | 1,689,704,011 |
| RCOCI | **276,516** | **–** | **276,516** | 328,684 | – | 328,684 |
| | **19,635,710,473** | **32,455,324,729** | **52,091,035,202** | 15,486,779,740 | 47,208,974,183 | 62,695,753,923 |
| | **56,881,079,662** | **45,540,126,644** | **102,421,206,306** | 41,079,317,696 | 59,974,218,187 | 101,053,535,883 |

(Forward)

| | December 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **Up to One Year** | **Over One Year** | **Total** | Up to One Year | Over One Year | Total |
| **Nonfinancial Assets** | | | | | | |
| Property and equipment | – | **245,946,922** | **245,946,922** | – | 276,233,399 | 276,233,399 |
| Right-of-Use Assets | – | **567,135,113** | **567,135,113** | – | 589,928,379 | 589,928,379 |
| Investment properties | – | **1,163,016,303** | **1,163,016,303** | – | 1,093,826,992 | 1,093,826,992 |
| Deferred tax assets | – | **1,413,624,970** | **1,413,624,970** | – | 1,530,014,203 | 1,530,014,203 |
| Other assets | **452,525,634** | **202,189,297** | **654,714,931** | 568,341,983 | 192,744,748 | 761,086,731 |
| | **452,525,634** | **3,591,912,605** | **4,044,438,239** | 568,341,983 | 3,682,747,721 | 4,251,089,704 |
| Less: Allowance for impairment and credit losses | | | **(4,006,770,785)** | | | (4,119,336,275) |
| Unearned discounts and other deferred income | | | **(29,979,628)** | | | (23,526,669) |
| **Total Assets** | | | **₱102,428,894,132** | | | ₱101,161,762,643 |
| | | | | | | |
| **Financial Liabilities** | | | | | | |
| Deposit liabilities: | | | | | | |
| Demand | **26,990,507,379** | **–** | **26,990,507,379** | 25,751,394,611 | – | 25,751,394,611 |
| Savings | **22,404,961,178** | **–** | **22,404,961,178** | 24,152,905,334 | – | 24,152,905,334 |
| Time | **16,412,567,473** | **5,972,069,142** | **22,384,636,615** | 20,945,348,160 | 9,687,387,972 | 30,632,736,132 |
| | **65,808,036,030** | **5,972,069,142** | **71,780,105,172** | 70,849,648,105 | 9,687,387,972 | 80,537,036,077 |
| Financial liabilities at FVPL: | | | | | | |
| Derivative liabilities | **109,261,756** | **110,332,442** | **219,594,198** | 48,268,265 | 116,306,152 | 164,574,417 |
| Bills payable | **11,372,777,000** | **–** | **11,372,777,000** | 2,209,058,000 | – | 2,209,058,000 |
| Manager's checks | **501,201,983** | **–** | **501,201,983** | 375,475,955 | – | 375,475,955 |
| Accrued interest payable | **58,790,653** | **36,210,401** | **95,001,054** | 87,368,735 | 37,831,420 | 125,200,155 |
| Outstanding acceptances | | **–** | | – | – | – |
| Accounts payable | **640,232,882** | **–** | **640,232,882** | 939,287,777 | – | 939,287,777 |
| Subordinated debt | – | **1,993,568,187** | **1,993,568,187** | – | 1,992,648,990 | 1,992,648,990 |
| Due to Treasurer of the Philippines | **–** | **23,629,128** | **23,629,128** | – | 16,061,549 | 16,061,549 |
| | **12,682,264,274** | **2,163,740,158** | **14,846,004,432** | 3,659,458,732 | 2,162,848,111 | 5,822,306,843 |
| **Nonfinancial Liabilities** | | | | | | |
| Lease liabilities | **129,367,604** | **588,481,190** | **717,848,794** | 125,991,586 | 626,335,424 | 752,327,010 |
| Income tax payable | **1,328,705** | **–** | **1,328,705** | 4,825,636 | – | 4,825,636 |
| Accrued taxes and other expenses | **1,195,990,701** | **–** | **1,195,990,701** | 970,684,745 | – | 970,684,745 |
| Other liabilities | **276,115,487** | **773,689,588** | **1,049,805,075** | 131,038,528 | 347,766,145 | 478,804,673 |
| | **1,602,802,497** | **1,362,170,778** | **2,964,973,275** | 1,232,540,495 | 974,101,569 | 2,206,642,064 |
| **Total Liabilities** | **₱80,093,102,801** | **₱9,497,980,078** | **₱89,591,082,879** | ₱75,741,647,332 | ₱12,824,337,652 | ₱88,565,984,984 |

## 19. Capital Funds

The Bank's capital stock as of December 31, 2021 and 2020 consists of:

| | Shares | Amount |
|---|---|---|
| Common stock – ₱35.0 par value | | |
| Authorized | 473,366,128 | ₱16,567,814,480 |
| Issued and outstanding | | |
| Balance at the beginning and end of the period, net of subscriptions receivable of ₱5,781,250 | 294,666,980 | 10,313,344,184 |
| Preferred stock – ₱3.7 par value | | |
| Authorized | 295,000,000 | 1,091,500,000 |
| Issued and outstanding | | |
| Balance at the beginning and end of the period, net of subscriptions receivable of ₱218,750 | 62,848,617 | 232,539,724 |
| | 357,515,597 | ₱10,545,883,908 |

Preferred shares of stock are cumulative with a guaranteed quarterly dividend of 2.50%, nonparticipating, nonvoting and with preference in asset distribution and payable in full at par plus accumulated dividends in case of dissolution or liquidation. Dividends are declared at the discretion of the BOD.

Preferred Series "A" and "B" shares of stock are redeemable at the option of the Bank at par value plus unpaid accumulated dividends after 15 years from date of issue. Where the Bank exercises the option to redeem the shares, the holder will have an option to convert to new preferred shares or certificate of indebtedness in lieu of redemption. Preferred Series "B" shares of stock included in the increase in capitalization authorized under the resolution passed by stockholders on October 20, 1962, are redeemable after ten (10) years from date of issue and convertible, at the option of the holder, into voting common shares of stock in lieu of redemption. Both Preferred Series "A" and "B" shares of stock were issued on October 1, 1961.

Preferred Series "C" shares of stock have preference in payment of dividends over other preferred or common shares which have unpaid accumulated and accrued dividends, and are convertible into voting common stock at the option of the holder thereof, provided that such conversion be made only after 7-1/2 years from date of issue. Preferred Series "C" shares of stock were issued on September 14, 1974.

As of December 31, 2021 and 2020, dividends in arrears on cumulative preferred shares amounted to ₱1.2 billion and ₱1.1 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 expired on August 25, 2009.

The cost of the share-based payments arising from this stock option plan from the Parent Company amounting to ₱262.8 million was recognized as an equity-settled award in the Bank's financial statements and was recognized in equity.

Capital Management
The Bank manages its capital to ensure it complies with externally imposed capital requirements and maintains healthy capital ratios to support business growth and maximize shareholder value.

*Surplus reserves*
Surplus reserves of the Bank include reserve for trust business amounting to ₱31.0 million as of December 31, 2021 and 2020. In compliance with existing BSP regulations, 10.00% of the net profits realized by the Bank from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.00% of the Bank's regulatory capital.

*Regulatory Qualifying Capital*
BSP, as the Bank's lead regulator, sets and monitors capital requirements. Under current banking regulations, the Bank's compliance with regulatory requirements and ratios is based on the "unimpaired capital" (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects. Moreover, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than ten percent (10.00%). Qualifying capital and risk-weighted assets are computed based on BSP regulations. The Bank is also required to meet the minimum capital of ₱2.4 billion.

Effective January 1, 2014, the Bank complied with BSP Circular No. 781, Basel III *Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The BSP prescribes certain sanctions for non-compliance with the minimum capital requirements depending on the degree of capital deficiency incurred by the Bank such as suspension of authority to invest in allied undertakings, branching privileges and declaration of dividends, among others.

On June 27, 2014, the BSP issued Circular No. 839, REST Limit for Real Estate Exposures which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Bank should maintain CET1 and CAR levels at the regulatory prescribed minimums, on a solo and consolidated basis, even after the simulated results of a 25.00% write-off to the Bank's real estate exposures. These shall be complied with at all times.

The table below summarizes the (CAR) of the Bank as reported to the BSP as of December 31, 2021 and 2020 (amounts in millions):

| | 2021 | 2020 |
|---|---|---|
| Tier 1 capital | **₱10,686** | ₱10,317 |
| CET 1 Capital | **10,686** | 10,317 |
| Net Tier 1 Capital | **10,686** | 10,317 |
| Tier 2 capital | **2,520** | 2,654 |
| Total Qualifying Capital | **₱13,206** | ₱12,971 |
| | | |
| Credit Risk-Weighted Assets | **₱52,956** | ₱66,046 |
| Market Risk-Weighted Assets | **982** | 547 |
| Operational Risk-Weighted Assets | **8,877** | 9,138 |
| Total Risk-Weighted Assets | **₱62,815** | ₱75,731 |
| | | |
| CET1 Ratio | **17.01%** | 13.62% |
| Tier 1 capital ratio | **17.01%** | 13.62% |
| Total capital ratio | **21.02%** | 17.13% |

The qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

Under Basel III, the regulatory Gross Qualifying Capital of the Bank consists of Tier 1 (core), composed of Common Equity Tier 1 and Additional Tier 1, and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred income tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated debts, revaluation reserves and general loan loss provision.

Risk-weighted assets are determined by assigning defined risk weights to the statements of financial position exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Below is a summary of risk weights and selected exposure types:

| Risk weight | Exposure/Asset type* |
|---|---|
| 0.00% | Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation |
| 20.00% | COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation |
| 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 |

| Risk weight | Exposure/Asset type* |
|---|---|
| 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 have 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, 2021 and 2020, 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, 2021 and 2020 as reported to the BSP are shown in the table below (amounts in millions).

| | 2021 | 2020 |
|---|---|---|
| Tier 1 Capital | **₱10,686** | ₱10,317 |
| Exposure Measure | **104,178** | 103,277 |
| Leverage Ratio | **10.26%** | 9.99% |

*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, 2021 and 2020, the LCR of the Bank as reported to the BSP in single currency is 147.87% and 140.94%, respectively.

*Net Stable Funding Ratio*
On May 24, 2018, the BSP issued Circular No. 1007 which approved the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR). Banks are required to adopt Basel III's NSFR aimed to promote long-term resilience of banks against liquidity risk. Banks shall maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. The NSFR complements the LCR, which promotes short-term resilience of a Bank's liquidity profile.

As of December 31, 2021 and 2020, the NSFR of the Bank as reported to the BSP is 156.00% and 128.00%, respectively.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis. The Bank has complied with all externally imposed capital requirement throughout the period.

## 20. Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits 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, RA No. 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:

| | **2021** | 2020 |
|---|---|---|
| Present value of the defined benefit obligation | **₱613,500,242** | ₱635,404,770 |
| Fair value of plan assets | **(270,366,175)** | (287,638,625) |
| Net pension liability | **₱343,134,067** | ₱347,766,145 |

Changes in the present value of the defined benefit obligation as of December 31, 2021 and 2020 recognized in the statements of financial position follow:

| | **2021** | 2020 |
|---|---|---|
| Balance at beginning of year | **₱635,404,770** | ₱660,934,694 |
| Current service cost | **76,986,935** | 75,411,260 |
| Interest cost | **21,730,843** | 31,857,052 |
| Remeasurement loss (gain): | | |
| Actuarial gain arising from experience Adjustments: | **(4,893,300)** | (8,333,418) |
| Actuarial loss arising from changes in demographic assumptions | **–** | 630,692 |
| Actuarial gain arising from changes in financial assumptions | **(5,220,466)** | (31,480,143) |
| Benefits paid | **(110,508,540)** | (93,615,367) |
| Balance at end of year | **₱613,500,242** | ₱635,404,770 |

Changes in fair value of plan assets are, as follows:

| | **2021** | 2020 |
|---|---|---|
| Balance at beginning of year | **₱287,638,625** | ₱281,918,417 |
| Contributions | **90,112,129** | 94,692,903 |
| Interest income | **9,837,241** | 13,588,468 |
| Remeasurement loss | **(6,713,280)** | (8,945,796) |
| Benefits paid | **(110,508,540)** | (93,615,367) |
| Balance at end of year | **₱270,366,175** | ₱287,638,625 |

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

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | **₱25,008,123** | ₱74,743 |
| Accrued interest and other receivables | **1,426,099** | 1,140,109 |
| Debt instruments | | |
| Government securities | **276,598,188** | 268,389,675 |
| Private securities | **16,860,372** | 21,496,044 |
| Liabilities | **(761,015)** | (839,564) |
| *Adjustments:* | | |
| Benefits for reimbursements | **(56,777,463)** | (2,622,382) |
| Expected contributions for the year | **7,116,298** | – |
| Expected interest for the year | **895,573** | – |
| Fair value of plan assets | **₱270,366,175** | ₱287,638,625 |

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, 2021 and 2020 was approved by the Staff Committee.

The Bank expects to contribute ₱80.0 million to the plan in 2022.

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:

| | 2021 | 2020 |
|---|---|---|
| Discount rate | | |
| At January 1 | **3.42%** | 4.82% |
| At December 31 | **4.84%** | 3.42% |
| Future salary increase rate | **4.30%** | 3.00% |
| Average remaining working life | **11** | 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, 2021 and 2020, assuming all other assumptions were held constant.

| | 2021 | 2020 |
|---|---|---|
| Increase in discount rate by 1% | **(₱43,490,152)** | (₱44,616,089) |
| Decrease in discount rate by 1% | **49,650,016** | 51,188,810 |
| Increase in salary increase rate by 1% | **49,343,213** | 50,686,284 |
| Decrease in salary increase rate by 1% | **(44,372,579)** | (45,667,138) |

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

| | 2021 | 2020 |
|---|---|---|
| Current service cost | **₱76,986,935** | ₱75,411,260 |
| Net interest cost | **11,893,602** | 18,268,584 |
| Expense recognized during the year | **₱88,880,537** | ₱93,679,844 |

The Bank also has a defined contribution plan for certain employees. The pension expense recognized under this plan amounting to ₱28.4 million for the years ended December 31, 2021 and 2020, is included in 'Compensation and fringe benefits' in the statements of income.

The average duration of the retirement liability is 11 years in 2021. Maturity analysis of the undiscounted benefit payments follow:

| | 2021 | 2020 |
|---|---|---|
| Less than one year | **₱80,026,634** | ₱74,825,348 |
| More than one to five years | **285,358,242** | 288,250,065 |
| More than five to 10 years | **514,834,715** | 342,453,681 |
| More than 10 to 15 years | **526,522,384** | 431,321,765 |
| More than 15 to 20 years | **339,515,374** | 315,533,050 |
| More than 20 years | **569,517,875** | 423,047,151 |

## 21. Net Trading Gains

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Financial instruments at FVPL: | | |
| Derivatives (Note 17) | **₱592,128,646** | (₱129,130,741) |
| HFT investments (Note 6) | **(45,424,296)** | 198,926,783 |
| Financial assets at FVOCI (Note 7) | **(1,240)** | 57,582,083 |
| | **₱546,703,110** | ₱127,378,125 |

## 22. Service Charges, Fees and Commissions

This account consists of:

| | 2021 | 2020 |
|---|---|---|
| Credit-related (Note 28) | **₱747,084,205** | ₱299,038,957 |
| Deposit-related | **58,782,210** | 63,936,485 |
| Others (Note 28) | **116,558,807** | 45,153,876 |
| | **₱922,425,222** | ₱408,129,318 |

Credit-related service fees are generated from the auto and mortgage businesses of the Bank.

## 23. Miscellaneous Income and Expense

Miscellaneous income consists of:

| | 2021 | 2020 |
|---|---|---|
| Recovery on written-off accounts | **₱54,228,746** | ₱19,912,011 |
| Trust fees (Note 28) | **35,682,795** | 28,012,615 |
| Others | **45,620,671** | 45,187,545 |
| | **₱135,532,212** | ₱93,112,171 |

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

Miscellaneous expense consists of:

| | 2021 | 2020 |
|---|---|---|
| Outsourced services | **₱177,877,142** | ₱159,017,088 |
| Commissions and service charges | **53,057,897** | 31,457,697 |
| Cards-related expenses | **48,576,746** | 53,236,516 |
| Fines and Penalties | **47,758,489** | 47,940,493 |
| Advertising and publications | **39,705,924** | 19,145,740 |
| Banking fees | **34,487,289** | 37,139,278 |
| Membership fees and dues | **28,706,159** | 28,203,295 |
| Repairs and maintenance | **17,414,712** | 15,637,517 |
| Freight | **14,132,907** | 10,283,848 |
| Minor tools and equipment | **4,090,628** | 4,036,811 |
| Fuel and lubricants | **1,679,363** | 1,449,124 |
| Philippine Clearing House Corporation fees | **1,296,993** | 1,430,303 |
| Others | **52,184,384** | 92,091,293 |
| | **₱520,968,633** | **₱501,069,003** |

Cards-related expenses include costs relating to cards acquiring business of the Bank, settlement expenses and credit investigation expenses.

Others include periodicals, various office supplies, registration fee for various seminars, donations and charitable contribution.

## 24. Lease Contracts

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

| | 2021 | 2020 |
|---|---|---|
| ROU, beginning balance | **₱589,928,379** | ₱661,697,559 |
| Additions | **96,371,130** | 84,238,289 |
| Lease termination/expiration | **(2,661,569)** | (33,508,160) |
| Depreciation (Note 10) | **(116,502,827)** | (122,499,309) |
| ROU assets, ending balance | **₱567,135,113** | ₱589,928,379 |

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

| | 2021 | 2020 |
|---|---|---|
| Expenses | | |
| Depreciation expense of right-of-use assets | **₱116,502,827** | ₱122,499,309 |
| Interest expense on lease liabilities | **58,383,737** | 66,003,500 |
| Rent expense – short-term leases and leases of low-value assets | **92,126,814** | 73,368,951 |
| Total amounts recognized in statement of income | **₱267,013,378** | ₱261,871,760 |

The Bank entered into lease agreements with third parties.

The rollforward analysis of lease liabilities follows:

| | 2021 | 2020 |
|---|---|---|
| Lease liabilities, beginning | **₱752,327,010** | ₱821,054,982 |
| Payments | **(188,112,156)** | (218,969,761) |
| Interest expense | **58,383,737** | 66,003,500 |
| Net additions | **95,250,203** | 84,238,289 |
| Lease liabilities, ending | **₱717,848,794** | ₱752,327,010 |

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

| | 2021 | 2020 |
|---|---|---|
| Within one year | **₱214,711,478** | ₱109,041,725 |
| More than 1 years to 2 years | **188,280,939** | 184,479,179 |
| More than 2 years to 3 years | **157,907,310** | 129,448,214 |
| More than 3 years to 5 years | **276,892,205** | 156,411,331 |
| More than 5 years | **1,087,739,660** | 662,128,179 |
| | **₱1,925,531,592** | ₱1,241,508,628 |

The Bank leases the premises occupied by its head office and branches for periods ranging from 2 to 25 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 5.00%. Rent expense charged against current operations (included under 'Occupancy' in the statements of income) amounted to ₱92.1 million and ₱73.4 million for the years ended December 31, 2021 and 2020, 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 (benefit from) income tax' in the statements of income.

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 prescribed 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.

On March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Bank.

- Effective July 1, 2020, RCIT rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations.
- MCIT rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.
- The allowable deduction for interest expense shall be reduced by an amount equivalent to twenty percent (20.00%) of interest income subjected to final tax. However, if the final withholding tax rate on interest income of 20.00% will be adjusted in the future, the interest expense reduction rate shall be adjusted accordingly.

Provision for income tax consists of:

| | 2021 | 2020 |
|---|---|---|
| Current: | | |
| Final | **₱142,574,888** | ₱149,779,721 |
| RCIT and MCIT | **98,876,939** | 82,855,118 |
| | **241,451,827** | 232,634,839 |
| Deferred | **93,334,126** | (600,961,458) |
| | **₱334,785,953** | (₱368,326,619) |

The details of net deferred tax assets follow:

| | 2021 | 2020 |
|---|---|---|
| Deferred tax asset on: | | |
| Allowance for impairment and credit losses | **₱995,411,514** | ₱1,251,105,316 |
| Provisions and accruals | **212,752,395** | 166,854,980 |
| Retirement liability and unamortized past service cost | **101,529,691** | 131,061,346 |
| Accumulated depreciation on investment and chattel properties | **100,698,805** | 113,925,729 |
| Unrealized foreign exchange loss | **244,065,621** | – |
| Lease liability net of right-of-use assets | **37,678,420** | 48,903,352 |
| Excess of MCIT over RCIT | **–** | 32,390,227 |
| Fair value loss on HFT investments | **–** | 5,361,217 |
| Fair value loss on FVOCI investments | **19,630,955** | – |
| | **₱1,711,767,401** | ₱1,749,602,167 |

(Forward)

| | 2021 | 2020 |
|---|---|---|
| Deferred tax liability on: | | |
| Fair value of investment properties and chattel properties | **93,729,710** | 66,806,462 |
| Unrealized profit on assets sold | **55,956,846** | 70,255,016 |
| Fair value gain on HFT investments and derivatives | **148,455,875** | – |
| Fair value gain on FVOCI investments | **–** | 37,521,935 |
| Unrealized foreign exchange gain | **–** | 45,004,551 |
| | **298,142,431** | 219,587,964 |
| | **₱1,413,624,970** | ₱1,530,014,203 |

Provision for (benefit from) deferred income tax recognized directly against OCI for the years ended December 31, 2021 and 2020 amounted to (₱13.3) million and ₱46.6 million, respectively.

As of December 31, 2021 and 2020, the Bank did not recognize deferred tax assets on certain allowance for impairment and credit losses amounting to ₱20.0 million and ₱1.3 million, respectively, since the management believes that it is not probable that the related tax benefits will be realized in the future.

The Bank's excess MCIT over RCIT which can be utilized against annual income tax payable are as follows:

| Inception Year | Amount | Used/Expired | Balance | Expiry Year |
|---|---|---|---|---|
| 2019 | ₱27,626,100 | ₱27,626,100 | ₱– | 2022 |
| 2020* | 2,394,907 | 2,394,907 | – | 2023 |

* The excess MCIT over RCIT amount in 2020 is reduced by ₱2.40 million due to CREATE.

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

| | 2021 | 2020 |
|---|---|---|
| Statutory income tax rate | **25.00%** | 30.00% |
| Tax effects of: | | |
| Tax-exempt income and income subjected to final tax | **(73.17)** | 22.29 |
| Nondeductible expenses | **69.22** | (74.35) |
| FCDU income before income tax | **(4.78)** | 1.80 |
| CREATE impact | **32.31** | – |
| Movements in unrecognized deferred tax assets | **(2.36)** | (0.08) |
| Effective income tax rate | **46.22%** | (20.34%) |

## 26. Trust Operations

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Bank (Note 27).

In connection with the trust business of the Bank, government securities with total face value of ₱89.0 million as of December 31, 2021 and 2020 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:

| | 2021 | 2020 |
|---|---|---|
| Currency swap receivable | **₱26,728,819,100** | ₱2,652,027,700 |
| Forward exchange bought | **20,409,044,202** | 10,733,372,542 |
| Forward exchange sold | **20,208,943,453** | 10,737,114,619 |
| Non-deliverable swap payable | **13,055,744,000** | 960,460,000 |
| Non-deliverable swap receivable | **12,920,685,000** | 961,200,000 |
| Trust department accounts (Note 26) | **7,507,544,250** | 7,379,339,379 |
| Spot exchange sold | **5,547,421,186** | – |
| Spot exchange bought | **5,547,410,000** | – |
| Interest rate swap payable | **2,250,000,000** | 2,350,000,000 |
| Interest rate swap receivable | **2,250,000,000** | 2,350,000,000 |
| Unused commercial letters of credit | **805,602,924** | 1,216,534,791 |
| Non-deliverable forward receivable | **764,985,000** | – |
| Non-deliverable forward payable | **752,970,000** | – |

(Forward)

| | 2021 | 2020 |
|---|---|---|
| Export letters of credit-confirmed | **793,799,435** | 747,477,995 |
| Deficiency claims receivable | **668,694,286** | 587,055,543 |
| Outstanding guarantees | **567,696,530** | 674,743,018 |
| Cross interest swap payable | **377,392,600** | 355,370,200 |
| Cross interest swap receivable | **374,997,500** | 374,997,500 |
| Inward bills for collection | **184,715,822** | 272,787,780 |
| Financial futures | **101,998,000** | 264,126,500 |
| Outward bills for collection | **6,039,411** | 9,373,081 |
| Late deposits and payments received | **5,698,158** | 7,353,817 |
| Items held for safekeeping | **534,228** | 604,634 |
| Items held as collateral | **8,493** | 9,215 |
| Broker customer securities account | – | 3,257,972,525 |

## 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 ₱270.4 million and ₱287.6 million as of December 31, 2021 and 2020, 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 2021 and 2020. Deposits with the Bank amounted to ₱25.0 million and ₱0.1 million in December 31, 2021 and December 31, 2020, respectively. The Bank earned ₱2.7 million and ₱3.0 million of trust fees for the years ended December 31, 2021 and December 31, 2020, 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:

| | **2021** | 2020 |
|---|---|---|
| Salaries and other short-term benefits | **₱131,882,632** | ₱133,066,624 |
| Post-employment benefits | **9,499,308** | 2,890,051 |
| | **₱141,381,940** | ₱135,956,675 |

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 | | |
|---|---|---|---|
| | **2021** | 2020 | **Nature, Terms and Conditions** |
| **Parent Company** | | | |
| Due from other banks | **₱72,863,147** | ₱24,196,085 | Foreign currency demand deposit accounts, non-interest bearing and no impairment |
| Accounts receivable | **531,182** | 1,680,429 | Receivables for various administrative expenses, due on demand, non-interest bearing, unsecured and no impairment |
| Accrued interest receivable | **–** | – | Accrued interest income on interest rate swaps |
| Interest income | **–** | 548,894 | Interest income from interbank loans receivable, interest rate swaps and due from other banks |
| Financial assets at FVPL | **3,780** | 2,215,844 | Derivative assets (liabilities) on foreign currency forwards and interest rate swaps |
| Trading gain | **3,780** | 308,790 | Mark-to-market gain from trading derivatives |
| Deposit liabilities | **2,193,442,572** | 1,528,128,239 | Savings and demand deposits |

(Forward)

| | Outstanding Balance /Volume | | |
|---|---|---|---|
| | **2021** | 2020 | **Nature, Terms and Conditions** |
| Bills payable | **₱11,372,777,000** | ₱2,209,058,000 | Short-term foreign currency borrowings |
| Net availment | **9,163,719,000** | 6,702,702,000 | |
| Accrued interest payable | **29,649,507** | 34,242,010 | Accrued interest expense on bills payable, subordinated loan and interest rate swaps |
| Subordinated debt | **1,993,568,187** | 1,992,648,990 | Direct, unconditional, unsecured and subordinated obligation of the Bank |
| Interest expense | **144,969,183** | 200,011,903 | Interest expense on interest rate swaps, bills payable, subordinated loan and deposit liabilities |
| **Other related parties** | | | |
| Due from other banks | **–** | 89,369,708 | Various foreign currency demand deposit accounts, non-interest bearing and no impairment |
| Loans and receivables | **189,470,000** | 158,470,000 | 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 | **189,470,000** | 158,470,000 | |
| Settlements | **158,470,000** | 129,600,000 | |
| Accounts receivable | **731,465,782** | 600,694,616 | Receivable subject to interest rate based on one-month BVAL plus 1%, with a maturity of 10 years secured by deposit hold-out and no impairment. Also includes various administrative expenses |
| Accrued interest receivable | **1,239,920** | 1,111,226 | Accrued interest income on loans and receivable |
| Interest income | **15,736,226** | 22,580,428 | Net interest income from interbank loans receivable, loans and receivables, interest rate swaps and due from other banks |
| Deposit liabilities | **1,287,526,195** | 2,439,814,540 | Savings, demand, and time deposits |

(Forward)

| | Outstanding Balance /Volume | | |
|---|---|---|---|
| | **2021** | 2020 | **Nature, Terms and Conditions** |
| Accrued interest payable | **67,321** | 82,135 | Accrued interest expense on time deposits |
| Interest expense | **5,491,237** | 8,734,231 | Interest expense on interest rate swaps, bills payable and deposit liabilities |
| Service charges, fees and commissions | **88,474,643** | 32,692,071 | Transaction fees from various services rendered including bancasurrance fees |
| IT expenses | **70,152,830** | 70,491,386 | IT Support Services received from MSS |
| Employee benefits | **37,363,448** | 35,191,600 | Life and medical insurance premiums for bank employees |
| **Retirement fund of the Bank** | | | |
| Deposit with the Bank | **25,008,123** | 74,743 | This deposit earns annual fixed interest rates ranging from 0.25% to 3.25%. |
| Interest income | **963,537** | 2,021,915 | |

Other related parties are other companies owned and controlled by the Bank's Parent Company.

*Service fee income*
On December 15, 2010, the Bank entered into an agreement with Maybank International Labuan Limited (MILL) whereby the Bank shall perform account management in its favor. This will include the conduct of annual review on the account and collection. The Bank shall charge MILL a service fee of 0.30% of the average US$ value of loans and investments booked by MILL per annum beginning July 1, 2010 until such time that the agreement shall be terminated. Service fees earned from MILL amounted to ₱4.0 million for the years ended December 31, 2021 and 2020, 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. On February 10, 2021, the Bank entered into another Bancassurance Agreement with ELGAP for a period of 15 years. Under the Bancassurance Agreements, the Bank shall receive service fees and commissions for acting as ELGAP's distribution channel for its insurance products. Unearned bancassurance income as of December 31, 2021 amounted to ₱466.7 million. In 2021 and 2020, the Bank earned service fees and commissions amounting to ₱83.3 million and ₱28.4 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 ₱2.0 billion. The term of the subordinated loan shall be 10 years from October 4, 2017, the drawdown date. Among the significant terms and conditions of the agreement are:

(a) The subordinated loan shall constitute direct, unconditional, unsecured and subordinated obligation of the Bank. In the event of winding up or liquidation of the Bank, the claims of the Parent Company against the Bank will be subordinated in right of payment to the claims of the depositors and all other unsubordinated creditors of the Bank and will rank at least pari passu in right of payment with all other subordinated obligations, present and future, of the Bank. However, claims in respect of the subordinated loan will rank in priority to the rights and claims of holders of subordinated liabilities which by their terms rank or expressed to rank in right of payment junior to the subordinated loan and all classes of equity securities of the Bank, including holders of common shares and preferred shares.

(b) The Parent Company shall not be entitled to set off any amount it owes to the Bank against the subordinated loan.

(c) The Bank has option to prepay, in full or in part, the subordinated loan on any call date provided that at least thirty (30) business days before the call date, a notice in writing shall be delivered to the Parent Company. Any such notice given by the Bank shall be irrevocable. On the call date, the Bank shall pay to the Parent Company the principal amount to be prepaid plus any accrued interest. Any prepayment shall be subject to the approval of the BSP.

(d) The interest payable on the principal amount of the subordinated loan shall be at the initial interest rate, which is the sum of the initial spread and the initial benchmark rate, which is 5.50%. 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 2021 and 2020, interest expense on subordinated loans included in 'Interest expense on bills payable and other borrowings' amounted to ₱112.4 million and ₱112.7 million, respectively.

*Life, health and medical insurance*
On February 14, 2020, the Bank and ELGAP signed a Memorandum of Agreement (the MOA) designating the latter as the official life and health insurance provider for the Bank's employees and enrolled dependents effective January 1, 2020. In 2021 and 2020, the Bank paid a total insurance premium amounting to ₱38.4 million and ₱35.2 million, respectively.

*IT Services*
In 2014, MPI signed an agreement with Maybank Shared Services Sdn. Bhd. (MSS) wherein the latter would provide IT support services to MPI which are broadly categorized into IT Back Sourcing, IT Mandays, and Regional Projects or Information Technology Transformation Programme.

## 29. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7 require the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables (amounts in thousands):

*Financial Assets*

**December 31, 2021**

| **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** | | **Net exposure** |
|---|---|---|---|---|---|---|
| | | | | **Financial instruments** | **Fair value of financial collateral** | |
| | **[a]** | **[b]** | **[c]** | **[d]** | | **[c-d]** |
| SPURA | **₱4,740,095** | **₱–** | **₱4,740,095** | **₱–** | **₱4,740,199** | **₱–** |
| Derivative assets (Note 17) | **330,955** | **–** | **330,955** | **109,297** | **–** | **221,658** |
| Total | **₱5,071,050** | **₱–** | **₱5,071,050** | **₱109,297** | **₱4,740,199** | **₱221,658** |

December 31, 2020

| Financial assets recognized at end of reporting period by type | Gross carrying amounts (before offsetting) | Gross amounts offset in accordance with the offsetting criteria | 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 | | Net exposure |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Fair value of financial collateral | |
| | [a] | [b] | [c] | [d] | | [c-d] |
| SPURA | ₱946,563,080 | ₱– | ₱946,563,080 | ₱– | ₱946,816,919 | ₱– |
| Derivative assets (Note 17) | 136,901 | – | 136,901 | 112,089 | – | 24,812 |
| Total | ₱946,699,981 | ₱– | ₱946,699,981 | ₱112,089 | ₱946,816,919 | ₱24,812 |

*Financial Liabilities*

**December 31, 2021**

| **Financial liability 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** | | **Net exposure** |
|---|---|---|---|---|---|---|
| | | | | **Financial instruments** | **Fair value of financial collateral** | |
| | **[a]** | **[b]** | **[c]** | | **[d]** | **[c-d]** |
| Derivative liabilities (Note 17) | **₱219,594** | **₱–** | **₱219,594** | **₱–** | **₱109,297** | **₱110,297** |
| Total | **₱219,594** | **₱–** | **₱219,594** | **₱–** | **₱109,297** | **₱110,297** |

December 31, 2020

| Financial liability 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 | | Net exposure |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Fair value of financial collateral | |
| | [a] | [b] | [c] | | [d] | [c-d] |
| Derivative liabilities (Note 17) | ₱164,574 | ₱– | ₱164,574 | ₱112,089 | ₱– | ₱52,485 |
| Total | ₱164,574 | ₱– | ₱164,574 | ₱112,089 | ₱– | ₱52,485 |

## 30. Notes to Statements of Cash Flows

Non-cash additions to investment properties and other properties acquired in settlement of loans amounted to ₱204.5 million and ₱1.1 billion, and ₱85.5 million and ₱0.9 billion, respectively, for the years ended December 31, 2021 and 2020, respectively.

*Changes in liabilities arising from financing activities*

| | **January 1, 2021** | **Cash flows** | **Others** | **December 31, 2021** |
|---|---|---|---|---|
| **Liabilities from financing activities** | | | | |
| Bills payable | **₱2,209,058,000** | **₱9,163,719,000** | **₱–** | **₱11,372,777,000** |
| Subordinated debt | **1,992,648,990** | **–** | **919,197** | **1,993,568,187** |
| | **₱4,201,706,990** | **₱9,163,719,000** | **₱919,197** | **₱13,366,345,187** |

In 2021, availments and settlements of bills payable amounted to ₱1,150.9 billion and ₱1,141.7 billion, respectively.

| | January 1, 2020 | Cash flows | Others | December 31, 2020 |
|---|---|---|---|---|
| Liabilities from financing activities | | | | |
| Bills payable | ₱8,911,760,000 | (₱6,702,702,000) | ₱– | ₱2,209,058,000 |
| Subordinated debt | 1,991,777,972 | – | 871,018 | 1,992,648,990 |
| | ₱10,903,537,972 | (₱6,702,702,000) | ₱871,018 | ₱4,201,706,990 |

In 2020, availments and settlements of bills payable amounted to ₱541.0 billion and ₱547.7 billion, respectively.

## 31. Approval for the Release of the Financial Statements

The accompanying financial statements of the Bank were approved and authorized for issue by the BOD on April 13, 2022.

## 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:

| | **2021** | 2020 |
|---|---|---|
| Return on average asset (ROA) | **0.38%** | (1.29%) |
| Return on average equity (ROE) | **3.06%** | (10.88%) |
| Net interest margin over average earning assets (NIM) | **4.24%** | 4.78% |

*Description of capital instruments issued*
As of December 31, 2021 and 2020, 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 (amounts in thousands).

| | **December 31, 2021** | | December 31, 2020 | |
|---|---|---|---|---|
| | **Gross Amount** | **%** | Gross Amount | % |
| Real estate activities | **₱14,447,708** | **29.15** | ₱13,375,682 | 22.47 |
| Consumer | **8,817,705** | **17.79** | 9,886,261 | 16.61 |
| Wholesale and retail trade | **7,748,709** | **15.63** | 9,790,522 | 16.45 |
| Transportation and storage | **3,485,865** | **7.03** | 5,006,283 | 8.41 |
| Electric, gas, steam and air-conditioning supply | **3,250,465** | **6.56** | 3,525,204 | 5.92 |
| Other service activities | **2,530,609** | **5.11** | 3,781,964 | 6.35 |
| Construction | **1,870,823** | **3.77** | 2,913,268 | 4.89 |
| Manufacturing | **1,833,096** | **3.7** | 2,546,981 | 4.28 |
| Agriculture, forestry and fishing | **1,568,878** | **3.17** | 1,761,423 | 2.96 |
| Human health and social work activities | **1,384,719** | **2.79** | 2,079,970 | 3.49 |
| Education | **1,130,444** | **2.28** | 1,364,821 | 2.29 |
| Accommodation and food service activities | **1,028,047** | **2.07** | 3,030,698 | 5.09 |
| Financial and insurance activities | **413,753** | **0.83** | 370,432 | 0.62 |
| Mining and quarrying | **57,503** | **0.12** | 93,536 | 0.16 |
| | **₱49,568,324** | **100.00** | ₱59,527,045 | 100.00 |

<u>Regulatory Reporting</u>
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 are as follows:

| | **2021** | 2020 |
|---|---|---|
| Gross NPLs | **₱4,305,435,563** | ₱4,747,615,609 |
| Less: Deductions as required by the BSP | **2,401,813,393** | 2,131,879,441 |
| Net NPLs | **₱1,903,622,170** | ₱2,615,736,168 |

According to BSP Circular 941 *Amendments to the Regulations on Past Due and Non–Performing Loans* effective January 1, 2018, 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:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Performing** | **Non-Performing** | **Total** | Performing | Non-Performing | Total |
| Loans and discounts | | | | | | |
| Corporate lending | **₱10,065,544,919** | **₱1,202,276,171** | **₱11,267,821,090** | ₱13,618,184,554 | ₱1,381,641,256 | ₱14,999,825,810 |
| Commercial lending | **2,560,958,309** | **688,724,025** | **3,249,682,334** | 2,616,249,344 | 142,154,000 | 2,758,403,344 |
| Consumer lending | | | | | | |
| Auto | **20,503,457,970** | **1,924,763,212** | **22,428,221,182** | 26,501,857,101 | 2,441,881,518 | 28,943,738,619 |
| Housing | **11,227,290,754** | **445,168,413** | **11,672,459,167** | 10,876,160,180 | 673,923,366 | 11,550,083,546 |
| Others | **909,636,206** | **44,503,742** | **950,139,948** | 1,166,978,613 | 108,015,469 | 1,274,994,082 |
| | **₱45,266,888,158** | **₱4,305,435,563** | **₱49,568,323,721** | ₱54,779,429,792 | ₱4,747,615,609 | ₱59,527,045,401 |

*Loans per security*
As of December 31, 2021 and 2020, secured and unsecured NPLs of the Bank are as follows:

| | **2021** | 2020 |
|---|---|---|
| Secured | **₱2,855,690,540** | ₱3,605,587,966 |
| Unsecured | **1,449,745,023** | 1,142,027,640 |
| | **₱4,305,435,563** | ₱4,747,615,606 |

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, 2021** | | December 31, 2020 | |
|---|---|---|---|---|
| | **Amount** | **%** | Amount | % |
| Secured by: | | | | |
| Chattel | **₱22,374,075** | **45.14** | ₱29,011,504 | 48.74 |
| Real estate | **13,993,055** | **28.23** | 14,277,472 | 23.98 |
| Deposits hold-out | **1,282,283** | **2.59** | 1,600,717 | 2.69 |
| | **37,649,413** | **75.95** | 44,889,693 | 75.41 |
| Unsecured | **11,918,911** | **24.05** | 14,637,352 | 24.59 |
| | **₱49,568,324** | **100.00** | ₱59,527,045 | 100.00 |

*Information on 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, 2021 and 2020, 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 related party loans of the Bank:

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **DOSRI Loans** | **Related Party Loans (inclusive of DOSRI Loans)** | DOSRI Loans | Related Party Loans (inclusive of DOSRI Loans) |
| Total outstanding loans (in thousands) | **₱995,174** | **₱995,174** | ₱845,471 | ₱845,471 |
| Percent of DOSRI/Related Party loans granted before effectivity of BSP Circular No. 423 to total loans | **–** | **–** | – | – |
| Percent of DOSRI/Related Party loans granted after effectivity of BSP Circular No. 423 to total loans | **1. 84%** | **1. 84%** | 1. 45% | 1. 45% |
| Percent of DOSRI/Related Party loans to total loans | **1.84%** | **1.84%** | 1.45% | 1.45% |
| Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans | **–** | **–** | – | – |
| Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans | **–** | **–** | – | – |
| Percent of nonperforming DOSRI/Related Party loans to total DOSRI/Related Party loans | **–** | **–** | – | – |

Total outstanding DOSRI/Related Party 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 ₱15.74 million and ₱22.58 million for the years ended December 31, 2021 and 2020, respectively.

For the years ended December 31, 2021 and 2020, interest rates on DOSRI loans ranged from 2.00% to 4.50%.

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

| | 2021 | 2020 |
|---|---|---|
| Currency swap receivable | **₱26,728,819,100** | ₱2,652,027,700 |
| Forward exchange bought | **20,409,044,202** | 10,733,372,542 |
| Forward exchange sold | **20,310,941,453** | 11,001,241,119 |
| Non-deliverable swap payable | **13,055,744,000** | 960,460,000 |
| Non-deliverable swap receivable | **12,920,685,000** | 961,200,000 |
| Trust department accounts | **7,507,544,250** | 7,379,339,379 |
| Spot exchange sold | **5,547,421,186** | – |
| Spot exchange bought | **5,547,410,000** | – |
| Interest rate swap payable | **2,250,000,000** | 2,350,000,000 |
| Interest rate swap receivable | **2,250,000,000** | 2,350,000,000 |
| Unused commercial letters of credit | **805,602,924** | 1,216,534,791 |
| Export letters of credit-confirmed | **793,799,435** | 747,477,995 |
| Non-deliverable forward receivable | **764,985,000** | – |
| Non-deliverable forward payable | **752,970,000** | – |
| Deficiency claims receivable | **668,694,286** | 587,055,543 |
| Outstanding guarantees | **567,696,530** | 674,743,018 |
| Inward bills for collection | **184,715,822** | 272,787,780 |
| Outward bills for collection | **6,039,411** | 9,373,081 |
| Late deposits and payments received | **5,698,158** | 7,353,817 |
| Items held for safekeeping | **534,228** | 604,634 |
| Items held as collateral | **8,493** | 9,215 |
| Broker customer securities account | – | 3,257,972,525 |

**33. Supplementary Information Required Under Revenue Regulations 15-2010**

The BIR issued RR 15-2010, to amend certain provisions of RR 21-2002. The Regulations provide 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, 2021, GRT, DST and other taxes and licenses consist of the following:

| | |
|---|---|
| Gross receipts tax | ₱382,298,282 |
| Documentary stamp tax | 204,197,299 |
| License and permit fees | 29,415,868 |
| Real estate taxes | 3,892,257 |
| Registration fees | 37,000 |
| | ₱619,840,706 |

Withholding Taxes
Details of withholding taxes for the year ended December 31, 2021 are as follows:

| | Total Amount Remitted | Balance as at December 31 |
|---|---|---|
| Final withholding taxes | ₱76,119,002 | ₱7,014,756 |
| Expanded withholding taxes | 173,671,011 | 12,199,000 |
| Withholding taxes on compensation and benefits | 213,954,695 | 26,054,583 |
| Final withholding VAT | 2,532,067 | 217,767 |
| | ₱466,276,775 | ₱45,486,106 |

Tax Assessments and Cases
As of December 31, 2021, the Bank does not have any tax cases outstanding or pending in courts or bodies outside the BIR.

The Bank received Final Assessment Notice (FAN) for taxable year 2017 from the Bureau of Internal Revenue (BIR) dated April 15, 2021 on the same date. The FAN was issued as a result of the investigation of the BIR for alleged tax liabilities of the Bank amounting to ₱1.98 billion, broken down as follows:

| | |
|---|---|
| Income tax | ₱1,575,400,376 |
| Gross receipts tax | 26,693,292 |
| Expanded withholding tax | 6,998,521 |
| Fringe benefits tax | 89,993,784 |
| Final withholding tax on interest | 195,852,689 |
| Documentary stamp tax | 86,252,373 |
| Compromise penalties | 265,000 |
| | ₱1,981,456,035 |

On May 14, 2021, the Bank submitted a protest letter and request for reconsideration to dispute such alleged tax liabilities. As of date, the BIR has not issued yet the Final Decision of Disputed Assessment (FDDA).

The Bank has also received an undated Preliminary Assessment Notice (PAN) for the taxable year 2018 from the Bureau of Internal Revenue (BIR) on February 11, 2022. The PAN was issued as a result of the investigation of the BIR for alleged tax liabilities of the Bank.

On February 28, 2022, the Bank submitted a reply letter to the PAN to dispute such alleged tax liabilities.

# Products and Services

Maybank Philippines, Inc. offers a wide array of financial solutions and facilities that support and enable the aspirations of its customers. The Bank continuously strive to innovate and create products and services that are aligned to the evolving needs of the communities it serves and the market in general, helping bridge the financial divide for all.

## DEPOSIT PRODUCTS

**Classic**

*Uncomplicated effortless banking*

- Traditional Savings, Checking and Time Deposit Accounts

**Save n' Protect Savings Account**

*Peace of mind at a higher level*

- Comes with a passbook and  Regional ATM card
- With Free Life Insurance Coverage of up to Php 5,000,000

**Premier 1 Checking Account**

*All you need in a Checking Account*

- A specialized checking account with tier-based interest provision depending on the number of withdrawals and the account's daily ending balance
- Comes with a record book for itemized posting of inward checks
- With free Regional ATM card

**Yippie and ImTeen Savings Account**

*Teach children the value of saving*

- A savings account for children 17 years old and below
- Comes with a passbook and free Regional ATM card
- Free Personal Accident Insurance with Medical Reimbursement Benefit

**ADDvantage 5-year Time Deposit**

*Take advantage of the time of your life*

- A fixed-interest time deposit account for 5 years + 1 day term
- Tax-free for individual accounts

**US Dollar Savings Account**

*Save in USD, Earn interest in USD*

- A regular interest-earning dollar savings passbook account

**US Dollar Time Deposit Account**

*Maximize your dollars' earning potential*

Earn more with higher rates with an affordable US Dollar product

## ELECTRONIC BANKING PRODUCTS

### M2U

*Enjoy the convenience of online banking transactions at your own place and pace with M2U Internet and Mobile Banking.* Bank safely with our double-layered security feature using a Transaction Authorization Code (TAC) which is sent to your registered mobile number every time you transact.

- View your deposit, loan, and credit card accounts
- Transfer funds to your own or to third-party Maybank accounts and even to other BancNet member bank accounts.
- Pay your bills
- Reload your prepaid mobile phone, other prepaid and other e-Wallet accounts
- Convert your dollar to peso
- Make a time deposit placement
- Request for checkbook
- Perform stop payment order
- Request for Credit Card EzyCash

### Money2u Remittance

*Before you take over the world, let us first take care of you*

- Same day crediting to your Maybank account and within 24 hours to other banks
- Receive remittances worldwide
- First 2 monthly withdrawal charges are waive

### 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

### 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 13,000 touch points nationwide

# Products and Services


## 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.

**enAble Personal Loan**

*Now you can!*

- A no – collateral loan which can be used to pay-off credit card bills, medical expenses, tuition fees, travel/vacation, home furnishings or purchase of high-end appliances and electronic products. Enjoy competitive rates and terms up to 36 months, at attractive and affordable rates

**Maybank Credit Card Standard/Classic and Gold**

*Enjoy financial flexibility*

- Available in MasterCard and Visa
- Financial flexibility through Maybank EzyPlans (EzyPay, EzyTransfer, EzyConvert and EzyCash)
- Cross-border treats in Malaysia, Singapore, Indonesia and Cambodia

**Maybank Credit Card Platinum**

*Experience The Best Of Both Worlds*

- Available in MasterCard and Visa
- Earn one (1) Asia Miles or Krisflyer mile for every Php 50 spend anywhere
- Enjoy 1% cashback on overseas spend Worldwide golf privileges
- Cross-border treats in Malaysia, Singapore, Indonesia and Cambodia

**Maybank - Manchester United Credit Card**

*Be Part of the Team*

- 5X TREATS Points when Manchester United wins a Premier League Match
- 10x TREATS Points for purchases at United Direct Online Megastore
- 10% Discount at United Direct Online Megastore and Outlet
- 10% Discount at Red Café, Old Trafford on food and drinks
- 20% Discount on Manchester United Stadium and Museum Tour tickets (only upon purchase at the Old Trafford Football Ground)
- Cross-border treats in Malaysia, Singapore, Indonesia and Cambodia

**Maybank Visa Infinite Credit Card**

*Exclusive to Maybank Premier Members*

The Maybank Visa Infinite Credit Card is the ultimate travel companion to the privileged few.

1% Cashback on Overseas Spend * Lowest Issuer's Service Fee on Foreign Currency Transactions * Complimentary Airport Lounge Access * Travel and Accident Insurance Coverage

Find out more at www.maybank.com.ph/visainfinite

## WEALTH MANAGEMENT

**Maybank Premier**
*Turn Your Inspiration Into Reality*
Carefully crafted and specialized suite of product offerings, benefits and privileges to address our clients' unique financial and lifestyle needs.

*Wealth Solutions*
Wealth Management Advisory. We help our clients create a financial plan tailored to their specific financial requirements and aspirations, enabling them to build a legacy for their future generations.

Research Capability. We help our clients make more informed decisions, through first-hand access to expert wealth research of the Maybank Group and invites to exclusive market outlook sessions.

*Premier Benefits*
Dedicated Relationship Manager. We match our clients with a single point of contact and account handler for all their banking and financial requirements with Maybank.

Priority Service. We provide our clients the convenience to perform all their banking needs in the comfort and privacy of any of our Maybank Premier Centers in the country.

Preferential Pricing Privileges. We extend only to our select Premier clients preferential pricing on banking products and services, including foreign exchange.

*Lifestyle Privileges*
Maybank Visa Infinite Credit Card. Only our well-travelled Premier clients can gain access to exclusive privileges that come with this credit card, including 1% cashback on overseas spend

## CASH MANAGEMENT SERVICES

### Collection Solutions

**Express Collect**

- Unique deposit taking service which provides a *flexible and safe* solution for transporting check collections from the client's office for deposit into their Maybank account via the bank's accredited motorized collector.

**Cash Collect**

- Nationwide cash pick-up service which ensures a *secure, efficient and convenient* solution for transferring cash and check collections from the customer's office into their Maybank account

**Over-the-counter Bills Payment**

- Automated receivables solution that allows corporate customers to collect from their clients via *Maybank's branches*

**Check Warehousing**

- Outsource the management and handling of Post Dated Checks (PDC) and generating reports for *easy reconciliation*.

**Night Depository Box**

- Secure and safe deposit solution for businesses operating beyond banking hours, weekends and holidays. Deposits are kept safe until they can be counted and verified the next banking day.

# Products and Services

**E-Gov**

- An online payment facility managed by Bancnet for government contributions and loans such as SSS, Philhealth and Pag-ibig.

<u>Payment Solutions</u>

**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.

<u>Payroll Solutions</u>

**Payroll Manager**

- Hassle free payroll solution that provides convenience of paying the periodic salaries of employees into their Maybank ATM accounts.

**Payroll Manager Plus**

- Leading edge payroll solution that combines functionalities of a traditional payroll service coupled with up-*to-date software* to ensure security, efficiency and cost-saving during payroll activities.

**Payroll Master**

- Stand alone payroll system that automates the computation of the distribution of salaries and other benefits directly into the employees' ATM accounts.

<u>Internet Banking</u>

**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.

## REMITTANCE

**Local and International Fund Transfer**

- Send to and receive remittances from your relatives, friends or business partners.

**Maybank has various EFTS (Electronic Fund Transfer System)** to facilitate fund transfer anywhere in the Philippines and abroad.

**Domestic**

- PDDTS/RTGS – USDollar local wire fund transfer
- Philpass/RTGS – Philippine PESO local fund transfer
- PCHC Electronic Peso Clearing System (EPCS) – Peso fund transfer
- SSS Local Pension Remittance – monthly auto credit of SSS pension; "2 banking days earlier"

**International**

- SWIFT
- Money2U (from Malaysia to any Philippine local banks or MPI depository)
- Regional Switch-OTC Payment (from Maybank KL, Brunei, Singapore)
- MME (Maybank KL Money Express) payout center for Manila
- I-REMIT- payout counter
- U.S. Veterans Affairs & Social Security (USVA-SSA) Direct Deposit Remittance

**Other Payment Services Outward Bills for Collection (OBC)**

- Deposit your international checks for credit to your account after the 45-day clearing period.

## TRUST & FIDUCIARY ACCOUNTS

**Investment Management Account (IMA)**

- This product is ideal for clients who want to diversify their portfolio through a wide array of investment vehicles and are looking for potentially higher yields than traditional bank products. MPI-Trust prudently manages investment funds according to client's risk and return objectives, investment mandate, and its internal parameters.

**Personal Management Trust**

- MPI-Trust helps to create a trust portfolio which aims to preserve the client's assets or properties for their beneficiaries' benefit, whether it is for future use or to answer for the client's beneficiaries' current needs.

**Escrow Account**

- MPI-Trust facilitates the delivery of exchange of money, securities or property between contracting parties who are looking for an independent third-party who will ensure that the terms and conditions of their contract/ agreement are complied with.

**Employee Benefit Trust**

- Maybank Trust acts as a keeper and investment manager of entrusted accumulated funds for companies, their employees, or both, for use as payments for retirement or separation benefits to employees. This arrangement provides for a systematic retirement plan scheme while enjoying certain tax benefits both for the company and its employees.

**Life Insurance Trust**

- .MPI-Trust handles and distributes the proceeds of the assigned life insurance policy of the client for the best interest and in behalf of the client's designated beneficiaries

**UITF (Unitized Investment Trust Fund)**

- A collective investment scheme where money from various investors are pooled together into one fund, to be managed professionally by MPI-Trust, for the purpose of achieving the intended investment objective.

## BUSINESS LOANS

**Revolving Credit Line (RCL)**

- Short-term loans granted for working capital purposes where the amount paid is made continually available provided it does not exceed the approved credit line.

**Term Loan**

- Granted for the purpose of project financing, capital assets acquisition/expenditures or business expansion

# Products and Services

**Domestic Bills Purchase Line**

- Credit facility granted to augment the working capital of the borrower through advance made by the Bank against current-dated checks.

**Discounting Line**

- Credit facility granted to augment the working capital of the borrower through the discounting of trade-related, third-party post-dated checks

**Letter of Credit/Trust Receipt**

- Issued by the Bank on behalf of the importer-customer for the benefit of the supplier (exporter); issued to cover the purchase of goods for the final use of the buyer or for resale. Trust Receipt financing allows the applicant (importer) to take possession of the goods and to convert the same into cash within a maximum allowable period. Trade transactions that require TR financing may or may not be covered by Letter of Credit.

**Stand-by letters of Credit**

- A letter of credit used to guarantee payment in case of non-performance of the applicant/customer or payment to a beneficiary under a contractual obligation between the applicant and the beneficiary

**Bank Guarantee**

- Issued by the Bank on behalf of its client favoring a third party. Under the BG, the Bank agrees to indemnify/pay the Beneficiary should the Bank's client fails to perform or be unable to pay in accordance to the terms of the contract.

**Export Advance Line/Packing Credit**

- Loans granted to exporters for the purchase or preparation of goods for shipment against the assignment to MPI of export proceeds covered by Letter of Credit, Purchase Order or Supplier's Credit

**Export Bills Purchased Line**

- Facility granted that allows the outright purchase of export proceeds upon presentation of client's export bills

**Trade Loan**

- A facility that provides financing for domestic, international, and cross-border merchandise trade transactions under Open Account, Advance Payment, Direct Remittance, Documentary Collection, and Documentary Credit

**Contract-To-Sell (CTS) Financing**

- Purchase of receivables from in-house financing of real estate developers

**Receivables Financing**

- Form of business financing wherein a supplier sells his or her trade/accounts receivables as evidenced by invoices to a bank or financial institution at a discount so that the invoice amount can be advanced; the bank/FI takes over collection of payment against invoices from the supplier's buyers.

**Buyer Centric Supplier Finance (BCSF)**

- Otherwise known as Vendor Financing, is an Open Account Trade Financing Programme that discounts a buyer/customer's approved credit invoices/purchase order to their suppliers on a without recourse basis. The product allows 100% financing (less interest and fees), with interest generally borne by suppliers.

**Dealer Financing**

- A Trade Financing Programme that aims to provide working capital to distributors of large principals. Working capital funding is aimed at financing domestic transactions under open account or advance payment.

## GLOBAL MARKETS PRODUCTS AND SERVICES

All trades executed by GM Sales are based on client's requirements and the products offered include but not limited to the buying/ selling of the following products, unless otherwise restricted by Maybank Philippines, Inc. (MPI).

**Fixed Income Securities**

- Local Currency Denominated
  - Treasury Bills (T-Bills)
  - Fixed Rate Treasury Notes (FXTN)
  - Retail Treasury Bonds (RTB)
  - Corporate Bonds
  - Commercial Papers
  - Long Term Negotiable Certificate of Deposits (LTNCD)

- Foreign Currency Denominated
  - Republic of the Philippines, offshore and onshore (ROP, ODB)
  - United States Treasuries (UST)
  - Other Foreign Sovereign Bonds
  - Corporate Bonds (foreign and local)

**Foreign Exchange**

- Unless otherwise instructed by MPI Senior Management and Board of Directors, Global Markets Sales is authorized to deal all currencies that may be acceptable by Bangko Sentral ng Pilipinas (BSP) as follows:
  - Australian Dollar
  - Euro
  - Great Britain Pound
  - Hong Kong Dollar
  - Japanese Yen
  - Chinese Yuan
  - Singapore Dollar
  - United States Dollar
  - Malaysian Ringgit

**Money Market Deposits / Time Deposits**

**Derivatives**

Financial products such as derivatives transactions may be offered by Global Markets Sales provided that they are authorized derivatives for distribution in accordance to BSP Circular 594 and its amendments or BSP-approved derivatives products under the Bank's Type 2 expanded derivatives license.

The following derivatives products, as approved by the BSP, can be offered by GM Sales provided these are suited to the client's overall suitability profile:

- Foreign Exchange Forwards (Deliverable and Non-deliverable)
- Foreign Exchange Swaps
- Interest Rates Swaps (IRS)
- Interest Rates Options (IRO)
- Cross Currency Swaps (CCS)
- Non-Deliverable Cross Currency Swaps (NDCCS)
- Foreign Exchange Options (FXO)
- Non-Deliverable Foreign Exchange Options (NDFXO)
- Dual Currency Investments (DCI)
- Par Forwards
- Flexi Forwards

- A Swap is a derivative contract through which two parties exchange the cash flows or liabilities from two different financial instruments. For example, in a currency swap there is a simultaneous exchange of fixed amount of currencies at different settlement dates.

- An FX Option (FXO) contract is an agreement under which a seller (writer) conveys to a buyer (holder) of a contract, the right but not the obligation to buy/sell a specified quantity of a currency at a specified exchange rate, on or before a specified date

- A Dual Currency Investment (DCI) is a non-principal protected currency linked structured investment offered to qualified investors with the objective of yield enhancement in a short period of time. It consists of a money market deposit and an FX option (FXO).

# Branch Network

## METRO MANILA BRANCHES

**Ayala Alabang**
1st Floor Commercenter,
Alabang, Muntinlupa City
T (02) 8842-9473

**Ayala Avenue**
G/F Tower One & Exchange Plaza
Ayala Triangle, Ayala Ave.,
Makati City 1200
T (02) 8240-9145
(02) 8240-9803

**Bel Air**
G/F 357 New Solid Bldg.
Senator Gil Puyat Ave.,
Makati City 1200
T (02) 8890-4679 to 80
(02) 8890-4839

**Binondo**
G/F Co Chin Leng Bldg.
567-569 Quintin Paredes Street
Binondo, Manila, 1006
T (02) 8247-4576

**Caloocan**
Rizal Ave. corner 10th Ave.
Caloocan City 1400
T (02) 8364-5545

**Cubao**
178 P. Tuazon Blvd.
corner 8th Ave. Cubao
Quezon City 1109
T (02) 8911-7366

**Del Monte**
483 Del Monte Avenue
Quezon City 1800
T (02) 8365-0855

**EDSA Caloocan**
Edsa corner Plata Street
Caloocan City 1400
T (02) 8287-0288
(02) 8281-4225

**Global City Burgos Circle**
G/F ACCRALAW Tower
2nd Ave. corner 30th Street
Bonifacio Global City,
Taguig City 1634
T (02) 8403-5485
(02) 8556-9831

**Global City 32nd Street**
G/F Unit 6, Trade and
Financial Tower
7th Ave. corner 32nd Street
Bonifacio Global City,
Taguig City 1634
T (02) 8478-7961

**Greenhills**
G/F Unit 2 Greenhills Mansions
37 Annapolis Street
Greenhills, San Juan 1500
T (02) 8721-3194
(02) 8721-1895

**Katipunan**
G/F Golan Plaza
333 Katipunan Ave. Loyola
Heights, Quezon City 1400
T (02) 7738-6031

**Las Piñas**
Alabang-Zapote Rd.
Pamplona Tres,
Las Piñas City 1700
T (02) 8872-6649

**LTC**
G/F Legaspi Towers 300
Roxas Boulevard corner
P Ocampo Sr. St.
Malate, Manila 1004
T 8521-6166 to 67

**Mabini**
G/F Metropolitan Towers
Condominium
1746 A. Mabini Street
Malate, Manila 1004
T (02) 8526-0666

**Main Office Branch**
G/F Maybank Corporate Centre
7th Ave. corner 28th Street
Bonifacio Global City,
Taguig City 1634
T (02) 8478-1155 loc. 3730

**Makati Ave.**
Street Giles Hotel corner
Makati Ave. & Kalayaan Ave.
Poblacion, Makati City
T (02) 8553-8115

**Malabon**
155-C Gov. Pascual Ave.
Acacia, Malabon City 1470
T (02) 8990-4057 to 59

**Marikina**
54 Bayan-Bayanan Ave.
Concepcion Uno,
Marikina City 1800
T (02) 8571-7104
(02) 8571-7105

**Newport**
Unit R4 G/F Star Cruises Bldg.
110 Andrews Avenue,
Newport City, Pasay City 1309
T (02) 8556-8583

**Ortigas**
G/F Unit 101 Pacific Center Bldg.
San Miguel Avenue Ortigas
Center, Pasig City 1605
T (02) 8706-5270
(02) 8584-9207

**Resorts World**
G/F Events Place Maxims Hotel
Newport City, Pasay City 1309
T (02) 8239-5649

**Rufino**
G/F Plaza 100 Bldg.
V.A. Rufino corner Dela Rosa Street
Legaspi Village, Makati City 1229
T (02) 8856-5972

**San Juan**
G/F LM Bldg.
157 F. Blumentritt Street
San Juan City 1500
T (02) 8724-3247

**Sucat**
8212 Dr. A. Santos Ave.
Brgy. San Isidro
Parañaque City 1700
T (02) 8822-1781
(02) 8825-2840

**Tomas Morato**
G/F MJB Bldg.
220 Tomas Morato Ave. corner
Scout Lascano Street
Barangay Sacred Heart,
Quezon City 1103
T (02) 8929-8816

**Valenzuela**
209-211 McArthur Highway
Karuhatan, Valenzuela City 1440
T (02) 3443-2014

## LUZON BRANCHES

**Alaminos**
Marcos Ave., Brgy. Palamis
Alaminos City, Pangasinan 2404
T (075) 540-5458
(075) 551-3368

**Angeles**
McArthur Highway, Balibago
Angeles City, Pampanga 2000
T (045) 405-0182
(045) 405-0220

**Baguio**
80 Rancho Guillermo Bldg.
North Drive, Baguio City 2600
T (074) 423-3571

**Batangas**
P. Burgos Street
Batangas City, Batangas
T (043) 980-1032
(043) 425-0190

**Binan**
Km 35 National Highway
Brgy San Antonio
Binan City, Laguna 4024
T (049) 511-3032
(049) 511-3005

**Cabanatuan**
KM 114 Maharlika Highway
Cabanatuan City, Nueva Ecija
T (044) 463-0726
(044) 463-1632

**Clark**
Pavilion 8, Berthaphil III
Clark Center, Jose Abad Santos
Ave., Clark Freeport Zone
Pampanga 2000
T (045) 499-2125
(045) 893-4386

**Dagupan**
290 A. B. Fernandez Ave.
Dagupan City, Pangasinan 2400
T (075) 523-1194

**Laoag**
Brgy. 16, Villanueva Street
Laoag City, Ilocos Norte 2900
T (077) 772-0050
(077) 770-3643

**Lipa**
C.M. Recto Ave.
corner Rizal Street
Lipa City, Batangas 4217
T (043) 702-1599

**Lucena**
Quezon Ave. corner
Lakandula Street
Lucena City, Quezon 4301
T (042) 797-1649

**Meycauayan**
G/F EMCCO Building
MacArthur Highway, Calvario
Meycauayan, Bulacan 3020
T (044) 840-8710

**Naga**
G/F Bicol Diamond
Property Holding Inc.
Panganiban Street corner
Peñafrancia Ave. Naga City,
Camarines Sur 4400
T (054) 881-1031
(054) 881-1777

**San Fernando**
G/F Odette Grace Bldg.
MacArthur Highway, Dolores
San Fernando, Pampanga 2000
T (045) 961-2274

# Branch Network

**Santiago**
Camacam Street City Road
Santiago, Isabela 3311
T (078) 305-3089

**Sta. Rosa**
J.P. Rizal Blvd. corner
F. Gomez Street
Sta. Rosa City, Laguna 4026
T (049) 534-1019

**Subic**
G/F Formosa Tower Lot 7A
Block B Subic Commercial
& Light Industrial Park
Manila Ave., Subic Bay Freeport
Zone Zambales 2222
T (047) 250-3537
(047) 250-3539

**Tarlac**
Unit 105 & 106 A Benry Square
No. 1 F Tanedo Street
Tarlac City, Tarlac 2300
T (045) 491-2062
(045)309-0392

**Urdaneta**
MacArthur Highway
Urdaneta City, Pangasinan 2428
T (075) 656-2401
(075) 568-6811

**Vigan**
G/F GSP Bldg.
Leona Florentino corner
Plaridel Sts. Vigan City,
Ilocos Sur 2700
T (077) 722-2836
(077) 7221903

## VISAYAS BRANCHES

**Bacolod**
G/F R & B Bldg.
corner Hilado Street and Narra
Street Capitol Shopping Center
Bacolod City, Negros
Occidental 6100
T (034) 435-1443
(034) 435-0050

**Cebu Business Center**
Zenith Central, Lot 2 Blk 19
Luzon Ave., Cebu Business Park
Cebu City 6000
T (032) 520-5425

**Cebu Downtown**
137 Plaridel Street
Cebu City 6000
T (032) 412-0433

**Cebu-Mandaue**
Lopez Jaena Street
National Highway, Subangdaku
Mandaue City, Cebu 6000
T (032) 268-0829
(032) 268-0832

**Iloilo**
G/F J & B Bldg. II
corner Ledesma Street and
Mabini Street, Iloilo City 5000
T (033) 337-9067
(033) 337-0107

**Jaro**
No. 12 Lopez Jaena Street
Jaro, Iloilo City 5043
T (033) 503-2621
(033) 503-2621

## MINDANAO BRANCHES

**Butuan**
Jose C. Quirino Ave.
Butuan City, Agusan Del Norte 8600
T (085) 341-0224
(085) 341-0284

**CDO**
Pioneer House CDO
Corner A. Velez Street
and Mabini Street
Cagayan de Oro City,
Misamis Oriental 9000
T (088) 857-4439

**Davao Business Center**
G/F HAI Bldg. Pryce Business
Park, JP Laurel Ave. Davao
City, Davao Del Sur 8000
T (082) 321-7600
(082) 222-0328

**Davao Lanang**
Nova Tierra Square
Bo. Pampanga, Lanang Sasa,
Davao City, Davao Del Sur 8000
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