

Strengthened Regional Position

Drive Sustainability Leadership

Accelerate Digitalisation

Intensify Customer-centricity

# **Maybank Philippines 2022 Annual Report:**

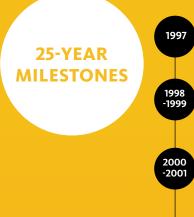
# The Journey from Good to Great

2012

2013

2014

2015



Malayan Banking Berhad (Maybank) acquires 60% equity stake in PNB Republic Bank, renames the bank MAYBANK PHILIPPINES, INC. (MPI) and takes over its management

MPI pursues massive rehabilitation program entailing expensive computerization, progressive branch refurbishment and critical business development activities

Maybank buys PNB's remaining shareholdings in MPI, increasing its ownership stake to 99.86% and becoming the first locally-incorporated, full-service commercial bank duly-licensed by the BSP to be almost 100% owned by a foreign bank

With HO support, MPI draws up a Strategic Turnaround Plan (STP) outlining key strategic initiatives rationalizing Business Focus, Branch Network, Manpower and Organizational Setup and strengthening consumer banking

-2004 MPI posts profit for the first time in six years

MPI marks 10th year of operations, launches personal and salary loans and joins BancNet to extend convenience to its cardholders via automated teller-machines, online banking, and mobile phones

MPI forays into more inclusive and structured corporate social responsibility programs that incorporates employee volunteerism in the fields of health and environment MPI opens Maybank Newport and Maybank Global City branches

MPI opens its Business Center Office in Bonifacio Global
City (BGC) as well as five new branches, bringing its total
network to 50 sites

Maybank introduces its proprietary internet banking service m2u in the Philippines

MPI opens Maybank Cebu Business Center, the first to house a full-service branch, auto lending center, maxi home and personal loan desk and corporate banking center, and adds two more branches in BGC

MPI moves its head office and Main Office Branch to the Maybank Corporate Center in BGC

Maybank MasterCard and Maybank Visa credit cards are launched

MPI launches MaybankzE-Regional Cash, a state-ofthe-art web-based corporate internet banking platform designed to serve Maybank's cash management clients

The MPI branch network grows to 77 locations

MPI signs major deals with companies in the mining and energy sectors in Cebu and Ilocos Norte

MPI announces the transformation of Maybank Resorts World Branch into a 24/7 Maybank branch — the first in the country

The Maybank Manchester United Credit Card, the first international sports franchise co-branded credit card in the country, is launched to extend to Filipino football fans exclusive privileges and discounts. MPI likewise holds The MaybankTreats Fair, offering exciting deals to Maybank cardholders

MPI launches its new and improved website as well as the MaybankPH mobile banking app. In-sync with the Group's mobile banking application, the Maybank mobile banking app is one of the most innovative in the country The Philippine Dealing System Holdings Corporation names MPI as one of the elite fixed income brokering participants

Top publications in the country cites MPI for **breaching the 1B income mark** and reporting higher year on year net income after tax in a market where most banks recorded lower than 2013 profit in 2014

Maybank Philippines receives best finance deal award from Global Trade review for being a key participant in the Energy Development Corp.'s award winning Burgos Wind Project

MPI relaunches the MaybankPlatinum Card, the ideal travel companion that delivers travel perks and benefits.

2016

The Toll Management Corporation cites MPI for its cash management services requirements. This is in addition to TMC signing up for the Maybank2E regional Cash (M2E) corporate internet banking facility.

MPI Global Markets is Named Top5 Fixed Income Brokering Participant by PDS for the second time.

The Maybank Synergy Center opens at the Ground Floor of the Maybank Corporate Centre in BGC as a new venue of the arts.

Funded by the Maybank Foundation, the Maybank Training and Learning Center, a three-storey skills training center with technical facilities in the Xavier Ecoville community in Cagayan de Oro City is inaugurated. 2017

MPI kicks-off its TruBanker Project with the signing of the Master Information Technology Agreement for the Trust Application System with long-time service provider ISS Corporation. TruBanker aims to upgrade the program used by the MPI Trust team into a Windows-based system that can handle the end-to-end processes for Trust: from clients on-boarding, KYC (Know your Customer), profiling, investments and portfolio management, regulatory compliance, accounting, and most importantly generating updated and mandatory reports for Clients, Management and Regulators.

Filinvest Land Inc. (FLI) signs with MPI for cash management and the establishment of over-the-counter (OTC) bills payment facility for FLI customers who can now update their payments with ease though any of Maybank's 74 branches nationwide

2018

MPI marks its entry into the digital banking arena with the launching of the M.O.V.E. (Mobile Optimised Virtual Experiences) campaign anchored on the flagship iSave account, the first fully online account in the Philippines that can be opened through the Maybank2U PH mobile app. iSave offers zero maintaining balance and allows accountholders to access their funds through any Bancnet ATMs nationwide free of charge. The campaign has been further amplified with the deployment of the **Maybank Move Store**, a pop-up store concept, in several locations like Alabang, Ayala Vertis, Market Market and Central Square BGC in Metro Manila, and Davao.

2019

MPI rolls out premium banking services with the grand launch of Maybank Premier and VISA Infinite in the Philippines, targeting high net-worth clients and the discriminating market.

2020

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

Maybank Alabang Branch officially opens its doors to its new address in Commercenter Alabang. Also housing a Premier Center and an Auto Lending Center, the newly renovated branch brings Maybank's products and services and exclusive offers closer and more accessible to customers in the South.

MPI and eTiqa Philippines formally sign a Corporate Medical Insurance Contract making eTiqa Philippines – also a member of the Maybank Group family - the Official Health Insurance Provider for all Maybank employees in the Philippines

MPI reaches out and assists families displaced by the Taal Volcano Eruption by donating groceries and toiletry packs to 250 families temporarily housed at the Tanauan City Evacuation Center. The rest of the donation goods were dropped off at the Central Relief Operations Center in Tanauan Institute. The first-ever R.I.S.E. Online Bazaar streams via Facebook Live at the Maybank PH Closed Facebook Group, featuring 11 micro business built and managed by graduates of the Maybank Foundation R.I.S.E. program in the Philippines. Despite the restrictions brought about by the pandemic, the RI.S.E. program continues to train and mentor persons with disabilities by bringing the sessions online, with more than 40 trainings conducted virtually nationwide since the lockdown was implemented.

2021

MPI and eTiqa Philippines fortifies 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

MPI teams 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

MPI makes 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 in Bicol and Typhoon Ulysses in Isabela

MPI formally hands 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

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.

2022

MPI opens ASEANA Branch, first of two new branches opened for 2022, and part of the 204-hectare mixed-used central business development in Paranaque City nestled along the shoreline of Manila Bay.

Maybank Philippines opens the doors of its Quezon Avenue Branch, located in a prominent Quezon City district and housing a Premier Center and Auto and RSME Lending Center.

Maybank Philippines seals partnership with leading mobile wallet GCash for the rollout of EzySave+, a fully-digital savings account that will be available through the Gcash app.

Maybank is adjudged Most Innovative Digital Bank – Philippines by **International Finance Magazine** and recognised as CSR Company of the Year Circle of Excellence in the **Asia CEO Awards 2022.** 



**02** About Maybank Philippines

**08** About Maybank Group

11 Key Messages to Stakeholders

**15** 2022 Financial Highlights

**18** Review of 2022 Operations

**26** 2022 Key Corporate Highlights

**29** Awards and Citations

**30** Our Leadership

**40** Corporate Governance

**51** Risk Management

**75** Sustainability & Corporate Responsibility

**81** Financial Statements

**141** Other Informations



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

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

Now on its 25<sup>th</sup> 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.

# 2022 Maybank Philippines Annual Report:

# The Journey from Good to Great

Maybank Philippines, Inc. (MPI) celebrates 25 years of strong market presence in the country in 2022. As the only foreign bank with the largest network of branches nationwide, the 25-year milestone underscores our commitment to the Philippines for the long-term. As we take the business forward and further, in response to winds of change, we will take steps to further strengthen our fundamentals while ensuring we remain relevant and sustainable in the long run. We will deepen our purpose of Humanising Financial Services in order to deliver a differentiated customer experience and serve the community as a force for good. As we grow, we will continue to place our customers at the heart of everything we do as we seek to entrench our ethical and sustainable footprint, ensuring the success of our transition From Good to Great.







# **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:

- Make financial services simple, intuitive and accessible
- Build trusted partnerships for a sustainable future together
- 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.

# Teamwork

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

# Integrity

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

# Growth

We are passionate about constant improvement and innovation.

# Excellence & Efficiency

We are committed to delivering outstanding performance and superior service.

# Relationship Building

We continuously build long-term and mutually beneficial partnership.



# **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.





# **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.



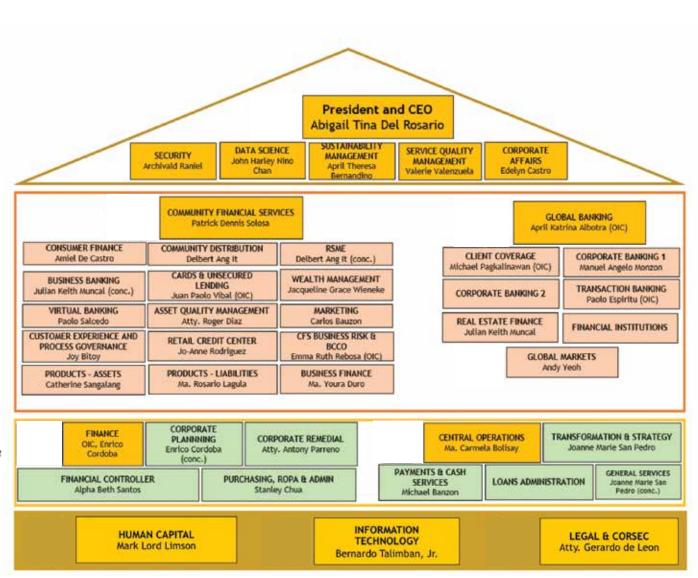
# **Employees**

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.





\*Performing independent functions reporting directly to Board level committees





aybank 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. values are the guiding principles for all Maybankers to serve our mission of Humanising Financial Services.

# **OUR MISSION**

Humanising Financial Services.



Make financial services simple, intuitive and accessible



Build trusted partnerships for a sustainable future together



Treat everyone with respect, dignity, fairness and integrity

#### **With 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

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



alayan 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 Islamicfirst 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

Etiga 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.



Maybank

#### **Investment Banking**

Maybank Investment Banking Group (Maybank IBG), formerlyMaybank 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, nonretail 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)

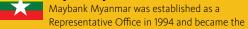
MCP was established in 1993 and locally incorporated in 2012. With 21 branches across

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.





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**

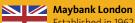
Maybank Brunei was established in 1960 and has two branches located in Bandar Seri Begawan and

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.

Established in 1962, Maybank London offers wholesale banking services primarily to Maybank's

regional ASEAN corporate clients focusing on capital markets, trade financeservices and global markets.

#### **GROUP CORPORATE STRUCTURE**



#### **COMMERCIAL BANKING INVESTMENT BANKING INSURANCE & TAKAFUL ASSET MANAGEMENT** Maybank International Holdings Sdn Bhd ISLAMIC BANKING 100% Etiqa International Holdings Sdn Bhd 80% Maybank Asset Management Group Berhad (Investment Holdina) └ 100% Maybank Islamic Berhad (Investment Holding) (Investment Holding) 100% Maybank IBG Holdings Limited (Islamic Bankina) 69.05% Maybank Ageas Holdings Berhad **100%** Maybank Asset Management Sdn Bhd 98.54%\* PT Bank Maybank (formerly known as Maybank Kim Eng Holdings Limited) (Investment Holding) (Fund Management) (Investment Holding) Indonesia Tbk 100% Etiga General Insurance Berhad 99% PT Maybank Asset Management 100% Maybank Securities Pte Ltd (Fund Management) (Banking) (General Insurance business) **99.99%** PT Maybank (formerly known as Maybank 100% Etiga Family Takaful Berhad 100% Amanah Mutual Berhad Kim Ena Securities Pte Ltd) Indonesia Finance (Family Takaful and Investment-linked businesses) (Fund Management) (Dealing in Securities) (Multi-financing) 100% Etiga Life Insurance Berhad 100% Maybank Islamic Asset 83.50% Maybank Kim Eng Securities (Thailand) Plc 68.55% PT Wahana Ottomitra Management Sdn Bhd (Life Insurance and Investment-linked businesses) (Dealing in Securities) Multiartha Tbk 100% Etiqa General Takaful Berhad (Fund Management) Maybank Kim Eng Capital, Inc 100% Maybank Private Equity Sdn Bhd (Multi-Financing) (General Takaful business) (Corporate Finance & Financial 99.86% Maybank Philippines, **100%** Etiga Insurance Pte Ltd (Private Equity Investments) and Investment Advisory) Incorporated 100% Maybank Asset Management (General insurance and life insurance businesses) 100% Maybank ATR Kim Eng Singapore Pte Ltd (Bankina) 100% Etiga Life International (L) Limited Securities Inc (Dealing in Securities) 100% Maybank (Cambodia) Plc (Offshore investment-linked business) (Fund Management) 99.78%@@ PT Maybank Sekuritas Indonesia 100% Etiqa Life International (L) Limited (Banking) (formerly known as PT Maybank Kim Eng Maybank Singapore Limited 100% (Offshore investment-linked business) Sekuritas) (Dealing in Securities) (Bankina) 100% Etiga Offshore Insurance (L) Limited Maybank Securities (London) Limited OTHERS 18.78% MCB Bank Limited (Bureau Services) (formerly known as Maybank Kim Ena Securities (Banking) (London) Limited) 16.39% An Binh Commercial Joint 79.87% PT Asuransi Etiga Internasional Indonesia 100% Maybank Trustees Berhad 100% Maybank Securities USA Inc Stock Bank (General Insurance business) (Trustee Services) (formerly known as Maybank Kim Eng (Bankina) **95.24%**<sup>®</sup> Etiga Life and General Assurance Philippines Inc 100% Maybank Shared Services Sdn Bhd Securities USA Inc) (Dealing in Securities) 19.70% Uzbek Leasing (General Insurance and life Insurance businesses) (IT Shared Services) Kim Eng Securities (Hong Kong) Limited International A.O. 100%\*\*\* Etiqa General Insurance (Cambodia) Plc\* 100%\*\* MBB Labs Pte Ltd (Dealing in Securities) (Leasing) (Life insurance and investment-linked businesses) (IT Development Services) 100% Kim Eng Securities India Private Limited 100%\*\*\* Etiga Life Insurance (Cambodia) Plc\* 100% BinaFikir Sdn Bhd (Dealing in Securities) (Life Insurance and investment-linked businesses) (Business/economic consultancy 100% Etiqa Digital Solutions Sdn Bhd and advisory) Other Subsidiaries (Other IT, business management consultancy/support services) Other Subsidiaries 100% Maybank Investment Bank Berhad (Investment Banking) 35.33% Anfaal Capital<sup>^</sup>

. 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.

(Investment Banking)
Other Subsidiaries

. 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.
- ^ loint 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







Key Messages to Stakeholders



The 25-year milestone underscores Maybank's commitment to the Philippines for the long-term. To humanise financial services means we do things right, leave no one behind and serve as a force for good, as we continue the momentum built in the good 25 years, to the next 25 years of greatness.

# Puan Fauziah Hisham, FCIS (CS) (CGP)

Chairman of the Board Maybank Philippines, Inc.



#### Dear Stakeholders,

he year 2022 has been one of significant change and progression. Many economies have begun experiencing a rebound from the downturn caused by the pandemic, with stimulus packages, targeted financial services support, effective vaccination campaigns, and the normalisation of economic activities to pre-pandemic levels playing significant roles in fostering these recoveries.

Overall, it has been a positive year for Maybank Group as we achieved a record net profit of RM8.23 billion. We have seen a gradual yet perceptible growth in loans as the Malaysian economy started picking up. Coupled with a rising interest rate environment, these drivers have helped with Maybank's income growth, enabling us to finish the year with strong financial performance.

I am also pleased to share that for 2022, despite the challenges of increasing interest rates and, consequently, contracting net interest margins, Maybank Philippines, Inc. (MPI) was able to ride on the country's economic growth to reach its target Profit Before Taxes (PBT). MPI was also able to maintain its capital strength, enabling it to redeem its subordinated loan from Malayan Banking Berhad (MBB), MPI's parent bank, and still manage to pay out dividends for the first time in 25 years, without hindering the bank's capital requirements for its long-term growth.

Such a feel-good story to mark Maybank's 25 years of operations in the Philippines, which coincidentally falls on a Tiger Year; a sign of great things to come for the only foreign bank with the largest network of physical branches in the country, complemented by a secure and award-winning digital banking platform and powered by a staff-strength of 1,289 resilient, passionate and future-ready Maybankers.

As we take the business forward and further to the next 25 years of the journey, our mission of Humanizing Financing Services continues to be our compass.

Let us continue to build a sustainable, ethical and profitable company that is future ready through our products, initiatives and contributions, as we generate enduring value for our shareholders and the communities we work in.

Let us continue to pursue growth opportunities in the different markets we serve, such as in retail SME, auto and mortgage, wealth management and digital payments to further strengthen our market share and regional proposition.

Most significantly, let us continue to deepen our accountability by embedding sustainability in our operations, by creating greater sustainability awareness within the organisation, and by consciously balancing our business objectives with our social responsibility.

Note of gratitude:

I would like to express my gratitude to all our Maybankers for staying passionate and living our Tiger stripes through the years. My sincerest thanks to the Management Team and the Board for their continued guidance and support.

The 25-year milestone underscores Maybank's commitment to the Philippines for the long-term. To humanise financial services means we do things right, leave no one behind and serve as a force for good, as we continue the momentum built in the good 25 years, to the next 25 years of greatness.

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

#### **FAUZIAH HISHAM**

Chairman of the Board Maybank Philippines, Inc.



Key Messages to Stakeholders

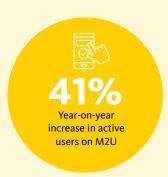




We placed particular emphasis on strengthening our digital platform, leading to a remarkable 41% year-on-year increase in active users on M2U, our digital app, and a 19% growth in digital monetary transactions. Furthermore, 82% of our deposit acquisitions were made digitally, surpassing our 2022 target of 56%.

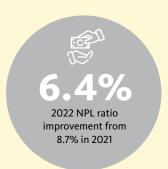
# Abigail Tina M. Del Rosario

President & Chief Executive Officer Maybank Philippines, Inc.









he year 2022 showcased the resilience of Maybank Philippines as we navigated through challenges such as increasing interest rates and contracting Net Interest Margins in the second half of the year. Despite these obstacles, we achieved our target Profit Before Taxes (PBT). We also made significant reinvestment efforts to drive growth, attract new customers, and retain existing ones.

I am delighted to report that Maybank Philippines effectively capitalized on the country's economic growth while it continues its recovery from the pandemic. Through strategic resource allocation, we enhanced profitability and positioned ourselves for success.

# **Expansion of Reach and Services**

In the face of a relatively unstable economic environment, some of our business partners faced operational limitations. As a result, our loan portfolio contracted by 6.8% due to reduced demand for lending caused by lower economic activity in the first half of the year.

Nevertheless, the bank prioritized the development of new products and services to meet the evolving needs of our clients. We placed particular emphasis on strengthening our digital

platform, leading to a remarkable 41% year-on-year increase in active users on M2U, our digital app, and a 19% growth in digital monetary transactions. Furthermore, 82% of our deposit acquisitions were made digitally, surpassing our 2022 target of 56%. We also expanded our geographic reach, supported the BSP program for financial inclusion of the unbanked, and established strategic partnerships with entities like GCash, providing greater convenience to our clients through their widespread consumer platform.

Moreover, the bank expanded its Premier Wealth Management footprint by opening an additional Premier Center in Quezon Avenue and completing the renovation of the San Fernando Premier Center. By the end of the year, we had nine Premier Centers and two satellite desks, while consistently growing the number of Premier Relationship Managers. These initiatives solidified Maybank Philippines' position as a key player in Wealth Management. Notably, Premier Investments Assets Under Management (AUM) doubled in 2022 through collaborations with Trust and Global Markets. We also launched the Qualified Buyers Program, offering extensive investment options to High Net-Worth Individuals who meet specific criteria related to financial capability, acumen, and risk appetite.

#### **Proactive Asset Quality Management**

Aligned with the gradual recovery of the banking industry in terms of Non-Performing Loans (NPL), Maybank Philippines effectively managed its NPL portfolio through proactive asset quality management programs. Consequently, we achieved an improvement in our NPL ratio from 8.7% in 2021 to 6.4% in 2022. Furthermore, our NPL rates on retail loans outperformed industry levels, with Auto Loans NPL at 4.8% (compared to the industry NPL of 8.1%), Mortgage Loans NPL at 1.5% (compared to the industry NPL of 7.8%), and Credit Cards NPL at 1.8% (compared to the industry NPL of 3.9%).



Maybank Philippines remains well-capitalized, boasting a Capital Adequacy Ratio (CAR) of 20.7% as of year-end 2022. This figure surpasses the BSP's minimum regulatory requirement of 10.0% by more than 200% and exceeds our internal capital target.

#### **Stable Capital Strength**

Maybank Philippines remains well-capitalized, boasting a Capital Adequacy Ratio (CAR) of 20.7% as of year-end 2022. This figure surpasses the BSP's minimum regulatory requirement of 10.0% by more than 200% and exceeds our internal capital target. Our strong capital position enabled us to redeem our subordinated loan from our parent company, Malayan Banking Berhad (MBB), amounting to PHP 2B in October 2022. Furthermore, our capital stability allows us to distribute dividends amounting to 100% of our Profit After Taxes. This remarkable achievement, accomplished for the first time in 25 years, showcases not only our capital strength but also our stable liquidity position and ability to meet our liabilities before maturity without compromising our long-term growth objectives.

### **Strengthening Our Brand and Employer Equity**

As the country transitions into the endemic stage, Maybank Philippines has synchronized its operations and employee engagement initiatives to adapt to the new normal setup. While we have resumed face-to-face operations, we have maintained a hybrid setup for meetings and employee engagement programs to ensure ease of attendance while observing proper distancing. In line with this, we have organized several online and hybrid webinars and training sessions aimed at improving our employees' technical skills and overall well-being.

In addition, 2022 marked Maybank Philippines' 25<sup>th</sup> year in the country. This significant milestone serves as a testament to our resilience and potential in the banking industry. We celebrated this milestone with a special event attended by notable guests from our clients, regulators, and Maybank Group executives, including the presence of the Maybank Group's Chairman and PCEO. This celebration exemplified our strengths and success in humanizing financial services and reinforced our commitment to delivering the highest quality service to our customers.

The Philippines' growth potential remains strong, and we anticipate continued economic recovery in 2023. With our reinvestment in profitable lines of business that align with the

new operating environment, we are well-positioned to capitalize on this growth. Hand-in-hand, we will thrive in our selected niche segments, pursuing growth aggressively yet responsibly.

We extend our gratitude to the members of our Board, our customers, our partners, and our shareholders for their unwavering support, not just in 2022, but for over two decades. We also appreciate the guidance provided by our regulator, the Bangko Sentral ng Pilipinas.

Thank you all for joining Maybank in our continuing journey from good to great.

#### Abigail Tina M. Del Rosario

President and CEO Maybank Philippines, Inc.



	2022	2021	
Profitability in Php			
Total Net Interest Income	3,749,815,387	4,141,541,069	
Total Non-Interest Income	1,454,178,195	1,291,218,162	
Total Non-Interest Expenses	4,029,897,300	4,289,791,054	
Pre-Provisioning Profit	1,174,096,282	1,142,968,177	
Provision for Impairment and Credit Loses	60,948,955	418,593,218	
Profit Before Tax	1,113,147,327	724,374,959	
Net Income	747,077,552	389,589,006	
Selected Balance Data Sheet in Php			
Liquid Assets	17,812,085,260	31,244,068,361	
Gross Loans	46,100,016,124	49,568,323,721	
Total Assets	87,417,848,490	102,428,894,132	
Deposits	62,541,877,175	71,780,105,172	
Total Equity	13,314,857,087	12,837,811,253	
Selected Ratios			
Return on Average Equity	5.71%	3.06%	
Return on Average Assets	0.79%	0.38%	
CET <sub>1</sub> Capital Ratio	19.23%	17.01%	
Capital Adequacy Ratio	20.07%	21.02%	
Per Common Share Data			
Net Income per Share	2.54	1.32	
Basic	2.54	1.32	
Diluted	2.09	1.09	
Book Value Per Share			
Total Equity	13,314,857,087	12,837,811,253	
Average Outstanding Shares	294,666,980	294,666,980	
Book Value per Share	45.19	43.57	
Others			
Cash Dividends Declared	0	0	
Headcount	1,289	1244	
Officers	840	807	
Staff	449	437	



••••••









till reeling from the Covid-19 onslaught in 2020 and 2021 the world – and the banking sector – faced additional challenges in 2022 that particularly affected investments. A new Covid variant – Omicron – manifested itself early in the year: the Russia-Ukraine conflict escalated into a full-blown war; and soaring inflation and successive rate hikes caused risk aversion among investors. More challenges required Community Financial Servicess to step up to the plate to deliver on expectations.

In Wealth Management, we focused on positioning ourselves for growth by expanding our Premier Centers. We successfully opened the Quezon Avenue Premier Center in June, and in September, we completed the renovation of the San Fernando Premier Center. To support our expansion efforts, we increased our team of Relationship Managers by 40%, both within and outside of Metro Manila. We welcomed new Relationship Managers in San Fernando. Davao, and Cebu.

Looking ahead to 2023, we plan to finish the renovation of the Cebu Premier Center and prepare for the renovation of the Davao Premier Center. Our primary focus will continue to be on hiring Relationship Managers, and we will also establish new Premier Satellite Desks to expand our presence in key cities across the country. These initiatives will help us achieve our goal of growing our affluent customer base and increasing our Assets Under Management.

In the **Virtual Banking** sector, we successfully launched EzySave+, a digital deposit account in partnership with GCash. This resulted in the addition of 90,000 new digital deposit accounts in 2022,

a nearly five-fold increase compared to the previous year. We also experienced a 13% rise in active users, reaching a total of 46,046, and saw the percentage of accounts opened digitally increase from 65% to 81%.

In Cards and Unsecured Lending, we surpassed our goal of approving more than 500 credit cards per month. Moreover. our booked Personal Loan accounts for the year amounted to Php104 million, exceeding our target of Php98 million. We also outperformed our budget for the Cards Non-Performing Loan (NPL) Ratio of 1.79%, achieving a ratio of 5.65%. Additionally, we improved our Profit Before Tax (PBT) by Php63 million or 28%, with earnings of Php230 million in 2022 compared to Php167 million in 2021.

**Auto Loans** faced challenges in 2022 due to limited global sales caused by production delays and unit shortages. Industry loan levels decreased by 2.51% compared to the previous year. However, MPI Auto Loans showed signs of recovery towards the end of the year. Enhancements to our Product Development and Approval (PDA) processes resulted in a 154% increase in applications year on year and an improved approval rate, rising from 25% in quarters 1 to 3 to 42% in the fourth quarter. We closed the year with a total of P5.4 billion in new bookings and achieved a Profit Before Tax of P392 million. Our Fee Income exceeded targets by 31%. Moreover, we significantly reduced our Gross Impaired Loans by 56% compared to the previous year, resulting in an improved Non-Performing Loan (NPL) Ratio of 4.59%, down from 8.68% in the prior year. These figures represent a 45% improvement and exceed the industry average of 8.10%.

Looking ahead to 2023, MPI Auto Loans plans to expand our reach by opening four more Branch Lites, capitalizing on the growing market demand for new motor vehicles. Our goals for the year include achieving a monthly retail booking of Php1.3 billion, actively onboarding new dealership groups for floor stock financing, ensuring a two-day turnaround time for loan decisions and approvals, introducing Big Bike Loans, and establishing expanded partnerships with auto groups that promote electric vehicles.

In the **Mortgage** business, Home Loans experienced strong acceleration in 2022, with industry volume growing by 29% year on year. However, towards the end of the year, the aggressive interest hikes implemented by BSP to combat multi-year high inflation started to slow down the progress. Despite the gradual increase in borrowing costs impeding loan growth, we took a proactive approach by maintaining incentive programs to sustain business expansion.

Our Loans Receivables increased by 10% to reach P12.92B, while the volume of our loan bookings stood at P3.1B, reflecting a remarkable 60% growth compared to the previous year's P1.92B. Revenues showed a significant rise due to the combined growth of our Net Interest Income (NII) and Non-Interest Operating Income (NOII). Furthermore, our Profit before tax achieved a year-on-year growth of 30%, surpassing our target by an impressive 311%.

We have successfully maintained a healthy Asset Quality, with Gross Impaired Loans decreasing by 53% compared to the previous year. The Non-Performing Loan (NPL) Ratio has also shown substantial improvement, dropping to 1.51% from 3.55% in the prior year. This represents a notable 58% improvement and outperforms the industry average of 8.49%.

Although sustaining this level of performance may present challenges due to ongoing increases in borrowing costs, MPI Mortgage Loans remains optimistic for 2023. We are expanding our reach through the opening of our Branch Lites in General Santos, Lipa, and Roxas during the first half of 2023. We are committed to providing faster turnaround times and improved offerings to our customers in these areas.

GB encompasses various business lines, including Client Coverage, Corporate Banking, Real Estate Finance, Cash Management Services, Trade & Supply Chain Finance, and Financial Institutions.

Despite the ongoing impact of COVID-19 and the challenges posed by surges in reported cases and new virus variants, GB successfully onboarded new clients and secured major deals, particularly in Omnibus Lines and Cash Management Services. These endeavors ensured a consistent stream of interest and fee-based income from both existing and new clients.

By the end of 2022, the GB loan book amounted to PHP 10,745 million, a decrease of PHP 523 million compared to the 2021 level of PHP 11,268 million. Total deposits reached PHP 21,654 million, with Current Account and Savings Account (CASA) deposits comprising 52.07% of the total. Despite a 17% decline in Total Net Interest Income, amounting to PHP 672 million, primarily due to narrow margins resulting from continuous rate hikes imposed by the BSP in 2022, the team effectively managed overheads, reducing them by 9.5% compared to 2021. As a result, the Cost to Income ratio stood at 82%, and we achieved a 7.7% improvement in our JAWS.

GB remained vigilant in monitoring the loan portfolio, with particular attention given to borrowers whose businesses were adversely affected by the pandemic. Through proactive loan restructuring, extensive remedial efforts, and focused recovery measures for defaulted borrowers, we significantly reduced loan



provisions. This strategic initiative led to a better bottom line for 2022, as loan loss provisions decreased from PHP 318 million in 2021 to just PHP 128 million in 2022, a remarkable 60% improvement. Consequently, our Profit Before Tax (PBT) for 2022 turned positive at PHP 6 million, compared to PHP -107 million in 2021.

Looking ahead to 2023, as the COVID-19 situation improves and more businesses gradually recover, GB will shift its onboarding and business generation efforts towards select top conglomerates in the country and their subsidiaries. This strategy aims to ensure better asset quality and minimize loan

loss provisions, while also generating larger deals for the Group. Additionally, we are targeting the onboarding of regional clients through collaboration with Group CC & Group CB, leveraging their referrals for regional clients. Our overall vision is to connect local conglomerates to the ASEAN region and become the primary bank for regional corporates in the Philippines.

To achieve this strategic direction, GB will focus on generating flow business, fostering synergies with the Maybank Investment Banking Group, and strengthening relationships with targeted conglomerates by meeting their expansion requirements locally and within the ASEAN region, where Maybank has a presence.



he aggressive rate hikes in the USA over the course of a year — totaling 4.25% — had a ripple effect on ASEAN countries. As economies reopened and countries experienced a surge in demand and supply chain bottlenecks, rapid inflation became a significant concern. The Philippines was not exempt from this trend, witnessing a rise in inflation from 3% at the beginning of the year to a peak of 8% in December 2022.

To address the threat of higher-than-desired inflation, the Bangko Sentral ng Pilipinas (BSP) responded by implementing a total of 350 basis points increase in policy rates. The Philippine Peso also experienced volatility during this period.

The USD/PHP exchange rate fluctuated from 51.10 in January 2022 to a high of 59.0 in September-October 2022, before eventually stabilizing around 56.0 by the end of the year.

Despite the increased volatility in foreign exchange and fixed income yields, MPI Global Markets remained dedicated to supporting our customers. We provided them with market access, execution services, and valuable advice on market timing.

As a result, we achieved a 60% year-on-year increase in fixed income bookings, driven by higher participation in new

issuances and increased activity in secondary trading. We also successfully promoted GM products and services through branch teach-ins and incentive programs, resulting in triple-digit volume growth from both new and existing customers through internal channels.

Looking ahead to 2023, we anticipate challenges stemming from a higher interest rate environment and potential economic stresses on a global scale. However, MPI Global Markets, operating within the Maybank Philippines umbrella and as part of the Maybank group, remains unwavering in our commitment to support and partner with our customers in their endeavors.



aybank Philippines, Inc. Trust (MPI-Trust) In 2022, Maybank Philippines, Inc. Trust (MPI-Trust) adeptly adjusted to various market scenarios influenced by shifting economic and market trends. The company effectively provided trust products and services to its retail and customer clients. These offerings included Personal Management Trust Accounts, Investment Management Accounts, Employee Benefit Trust, Escrows, and Corporate Agency Services. Additionally, MPI-Trust offered three variants of Unit Investment Trust Funds structured as Feeder Funds: Money Market Fund, Peso Bond Fund, and USD Bond Fund.

On May 16, 2022, MPI-Trust introduced the Maybank Tiger USD Asian Income Feeder Fund. This fund allowed clients to access Asian fixed income securities and US government debt by drawing from the Maybank Asian Income Fund managed by Maybank Asset Management Singapore.

In terms of performance, MPI-Trust experienced an impressive growth of 17.41% in Assets Under Management (AUM), reaching a value of Php 8.9 billion in 2022, compared to 2021. Furthermore, the company maintained a Compound Annual Growth Rate (CAGR) of 9.7% over a span of five years. The total revenue for 2022 amounted to Php 29 million. To streamline

operations and improve efficiency, process improvement projects were implemented to reduce manual tasks.

Looking ahead to 2023, MPI-Trust envisions a significant transformation for its business. MPI-Trust forecasts an 80% increase in AUM, projecting a value of Php 15.5 billion, thus aiming to expand its market share from 1.36% to 2.03%. Correspondingly, revenue is expected to rise by 36%, reaching Php 46 million.

aybank's IT operations remained in business-as-usual mode during the height of the pandemic, showcasing significant improvements in service delivery over the past three years. The Bank successfully implemented mobility and work-from-home capabilities while managing associated risks.

The Bank made substantial investments in data center infrastructure to ensure 100% production uptime and sustain disaster recovery capabilities. These efforts resulted in zero downtime on Tier-1 servers and applications, as well as the successful execution of a one-week Live Disaster Recovery (DR) milestone in May 2022.

While IT focuses on supporting business operations, the team remains vigilant in mitigating critical risks related to technological obsolescence, emerging threats, and vulnerabilities. Guided by Group Strategic Application Management (GSAM), the team identifies, treats, and monitors obsolescence, providing regular reports to the IT Steering Committee (ITSC).

Additionally, the team closely monitors, tracks, and reviews audit closures, leading to favorable audit ratings. It has also managed to minimize vendor maintenance costs through leveraging Group license pricing and improved maintenance of IT asset inventory. The resolution of Vulnerability Assessment and Penetration Testing (VAPT) findings, along with the implementation of corresponding mitigation measures and Technology Risk Exemptions (TRE), further enhance technology risk management.

The Bank's move to embark on IP standardization has reduced complexity, improved integration, enhanced efficiency, and provided better support. Core switch upgrades have been performed to manage and mitigate risks effectively.



In 2022, project delivery reached 92% compared to 80% in 2021. All projects were completed within budget, and identified defects were resolved within the stability period. Key initiatives, including the GCash partnership, were successfully delivered. Other projects encompassed areas such as GCash/GSave/ EZySave+, Debit Card & PIN Direct Delivery (Phase 1), Enterprise Telephony: IVRS – Cardlink (Phase 2), Sustain DR Site alignment with Production, Nutanix Storage and Compute Node Upgrade, Win 7 - Win 10 Upgrade, AS400 Tape Drive Upgrade, and Corebank Rebuild - NPL Tagging.

Business process automation technology has yielded significant outcomes. When the local regulator mandated payment moratoriums due to the pandemic, the Bank relied heavily on robotic process automation to comply and respond promptly. This experience prompted further assessment of processes suitable for automation. In 2022, additional robots were deployed for MPI (Cardline Finance Maintenance, Cardlink Memo Update, SIBS Memo Update) and within the Group

(Macro Prepare Overall ECL, Macro RTO SG, Macro RTO MY). Additional objectives related to productivity and cost management were incorporated into the key performance indicators. In 2022, 93.97% of the IT Project CAPEX budget was utilized.

Cybersecurity remained to be a paramount concern. MPI leverages the Group's Cyber Defense Capability (CDC) program. CDC Phase 1 has been treated as business-as-usual since 2021, incorporating initiatives such as CyberArk, Deep Security, and the Splunk Regional Security Operations Center. The Group has embarked on CDC Phase 2 – Zero Trust during the year.

And finally, the pandemic did not hinder the development of IT personnel in 2022. Trainings were provided through Human Capital's eLearnings and webinars. The team also participated in both face-to-face and online external training programs to stay updated with new technologies and market trends.



n 2022, Operations embarked on a journey to strengthen its foundation by refocusing on the basics, breaking down silos, challenging the status quo, and boosting overall performance. Returning to basics involved prioritizing essential activities such as ensuring data accuracy, timeliness, and implementing effective review and control processes, all aimed at enhancing the overall service experience. By removing barriers, promoting unity, and challenging the status quo, Operations was able to implement the necessary changes to support current and future business goals.

People, processes, and systems were identified as critical building blocks for boosting and sustaining performance. The team recognized that people were the driving force behind their success. Streamlined processes were essential to optimize resources and ensure strict adherence to controls. Automation

played a significant role in increasing productivity, reliability, availability, performance, and cost optimization.

The goal of Operations remained centered on building a customer-centric, high-performing, and multi-skilled team. Investments in training and coaching remained a priority. Continuous learning and feedback mechanisms ensured that the team stayed well-informed and responsive, enabling them to perform essential functions in a highly volatile financial environment. The implementation of universal support teams within and across departments provided the necessary flexibility to manage capacity and build resilience. Business resiliency was critical in promptly responding to rapidly changing market conditions and client needs. Split operations, coupled with universal processing, ensured preparedness for any business disruption and effectively managed increasing volumes to sustain service delivery.

The agenda of Operations was closely aligned with the needs of the business. Collaboration and partnerships with stakeholders, along with a culture of continuous improvement and risk management, brought about effective and efficient changes. An automation plan was implemented, focusing on Robotic Process Automation (RPA), straight-through processing, and integrated data flow to further improve productivity, streamline processes, and enhance customer experience.

Operations also supported the organization's Environmental Sustainability goals through various initiatives promoting health and wellness, carbon reduction, waste elimination, and energy-saving activities.

Operations continued to navigate progressively, adapting to the changing business environment and evolving to deliver even stronger performance results.

aybank Philippines, Inc. (MPI) is committed to nurturing and cultivating world-class talents to drive exceptional results. The Bank has established a robust Talent Management Policy that includes Succession Planning and the acceleration of potential successors for Mission Critical Positions (MCP) and Operations Critical Positions (OCP).

A comprehensive Succession Planning process is firmly in place within the Bank, with an annual review of the leadership bench at both Country and Group levels. In 2022, the leadership bench demonstrated a healthy 3:1 cover ratio for MCPs and a 1.2:1 cover ratio for OCPs.

Aligned with its M25+ purpose of being a values-driven platform powered by a bionic workforce that humanizes financial services, the Bank continuously develops and accelerates its talents through education, exposure, and experiential development programs. In 2022, 59 employees were appointed as Officers-in-Charge as part of their developmental assignments. Among them, 14 individuals were confirmed in their next-level positions.

Furthermore, the Bank launched the M25 Unlimited Potential (M25UP) program across the entire organization. At least 60 personnel from MPI participated in this program, primarily selected from identified MCP and OCP positions. The program aims to equip managers and leaders with a strong digital, customer-focused, and sustainability mindset to drive the organization's success and viability.

Anchored on the bank's T.I.G.E.R. Values of Teamwork, Integrity, Growth, Excellence and Efficiency, and Relationship Building, MPI continued to build on the success of its flagship program: Learning Never Stops. This group-wide online campaign promotes continuous and self-paced learning through a diverse range of capability-building programs accessible to all employees via various learning platforms and methods. Despite the challenges posed by the pandemic in the past three years, the Bank remained committed to employee engagement, aiming to motivate and retain its workforce through several programs aimed at prioritizing employee experience.

Zoom Engagement Sessions replaced the informal coffee sessions conducted before the pandemic. They provided valuable insights into engagement, productivity, and work relationships. Members of the Management Committee (ManCom) also visited branches and lending centers to conduct informal engagement sessions with employees.



These sessions aimed to cascade and implement bank programs and initiatives, gather employee feedback, and gauge personnel

MPI leveraged the power of social media through interactive virtual bi-monthly Facebook sessions. ManCom members and subject matter experts addressed health and social issues, business strategies, and market insights. A virtual event was likewise conducted where the Management Committee shared updates on the Bank's financial performance, strategies, and business achievements to the employees.

In addition to these engagement sessions, the Bank also continued to recognize employee achievements by handing out Loyalty Awards, Star Awards and the Best Employee Award.

In industrial relations, a successful and record-setting one-day negotiation for the Collective Bargaining Agreement (CBA) saw both the Management and Union maintain a harmonious relationship through monthly Labor Management Council (LMC) meetings. Additionally, representatives from both parties regularly attended the Manila Tripartite and Industrial Peace Council (MTIPC) organized by the Department of Labor and Employment (DOLE).

To further maintain a sense of belonging and to update employees on important issues, the Bank used various internal communication channels.

M.E.N.U. (Milestones, Engagements, News, Updates) Newsletter is published monthly to disseminate the PCEO Message, business milestones, recent and upcoming events and engagements, trainings, 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) is a platform utilized by MPI to foster collaboration and communication for projects, initiatives, and programs. Maybankers can share and comment on work-related ideas, news, and activities.

Point-of-Contact (POC) and Team Leaders (TL) Meeting is a weekly virtual meeting facilitated by Human Capital and attended by all identified POCs and TLs from business and support groups. The meeting serves as a platform to cascade and discuss information and issues related to COVID-19 SOPs and other people-related matters.



# **JANUARY - FEBRUARY:**

MPI's Senior Management, led by PCEO Abigail Tina M. Del Rosario, and the MPI Employees' Union, headed by President Diosdado D. Maslog, formally signed and witnessed the Maybank Philippines 2022-2024 Collective Bargaining Agreement.



MPI hosted an awarding ceremony at the Maybank Main Office Branch, BGC, to recognize the winners of the Cashville Kidz 2021 Financial Excellence (FINEX) Awards.



MPI Community Financial Services kicked off February with the 2022 CFS Sales Rally, featuring the newly-launched CFS Icon Awards that recognize achievements in each sub-business segment under CFS.

# **MARCH-APRIL:**



- MPI inaugurated Greenhills Premier Center at its new extension office on the 3<sup>rd</sup> floor, along with the blessing of the newly-renovated Maybank Greenhills Branch.
- Maybank's Auto Finance Group (AFG) held its first Dealer Race for Incentives and Validation Event (D.R.I.V.E.)
  Appreciation Night, acknowledging top partner Dealers, Dealer Agents, and Direct Agents nationwide.

Outstanding ICOs (Internal Compliance Officers) and DICOs (Deputy Internal Compliance Officers) for the year 2021 were recognized during the 1st Business and Compliance Council (BCC) Meeting for 2022, held virtually in March, for their contribution to promoting Maybank's compliance culture.



Maybank Main Office Branch hosted a Sip and Snack event as part of its MOB Socials engagement activity in partnership with eTiQa Life and General Assurance Philippines (ELGAP), fostering synergy and strengthening connections.

# MAY:

MPI PCEO Abigail Tina M. Del Rosario paid a courtesy visit to the Governor of the Bangko Sentral ng Pilipinas, Benjamin Diokno, at the BSP Security Plant Complex in East Avenue, Quezon City, to further strengthen institutional relations between MPI and the BSP. MPI Chief Risk Officer Rajagopal Ramasamy and MPI Chief Compliance Officer Ma. Bernadette T. Ratcliffe also joined.

- Maybankers based in the Philippines gathered virtually to formally send-off Group President and CEO Dato' Sri Abdul Farid Alias, who had announced his decision not to seek renewal of his contract after three successful terms. Top leaders of Maybank Philippines, Maybank Capital, Maybank Securities, and eTiqa Philippines paid tribute to Dato' Sri Farid.
- MPI Trust kicked off its Trust Kapihan 2022 sessions with the Community Distribution Team, hosting dynamic huddles and refresher sessions among Trust Officers and Branch Personnel to continuously enhance skills and knowledge on various trust products and services.



MPI Chief Compliance Officer Ma.
Bernadette T. Ratcliffe took oath as
President of the Association of Bank
Compliance Officers, Inc (ABCOMP) for
FY 2022-2023. She was also re-elected
as BAIHPHIL Director for Fiscal Year
2022-2023.



MPI President and CEO affirmed the strong collaboration between Malaysia's top bank and the largest network of physical branches in the country during a courtesy visit to His Excellency the Ambassador of Malaysia Norman Muhammad at the Embassy of Malaysia in the Philippines.



The first batch of Branch Operations Training Program (BTOP) trainees successfully completed their face-to-face branch training from April 26 to May 6, 2022, at the Maybank Mock Branch located at LTC.

# **JUNE:**



MPI launched the "Go Clean and Green Initiative" internal campaign, promoting the "go paperless" mindset to create a sustainable, secure, and healthy workplace during the transition to the next phase of the new normal.

# **JULY:**



MPI and eTiQa Life and General Assurance Philippines (ELGAP) held their annual Banca Brilliant Banker Awards Night, recognizing Maybankers for their outstanding performance in Bancassurance and General Insurance.



As part of the bank's 25<sup>th</sup> Anniversary celebration. MPI collaborated with ATRAM Trust Corporation to host a hybrid market forum titled "The Better After: Post-Pandemic World, Economic Rebound in 2022," providing insights and advice on investments, wealth funds, and relevant local and global market outlook.

# **AUGUST:**



- MPI Global Markets recognized partner-Maybankers from the Branches and Premier Centers for their exemplary contributions in distributing GM products, generating fee-based income and increasing Foreign Exchange and Fixed Income sales activities.
- Eight Maybankers from the Philippines were certified as Mental First Health Aiders (MFHAs) for confidential counseling sessions, aligning with Maybank Group's efforts to create a compassionate and empathetic #HUMANISINGWorkplace.

# **SEPTEMBER:**

MPI Region 1 and Region 2 Branch Heads and Sales Executives joined the first synergy workshop hosted by the Cards and Unsecured Lending team, aimed at fostering better coordination and collaboration to achieve stronger results and relationships.



The newly-renovated Maybank San Fernando Branch, now housing a Premier Center and the largest Auto Lending Center in the region, was inaugurated.

### **OCTOBER:**



MPI was among the Circle of Excellence awardees under the CSR Company of the Year category at the Asia CEO Awards 2022. MPI was the only bank shortlisted in the category.



- MPI PCEO Abigail Tina M. Del Rosario paid a courtesy visit to newly-appointed Bangko Sentral ng Pilipinas Governor Felipe M. Medalla at the BSP Offices in Malate, Manila, to show support and strengthen institutional relations between MPI and the BSP. The visit also highlighted MPI's operational highlights for 2022 in line with the bank's 25<sup>th</sup> Anniversary celebration in November.
- The 2022 Risk, Compliance, and Audit (RCA) Awareness Week commenced its 6<sup>th</sup> year of celebrations with the theme "Drive to a Meaningful Customer Experience," featuring webinars, virtual activities, and trivia games to reinforce Maybankers' commitment to delivering excellent customer experience.



- MPI hosted the Silver Star Awards, an annual awards night honoring the contribution and performance of outstanding Maybankers.
- MPI Human Capital held Health and Wellness Week in collaboration with eTiqa Philippines to promote healthy habits for better physical, emotional, financial, and mental well-being in the workplace.

#### **NOVEMBER:**



MPI and the Malaysian Chamber of Commerce Industries Philippines, Inc. (MCCI) jointly hosted the Reviving the Philippine Economy through SME forum at the Maybank Synergy Center, featuring expert speakers sharing insights on the current landscape of the Philippine economy and economic trends in the coming years.



MPI celebrated its 25<sup>th</sup> Anniversary with a Filipiniana-themed Gala at the Grand Ballroom of Shangri-La at the Fort, Bonifacio Global City, Taguig City, attended by over 300 valued clients and VIP guests.

A special MPI Townhall was organized for Maybank Group President and CEO Dato' Khairussaleh Ramli, who visited the Philippines for the first time since his appointment. The visit coincided with Maybank Philippines' 25th-anniversary celebration and included engagement with Senior Management and select Officers and Staff from various branches and subsidiaries.

# **DECEMBER:**

MPI held an 80s-themed Christmas Party for Head Office and Metro Manila Branches-based employees at Enderun College in Taguig as part of the 25<sup>th</sup> anniversary celebration and Christmas party.



MPI participated in the M.Y. Experience, Malaysian Week 2022 festivities, showcasing its products and services, including Credit Cards, RSME Loan, Auto Loan, and Mortgage.



# 2022

Risk Management

# **International Finance Magazine**

" Most Innovative Digital Bank - Philippines 2022

#### Asia CEO Awards 2022

CSR Company of the Year Circle of Excellence

#### **VISA Annual Awards**

- " Highest Debit Cards Growth 2022
- Highest Debit Payment Volume Growth - 2022
- **Highest Active** Debit Cards Growth - 2022

# 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

# 2019

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

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

#### **Bangko Sentral ng Pilipinas**

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

# City Government of Biñan 3<sup>rd</sup> City of Life Awards

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

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

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

#### **Visa Philippines**

Best New Segment Launch (for Maybank Visa Infinite Card)

# 2018

# **Bangko Sentral ng Pilipinas**

" Special Citation on Accessibility

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

MATRADE AWARD -Best Malaysia Brand





Puan Fauziah Hisham, FCIS (CS) (CGP)

Madam Chairman

Abigail Tina M. Del Rosario President & CEO Datuk Lim Hong Tat Director

Manuel N. Tordesillas Director



Renato T. De Guzman Director

Atty. Rey C. Espinosa
Director

Pollie Sim Sio Hoong Director

Jesus Roberto S. Reyes Director

Simoun S. Ung Director



#### Puan Fauziah Hisham, FCIS (CS) (CGP) | Madam Chairman of the Board 67 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).

#### Pollie Sim Sio Hoong | Director 61 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 63 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.

#### Abigail Tina M. Del Rosario | President and Chief Executive Officer 60 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.

#### Jesus Roberto S. Reyes | Director 64 years old, Philippines | Independent, 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.

#### Atty. Ray C. Espinosa | Director 66 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.

#### Renato T. De Guzman | Director 72 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 IG 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

#### Simoun S. Ung | Director 55 years old, Philippines | Independent, 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), Board Strategy Committee. Related Party Transactions (RPT) Committee, as well as 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 2<sup>nd</sup> Advanced Programme for Central Bankers and Regulators at the Institute of Global Economics and Finance of the Chinese University of Hong Kong as well as an Executive Education Course on Creating Shared Value from Harvard Business School. He was honored with the Outstanding Alumni Award in 2015 by Grace Christian College and the ACQ 2018 Global Awards International – GameChanger of the Year (FinTech).

#### Manuel N. Tordesillas | Director 70 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 eTiga Life & General Assurance Philippines - A Member of eTiga 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.





Enrico L. Cordoba CFO-OIC and Head, Corporate Planning Rajagopal Ramasamy Chief Risk Officer

Abigail Tina M. Del Rosario President & Chief Executive Officer

April Katrina V. Albotra OIC, Global Banking

Ma. Bernadette T. Ratcliffe Chief Compliance Officer

Atty. Gerardo J. De Leon Corporate Secretary



Bernardo G. Talimban, Jr. Head, Information Technology Babylyn A. Catacutan Chief Audit Executive

Mark Lord D. Limson Head, Human Capital

Ma. Carmela S. Bolisay Head, Central Operations **Andy Yeoh Keong Yong** Head, Global Markets

Patrick Dennis L. Solosa Head, Community Financial Services





# Abigail Tina M. Del Rosario President and Chief Executive Officer 60 years old, Philippines

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 wellknown 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.

# Patrick Dennis L. Solosa Head, Community Financial Services 49 years old, Philippines

Patrick Dennis L. Solosa joined Maybank Philippines, Inc. on April 16, 2021 as Senior Vice President and Head of Consumer Finance. He was concurrently appointed as Officerin-Charge of Community Financial Services (CFS) on October 11, 2021, and eventually confirmed as Head, CFS on March 1, 2022.

Patrick led the Auto Transformation Roadmap Phase 2 and 3 under the Auto Working Group, which aims to increase Auto Loans profitability through new initiatives to improve people, processes, technology and governance. As OIC for CFS, he was instrumental to the overall improvement of the sector's profitability and performance, including those of key business drivers Mortgage, RSME and deposits. Patrick continues to provide leadership in managing MPI's retail business, ensuring to meet its short and long-term goals and objectives, comply with policies and regulatory requirements, and maximize returns to stakeholders. Prior to joining Maybank, Patrick was Group Head for Consumer Sales and Support at EastWest Bank, under the Consumer Lending Cluster.

Patrick graduated from the University of the Philippines with a degree in Statistics. He obtained his MS in Statistics in Katholieke Universiteit Lueven in Belguim.

# Andy Yeoh (Yeoh Keong Yong) Treasurer and Head, Global Markets 57 years old, Singapore

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

Andy comes with more than 30 years of experience in Treasury Markets mainly working for foreign banks such as Bank of Tokyo Mitsubishi Malaysia, Deutsche Bank and Canadian Imperial Bank of Commerce in different markets of Malaysia, Hong Kong & Singapore.

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

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

# Mark Lord D. Limson Head, Human Capital 46 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 from the University of the Philippines-Diliman.

# Enrico L. Cordoba **OIC-Chief Financial Officer and** Head, Corporate Planning 50 years old, Philippines

Enrico L. Cordoba is the OIC-Chief Financial Officer, taking on role in 8 December 2022. He is also concurrent Head of Corporate Planning, the positions he holds when he joined Maybank Philippines in August 2019.

Prior to joining MPI, Ricco has a 25-year stint with The Insular Life Assurance Co., Ltd. He started as Marketing Planning Staff in 1994 before transitioning to Corporate Planning Staff in 1996, and from then on rose up the ranks until he was became Head of Corporate Panning in 2011 with a rank of First Vice President. He was also Executive Assistant to the Chairman of the Board & Chief Executive Officer (OCB&CEO) from 2003-2011. In 2017, Ricco was appointed Chief Risk Officer and was the position he held until moving to MPI two years later.

Ricco earned his Bachelor of Science in Mathematics, Major in Actuarial Science degree from the University of Santo Tomas and holds a Master's Degree in Business Administration from the Ateneo de Manila University. He is also a Professional Lecturer for Management Science at the De La Salle University Graduate School of Business

# April Katrina V. Albotra **OIC-Global Banking** 42 years old, Philippines

April Katrina V. Albotra took on the OIC role of Global Banking on 8 June 2022. She joined Maybank Philippines in August 2011 to set-up the Trade Sales Marketing unit which was later renamed Trade & Supply Chain Finance (TSCF) under Global Banking. She became a Client Coverage Relationship Manager in 2015-2016 and moved to SMC Global Power Holdings Corp. as a Treasury Manager for a brief 10-month stint before re-joining Maybank Philippines as TSCF Head in August 2017 and subsequently became Transaction Banking Head in 2019 before her present appointment.

April started her banking career in year 2000 with Bank of Commerce, Corporate Banking until 2005 and briefly in Philippine National Bank before moving to HSBC Philippines, Retail Banking & Wealth Management from 2005-2010 and Trade Finance from 2010-2011

April earned her Bachelor of Science Degree in Business Management-Entrepreneurship from De La Salle University and holds a Master's Degree in Business Administration from Ateneo de Manila University.

# Ma. Carmela S. Bolisav **Head, Central Operations** 54 years old. Philippines

Ma. Carmela S. Bolisay joined MPI on March 1. 2022 as Senior Vice President and Head of Central Operations, bringing with her over 30 years of professional and diversified experience in process streamlining, business design analysis, project management, service quality, assurance, operations and risk management.

Prior to joining MPI, Maricar was the Senior Vice President, Management Services Division Head for almost 4 years at Rizal Commercial Banking Corporation (RCBC). She was also with Standard Chartered Bank from 2002 to 2016 as Vice President, Business Planning Manager for the CEO, Country Manager for Service Excellence,

Business Project Director, Product & Process Management, and Service Quality Manager for Consumer Banking.

Maricar's expertise is in business process management and reengineering, driving digitization initiatives for improved client experience, increased productivity and implementation of future ready processes. Maricar has made relevant contributions in the various organizations she has worked with including Security Diners International Corporation from 1997 to 2002, having supported major projects such as migration of core systems, implementation of new systems and brands as well as business transformations.

In addition to her professional experience. Maricar completed a Basic Management Program at Asian Institute of Management (AIM) Makati. Maricar graduated from University of the Philippines, Diliman with a Bachelors of Arts Major in Psychology.

# Bernardo G. Talimban, Ir. Head, Information Technology 53 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 ioined 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 corebanking, 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.

# Rajagopal Ramasamy **Chief Risk Officer** 58 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-toend 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

## Ma. Bernadette T. Ratcliffe Chief Compliance Officer 61 years old, Philippines

Credit Trainer for Maybank.

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 of Science Major in Business Administration and Accountancy degrees from the University of the Philippines-Diliman.

# Babylyn A. Catacutan Chief Audit Executive 47 years old, Philippines

Babylyn A. Catacutan was appointed Chief Audit Executive of Maybank Philippines in April 1, 2022, bringing with her a total of 25 years of diversified work experience in Internal Auditing, Independent Compliance Risk Management and in project management of Supply Chain Management and Enterprise Resource Planning systems.

Lyn is a seasoned internal auditor and a trusted Compliance partner. She started her career at Rustans Commercial Corporation where she handled various audits from Financial, Operations, to EDP Audit. She joined Citifinancial, an affiliate of Citibank, N.A., as a Compliance Manager in 2006. She was responsible for the Product Advisory as well Compliance Reviews of the business units. She was also the Deputy AML Compliance Officer, Sanction Officer, and Data Privacy Officer, and was instrumental in the optimization of the Risk and Control Self-Assessment Program. In 2008, she moved to Citibank, N.A., where she held various roles in Compliance and Control unit until she moved to the Internal Audit in 2012. She was primarily responsible for the audits of the Philippine Consumer Business, which include Retail branches, Investment, Insurance, Asset (Credit Cards and Loans) and Trust Department. Likewise, she supported various regional audits of Citibank branches in Singapore, Malaysia, Indonesia, South Korea, and Australia among others. She spearheaded Agile audit and Continuous Audit in Consumer Business across Asia. She completed the Global Lead Academy Training in London, United Kingdom. Lyn has been awarded with Service Excellence awards in multiple occasions.

Prior to joining MPI, Lyn was a Vice President and Audit Manager in Citibank, N.A. for almost 11 Years and a Department Head and Audit Supervisor in ING's Corporate Audit Services (Asia) for almost three (3) years.

Lyn is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Anti-Money Laundering Specialist (CAMS). She is a Bachelor of Science in Accountancy graduate from the Philippine School of Business Administration.

# Atty. Gerardo J. De Leon Corporate Secretary and Head, Legal 58 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.



#### **PRESIDENT**

Abigail Tina M. Del Rosario President & Chief Executive Officer

#### **EXECUTIVE VICE PRESIDENT**

Rajagopal Ramasamy Chief Risk Officer

### **SENIOR VICE PRESIDENT**

Patrick Dennis L. Solosa Head, Community Financial Services

**April Katrina V. Albotra** OIC, Global Banking

Delbert S. Ang It Head, Community Distribution

**April Theresa DC Bernandino** Head, Sustainability Management

Ma. Carmela S. Bolisay Head, Central Operations

Cristina B. Casipit Head, Rates and ALM Desk

Babylyn A. Catacutan Chief Audit Executive

**Amiel Leandro C. De Castro** Head, Consumer Finance

Mark Lord D. Limson Head, Human Capital

Paolo Joaquin C.Maranon Head, Trading Desk

Angela R. Ofrecio Head, Sales Desk

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

Bernardo G. Talimban, Jr. Head, Information Technology

Rolly G. Tamondong Head, Auto Finance

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

#### **VICE PRESIDENT**

Michael D. Banzon Head, Payments & Cash Services

Joy B. Bitoy Head, Customer Experience and Process Governance

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

John Harley Nino T. Chan Head, Data Science

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 I. De Leon Head, Legal and Corporate Secretary

Bernice A. Junghan Head, Financial Crime Compliance

Maria Luisa C. Layug Region Head

Michael Y. Maglonzo National Sales Team Head

Conilla D. Oba-Ob **Premier Vismin Region Head** 

**Aramandito T. Oncinian** Head, Infrastructure Delivery

Helen D. Paciencia Head, Business Delivery (Core Banking & Finance)

Other Informations

Michael B. Pagkalinawan Relationship Manager

Jo-Anne D. Rodriguez Head. Retail Credit Center

Errol Brian B. Sadie Head, Solutions Delivery & **Application S** 

Paolo M. Salcedo Head, Virtual Banking

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

Santiago F. Sebastian Head, Non-Financial Risk

Marlon P. Sorongon Chief Information Security Officer

Ronel Loreto R. Tapiador Region Head

Jinky T. Uy **Premier Center Head** 







aybank 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 2022, the Annual Stockholders' Meeting was held on April 13, 2022.

# 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. Her performance is evaluated and rewarded by the Board based on her balanced scorecard. She 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 2022)	No. of Years served as director	No. of Direct (D) and Indirect Shares as of December 31, 2022	Percent to Total Outstanding Shares
Madam Chairman Fauziah Hisham, FCIS (CS) (CGP)	Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank)	6/6	4	1 (D)	0%
Ms. Pollie Sim (Sim Sio Hoong)	Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank)	6/6	9	1 (D)	0%
Datuk Lim Hong Tat	Non-Independent / Non-Executive representing Malayan Banking Berhad (Maybank)	6/6	8	1 (D)	0%
MPI PCEO Abigail Tina M. Del Rosario*	Non-Independent / Executive representing Malayan Banking Berhad (Maybank)	6/6	1	1 (D)	0%
Mr. Renato T. De Guzman	Independent / Non-Executive	6/6	6	1 (D)	0%
Atty. Ray C. Espinosa	Independent / Non-Executive	6/6	6	1 (D)	0%
Mr. Manuel N. Tordesillas	Non-Independent / Non-Executive	6/6	4	1 (D)	0%
Mr. Simoun S. Ung	Independent/Non- Executive	6/6	3	1 (D)	0%
Mr. Jesus Roberto S. Reyes	Independent/Non-Executive	6/6	2	1 (D)	0%

#### **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 2022	
Position in the Committee	Name	No. of Meetings Attended
Madam Chairman	Puan Fauziah Binti Hisham	6/6
Member	Datuk Lim Hong Tat	6/6
Member	Mr. Renato T. De Guzman	6/6
Member	Mr. Jesus Roberto S. Reyes	6/6
Member	Mr. Simoun S. Ung	6/6

#### 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 2022		
Position in the Committee	Name	No. of Meetings Attended
Chairman	Mr. Simoun S. Ung	6/6
Member	Ms. Pollie Sim (Sim Sio Hoong)	6/6
Member	Mr. Renato T. De Guzman	6/6

#### 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 2022		
Position in the Committee	Name	No. of Meetings Attended
Chairman	Mr. Renato T. De Guzman	6/6
Member	Datuk Lim Hong Tat	6/6
Member	Mr. Simoun S. Ung	6/6

#### **RISK MANAGEMENT COMMITTEE**

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

Risk Management Committee 2022		
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

#### **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 2022		
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 T. De Guzman	6/6

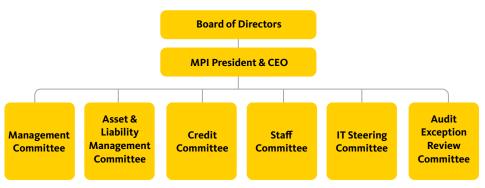
#### TRUST COMMITTEE

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 2022		
Position in the Committee	Name	No. of Meetings Attended
Madam Chairman	Ms, Pollie Sim (Sim Sio Hoong)	6/6
Member	Atty. Ray C. Espinosa	5/6
Member	Mr. Antonio C. Danao	6/6
Member	Mr. Jesus Antonio S Reyes	6/6
Member	Ms. Abigail Tina M. Del Rosario (MPI PCEO)	6/6

#### MANAGEMENT-LEVEL COMMITTEES

Maybank Philippines has six (6) Management-level committees tasked to support the Bank's Management, namely: 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 of Directors undergo annual trainings on relevant topics related to corporate governance, banking trends and regulatory developments. Each Senior Management likewise attend executive development and alignment programs each year, for continuous learning and leadership capabilities enhancement, as available and offered within the Maybank Group.

In 2022, the Annual Corporate Governance (CG) Seminar with MPI Board of Directors and Senior Management (MANCOM) – Maybank Bard Awareness Session (ISMS and ESRMS) was conducted.

In 2022, 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. E-learnings on Sustainability were also rolled-out to improve employee's sustainability quotient

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.

Various product knowledge training programs for sales and operations employees continue to be implemented, which aimed to increase productivity and enhance selling skills by equipping the employees with knowledge on how to cross-sell the retail products of the Bank.

#### 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 2022 amounted to **Php 21,270,535.59,** slightly lower as compared to Php 23,154,964.00 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 President and three Senior Vice Presidents.

The total amount spent last 2022 for Maybank employees' compensation and benefits is **P 1,684,314,356.82**, slightly higher than the 2021 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 2022, 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.

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.

As MPI adapts to the new normal, 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 in 2020 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.

#### For our 2022 Performance

- We received 2881 complaints, 98% has been resolved as of year end
- Our customer survey results returned a Net Promoter Score of +22
- Our Service Level Performance on Complaints resolution increased by 15% compared to previous year

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

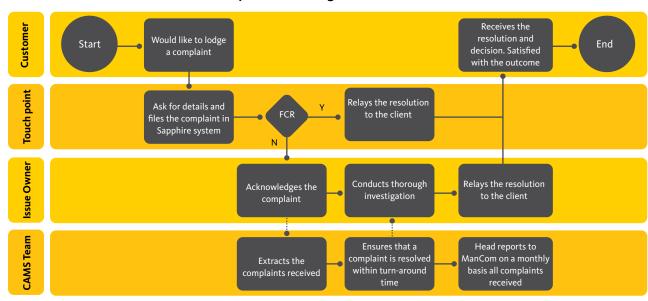
Having a well-designed and well-managed mechanism for handling customer complaints can improve the quality of our work, enhance the trust and confidence of our stakeholders, identify our areas of improvement, and ensure that Maybank learns from the feedback provided through this process.

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 handling process flow is as follows:

# **Complaints Handling Process Flow**



- 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	Common	305,798,756	99.86%
Banking Berhad/	Preferred	60,814,533	
Malaysian	TOTAL	366,613,289	
	Common	42,779	0.14%
Minority / Various	Preferred	3,596,541	
	TOTAL	3,639,319	
			100%



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
Customer Centricity	<ul><li>Improvement in overall customer experience</li><li>Intensify engagements with renewed client base</li></ul>
Dive into New Markets & support Business Growth	<ul> <li>Expand Consumer Products coverage in key locations</li> <li>Increase deposit levels via partnerships and cross-sell opportunities</li> <li>Tactical incentives on select products</li> </ul>
Asset Quality	Preservation and improvement of credit quality by means of proactive account management, and supported by policy
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	<ul> <li>Adopt cyber resilience framework by implementing robust Cyber Defense capability and Information Security Blueprint Roadmap.</li> <li>Reduce cyber threat with real time detection, response and monitoring thru RSOC (Regional Security Operation Center).</li> </ul>

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

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

#### **BOARD RESPONSIBILITY**

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

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

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

#### MANAGEMENT RESPONSIBILITY

- The Management is overall responsible for implementing the Board's policies and procedures on risk and controls. Its roles include:
- Identifying and evaluating the risks relevant to the Bank's business, and the achievement of business objectives and strategies
- Formulating relevant policies and procedures to manage these risks in accordance with the Bank's strategic vision and overall risk appetite

- Designing, implementing and monitoring the effective implementation of risk management and internal control system
- Implementing the policies approved by the Board;
- Implementing the remedial actions to address the compliance deficiencies as directed by the Board and regulators;
- Reporting in a timely manner to the Board any changes to the risks and the corrective actions taken.

#### ENTERPRISE 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.

Principal Risk	What It Means to Us
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.
Regulatory 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.
People & Performance Risk	Risk of failure where talents do not have necessary knowledge or skills that may lead to gaps or disruptions to deliver objectives.
Sustainability Risk	Risk of being unable to sustain growth anchored on certain practices that may have negative externalities resulting to dilapidation of value chain over a period of time, or impact other related systems

#### RISK PRINCIPLES

MPI's risk management approach is underpinned by a sound and robust Enterprise 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 Enterprise 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

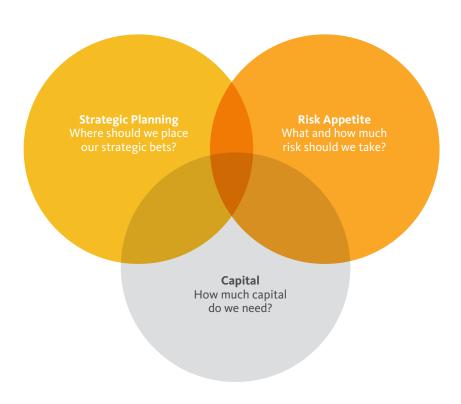
The Bank's risk appetite is a critical component of our robust risk management framework and is driven by both top-down Board leadership and bottom-up involvement of Management at all levels. Our risk appetite enables the Board and Senior Management to communicate, understand and assess the types and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

# MAYBANK PHILIPPINES, INC. RISK GOVERNANCE MODEL

#### **BOARD OF DIRECTORS**

MPI'S ultimate governing body with overall risk oversight responsibility including defining the appropriate governance structure and delegation of authority

BOARD RISK

# **Risk Management Committee (RMC)**

Responsible for the risk oversight function including but not limited to approving the Bank's risk management strategies, frameworks, plans, policies, tolenrances and risk appetite limits.

MANAGEMENT
COMMITTEES

# Management Committee (ManCom)

Responsible for directing the overall MPI's business objectives. ManCom also addresses other material risks of the bank except credit, market and liquidity risks.

# **Credit Committee (CC)**

Responsible for the approval of the loans / proposals as per the thresholds set based on the authority limits.

# Asset & Liability Management (ALCO)

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)

Responsible for theplanning and directing computerizaiton of MPI that commesurate with corporate objectives.

# Audit Exception REview Committee (AERC)

Responsible to undertake periodic testing of the effectiveness and efficiency of the risk management frameworks and internal controls in place

1st Line of Defense

2<sup>nd</sup> Line of Defense

3<sup>rd</sup> Line of Defense

Risk-Taking Units

Business and Other Support Units

**Risk-Control Units** 

Risk Management & Compliance

**Independent Validation** 

Internal Audit

Day-to-Day Management of Risks

Risk Oversight of Frameworks, Policies & Procedures

Independent Assurannce

#### **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

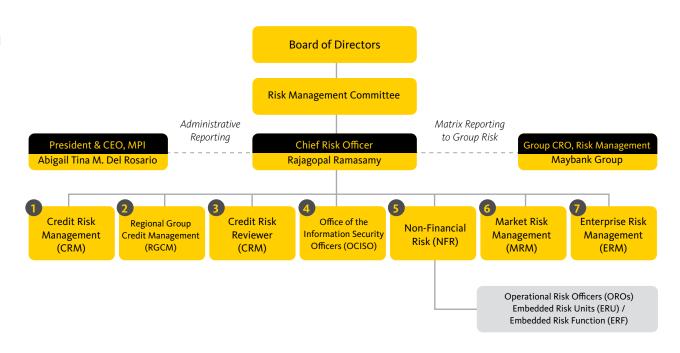
Risk Management is functionally independent of risk-taking units within the Bank. It is responsible for the development of measures to ensure that the risk inherent to the Bank's activities are properly identified, measured, controlled, monitored, and reported.

# 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.

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 cyberattacks 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.

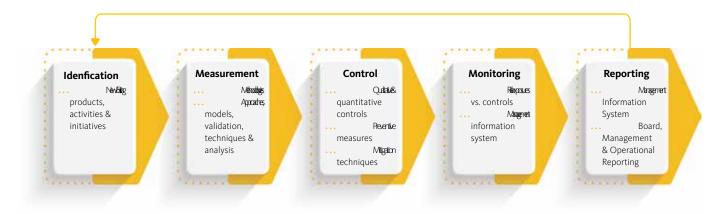
#### **RISK CULTURE**

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 processlevel 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.

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 2021 and 2022), 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 portion of its qualifying capital as this accounted for 95.8% of regulatory capital as of end-December 2022, increasing from previous year due to the early redemption of the PhP2.0 billion subordinated debt from the Maybank Group in October 2022, initially availed by the Bank in October 2017.

#### 2020-2022 MPI Capital composition:

Capital Composition (in PhP Millions)	FYE 2020	FYE 2021	FYE 2022
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	2,953.21	1,572.68	1,855.64
Undivided Profits	(1,538.82)	247.88	515.48
Cumulative FX Translations	-	-	-
Other Comprehensive Income	41.14	(145.79)	(478.02)
Less: Regulatory Adjustments	1,713.99	1,564.95	1,429.80
Common Equity Tier 1 Capital	10,317.48	10,685.77	11,039.25
Additional Tier 1			
Total Tier 1 Capital	10,317.48	10,685.77	11,039.25

Capital Composition (in PhP Millions)	FYE 2020	FYE 2021	FYE 2022
Paid-up Perpetual and Cumulative Preferred Stock	-	-	-
Net Unrealized Gains on AFS Equity Sec purchased (subject to 55% discount)	-	-	-
General Loan Loss Provision	663.57	530.63	484.49
Other Limited Life Capital Instruments	1,990.00	1,990.00	-
Total Tier 2 Capital	2,653.57	2,520.63	484.49
Total Qualifying Capital	12,971.05	13,206.40	11,523.74
Minimum Required	2,400.00	2,400.00	2,400.00
Excess (Deficiency)	10,571.05	10,806.40	9,123.74
Capital Conservation Buffer	7.62%	11.01%	13.23%

# INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Bank has an 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. 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:

FYE 2020	FYE 2021	FYE 2022
10,317.48	10,685.77	11,039.25
10,317.48	10,685.77	11,039.25
2,653.57	2,520.63	484.49
12,971.05	13,206.40	11,523.74
66,045.94	52,956.16	48,287.56
547.33	982.47	379.43
9,137.58	8,876.61	8,752.00
75,730.85	62,815.24	57,418.99
13.62%	17.01%	19.23%
13.62%	17.01%	19.23%
17.13%	21.02%	20.07%
4,229.29	5,721.18	10,420.15
79,960.14	68,536.42	67,839.14
	10,317.48 10,317.48 2,653.57 12,971.05 66,045.94 547.33 9,137.58 75,730.85 13.62% 13.62% 17.13% 4,229.29	10,317.48     10,685.77       10,317.48     10,685.77       2,653.57     2,520.63       12,971.05     13,206.40       66,045.94     52,956.16       547.33     982.47       9,137.58     8,876.61       75,730.85     62,815.24       13.62%     17.01%       17.13%     21.02%       4,229.29     5,721.18

## 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 2022, risk-weighted CAR is at 20.07%. Inclusive of Pillar 2 RWAs, total capital ratio was at 16.99%. 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:

Key Messages to Stakeholders

- 1. Collateral Risk
- 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.

Credit Risk Management is responsible for setting concentration limits. 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 "maker-checker rule" 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.

Loan portfolio reports covering areas such as business growth, asset quality, concentration of exposures and compliance to applicable regulatory and internal guidelines, 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.

		FYE 2020			FYE 2021			FYE 2022	
Credit Risk (in Php Millions)	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	63,625.07	5,090.01	6,362.51	51,100.63	4,088.05	5,110.06	46,710.95	3,736.88	4,671.09
Off-Balance Sheet Assets	2,592.83	207.43	259.28	1,621.23	129.70	162.12	1,572.30	125.78	157.23
Counterparty Risk	138.71	11.10	13.87	341.16	27.29	34.12	166.16	13.29	16.62
Total	66,356.61	5,308.53	6,635.66	53,063.03	4,245.04	5,306.30	48,449.40	3,875.95	4,844.94

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

FYE 2020						
Total Risk-Weighted On-Balance Sheet Assets (in PhP Millions)	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures Not Covered by CRM	Risk-Weighted Asset		
Cash on Hand	1,313.61	-	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		

	FYE	2020		
Total Risk-Weighted On-Balance Sheet Assets (in Php Millions)	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures Not Covered by CRM	Risk-Weighted Asset
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)         Exposures Covered by CRM, Gross of Marteriality Threshold         1,499.40         ○           Cash on Hand         1,749.94         ○         7.47         1,499.40         1,499.		FY	E 2021		
Checks and Other Cash items         7.47         1.49         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         1,281.9           Held-to-Maturity (HTM) Financial Assets         8,649.12         -         8,649.12         1,333.5           Unquoted Debt Securities Classified as Loans         -         -         -         -         -           Loans and Receivables         4,6912.73         212.55         4,740.29         4,740.29         -         -           Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29         3,470.29		the contract of the contract o		Exposures Not Covered by CRM	Risk-Weighted Asset
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         34,740.29         34,740.29         356.04 <t< td=""><td>Cash on Hand</td><td>1,749.94</td><td>-</td><td>1,749.94</td><td>-</td></t<>	Cash on Hand	1,749.94	-	1,749.94	-
Due from Other Banks         2,9163         -         2,9163         1,69.95           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         1,383,5           Unquoted Debt Securities Classified as Loans         -         -         -         -           Loans and Receivables         4,691,73         212,55         4,700,18         0,437,69           Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions         34,402,29         4,740,29         4,740,29         -	Checks and Other Cash items	7.47	-	7.47	1.49
Financial Assets Designated at Fair Value through Profit or Loss	Due from Bangko Sentral ng Pilipinas (BSP)	16,619.66	-	16,619.66	-
Available-for-Sale (AFS) Financial Assets 8,623.50 - 0. 8,623.50 1,128.19 Held-to-Maturity (HTM) Financial Assets 8,649.12 - 0. 8,649.12 1,138.35 Unquoted Debt Securities Classified as Loans Unquoted Debt Securities Classified as Loans 46,912.73 212.55 46,700.18 40,001.8  Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and 80,740.29 212.55	Due from Other Banks	2,291.63	-	2,291.63	1,169.95
Held-to-Maturity (HTM) Financial Assets 8,649.12 - 8,649.12 - 1,138.35 - 1,13	Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-
Unquoted Debt Securities Classified as Loans  Loans and Receivables  Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions  Sales Contract Receivables (SCR)  Sales Contract Receivables (SCR)  Total Exposures Excluding Other Assets  Other Assets  Total Exposures Including Other Assets  Total Sisk-weighted On-Balance Sheet Assets not covered by CRM  Total Risk-weighted On-Balance Sheet Assets covered by CRM  Total Risk-weighted On-Balance Sheet Assets covered by CRM	Available-for-Sale (AFS) Financial Assets	8,623.50	-	8,623.50	1,128.19
Loans and Receivables Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions  Sales Contract Receivables (SCR)  Sales Contract Receivables (SCR)  Real and Other Properties Acquired (ROPA)  Total Exposures Excluding Other Assets  Other Assets  Sales Contract Receivables (SCR)  1,112.11  12.15  12.55  12.55  1.668.17  1.668.17  1.668.17  1.668.17  1.618 Exposures Including Other Assets  Total Exposures Including Other Assets  1.668.17  1.668.17  1.668.17  1.668.17  1.668.17  1.668.18	Held-to-Maturity (HTM) Financial Assets	8,649.12	-	8,649.12	1,138.35
Loans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions  Sales Contract Receivables (SCR)  Sales Contract Receivables (SCR)  Real and Other Properties Acquired (ROPA)  Total Exposures Excluding Other Assets  Other Assets  Total Exposures Including Other Assets  Total Exposures Including Other Assets not covered by CRM  Total Risk-weighted On-Balance Sheet Assets covered by CRM  Total Risk-weighted On-Balance Sheet Assets covered by CRM	Unquoted Debt Securities Classified as Loans	-	-	-	-
of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions  Sales Contract Receivables (SCR)  Real and Other Properties Acquired (ROPA)  Total Exposures Excluding Other Assets  Other Assets  Total Exposures Including Other Assets  Other Assets  Total Exposures Including Other Assets not covered by CRM  Total Risk-weighted On-Balance Sheet Assets covered by CRM	Loans and Receivables	46,912.73	212.55	46,700.18	40,437.69
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 5,062.70 Total Risk-weighted On-Balance Sheet Assets covered by CRM 5,1062.70 37,94	of Assignment/Participation with Recourse, and Securities Lending and	4,740.29	-	4,740.29	-
Total Exposures Excluding Other Assets  91,061.03  212.55  90,090.94  45,899.88  Other Assets  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  Total Risk-weighted On-Balance Sheet Assets covered by CRM  Total Risk-weighted On-Balance Sheet Assets covered by CRM	Sales Contract Receivables (SCR)	354.58	-	354.58	356.04
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 Total Risk-weighted On-Balance Sheet Assets covered by CRM Total Risk-weighted On-Balance Sheet Assets covered by CRM	Real and Other Properties Acquired (ROPA)	1,112.11	-	354.58	1,668.17
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  Total Risk-weighted On-Balance Sheet Assets covered by CRM  37.94	Total Exposures Excluding Other Assets	91,061.03	212.55	90,090.94	45,899.88
Total Risk-weighted On-Balance Sheet Assets not covered by CRM  Total Risk-weighted On-Balance Sheet Assets covered by CRM  37.94	Other Assets	5,895.84	-	5,895.84	5,162.82
Total Risk-weighted On-Balance Sheet Assets covered by CRM  37.94	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 51,100.63	Total Risk-weighted On-Balance Sheet Assets covered by CRM				37.94
	TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS				51,100.63

	FYI	2022		
Total Risk-Weighted On-Balance Sheet Assets (in PhP Millions)	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures Not Covered by CRM	Risk-Weighted Asset
Cash on Hand	1,649.12	-	1,649.12	-
Checks and Other Cash items	4.02	-	4.02	0.80
Due from Bangko Sentral ng Pilipinas (BSP)	12,089.52	-	12,089.52	-
Due from Other Banks	1,116.29	-	1,116.29	587.09
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-
Available-for-Sale (AFS) Financial Assets	6,502.62	-	6,502.62	718.76
Held-to-Maturity (HTM) Financial Assets	13,571.99	-	13,571.99	1,635.04
Jnquoted Debt Securities Classified as Loans	-	-	-	-
oans and Receivables	42,658.78	15.24	42,643.55	37,419.89
oans and Receivables Arising from Repurchase Agreements, Certificate of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	2,652.11	-	2,652.11	
Sales Contract Receivables (SCR)	299.14	-	299.14	303.84
Real and Other Properties Acquired (ROPA)	1,868.67	-	299.14	2,803.00
otal Exposures Excluding Other Assets	82,412.25	15.24	80,827.48	43,468.42
Other Assets	3,395.16	-	3,395.16	3,242.52
otal Exposures Including Other Assets	85,807.40	15.24	84,222.64	46,710.95
otal Risk-weighted On-Balance Sheet Assets not covered by CRM				46,710.95
otal Risk-weighted On-Balance Sheet Assets covered by CRM				-
OTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS				46,710.95

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

FYE 2021			
Total Risk-Weighted Off-Balance Sheet Assets (in PhP Millions)	Notional Principal Amount	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes (e.g. general guarantees of indebtedness and acceptances)	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

FYE 2022			
Total Risk-Weighted Off-Balance Sheet Assets (in PhP Millions)	Notional Principal Amount	Credit Equivalent Amount	Risk-Weighted Assets
Direct Credit Substitutes (e.g. general guarantees of indebtedness and acceptances)	1,071.85	1,071.85	590.09
Transaction-related contingencies (e.g. performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	697.50	348.75	279.54
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	3,513.38	702.68	702.68
Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk	14,743.32	-	-
Total Notional Principal Amount	20,026.04	2,123.27	
TOTAL RISK WEIGHTED OFF-BALANCE SHEET ASSETS			1,572.30

FYE 2020				
Total Counterparty Risk-Weighted Assets in the Trading Book* (in PhP Millions)	Notional Amount	Potential Future Credit Exposure	Credit Equivalent Amount	Risk-Weighted Assets
Interest Rate Contracts	2,614.13	6.25	119.67	63.51
Exchange Rate Contracts	10,242.21	135.78	159.12	75.20
Equity Contracts	-	-	-	-
Credit Derivatives	-	-	-	-
Total Notional Amount	12,856.33	142.03	278.80	
Total Counterparty Risk-Weighted Assets of Derivative Transactions				138.71

FYE 2021					
Total Counterparty Risk-Weighted Assets in the Trading Book* (in PhP Millions)	Notional Amount	Potential Future Credit Exposure	Credit Equivalent Amount	Risk-Weighted Assets	
Interest Rate Contracts	2,352.00	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	

FYE 2022					
Total Counterparty Risk-Weighted Assets in the Banking Book (in PhP Millions)	Notional Amount	Potential Future Credit Exposure	Credit Equivalent Amount	Risk-Weighted Assets	
Interest Rate Contracts	1,661.51	3.25	64.53	31.87	
Exchange Rate Contracts	22,529.79	234.58	369.04	134.29	
Equity Contracts	-	-	-	-	
Credit Derivatives	-	-	-	-	
Total Notional Amount	24,191.30	237.83	433.57		
Total Counterparty Risk-Weighted Assets of Derivative Transactions				166.16	

<sup>\*</sup>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. iForeign 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 (PVo<sub>1</sub>), FX net open position (NOP), Value-at-Risk (VaR), and Stop Loss; IRRBB, on the other hand, is managed using Earnings-at-Risk (EaR) and Impact on Economic Value (IEV). In addition, a variety of stress testing techniques are performed to complement the reporting to Management.

#### RISK MEASUREMENT AND REPORTING

### Interest rate risk (IRR)

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

### *Price Value of 1 basis point (PVo1)*

PVo1 measures the change in the value of the portfolio with 1 basis point increase in the yield curve. Thresholds are set annually to re-assess the Bank's risk appetite and strategy. The PVo1 is computed and reported daily to Global Markets and monthly to ALCO.

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

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

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

With this, the Bank utilizes EaR to measure the sensitivity of the Bank's Net Interest Income (NII) due to a 100 basis points (bps) change in the underlying interest rates over a period of one year. IEV, on the other hand, shows the sensitivity of economic value on the long term to a 100 bps change in the market yield curve. To comply with BSP Circular 1044: Guidelines on the Management of Interest Rate Risk in the Banking Book, the Bank employed additional IRRBB risk metrics which takes into account various stress scenarios as well incorporate behavioural models and assumptions to products depending on its actual maturity or repricing and customer behavior.

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.

#### Foreign Exchange Risk

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

The Bank controls its FX exposures by transacting in permissible currencies. Management of FX risk is done via monitoring of FX NOP and PVo1 for those FX positions in the trading book. If the level reaches the trigger point, action is required to bring back the level to within the normal range. FX risk is reviewed together with other risks to determine the Bank's overall risk profile.

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

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

#### **LIQUIDITY RISK**

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

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

The Bank, in line with the 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 136.19% for the month-end December 2022.

#### 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.

		FYE 2020			FYE 2021			FYE 2022	
Market Risk (in PhP Million)	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge
Interest Rate Exposures	469.10	37.53	46.91	451.01	36.08	45.10	74.51	5.96	7.45
Equity Exposures	-	-	-	-	-	-	-	-	-
Foreign Exposures	78.23	6.26	7.82	531.45	42.52	53.15	304.92	24.39	30.49
Options	-	-	-	-	-	-	-	-	-
Total	547.33	43.79	54.73	982.47	78.60	98.25	379.43	30.35	37.94

## **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.

Key Messages to Stakeholders

# 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.

An enhanced system to monitor Non-Financial Risk is currently being developed for deployment.

## 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

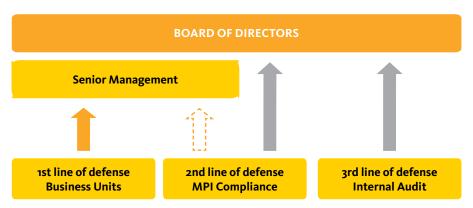
Operational Risk capital charge is calculated using The Standardized Approach (TSA) wherein business activities are mapped into eight business lines as prescribed by Basel II and BSP Risk-Based Capital Adequacy Framework.

Operational Risk (in PhP Million)	RWA	Total Capital Charge	Adjusted Capital Charge
FYE 2020	9,137.58	731.01	913.76
FYE 2021	8,876.61	737.91	922.39
FYE 2022	8,752.00	700.16	875.20

#### **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.



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.

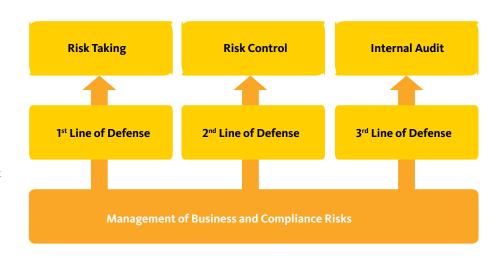
- Establish risk appetite & strategy which articulates the nature, type and level of compliance risk MPI is willing to assume and is reflective of the strategies and business objectives set by Management and the Board. The risk appetite and strategy is reviewed on a continuous basis to ensure that it 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:



covered transaction reporting and (d) suspicious transaction reporting, including the adoption of a

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.

system capable of flagging, monitoring and reporting of suspicious transactions.

#### 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	208.12
Other Related Party	1,934.66
Sub-Total DOSRI & Other RPT	2,142.78
Internal Borrowings	6,972.25
Unsecured Subordinated Loans	-
Sub-Total Internal Borrowings	6,972.25
Total Material RPTs	9,115.03

#### **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 transaction 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.



## IN HUMANISING FINANCIAL SERVICES, WE ENDEAVOUR TO DO THE RIGHT THING.

At Maybank Philippines, we believe that embedding good environmental, social and governance (ESG) practices in the way we do things will determine the future of our business. We aspire to create a sustainable future for all through striking a strategic balance between remaining attentive to the implications of our actions on the communities we serve and to the needs of our different stakeholders. Our ultimate goal is to embed sustainability across all our operations in order to drive change for a better world for the good of humanity.

## **OUR APPROACH TO SUSTAINABILITY**

As an organization, we remain committed to the fundamentals of our business while endeavoring to positively impact the markets where we operate. Our sustainability strategy is guided by the Maybank Group's Sustainability Pillars, which focuses on the creation of long-term value across three key areas: enabling responsible transition to a low carbon economy, empowering our communities and upholding good governance in our operations. We believe these three focus areas show our commitment towards building a sustainable and environmentally-friendly future for the communities we serve.



# RESPONSIBLE TRANSITION

Enabling transisition to a lowcarbon economy by balancing environmental and social imperatives with stakeholders expectations.

- Supporting the transition to a Low-Carbon Economy
- Developing Sustainability-Focused Products and Services
- Systemic Risk Management
- ESG Integration in Financial Analysis
- Engaging our People in Sustainability
- Business Ethicks



# ENABLE OUR

Building community resilience across ASEAN and undertaking responsiveaction to promote economic development and social well-being.

- Empowering Communities
- Financila Inclusion
- · Climate Resilience
- Transparency and Trust
- Diversit, Equity and Inclusion



# OUR HOUSE IS IN ORDER & WE WALK THE TALK

Leading by example with good management practices and ensuring that Maybank's ESG strategy is based upon a strong foundation.

- Governance and Compliance
- Privacy
- Our Supply Chain
- Our Environmental Impact

Four specific commitments have been identified to help move the Group towards becoming the Sustainability Leader in Southeast Asia by 2025. These commitments represent Maybank's investment in people, processes and systems to meet expectations of our stakeholders that are aligned with the United Nations Sustainable Development Goals (UN SDG). Linked to the Group's overall business strategy, these commitments mean collaborating with and for our stakeholders to promote accessible financial services, establish trusted connections as well as maintain fairness and integrity.



To mobilise RM80 billion in Sustainable Finance by 2025



To improve the lives of Two Million Households across ASEAN by 2025



To achieve a Carbon Neutral Position of our own emissons by 2030 and Net Zero Carbon Equivalent position by 2050



To achieve 1 Million hours per annum on sustainability and delivering 1,000 significant UNSDG-related outcomes by 2025

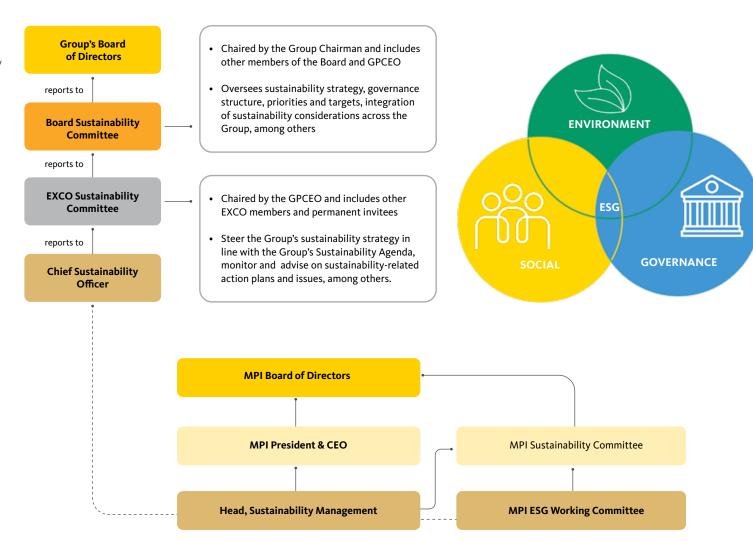
# **GOVERNANCE STRUCTURE AND MANAGEMENT**

The Board of Directors has overall responsibility for sustainability and sets the strategic direction while having oversight of all the processes contributing to achieving of MPI's sustainability commitments alongside longterm shareholder value that considers the interests of other stakeholders. In addition, we have institutionalized the MPI Sustainability Committee, the ESG Working Committee and appointed a Head for Sustainability Management. These enhancements to our sustainability governance aim to ensure clear guidance and oversight for our sustainability efforts.

## INTEGRATING SUSTAINABILITY

Since the start of 2022, Maybank Philippines has been ramping up efforts in support of Maybank Group's sustainability agenda and to align with the Bangko Sentral ng Pilipinas' sustainable finance direction.

We have adopted our Sustainability Framework and policies, products and services with that of the Maybank Group. The Maybank Group Sustainability Framework serves as the overarching document that guides our overall approach towards sustainability and further supported by other core frameworks & policies. The Maybank Group Sustainability Framework sets out Maybank Group's sustainability mission, goals, targets, governance and approach in all our activities.



Note: \* Effective 1 January 2023, Group Chairman stepped down as the chair of BSC. An Independent Non-Executive Director is appointed to chair the Board Sustainability Committee

At the same time, we have been taking steps to embed the scope required in the Bangko Sentral ng Pilipinas Circulars No. 1085 (Sustainable Finance Framework), 1128 (Environment and Social Risk Management Framework), 1149 (Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks) and Memorandum No. M-2022-042 (Guidance on the Implementation of ESRM System) in our operations.

MPI's full adoption of the Group's Sustainability Framework was approved by the MPI Board of Directors in December 2022.

As approved by the Board of Directors, we also adopted Maybank Group's ESG Risk Management Framework in June 2022, which sets out the Bank's approach in managing environmental, social and governance risks of the business activities and operations that the Bank is involved in. It is applicable to all business units within the Bank, across all activities including, but limited to, financing deposit taking, insurance and advisory services. The Framework has taken into account key principles and best practices from United Nations' Human Rights policy, International Finance Corporation (IFC) standards, and global environmental standards. Adoption of the ESG RM Framework also took into consideration Circulars and Guidelines related to the BSP's Sustainable Finance Framework

#### CORPORATE SOCIAL RESPONSIBILITY

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. Our actions are 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.

Maybank Foundation, an ASEAN accredited entity, is the main vehicle for corporate responsibility across Maybank Group with the mandate to create positive, long-term impact in communities in the markets where Maybank operates. Underpinned by six key pillars namely Education, Community Empowerment, Healthy Living, Arts & Culture, Environmental Diversity and Disaster Relief, the Foundation strives to identify programmes that have the most tangible and sustainable results.

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.

We have strongly championed the flagship Maybank Foundation programs R.I.S.E. (Reach Independence and Sustainable Entrepreneurship), eMpowering Youths Across ASEAN and Cashville Kidz since its rollout in the Philippines, and we have forged strong relationships established with the Department of Education, National Council on Disability Affairs, and the Bangko Sentral ng Pilipinas in relation these two programs. We have also remained focused on delivering digitized products and services for safe and convenient banking, with two products positioned to reach out to the unbanked and the underserved, namely the all-digital iSave savings account and the R.I.S.E. savings account, exclusive to R.I.S.E. graduates.

## R.I.S.E. (REACH INDEPENDENCE AND SUSTAINABLE ENTREPRENEURSHIP)

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).

R.I.S.E. is a flagship program funded by Maybank Foundation, implemented in in partnership with People Systems Consultancy Sdn Bhd (PSC). It builds financial inclusion and intelligence across personas with disabilities and marginalized communities.

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, the programme expanded to Luzon, Visayas, Metro Manila, Laguna, Batangas, Bulacan, Cagayan



De Oro, Davao, Palawan, Leyte and Mindanao. Representatives of Maybank branches in the Philippines are invited to conduct a short briefing about Maybank and its product and services during the R.I.S.E. training. The briefing session on financial education and opening a Maybank savings account is usually scheduled on the last day of training.

R.I.S.E. is currently conducted in 4countries across the region namely Malaysia, Philippines, Indonesia, and Loas and is endorsed by various key stakeholders across Southeast Asia.

## **PHILIPPINES HIGHLIGHTS**





## **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 launch in the Philippines in 2019, the CashVille Kidz financial education program has already reached more than 20,000 students in 75 public and private elementary schools in Metro Manila and nearby Cavite province. In 2022 alone, 8,112 students in 27 schools have completed the program, and 412 teachers trained – with the Best School, Best Educator, Best Family and Best Student recognized in the annual Maybank CashVile Kidz Financial Education Excellence (FINEX) Awards.

CashVille Kidz is currently conducted in 7 countries across the region namely Malaysia, Cambodia, Philippines, Indonesia, Singapore, Vietnam and Myanmar, and is endorsed by various key stakeholders across Southeast Asia. To-date, CashVille Kidz have impacted more than 300,000 school children across the region -- 36,394 students in 2022.







of participants are women

## **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. The Global CR Day will resume in 2023.

## 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).







#### INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders Maybank Philippines, Incorporated

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Maybank Philippines, Incorporated (the Bank) which comprise the statements of financial position as at December 31, 2022 and 2021, 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

## **Basis for Opinion**

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

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

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

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Risk Management

- 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 Section 174 of the Manual of Regulations for Banks (MORB) 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 Section 174 of the MORB in Note 33 and Revenue Regulations 152010 in Note 34 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Maybank Philippines, Incorporated. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Lulu Aime G. Huang Leslie Anne G. Huang

Partner

CPA Certificate No. 134290

Tax Identification No. 238-044-991

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 134290-SEC (Group A)

Valid to cover audit of 2022 to 2026 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. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025 PTR No. 9564633, January 3, 2023, Makati City

April 12, 2023

# MAYBANK PHILIPPINES, INCORPORATED STATEMENTS OF FINANCIAL POSITION

	December 31		
	2022	2021	
ASSETS			
Cash and Other Cash Items	₱1,653,209,339	₱1,757,511,280	
Due from Bangko Sentral ng Pilipinas (Note 13)	12,086,275,716	16,670,508,819	
Due from Other Banks (Note 28)	1,121,021,156	2,313,027,681	
Interbank Loans Receivable and Securities Purchased			
under Resale Agreements	2,651,203,416	6,270,065,184	
Financial Assets at Fair Value Through Profit or Loss			
(Notes 6 and 17)	300,375,633	4,232,955,397	
Financial Assets at Fair Value Through			
Other Comprehensive Income (Note 7)	6,481,158,229	8,596,991,140	
<b>Investment Securities at Amortized Cost</b> (Note 8)	13,440,945,713	10,442,445,542	
Loans and Receivables (Note 9)	44,751,764,061	48,100,950,850	
Property and Equipment (Note 10)	286,680,459	245,946,922	
Right-of-Use Assets (Note 24)	619,425,733	567,135,113	
Investment Properties (Note 11)	2,210,338,305	1,163,016,303	
<b>Deferred Tax Assets</b> (Note 25)	1,296,423,269	1,413,624,970	
Other Assets (Note 12)	519,027,461	654,714,931	
TOTAL ASSETS	₱87,417,848,490	₱102,428,894,132	
LIABILITIES AND EQUITY			
LIABILITIES			
Deposit Liabilities (Notes 13 and 28)			
Demand	₱23,518,390,390	<del>P</del> 26,990,507,379	
Savings	18,699,619,269	22,404,961,178	
Time	20,323,867,516	22,384,636,615	
	62,541,877,175	71,780,105,172	
Bills Payable (Notes 14 and 28)	6,969,375,000	11,372,777,000	
Subordinated Debt (Note 28)	=	1,993,568,187	
Accrued Interest, Taxes and Other Expenses (Note 15)	971,784,465	1,290,991,755	
Lease Liabilities (Note 24)	801,288,178	717,848,794	
Financial Liabilities at Fair Value through			
Profit or Loss (Notes 17 and 28)	364,963,217	219,594,198	
Manager's Checks	608,784,228	501,201,983	
Income Tax Payable	477,190	1,328,705	
Other Liabilities (Note 16)	1,844,441,950	1,713,667,085	

74,102,991,403

89,591,082,879

	December 31		
	2022	2021	
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	
Surplus Reserve (Note 19)	66,069,787	63,186,832	
Surplus	3,096,094,212	2,089,137,897	
Net Unrealized Losses on Financial Assets at Fair Value			
Through Other Comprehensive Income (Note 7)	(377,310,564)	(50,334,260)	
Remeasurement Losses on Retirement Plan (Note 20)	(21,372,104)	(79,699,772)	
Cumulative Translation Adjustment	5,875,453	7,258,535	
Treasury Shares (Note 19)	(383,605)	(383,605)	
	13,314,857,087	12,837,811,253	
TOTAL LIABILITIES AND EQUITY	₱87,417,848,490	₱102,428,894,132	

## MAYBANK PHILIPPINES, INCORPORATED STATEMENTS OF INCOME

	Years Ended December 31		
	2022	2021	
INTEREST INCOME ON			
Loans and receivables (Notes 9 and 28)	₱3,655,679,107	₱4,288,610,229	
Financial investments (Notes 6, 7, 8 and 17)	860,754,011	682,961,997	
Due from Bangko Sentral ng Pilipinas and other banks	142,347,510	86,388,132	
Interbank loans receivable and securities purchased		1	
under resale agreements	112,876,669	58,853,957	
	4,771,657,297	5,116,814,315	
INTEREST EXPENSE ON			
Deposit liabilities (Notes 13 and 28)	702,938,315	773,679,468	
Bills payable and other borrowings (Notes 14 and 28)	197,346,391	133,542,430	
Financial liabilities at fair value through profit or loss			
(Note 17 and 28)	34,102,533	9,667,611	
Lease liabilities (Note 24)	87,454,671	58,383,737	
	1,021,841,910	975,273,246	
NET INTEREST INCOME	3,749,815,387	4,141,541,069	
OTHER INCOME AND CHARGES			
Service charges, fees and commissions (Notes 22 and 28)	752,774,377	922,425,222	
Gain (loss) on sale of properties	41,877,585	(43,024,962)	
Net trading gains (losses) (Note 21)	(1,101,418,175)	546,703,110	
Foreign exchange gains (losses) – net	1,369,547,805	(362,779,659)	
Gain on foreclosures	248,330,125	92,362,239	
Miscellaneous (Note 23)	143,066,478	135,532,212	
TOTAL OPERATING INCOME	5,203,993,582	5,432,759,231	

	Years Ended December 31		
	2022	2021	
OTHER EXPENSES AND CHARGES			
Compensation and fringe benefits (Notes 20 and 28)	1,708,870,836	1,688,917,428	
Taxes and licenses	537,560,253	619,840,706	
Depreciation and amortization (Notes 10, 11, 12 and 24)	418,885,400	393,903,348	
Information and technology	250,374,985	248,077,576	
Litigation and asset acquired (Note 11)	156,765,539	191,973,943	
Insurance	142,963,221	185,842,036	
Occupancy (Note 24)	132,533,955	135,418,225	
Security, messengerial and janitorial	123,098,162	138,771,610	
Provision for impairment and credit losses			
(Notes 7, 8, 9, 11, 12 and 16)	60,948,955	418,593,218	
Postage, telephone and telegrams	36,057,949	45,538,214	
Stationery and supplies used	18,695,532	26,405,974	
Management and other professional fees	16,728,572	85,392,869	
Traveling	14,936,663	8,542,120	
Entertainment, amusement and recreation	998,851	198,372	
Miscellaneous (Note 23)	471,427,382	520,968,633	
TOTAL OPERATING EXPENSES	4,090,846,255	4,708,384,272	
INCOME BEFORE INCOME TAX	1,113,147,327	724,374,959	
PROVISION FOR INCOME TAX (Note 25)	366,069,775	334,785,953	
NET INCOME	₱747,077,552	₱389,589,006	

Who we are & what we do Key Messages to Stakeholders Review of 2022 Operations Our Leadership

# MAYBANK PHILIPPINES, INCORPORATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended Decemb	
	2022	2021
NET INCOME	<del>P</del> 747,077,552	₱389,589,006
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)	(353,865,727)	(212,874,299)
Tax effect	26,889,423	57,152,890
Cumulative translation adjustment	(1,383,082)	11,098,975
Item that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gains on retirement plan (Note 20)	77,770,223	3,400,486
Tax effect	(19,442,555)	(6,333,464)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	(270,031,718)	(147,555,412)
TOTAL COMPREHENSIVE INCOME	<del>₽</del> 477,045,834	₱242,033,594

# MAYBANK PHILIPPINES, INCORPORATED STATEMENTS OF CHANGES IN EQUITY

	<b>"</b> Ą"	Preferred Sto	ock (Note 19) "C"	Subtotal	Common Stock (Note 19)	Cost of Share-Based Payment (Note 19)	Surplus Reserve (Note 19)	Surplus		Remeasurement Gains (Losses) on Retirement Plan (Note 20)	Cumulative Translation Adjustment	Treasury Shares (Note 19)	Total
Balances at January 1, 2022	₱4,440,000				P10,313,344,184	P262,761,718	, ,	<b>₽</b> 2,089,137,897	(Note 1)	(P79,699,772)	₱7,258,535		212,837,811,253
Net income	-	-	-	_	_	-	-		-	-	,	-	747,077,552
Other comprehensive income (loss)	_	-	_	_	-	_	_	-	(326,976,304)	58,327,668	(1,383,082)	_	(270,031,718)
Total comprehensive income (loss)	_	-	-	-	_	_	-	747,077,542	(326,976,304)	58,327,668	(1,383,082)	-	477,045,834
Transfer to surplus and surplus reserve	_	-	-	-	_	(262,761,718)	2,882,955	259,878,763	-	-	-	-	_
Balances at December 31, 2022	₱4,440,000	₱8,880,000	<del>P</del> 219,219,724	₱232,539,724	₱10,313,344,184	₽_	₱66,069,787	₱3,096,094,212	( <del>P</del> 377,310,564)	( <del>P</del> 21,372,104)	₱5,875,453	( <del>P</del> 383,605) <del>F</del>	13,314,857,087
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	( <del>P</del> 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)	( <del>P</del> 79,699,772)	₱7,258,535	( <del>P</del> 383,605)	₱12,837,811,253

# MAYBANK PHILIPPINES, INCORPORATED STATEMENTS OF CASH FLOWS

	Years End	ded December 31
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱1,113,147,32 <b>7</b>	₱724,374,959
Adjustments for:	, , ,	,, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Net loss (gain) on sale of:		
Investment properties and other properties acquired	41,877,585	44,246,308
Property and equipment	-	(1,221,346)
Depreciation and amortization (Notes 10, 11, 12 and 24)	418,885,400	393,903,348
Provision for impairment and credit losses (Notes 9,11 and 12)	60,948,955	419,412,718
Amortization of premium/discount Gain on foreclosure of investment properties	(23,204,140)	(42,894,751)
and other properties acquired	(248,330,125)	(92,362,239)
Unrealized trading loss (gain) (Note 6)	152,977,893	(592,072,522)
Retirement expense (Note 20)	91,588,137	88,880,537
Interest expense on lease contracts (Note 24)	87,454,671	58,383,737
Realized trading loss (gain) on sale of financial assets at FVOCI investments (Note 21)	112,040	1,240
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Financial assets at fair value through profit or loss	3,932,579,764	147,235,734
Loans and receivables	1,766,340,575	8,916,358,729
Other assets	(156,432,507)	(8,126,760)
Increase (decrease) in the amounts of:		
Deposit liabilities	(9,238,227,997)	(8,756,930,905)
Financial liabilities at fair value through profit or loss	145,369,019	55,019,781
Accrued interest, taxes and other expenses	(319,207,290)	195,106,855
Manager's checks and outstanding acceptances	107,582,245	125,726,028
Other liabilities	90,501,542	294,203,369
Net cash provided by (used in) operations	(1,976,036,906)	1,969,244,820
Retirement contribution (Note 20)	(91,588,137)	(90,112,129)
Income taxes paid	(242,272,721)	(244,948,758)
Net cash provided by (used in) operating activities	(2,309,897,764)	1,634,183,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVOCI	(36,271,855,736)	(46,722,785,707)
Financial assets at amortized cost	(5,334,212,674)	(17,383,790,668)
Property and equipment (Note 10)	(119,312,053)	(52,915,356)
Software costs (Note 12)	(39,495,349)	(39,177,692)

	Years E	nded December 31
	2022	2021
Proceeds from:		
Sale and maturities of financial assets at FVOCI	38,090,975,810	45,851,518,110
Maturities of financial assets at amortized cost	2,347,344,535	15,561,901,655
Disposals of property and equipment (Note 10)	3,305,016	4,114,614
Disposals of investment properties and		
other properties acquired (Notes 11 and 12)	752,625,837	1,085,570,242
Net cash used in investing activities	(570,624,614)	(1,695,564,802)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of bills payable	613,360,755,000	1,150,864,638,197
Settlement of bills payable	(617,764,157,000)	(1,141,700,000,000)
Settlement of subordinated debt	(1,993,568,187)	(919,197)
Payment for principal portion of lease liabilities (Note 24)	(220,527,690)	(188,112,156)
Net cash provided by (used in) financing activities	(6,617,497,877)	8,975,606,844
CUMULATIVE TRANSLATION ADJUSTMENT	(1,383,082)	11,098,975
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,499,403,337)	8,925,324,950
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	1,757,511,280	1,318,048,371
Due from Bangko Sentral ng Pilipinas (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
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	1,653,209,339	1,757,511,280
Due from BSP	12,086,275,716	16,670,508,819
Due from other banks	1,121,021,156	2,313,027,681
Interbank loans receivable and SPURA	2,651,203,416	6,270,065,184
	₱17,511,709,627	<del>₱</del> 27,011,112,964
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	<del>P</del> 4,840,214,439	₱5,741,009,73 <sup>4</sup>
Interest paid	3,028,014,189	1,004,553,150

# MAYBANK PHILIPPINES, INCORPORATED NOTES TO FINANCIAL STATEMENTS

### 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 60 and 63 branches as of December 31, 2022 and 2021, 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 99.86% owned by Malayan Banking Berhad (the Parent Company) incorporated in Malaysia.

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

#### 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, 2022. Adoption of these pronouncements did not have a significant impact on the Bank's financial position or performance.

• Amendments to PFRS 3, Reference to the Conceptual Framework

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Amendments to PAS 16, Property, Plant and Equipment: Proceeds before Intended Use The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the 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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

 Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

• Amendments to PAS 41, Agriculture, Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

#### **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.

## <u>Financial Instruments – Initial Recognition and Subsequent Measurement</u>

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.

Key Messages to Stakeholders

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 Furniture, fixtures and equipment Leasehold improvements 50 years 5 to 7 years 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
- 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.

Key Messages to Stakeholders

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.

# **Share-Based Payment Transactions**

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

#### Eauity-settled transactions

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

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

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

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

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

### **Treasury Shares**

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

#### Revenue Recognition

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

## Within the scope of PFRS 15

Service, charges, fees and commissions

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

#### Gain (loss) on foreclosures and sale of properties

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

#### Other income

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

#### Outside the scope of PFRS 15

#### Interest income

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

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

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

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

## Net trading gains (losses)

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

#### 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.

#### Riaht-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.

## Eauity

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.

Key Messages to Stakeholders

'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, 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
- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback

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

#### **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

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.

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.

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 instrumentby-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, 2022 and 2021, 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**

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 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 an 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, 2022 and 2021 are disclosed in Note 9.

## 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, 2022 and 2021, the Bank recognized deferred tax assets amounting to ₱1.3 billion and ₱1.4 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.

## 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 and 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, 2022 and 2021 and the details of the assumptions used in the actuarial valuation are provided in Note 20.

# 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), Non-Financial Risk (NFR), Enterprise Risk Management (ERM), Credit Risk Review, Office of the Chief Information and Security Officer (OCISO) 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 w 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, 2022 and 2021:

#### December 31, 2022

		December	31, 2022	
		Maximum	Exposure	
		Fair value of	Financial effect	
	Carrying value	collateral	of collateral	Net exposure
SPURA	₱2,651,203,41 <b>6</b>	₱2,651,203,416	₱2,651,203,41 <b>6</b>	-
Loans and receivables:				
Loans:				
Corporate	9,356,131,117	95,451,087	94,181,193	9,261,949,924
Commercial	3,286,731,004	6,188,451,656	3,099,272,710	187,458,294
Consumer:	-	-	-	-
Auto loans	17,451,551,494	41,856,046,804	15,788,924,264	1,662,627,230
Housing loans	12,687,366,057	21,911,779,059	12,408,894,411	278,471,646
Others	845,688,771	22,613,602	13,157,975	832,530,796
	43,627,468,443	70,074,342,208	31,404,430,553	12,223,037,890
Accounts receivable:				
Corporate	719,324,430	_	-	719,324,430
Individual	8,761,837	_	-	8,761,837
	728,086,267			728,086,267
Sales contract receivable:				
Corporate	267,474,492	534,400,000	267,474,492	-
Individual	32,038,135	87,626,477	32,038,135	_
	299,512,627	622,026,477	299,512,627	-
RCOCI	191,279	-	_	191,279
	<del>P</del> 47,306,462,032	₱73,347,572, <b>10</b> 1	<del>P</del> 34,355,146,596	₱12,951,315,4 <b>3</b> 6

### 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	

#### December 31, 2021

	Maximum Exposure			
	Carrying value	Fair value of collateral	Financial effect of collateral	Net exposure
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

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2022 and 2021.

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, 2022		December 31, 2021	
	Amount	%	Amount	%
Loans and Receivables				
Construction and real estate Wholesale and retail, repair of motor vehicles, motorcycles and personal	₱14,192,432	32.53	₱17,302,924	35.97
household goods	5,226,318	11.98	6,376,309	13.26
Power, electricity and water distribution	3,046,023	6.98	3,878,903	8.06
Transportation, storage and communication	2,656,926	6.09	3,319,452	6.90
Trading and manufacturing	1,710,698	3.92	1,777,362	3.70
Government	1,460,979	3.35	1,540,344	3.20
Agriculture	1,129,598	2.59	1,541,891	3.21
Financial intermediaries	651,393	1.49	839,971	1.75
Others	13,553,101	31.07	11,523,795	23.96
	43,627,468	100.00	48,100,951	100.00
Loans and Advances to Banks*				
Government	14,737,479	90.84	22,940,574	90.84
Financial intermediaries	1,121,021	9.16	2,313,028	9.16
	15,858,500	100.00	25,253,602	100.00
Trading and Financial Investment Secu	rities**			
Government	17,927,954	88.60	20,648,939	88.82
Activities of holding companies	1,333,281	6.59	-	_
Financial intermediaries	557,590	2.76	508,990	2.19
Construction and real estate	219,008	1.08	896,245	3.86
Power, electricity and water distribution	n –	_	90,382	0.39
Others	195,807	0.97	1,103,691	4.75
	20,233,640	100.00	23,248,247	100.00

- 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

17,972,825

₱97,692,433

100.00

2,302,554

₱98,905,354

100.00

Consists of Miscellaneous COCI and Contingent liabilities relating to outstanding letters of credit

#### Credit quality per class of financial assets

Financial intermediaries

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 1 to 22 Grade 1 (i.e. lowest probability of default) is the best grade while Grade 22 (i.e. highest probability of default) is the worst grade.
  - High grade (accounts with risk grade of 1 to 10) Accounts falling within this classification have good to highly exceptional capacity to meet its financial commitments with very low to low credit risk.
  - 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.
  - Substandard grade (accounts with risk grade of 16 to 22) Accounts under this category exhibit high credit or default risk with impairment characteristics that are neither classified under 'past due but not impaired' nor 'individually impaired'.

Start-up companies, regardless of the strength of their percentage have default grade cap of 19.

- Non-Performing Grade is from Grade 23 to 25 which is under past due or impaired.
  - Grade 23 is a non-performing grade assigned to borrowers classified as Substandard accounts. These are loans and other credit accommodations that have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower. Basic characteristics include the following:
    - Weak financial condition and results of operation that leads to the borrower's inability to generate sufficient cash flow for debt servicing, except for start-up firms which shall be evaluated on a case-to-case basis:
    - Past due secured loans and other credit accommodations where properties offered as collateral have been found with defects as to ownership or with other adverse
    - 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.
  - 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.
  - 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, 2022 follow (in thousands):

	Stage 1	Stage 2	Stage 3	TOTAL
Auto				
Unrated	₱15,236,00 <b>7</b>	<del>P</del> 1,901,071	₽-	₱17,137,078
High grade	-	-	823,446	823,446
Auto Total	15,236,007	1,901,071	823,446	17,960,524
Commercial				
Unrated	2,895,494	58,782	62,419	3,016,695
Standard grade	25,043	-	303	25,346
Substandard Grade	653	18,052	57,006	75,711
Non-performing grade	_	_	529,603	529,603
Commercial Total	2,921,190	76,834	649,331	3,647,355
Corporate				
High Grade	3,444,237	-	-	3,444,237
Standard grade	5,567,457	117	-	5,567,574
Substandard Grade	8,706	523,293	892,029	1,424,028
Non-performing grade	-	-	308,732	308,732
Corporate Total	9,020,400	523,410	1,200,761	10,744,571
Housing				
Unrated	11,819,721	801,948	_	12,621,669
Non-performing grade	-	-	196,940	196,940
Housing Total	11,819,721	801,948	196,940	12,818,609
Other				
Unrated	869,420	38,428	_	907,848
Non-performing grade			21,109	21,109
Other Total	869,420	38,428	21,109	928,957
Grand Total	₱39,866,738	₱3,341,691	<del>₽</del> 2,891,587	<del>₽</del> 46,100,016

The credit quality of the Bank's financial assets other than loans and receivables as of December 31, 2022 follow (in thousands):

	Stage 1	Stage 2	Stage 3	TOTAL
Due from BSP				
High Grade	₱12,086,27 <b>6</b>			₱12,086, <b>2</b> 76
Due from Other Banks				
High Grade	₱1,121,02 <b>1</b>			₱1,121,02 <b>1</b>
Interbank Loans Receivables and SPURA				
High Grade	₱2,651,20 <b>3</b>			₱2,651,2 <b>0</b> 3
Financial Instruments at FVOCI				
High Grade	₱6,457,01 <b>3</b>			₱6,457,01 <b>3</b>
Financial Instruments at Amortized Cost				
High Grade	₱13,475,980			₱13,475,98 <b>0</b>

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

	Stage 1	Stage 2	Stage 3	TOTAL
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	<del>₱</del> 39,155,874	₱6,107,014	<del>P</del> 4,305,435	<del>P</del> 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	<del>₱</del> 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

As of December 31, 2022 and 2021, allowance on individually impaired receivables of the Bank amounted to ₱1.2 billion for both years.

#### 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 forwardlooking 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:

- Interest rate risk: arising from changes in prevailing interest rates and implied volatilities on interest rate options; and
- 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
  - IRRBB, which covers the risk of loss in earnings or in economic value on banking book exposures arising from movements in the interest rates
  - 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

Key Messages to Stakeholders

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.

#### Tradina: 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, 2022 and 2021 (amounts expressed in thousands).

		Rates Trading
Desk	2022	2021
PHP	(₱0.56)	(₱3.31)
USD	(0.00)	(0.00)
Net	(₱0.56)	(₱3.31)

# Interest Rate Derivatives Desk 2022 2021 PHP (₱42.49) ₱8.77 USD 26.26 (54.16) Net (₱16.22) (₱45.39)

# 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, 2022 and 2021 (amounts expressed in thousands).

	Rat	Rates Banking		
Desk	2022	2021		
PHP	( <del>P</del> 3,620)	(₱2,884)		
USD	(1,095)	(1,560)		
Net	(₱4,715)	( <del>P</del> 4,444)		

# 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.

Economic Value of Equity ("EVE") / Impact on Economic Value ("IEV"), on the other hand, measures the sensitivity of economic value of all Non Trading Book assets, liabilities and interest rate related off-balance sheet products to interest rate movements over a longer horizon. IEV 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 behavioural assumptions to repricing cash flow.

Change in equity

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.

Beginning January 2022, the Bank employed additional tools to aid in the management of IRRBB via the Risk Confidence ("RCO") system. There are 7 scenarios for EVE which includes 1 baseline scenario and 6 shock scenarios, and 3 scenarios for NII which includes 1 baseline scenario and 2 shock scenarios. The simulation considers assumptions on loan prepayment, deposits early redemption and CASA deposit behavior.

The following tables provide additional information on the statistical impact on net income and equity as of December 31, 2022 and 2021 (amounts in thousands):

	December 31, 2022						
Currency	PH	Р	US	\$			
Changes in interest rates (in basis points) Change in net income Change in equity	+100 (₱175,938) (388,057)	-100 ₱175,938 388,057	+100 (₱111,091) (105,800)	-100 ₱111,091 105,800			
		Decembe	r 31, 2021				
Currency	PH	Р	US	\$			
Changes in interest rates (in basis points) Change in net income	+100 (₱177,888)	-100 ₱177,888	+100 (₱144,711)	-100 ₱144,711			

The impact on the Bank's equity represents impact on OCI and excludes the impact on transactions affecting the statements of income.

109,059

(147,431)

147,431

(109,059)

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, 2022 and 2021.

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

Effect on profit before tax (in thousands)

	Decem	nber 31, 2022
Changes in foreign currency exchange rate	+5.0%	-5.0%
Effect on profit before tax (in thousands)	<del>₽</del> 15,246	( <del>P</del> 15,246)
	Decer	mber 31, 2021
Changes in foreign currency exchange rate	+5.0%	-5.0%

₱3,852

(73,852)

	Decem	December 31, 2022		ber 31, 2021
	Spot	Forwards	Spot	Forwards
PV01	(112)	(1,394)	(102)	(153)

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

#### Management of liquidity risk

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

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

# Liquidity coverage ratio 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, 2022					
	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	₱1,653,209	₽-	₽-	₽-	₽-	₱1,653,20 <b>9</b>
Due from BSP	12,096,250	-	-	-	-	12,096,250
Due from other banks	1,121,021	-	-	-	-	1,121,021
Interbank loans receivable and SPURA	2,653,229	-	-	-	-	2,653,229
Financial assets at FVPL:						
Government securities	104,840	-	-	-	-	104,840
Derivative assets	111,879	13,519	2,428	12,108	55,873	195,807
Financial assets at FVOCI:						
Debt instruments						
Government	1,102,421	766,330	254,308	290,134	4,353,133	6,766,326
Private	-	95,115	584	1,169	38,935	135,803
Equity						
Quoted	-	-	-	-	8,761	8,761
Unquoted	-	-	-	-	15,384	15,384
Financial assets at amortized cost:						
Government	901,225	583,766	558,638	246,131	11,155,300	13,445,060
Private	773	572,122	31,987	40,614	1,511,744	2,157,240
Loans and receivables:						
Receivables from:						
Corporate	2,333,825	1,965,168	1,364,111	553,421	6,463,598	12,680,123
Commercial	919,931	1,043,562	513,806	289,118	1,880,321	4,646,738
(= ")						

(Forward)

	December 31, 2022					
	Up to 1	1 to 3	3 to 6	6 to 12	,	Total
	Month	Months	Months	Months	1 year	Total
Consumer:						
Auto loans	₱1,082,880	₱1,608,711	₱2,126,353	₱3,737,525	₱12,215,179	₱20,770,648
Housing loans	167,832	333,871	498,073	981,886	17,759,379	19,741,041
Others	719,224	26,273	35,573	60,832	184,834	1,026,736
	5,223,692	4,977,585	4,537,916	5,622,782	38,503,311	58,865,286
Sales contract receivable:						
Corporate	260,169	-	-	-	7,305	267,474
Individual	882	-	-	135	31,022	32,039
	261,051	-	-	135	38,327	299,513
Accounts receivable:						
Corporate	499,895	82,316	2,118	87,346	30,043	701,717
Individual	2,940	263	271	274	907	4,656
	502,835	82,579	2,389	87,620	30,950	706,373
RCOCI	191	-	_	-	-	191
	₱25,732,616	₱7,091,016	₱5,388,250	₱6,300,693	<del>P</del> 55,711,718	₱100,224,293
Financial Liabilities						
Deposit liabilities:						
Demand	23,518,390	-	-	-	-	23,518,390
Savings	18,430,181	223,879	31,252	14,306	-	18,699,619
Time	12,436,877	1,502,236	939,959	347,801	5,237,737	20,464,610
	54,385,448	1,726,115	971,211	362,107	5,237,737	62,682,619
Financial liabilities at FVPL:						
Interest rate swaps						
CIRS						
Forward contracts						
FX Corp						
Bills payable	6,969,375	-	-	-	-	6,969,375
Manager's checks	608,784	-	-	-	-	608,784
Accrued interest payable	82,397	-	-	-	-	82,397
Accounts payable	90,432	5,223	3,611	3,611	1,723,452	1,826,330
Subordinated debt	-	-	-	-		-
Due to Treasurer of the Philippines	23,601	-	_	-	23,601	23.601
	62,160,037	1,731,338	974,822	365,718	6,984,790	72,169,529
Contingent liabilities	897,692	967,257	1,449,597	208,510	123,610	3,616,666

	December 31, 2021					
	Up to 1	1 to 3	3 to 6	6 to 12	Beyond	Total
	Month	Months	Months	Months	1 year	
Financial Assets	<b></b>	_	_	_	_	<b>-</b>
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		113,774,422
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
	-, =-			,	,	,

	December 31, 2021					
	Up to 1	1 to 3	3 to 6	6 to 12	Beyond	Total
	Month	Months	Months	Months	1 year	
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

# **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, 2022

			Fair Value		
		Quoted prices in	Significant observable	Significant unobservable	
	Carrying value	active market (Level 1)	inputs (Level 2)	inputs (Level 3)	Total
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱104,568, <b>4</b> 50	₱104,568,4 <b>5</b> 0	₽-	₽-	₱104,568,450
Derivative assets	195,807,183	195,807,183	-	-	195,807,183
Financial assets at FVOCI:			-	-	
Government securities	6,329,657,656	6,329,657,656	-	-	6,329,657,656
Private debt securities	127,355,591	127,355,591	-	-	127,355,591
Quoted equity securities	8,761,382	8,761,382	_	-	8,761,382
Unquoted equity securities	15,383,600	15,383,600	-	-	15,383,600
	6,781,533,862	6,781,533,862	_	_	6,781,533,862
Assets for which fair values are disclosed	i				
Financial assets					
Investment securities at amortized cost:					
Government securities	11,493,456,739	11,088,472,162	_	-	11,088,472,162
Private debt securities	1,947,488,974	1,906,196,687	_	-	1,906,196,687
	13,440,945,713	12,994,668,849	_	-	12,994,668,849
Loans and receivables					
Receivable from customers:					
Corporate lending	9,356,131,117	_	_	10,569,228,095	10,569,228,095
Commercial lending	3,214,256,016	_	_	3,481,464,986	3,481,464,986
Consumer lending	31,057,081,310	_	_ :	33,096,444,193	33,096,444,193
	43,627,468,443	-		47,147,137,274	47,147,137,274
Non-financial assets					
Investment properties	2,210,338,305			2,610,529,212	2,610,529,212
Total assets	₱66,060,286,323	₱19,776,202,711	₽- 1	₱49,757,666,48 <b>6</b>	₱69,533,869.19 <b>7</b>

#### December 31, 2022

			Fair Value		
	Carrying value		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱364,963,217		₱364,963,217		₱364,963,217
Liabilities for which fair values are disclosed					
Financial liabilities					
Time deposits	20,323,867,516	-	-	20,323,867,516	20,323,867,516
Bills payable	6,969,375,000	-	_	6,969,375,000	6,969,375,000
Total liabilities	₱27,658,205,733	₽-	₱364,963,217	₱27,293,242,516	₱27,658,205,733

#### December 31, 2021

		DE	cerriber 31, 2021		
	Carrying value	Quoted prices in active market (Level 1)	Fair Value Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Tota
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	-	330,955,39
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

#### December 31, 2021

	Carrying value	Quoted prices in active market (Level 1)	Fair Value Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
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
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱219,594,198	₱–	₱219,594,198	₱-	₱219,594,198
Liabilities for which fair values are disclose	d				
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

In 2022 and 2021, 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.

Location

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 Market data approach for building and condominium for sale/lease	Price per square meter, size, location, shape, time element and corner influence		
Land and building	and cost approach method for land improvements	Reproduction cost new		
Significant Unobservable Inp	<u>uts</u>			
Reproduction cost new  The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.				
Size		luate if the lot size of property or verage cut of the lots in the area size differences on land value.		
Shape	maximizes the usable area of t	hereas an ideal lot configuration		

	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.
	_ , , , , , , , , , , , , , , , , , , ,

Location of comparative properties whether on a main road.

Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to Discount 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.

# Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	2022	2021
Government securities	₱104,568,4 <b>5</b> 0	₱3,902,000,000
Derivative assets (Note 17)	195,807,183	330,955,397
	₱300,375,633	₱4,232,955,397

As of December 31, 2022 and 2021, financial assets at FVPL include net unrealized loss of ₱152.9 million and net unrealized gain of ₱592.1 million, respectively.

Effective interest of government securities ranges from 1.38% to 10.63% and 1.80% to 1.94% in 2022 and 2021, respectively.

Interest income on financial assets at FVPL amounted to ₱42.6 million and ₱54.4 million in 2022 and 2021, respectively.

**Financial Statements** 

# Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

	2022	2021
Debt instruments:		
Government securities	₱6,329,657,656	₱8,100,604,588
Private	127,355,591	472,241,570
	6,457,013,247	8,572,846,158
Quoted equity instruments	8,761,382	8,761,382
Unquoted equity instruments	15,383,600	15,383,600
	₱6,481,158,229	₱8,596,991,140

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

	2022	2021
Balance at beginning of year	(₱50,334,260)	₱105,387,149
(Gains)/losses taken to profit and loss	(112,040)	1,240
Changes in fair value recognized in equity	(353,148,422)	(215,964,055)
Expected credit losses	(605,265)	3,088,516
	(404,199,987)	(107,487,150)
Tax effect	26,889,423	57,152,890
Balance at end of year	(377,310,564)	( <del>₱</del> 50,334,260)

Interest income from FVOCI investments in 2022 and 2021 amounted to ₱284.8 million and ₱281.9 million, respectively.

Peso-denominated financial instruments at FVOCI have effective interest rates ranging from 2.38% to 6.49% and 1.69% to 6.49% in 2022 and 2021, respectively. Foreign currency-denominated financial instruments at FVOCI bear interest of 1.39% to 3.63% and 1.39% to 2.85% in 2022 and 2021, respectively.

# **Investment Securities at Amortized Cost**

This account consists of:

	2022	2021
Government securities (Note 26)	₱11,493,456,739	₱8,616,811,153
Private debt securities	1,982,523,003	1,872,300,450
	13,475,979,742	10,489,111,603
Allowance for credit losses	(35,034,029)	(46,666,061)
	₱13,440,945,71 <b>3</b>	<del>P</del> 10,442,445,542

Peso-denominated bonds have effective interest rates ranging from 3.38% to 6.88% and from 1.60% to 6.64% in 2022 and 2021, respectively. Foreign currency-denominated bonds have effective interest rates ranging from 2.75% to 5.75% and from 0.01% to 5.53% in 2022 and 2021, respectively.

Interest income from financial assets held at amortized cost amounted to ₱533.4 million and ₱346.7 million in 2022 and 2021, respectively.

# **Loans and Receivables**

This account consists of:

	2022	2021
Receivables from customers:		
Corporate	₱10,744,570,42 <b>5</b>	₱11,267,821,090
Commercial	3,647,355,735	3,249,682,334
Consumer:		
Auto loans	17,960,524,481	22,428,221,182
Housing loans	12,818,608,642	11,672,459,167
Others	928,956,841	950,139,948
	46,100,016,124	49,568,323,721
Less: unearned discounts and other deferred income	53,183,769	29,979,628
	46,046,832,355	49,538,344,093
Accounts receivable:		
Corporate (Note 28)	700,576,786	1,135,810,639
Individual	8,761,837	9,974,954
	709,338,623	1,145,785,593

	2022	2021
Accrued interest receivable (Note 28)	929,933,365	1,021,694,647
Sales contract receivable:		
Corporate	267,474,492	316,756,819
Individual	32,038,135	38,197,906
	299,512,627	354,954,725
RCOCI	191,278	276,516
	47,985,808,249	52,061,055,574
Less: allowance for credit losses	3,234,044,188	3,960,104,724
	<del>P</del> 44,751,764,061	₱48,100,950,850

#### Receivables from customers consist of:

	2022	2021
Loans and discounts	<del>₽</del> 44,423,113,177	<del>1</del> 944,858,117,684
Customers' liabilities and other loans	444,972,799	3,662,174,930
Restructured loans	1,178,418,028	1,018,422,855
Bills purchased (Note 16)	53,512,120	29,608,252
	₱46,100,016,124	<del>1</del> 49,568,323,721

# 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, 2022 and 2021, after subsequent accretion of the modified loans, amounted to ₱161.2 million and ₱127.3 million, respectively.

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

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Gross carrying amount as at December 31, 2021 New assets originated or purchased that remained	₱8,483,068	₱1,582,477	₱1,202,276	₱11,267,821
at Stage 1 as at December 31, 2022 Newly originated assets that moved to Stages 2 and	5,189,583	-	-	5,189,583
3 as at December 31, 2022 Effect of collections and other movements in	-	523,293	68,259	591,552
receivable balance	(4,652,396)	(1,512,693)	(139,297)	(6,304,386)
Transfers to Stage 1	144	(144)	-	-
Transfers to Stage 3	_	(69,523)	69,523	-
At December 31, 2022	9,020,399	523,410	1,200,761	10,744,570
Commercial loans				
Gross carrying amount as at December 31, 2021 New assets originated or purchased that remained	2,326,067	234,891	688,724	3,249,682
at Stage 1 as at December 31, 2022 Newly originated assets that moved to Stages 2 and	1,997,967	-	-	1,997,967
3 as at December 31, 2022 Effect of collections and other movements	-	43,875	3,622	47,497
in receivable balance	(1,392,001)	(165,613)	56,331	(1,501,283)
Write-offs	-	-	(146,508)	(146,508)
Transfers to Stage 1	12,629	(12,629)	-	-
Transfers to Stage 2	(14,266)	14,266	-	-
Transfers to Stage 3	(9,206)	(37,956)	47,162	-
At December 31, 2022	2,921,190	76,834	649,331	3,647,355
Auto loans				
Gross carrying amount as at December 31, 2021 New assets originated or purchased that remained	17,507,770	2,995,688	1,924,763	22,428,221
at Stage 1 as at December 31, 2022 Newly originated assets that moved to Stages 2 and	5,397,515	-	-	5,397,515
3 as at December 31, 2022	-	129,251	14,649	143,900

(Forward)

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Effect of collections and other movements in receivable balance	(7,285,500)	(1,507,149)	(797,890)	(9,590,539)
Write-offs	-	-	(418,573)	(418,573)
Transfers to Stage 1	450,949	(389,752)	(61,197)	-
Transfers to Stage 2	(739,033)	900,178	(161,145)	-
Transfers to Stage 3	(95,694)	(227,145)	322,839	_
At December 31, 2022	15,236,007	1,901,071	823,446	17,960,524
Housing loans				
Gross carrying amount as at December 31, 2021 New assets originated or purchased that remained at Stage 1 as at December 31, 2022 Newly originated assets that moved to Stages 2 and	9,982,961	1,244,330	445,168	11,672,459
	2,949,858	-	-	2,949,858
3 as at December 31, 2022 Effect of collections and other movements in	-	29,194	11,292	40,486
receivable balance	(1,393,647)	(170,924)	(279,623)	(1,844,194)
Transfers to Stage 1	544,912	(528,508)	(16,404)	-
Transfers to Stage 2	(240,997)	285,143	(44,146)	-
Transfers to Stage 3	(23,366)	(57,287)	80,653	_
At December 31, 2022	11,819,721	801,948	196,940	12,818,609
Others				
Gross carrying amount as at December 31, 2021 New assets originated or purchased that remained at	856,008	49,628	44,504	950,140
Stage 1 as at December 31, 2022	116,636	-	-	116,636
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022 Effect of collections and other movements in	-	2,032	1,772	3,804
receivable balance	(93,079)	(20,146)	46,962	(66,263)
Write-offs	-	-	(75,359)	(75,359)
Transfers to Stage 1	939	(172)	(767)	-
Transfers to Stage 2	(7,511)	7,533	(22)	-
Transfers to Stage 3	(3,573)	(447)	4,020	_
At December 31, 2022	₱869,420	₱38,428	P21,110	₱928,958

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Gross carrying amount as at December 31, 2020 New assets originated or purchased that remained	₱11,968,632	₱1,649,554	₱1,381,640	₱14,999,826
at Stage 1 as at December 31, 2021 Newly originated assets that moved to Stages 2	3,790,552	-	-	3,790,552
and 3 as at December 31, 2021 Effect of collections and other movements	-	1,035,557	152,585	1,836,142
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 New assets originated or purchased that remained at Stage 1 as at December 31, 2021 Newly originated assets that moved to Stages 2	2,368,629	247,620	142,154	2,758,403
	1,973,497	-	-	1,973,497
and 3 as at December 31, 2021 Effect of collections and other movements	-	72,077	35,288	107,365
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
Auto loans				
Gross carrying amount as at December 31, 2020 New assets originated or purchased that remained	22,693,305	3,808,550	2,441,883	28,943,738
at Stage 1 as at December 31, 2021 Newly originated assets that moved to Stages 2	5,442,656	-	-	5,442,656
and 3 as at December 31, 2021 Effect of collections and other movements in	-	281,234	85,880	367,114
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

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Housing loans				
Gross carrying amount as at December 31, 2020 New assets originated or purchased that remained at Stage 1 as at December 31, 2021	₱9,452,561 1,840,267	₱1,423,601 -	<del>P</del> 673,922 -	₱11,550,084 1,840,267
Newly originated assets that moved to Stages 2 and 3 as at December 31, 2021 Effect of collections and other movements	-	14,783	13,841	28,624
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 New assets originated or purchased that remained	1,125,632	41,347	108,015	1,274,994
at Stage 1 as at December 31, 2021 Newly originated assets that moved to Stage 2	73,129	-	-	73,129
and Stage 3 as at December 31, 2021 Effect of collections and other movements in	-	1,962	1,391	3,353
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

Movement of ECL during the year is presented in the table below (amounts in thousands):

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Balance at beginning of the year New assets originated or purchased that remained	₱67,281	₱68,804	₱1,218,81 <b>6</b>	₱1,354,901
at Stage 1 as at December 31, 2022 Newly originated assets that moved to Stages 2	25,245	-	-	25,245
and 3 as at December 31, 2022 Effect of collections and other movements	-	180,683	54,247	234,930
in receivable balance	(44,679)	921	(141,772)	(185,530)
Transfers to Stage 1	144	(144)	-	-
Transfers to Stage 3	-	(69,580)	69,580	_
At December 31, 2022	47,991	180,684	1,200,871	1,429,546

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Commercial loans				
Balance at beginning of the year New assets originated or purchased that remained	₱8,186	₱125,125	₱329,131	₱462,442
at Stage 1 as at December 31, 2022 Newly originated assets that moved to Stages 2 and 3	3,310	-	-	3,310
as at December 31, 2022 Effect of collections and other movements in	-	6,602	2,314	8,916
receivable balance	(2,196)	(86,669)	108,740	19,875
Write-offs	-	-	(146,508)	(146,508)
Transfers to Stage 1	20	(20)	-	-
Transfers to Stage 2	(396)	396	-	-
Transfers to Stage 3	(4,277)	(33,279)	37,556	-
At December 31, 2022	4,647	12,155	331,233	348,035
Auto loans				
Balance at beginning of the year New assets originated or purchased that remained	310,281	476,862	683,891	1,471,034
at Stage 1 as at December 31, 2022 Newly originated assets that moved to Stages 2 and 3	146,035	-	-	146,035
as at December 31, 2022 Effect of collections and other movements in	-	12,335	5,432	17,767
receivable balance	54,969	(258,731)	32,736	(171,026)
Write-offs	-	-	(418,573)	(418,573)
Transfers to Stage 1	16,894	(14,409)	(2,485)	-
Transfers to Stage 2	(82,305)	103,889	(21,584)	-
Transfers to Stage 3	(36,625)	(92,810)	129,435	-
At December 31, 2022	409,249	227,136	408,852	1,045,237
Housing loans				
Balance at beginning of the year New assets originated or purchased that remained	175,921	92,353	134,935	403,209
at Stage 1 as at December 31, 2022 Newly originated assets that moved to Stages 2	55,276	-	-	55,276
and Stage 3 as at December 31, 2022 Effect of collections and other movements	-	2,583	3,304	5,887
in receivable balance	(59,732)	(26,762)	(97,453)	(183,947)
Transfers to Stage 1	10,029	(9,737)	(292)	-
Transfers to Stage 2	(17,438)	21,050	(3,612)	-
Transfers to Stage 3	(7,175)	(17,702)	24,877	_
At December 31, 2022	156,881	61,785	61,759	280,425

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Others				
Balance at beginning of the year New assets originated or purchased that remained	₱88,807	₱21,808	₱35,041	₱145,656
at Stage 1 as at December 31, 2022 Newly originated assets that moved to Stages 2 and 3	3,691	-	-	3,691
as at December 31, 2022 Effect of collections and other movements in receivable balance	- (33,913)	71 (7,155)	1,345 50,588	1,416 9,520
Write-offs	-	-	(75,359)	(75,359)
Transfers to Stage 1	6	(3)	(3)	-
Transfers to Stage 2	(426)	431	(5)	_
Transfers to Stage 3	(3,112)	(454)	3,566	_
At December 31, 2022	₱55,053	₱14,698	₱15,173	₱84,924
		December 3	1. 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 Effect of collections and other movements in	-	44,602	811,422	856,024
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
Commercial loans				
Balance at beginning of the year New assets originated or purchased that remained at	₱6,089	₱106,169	₱55,147	₱167,405
Stage 1 as at December 31, 2021 Newly originated assets that moved to Stages 2 and 3	6,332	-	-	6,332
as at December 31, 2021 Effect of collections and other movements in	-	29,888	35,647	65,535
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	_

8,186

125,125

329,131

462,442

At December 31, 2021

	December 31, 2021				
	Stage 1 Stage 2 Stage 3 Tot				
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 Newly originated assets that moved to Stages 2 and 3	132,689	-	-	132,689	
as at December 31, 2021 Effect of collections and other movements in	-	63,188	27,390	90,578	
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 New assets originated or purchased that remained at	188,806	157,076	198,755	544,637	
Stage 1 as at December 31, 2021 Newly originated assets that moved to Stages 2 and	43,772	-	-	43,772	
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	
Others					
Balance at beginning of the year New assets originated or purchased that remained	98,846	43,412	96,146	238,404	
at Stage 1 as at December 31, 2021 Newly originated assets that moved to Stages 2 and 3	2,078	-	-	2,078	
as at December 31, 2021 Effect of collections and other movements in	-	112	1,246	1,358	
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	

As of December 31, 2022 and 2021, allowance for credit losses on accounts receivable and sales contract receivable amounted to ₱87.0 million and ₱122.9 million, respectively.

Interest income on loans and receivables consists of:

	2022	2021
Loans and discounts	₱3,511,252,795	<del>P</del> 4,099,389,075
Restructured loans	78,204,246	58,756,867
Customers' liabilities and other loans	65,727,331	108,320,377
Sales contract receivable	494,735	6,407,684
Accounts receivable – PPI (Note 28)		15,736,226
	₱3,655,679,107	<del>P</del> 4,288,610,229

Of the total peso-denominated loans of the Bank as of December 31, 2022 and 2021, 79.1% and 45.56% respectively, are subject to periodic interest repricing. Remaining peso-denominated loans earned annual EIR ranging from 2.99% to 30.61% for the years ended December 31, 2022 and 2021, respectively. All foreign currency-denominated loans of the Bank as of December 31, 2022 and 2021 are subject to periodic interest repricing and earned annual EIR ranging from 5.00% to 7.72% and from 2.29% to 3.37% for the years ended December 31, 2022 and 2021, respectively.

All sales contract receivable as of December 31, 2022 and 2021 are subject to periodic interest repricing.

# Receivable from Philmay Property, Incorporated (PPI)

As of December 31, 2022 and 2021, receivable from PPI (included under Accounts Receivable – Corporate) has a carrying value of nil and ₱579.7 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.

As of December 31, 2022, receivable from PPI has been fully paid out by way of dacion en pago.

# o. Property and Equipment

The composition of and movements in this account follow:

# December 31, 2022

	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	<del>P</del> 262,553,193	₱729,506,789	₱546,746,216	₱1,538,806, <b>1</b> 98
Additions	_	64,881,631	54,430,422	119,312,053
Disposals/write-off	-	(10,775,162)	-	(10,775,162)
Balances at end of year	262,553,193	783,613,258	601,176,638	1,647,343,089
Accumulated Depreciation and Amortization				
Balances at beginning of year	199,616,777	573,620,555	519,621,944	1,292,859,276
Depreciation and amortization	6,141,244	59,702,800	9,429,455	75,273,499
Disposals/write-off	-	(7,470,146)	-	(7,470,145)
Balances at end of year	205,758,021	625,853,209	529,051,399	1,360,662,630
Net Book Value at end of year	₱56,795,172	₱157,760,04 <b>9</b>	₱72,125,23 <b>9</b>	₱286,680,4 <b>5</b> 9

# December 31, 2021

		December	31, 2021	
	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	<del>P</del> 262,553,193	<del>P</del> 899,623,651	<del>P</del> 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	<del>P</del> 155,886,234	<del>P</del> 27,124,272	<del>₱</del> 245,946,922

# Depreciation and amortization consist of:

	2022	2021
Right-of-use assets (Note 24)	<del>P</del> 141,154,663	₱116,502,827
Investment properties (Note 11)	114,377,109	82,515,138
Property and equipment	75,273,499	80,308,565
Chattel properties acquired (Note 12)	65,425,796	84,843,678
Software costs (Note 12)	22,654,333	29,733,140
	<del>₽</del> 418,885,400	₱393,903,348

As of December 31, 2022 and 2021, the cost of fully depreciated property and equipment still in use by the Bank amounted to ₱1.4 billion and ₱0.9 billion, respectively.

# **Investment Properties**

The composition of and movements in this account follow:

Decem	hor	21	2022
Deceiii	nei	эт,	2022

	•	occciniaci ar, rorr	
	Land	Building	Total
Cost			
Balances at beginning of year	₱344,032,360	₱1,204,181,06 <b>5</b>	₱1,548,213,4 <b>2</b> 5
Additions	799,609,852	406,519,275	1,206,129,127
Disposals	(26,543,860)	(28,534,469)	(55,078,329)
Balances at end of year	1,117,098,352	1,582,165,871	2,699,264,223
Accumulated Depreciation			
Balances at beginning of year	-	365,666,877	365,666,877
Depreciation (Note 10)	-	116,285,579	114,377,109
Disposals	-	(13,335,781)	(11,427,311)
Balances at end of year	-	468,616,675	468,616,675
Accumulated Impairment Loss			
Balances at beginning of year	17,604,702	1,925,543	19,530,245
Provisions (reversals)	1,263,016	(195,379)	1,067,637
Disposals	-	(288,639)	(288,639)
Balances at end of year	18,867,718	1,441,525	20,309,243
Net Book Value at end of year	₱1,098,230,63 <b>4</b>	₱1,112,107,671	₱2,210,338, <b>3</b> 05

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
<b>Accumulated Depreciation</b>			
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
Provision (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	<del>P</del> 326,427,658	₱836,588,645	₱1,163,016,303

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, 2022 and 2021 amounted to ₱2.6 billion and ₱1.5 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 ₱156.7 million and ₱192.0 million for the years ended December 31, 2022 and 2021, respectively.

#### Other Assets

This account consists of:

	2022	2021
Chattel properties acquired	₱160,707, <b>4</b> 53	<b>₽</b> 245,779,777
Software costs	104,875,049	134,280,093
Security deposits	75,889,652	67,909,207
Prepaid expenses	46,060,488	34,831,618
Documentary stamps	27,179,544	37,386,120
Prepaid interest	177,919	92,679
Miscellaneous	104,137,356	134,435,437
	<del>P</del> 519,027,461	<del>P</del> 654,714,931

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

Allowance and Allowance for impairment loss on certain other assets amounted to ₱50.2 million and ₱127.2 million as of December 31, 2022 and 2021, respectively.

Movements in chattel properties acquired follow:

	2022	2021
Cost		
Balances at beginning of year	<del>2</del> 284,474,665	₱478,185,228
Additions (Note 30)	652,850,879	1,077,391,213
Disposals	(767,040,117)	(1,271,101,776)
Balances at end of year	170,285,427	284,474,665
Accumulated Depreciation		
Balances at beginning of year	37,128,341	89,160,137
Depreciation (Note 10)	65,425,796	84,843,678
Disposals	(95,607,450)	(136,875,474)
Balances at end of year	6,946,687	37,128,341
Accumulated Impairment Loss		
Balances at beginning of year	1,566,547	18,930,900
Provision	5,111,534	38,138,772
Disposals	(4,046,794)	(55,503,125)
Balances at end of year	2,631,287	1,566,547
Net Book Value at end of year	<del>P</del> 160,707,453	<del>P</del> 245,779,777

Movements in software costs follow:

	2022	2021
Cost		
Balances at beginning of year	₱417,428,362	₱378,250,670
Additions	39,495,349	39,177,692
Reclassifications	(46,246,060)	_
Balances at end of year	410,677,651	417,428,362
Accumulated Depreciation		
Balances at beginning of year	283,148,269	253,415,129
Amortization (Note 10)	22,654,333	29,733,140
Balances at end of year	305,802,602	283,148,269
Net Book Value at end of year	₱104,875,049	<del>P</del> 134,280,093

As of December 31, 2022 and 2021, the cost of fully depreciated software still in use by the Bank amounted to \$\frac{1}{2}\$21.1 million and \$\frac{1}{2}\$209.7 million, respectively.

# Deposit Liabilities

In 2020, BSP Circular No. 1082 was issued reducing the reserve requirements against deposit and deposit substitute liabilities. As of December 31, 2022 and 2021, 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, 2022, eligible MSME loans as alternative compliance to the reserve requirement amounted to \$\mathfrak{P}2.3\$ billion. The Bank is in compliance with such regulations as of December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the total statutory and liquidity reserves (under 'Due from BSP' account) as reported to the BSP amounted to ₱4.6 billion and ₱6.4 billion, respectively. Deposits under Overnight Deposit Facility (ODF) as of December 31, 2022 and 2021 amounted to ₱3.5 billion and ₱7.3 billion, respectively. Deposits under Term Deposit Facility (TDF) as of December 31, 2022 and 2021 amounted to ₱4.0 billion and ₱3.0 billion, respectively.

Interest expense on deposit liabilities consists of:

	2022	2021
Time	<del>P</del> 541,954,247	₱580,211,379
Demand	89,489,835	102,174,796
Savings	71,494,233	91,293,293
	<del>₽</del> 702,938,315	₱773,679,468

# **Bills Payable**

This account consists of unsecured borrowings from the Parent Company (see Note 28) amounting to ₱7.0 billion and ₱11.4 billion as of December 31, 2022 and 2021, respectively.

Dollar-denominated borrowings are subject to annual EIR ranging from 0.28% to 4.95% and from 0.28% to 0.33% for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the terms of the borrowings range from 3 to 7 days respectively.

Interest expense on bills payable and other borrowings consists of:

	2022	2021
Subordinated debt (Note 28)	<del>₽</del> 91,070,702	₱112,446,974
Bills payable	106,275,689	21,095,456
	<del>P</del> 197,346,391	₱133,542,430

# **Accrued Interest, Taxes and Other Expenses**

This account consists of:

	2022	2021
Accrued employee benefits	₱360,329,475	₱329,737,474
Accrued interest payable	82,396,962	95,001,054
Accrued rent	77,733,986	16,624,803
Accrued taxes and licenses	16,624,803	86,590,608
Accrued other expenses	434,699,239	763,037,816
	<del>₽</del> 971,784,465	₱1,290,991,755

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

# **Other Liabilities**

This account consists of:

	2022	2021
Accounts payable	₱888,216,487	₱640,232,882
Unearned bancassurance income (Note 28)	433,333,334	466,666,667
Net pension liability (Note 20)	265,363,844	343,134,067
Withholding taxes payable	66,855,539	45,486,106
Bills purchased – contra (Note 9)	56,578,070	31,832,108
Allowance for credit losses on off-balance sheet exposures	49,921,466	9,648,143
Other dormant credits	26,741,757	22,298,945
Due to the Treasurer of the Philippines	23,601,492	23,629,128
Other deferred credits	385,699	1,236,852
Miscellaneous	33,444,262	129,502,187
	₱1,844 <b>,</b> 441,950	₱1,713,667,085

#### **Derivative Financial Instruments**

As of December 31, 2022 and 2021, 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, 2022			De	cember 31, 2021		
	Notional Amount	Derivative Asset	Derivative Liability	Notional Amount	Derivative Asset	Derivative Liability
Interest rate swaps Cross-currency	₱1,550,000,000	₱61,281,946	₱80,283,267	₱2,250,000,000	₱108,525,031	₱119,656,031
interest rate swap Non-deliverable swaps	₱413,230,471	24,103,019	1,156,026	₱374,997,500	4,616,298	-
(NDS) Non-deliverable forwards	₱3,991,200,000	92,278,370	-	₱12,920,685,000	-	99,861,592
(NDF)		-	-	₱752,970,000	12,029,605	-
Forward contracts	US\$310,144,023	18,143,848	283,523,924	US\$384,817,137	205,784,463	76,575
		₱195,807,183	₱364,963,217		₱330,955,397	₱219,594,198

Interest income from derivatives in 2022 and 2021 amounted to nil and ₱3.7 million, respectively. Interest expense on derivatives in 2022 and 2021 amounted to \$\mathbb{P}\$34.1 million and ₱9.7 million, respectively.

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

	2022	2021
Derivative Assets		
Balance at beginning of year	₱330,955,397	₱136,900,765
Changes in fair value (Note 21)	(266,843,617)	211,012,387
Net addition (settlement)	131,695,403	(16,957,755)
Balance at end of year	₱195,807, <b>1</b> 83	₱330,955,397
Derivative Liabilities		
Balance at beginning of year	<b>₱</b> 219,594,198	₱164,574,417
Changes in fair value (Note 21)	117,759,512	381,116,259
Net settlement	27,609,507	(326,096,478)
Balance at end of year	₱364,963,217	₱219,594 <b>,</b> 198

# **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, 2022		De	ecember 31, 2021	L	
	Up to One Year	Over One Year	Total	Up to One Year	Over One Year	Total
Financial Assets Cash and other cash items	₱1,653,209,339	₽	₱1,653,209,339	₱1,757,511,280	₽-	₱1,757,511,280
Due from BSP	12,086,275,716	-	12,086,275,716	16,670,508,819	-	16,670,508,819
Due from other banks Interbank loans	1,121,021,156	-	1,121,021,156	2,313,027,681	-	2,313,027,681
receivable and SPURA Financial assets at FVPL: Government	2,651,203,416	-	2,651,203,416 -	6,270,065,184	-	6,270,065,184
securities	104,568,450	-	104,568,450	3,902,000,000	-	3,902,000,000
Derivative assets	139,933,368	55,873,815	195,807,183	230,964,740	99,990,657	330,955,397
	17,756,211,445	55,873,815	17,812,085,260	31,144,077,704	99,990,657	31,244,068,361

	December 31, 2022		December 31, 2021			
	Up to One Year	Over One Year	Total	tal Up to Over One Year One Year		
Financial assets at FVOCI Government debt securities	<del>P</del> 2,259,148,705	₱4,070,508,951	<del>P</del> 6,329,657,656	<b>₽</b> 2,593,130,635	<b>₽</b> 5,507,473,953	₱8,100,604,588
Private debt securities Private equity securities:	91,926,124	35,429,467	127,355,591	343,521,692	128,719,878	472,241,570
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
	2,351,074,829	4,130,083,400	6,481,158,229	2,936,652,327	5,660,338,813	8,596,991,140
Financial assets at amortized cost Government debt securities	1,816,864,494	9,676,592,245	11,493,456,739	3,155,607,482	5,461,203,671	8,616,811,153
Private debt securities	557,589,541	1,424,933,462	1,982,523,003	9,031,676	1,863,268,774	1,872,300,450
securities		11,101,525,707		3,164,639,158	7,324,472,445	10,489,111,603
Loans and receivables: Receivable from customers	2,51 1,15 1,055	11,101,013,101	25,415,515,142	3,101,033,130	1,321,112,113	10,103,111,003
Corporate	5,836,861,250	4,907,709,175	10,744,570,425	5,496,282,912	5,771,538,178	11,267,821,090
Commercial	2,542,431,311	1,104,924,424	3,647,355,735	2,399,359,731	850,322,603	3,249,682,334
Consumer:						
Auto loans	1,992,632,263	15,967,892,218	17,960,524,481	7,403,301,365	15,024,919,817	22,428,221,182
Housing	52,218,511	12,766,390,131	12,818,608,642	2,028,973,174	9,643,485,993	11,672,459,167
Others	737,062,677	191,894,164	928,956,841	782,845,075	167,294,873	950,139,948
	11,161,206,012	34,938,810,112	46,100,016,124	18,110,762,257	31,457,561,464	49,568,323,721
Sales contract receivable:						
Corporate	260,169,470	7,305,022	267,474,492	756,819	316,000,000	316,756,819
Individual	1,017,032	31,021,103	32,038,135	3,769,789	34,428,117	38,197,906
	261,186,502	38,326,125	299,512,627	4,526,608	350,428,117	354,954,725
Accounts receivable:						
Corporate	670,533,858	30,042,928	700,576,786	494,482,116	641,328,523	1,135,810,639
Individual	7,854,760	907,077	8,761,837	3,968,329	6,006,625	9,974,954
	678,388,618	30,950,005	709,338,623	498,450,445	647,335,148	1,145,785,593

	December 31, 2022 December			ecember 31, 202	1	
	Up to One Year	Over One Year	Total	Up to One Year	Over One Year	Total
Accrued interest						
receivable	₱929,933,365	P-		₱1,021,694,647	<del>P</del> -	₱1,021,694,647
RCOCI	191,278		191,278	276,516		276,516
		35,008,086,242				52,091,035,202
	35,512,646,084	50,295,569,164	50,295,569,164	56,881,079,662	45,540,126,644	102,421,206,306
Nonfinancial Assets Property and equipment	_	286,680,459	286,680,459		245,946,922	245,946,922
Right-of-Use Assets	_	619,425,733	619,425,733	_	567,135,113	567,135,113
Investment properties	_		2,210,338,305	_	1,163,016,303	1,163,016,303
Deferred tax assets	-	1,296,423,269			1,413,624,970	1,413,624,970
Other assets		519,027,461	519,027,461	452,525,634	202,189,297	654,714,931
Less: Allowance	_	4,931,895,228	4,931,895,228	452,525,634	3,591,912,605	4,044,438,239
for impairment and credit losses Unearned discounts and	-		(3,269,078,216)	-	-	(4,006,770,785)
other deferred income	_		(53,183,769)	-	-	(29,979,628)
Total Assets	-		₱87,417,848,490	-	-	₱102,428,894,132
Financial Liabilities						
Deposit liabilities:						
Demand	₱23,518,390,390	₽-	<del>2</del> 23,518,390,390	₱26,990,507,379	₽-	₱26,990,507,379
Savings	18,699,619,269	-	18,699,619,269	22,404,961,178	-	22,404,961,178
Time	15,162,738,232	5,161,129,284	20,323,867,516	16,412,567,473	5,972,069,142	22,384,636,615
	57,380,747,891	5,161,129,284	62,541,877,175	65,808,036,030	5,972,069,142	71,780,105,172
Financial liabilities at FVPL:						
Derivative liabilities	299,353,934	65,609,283	364,963,217	109,261,756	110,332,442	219,594,198
Bills payable	6,969,375,000	-	6,969,375,000	11,372,777,000	-	11,372,777,000
Manager's checks Accrued interest	608,784,228	-	608,784,228	501,201,983	-	501,201,983
payable	82,396,962	-	82,396,962	58,790,653	36,210,401	95,001,054
Accounts payable	888,216,487		888,216,487	640,232,882	-	640,232,882
Subordinated debt Due to Treasurer of the	-	-	-	-	1,993,568,187	1,993,568,187
Philippines	_	23,601,492	23,601,492	-	23,629,128	23,629,128
	8,848,126,611	89,210,775	8,937,337,386	12,682,264,274	2,163,740,158	14,846,004,432

Forward

	December 31, 2022		December 31, 2021			
	Up to One Year	Over One Year	Total	Up to One Year	Over One Year	Total
Nonfinancial Liabilities	;					
Lease liabilities	<del>P</del> 247,546,884	₱553,741,294	₱801,288,178	₱129,367,604	₱588,481,190	₱717,848,794
Income tax payable Accrued taxes and	477,190	-	477,190	1,328,705	-	1,328,705
other expenses	889,387,503	-	889,387,503	1,195,990,701	-	1,195,990,701
Other liabilities	233,926,793	698,697,178	932,623,971	276,115,487	773,689,588	1,049,805,075
	1,371,338,370	1,252,438,472	2,623,776,842	1,602,802,497	1,362,170,778	2,964,973,275
Total Liabilities	<del>P</del> 67,600,212,872	₱6,502,778,531	<b>₱74,102,991,403</b>	₱80,093,102,801	₱9,497,980,078	₱89,591,082,879

# Capital Funds

The Bank's capital stock as of December 31, 2022 and 2021 consists of:

Shares	Amount
473,366,128	₱16,567,814,480
294,666,980	10,313,344,184
295,000,000	1,091,500,000
62,848,617	232,539,724
357,515,597	₱10,545,883,908
	473,366,128 294,666,980 295,000,000 62,848,617

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.

Key Messages to Stakeholders

As of December 31, 2022 and 2021, dividends in arrears on cumulative preferred shares amounted to ₱1.1 billion.

Treasury shares consist of 5,130 common shares, 38,000 Preferred Series "A" shares of stock and 17,150 Preferred Series "B" shares of stock, which are carried at cost.

#### Employee Stock Option Scheme (ESOS)

Prior to August 25, 2009, all employees of the Bank are entitled to a grant of stock options from the Parent Company once they have been in service for two years. Options awarded to an employee that are made available immediately, with no vesting period, are expensed outright. Options which are exercisable based on the schedule in ESOS over a period of five years from the date of grant are expensed over the vesting period. The exercise price of the options is equal to the weighted average market price of the shares subject to a discount within the limit allowed by the relevant authorities but shall, in no event, be less than the par value of the shares. The option has a maximum contractual life of five years and has no cash settlement alternatives.

The cost of the share-based payments arising from this stock option plan from the Parent Company expired on August 25, 2009. The full amount as of December 31, 2021 of ₱262.8 million was derecognized and recycled to Surplus in December 31, 2022.

#### 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 ₱37.5 million as of December 31, 2022 and 2021. 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.

# Reaulatory Oualifying 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 quasibanks, 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, 2022 and 2021 (amounts in millions):

	2022	2021
Tier 1 capital	₱11,03 <b>9</b>	₱10,686
CET 1 Capital	11,039	10,686
Net Tier 1 Capital	11,039	10,686
Tier 2 capital	484	2,520
Total Qualifying Capital	₱11,523	₱13 <b>,</b> 206
Credit Risk-Weighted Assets	₱48,28 <b>8</b>	₱52,956
Market Risk-Weighted Assets	379	982
Operational Risk-Weighted Assets	8,752	8,877
Total Risk-Weighted Assets	₱57 <b>,</b> 419	₱62,815
CET1 Ratio	19.23%	17.01%
Tier 1 capital ratio	19.23%	17.01%
Total capital ratio	20.07%	21.02%

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	by first filoritgage) and all nonperforming debt securities

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, 2022 and 2021, 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, 2022 and 2021 as reported to the BSP are shown in the table below (amounts in millions).

	2022	2021
Tier 1 Capital	<del>P</del> 11,039	₱10,686
Exposure Measure	90,982	104,178
Leverage Ratio	12.13%	10.26%

#### 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, 2022 and 2021, the LCR of the Bank as reported to the BSP in single currency is 136.19% and 147.87%, 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, 2022 and 2021, the NSFR of the Bank as reported to the BSP is 132.80% and 156.00%, 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:

	2022	2021
Present value of the defined benefit obligation	<del>P</del> 529,603,156	₱613,500,242
Fair value of plan assets	(264,239,312)	(270,366,175)
Net pension liability	₱265,363,844	₱343,134,067

Changes in the present value of the defined benefit obligation as of December 31, 2022 and 2021 recognized in the statements of financial position follow:

	2022	2021
Balance at beginning of year	<del>P</del> 613,500,242	₱635,404,770
Current service cost	74,980,448	76,986,935
Interest cost	29,693,412	21,730,843
Remeasurement loss (gain):		
Actuarial gain arising from experience adjustments: Actuarial gain arising from changes in	(1,814,191)	(4,893,300)
financial assumptions	(78,829,705)	(5,220,466)
Benefits paid	(107,927,050)	(110,508,540)
Balance at end of year	<del>P</del> 529,603,156	<del>1</del> 613,500,242

Changes in fair value of plan assets are, as follows:

	2022	2021
Balance at beginning of year	<del>2</del> 270,366,175	₱287,638,625
Contributions	91,588,137	90,112,129
Interest income	13,085,723	9,837,241
Remeasurement loss	(2,873,673)	(6,713,280)
Benefits paid	(107,927,050)	(110,508,540)
Balance at end of year	<del>₽</del> 264,239,312	₱270,366,175

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

	2022	2021
Cash and cash equivalents	₱101,785,27 <b>4</b>	<del>P</del> 25,008,123
Accrued interest and other receivables	1,604,131	1,426,099
Debt instruments		
Government securities	177,030,589	276,598,188
Private securities	16,193,895	16,860,372
Liabilities	(346,939)	(761,015)
Adjustments:		
Benefits for reimbursements	(32,027,638)	(56,777,463)
Expected contributions for the year	_	7,116,298
Expected interest for the year		895,573
Fair value of plan assets	<del>₽</del> 264,239,312	₱270,366,175

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, 2022 and 2021 was approved by the Staff Committee.

The Bank expects to contribute ₱78.1 million to the plan in 2023.

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:

	2022	2021
Discount rate		
At January 1	4.84%	3.42%
At December 31	6.99%	4.84%
Future salary increase rate	4.50%	4.30%
Average remaining working life	10	11

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, 2022 and 2021, assuming all other assumptions were held constant.

	2022	2021
Increase in discount rate by 1%	( <del>P</del> 33,862,571)	( <del>P</del> 43,490,152)
Decrease in discount rate by 1%	38,022,701	49,650,016
Increase in salary increase rate by 1%	38,779,620	49,343,213
Decrease in salary increase rate by 1%	(35,407,863)	(44,372,579)

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

	2022	2021
Current service cost	₱74 <b>,</b> 980,448	₱76,986,935
Net interest cost	16,607,689	11,893,602
Expense recognized during the year	₱91,588,13 <b>7</b>	₱88,880,537

The Bank also has a defined contribution plan for certain employees. The pension expense recognized under this plan amounting to ₱25.8 million and ₱28.4 million for the years ended December 31, 2022 and 2021 is included in 'Compensation and fringe benefits' in the statements of income.

The average duration of the retirement liability is 10 years in 2022. Maturity analysis of the undiscounted benefit payments follow:

	2022	2021
Less than one year	₱78,056,03 <b>2</b>	₱80,026,634
More than one to five years	314,854,037	285,358,242
More than five to 10 years	486,140,284	514,834,715
More than 10 to 15 years	541,312,233	526,522,384
More than 15 to 20 years	390,368,060	339,515,374
More than 20 years	637,135,923	569,517,875

# 21. Net Trading Gains

This account consists of:

	2022	2021
Financial instruments at FVPL:		
Derivatives (Note 17)	(₱1,099,721,050)	₱592,128,646
HFT investments (Note 6)	(1,809,165)	(45,424,296)
Financial assets at FVOCI (Note 7)	112,040	(1,240)
	(₱1,101,418, <b>1</b> 75)	₱546,703,110

# 22. Service Charges, Fees and Commissions

This account consists of:

	2022	2021
Credit-related (Note 28)	₱555,424,01 <b>2</b>	₱747,084,205
Deposit-related	59,202,238	58,782,210
Others (Note 28)	138,203,239	116,558,807
	₱752,774 <b>,</b> 377	<del>1</del> 922,425,222

Credit-related service fees are generated from the auto and mortgage businesses of the Bank.

# 23. Miscellaneous Income and Expense

Miscellaneous income consists of:

	2022	2021
Recovery on written-off accounts	<del>P</del> 61,263,092	₱54,228,746
Trust fees (Note 28)	28,829,547	35,682,795
Others	52,973,839	45,620,671
	<b>₱143,066,478</b>	₱135,532,212

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

Miscellaneous expense consists of:

	2022	2021
Outsourced services	₱137,036,09 <b>3</b>	₱177,877,142
Cards-related expenses	76,932,846	48,576,746
Fines and Penalties	58,578,095	47,758,489
Advertising and publications	48,037,013	39,705,924
Commissions and service charges	39,275,335	53,057,897
Banking fees	32,677,301	34,487,289
Membership fees and dues	29,949,618	28,706,159
Repairs and maintenance	18,459,983	17,414,712
Freight	11,584,951	14,132,907
Minor tools and equipment	6,009,745	4,090,628
Fuel and lubricants	2,360,884	1,679,363
Philippine Clearing House Corporation fees	1,294,434	1,296,993
Others	9,231,084	52,184,384
	<del>P</del> 471,427,382	<b>₽</b> 520,968,633

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:

	2022	2021
ROU, beginning balance	<del>₽</del> 567,135,113	₱589,928 <b>,</b> 379
Additions	223,058,008	96,371,130
Lease termination/expiration	(29,612,725)	(2,661,569)
Depreciation (Note 10)	(141,154,663)	(116,502,827)
ROU assets, ending balance	₱619,425,73 <b>3</b>	₱567,135,113

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

	2022	2021
Expenses		
Depreciation expense of right-of-use assets	₱141,154,66 <b>3</b>	₱116,502,827
Interest expense on lease liabilities Rent expense – short-term leases and leases	87,454,671	58,383,737
of low-value assets	87,762,657	92,126,814
Total amounts recognized in statement of income	₱316,371,991	<del>₱</del> 267,013,378

The Bank entered into lease agreements with third parties.

The rollforward analysis of lease liabilities follows:

	2022	2021
Lease liabilities, beginning	<del>P</del> 717,848,794	₱752,327,010
Payments	(220,527,690)	(188,112,156)
Interest expense	87,454,671	58,383,737
Net additions	216,512,403	95,250,203
Lease liabilities, ending	₱801,288, <b>1</b> 78	₱717,848,794

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

	2022	2021
Within one year	₱ 247,546,88 <b>4</b>	₱214,711,478
More than 1 years to 2 years	232,881,546	188,280,939
More than 2 years to 3 years	190,715,211	157,907,310
More than 3 years to 5 years	193,247,743	276,892,205
More than 5 years	1,063,864,000	1,087,739,660
	₱1,928,255,38 <b>4</b>	₱1,925,531,592

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 ₱87.8 million and ₱92.1 million for the years ended December 31, 2022 and 2021, respectively.

#### 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 December 2021, the Supreme Court issued a decision declaring RR 4-2011 as void for having been issued ultra vires.

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:

	2022	2021
Current:		
Final	₱201,937, <b>9</b> 69	₱142,574,888
RCIT and MCIT	39,483,237	98,876,939
	241,421,206	241,451,827
Deferred	124,648,569	93,334,126
	₱366,069,775	₱334,785,953

The details of net deferred tax assets follow:

	2022	2021
Deferred tax asset on:		
Allowance for impairment and credit losses	₱850,317,564	₱995,411,514
Provisions and accruals	191,650,544	212,752,395
Accumulated depreciation on investment and chattel properties	118,890,841	100,698,805
Retirement liability and unamortized past service cost	82,631,756	101,529,691
Fair value loss on FVOCI investments	46,520,378	19,630,955
Lease liability net of right-of-use assets	45,465,611	37,678,420
Fair value loss on HFT investments	40,594,632	-
Excess of MCIT over RCIT	35,820,153	-
Net operating loss carryover	2,402,522	-
Unrealized foreign exchange loss	1,887,557	244,065,621
	1,416,181,558	1,711,767,401

	2022	2021
Deferred tax liability on: Fair value of investment properties		
and chattel properties	119,758,289	93,729,710
Unrealized profit on assets sold	-	55,956,846
Fair value gain on HFT investments and derivatives	-	148,455,875
Fair value gain on FVOCI investments	-	-
Unrealized foreign exchange gain	_	_
	119,758,289	298,142,431
	₱1,296,423,2 <b>6</b> 9	₱1,413,624,970

Benefit from deferred income tax recognized directly against OCI for the years ended December 31, 2022 and 2021 amounted to ₱7.4 million and ₱50.8 million, respectively.

As of December 31, 2022 and 2021, the Bank did not recognize deferred tax assets on certain provisions and accruals amounting to ₱30.7 million and allowance for impairment and credit losses amounting to ₱156.6 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
2020*	<del>₱</del> 2,394,907	₱2,394,907	₱-	2023
2022	35,820,153	-	-	2025

<sup>\*</sup> The excess MCIT over RCIT amount in 2020 is reduced by \$\mathbb{P}2.40\$ million due to CREATE.

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

	2022	2021
Statutory income tax rate	25.00%	25.00%
Tax effects of:		
Tax-exempt income and income subjected to final tax	(86.21)	(75.53)
Nondeductible expenses	98.15	69.22
FCDU income before income tax	(4.05)	(4.78)
CREATE impact	_	32.31
Effective income tax rate	32.89%	46.22%

# **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 ₱104.0 million and ₱89.0 million as of December 31, 2022 and 2021 are deposited with the BSP in compliance with the requirements of the General Banking Law.

#### **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:

	2022	2021
Forward exchange sold	₱16,104,942,19 <b>4</b>	₱20,310,941,453
Forward exchange bought	15,719,782,290	20,409,044,202
Unavailed credit lines	5,051,552,710	4,567,492,503
Non-deliverable swap receivable	3,991,200,000	12,920,685,000
Non-deliverable swap payable	3,902,850,000	13,055,744,000
Trust department accounts	8,814,801,843	7,507,544,250
Spot exchange sold	2,176,050,000	5,547,421,186
Spot exchange bought	2,174,515,000	5,547,410,000
Interest rate swap payable	1,550,000,000	2,250,000,000
Interest rate swap receivable	1,550,000,000	2,250,000,000
Inward bills for collection	1,034,699,975	184,715,822
Unused commercial letters of credit	1,147,679,821	805,602,924
Export letters of credit-confirmed	867,826,575	793,799,435
Deficiency claims receivable	844,456,694	668,694,286
Cross interest swap payable	312,228,000	-
Cross interest swap receivable	283,352,500	-

	2022	2021
Outstanding guarantees	₱566,459,968	<del>P</del> 567,696,530
Late deposits and payments received	7,668,793	5,698,158
Items held for safekeeping	501,982	534,228
Items held as collateral	9,017	8,493
Currency swap receivable	-	26,728,819,100
Non-deliverable forward payable	-	752,970,000
Non-deliverable forward receivable	-	764,985,000
Outward bills for collection	-	6,039,411
Broker customer securities account	-	-

#### **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 ₱264.2 million and ₱270.4 million as of December 31, 2022 and 2021, 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 2022 and 2021. Deposits with the Bank amounted ₱0.1 and ₱25.0 million in December 31, 2022 and December 31, 2021, respectively. The Bank earned ₱3.0 million and ₱2.7 million of trust fees for the years ended December 31, 2022 and December 31, 2021, 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:

	2022	2021
Salaries and other short-term benefits	<del>P</del> 116,196,382	₱131,882,632
Post-employment benefits	8,531,441	9,499,308
	₱124,727,82 <b>3</b>	₱141,381,940

# 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 yearend account balances with respect to related parties included in the financial statements follow:

#### **Outstanding Balance /Volume**

	Outstanding Duta	iice / votaiiic	
	2022	2021	Nature, Terms and Conditions
Parent Company			
Due from other banks	<del>P</del> 24,601,346	₱72,863,147	Foreign currency demand deposit accounts, non-interest bearing and no impairment
Accounts receivable	-	531,182	Receivables for various administrative expenses, due on demand, non-interest bearing, unsecured and no impairment
Financial assets at FVPL	-	3,780	Derivative assets (liabilities) on foreign currency forwards and interest rate swaps
Trading gain	-	3,780	Mark-to-market gain from trading derivatives
Deposit liabilities	2,499,611,956	2,193,442,572	Savings and demand deposits
Bills payable Net (settled) availment	6,969,375,000 (4,403,402,000)	11,372,777,000 9,163,719,000	Short-term foreign currency borrowings

# **Outstanding Balance /Volume**

		,	
	2022	2021	<b>Nature, Terms and Conditions</b>
Accrued interest payable	<del>P</del> 14,132,731	<b>₱</b> 29,649,507	Accrued interest expense on bills payable, subordinated loan and interest rate swaps
Subordinated debt Payments	- 1,993,568,187	1,993,568,187	Direct, unconditional, unsecured and subordinated obligation of the Bank
Interest expense	218,682,403	144,969,183	Interest expense on interest rate swaps, bills payable, subordinated loan and deposit liabilities
Other related parties			
Loans and receivables	33,447,305	189,470,000	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
			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
Accounts receivable	150,000,000	731,465,782	administrative expenses
Accrued interest receivable	75,000	1,239,920	Accrued interest income on loans and receivable Net interest income from interbank loans
Interest income	6,412,965	15,736,226	receivable, loans and receivables, interest rate swaps and due from other banks
Deposit liabilities	1,139,548,970	1,287,526,195	Savings, demand, and time deposits
Accrued interest payable	444,537	67,321	Accrued interest expense on time deposits
Interest expense	10,422,183	5,491,237	Interest expense on interest rate swaps, bills payable and deposit liabilities
Service charges, fees and commissions	89,022,358	88,474,643	Transaction fees from various services rendered including bancasurrance fees

#### Outstanding Balance /Volume

outstanding battanee / votame				
	2022	2021	Nature, Terms and Conditions	
IT expenses	69,795,141	70,152,830	IT Support Services received from MSS	
Employee benefits	19,963,738	37,363,448	Life and medical insurance premiums for bank employees	
Retirement fund of the Bank Deposit with the Bank Interest income	25,008,123 181,663	25,008,123 963,537	This deposit earns annual fixed interest rates ranging from 0.25% to 3.25%.	

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 \$\frac{1}{2}34.0 million and \$\frac{1}{2}4.0 million for the years ended December 31, 2022 and 2021, respectively (Note 22).

On December 18, 2016, the Bank entered into a Bancassurance Agreement with Asianlife & General Assurance Corporation (now Etiga 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, 2022 and 2021 amounted to \$\frac{2}{7}\$433.3 and \$\frac{2}{7}\$466.7 million, respectively. In 2022 and 2021, the Bank earned service fees and commissions amounting to ₱87.8 million and ₱83.3 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:

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.

- The Parent Company shall not be entitled to set off any amount it owes to the Bank against the subordinated loan.
- 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.
- 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.
- 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.

As of December 31, 2022, there are no outstanding subordinated debt due to the Parent Company.

In 2022 and 2021, interest expense on subordinated loans included in 'Interest expense on bills payable and other borrowings' amounted to \$\mathbb{P}91.0 million and \$\mathbb{P}112.4 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 2022 and 2021, the Bank paid a total insurance premium amounting to \$\frac{19.9}{20.9}\$ million and \$\frac{19.9}{20.9}\$ 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.

# 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, 2022

Financial assets recognized	Gross carrying	Gross amounts offset in accordance	Net amount presented in statements	Effect of remaining rights ofset-off (including rights to set-off financial collateral) thatdo not meet PAS 32 offsetting criteria		
at end of reporting period by type	amounts (before offsetting)	with the offsetting criteria	of financial position [a-b]	Financial instruments	Fair value of financial collateral	Net exposure
	[a]	[b]	[c]	[d]		[c-d]
SPURA Derivative assets	₱2,651,203	P-	P2,651,203	P-	P2,651,203	P2,651,203
(Note 17)	448,439	-	448,439	595,663	-	(147,224)
Total	P3,099,642	P-	₱3,099,642	₱595,663	P2,651,203	₱2,503,979

# December 31, 2021

Financial assets recognized	Gross carrying	Gross amounts offset in accordance	Net amount presented in	set-off (inclu set-off finand thatdo no	ining rights of uding rights to cial collateral) of meet PAS 32 setting criteria	
at end of reporting period by type	amounts (before offsetting)	with the statement offsetting of finance	statements of financial position [a-b]	Financial instruments	Fair value of financial collateral	Net exposure
	[a]	[b]	[c]	[d]		[c-d]
SPURA Derivative	₱4,740,095	₱_	₱4,740,095	₱_	₱4,740,199	₱-
assets (Note 17)	314,309	-	314,309	109,297	_	205,012
Total	₱5,071,050	₽-	₱5,071,050	₱109,297	₱4,740,199	₱205,012

# Financial Liabilities

# December 31, 2022

Financial liability recognized at end of	Gross carrying amounts	Gross amounts offset in accordance with the	Net amount presented in statements	set-off (including	ollateral) that	
reporting period by type	(before offsetting)	offsetting criteria	of financial position [a-b]	Financial instruments	of financial collateral	Net exposure
	[a]	[b]	[c]		[d]	[c-d]
Derivative liabilities	2505 663		DEOF 663	2440 420		247 224
(Note 17)	₱595,663	₽-	P595,663	₱448,439	P-	P147,224
Total	P595,663	₽-	₱595,663	P448,439	P-	P147,224

# December 31, 2021

				Effect of rema	ining rights of	
Financial		Gross		set-off (inclu	uding rights to	
liability		amounts	Net amount	set-off finan	cial collateral)	
recognized	Gross	offset in	presented in	thatdo no	t meet PAS 32	
at end of	carrying	accordance	statements	offs	etting criteria	
reporting	amounts	with the	of financial		Fair value	
period	(before	offsetting	position	Financial	of financial	Net
by type	offsetting)	criteria	[a-b]	instruments	collateral	exposure
	[a]	[b]	[c]	[d]		[c-d]
Derivative	₱109,297		₱109,297		₱314,309	(₱205,012)
liabilities						
(Note 17)		₽-		₱–		
Total	₱109,297	₽-	₱109,297	₱-	₱314,309	(₱205,012)

#### Notes to Statements of Cash Flows

Non-cash additions to investment properties and other properties acquired in settlement of loans amounted to ₱1.2 billion and ₱652.9 million, and ₱204.5 million and ₱1.1 billion, respectively, for the years ended December 31, 2022 and 2021, respectively.

Changes in liabilities arising from financing activities

	January 1, 2022	Cash flows	Others	December 21, 2022
	January 1, 2022	Cash flows	Others	December 31, 2022
Liabilities from financing activities				
Bills payable	₱11,372,777,000	(P4,403,402,000)	P-	₱6,969,375,000
Subordinated debt	1,993,568,187		(1,993,568,187)	
	<del>P</del> 13,366,345,187	( <del>P</del> 4,403,402,000)	( <b>P1</b> ,993,568,187)	₱6,969,375,000
	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

# **Events after the Reporting Period**

On April 12, 2023, the Bank's BOD approved the declaration of cash dividends of ₱1.39 per common and preferred share, amounting to ₱425,871,404 and ₱89,612,903, respectively, in favor of the stockholders of record as of the record date of April 12, 2023.

#### 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 12, 2023.

# Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB)

Presented below is the supplementary information required by BSP under Section 174 of the MORB 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:

	2022	2021
Return on average asset (ROA)	0.79%	0.38%
Return on average equity (ROE)	5.71%	3.06%
Net interest margin over average earning assets (NIM)	4.15%	4.24%

# Description of capital instruments issued

As of December 31, 2022 and 2021, the Bank has two classes of capital stock, preferred and common

# 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, 2022		December 31, 202	
	Gross Amount	%	Gross Amount	%
Real estate activities	₱13,075,472	28.36	₱14,447,708	29.15
Wholesale and retail trade	6,605,405	14.33	7,748,709	15.63
Consumer	4,440,892	9.64	8,817,705	17.79
Electric, gas, steam and air-conditioning supply	3,069,880	6.66	3,250,465	6.56
Transportation and storage	2,833,691	6.15	3,485,865	7.03
Other service activities	2,357,058	5.11	2,530,609	5.11
Manufacturing	1,773,986	3.85	1,833,096	3.7
Construction	1,382,324	3.00	1,870,823	3.77
Agriculture, forestry and fishing	1,209,676	2.62	1,568,878	3.17
Human health and social work activities	1,594,944	3.46	1,384,719	2.79
Education	1,130,997	2.45	1,130,444	2.28

	December 31, 2022		. Decemb	er 31, 2021
	Gross		Gross	
	Amount	%	Amount	%
Information and Communication	2,425,032	5.26	-	-
Public Administration, Defense, and Compulsory Social Security	1,811,122	3.93	-	-
Financial and insurance activities	993,079	2.15	413,753	0.83
Accommodation and food service activities	885,732	1.92	1,028,047	2.07
Water Supply, Sewerage, and Waste Management	351,897	0.76	-	-
Mining and quarrying	76,272	0.17	57,503	0.12
Arts, Entertainment, and Recreation	82,557	0.18	-	-
	P46,100,016	100.00	₱49,568,324	100.00

# **Regulatory Reporting**

BSP Circular No. 941 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:

	2022	2021
Gross NPLs	<b>₽</b> 2,891,587,916	₱4,305,435,563
Less: Deductions as required by the BSP	2,017,887,946	2,401,813,393
Net NPLs	₱873,699 <b>,</b> 970	₱1,903,622,170

According to Section 304 of the MORB, 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:

2022			2021			
		Non-			Non-	
	Performing	Performing	Total	Performing	Performing	Total
Loans and discounts Corporate						
lending	P9,543,809,516	P1,200,760,910	P10,744,570,425	₱10,065,544,919	₱1,202,276,171	₱11,267,821,090
Commercial						
lending	2,988,544,824	550,623,259	3,539,168,083	2,560,958,309	688,724,025	3,249,682,334
Consumer lending	-					
Auto	17,146,557,898	922,154,235	18,068,712,133	20,503,457,970	1,924,763,212	22,428,221,182
Housing	12,621,668,402	196,940,240	12,818,608,642	11,227,290,754	445,168,413	11,672,459,167
Others	907,847,569	21,109,272	928,956,841	909,636,206	44,503,742	950,139,948
	₱43,208,428,209	₱2,891,587,916	P46,100,016,124	₱45,266,888,158	₱4,305,435,563	₱49,568,323,721

# Loans per security

As of December 31, 2022 and 2021, secured and unsecured NPLs of the Bank are as follows:

	2022	2021
Secured	₱1,399,396,08 <b>3</b>	₱2,855,690,540
Unsecured	1,492,191,832	1,449,745,023
	<b>₽</b> 2,891,587,916	₱4,305,435,563

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	December 31, 2021		
	Amount	% Amount		%
Secured by:				
Chattel	₱15,788,92 <b>4</b>	50.28	₱22,374,075	45.14
Real estate	15,096,857	48.07	13,993,055	28.23
Deposits hold-out	518,650	1.65	1,282,283	2.59
	31,404,431	68.12	37,649,413	75.95
Unsecured	14,695,586	31.88	11,918,911	24.05
	46,100,016	100.00	₱49,568,324	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, 2022 and 2021, the Bank is in compliance with these regulatory requirements.

The following table shows information relating to related party loans of the Bank:

	20	22	202	21
	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Total outstanding loans (in thousands) Percent of DOSRI/Related Party loans granted before effectivity of BSP Circular No. 423 to total loans	<del>p</del> -	. <del>p</del>	<del>P</del> 995,174	<del>P</del> 995,174
Percent of DOSRI/Related Party loans granted after effectivity of BSP Circular No. 423 to total loans	_	-	1. 84%	1. 84%
Percent of DOSRI/Related Party loans to total loans Percent of unsecured DOSRI/ Related Party loans to total	-	-	1.84%	1.84%
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 342 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.

Total interest income on the DOSRI loans and receivable amounted to ₱6.4 million and ₱15.74 million for the years ended December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022 and 2021, interest rates on DOSRI loans ranged from 2.00% to 4.50%.

# Secured Liabilities and Assets Pledged as Security

As of December 31, 2022 and 2021, the Bank does not have outstanding secured liabilities and assets pledged as security.

# Commitments and contingencies

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

	2022	2021
Forward exchange sold	<del>P</del> 16,104,942,194	<del>P</del> 20,310,941,453
Forward exchange bought	15,719,782,290	20,409,044,202
Unavailed credit lines	5,051,552,710	4,567,492,503
Non-deliverable swap receivable	3,991,200,000	12,920,685,000
Non-deliverable swap payable	3,902,850,000	13,055,744,000
Trust department accounts	8,814,801,843	7,507,544,250
Spot exchange sold	2,176,050,000	5,547,421,186
Spot exchange bought	2,174,515,000	5,547,410,000
Interest rate swap payable	1,550,000,000	2,250,000,000
Interest rate swap receivable	1,550,000,000	2,250,000,000
Inward bills for collection	1,034,699,975	184,715,822
Unused commercial letters of credit	1,147,679,821	805,602,924
Export letters of credit-confirmed	867,826,575	793,799,435
Deficiency claims receivable	844,456,694	668,694,286
Cross interest swap payable	312,228,000	-
Cross interest swap receivable	283,352,500	-
Outstanding guarantees	566,459,968	567,696,530
Late deposits and payments received	7,668,793	5,698,158
Items held for safekeeping	501,982	534,228
Items held as collateral	9,017	8,493
Currency swap receivable	-	26,728,819,100
Non-deliverable forward payable	-	752,970,000
Non-deliverable forward receivable	-	764,985,000
Outward bills for collection	-	6,039,411
Broker customer securities account	-	-

# 4. 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, 2022, GRT, DST and other taxes and licenses consist of the following:

Gross receipts tax	₱329,246,413
Documentary stamp tax	182,079,432
License and permit fees	21,562,948
Real estate taxes	4,639,460
Registration fees	32,000
	₱537,560,253

# **Withholding Taxes**

Details of withholding taxes for the year ended December 31, 2022 are as follows:

	Total Amount Remitted	Balance as at December 31
Final withholding taxes	₱93,983,114	₱18,800,399
Expanded withholding taxes	165,671,272	23,124,068
Withholding taxes on compensation and benefits	236,883,087	24,806,642
Final withholding VAT	2,638,223	124,430
	₱499,175,696	₱66,855,539

#### Tax Assessments and Cases

As of December 31, 2022, the Bank does not have any tax cases outstanding or pending in courts or bodies outside the BIR.

The Bank received Final Assessment Notices (FAN) for taxable years 2017 and 2018 from the Bureau of Internal Revenue (BIR) on April 15, 2021 and June 22, 2022, respectively. The FAN were issued as a result of the investigation of the BIR for the alleged tax liabilities of the Bank amounting to ₱1.98 billion and ₱3.11 billion, respectively.

	2017
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 December 31, 2022, the BIR has not issued yet a Final Decision of Disputed Assessment (FDDA).

The Bank has also received an undated Preliminary Assessment Notice (PAN) for the taxable year 2018 from the 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.

	2018
Income tax	₱1,501,305,898
Gross receipts tax	2,062,451
Expanded withholding tax	10,270,876
Fringe benefits tax	145,322,095
Final withholding tax on interest	168,440,651
Documentary stamp tax	1,285,689,451
Compromise penalties	415,000
	₱3,113,506,422

On February 28 and July 22, 2022, to dispute such alleged tax liabilities, the Bank submitted a position paper to the PAN, and a protest letter and request for reinvestigation, respectively. As of December 31, 2022, the BIR has not yet issued an FDDA.



OTHER INFORMATIONS









aybank 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 waived

# Maybank ATM

Your other passport

- Access your account at any Maybank ATMs in Malaysia, Singapore, and Brunei.
- 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

## **EzySave+ Savings**

A digital savings account powered by Maybank and GCash that lets you conveniently open your account via the GCash application.

- No initial deposit and zero maintaining balance required
- No annual fee
- Earn interest with minimum balance of Po.o1
- Enjoy free life insurance coverage of up to Php1,000,000 subject to qualification

### **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 90% 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 70% 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

# Products & Services

# **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 Php50 spend anywhere / Earn one (1) TreatsPoint for every Php25 spend and redeem cash credit and miles
- 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 for two
- Travel and Accident Insurance Coverage

## **WEALTH MANAGEMENT**

# **Maybank Premier**

Turn Your Inspiration Into Reality
Carefully crafted and specialized suite of product offerings,
benefits and privileges to address our clients' unique financial
and lifestyle needs.

#### Wealth Solutions

Wealth Management Advisory. We help our clients create a financial plan tailored to their specific financial requirements and aspirations, enabling them to build a legacy for their future generations.

Research Capability. We help our clients make more informed decisions, through first-hand access to expert wealth research of the Maybank Group and invites to exclusive market outlook sessions.

# Premier Benefits

Dedicated Relationship Manager. We match our clients with a single point of contact and account handler for all their banking and financial requirements with Maybank.

Priority Service. We provide our clients the convenience to perform all their banking needs in the comfort and privacy of any of our Maybank Premier Centers in the country.

Preferential Pricing Privileges. We extend only to our select Premier clients preferential pricing on banking products and services, including foreign exchange.

# Lifestyle Privileges

Maybank Visa Infinite Credit Card. Only our well-travelled Premier clients can gain access to exclusive privileges that come with this credit card, including 1% cashback on overseas spend

### **CASH MANAGEMENT SERVICES**

### **Collection Solutions**

#### **Express Collect**

Unique deposit taking service which provides a flexible and safe solution for transporting check collections from the client's office for deposit into their Maybank account via the bank's accredited motorized collector.

#### **Cash Collect**

Nationwide cash pick-up service which ensures a secure, efficient and convenient solution for transferring cash and check collections from the customer's office into their Maybank account

#### **Over-the-counter Bills Payment**

Automated receivables solution that allows corporate customers to collect from their clients via Maybank's branches

## **Check Warehousing**

Outsource the management and handling of Post Dated Checks (PDC) and generating reports for easy reconciliation.

## **Night Depository Box**

Secure and safe deposit solution for businesses operating beyond banking hours, weekends and holidays. Deposits are kept safe until they can be counted and verified the next banking day.

#### E-Gov

An online payment facility managed by Bancnet for government contributions and loans such as SSS, Philhealth and Pag-ibig.

## **Payment Solutions**

# **Check Cutting**

Allows corporate customers to outsource the check making and releasing activities to the bank and gives an option to use either Corporate Checks or Maybank Manager's Checks

#### **Check Master**

Stand-alone check writing solution for the *automated* preparation of checks, vouchers and reports.

## **Payroll Solutions**

## **Payroll Manager**

Hassle free payroll solution that provides convenience of paying the periodic salaries of employees into their Maybank ATM accounts.

## **Payroll Manager Plus**

Leading edge payroll solution that combines functionalities of a traditional payroll service coupled with up-to-date software to ensure security, efficiency and costsaving during payroll activities.

## **Payroll Master**

Stand-alone payroll system that automates the computation of the distribution of salaries and other benefits directly into the employees' ATM accounts.

# Internet Banking

# Maybank2E

It is Maybank's dedicated business portal covering all aspects of cash management including management of information, payables, receivables and liquidity, and runs across major mobile operating systems. Its multichannel 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.

Who we are & what we do Key Messages to Stakeholders Review of 2022 Operations Our Leadership



# **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 aims to 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 UITF is a professionally managed and open-ended collective investment scheme wherein the funds from various investors are pooled together and invested in various investment instruments for the purpose of achieving the intended investment objective of the fund. MPI-Trust offers a broad range of funds with the goal of providing its clients maximum yields and returns within certain levels of risks.

### **BUSINESS LOANS**

# **Revolving Credit Line (RCL)**

Short-term loans granted for working capital purposes where the amount paid is made continually available provided it does not exceed the approved credit line.

#### **Term Loan**

Granted for the purpose of project financing, capital assets acquisition/expenditures or business expansion.

#### **Domestic Bills Purchase Line**

Credit facility granted to augment the working capital of the borrower through advance made by the Bank against current-dated checks.

# **Discounting Line**

Credit facility granted to augment the working capital of the borrower through the discounting of trade-related, third-party post-dated checks.

# **Letter of Credit/Trust Receipt**

Issued by the Bank on behalf of the importer-customer for the benefit of the supplier (exporter); issued to cover the purchase of goods for the final use of the buyer or for resale. Trust Receipt financing allows the applicant (importer) to take possession of the goods and to convert the same into cash within a maximum allowable period. Trade transactions that require TR financing may or may not be covered. by Letter of Credit.

# **Stand-by letters of Credit**

A letter of credit used to guarantee payment in case of non-performance of the applicant/customer or payment to a beneficiary under a contractual obligation between the applicant and the beneficiary

#### **Bank Guarantee/Shipside Bond**

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).





#### Main Office Branch

G/F Maybank Corporate Centre
7<sup>th</sup> Ave. corner 28<sup>th</sup> Street
Bonifacio High Street Central
Bonifacio Global City, Taguig City
Tel. No. (02) 8478-1155 loc. 3730

# Legaspi Towers Center (LTC)

G/F Legaspi Towers 300 Roxas Boulevard corner Pablo Ocampo Street Malate, Manila, 1004

## **METRO MANILA BRANCHES**

### A. Mabini

G/F Metropolitan Towers Condominium 1746 A. Mabini Street Malate, Manila, 1004 Tel. No. (02) 8526-0666

#### Ayala Alabang

Alabang, Muntinlupa City Tel. No. (02) 8842-9473 (02) 8842-9423

1<sup>st</sup> Floor Commercenter,

## Ayala Ave.

G/F Tower One & Exchange Plaza Ayala Triangle, Ayala Ave. Makati City 1200 Tel. No. (02) 8240-9145

(02) 8240-9803

## Aseana

Shop 8B, East Tower, GF, 8912 Asean Avenue, Paranaque City Tel. No (02) 8283-9931

#### Bel-Air

G/F 357 New Solid Bldg.
Senator Gil Puyat Ave.
Makati City, 1200
Tel. No. (02) 8890-4679 to 80
(02) 8890-4839

#### **Binondo**

G/F Co Chin Leng Bldg. 567-569 Quintin Paredes Street Binondo, Manila, 1006 Tel. No. (02) 8247-4576

#### Caloocan

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

#### Cubao

178 P. Tuazon Blvd. cor. 8<sup>th</sup> Ave. Cubao Quezon City, 1109 Tel. No. (02) 8911-7366 Fax No. (02) 8911-6770

#### **Del Monte**

No. 483 Del Monte Ave. Quezon City, 1800 Tel. No. (02) 8365-0855 Fax No. (02) 8365-0955

#### Edsa Caloocan

Edsa cor. Plata Street
Caloocan City, 1400
Tel. No. (02) 8287-0288
(02) 8281-4225

# **Global City-Burgos Circle**

G/F ACCRALAW Tower 2<sup>nd</sup> Ave. cor. 30<sup>th</sup> Street Bonifacio Global City Taguig City, 1634 Tel. No. (02) 8403-5485 (02) 8556-9831





# Global City-32<sup>nd</sup> Street

G/F Unit 6, Trade and Financial Tower 7<sup>th</sup> Ave. cor. 32<sup>nd</sup> Street Fort Bonifacio Global City Taguig City, 1634 Tel. No. (02) 8478-7961

(02) 8478-9499

#### Greenhills

G/F Unit 2 Greenhills Mansions 37 Annapolis Street, Greenhills San Juan, 1500

(02) 8721-3194 Tel. No. (02) 8721-1895

# **Katipunan Avenue**

G/F Golan Plaza #333 Katipunan Ave. Loyola Heights, Quezon City, 1400 Tel. No. (02) 8426 0199

(02) 7738-6031

#### Las Piñas

Alabang-Zapote Rd. Pamplona Tres Las Piñas City, 1700 Tel. No. (02) 8872-6649

(02) 8874-0670

## Malabon

155-C Gov. Pascual Ave. Acacia Malabon City, 1470 Tel. No. (02) 8990-4057 to 59

# Marikina

#54 Bayan-Bayanan Ave. Concepcion Uno Marikina City, 1800 Tel. No. (02) 8516-3448

#### Makati Ave.

Street Giles Hotel cor. Makati Ave. & Kalayaan Ave. Poblacion, Makati City Tel. No. (02) 8553-8115 (02) 8553-8117

# **Newport City**

Unit R4 G/F Star Cruises Bldg. 110 Andrews Ave., Newport City Cybertourism Zone, Pasay City, 1309 (02) 8556-8583 Tel. No.

(02) 8556-8582

# Ortigas

G/F Unit 101 Pacific Center Bldg. San Miguel Ave., Ortigas Center Pasig City, 1605 (02) 8706-5270 Tel. No.

# **Quezon Avenue**

The Upper Class Building Quezon Avenue cor. Scout Reyes, Paligsahan Quezon City, 1103 Tel. No. (02) 8866-4064

## Sucat Parañaque

8212 Dr. A. Santos Ave. Brgy. San Isidro Parañaque City, 1700 Tel. No. (02) 8822-1781 (02) 8826-7633

#### Rufino

G/F Plaza 100 Bldg. V.A. Rufino cor. Dela Rosa Street Legaspi Village Makati City, 1229 (02) 8856-5972 Tel. No.

(02) 8856-5974

# San Juan

G/F LM Bldg. 157 F. Blumentritt Street San Juan City, 1500 Tel. No. (02) 8724-3247

#### **Tomas Morato**

G/F MJB Bldg., 220 Tomas Morato Ave. cor. Scout Lascano Street (02) 8929-8816

Valenzuela

209-211 McArthur Highway Karuhatan, Valenzuela City, 1440 Tel. No. (02) 3443-2014 (02) 8293-6483

### **LUZON BRANCHES**

#### **Alaminos**

Marcos Ave., Brgy. Palamis Alaminos City Pangasinan, 2404 Tel. No. (075) 540-5458 (075) 551-3368

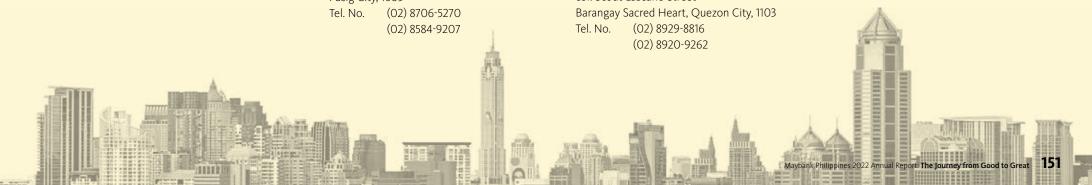
## **Angeles**

McArthur Highway, Balibago, Angeles City Pampanga, 2000 Tel. No. (045) 405-0182

#### Baguio

#80 Rancho Guillermo Bldg. North Drive, Baguio City, 2600 (074) 423-3571 Tel. No. (074) 446-7244 Fax No.

(045) 405-0220







# **Batangas City**

P. Burgos Street
Batangas City
Tel. No. (043) 980-1032
(043) 425-0190

#### Biñan

Km 35 National Highway Brgy San Antonio Biñan City, Laguna, 4024 Tel. No. (049) 511-3032 (049) 511-3005

#### Cabanatuan

KM 114 Maharlika Highway Cabanatuan, Nueva Ecija Tel. No. (044) 463-0726 (044) 463-1632

#### Clark

Pavilion 8, Berthaphil III Clark Center Jose Abad Santos Ave. Clark Freeport Zone Clark Pampanga, 2000 Tel. Nos. (045) 499-2125 (045) 893-4386

# Dagupan

290 A. B. Fernandez Ave.
Dagupan City, Pangasinan, 2400
Tel. No. (075) 523-1194

#### Laoag

Brgy. 16, Villanueva Street Laoag City, 2900 Tel. No. (077) 772-0050 (077) 770-3643

### Lipa

C.M. Recto Ave. cor. Rizal Street Lipa City, Batangas, 4217 Tel. No. (043) 702-1599 Fax No. (043) 702-1600

#### Lucena

Quezon Ave. cor. Lakandula Street Lucena City, 4301 Tel. No. (042) 797-1649 Mobile No. 0917-8136534

## Meycauayan

G/F EMCCO Building MacArthur Highway, Calvario Meycauayan, Bulacan, 3020 Tel. No. (044) 769-9680 Fax No. (044) 228-5738

## Naga

G/F BDPHI Bldg. Bicol Diamond Property Holding Inc. cor. Panganiban Street and Peñafrancia Ave. Naga City, 4400 Tel No. (54) 881-1031

#### Subic

G/F Formosa Tower Lot 7A Block B Subic Commercial & Light Industrial Park Manila Ave., Subic Bay Freeport Zone, 2209 Tel. No. (047) 250-3537 (047) 250-3539

#### San Fernando

G/F Odette Grace Bldg.
MacArthur Highway, Dolores
San Fernando, Pampanga, 2000
Tel. No. (045) 961-2274
Mobile No. 0917 8076857

# Santiago Isabela

Camacam Street City Road Santiago, Isabela, 3311 Tel. No. (078) 305-3089



# Sta. Rosa

I.P. Rizal Blvd. cor. F. Gomez Street Sta. Rosa City, Laguna, 4026 Tel. No. (049) 8520-8686

#### Urdaneta

MacArthur Highway Urdaneta City Pangasinan, 2428

Tel. No. (075) 656-2401 (075) 568-6811

#### Vigan

G/F GSP Bldg. Leona Florentino corner Plaridel Sts., Vigan City Ilocos Sur, 2700 (077) 722-2836 Tel. No.

(077) 722 1903

#### Tarlac

Unit 105 & 106 A Benry Square No. 1 F. Tanedo Street Tarlac City, 2300 Tel. No. (045) 491-2062

(045) 309-0392

### **VISAYAS BRANCHES**

Risk Management

#### **Bacolod**

G/F R & B Bldg. cor, Hilado Street and Narra Street Capitol Shopping Center Bacolod City, 6100

Tel. No. (034) 435-1443

> (034) 435-0050 (034) 434-5541

### **Cebu Business Center**

Zenith Central, LoT 2 Blk 19 Luzon Ave., Cebu Business Park Cebu City, 6000

(032) 520-5425 Tel. No.

(032) 520-5038

# Cebu Downtown

137 Plaridel Street Cebu City, 6000 Tel. No. (032) 412-0433

#### Cebu-Mandaue

Lopez Jaena Streetk, National Highway, Subangdaku, Mandaue City, 6000 Tel. No. (032) 268-0829

(032) 268-0832

#### lloilo

G/F J & B Bldg. II cor. Ledesma Street and Mabini Street, Iloilo City, 5000

Tel. No. (033) 337-9067 (033) 337-0107

## Iloilo-Jaro

No. 12 Lopez Jaena Street Jaro, Iloilo City, 5043 Tel. No. (033) 503-2621 (033) 503-2621

#### Roxas

1068 Roxas Ave. Roxas City, 5800 (036) 621-0561 Tel. No. (036) 522-2700

# **MINDANAO BRANCHES**

#### **Butuan**

Jose C. Quirino Ave. Butuan City, Agusan Del Norte 8600 Tel. No. (085) 341-0224 (085) 341-0284

# Cagayan de Oro

Pioneer House CDO cor. A. Velez Street & Mabini Street, Cagayan de Oro City, 9000 Tel. No. (088) 857-4439 (082) 726-6060

#### **Davao Business Center**

G/F HAI Bldg., Pryce Business Park JP Laurel Ave., Davao City, 8000 Tel. No. (082) 321-7600 (02) 8359-2709

## **Davao Lanang**

Nova Tierra Square Bo. Pampanga Lanang Sasa, Davao City, 8000 Tel. No. (082) 233-1357

#### **Davao Monteverde**

G/F LHL Building, Monteverde cor. Sales St., Davao City, Davao Del Sur, Philippines 8000 Tel. No. (082) 227-8904

## Zamboanga

G/F BG Bldg. Veterans Ave. Zamboanga City, 7000 Tel. No. (062) 992-6772 (062) 992-6759







# Maybank Philippines, Inc.

Maybank Corporate Center, 7<sup>th</sup> Avenue corner 28<sup>th</sup> Street Bonifacio High Street Central, Bonifacio Global City Taguig City 1634, Metro Manila, Philippines

www.maybank.com.ph