



A Savings Bank of



Financial Inclusion for Filipinos Worldwide

2020 ANNUAL REPORT

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VISION

By 2024, OFBank shall be the country's leading OFW-centric branchless, digital bank committed to provide competitive and innovative products and services through convenient, reliable, and secure banking platforms.

MISSION

To our Clients:

OFBank is a digital-only, first branchless Philippine bank that provides convenient, reliable, and secure banking solutions responsive to the needs of overseas Filipinos/OFWs and their beneficiaries. We are focused on developing long-term relationships with our customers and other stakeholders through strategic alliances and partnerships.

To our Employees:

We are dedicated to nurturing our employees in an enabling environment and providing opportunities for professional growth.

THE OFBANK BRAND

The Overseas Filipino Bank (OFBank) is the first branchless and digital-only banking institution in the Philippines. It is a subsidiary of the Land Bank of the Philippines and was established to specifically cater to the banking needs of Overseas Filipinos (OFs), Overseas Filipino Workers (OFWs), and their beneficiaries.

The OFBank is a trailblazer in leveraging technology-driven delivery platforms to bring affordable and reliable financial and banking services to Filipinos across the globe.

Positioned to serve Filipinos in the digital economy, the OFBank continuously reaches out and strengthens its relationship with customers, partners and other stakeholders worldwide.

Message from the President of the Philippines



Warmest greetings to the Overseas Filipino Bank (OFBank) as it publishes its 2020 Annual Report.

I am pleased to learn that your accomplishments in the past year have highlighted this administration's commitment to make much needed financial products and services readily available to overseas Filipinos, especially as they struggled to face the challenges of a global pandemic.

I hope that the gains of the previous year will inspire the men and women of OFBank to continue connecting Filipino families with their loved ones abroad and, in the process, enabling them to contribute further to economic growth and recovery.

I hope that you will remain steadfast in realizing our goal of creating an inclusive society that is financially resilient and secure. May we all work hand in hand in achieving this goal by spurring economic growth and stability for the benefit of our citizens wherever they may be in the world.

Mabuhay kayong lahat.

A handwritten signature in black ink, appearing to read 'Rodrigo', written in a cursive style.

RODRIGO ROA DUTERTE

MANILA
July 2021

Message from the Secretary of Finance

In 2018, President Rodrigo Duterte's campaign pledge of creating a bank that caters exclusively to the needs of overseas Filipinos came to fruition with the launch of the Overseas Filipino Bank (OFBank). The bank has evolved into the country's first digital-only, branchless government bank, a major step ahead of the rest of our banking industry as our entire financial sector shifts to digitalization.

I commend the officers and staff of the OFBank for setting this unique institution on firm footing in its first year of operations. In the first 100 days after the June 29, 2020 launch of its Digital Onboarding System with Artificial Intelligence, the OFBank has already reached Filipinos in 100 countries and territories.

OFBank allows our overseas workers to manage their funds through a full-fledged bank account instead of relying on costly remittance services. This is not only cheaper and safer, but it also enables them hands-on management of their finances.

As the number of OFBank account holders in and out of the country grows, we will continue to leverage the economic advantages of bringing their financial transactions to mainstream Philippine banking. By enabling them to properly save in their own bank accounts, pay bills, and transfer funds more affordably, we are able to help them maximize their earnings and resources.

In 2020, remittances of Overseas Filipinos decreased by only less than one percent despite lockdowns, layoffs, repatriations, and other challenges brought about by the pandemic. Overseas Filipinos remained resilient and continued to send home funds to help support their loved ones in the Philippines.

The OFBank has also been a partner of the National Government in promoting financial literacy and



inclusion through making government securities easily accessible to overseas Filipinos around the world.

As we tread the path towards economic recovery, the National Government will rapidly modernize governance by fast-tracking digitalization towards greatly improving the delivery of services, and making them more responsive to the needs of our people.

I expect the men and women of the OFBank to continuously make this institution a thriving enterprise while helping our overseas workers enter a more inclusive financial system.


CARLOS G. DOMINGUEZ
Secretary of Finance

October 14, 2021

Chairperson's Message



The year 2020 marked a new beginning for the Overseas Filipino Bank (OFBank) as we introduced it as the first digital-only, branchless bank in the Philippines. Its transformation as the official digital bank of the Philippine government is anchored on the primary goal of delivering and addressing the banking needs of Overseas Filipinos and their families.

It could not have come at a better time when pandemic restrictions had forced most companies to turn to digital solutions in order to continue servicing their customers. For OFBank, it was a turning point for innovation in order to expand the reach of its products and services to Overseas Filipino Workers (OFWs) in particular, to enable them to open their bank accounts, send money to their beneficiaries for free, pay bills, and more importantly, save their hard-earned income.

These services were made possible with the OFBank Mobile Banking Application Digital Onboarding System with Artificial Intelligence (OFBank MBA DOBSAI) which allows Overseas Filipinos and their beneficiaries to open their bank accounts swiftly and conveniently through their mobile devices or other electronic gadgets.

Overseas Filipinos from 100 countries and territories, including Saudi Arabia, Kuwait, Hong Kong, Qatar and Taiwan, were able to open their OFBank savings accounts and conduct banking transactions through their mobile phones.

Last year, a total of 108,630 transactions amounting to P94.6 million were coursed through the digital and e-banking channels of OFBank.

OFBank also continued to partner with various foreign remittance services. A total of 9,690 remittance transactions were facilitated by the Bank which translated to P199.83 million cash inflows in 2020.

The OFBank Mobile Banking Application also paved the way for Overseas Filipinos to invest in National Government securities and take part in efforts to raise funds for various development programs. Through the OFBank MBA's bond purchase feature, OFBank accountholders were able to purchase government bonds.

In the Bureau of the Treasury's Premyo Bonds 2 offering from November to December 2020, OFBank facilitated a total of 3,517 transactions amounting to P40.72 million. We expect that more and more Filipinos overseas will be investing in retail treasury bond offerings in the future as we intensify the promotion of their advantages, as well as the convenience of subscription through the OFBank MBA.

We are also pleased with the 100% resolution rate for customer concerns and complaints within the standard turnaround time, but we will pursue activities focused on process improvements and customer service.

As we forge ahead to carry out the OFBank mission of serving Filipinos worldwide, we will intensify efforts to improve service delivery through enhanced systems, and develop more products that respond to banking needs of our kababayan across the globe.

Maraming salamat sa inyong suporta at pagtangkilik. Mabuhay po kayo!



CECILIA C. BORRROMEO

Chairperson, Overseas Filipino Bank
President and CEO, Land Bank of the Philippines

As we forge ahead to carry out the OFBank mission of serving Filipinos worldwide, we will intensify efforts to improve service delivery through enhanced systems, and develop more products that respond to banking needs of our kababayan across the globe.

President's Message



It is my honor to be leading the Overseas Filipino Bank (OFBank) in its digital transformation, ushering in a new and better way for Overseas Filipinos to take part in the country's economy.

The year 2020 was challenging for everyone because of the prevailing health crisis, but our OF sector remained resilient. The same is true with the OFBank which, with the guidance and support of the National Government and our parent bank, the Land Bank of the Philippines, forged ahead to realize our commitment to provide our kababayans abroad with a platform to open their own bank accounts and conduct their financial transactions.

The OFBank now reaches 100 countries and territories through 19,887 accounts opened via the OFBank Mobile Banking Application Digital Onboarding System with Artificial Intelligence (OFBank MBA DOBSAI), but we acknowledge that there is still a vast market that needs to be served. Thus, we are redoubling our efforts, not only to promote our products and services to our target customers but also to further strengthen OFBank through good housekeeping and sound corporate governance.

The OFBank's risk management philosophy and culture are aligned with its parent bank's. We adhere to LANDBANK's risk management framework with an integrative component of good governance involving the Board of Directors (BOD), Corporate Governance and Risk Management Committee (CGRMC), and Senior Management in performing the risk oversight of the institution to ensure the adequacy of our internal controls, policies, systems, and procedures in managing risks.

We also make sure to diligently comply with industry standards and policies set by the Bangko Sentral ng Pilipinas (BSP) and other regulatory bodies particularly on cyber security, outsourcing, consumer protection and anti-money laundering (AML), as well as countering and financing of terrorism (CFT).

Also in compliance to BSP Circular No. 1105 dated Dec. 2, 2020, the OFBank has maintained its head office in the Philippines as the main point of contact for the BSP and other regulators, as well as for our stakeholders, so we can assist them in their various needs and concerns.

Reaching and Serving More Overseas Filipinos

Financial literacy underpins our strategy in reaching out to Overseas Filipinos. The OFBank does not only promote bank account opening but imparts practical lessons on saving, budgeting, and investing through webinars undertaken with the assistance of LANDBANK's Overseas Remittance Group (LBP-ORG), Philippine embassies and consulates, the Philippine Overseas Employment Administration (POEA), and the Overseas Workers Welfare Administration (OWWA). From July to December 2020, the OFBank conducted 100 webinars.

It is also through webinars that we conduct briefing for potential investors to government securities, encouraging our kababayans abroad to take part in nation building by helping fund the Philippines' health, educational, and other development programs through their investments.

The OFBank established partnerships with remittance companies to further strengthen our foothold in the e-commerce market as well as to synergize our marketing efforts in various countries. In 2020, we touched base with the top 10 destinations for the deployment of OFWs, namely Saudi Arabia, United Arab Emirates (UAE), Singapore, Hong Kong, Qatar, Kuwait, Taiwan, Italy, Bahrain, and Malaysia.

Improving and Expanding our Products and Services

We continue to improve our mobile banking app to include new private and government merchants in the bills payment facility, as well as a cardless withdrawal feature. We will also launch soon

our electronic multi-purpose loan system. This facility will add to the existing roster of loan products available for OFs, including LANDBANK's Bahay para sa Bagong Bayani (3B) and OFW Reintegration Program.

As we look forward to serving many more Filipinos in and out of the Philippines, rest assured that your OFBank is relentless in developing products and services catered to OFs and their beneficiaries. To this end, we commit to better understanding and working towards responding to your unique banking and financial needs.

Saludo po kami sa lahat ng OFBayani!



LEILA C. MARTIN
President and CEO

Corporate Information

ABOUT OFBANK

The Overseas Filipino Bank (OFBank) traces its roots back to 1906 when it was established as the Postal Savings Bank Inc. to bring banking services to far-flung areas of the Philippines. In 1976, however, the Bank ceased operations due to strong competition with private banks which cornered most of the market share at that time.

By virtue of Republic Act No. 7354, the PSB resumed operations in 1994 as the Philippine Postal Savings Bank Inc. (PPSB) under the Philippine Postal Corporation (PPC), offering wholesale loans to microfinance institutions as well as domestic and international remittance services.



Through the years, the PPSB served as the National Government's partner in providing better economic opportunities for Filipinos through the provision of accessible banking and financial services.

In November 2016, state-owned Land Bank of the Philippines (LANDBANK) announced plans to acquire PPSB and to convert it into a bank that primarily caters to the needs of Overseas Filipinos (OFs). In the succeeding month, LANDBANK received a directive from the Office of the President to initiate PPSB's acquisition and establish a bank that will strengthen the National



Government's role and position in the Philippine banking industry by dedicating a policy bank that will specifically cater to the financing needs of the OFs and Overseas Filipino Workers (OFWs), and their beneficiaries.

Pursuant to Executive Order No. 44 signed by President Rodrigo R. Duterte in September 2017, the PPSB became a wholly-owned and fully controlled subsidiary of LANDBANK and was transformed into OFBank.

SALIENT PROVISIONS OF EO 44:

- Infusion of additional capital to OFBank to attain its primary agenda of servicing the various financial and banking needs of OFs. LANDBANK infused a total of P1.68 billion to OFBank in three (3) tranches.
- Implementation of a Reorganization Plan with detailment or secondment of seven (7) LANDBANK employees to OFBank.
- Creation of a Board of Directors that consists of nine (9) members: six (6) from LANDBANK, one (1) from the Department of Labor and Employment (DOLE), one (1) from the Overseas Workers Welfare Administration (OWWA), and one (1) from the private sector.



In January 2018, the OFBank was officially introduced to the public, with President Duterte leading its launching ceremony.

A year after OFBank's official launch, LANDBANK developed a strategic plan to transition OFBank from a traditional brick-and-mortar bank to a digital-only, branchless bank. The following are the operational highlights resulting from the directions set forth in the strategic plan:

1. On Nov. 30, 2019, all branches of the OFBank were permanently closed with only the Head Office retained as its base of operations and primary touchpoint for stakeholders and regulators.
2. OFBank, with the shared technology of the parent bank, operationalized core products and systems for Account Opening, Deposit/Withdrawal, Mobile Banking, and AML System, among others.
3. A flat organizational structure was initiated composed of OFBank's lean organic manpower complement supported by the LANDBANK's seconded team.
4. Memorandum of Agreements and Service Level Agreements on outsourcing of back office functions were put in place including the independent functions of audit, risk and compliance.
5. A Cash Agency Agreement between OFBank and LANDBANK was approved by the Bangko Sentral ng Pilipinas for servicing OFBank's clients large value over-the-counter requirements. Such an arrangement further ensures business continuity during unexpected operational disruptions.

6. In its **first 100 days** of operations as a digital-only, branchless bank, OFBank accomplished the following:



12,542

Accounts opened
by Overseas Filipinos, OFWs
and their beneficiaries



**Opened online
through
mobile devices**



P173.776M

Total cash inflow



P108.770M

Domestic (OTC, CDM, Interbank, Others (GCash, PayMaya))

P65.006M

Remittance

P121.790M

Total Outflows
(OTC, ATM, E-Banking)

- As part of OFBank's financial literacy campaign, a total of 44 webinars for OFs and OFWs were conducted, in close coordination with Philippine embassies and consulates and the LANDBANK Overseas Remittance Group (LBP-ORG).
- The webinars also served as a venue for the roll out of the Visa Promo, which is an acquisition-oriented promotional campaign where the participants who opened their accounts during webinars were given cash incentives credited to their newly opened OFBank accounts. The campaign highlights the convenience of doing inbound and outbound fund transfer transactions with OFBank.



44

**Webinars and
pre-departure
orientations**

On Nov. 11, 2020, OFBank launched a bond purchase feature in its mobile banking app which allowed OFBank clients to conveniently participate in the Premyo Bonds 2 offering of the Bureau of the Treasury (BTr). A total of 3,517 transactions worth P40.7 million was successfully coursed through the OFBank.



In close coordination with the BSP and other regulatory bodies, OFBank has been operating as a digital bank and implementing the protocols as expected of a digital bank even prior to the release of BSP Circular No. 1105 signed on Dec. 2, 2020, wherein the following key points were articulated:

- A digital bank shall be subject to the prudential requirements set out by the BSP on corporate governance and risk management, particularly on information technology and cyber security, outsourcing, consumer protection and anti-money laundering (AML) and countering and financing of terrorism (CFT), as provided under existing regulations with due regard to the application of the principle of proportionality.
- Digital banks shall be required to maintain a principal/head office in the Philippines to serve as the main point of contact for stakeholders and provide a venue for interfacing with the Bangko Sentral.

- A digital bank is expected to primarily conduct its business through a digital platform and/or electronic channels with no physical branch or branch-lite unit.
- Digital banks may likewise offer financial products and services through cash agents and other delivery partners subject to the guidelines provided under Secs. 275 and 112.

At present, OFBank continues to carry its mandate of servicing the banking and financing requirements of OFs, OFWs and their beneficiaries, under the leadership of LANDBANK President and CEO Cecilia C. Borromeo and OFBank President and CEO Leila C. Martin serving as the chairperson and vice chairperson of the OFBank Board of Directors, respectively.



1st
branchless,
digital-only bank
in the PH!

Business Model of OFBank

The banking sector is pursuing a digital transformation to defend market share against the influx of fintechs that are steadily gaining foothold in the financial services industry. The strategic focus is centered upon digitizing core business processing, rethinking organizational structures, and assessing internal resources to transform to a “digital bank”.

Driven by the growing customer demand for safe and convenient services amid the pandemic, traditional banking organizations are developing digital banking apps or creating a separate digital bank geared to maximizing digital functionality while minimizing operating costs.

The OFBank has been set up as a beta bank that offers financial products and services through digital and electronic channels primarily to cater to the banking requirements of Overseas Filipinos (OFs), Overseas Filipino Workers (OFWs), and their beneficiaries.

OFBank clients worldwide have opened their savings accounts online through the Digital Onboarding System with Artificial Intelligence (DOBSAI) via the OFBank Mobile Banking Application (MBA). Through this digital account opening platform, clients can securely submit all requirements and complete the account opening process without the need to go to any physical location.

The OFBank MBA is a free application that offers convenient access to the Bank’s wide array of services through smartphones—available anytime and anywhere. It employs image recognition technology for client verification wherein a “selfie” will be matched with the photo in the valid identification card uploaded by the client.



The operation of OFBank is running on shared technology through an outsourcing arrangement with LANDBANK for account opening, deposit/ withdrawal, mobile banking, AML system, and loan system, among others.

As a digital-only and branchless bank, OFBank operates with a very lean manpower complement of seven organic OFBank personnel supported by a team of seconded officers from LANDBANK.

A Cash Agency Agreement between the Banks is also in place to accommodate the over-the-counter transactions of OFBank clients in all LANDBANK branches nationwide. This arrangement ensures resiliency of operations against disruptive events and unhampered banking services for OFs and their beneficiaries.

Bank Website



The OFBank website, www.ofbank.com.ph, underwent major improvements as part of its transformation to a digital-only and branchless bank. The upgraded website, as well as a new and improved Facebook Page – @OFBank – were introduced to the public on June 29, 2020. The updated layout and contents of these channels are aimed at providing better user experience.

The OFBank website contains an array of information about the Bank's history, products and services, and financial and operational highlights. It also has links that direct clients to the retail internet banking site, iAccess, and the LANDBANK Link.BizPortal. OFBank's Vision, Mission, Core Values, as well as the profiles of its Board of Directors and Management Team may also be found on the website.

Operational and Financial Highlights

PRODUCTS AND SERVICES

OFBank presently has five digital products and services:

1. Digital Onboarding System with Artificial Intelligence (DOBSAI) – a mobile banking deposit account opening facility available on supported iPhone or Android devices that facilitates real-time account opening. It employs image recognition technology that allows applicants to capture and upload their facial image and the front of their identification (ID) card.
2. Multi-Purpose Loan
3. Fund Transfer
4. Bills Payment (with over 700 government and private merchants)
5. Investment – Premyo Bonds and Retail Treasury Bonds



E-BANKING SERVICES AND OTHER FACILITIES

The OFBank operates as a digital-only, first branchless Philippine government bank, facilitating all transactions, such as deposits, loans, and remittances, through advanced digital platforms and financial technologies.

Powered by IT systems outsourced from its parent bank, LANDBANK, OFBank's digital products and services cater to the banking requirements of Overseas Filipinos (OFs), Overseas Filipino Workers (OFWs), and their beneficiaries.

OFBank Mobile Banking Application - The OFBank Mobile Banking Application (MBA) is a free application that provides users with convenient access to OFBANK's wide array of services through your smartphones anytime, anywhere. By downloading the OFBank MBA from the Google Play or App Store, the customers can enjoy the full range of services, as follows:

- Online Account Opening
- Quick Balance
- Fund Transfer to own, anyone and other Banks
- Bills Payment
- Cardless Withdrawal
- Mobilock
- Purchase Treasury Bonds
- Loan Application
- One-Time Pin (OTP)
- Contact Us

Internet Banking - The retail internet banking facility of OFBank is powered by the LANDBANK iAccess to allow its customers to enjoy the convenience of secure online banking services anytime, anywhere.

e-Payment Facility – OFBank's e-payment facility is through the LANDBANK Link.BizPortal that allows customers to settle their dues and obligations to government and private institutions avoiding the hassle of long queues and waiting for hours just to pay for their transactions.

Recognizing the limits and potential technology issues of transacting with Automated Teller Machines (ATMs) and Cash Deposit Machines (CDMs), which are considered as OFBank clients' primary touchpoints for withdrawals and cash deposits, a Cash Agency Agreement with LANDBANK was set in place. The Agreement allows LANDBANK branches to accept and disburse cash on behalf of OFBank, thus, ensuring an over-the-counter facility for clients whenever digital banking disruptions occur.

FINANCIAL RESULT OF BUSINESS SEGMENT

- Facilitated 3,517 transactions amounting to P40.7 Million for Premyo Bonds 2 via the OFBank MBA in November 2020.
- Additional information on OFBank's operations as of Dec. 31, 2020:

Total Number of accounts opened via DOBSAI:

Account Classification	No. of Accounts
OF/OFW	16,061
Beneficiary	3,826
Total	19,887

Total number of transactions and value coursed through various channels:

	No. of Transactions	Amount (PhP)
Inflows from OTC/CDM/ Inter-bank/ Others	38,678	323,161,332.56
Inflows from Remittances	9,690	199,834,805.93
Less		
Outflows from OTC/ATM withdrawals/ E-Banking	70,502	418,624,480.68
Total Outstanding Balance in ATM Accounts		104,371,657.81



Total number and volume of transactions coursed thru digital/e-banking channels:

	No. of Transactions	Amount (PhP)
E-Banking Inflows	45,997	467,011,468.88
E-Banking Outflows	62,633	372,411,235.25
Total	108,630	94,600,233.63

- Roll out of the Visa Promo**
An acquisition-oriented promotional campaign where participants of the webinars are provided with a P100.00 credit to their accounts opened during webinar sessions.

Budget	P750,000.00 (\$15,000.00)
Source	Visa
Promo Period	Aug. 2020 – Dec. 31, 2021

100 Base Countries, Emirates and Special Administrative Regions of OFs and OFWs with Accounts Opened Online



- 100 Base Countries, Emirates and Special Administrative Regions of OFs and OFWs with Accounts Opened Online

Afghanistan	Chile	Guam	Lithuania	Russia
American Samoa	China	Hong Kong	Macau	Rwanda
Angola	Cook Islands	Hungary	Malaysia	Saudi Arabia
Argentina	Costa Rica	Iceland	Maldives	Serbia
Armenia	Cuba	India	Malta	Singapore
Australia	Cyprus	Indonesia	Mexico	Spain
Austria	Czech Republic	Iraq	Morocco	Sri Lanka
Bahamas	Democratic Republic of Congo	Ireland	Myanmar	Sweden
Bahrain	Denmark	Israel	Netherlands	Switzerland
Bangladesh	Djibouti	Italy	New Zealand	Taiwan
Barbados	East Timor	Jamaica	Northern Mariana Islands	Thailand
Belarus	Egypt	Japan	Norway	Trinidad and Tobago
Belgium	Ethiopia	Jordan	Oman	Turkey
Bermuda	Fiji	Kazakhstan	Pakistan	Turks and Caicos Island
Brazil	Finland	Kenya	Papua New Guinea	United Arab Emirates
British Virgin Islands	France	South Korea	Philippines	United Kingdom
Brunei Darussalam	Germany	Kuwait	Poland	United States of America
Cambodia	Ghana	Laos	Portugal	Uruguay
Canada	Ghana	Lebanon	Qatar	Vietnam
Cayman Islands	Greece	Libya	Romania	Zambia

- 100 webinars were conducted, in close coordination with Philippine embassies and consulates and the LANDBANK Overseas Remittance Group (LBP-ORG)

Webinars for OFs and OFWs (July-December 2020)		
Schedule	Country/Title of Webinar	Organizer
July		
11	Israel/Cyprus/Turkey/South Korea	LBP ORO
16	Moscow, Russia	
18	Israel/Cyprus/Turkey/Greece/Russia	
19		
26		
31	Kuwait/Bahrain/Qatar	
	Brunei/Indonesia/Papua New Guinea/Malaysia	
August		
2	Israel/Cyprus/Turkey Hong Kong/Macau	LBP ORO
9	Bangkok, Thailand	LBP ORO/PTIC Bangkok
13	Philippines and Abroad-Members of United Filipino Global	United Filipino Global
14	Association of Civil Engineers (Bahrain)	Philippine Institute of Civil Engineers-Bahrain Chapter/ LBP ORO
	Brunei/Indonesia/Papua New Guinea	LBP ORO
15	Washington DC/Bahamas	Philippine Embassy/LBP ORO
	Moscow, Russia	DTI PTIC/Philippine Embassy
	Israel/Cyprus/Turkey	LBP ORO
16	Switzerland	LBP ORO
18	Philippines and Abroad-Members of United Filipino Global	United Filipino Global/DOLE/ OWWA
20	Taiwan	Manila Economic and Cultural Office (MECO)/LBP ORO
21	Kingdom of Saudi Arabia	Bantay at Kasangga ng mga OFWs/LBP ORO
	London, England	LBP ORO
22	Thailand	Association of Filipinos in Thailand/DTI FTSC/LBP ORO
	Israel/Cyprus/Turkey	LBP ORO
24	Manila, Philippines-Consular Assistants' Course (Batch 02-2020)	DFA Foreign Service Institute
25	Malaysia	Philippine Embassy
26	Agana, Guam	Philippine Consulate General
28	Brunei/Indonesia/Papua New Guinea	LBP ORO
29	UK/Germany/USA/Canada	LBP ORO/POLO/OWWA
September		
1	Abu Dhabi, UAE	LBP ORO/OFBank
	Philippines - Members of Coalition of Licensed Agencies for Domestic, Service and Skilled Workers (CLADS) and the Overseas Placement Association of the Philippines (OPAP)	CLADS/OPAP

2	Bangkok, Thailand	DTI FTSC
4	United Arab Emirates	LBP OROs
5	Moscow, Russia and Berlin, Germany	Philippine Embassy POLO Berlin/LBP ORO
6	Malaysia - Post Arrival Orientation Seminar for OFWs	Philippine Embassy-Kuala Lumpur and DTI Philippine Trade and Investment Center
11	Kingdom of Saudi Arabia	Magic 6 Radio/ OFW Reintegration and Development Inc./ Batangas Saudi 101 Lions Club
	Balik Pilipinas: An Entrepreneurship Webinar Series for Overseas Filipinos in the Middle East	DTI Middle East and Africa
	United Arab Emirates	LBP OROs
18	Philippine Institute of Certified Public Accountants (PICPA)-Bahrain Chapter	PICPA Bahrain/LBP ORO
	Brunei/Indonesia/Papua New Guinea	LBP ORO
19	Geneva, Switzerland	Philippine Embassy
	Israel/Cyprus/Turkey	LBP ORO
23	Yangon, Myanmar	Philippine Embassy
25	Brunei, Indonesia, Cyprus, Israel	LBP OROs
26	Toronto, Canada	Philippine Consulate General/ POLO/OWWA/LBP ORO
	Israel/Cyprus/Turkey	LBP ORO
27	Vancouver, Canada	Philippine Consulate General/ POLO/OWWA/LBP ORO
	South Korea	LBP ORO
October		
2	United Arab Emirates	LBP OROs/OFBank
	Brunei/Malaysia	
3	South Korea	LBP ORO/OFBank
10	Israel	Philippine Embassy/POLO LBP ORO/OFBank
11	Greece/Cyprus	POLO/LBP ORO/OFBank
	Milan, Italy	
17	Philippines-Seabird Ship Management Inc.	LBP DRMD/OFBank
	Madrid, Spain	Philippine Embassy/POLO/LBP ORO/OFBank
18	London, United Kingdom	Philippine Embassy/POLO/LBP ORO/OFBank
23	Kuwait (Webinar on OFBank's Products and Services)	Coalition of Filipino Community Organizations in Kuwait/LBP ORO/OFBank
24	Jordan	Allied Migrant Workers in Jordan/ LBP ORO/OFBank
	OFBank/LANDBANK Products and Services	OFW Ang Mga Makabagong Bayani/LBP ORO/OFBank
	OFBank Digital Onboarding System	OFWs in Malta/LBP ORO/OFBank

Webinars for OFs and OFWs (July-December 2020)		
Schedule	Country/Title of Webinar	Organizer
November		
4	Indonesia	Bureau of the Treasury/Philippine Embassy
	Germany	
5	Singapore	Bureau of the Treasury/Philippine Embassy
6	Guam	Bureau of the Treasury/Philippine Consulate General
7	London, United Kingdom and Ireland	Bureau of the Treasury/Philippine Embassy/POLO/DTI PTIC
8	Hongkong	Bureau of the Treasury/PCG/DTI PTIC
	Russia	Bureau of the Treasury/Philippine Embassy
	Argentina	LBP ORO/Philippine Embassy
9	Australia	Bureau of the Treasury/Philippine Embassy
12	Canada/Japan/Brunei	Bureau of the Treasury/Philippine Embassy
	Israel/Cyprus/Turkey/Italy/Poland/Austria/South Korea	LBP ORO
14	South Korea	Bureau of the Treasury/Philippine Embassy
15	Malaysia	Bureau of the Treasury/Philippine Embassy
	Lisbon, Portugal/Gibraltar/Angola/Cabo Verde/Guinea-Bissau/Sao-Tome and Principe	Bureau of the Treasury/Philippine Embassy
	Paris, France	OFBank/Philippine Embassy
16	USA-East Coast	Bureau of the Treasury/Philippine Embassy
	Premyo Bonds Roadshow for Insurance Companies and HMOs	Bureau of the Treasury
	Premyo Bonds Mindanao Roadshow	Bureau of the Treasury
17	Philippine American Chamber of Commerce of Georgia, USA	LBP ORO/OFBank
	Premyo Bonds Luzon Roadshow	Bureau of the Treasury
18	SSS Financial Literacy Series	Investment Banking Group (IBG)
19	Premyo Bonds Roadshow	LBP IBG
	Premyo Bonds Roadshow in Bahrain	BTr/Philippine Embassy
20	Premyo Bonds Roadshow in Taiwan	Manila Economic and Cultural Office (MECO)/LBP ORO/LBP IBG/OFBank
	Premyo Bonds Roadshow in Norway and Iceland	BTr/Philippine Embassy
21	Financial Wellness Webinar for OFs/OFWs in Austria, Croatia, Slovenia and Slovakia	LBP ORO/IBG/OFBank/Philippine Embassy
22	Financial Wellness Webinar for OFs/OFWs in Turkey, Azerbaijan, Georgia and Northern Cyprus	LBP ORO/IBG/OFBank/Philippine Embassy
25	OFW and mga Makabagong Bayani Premyo Bonds Roadshow	LBP ORO/OFBank

27	Philippine Institute of Certified Public Accountants (PICPA) Doha, Qatar Chapter	LBP ORO/OFBank
	Premyo Bonds Roadshow in Iraq and Qatar	BTr/Philippine Embassy
29	Premyo Bonds Roadshow in Paris, France	BTr/Philippine Embassy/OFBank
	Premyo Bonds Roadshow in Macau SAR	BTr/Philippine Embassy
	Financial Wellness Webinar for OFs/OFWs in Hungary, Romania, Montenegro, Serbia, Bosnia & Herzegovina and Moldova	LBP ORO/Philippine Embassy/ POLO Milan/OFBank
December		
4	Qatar	Medical Mission Group Qatar Overseas Filipino Expatriates Hospital And Health Services Cooperative (MMGQOFEHHSC)/ LBP ORO/OFBank
13	Toronto, Canada	Remitbee (remittance agency partner of LBP), LBP ORO/ OFBank
20	Malaysia	Pag-Ibig Fund (HDMF)/LBP ORO/ OFBank
31	Malaysia	Pag-Ibig Fund (HDMF)/LBP ORO/ OFBank



100
Webinars and
pre-departure
orientations



Online Presence

52,591

Facebook Likes

83

Facebook Posts



- The OFBank MBA has a rating of 4.1 stars in Google Play and 3.5 stars in Apple Store.



Google Play

4.1 Star Rating



App Store

3.5 Star Rating

Customer Care Center

OFBanks' digital customer service received a total of 15,984 inquiries and reports from clients. Majority or 58% (9,224) of the total volume of inquiries and reports came from e-mail and the remaining 42% or 6,760 came from the Bank's official social media accounts.

Most queries received pertain to the processes in the online account opening, OFBank Mobile Banking App's functionalities, and availability of the Bank's services in their respective countries.

MONTH	EMAIL	SOCIAL MEDIA	TOTAL
June	145	205	350
July	1,561	2,808	4,369
August	1,133	507	1,640
September	1,003	656	1,659
October	1,314	757	2,071
<i>Inquiry</i>	1,192	693	
<i>Report</i>	122	64	
November	1,833	1,070	2,903
<i>Inquiry</i>	1,666	959	
<i>Report</i>	167	111	
December	2,235	757	2,992
<i>Inquiry</i>	2,062	673	
<i>Report</i>	173	84	
Total	8,762	6,760	15,984





Information Technology Support and Bank Process Automation

In support of its operations as a digital-only bank, the OFBank launched in 2020 the following IT projects:

IT Projects and Initiatives Implemented in 2020

NAME OF PROJECT/ INITIATIVE	DESCRIPTION	IMPLEMENTATION DATE
1. OFBank Mobile Banking Application (MBA) Enhancements <ul style="list-style-type: none"> Digital On-Boarding System with Artificial Intelligence (DOBS-AI) 	Allows individual clients to conveniently open an account with OFBank via the OFBank MBA, providing an easy and fully digital way of deposit account application/enrollment anytime, anywhere.	June 24, 2020
<ul style="list-style-type: none"> Facility for OFW Loans 	Allows clients to avail of loans via OFBank MBA which will redirect them to the LANDBANK website loan facility.	
<ul style="list-style-type: none"> Premyo Bonds 2 	Allows clients to avail of government bonds offered by the Bureau of the Treasury via the OFBank MBA.	November 6, 2020
2. OFBank Website	Migration of OFBank website's hosting and management to LANDBANK.	June 28, 2020
3. AMLA Reports	Implementation of AMLA enhancements for OFBank transactions concerning the following: <ul style="list-style-type: none"> Covered Transaction Report Alerts 	July 1, 2020 December 1, 2020

Financial Highlights

Results of Operation

In 2020, OFBank generated most of its revenue from Bangko Sentral ng Pilipinas (BSP) investment facilities, from transactional fees, and from resulting effect of reversals (i.e., unearned income on loans).

Lower revenues were also a result of transition and winding down operations in preparation for the full implementation of the OFBank's new Business Model, while provisions for losses as required and approved by the BSP, as well as impairment of assets, contributed to higher expenses and a net loss for the year 2020.

Financial Summary/Financial Highlights

	2020 (Audited)	2019 (Audited)
Profitability		
Total Net Interest Income	96,222,856.00	100,119,679.00
Total Non-interest Income	1,330,286.00	50,865,231.00
Total Non-interest Expenses	223,979,500.00	757,614,471.00
Pre-provision profit (Loss)	(76,112,508.00)	(246,231,903.00)
Allowance for Credit Losses	50,313,850.00	360,410,668.00
Net Income (Loss)	(126,426,358.00)	(606,642,571.00)
Selected Balance Sheet Data		
Liquid Assets	3,344,013,164.00	2,143,055,367.00
Gross Loans	3,327,244.00	3,395,709,647.00
Total Assets	3,670,802,627.00	5,326,100,538.00
Deposits	2,556,674,267.00	3,963,516,287.00
Total Equity	886,341,706.00	1,009,551,492.00
Selected Ratios		
Return on Equity	-13.34%	-102.80%
Return on Assets	-2.81%	-8.50%
CET 1 Capital Ratio	108.05%	20.52%
Tier 1 Capital Ratio	108.05%	20.52%
Capital Adequacy Ratio	108.08%	20.70%

(in P Millions)

	2020 (Audited)	2019 (Audited)	Growth Rate (%)
Gross Revenues	137.5	282.1	-51.3
Total Expenses	263.9	888.7	-70.3
Net Income (Loss)	126.4	606.6	-79.2
Net Income/(Loss) After Other Comprehensive Income/(Loss) (if applicable)	(123.2)	(506.7)	-75.7
Total Resources	3,670.8	5,326.1	-31.1
Total Liabilities	2,784.5	4,316.5	-35.5
Total Equity	886.3	1,009.6	-12.2

OFBank started the year 2020 with a 2019 net loss of P606.6 million. As of end of 2020, the Bank was able to register a net loss of P126.4 million which is 79.2% lower than the 2019 year-end figure. Such was the result of proper use of resources, cost-cutting measures and various initiatives that greatly improved the bank's financial health as the bank gradually transitions to a branchless, digital-only bank.

In turn, the closure of the branches associated with asset retirement and disposal, and the transfer of assets and liabilities to the parent bank decreased total resources and liabilities by 31.1% and 35.5% respectively. As such gross revenues of P137.5 million was 51.3% lower versus the previous year.

Key Performance Ratios and Indicators

	2020 (Audited)
CAPITAL ADEQUACY	
Capital Adequacy Ratio (CAR)	108.08%
Capital (Tier 1) (P'000)	879,786.00
Equity to Total Assets	24.15%
ASSET QUALITY	
Past Due Ratio	1.08%
NPL Ratio - Gross	1.08%
NPL Ratio - Net	NA
NPL Coverage	100.00%
NPA to Gross Assets	NA
NPA Coverage	100.00%
Loan Loss Reserve to Total Loan Portfolio	29.16%
MANAGEMENT	
Administrative to Total Expense	73.84%
Overhead Cost to Gross Revenue	50.20%
EARNINGS/PROFITABILITY	
Net Income (after tax) (P'000)	(126,426.00)
Return on Assets	-2.81%
Return on Equity	-13.34%
Net Interest Margin	2.90%
LIQUIDITY	
Loans to Deposits	0.13%
Liquid Assets to Deposits	132.90%

The measures and ratios indicated the Bank's performance in key areas in terms of capital adequacy, asset quality, management, earnings and profitability and liquidity.

The **capital adequacy** measures the bank's capital and determine the bank's capability to absorb a reasonable amount of losses. The Bank's Capital Adequacy Ratio (CAR) of 108.08% is way above the required minimum as set by the BSP.

The **asset quality** ratios indicate the credit risk associated with the bank's asset. Ratios on asset quality of the Bank as of Dec. 31, 2020, showed that there is minimal amount of non-performing assets which are fully provided by allowance.

In terms of **management**, the ratios show that the Bank effectively managed its administrative expenditures, which accounted for 73.84% of total expenses but only 50.20% of gross revenues.

The primary determinant or indicator of a bank's profitability is its **earnings**. As it prepares to close and transfer to a "new Bank," OFBank recorded a net loss due to the challenges in its operations during the calendar year 2020.

Liquidity, on the other hand, measures the ease within which the Bank can meet its financial obligations with the liquid assets available. Liquidity ratios showed a high percentage for year 2020, and the same is set to increase expecting additional capital funds from stockholders.

Capital Adequacy Ratio of

108.08%

is way above the required minimum as set by the BSP

Capital and Capital Ratios

As of Dec. 31, 2020, OFBank's paid up capital remained at P1.0 billion which is authorized and fully paid and Deposit for Stock Subscription of P1.272 billion. Total Equity reached P886.34 million or P123.21 million lower than the previous year of P1,009.55 million.

Consistent with Basel III and BSP requirements, contained in the following table below are the details and composition of the Bank's comparative common equity tier 1 (CET1) capital, regulatory deductions and total qualifying capital for 2020 and 2019 (except for the ratios, all amounts in P millions).

	2020	2019
Tier 1 Capital		
Common Equity Tier 1 (CET 1) Capital		
Paid-up Common Stock	1,000.00	1,000.00
Deposit for Common Stock Subscription	1,272.01	1,272.01
Retained Earnings	-1,260.54	-653.90
Undivided Profits	-126.43	-606.64
Other Comprehensive Income	1.30	-1.91
Total	886.34	1,009.55
Regulatory Deductions from CET 1 Capital		
a. Unsecured DOSRI Loans		
b. Deferred Income Tax		
c. Other intangible assets	6.55	7.05
d. Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-	-
e. Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)		
f. Significant minority investments (10%-50% of voting stock) in banks and quasi-banks, and other financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)		
g. Minority investments (below 10% of voting stock) in subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for both solo and consolidated bases)		
h. Other equity investments in non-financial allied undertakings and non-allied undertakings		
Total	6.55	7.05

Net CET 1 Capital	879.79	1,002.50
Additional Tier 1 Capital	-	-
Total Tier 1 Capital	879.79	1,002.5
Tier 2 Capital		
General Loan Loss Provision	.23	8.62
Total Tier 2 Capital	.23	1,011.12
Total Qualifying Capital	880.02	1,011.12

The Bank's total CET 1 capital decreased by 12.24% in 2020 to P879.79 million from P1,002.5 million the previous year mainly due to the operational challenges it has encountered.

The full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements are as follows (amount in P million):

Account Description	OFBank					
	2020			2019 As Restated		
	Regulatory Capital	Reconciling Items	Audited Financial Statements	Regulatory Capital	Reconciling Items	Audited Financial Statements
Paid-up common stock	1,000.00		1,000.00	1,000.00		1,000.00
Deposit for Common Stock Subscription	1,272.01		1,272.01	1,272.01		1,272.01
Paid-in Surplus			0			
Retained earnings	-1,236.61	-23.93	1,260.54	-673.82	19.92	-653.90
Revaluation Increment						
Undivided profits	-127.99	1.56	126.43	-630.26	23.62	-606.64
Other Comprehensive Income						
Net unrealized gains or losses on AFS securities	1.51	(0)	1.51	-1.91		-1.91
Remeasurement of retirement benefit obligation		(0)				
Currency Translation Difference	-.20	0	-.20			
Others						-
Deductions	-6.55	0	-6.55	-7.05		-7.05
Tier 1 (CET 1) capital/ Total equity	902.16	-22.37	879.79	958.97	43.54	1,002.50
Tier 2 Capital	.23	0	-.23	8.62		8.62
Total Qualifying Capital/ Total equity	902.39		880.02	967.59	43.54	1,011.12

In 2020, with the completion of the loans and receivables transfer to the parent bank, the risk-weighted assets (RWA) totaled to P814.24 million.

		2020	2019
Risk-Weighted Assets			
Credit Risk-Weighted Assets			
Total Risk-Weighted On-Balance Sheet Assets		300.93	4,100.22
Total Risk-Weighted Off-Balance Sheet Assets		0	0
Total Counterparty Risk-Weighted Assets in the Trading Books		0	0
		300.93	4,100.22
Less: Gen. Loan Loss Provision (in excess of the amount permitted in Tier 2)		0	
Total Credit Risk-Weighted Assets		300.93	4,100.22
Market Risk-Weighted Assets			
Interest Rate Exposures		0	0
Equity Exposures		0	0
Foreign Exchange Exposures		0	0
Options		0	0
Total Market Risk-Weighted Assets		0	0
Total Operational Risk-Weighted Assets		513.31	784.74
Total Risk-Weighted Assets		814.24	4,884.96

Due to a large drop in risk weighted assets, the CET 1 ratio increased well over the BSP threshold to 108.05% in 2020, up from 20.52% the previous year.

	2020	2019
CET 1 Capital Ratio	108.05%	20.52%
Capital Conservation Buffer	102.05%	14.52%
Tier 1 Capital Ratio	108.05%	20.52%
Risk-Based Capital Adequacy Ratio (CAR)	108.08%	20.70%

OFBank's December 2020 Capital Adequacy Ratio (CAR) increased in lockstep with the CET 1 ratio, rising to 108.08% from 20.70% in 2019, comfortably exceeding the BSP's 10.0% minimum.

Client Testimonials

Here's what our OFBayanis have to say about our services! Salamat, mga kababayan!





Very convenient ang pag-open ng account using [its] latest technology. You made it simple and easy.

Aldwin De Vera

OFW from Bahrain

Big thank you to OFBank! Ang laking tulong sa amin na mga OFW. Laking ginhawa pa dahil hindi na kami palaging lumalabas sa panahon ngayon. Isang hulugan lang at transfer na lang sa family anytime 'pag need nila.

Gloria Jagonob Casoni

OFW from Cyprus



For two years, wala akong savings. Pero simula nang makapag-open ako ng account with OFBank, mas madali akong nakaipon! Sobrang laking pasasalamat ko sa digital services ng OFBank.

Des'ree Prieto Estrada

OFW from Dubai, United Arab Emirates

Cashless transaction is one of the best features [of the OFBank Mobile Banking App]. It's easy to fund transfer, especially the remittances... makakatipid [ka] talaga. Ang laking tulong talaga nitong OFBank.

Charliemagne Arquero

OFW from Indonesia





For the first time in my life as an OFW, ngayon ko lang naramdaman na safe and comfortable mag-remit ng pera sa Pilipinas. It's safe and easy, napakalaking bagay po sa akin ng OFBank. Thank you so much!

Inday Ganitnit

OFW from Macau, China

Napaka-easy lang [mag-open ng account online]. Hindi mo na kailangang pumunta sa bangko para pumila at makipagsiksikan, at mag-comply ng maraming requirements... As an OFW po, hindi naman sa lahat ng panahon malakas tayo para makapagtrabaho. Mas mainam na may savings din po tayo at ang OFBank, pwede rin nating magamit for the future of our investments.

Liezel Sieton

OFW from Malta



Dahil sa OFBank, nakapag-invest at nanalo ako sa Premyo Bonds kahit nasa ibang bansa. Napakagandang initiative ito for Pinoys abroad. Ang dali pa mag-open ng OFBank account kaya mga kabayan, ipon na!

Cheri Alviar

OFW from Poland

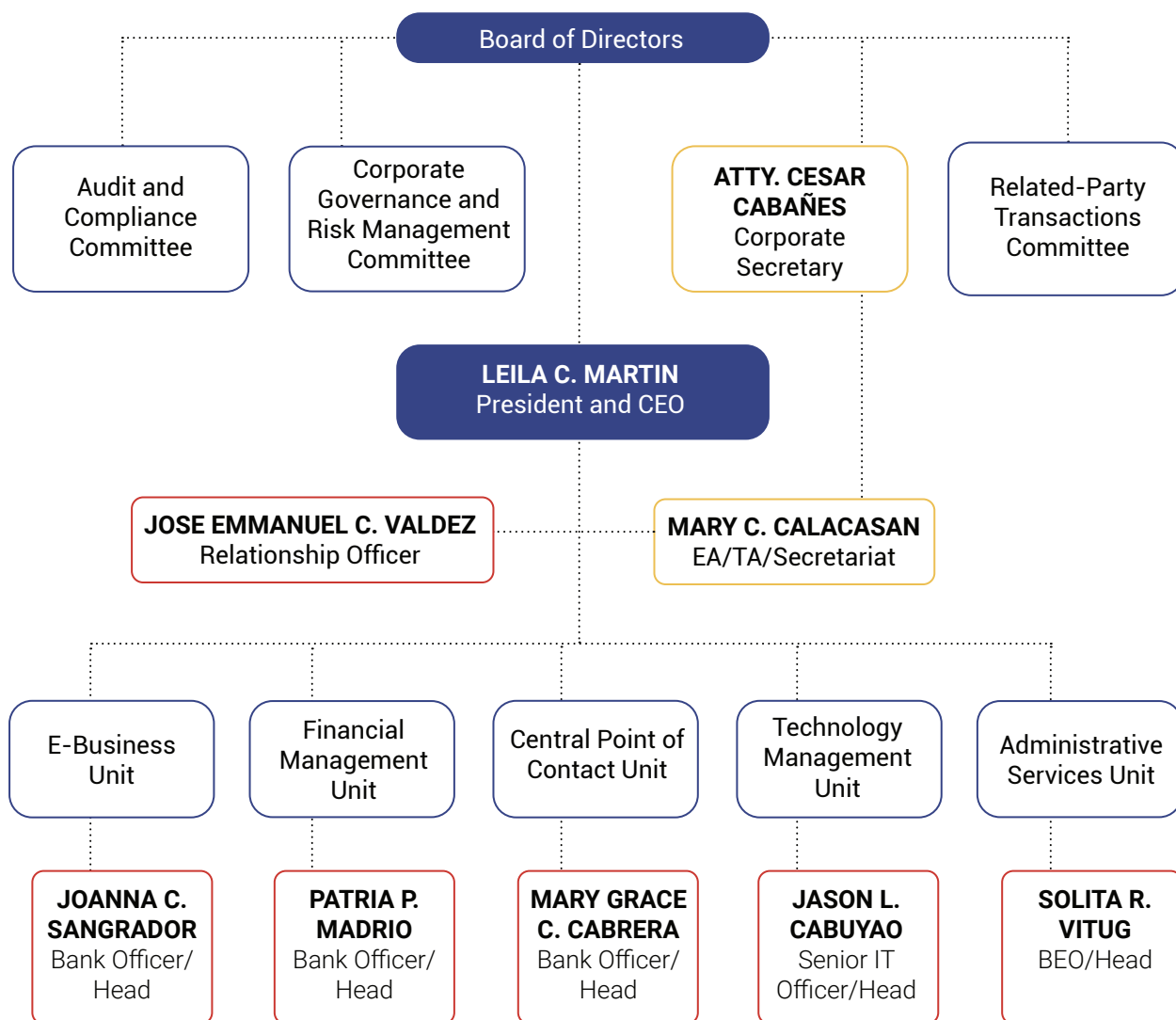
Ako'y nag-download ng OFBank [Mobile Banking App] dahil mas accessible na po para sa atin ngayon ang online transfer sa lahat ng aking pangangailangan. Mas madali po [itong] gamitin dahil kahit nasa barko po ako or ibang bansa ay pwede pong magbayad ng bills...

Leo Corpuz

Seaman



Organizational Chart



Corporate Governance

Overall Corporate Governance Framework

Principles of Good Governance

1. Fairness

Fairness provides the assurance that all shareholders, whether majority or minority, foreign or local, are treated equitably. The profit motive must be balanced with ensuring that the investments of all shareholders are protected.

Recognizes that corporations have a public character:

- Respect for and protection of shareholders' rights;
- Importance of promoting long-term shareholder value;
- Respect for and protection of all stakeholders' rights; and
- Board of Directors has the duty to direct and manage in a manner fair to all shareholders and stakeholders, and act with prudence and justice.

2. Accountability

Accountability refers to the direct relationship between the shareholders and the directors. The Board of Directors (BOD) is accountable to shareholders who own the company and is responsible for the actions of the Management who implements policies and strategic directions emanating from the BOD.

The BOD is accountable in assigning responsibilities and measuring the results, while balancing the interest of shareholders and stakeholders.

3. Transparency

Transparency requires that the BOD ensures timely and accurate disclosure on all material matters, such as the financial situation, performance, ownership, and governance of the corporation. The BOD should put in place a system of checks and balances and a system of monitoring and reporting based on accepted standards of adequate disclosures.

4. Ethics

Ethics refers to honesty, uprightness, and upholding a Code of Ethics that expresses the core values of the company. Ethics is about avoiding conflicts of interest, which is a part of a director's duty of loyalty to the corporation. The BOD must ensure that the company's goals, strategies, policies, and practices are moral, proper, and legal.

Overall Corporate Governance Structure and Practices

OFBank is fully compliant with the provisions of the Code of Corporate Governance.

OFBank's corporate governance is reflected in its organizational structure that defines a governance hierarchy led from top by the Board of Directors and its delegated duties and responsibilities through the six Board-level Committees namely, (1) the Corporate Governance and Risk Management Committee, (2) the Audit and Compliance Committee, and (3) the Related Party Transactions Committee. These three committees are ably supported by five business units of the Bank, namely, (1) the Electronic Business Unit, (2) the Technology Management Unit, (3) the Financial Management Unit, (4) the Administrative Services Unit, and (5) the Central Point of Contact (CPC) Unit.

The CPC acts as the Bank's focal person who liaise with counterparts in Internal Audit Group, Risk Management Group and Compliance Management Group of Land Bank of the Philippines (LANDBANK) under the adoption of the groupwide independent control functions, covered by Memorandum of Agreement entered into by LANDBANK and OFBANK and Service Level Agreements between OFBank and respective Group Heads.

The CPC reports directly to the President and CEO. The Office of the Corporate Secretary

provides logistical support to the OFBank BOD and all Board-level Committees.

As OFBank continually adheres to globally accepted governance principles and best practices, it maintains the Board's independence from the Management. The Chairman of the Board and the President and CEO are two distinct individuals with clearly delineated duties and responsibilities.

While the Chairman assumes leadership and monitors the Bank's adherence to good governance policies as well as the overall performance of the Bank, the President and CEO directly manages the day-to-day operations of the Bank and executes the policies and strategies approved by the Board in pursuit of its institutional goals and objectives.

Specifically, the President and CEO supervises the Bank's five units, namely (1) Electronic Business Unit, (2) Financial Management Unit, (3) Central Point of Contact Unit, (4) Technology Management Unit, and (5) Administrative Services Unit.

Selection Process for the Board and Senior Management

The members of the OFBank BOD are appointed pursuant to the provisions of the Executive Order No. 44, Series of 2017 on Approving the Acquisition of the Philippine Postal Savings Bank by LANDBANK.

The process is also pursuant to the pertinent and applicable provisions of the GCG Memorandum Circular No. 2012-04 (Fifth Issue) dated Sept. 18, 2018 entitled Nomination and Appointment of Appointive Members of the OFBank BOD/ Trustees of GOCCs, Subsidiaries, and Affiliates.

Board's Overall Responsibility

The OFBank BOD responsibilities to the Bank's various stakeholders—the Bank itself, its stockholders, clients, management and employees, the National Government, regulators, the deposit insurer, and the public at large.

These stakeholders have the right to expect that the institution is being managed in a prudent and sound manner. The BOD is primarily responsible for the approval and oversight of the implementation of the Bank's strategic objectives, risk strategy, corporate governance and values.

The OFBank BOD reviewed and approved the Bank's Vision and Mission and Strategy Map on Nov. 27, 2019. The Strategy Map summarizes the specific strategic objectives and measures that will be undertaken by the Bank to attain its established targets for the year, and ultimately, its Vision. These are consolidated in the OFBank Performance Scorecard and presented to the BOD for approval. In compliance with the GCG guidelines per Memorandum Circular (MC) No. 2017-02 and MC-2019-02, the Bank submits every quarter its Performance Scorecard to the GCG which monitors and validates its accomplishments vis-a-vis targets for the year. The BOD is also responsible for monitoring the performance of senior management which manages the day-to-day affairs of OFBank.

The OFBank Board sets the overall policies and strategic directions of the Bank which guides the Management and operating units in day-to-day operations. Moreover, the OFBank Board possesses the oversight functions in the overall Bank performance and champions good corporate governance by strong adherence to ethical standards and compliance with legal, institutional, and regulatory requirements. The BOD also ensures that the Bank remains accountable to its various stakeholders.

All Members of the OFBank BOD are expected to abide by the following:

- a. Remain fit and proper for the position for the duration of his/her term.
- b. Conduct fair business transactions with the Bank and to ensure that personal interest does not bias Board decisions.
- c. Act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients, and general public.
- d. Devote time and attention necessary to properly discharge his duties and responsibilities.
- e. Act judiciously. Before deciding on any matter

brought before the BOD, every Director shall thoroughly evaluate the issues, ask questions, and seek clarifications when necessary.

- f. Contribute significantly to the decision-making process of the Board. Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the BOD's decision or approval.
- g. Exercise independent judgment. A Director shall view each problem or situation objectively. When a disagreement with others occurs, he shall carefully evaluate the situation and state his position. He/she should not be afraid to take a position even though it might be unpopular, and shall ultimately support plans and ideas that are beneficial to the Bank.
- h. Have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of OFBank Articles of Incorporation and By-laws, the requirements of the BSP, and the pertinent government agencies.
- i. Observe the confidentiality of non-public information acquired by reason of the position as Director. He/she shall not disclose any information to any other person without the authority of the Board.
- j. Ensure the continuing soundness, effectiveness, and adequacy of the Bank's control environment.
- k. Shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value ("Gift") from any person, where such Gift: (a) would be illegal or in violation of law; (b) is part of an attempt or agreement to do anything in return; (c) has a value beyond what is normal and customary in the Bank's business; (d) is being made to influence the member of Board's, or Officers' actions as such; or (e) could create the appearance of a conflict of interest.
- l. Attend orientation and training. A Director shall have an adequate orientation process and continuous development and education regarding the Bank's operations.

Description of the Role and Contribution of Executive, Non-Executive and Independent Directors, and of the Chairman of the Board

i. Chairman of the Board of Directors (Non-Executive)

The Chairman of the OFBank BOD is responsible for the efficient functioning of the BOD. The Chairman exercises control over quality, quantity, and timeliness of the flow of information between Management and the BOD. The Chairman calls meetings, approves, and sets the agenda and presides over the Board meetings, ensuring that all directors are enabled and encouraged to actively participate in all discussions and resolutions on matters taken up by the BOD. The Chairman also promotes critical discussion and ensures that dissenting views can be expressed and discussed within the decision-making process.

ii. Vice Chairperson (Executive Director)

The Vice Chairperson of the Board of Directors is the Bank's President and CEO. In the absence of the Chairman of the Board, the Vice Chairperson presides over the meetings of the BOD. Among the nine members of OFBank Board of Directors, the Vice Chairperson is the sole executive director.

iii. Non-Executive Directors

The non-executive directors shall perform the duties and responsibilities of a director as prescribed under the OFBank AOI, BSP MORB, GCG rules and regulations, and other laws and issuances as may be applicable. In addition, the BOD consisting of the non-executive directors has disciplinary powers over the President, an executive director, and may remove him/her for cause.

iv. Independent Directors

The OFBank BOD appoints/nominates the independent directors from among the



appointive directors, seeking thereafter the confirmation of such nomination by the Monetary Board. For 2020, the independent directors were Directors Bituin V. Salcedo, Leticia V. Damasco, and Robert L. Gosioco.

- v. **In the nomination of an independent director, the BOD ensures that the nominee will be able to devote sufficient time to effectively carry out his duties and responsibilities.**
- vi. **Pursuant to BSP Circular No. 969, Series of 2017, the independent directors are members of the following Board-level committees:**
 - a. Audit and Compliance Committee (with at least three members, majority shall be independent including the chairperson);
 - b. Corporate Governance Committee (with at least three members, majority shall be independent including the chairperson); and
 - c. Risk Oversight Committee (with at least three members, majority shall be independent including the chairperson).

Board Composition

The positions of Chairman of the Board, and President and CEO, are held by two different persons. The Chairperson of the Board is LANDBANK President and CEO Cecilia C. Borromeo, while the Vice-Chairperson is OFBANK President and CEO Leila C. Martin.

Board Composition	
LANDBANK President and CEO	Chairperson (Ex-Officio)
OFBANK President and CEO	Vice Chairperson
Four LANDBANK-designated Directors and three members appointed by the President of the Philippines representing the Department of Labor and Employment, Overseas Workers Welfare Administration and private sector-overseas Filipinos.	Members

Board Qualification

Pursuant to R.A. 8791, R.A. 10149, BSP Manual of Regulations for Banks, the OFBank AOI/By-laws, GCG Memorandum Circular No. 2012-07, and other pertinent laws and regulations, the following are the qualifications of the OFBank Board of Directors:

1. Must be a natural born citizen of the Philippines, not less than 35 years of age, of good moral character and has attained proficiency, expertise and recognized competence in one or more of the following: banking, finance, economics, law, and business management. Provided further, that no Director, stakeholder, or employee of any other bank shall be eligible for election or appointment as member of the BOD of the Bank.
2. Must have a college degree with at least five years of relevant work experience, except for a sectoral representative who only needs to be a bonafide member of the indicated sector of the association being represented.
3. Must have attended a special seminar on corporate governance for Board of Directors conducted or accredited by the BSP.
4. Must have attended or will attend within three months from the date of appointment, a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG.
5. Must be fit and proper for the position of a Director of the Bank. In determining whether a position is fit and proper for the position of a Director, the following matters must be considered:
 - integrity/probity;
 - physical/mental fitness;
 - competence;
 - relevant education/financial literacy/training;
 - diligence; and
 - knowledge/experience.

List of Board-Level Committees Including Membership and Functions

i. Corporate Governance and Risk Management Committee (CGRMC)

CGRMC has the following duties and functions:

1. Assists the BOD in adopting the appropriate decision-making processes so that there is a clear distinction between the decisions to be made by the BOD and those made by the Bank's management.
2. Ensures a sound system of procedural and financial delegations that promotes efficiency as well as control.
3. Ensures that the BOD has a process which determines whether a director devotes necessary time and attention to performing duties, acts judiciously, exercises independent judgment, has working legal knowledge affecting the Bank, and observes effectiveness and adequacy of the Bank's control environment.
4. Reviews the following for updates/revisions: Bank's mission and vision, strategic objectives, policies, and procedures as being practiced by the BOD and senior management.

The Code of Conduct should have the appropriate and adequate policies and procedures to identify and deal with potential conflicts of interest.

5. Oversees directors' and senior officers' training on corporate governance and its leading practices and principles by SEC-accredited institutional training provider.
6. Oversees the Bank's compliance with all relevant laws and regulations, including codes of the best business practices.
7. Maintains a process to ensure that senior officers to be nominated or appointed shall have the qualifications and none of the disqualifications mandated under the law, rules, and regulations.

8. Reviews and evaluates the qualifications of persons nominated to positions in the Bank which require appointment by the BOD.
9. Develops recommendations to the GCG for updating the Compensation and Position Classification System (CPCS) and ensuring that the same continues to be consistent with the Bank's culture, strategy, control environment, as well as the pertinent laws, rules, and regulations.

Compliance

1. Reviews the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
2. Ensures that procedures for the following has been established:
 - a. Receipt, retention, and treatment of complaints received regarding accounting and internal accounting controls;
 - b. Confidential and anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters;
 - c. Review of the findings of any examinations/ audits by regulatory agencies;
 - d. Review of the process for communicating the code of conduct to the Bank's personnel and for monitoring compliance therewith; and
 - e. Regular updates from management and the Bank's legal counsel and other consultants regarding compliance matters.

Risk Management:

1. Recommends for full Board approval of Bank-wide policies, practices and procedures for risk definition, assessment, management, and monitoring/reporting, including information security risks identified by the Information Risk Officer.

2. Reviews and recommends risk limits and delegated credit authorities for BOD approval.
3. Evaluates the magnitude, nature, distribution of risks exposures.
4. Analyzes and evaluates that the risk infrastructure is within the Bank's overall direction and is supported by updated/ current information technology.
5. Promotes the continuous development and upgrade of risk practices, policies, procedures, and structures.
6. Ensures that business/risk units develop sufficient risk management skills and encourages high standards of ethical behavior by risk taking personnel.

Board Composition	
Chairperson	Director Robert L. Gosioco
Member	Director Leticia V. Damasco

The CGRMC issued resolutions covering various areas of concerns amongst which are stress testing of credit and market risks, revised/ new guidelines/manuals on personnel matters, information technology and security, risk and operations, and service level agreements on outsourcing of back-office support services which redound to operational efficiency consistent with regulatory policies and requirements on good governance.

ii. Audit Committee (AuditCom)

AuditCom has the following duties and functions:

1. Oversees the financial reporting framework (i.e., financial reporting process, practices, and controls). It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
2. Ensures that a review of the effectiveness of the Bank's internal controls, including financial, operational and compliance

controls and risk management, is conducted at least annually.

3. Oversees the performance of internal audit service provider, may it be for an assurance, consulting, or any engagement in which internal audit activity would require resource and competence/expertise from third party.
4. Provides functional supervision over the Central Point of Contact (CPC) Unit to ensure effective performance of its functions.
5. Assesses the reports from external auditors and regulatory agencies, and ensure that management judiciously and appropriately acts on recommendations on significant deficiencies and/or material weaknesses identified.
6. Recommends formulation or amendments to policies, systems, and procedures based on results of its evaluation of the reports from LANDBANK IAG, external audit, and regulatory bodies.
7. Utilizes the work conducted by internal audit functions by undertaking timely and effective actions on issues identified.
8. Exercises explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management, full discretion to invite any director or officer to attend its meetings, and adequate resources to enable effective discharge of its functions.
9. Establishes and maintains mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.
10. Provides an open avenue of communication, among the internal auditors, external auditors, Senior Management, the Board of Directors, and other supervisory authority.

Board Composition	
Chairperson	Director Julio D. Climaco, Jr.
Member	Director Bituin V. Salcedo

The AuditCom issued resolutions on Service Level Agreements with LANDBANK IAG and Management replies to COA Audit and BSP Result of Examination, underscored strict compliance with control procedures and monitoring on the effectiveness of embedded controls.

Similarly, updates on closure of OFBank branches, 2019 Performance Report of Internal Audit, and Compliance Manual were also discussed during Committee meetings.

iii. Related Party Transactions Committee (RPTCom)

RPTCom has the following duties and functions:

1. Evaluates on an on-going basis the existing relations between and among business and counterparties ensure that all Related Parties (RPs) are continuously identified, Related Party Transactions (RPTs) are monitored, and subsequent changes in relationships with counterparties (i.e., from non-related to related and vice versa) are captured; RPs, RPTs, and changes in relationships shall be reflected in the relevant reports to the Board of Directors and regulators/supervisors;
2. Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such RPs than similar transactions with non-related parties under similar circumstances; and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. All RPTs that are considered material based on the Bank's internal policies shall be endorsed by RPTCom to the BOD for approval;
3. Ensures that appropriate disclosure is made, and/or information provided to regulating and

supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest;

4. Reports quarterly to the Board of Directors the status and aggregate exposures to each RP as well as the total amount of exposures to all RPs;
5. Ensures that RPTs, including write-off of exposures, are subject to periodic independent review or audit process; and
6. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

Board Composition	
Chairperson	Director Robert L. Gosioco
Member	Director Bituin V. Salcedo
	Director Leticia V. Damasco

The RPTCom issued resolutions on transactions with the parent bank necessitated by OFBank's transitioning to a branchless, digital-only bank model, significantly, the transfer of ROPA and Loans and other Receivables which enhanced the bank's liquidity position and reduced risk assets. Likewise on the cash agency agreement, which became the first agreement of its kind in the industry.

Term of Office of the Board of Directors:

Under GCG Memorandum Circular No. 2012-04 (re-issued), any provision in the charters of each GOCC to the contrary notwithstanding, the term of office of each Appointive Director shall be for one year, unless sooner removed for cause; provided, however, that the Appointive Director shall continue to hold office until his/her successor is appointed.

Director's attendance at Board and Board-Level Committee Meetings (CY 2020)

Name of Directors	Board Meeting		Corporate Governance and Risk Management Committee		Audit and Compliance Committee		Related Party Transactions Committee	
	(11 Meetings)		(8 Meetings)		(4 Meetings)		(2 Meetings)	
	Attended	%	Attended	%	Attended	%	Attended	%
Cecilia C. Borromeo	11	100.00	N/A	-	N/A	-	N/A	-
Leila C. Martin	11	100.00	N/A	-	N/A	-	N/A	-
Julio D. Climaco, Jr.	11	100.00	N/A	-	4	100.00	N/A	-
Alan V. Bornas	11	100.00	N/A	-	N/A	-	N/A	-
Liduvino S. Geron	6	85.71	N/A	-	N/A	-	N/A	-
Bituin V. Salcedo	11	100.00	N/A	-	4	100.00	2	100.00
Leticia V. Damasco	11	100.00	8	100.00	N/A	-	2	100.00
Robert L. Gosioco	11	100.00	8	100.00	N/A	-	2	100.00

Total Number of Meetings Held During the Year : 25

/1 Director Liduvino S. Geron resigned on Sept. 7, 2020 in view of his appointment as OIC President of UCPB
- approved on Sept. 25, 2020 BOD Meeting

Board Profiles

CECILIA C. BORROMEIO

Chairperson

Details:

Non-Executive Director, Filipino, age 62, appointed on March 29, 2019, representing the principal stockholder, LANDBANK, served as an OFBank Director for one year and nine months (as of Dec. 31, 2020) with one direct/indirect shares held representing a nil percentage of shares held to total outstanding shares of the bank, a voting Director with no other directorships of listed companies

Qualifications:

- Pacific Rim Bankers Program, University of Washington, 2015
- International Study on Rural Bank and Finance, Massey University, New Zealand, 2014
- Advance Bank Management, Asian Institute of Management, Makati City, 1995
- Masters of Business Administration, De La Salle Business School, Manila, 1981
- B.S Agribusiness, University of the Philippines-Los Banos, 1979

Relevant Experience:

Chairperson Cecilia C. Borrromeo currently serves as the President and CEO of LANDBANK.

She previously held the top post at the Development Bank of the Philippines (DBP) which she capably led from January 2017 to February 2019. While short, her stint at the state-owned development bank was marked with significant growth in all key financial indicators, notably in net income which grew by 36%, deposits by 33% and loans by 20%.

Ms. Borrromeo re-joined LANDBANK on March 1, 2019 and she felt right at home in the organization where she worked her way up to various key positions. This included heading the Agricultural and Development Lending Sector from 2012 to 2016 which resulted to 74% growth in regular loan portfolio and 44% in revenue.

Her extensive banking career spans 30 years of handling various posts in agricultural and

development lending, treasury and investment banking, public sector lending, corporate banking, global banking, wholesale banking, and lending program management.

LEILA C. MARTIN

Vice-Chairperson

Details:

Non-Executive Director, Filipino, age 59, appointed on Oct. 1, 2019, representing the principal stockholder, LANDBANK, served as an OFBank Director for one year and two months (as of Dec. 31, 2020) with one direct/indirect shares held representing a nil percentage of shares held to total outstanding shares of the bank, a voting Director with no other directorships of listed companies

Qualifications:

- International Study on Rural Banking and Finance, Massey University, New Zealand
- Rural Banking Course, Japan
- Leadership Development Program, Ateneo de Manila
- Branch Operation Development Program
- Business Administration, Post Graduate, Colegio de San Juan de Letran
- Bachelor's Degree in Mass Communication, Pamantasan ng Lungsod ng Maynila

Relevant Experience:

Prior to her designation as President and CEO of the Overseas Filipino Bank, Ms. Martin was the Senior Vice President/Group Head of the LANDBANK North NCR Branches Group and has been instrumental in its development, growth and success.

Ms. Martin's solid organizational skills merited awards of excellence in the fields of audit management, branch banking operation, and project management, which in turn led to the implementation of pioneering e-banking products and services. Some of the projects she spearheaded were LANDBANK's internet banking and cash card. For OFBANK she led the

development of the Mobile Banking Application with its various features, among which are the Digital On-Boarding System with Artificial Intelligence and the Investment Facility.

Ms. Martin currently sits as a member of Board of Trustee of the LANDBANK Countryside Development Foundation, Inc.

JULIO D. CLIMACO, JR.

Director, Board Member

Details:

Non-Executive Director, Filipino, age 63, appointed on Nov. 8, 2017, representing the principal stockholder, LANDBANK, served as an OFBank Director for three years and two months (as of Dec. 31, 2020) with one direct/indirect shares held representing a nil percentage of shares held to total outstanding shares of the bank, a voting Director with no other directorships of listed companies

Qualifications:

- Post-graduate units in Applied Business Economics from the Center for Research and Communication
- Bachelor's Degree in Commerce Major in Management of Financial Institutions, De La Salle University Manila, 1985

Relevant Experience:

Mr. Climaco is the Executive Vice President and Head of the Branch Banking Sector of LANDBANK where he oversees the operations of the Bank's 400+ Branches nationwide, and spearheads the delivery of financial services for the Bank's mandated and priority sectors as well as corporate and consumer clients. Prior to joining this sector, he was the head of the Corporate Services Sector of the Bank, where he led the Bank's corporate communications and human and physical resources.

He currently sits as Chairperson of the LANDBANK Banking Operations Committee and Anti-Money Laundering Committee. He is also a member of the Management Committee and the Investment and Loan Committee. Before LANDBANK, he worked at Price Waterhouse Coopers as Senior Managing Consultant. He also worked as a market analyst at the Hongkong and Shanghai Banking

Corporation in Manila and as an Editorial Consultant at the European Chamber of Commerce of the Philippines.

LIDUVINO S. GERON

Director, Board Member

Details:

Non-Executive Director, Filipino, age 57, appointed on Nov. 8, 2017, representing the principal stockholder, LANDBANK, served as an OFBank Director for three years and two months (as of Dec. 31, 2020) with one direct/indirect shares held representing a nil percentage of shares held to total outstanding shares of the bank, a voting Director with no other directorships of listed companies

Qualifications:

- Master's Degree in Systems Agriculture at the University of Western Sydney, Australia, 1992
- Bachelor's Degree in Agricultural Engineering from the University of the Philippines – Los Baños, 1985

Relevant Experience:

Mr. Geron is currently the Executive Vice President and Head of the Agricultural and Development Lending Sector of LANDBANK, and is temporarily seconded as Officer-in-Charge of the United Coconut Planters Bank.

He has spent more than two decades holding various positions in LANDBANK. His educational background, along with his experience and competence, equipped him to lead the Bank's lending arm.

From being the Bank's management trainee in 1994, he rose from the ranks and has headed different units, including the Bank's Visayas Branches Group, Lending Program Management Group, Credit Policy Department, among others.

Prior to his designation as Agricultural and Development Lending Sector head, he led the Strategic Planning Group that monitors and evaluates the Bank's performance and recommends strategic directions. He also worked as a Researcher for the National Postharvest Institute for Research and Extension (NAPHIRE), now known as the Philippine Mechanization Institute (PhilMech).

ALAN V. BORNAS

Director, Board Member

Details:

Non-Executive Director, Filipino, age 55, appointed on Nov. 8, 2017, representing the principal stockholder, LANDBANK, served as an OFBank Director for three years and two months (as of Dec. 31, 2020) with one direct/indirect shares held representing a nil percentage of shares held to total outstanding shares of the bank, a voting Director with no other directorships of listed companies

Qualifications:

- Pacific Rim Bankers Executive Banking Course at the University of Washington, 2012
- Bachelor's Degree in Computer Science from the University of the Philippines - Diliman, 1987

Relevant Experience:

Mr. Bornas is currently the Executive Vice President and Head of the Operations Sector of LANDBANK.

As Head of LANDBANK's Operations Sector, Mr. Bornas provides executive supervision and control over the Bank's Controllershship, Banking Operations, Banking Services, and Technology Management Groups.

His nearly three-decade tenure in LANDBANK began with being a technical specialist in 1989, until he eventually occupied various management positions that allowed him to lead the improvement of the Bank's customer service and business processes through automation and IT.

Prior to heading the Bank's Operations Sector, he was Senior Vice President of the Technology Management Group and was awarded as Outstanding Chief Information Officer (CIO) at the 10th ASEAN CIO/CSO Summits and Awards held in Ho Chi Minh City, Vietnam.

BITUIN V. SALCEDO

Director, Board Member

Details:

Non-Executive Director, Filipino, age 71, appointed on March 3, 1998, representing the principal stockholder, LANDBANK, served as an OFBank Director for 22 years and two months (as of Dec. 31, 2020) with one direct/indirect shares held representing a nil percentage of shares held to total

outstanding shares of the bank, a voting Director with no other directorships of listed companies

Qualifications:

- Bachelor's Degree in Social Work from the University of the Philippines, 1971
- Licensed Social Worker and Board Exam Passer, 1972

Relevant Experience:

Ms. Salcedo has been with OFBank even before it became a wholly-owned subsidiary of LANDBANK. She has been a Member of the Board of Directors since 1998 and was a Corporate Treasurer of the Bank from 2002 to 2012. She has served different positions in the Bank, including Acting Senior Vice President in 2010 and Acting President and Officer-in-Charge in 2004, 2007 and 2008.

Her knowledge of the Bank is bolstered with her learnings from trainings and programs she completed, such as Personnel Management for Small Companies and Credit & Collection Management at Ateneo de Manila, Office Management Control at University of the Philippines, Management of Money Positions at Bancom Systems Control, Inc., Role of Professional Social Workers and Community Development Workers in Local Governance at DILG, and Corporate Governance & Risk Management in 2002.

She began her career as Director and President of Dumlao Valdez Realty & Development Corporation. She also previously served as Director and President of Stanford Ventures, Inc., Excellent Fire Extinguishers, Inc., and Finance Officer of Manila Economics and Cultural Office.

She is a member of the University of the Philippines Alumni Association and Philippine Association of Social Workers. She was a former Director of Council for Mendicants Rehabilitation, International Affairs-Rizal Lions Club International and Medical and Mission-Golden State Lions Club.

LETICIA V. DAMASCO

Director, Board Member

Details:

Non-Executive Director, Filipino, age 71, appointed on July 1, 2016, representing the principal stockholder, LANDBANK, served as an OFBank Director for four years and five months (as of Dec. 31, 2020) with one direct/indirect shares held representing a nil percentage of shares held to total outstanding shares of the bank, a voting Director with no other directorships of listed companies

Qualifications:

- Master's Degree in Psychology from the Philippine Statesman College, Cabanatuan City, 1996
- Bachelor's Degree in Economics from the Philippine Women's University, Manila, 1971

Relevant Experience:

Ms. Damasco has been a Member of the OFBank Board of Directors since 2016, and concurrently serves as a director at LBP Leasing and Finance Corporation (LLFC), which is another LANDBANK subsidiary.

She handled different roles during her 32 years with LANDBANK, from which she built a solid banking experience. Starting as a Division Chief, she was promoted and held several higher positions such as Bank Executive Officer, Assistant Manager, and Department Manager, who is in charge of the over-all supervision of branch operations and staff. Her stint at the Bank ended in 2013 when she retired as Department Manager III.

Prior to joining LANDBANK, Director Damasco was a college instructor at the Manuel V. Gallego Foundation Colleges from 1973 to 1981

She also served as a director of the Rural Bank of Sta. Rosa, Inc. in Nueva Ecija from 2011 to 2019.

ROBERT L. GOSIOCO

Director, Board Member

Details:

Non-Executive Director, Filipino, age 63, appointed on Dec. 20, 2019, representing the principal stockholder, LANDBANK, served as an

OFBank Director for one year (as of Dec. 31, 2020) with one direct/indirect shares held representing a nil percentage of shares held to total outstanding shares of the bank, a voting Director with no other directorships of listed companies

Qualifications:

Bachelor's Degree in Commerce, Major in Accounting from St. Louis University, Baguio City, 1979

Relevant Experience:

Mr. Gosioco has worked in Saudi Arabia for 26 years and held various positions in the National Commercial Bank (NCB). He was assigned in different divisions of the bank, including Corporate Banking Division, Finance & Accounting Division, Corporate Sector Management, Correspondent Banking Division, Enterprise Program Management Department, Strategic Acquisitions Department, International Sector and the Strategy Group. He also held concurrent roles in NCB's major Turkish banking subsidiary, Turkiye Finans Katılım Bankasi A.S.

Mr. Gosioco started his stint overseas in 1989 as a credit review officer, until he became the head of Planning and Performance Management as a Senior Vice President. His previous positions include Marketing and Credit Relationship Manager, Senior Corporate Banker, Head of Corporate Sector Planning & MIS, and Head of Financial Control for Corporate Divisions. He also previously held a Vice President position as International Business Development Manager, Head of Effective Risk Management Program, and Senior Strategy Officer.

Prior to spending several years as a banker overseas, he started as a bank management trainee at Citytrust Banking Corporation (CTBC), a subsidiary of Citibank N.A., in 1979. He later held various positions in the Provincial Branches Management Group, Financial Institutions Group and Corporate Relationship Management Group. He worked with CTBC for 10 years.

Mr. Gosioco's fields of expertise include Credit, Strategic & Business Planning, Financial Control, MIS, Risk Management, International Business, Corporate and Financial Institution Relationship Management and Retail Branch Management.

List of Officers and their Relevant Qualifications and Experiences

(as of Dec. 31, 2020)

Name	Relevant Qualifications/ Experience
Leila C. Martin President and CEO (LANDBANK seconded)	<ul style="list-style-type: none"> October 2019 to present - designated as President and CEO of OFBank May 5, 1982 to present – Land Bank of the Philippines Earned bachelor's degree from Pamantasan ng Lungsod ng Maynila; post-graduate units from Colegio de San Juan de Letran Attended a Rural Banking course in Japan; International Study on Rural Banking and Finance at the Massey University in New Zealand. Graduate of LANDBANK's Branch Operation Development Program and the Leadership Development Program Former Head of LANDBANK NCR Branches Group and has been instrumental in its development, growth, and success.
Jose Emmanuel C. Valdez Department Manager/ Relationship Officer (LANDBANK Seconded)	<ul style="list-style-type: none"> Licensed Fixed Income Market Salesman Career Executive Service Board (CESWE) Passer November 18, 2019 to present - seconded in OFBank September 2008 to present - Land Bank of the Philippines Former Head of various LBP NCR Branches Former Head of Anti-Money Laundering Department-Compliance Management Group Graduate of LBP's Management Development Program July 2000 to September 2008 - Held various positions in branch operations, investment, trust and treasury marketing at China Banking Corporation Completed MBA courses from the De La Salle University - Professional Schools Inc. Graduate School of Business Earned bachelor's degree from University of Sto. Tomas Legaspi City
Jason L. Cabuyao Senior IT Officer/Head, Technology Management Unit (LANDBANK seconded)	<ul style="list-style-type: none"> Certified Ethical Hacker V9, Certified Payment Card Industry Security Conferred with Certification on Resilia Foundation, COBIT 5 Foundation, ITIL Foundation Certificate in IT Service, Lean-Six Sigma Yellow Belt Feb. 1, 2020 to present - seconded in OFBank Jan. 16, 2002 to present - Land Bank of the Philippines Earned bachelor's degree from University of the Philippines, Dela Salle University, Concordia International College Post-graduate degree in the College of Holy Spirit Manila Graduate of LANDBANK Management Development Program Held various IT positions
Solita R. Vitug BEO/Head, Administrative Services Unit (LANDBANK Seconded)	<ul style="list-style-type: none"> Certified Public Accountant, Certified Internal Auditor, Certified Internal Control Auditor, Certified Forensic Accountant March 1, 2017 - to present, seconded to OFBank June 4, 1991 to present - Land Bank of the Philippines Earned bachelor degree from Wesleyan University-Philippines Post-graduate degree in Ateneo Graduate School of Business Held various positions in LANDBANK-Internal Audit Group

Mary Grace C. Cabrera Bank Officer/Central Point of Contact	<ul style="list-style-type: none"> February 16, 2020 to March 3, 2021 - OFBank August 6, 2019 to February 15, 2020 - OIC, Compliance Office Philippine Postal Savings Bank, Inc. (now OFBank) Earned bachelor degree in University of Rizal System August 3, 2009 to August 5, 2018 - various positions in Compliance Office and Internal Audit Office - PPSBI
Joanna C. Sangrador Bank Officer/ Head, Electronic Business Unit	<ul style="list-style-type: none"> Feb. 16, 2020 to present - OFBank Feb. 17, 2017 to Feb. 15, 2020 - Risk Officer, Philippine Postal Savings Bank, Inc. (OFBank) Earned bachelor's degree from University of Sto. Tomas Oct. 16, 2014 to Feb. 16, 2017 - various functions in Risk Management Office - PPSBI March 1994 to January 2014 - various lending/ credit positions - Banco de Oro, Bank of Commerce, Traders Royal Bank
Patria P. Madrio Bank Officer/ Head, Financial Management Unit	<ul style="list-style-type: none"> Certified Public Accountant Feb. 16, 2020 to present - OFBank Earned bachelor's degree from Polytechnic University of the Philippines Sept. 2011 to Feb. 15, 2020 - Comptroller, PPSBI/OFBank 1994 to September 2011 - various functions in Accounting Department, PPSBI



Performance Assessment Program

The performance of the members of the Board of Directors is being assessed using the Performance Evaluation for Directors (iPED) System.

The iPED is developed by the Governance Commission for GOCCs (GCG) to effectively implement the Performance Evaluation for Directors in the GOCC Sector (PED). This tool is designed to facilitate a more stable, confidential, secure, and reliable database system that will house the performance reviews of all the members of the Governing Boards of various Government-Owned or -Controlled Corporations (GOCCs) under the jurisdiction of GCG. Pursuant to GCG MC No. 2014-03 (3rd Issue), all Ex Officios, their duly designated Alternates, and Appointive Directors are required to encode their self and peer ratings, comments, and assessments in the iPED.

In 2020, OFBank adopted a format to cover basic elements in the Strategic Performance Management System (SPMS) that include alignment of performance goals to the organization's overall objectives, identified key result areas/key performance indicators, clear delineation of rater and ratee's roles, and feedback mechanism to support performance monitoring. The Bank's performance assessment covers all full-time Bank officers and staff, whether permanent or temporary.

Orientation and Education Program

Employee orientation, as an integral part of the Bank's human resource development strategy, provides employees with the information necessary to begin or continue a successful career in the Bank.

For the new hires, the Administrative Services Unit conducts an Orientation Program to promote a broad understanding of Bank as financial institution. The process also includes details about working in OFBank, and the basic expectations of the Bank as an employer.

The new employees require essential information related to their work and their work environment, thus within a reasonable time following their appointment, they are being oriented to their duties, work environment and terms and conditions of employment.

The goal is to have a solid foundation for a successful, long-term working relationship between the Bank and the employee.

In terms of continuing education program for the Bank's employees, the Bank has been sponsoring various seminars and trainings for the whole year for all employees to upgrade their skills and competencies relative to the performance of their duties and responsibilities.

Aside from the required seminars and trainings that are facilitated by various regulatory agencies, the Bank also has a Training Program for the continuing improvement of the employees.

For the Board of Directors, all new/incoming Directors are required to attend the Corporate

Governance Orientation Program for GOCCs being conducted by the Institute of Corporate Directors (ICD) as required by the GCG.

In terms of policies/programs that encourages Directors/Commissioners to attend ongoing or continuous professional education programs, OFBank abides with the Fit and Proper Rule which refers to a set of standards for determining whether a Director or Executive Officer is qualified to hold a position in a GOCC which shall include, but not limited to, standards on integrity, experience, education, training and competence as such standards are set forth under GCG Memorandum Circular No. 2012-05.

Consistent with the policy, the Directors are required to undergo an adequate orientation process on bank's operations as well as continuous education and development to hone further skills and knowledge base.

OFBank also adopts and adheres to the requirements guidelines of GCG's Memorandum Circular 2014-03 on the Performance Evaluation for Directors (PED), wherein the evaluation is instrumental in developing effective and appropriate training programs for new and existing members of the Board.

Actual Trainings Attended for Year 2020

Despite the community quarantine due to COVID-19 pandemic conditions declared within the National Capital Region for almost the entire year 2020, the Bank was able to still provide the required competency trainings to its employees. Similarly, the Board members had also attended trainings in the same year.



Summary of Actual Trainings Attended for Year 2020

Title	Details/ Topic	Participants	No. of Participants			Date	No. of Hours	Conducted by	Venue
			Male	Female	Total				
Code of Conduct	Refresher	Bank employees (LANDBANK seconded)	3	5	8	Jan./ Feb.	2	LANDBANK	via LANDBANK Portal
Audit of Outsourced Functions	Process, risk and controls	Bank officer	-	1	1	Jan. 25	7	Institute of Internal Auditors-Phils	St. Giles Hotel, Makati City
Financial Reporting vs Tax Reporting	New tax provisions	Bank officer	-	2	2	Feb. 8	7	PICPA	PICPA Center, Mandaluyong City
Business of Banking	Updates on banking operations	Bank officer		1	1	Feb. 21	2	LANDBANK	via LANDBANK Portal
AML and Branch Operations	Updates on AML provisions; core processes on banking operations	Bank employees (officers and staff)	4	10	14	Feb. 26	7	Jose Emmanuel C. Valdez	OFBank Center
SEC Issuances During ECQ	New provisions	Bank officer	-	1	1	May 9		PICPA	Virtual
Risk Management Walkthrough	Business Continuity Risk Assessment; Risk Assessment Register and Risk Treatment Register	Bank employees (officers and staff)	3	10	13	Oct. 22	3	LANDBANK-Risk Management Group	Virtual
Training Program on Internal Audit	Internal Audit	Bank employees (officers and staff)	3	7	10	Nov. 20		Chambers of Thrift Bank/ BSP	Virtual
Public Sector Perspective on Remote Auditing	Remote Auditing, challenges	Bank officer	-	1	1	Nov. 20		IIA-P and AGIA	Virtual
AML	Updates	Bank employees (officers and staff)	3	9	12	Various dates during last quarter	2	LANDBANK	via LANDBANK Portal
Information Security	Updates		2	4	6		2	LANDBANK	via LANDBANK Portal

Retirement and Succession Policy

OFBank, in collaboration with its parent bank, LANDBANK, ensures the readiness of successors for critical positions in the Bank for the continuity of its business operations. Another vital program to ensure availability of a highly trained and qualified manpower is the identification of alternates to key positions. The alternate can competently fill-in in the absence of the principal process owner.

OFBank adheres to a retirement program compliant with the appropriate rules and regulations issued by various regulatory bodies on retirement policy. These regulations recognized lengthy tenures of OFBank's most important asset.

In 2020, OFBank implemented a retirement program pursuant to Executive Order 44 issued in 2017 which provides for a retirement or separation benefits under existing laws.

Remuneration Policy

i. Remuneration Policy and Structure for Executive and Non-Executive Directors

The current Allowances, Benefits, and Incentives (ABI) are governed by the guidelines released by regulatory agencies and adopted by the Bank's Board.

The ABIs of OFBank Board are guided by EO No. 24, series of 2011 "Prescribing Rules to Govern the Compensation of Members of the Board of Directors/Trustees in GOCCs including GFIs", issued by then President Benigno Aquino III, and by GOCC Circulars (1) MC2016-01-Compensation Framework for GOCC Governing Boards and (2) Reissued MC 2012-02-Revised Interim Rules on Per Diem and other entitlements of Members of the Governing Boards of GOCCs covered by RA No. 10149.

The Bank's Corporate Secretary oversees the implementation of the ABIs of OFBank's appointive Directors.

ii. Remuneration Policy for Senior Management

Compensation structure for the Management follows the structure as approved by the Bank's Board of Directors. Cash benefits

and allowances pursuant to the Board approved benefits and allowances. The grant of representation and transportation allowances is based on the DBM National Budget Circular No. 548 dated May 15, 2013 re Amended Rules and Regulations on the Grant of Representation and Transportation Allowances. The Performance Based-Bonus (PBB) is based on the Interim PBB guidelines based on the Memorandum Circular issued by the GCG

Policies and procedures on Related Party Transactions

Overarching policies and procedures for managing related party transactions

Related Party Transactions (RPTs) are transactions or dealings with Related Party (RPs) of the Bank, regardless of whether or not a price is charged. It covers all types of transactions (on-and off-balance sheet transactions) with DOSRI and their Closed Family Members (CFMs) or juridical entity.

At OFBank, RPTs are allowed provided these are done on an arm's length basis to avoid abuses disadvantageous to the Bank and ensure that RPTs are handled in a prudent manner with integrity. The OFBank Board exercises rigorous and appropriate overall governance and controls on RPTs by issuing Board-approved policies.

Board of Directors' Duties and Responsibilities

The Board of Directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors, and other stakeholders. Towards this end, the BOD shall carry out the following duties and responsibilities:

1. Observe good governance and approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws;

2. Approve all material RPTs, including those that cross the materiality threshold, write-off of material exposures to related parties, and renewal or material changes in the terms and conditions of RPTs;
3. Delegate to Management Committee the vetting of non-material RPTs and confirm all non-material RPTs vetted in accordance with the CASA as presented by the RPTCom. The ManCom minutes shall articulate the discussions on RPT;
4. Direct Management to establish an effective system to:
 - a. Direct, identify and monitor RPs and RPTs;
 - b. Continuously review and evaluate existing relationship between and among businesses and counterparties; and
5. Identify, measure, monitor and control risks arising from RPTs;
6. Maintain adequate capital against risks associated with exposures to RPs;
7. Oversee the integrity, and effective implementation of the Bank's whistleblowing policy; and
8. Constitute an RPT Committee and provide adequate resources to said Committee, including the authority to procure the assistance of independent experts, if necessary, to assess the fairness of RPTs.

Material Related Party Transactions

Name of Counterparty	Relationship	Date	Type of transaction	Terms	Amount	Outstanding Balance as of 31 December 2020
Land Bank of the Philippines	Parent Bank	Oct. 27, 2020	LANDBANK Deposit Placement of High Yield Savings account with OFBank	Existing deposit placement's Terms and Conditions; Interest rate of 1.50% for 360 days	2,000,000,000.00	2,000,000,000.00
Land Bank of the Philippines	Parent Bank	Jan. 14, 2020	Transfer of loan-related accounts to LANDBANK at face amount as follows: 1. Commercial, and salary (excluding current) • Principal = P3,461,964,299.52 • Accrued Interest Receivable = P38,564,250.54 2. Sales Contract Receivable = P18,757,620.66 3. ROPA = P387,450,456.58 P3,906,736,627.30 Valuation Reserve = (908,193,028.06) Net Amount to be Settled = P2,998,543,599.24	No Preferential Terms	2,998,543,599.24	N/A

Self-Assessment Function

i. The structure of the internal audit and compliance functions including its role, mandate/authority, and reporting process

Pursuant to Sec. X186 (2008 - X164) (a) and (b) of the MORB, Internal Audit Function, "Internal audit is an independent, objective assurance and consulting function established to examine, evaluate and improve the effectiveness of internal control, risk management and governance systems and processes of an organization, which helps management and the board of directors in protecting the bank and its reputation". The internal audit function shall both assess and complement operational management, risk management, compliance, and other control functions. In this respect, internal audit shall be conducted in frequencies commensurate with the assessed levels of risk in specific banking areas.

a. Permanency of the internal audit function.

Each bank shall have a permanent internal audit function. In the case of group structures involving a parent bank and subsidiary or affiliate Bangko Sentral supervised financial institutions (BSFIs), the internal audit function shall either be established in each of the BSFI or centrally by the parent bank.

b. Internal audit function in group structures.

In case each BSFI belonging to group structures has its own internal audit function, said internal audit function shall be accountable to the financial institution's own BOD and shall likewise report to the head of the internal audit function of the parent bank within a reasonable period and frequency prescribed by the board of directors of the parent bank.

On the other hand, in case the parent bank's internal audit function shall cover the internal audit activities in the subsidiary or affiliate BSFI, the BOD of the parent bank shall ensure that the scope of internal audit activities is adequate considering the size, risk profile and complexity of operations of the subsidiary or affiliate concerned.

The establishment of internal audit function centrally by the parent bank in group structures shall not fall under the outsourcing framework as provided under Sec. X162. In this respect, the head of the internal audit function of the parent bank shall define the internal audit strategies, methodology, scope and quality assurance measures for the entire group: Provided, That this shall be done in consultation and coordination with the respective board of directors and of the subsidiary or affiliate BSFI: Provided, further, That, the board of directors of the subsidiary or affiliate BSFI, shall remain ultimately responsible for the performance of the internal audit activities.

In view of the foregoing, a Service Level Agreement was executed on July 29, 2020 between OFBank and LANDBANKIAG on the provision of internal audit function to OFBank under the groupwide structures with the Central Point of Contact as the focal person to liaise with concerned IAG units. The results of assurance services, consulting services, and other services by LANDBANK-IAG aim to draw attention to any breakdown in internal control or significant issues so that: (1) remedial action may be undertaken; (2) improvements in procedures and systems to prevent waste, extravagance and fraud are recommended; and (3) appropriate system of controls and other accounting and operational matters are advised.

ii. The review process adopted by the OFBank Board to ensure effectiveness and adequacy of the internal control system

The Audit Committee's (AuditCom) primary purpose is to assist the OFBank Board in fulfilling its oversight responsibilities over the Bank's reporting policies, practices and control, internal and external audit functions. The results of assurance services, consulting services, and other services are reported to AuditCom to ensure that Management is taking necessary corrective

actions in a timely manner to address any weakness, non-compliance with policies, laws and regulations, and other issues identified by auditors.

On top of the discussion and notation of the regular reports of the Central Point of Contact, LANDBANK IAG and the compliance function, the Committee also deliberates on various issues and concerns related to the Bank's existing internal controls, potential breaches and vulnerabilities and likewise recommends ways and measures to strengthen internal controls and manage risks.

In 2020, LANDBANK IAG conducted a focused-scope audit covering OFBank's Customer Due Diligence during Account

Opening sub-process as well as its Business Continuity Plan Preparation and Implementation during the COVID-19 pandemic and AMLA compliance activities. The results of the audit were discussed with the OFBank Management by LANDBANK-IAG and the audit report was provided to the OFBank President & CEO and OFBank AuditCom.

OFBank Dividend

As required under RA No. 7656, the OFBank shall remit cash dividends to the National Government (NG) every year. For 2020, the Bank did not declare nor remit a percentage of its annual net earnings as cash dividends to NG under the exemptions provided in the said law subject to confirmation by the Department of Finance.

Corporate Social Responsibility Initiatives

OFBank's Corporate Social Responsibility (CSR) embodies its commitment to the institution's social mandate with programs and activities that contribute to a better, safer, and more progressive society, redounding to an improved quality of life for people of the present and future generations which are the pillars of sustainability - the social, environmental, and economic pillars. The Bank's CSR Programs revolves around themes aligned with our corporate goals and mission: Honesty and Integrity, Innovation and Creativity, as well as other advocacies such as financial literacy programs for OFWs/OFs and their beneficiaries.

Summarized below are some of the CSR/sustainability initiatives of the Bank:

- 2020 consumption on fuel and electricity (report submitted to Department of Energy) reduced significantly as compared with 2015 baseline numbers
- Adopted March 2020 onwards: modified work arrangement; virtual meetings; car-pooling; restricted access of guests/clients/other building occupants; office re-layout; electronic approval, processing, and submission of documents/reports; sanitation/disinfectant of the entire building; maintain the cleanliness of the surroundings; wearing of face masks/shields; other health protocols
- Conducted/participated in financial literacy webinars/PDOS (online/face-to-face) starting July 2020. For the six-month period ended Dec. 31, 2020, the Bank completed a total of 100 webinars/PDOS in 100 base countries around the globe

Financial Consumer Protection

OFBank adopts the Financial Consumer Protection (FCP) framework and complies with laws and regulations focused on consumers' security in the financial marketplace.

Anchored on LANDBANK's consumer protection programs and guiding principles, the OFBank's FCP framework ensures that all its clients obtain correct, accurate, and unbiased information about its products and services for making sound financial decisions. The Framework also makes sure that OFBank clients get access to recourse mechanism for complaints and dispute resolution.

In December 2019, the Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1048 to amend Circular No. 857 and firmly institutionalize consumer protection as an integral component of corporate governance and culture, thereby effectively managing risks related with the daily business operations of BSP's supervised financial institutions (BSFIs), such as compliance, reputational, legal, operational and credit, among others.

The collaboration of OFBank and LANDBANK, from top Management to individual employees and stakeholders, contributes to the compliance to the guidelines provided in the new Circular and the efficient delivery of financial products and services to all OFBank clients.



Oversight Function - Roles and Responsibilities

OFBank Board of Directors (OFBank Board)

The OFBank Board shall be primarily responsible for ensuring that consumer protection practices are incorporated into the Bank's business operations by adhering to LANDBANK's FCP framework, policies, programs, processes, systems, and practices, including Consumer Protection Risk Management System (CPRMS) and Consumer Assistance Management System (CAMS).

The responsibilities of the OFBank Board in relation to BSP Circular No. 1048 include the following:

1. Approve the CPRMS and consumer assistance mechanism (CAM) that takes into consideration the BSFI's business model, market, product lines, and relationships with third parties that may give rise to consumer protection risks;
2. Promote a culture of ethical behavior and adherence to the highest standards of fair and responsible dealing with consumers;
3. Ensure that adequate information and actions taken are reported on a regular basis in terms of the measurement of consumer protection-related risks, reports from the CAM, as well as other material consumer-related developments that will impact the BSFI;
4. Ensure the adequate provision of resources and effective implementation of personnel training and competency requirements;
5. Approve remuneration and compensation packages structured to encourage responsible business conduct, fair treatment, and avoidance/mitigation of conflicts of interest; and
6. Review periodically the implementation and effectiveness of the CPRMS, specifically how findings are reported and whether the audit mechanisms in place enable adequate oversight, including putting in place a regular

mechanism to review the relevance of the CPRMS in case of changes in the BSFI business model and/or operating environment.

OFBank Senior Management

Meanwhile, the responsibilities of the OFBank Senior Management under BSP Circular No. 1048 include the following:

1. Ensure that approved CPRMS and CAM policies and procedures are clearly documented, properly understood, and appropriately implemented across all levels and business units;
2. Establish an effective monitoring and management information system to regularly measure, aggregate, and analyze consumer-related issues to determine the level of consumer protection risk. An appropriate and clear reporting and escalation mechanism should also be integrated into the risk governance framework. The management information system should be able to:
 - a. Provide adequate information on the performance and quality of the BSFI's CAM that allows for the identification of emerging consumer issues and root cause analysis;
 - b. Determine the level of consumer protection risk exposure by evaluating the implementation of the Consumer Protection Standards of Conduct (i.e., transparency and disclosure, protection of client information, fair treatment, effective recourse and financial learning and awareness);
 - c. Identify and monitor, in a timely manner, consumer protection risk exposures approaching risks of loss to financial consumers, legal and reputational risk, as well as other related risks;
 - d. Identify and assess emerging or increasing consumer risks that affect the BSFI such as through social media monitoring and market monitoring;
3. Ensure that adequate systems and controls are in place to promptly identify issues that affect the consumer across all phases of the relationship with the consumer;

4. Ascertain that weaknesses in the consumer protection practices or consumer protection emerging risks are addressed and corrective actions are taken in a timely manner; and
5. Ensure observance of expectations and requirements prescribed under relevant regulations on compliance and internal audit.

Consumer Assistance Management System (CAMS)

The OFBank seeks to further enhance and strengthen the Bank's thrust of providing excellent customer service through proper handling of inquiries, concerns, requests, or complaints and using clients' data/feedback to improve service delivery. CAMS is being implemented with the assistance of the parent bank.

The complaints management process involves the following steps:

1. Receipt, Acknowledgment and Recording of Complaints

The Bank obtains pertinent information/data from the customer, provides the turnaround time and, if necessary, inform the complainant of the progress and the measures being taken for the complaint's resolution

2. Assessment and Investigation

Assessment and investigation of complaints/requests takes into consideration the uniqueness of each complaint/request and the desired resolution of the party

3. Complaints Resolution and Closure

The Bank shall communicate the feedback/result of the investigation to the customer either through SMS, e-mail, letter or call/call report

4. Customer Feedback

The customer shall be requested to fill out a survey form once the complaint has been resolved/closed



5. Monitoring/Reporting

Complaints Report is reported to the Bank's Management every month, which includes recommendations on how to avoid recurring complaints, and suggestions for process/personnel competency improvements, as needed

Personnel managing the CAMS are competent and equipped with the right knowledge on the structure and implementation of the consumer assistance mechanism. The personnel are also provided with applicable trainings and seminars on customer service and other relevant development workshops, in coordination with LANDBANK.



Risk Management Philosophy and Culture

Overseas Filipino Bank's (OFBank) Risk Management (RM) philosophy and culture are aligned with that of the LANDBANK, its parent bank. OFBank's RM framework is an integrative component of good governance which involves the Board of Directors (BOD), Corporate Governance and Risk Management Committee (CGRMC) and Senior Management in performing the risk oversight of OFBank to ensure adequacy of its RM internal controls, policies, RM systems and procedures in managing risks.

OFBank's core RM philosophy is to balance risk and reward by maximizing business opportunities, operating within its risk threshold and minimizing losses beyond its appetite. RM is also embedded in all the business processes of the OFBank to ensure that its risk-taking activities is commensurate with its risk appetite.

OFBank's RM completes the triumvirate of audit and compliance functions which focus on OFBank's risk controls. Together with internal audit and compliance, the synergy of the three functions provides credence to the role of the OFBank's Board and Senior Management in implementing an effective RM framework.

OFBank's RM approach is governed by the Enterprise Risk Management (ERM) system of LANDBANK which is anchored on its mission, vision and strategic objectives. LANDBANK's ERM system is implemented cross-functionally across the entire organization with active participation of the Board, Senior Management and all business units (BUs) of the Bank including its subsidiaries and foundation. ERM is implemented in three levels namely strategic, portfolio and transactional levels.

At the **Strategic Level**, the OFBank's Board through the CGRMG and Senior Management, are actively involved in the implementation of an enterprise-wide RM which involves formulation and approval of OFBank's policies, strategies, and internal controls, as well as its annual review. The OFBank's Board and Senior Management are also involved in an organization-wide risk monitoring which is used as basis for decision-making and review of the Bank's controls/mitigating measures (operational, financial and compliance control) and RM system.

At the **Portfolio Level**, the OFBank Business Units oversee the implementation of RM guidelines, policies and processes and monitor possible policy breaches and/or breaches of internally-set thresholds. The LANDBANK-Risk Management Group (RMG) recommends to OFBank policies, processes and revisions/enhancements based on risk reports submitted by the OFBank's risk-taking BUs to address risk occurrences that cannot be solved at the level of the risk-taking BUs.

At the **Transactional Level**, the Authorized Risk Takers (ARTs) who act as the first line of defense are involved in the actual implementation of risk policies and procedures. These ARTs embrace the continuous management of risk events and immediately escalate policy breaches, procedural infractions and related risk occurrences that cannot be solved at their level to their respective Business Unit Heads.

RISK GOVERNANCE FRAMEWORK

RM involves the oversight function covering risk identification, assessment, measurement, control, monitoring and reporting of risks inherent in all activities of the Bank. The LANDBANK RMG, as an independent unit, performs the risk oversight function for OFBank and all its major risk areas (i.e., credit, market, operational, compliance, interest rate in the banking book, liquidity, reputation, strategic, information technology (IT), RPT, among others). Pursuant to OFBank Executive Order No. 001, s. of 2020, Guidelines on the Management and Operations of OFBank as a Digital-Only Bank, risk management is one of the various services outsourced with LANDBANK. Hence, its risk oversight and risk reporting structure are covered by the LANDBANK RMG.

RISK MANAGEMENT OF OFBANK

Part of LANDBANK's Risk Governance Framework involves managing risks residing in its subsidiaries and foundation which include the OFBank.

RM Oversight to OFBank is also an essential component of LANDBANK's corporate governance which ensures an integrated perspective of risk exposures, both at disaggregated and aggregated level. It is a means of improving LANDBANK's business and services on a group-wide or enterprise-wide activity that involves LANDBANK as the parent bank, and its wholly-owned subsidiaries and foundation, newly acquired entities/institutions like OFBank in the pursuit of its business goals and objectives.

As OFBank's operations also bear impact on the Parent Bank's financial condition, LANDBANK through the Enterprise Risk Management Office (ERMO) of LANDBANK RMG provides RM oversight to OFBank. It monitors and reports risk exposures of OFBank through the submission of consolidated financial reports and other relevant documents.

RM PROGRAM FOR SUBSIDIARIES (RMPS)

The implementation of the Risk Management Program for Subsidiaries (RMPS) enables OFBank to mirror the RM Framework and policies of its parent bank in compliance with the BSP Circular 971, series of 2017 (Guidelines on Risk Governance). The RMPS includes relevant methodologies, processes and tools which guides OFBank and other LANDBANK subsidiaries in implementing a robust RM system on a group-wide basis. It also takes into consideration the diversity of the mandates, nature of business operations, structure, risk appetite and other variables of each LANDBANK subsidiary including the Foundation.

The RMPS embodies the RM Framework of LANDBANK which covers the following elements:

- RM Policy (Principles)
- RM Oversight Structure, key roles and responsibilities

- Levels of RM (Strategic, Portfolio and Transactional level)
- Risk Identification and Measurement
- Risk Monitoring and Reporting (RM Tools, RiskCom Risk Reports)
- RM Strategy Formulation
- Programs to promote RM Awareness and culture in the Subsidiaries
- RM Operations and Tools
 - a. Risk and Control Self-Assessment (RCSA)
 - b. Business Continuity Risk Assessment (BCRA)
 - c. Business Impact Analysis (BIA)
 - d. InfoSec Risk Assessment Register and Risk Treatment Register (RAR&RTR)
 - e. Risk Event Monitoring Report (REM) Report
 - f. Compliance Risk Monitoring (CRM) Report
 - g. Business Continuity Management (BCM) Guidelines / Business Continuity Plan (BCP)
 - h. ICAAP Risk Assessment Map for Subsidiaries Risk
 - i. Report on Actual Losses under 2020 ICAAP
 - j. Status of ICAAP RM Initiatives
 - k. Related Party Transaction (RPT) Database / RPT Questionnaire
 - l. Pandemic Monitoring Report

As part of LANDBANK's RM oversight to OFBank, ERMO regularly maintains and updates OFBank's Risk Event Monitoring (REM) Loss Database which includes the data on operational risk events categories based on the Basel II Operational Risk Events pursuant to BSP Circular 900 s. 2016 (Guidelines in Operational Risk Management) as follows:

- Internal Fraud
- External Fraud
- Employment Practices and Workplace Safety
- Damage to Physical Assets
- Business Disruption and Systems Failures
- Execution, Delivery, and Process Management

The database includes relevant information on the risk events encountered by the OFBank and its relative amounts of actual losses, potential losses or near misses and mitigating measures.

The REM database is an input to the ORWA Optimization process which aims to explore available opportunities and develop capital measurement models that better capture the Bank's risk profile in the determination of estimated operational risk capital charge.

In 2020, a Service Level Agreement (SLA) was signed between OFBank and LANDBANK RMG which outlines the obligations between the parties with regard to rendering reciprocal services in order to promote operational efficiency, leverage on customer relationship and ultimately, to increase productivity.

LANDBANK RMG's services to OFBank are as follows:

- Facilitate annual review, enhancement and implementation of the SLA
- Communicate and monitor request of OFBank with RMG Departments, Offices, and Units
- Implement the Risk Management Program for LANDBANK Subsidiaries (RMPS)
- Assist in the formulation/enhancement of risk policies and Framework for Credit, Operational, Information Security, IT and other Enterprise-wide Risks to ensure that these are aligned with the LANDBANK's policies
- Provide OFBank copies of risk-related information to support OFBank in establishing and implementing a sound RM Framework:
 - a. Operational Risk Management Tools/templates (RCSA, RAR&RTR, BIA, BCRA, REM);
 - b. Copies of Executive Orders/Administrative Orders and internal LANDBANK guidelines pertaining to Risk Management; and
 - c. Enhancement of RMPS approved by RiskCom and Board.
- Conduct relevant walkthrough sessions in order to augment RM awareness of OFBank personnel

On the other hand, OFBank is responsible for:

- Initiating and causing the revision/enhancement of the SLA
- Coursing through or furnishing a copy of correspondences and communications with RMG Units
- Adhering with the RMPS requirements through submission of required RM reports/tools covered under RMPS
- Reporting results of Risk Management activities
- Submission of OFBank Strategic and Operational Plans and its Accomplishments in the LANDBANK's Annual Report

Compliance Management

Compliance Functions

Compliance functions are a key component of OFBank's second line of defense for managing risks. In ensuring that OFBank operate with integrity and adhere to applicable laws, regulations and internal policies, the following were undertaken:

1. Updating of Compliance Manual in the areas of new relevant laws, rules and regulations, and assessment of compliance risks.
2. Review of the Money Laundering and Terrorist Financing Program (MLTFF)
3. Continuous conduct of trainings, among which are on regulatory relief, supervisory assessment framework, covered and suspicious transaction reporting (CTR/STR) and on the Centralized Compliance Framework. Regular internal sessions were also made on other BSP regulatory issuances and advisories.

Other Initiatives

1. Reviewed Memorandum of Agreement between LANDBANK and OFBank against MORB Sec. 112 Management Contracts and Outsourcing in June 2020
2. The LANDBANK-CMG developed the LANDBANK Group Centralized Compliance Management (CCM) Framework to set out the principles and standards for the compliance management function of OFBank and LANDBANK. This shall serve as guide in the preparation and implementation of the LANDBANK Group CCM Program.

The LANDBANK Group CCM Framework was approved by the Board of Directors of OFBank and LANDBANK on July 30, 2020 and Sept. 23, 2020, respectively. Under the LANDBANK Group CCM Framework, the compliance management function of the Subsidiaries, which include OFBank is being handled by the LANDBANK-CMG. The CCO/Head of the LANDBANK-CMG is also the designated CCO and AML Compliance Officer of OFBank.



3. The Service Level Agreement (SLA) outlining the reciprocal duties and responsibilities between the parties in the performance of the compliance functions was approved on June 26, 2020.

Plans and Programs for 2021

Complementary to providing innovative financial products and services, OFBank shall support the National Government's programs for OFWs by partnering with OWWA, POEA and DOLE. In particular, OFBank will collaborate with these government agencies in the issuance of OFW ID card bundled with ATM Card functionality and the provision of a multi-purpose loan for personal and business use of the OFWs and their beneficiaries. These initiatives are envisioned to strengthen the OFW eco-system.

OFBank will continue to collaborate with LANDBANK in streamlining business processes, developing, and onboarding digital products and services and adopting a cross-channel synergy in marketing digital banking. To sustain profitable operations, OFBank will increase its deposits portfolio improving its share of the captured market and will also offer credit assistance to the target market via digital platform. Likewise, OFBank intends to maintain good capital level that will be indicative of its strength to support bank operations and attract more depositors.

Board of Directors



Cecilia C. Borromeo
Chairperson



Leila C. Martin
Vice Chairperson*



Julio D. Climaco, Jr.
Member of the Board



Liduvino S. Geron
Member of the Board**



Alan V. Bornas
Member of the Board



Bituin V. Salcedo
Member of the Board



Robert L. Gosioco
Member of the Board



Leticia V. Damasco
Member of the Board

*Seconded from LANDBANK

**Resigned on Sept. 7, 2020 in view of his appointment as OIC President of UCPB - approved on Sept. 25, 2020 BOD Meeting

Management Team



Leila C. Martin
President and CEO*



Jose Emmanuel C. Valdez
Department Manager/
Relationship Officer*



Jason L. Cabuyao
Senior IT Officer/Head*
Technology Management Unit



Solita R. Vitug
BEO/Head*
Administrative Services Unit



Mary Grace C. Cabrera
Bank Officer/Central Point of
Contact



Joanna C. Sangrador
Bank Officer
Electronic Business Unit



Patria P. Madrio
Bank Officer
Financial Management Unit



Atty. Cesar S. Cabañes
Corporate Secretary

**Seconded from LANDBANK*

Other Officers and Staff



Romelita M. Atienza
Technical Assistant to the CEO
and President*



Claire Bomediano
Branch Service Officer*



Christine Anne N. Salapare
Senior Administrative Specialist*



Mary Calacasan
Executive Assistant
OP/Board Secretariat



Jomelyn Narcisa Calimag
Customer Associate



Joy Agamata
Customer Associate



Clarise Maulion
Customer Associate

Overseas Filipino Bank
INDEPENDENT AUDITOR'S REPORT



Republic of the Philippines
COMMISSION ON AUDIT
 Commonwealth Ave., Quezon City
CORPORATE GOVERNMENT SECTOR
 CLUSTER 1 - BANKING AND CREDIT

The Board of Directors

Overseas Filipino Bank, Inc.
 Liwasang Bonifacio, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Overseas Filipino Bank, Inc. (OFB)**, which comprise the statements of financial position as at December 31, 2020 and 2019, and the 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, except for the effects of the matter described in the Basis for Qualified Opinion section, the financial statements present fairly, in all material respects, the financial position of the OFB as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with applicable Philippine Financial Reporting Standards.

Basis for Qualified Opinion

As at December 31, 2020, OFB recognized Accrued Expense Payable and Accounts Payable amounting to P174.106 million and P41.983 million, respectively, or an aggregate of P216.089 million which included payables to its parent bank, LBP, of P193.172 million. The recognized payables did not reconcile with the corresponding amount of receivables recognized in LBP's books showing a total variance of P121.284 million. Out of the total recognized payables to its parent bank, the amount of P121.314 million payables were also not supported with complete documents. Due to the non-reconciliation of variances with the balances of the parent bank, and the absence of documents to support the validity of the recognized obligation to LBP, we were unable to determine whether any adjustments were necessary in respect of the Bank's payables as at reporting date. As such, we were not able to obtain sufficient appropriate evidence to establish the payables to LBP that should have been recognized as at December 31, 2020, nor we were able to satisfy ourselves by other audit procedures performed.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the OFB in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees 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. 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 OFB'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 OFB or to cease operations, or has no realistic alternative but to do so.

Those charges with governance are responsible for overseeing the OFB'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 ISSAIs 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 ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OFB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimate 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 Company'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 OFB 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 Other Regulatory Requirements

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 the Revenue Regulations 15-2010 in Note 25 and the Bangko Sentral ng Pilipinas Circular No. 1074 in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and complying with the Bangko Sentral ng Pilipinas respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

ROCHIE J. FELICES
Supervising Auditor

June 25, 2021



June 25, 2021

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of OVERSEAS FILIPINO BANK, INC., A Savings Bank of LANDBANK (OFBI), formerly PHILIPPINE POSTAL SAVINGS BANK, INC. (PPSBI), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal control as management determines 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 OFB'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 OFB or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing OFB's financial reporting processes.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein and submits the same to the Stockholders, regulators, creditors and other users.

The Commission on Audit (COA), has audited the financial statements of OFB in accordance with International Standards of Supreme Audit Institutions (ISSAI), and in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.

CECILIA C. BORRAMEO
Chairman of the Board

LEILA C. MARTIN
President and Chief Executive Officer

PATRICIA P. MADRIO
Head, Financial Management Unit

OVERSEAS FILIPINO BANK, INC.
(A SAVINGS BANK OF LANDBANK)
STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 As restated
ASSETS			
Cash and cash equivalents	5	3,344,013,164	2,143,055,367
Fair value thru other comprehensive income	9	51,506,986	48,087,121
Loans and receivables - net	10,20	2,357,110	2,417,751,975
Sales contract receivable	11	0	18,159,959
Property and equipment - net	12,20	160,283,326	166,267,592
Non-current assets held for sale	13	0	354,463,717
Other Intangible Assets - net	14	6,555,680	7,055,534
Other assets - net	15	106,088,361	171,259,273
TOTAL ASSETS		3,670,802,627	5,326,100,538
LIABILITIES AND EQUITY			
Liabilities			
Deposit liabilities	16	2,556,674,267	3,963,516,287
Manager's/Cashier's checks		141,859	3,403,770
Accrued expenses	17,20	174,106,380	257,681,833
Other liabilities	18,20	53,538,415	91,947,156
Total Liabilities		2,784,460,921	4,316,549,046
Equity			
Capital stock	19	1,000,000,000	1,000,000,000
Deposit for stock subscription	19	1,272,008,000	1,272,008,000
Retained earnings deficit	20	(1,386,969,987)	(1,260,543,629)
Other comprehensive income (loss)	21	1,303,693	(1,912,879)
Total Equity		886,341,706	1,009,551,492
TOTAL LIABILITIES AND EQUITY		3,670,802,627	5,326,100,538

The Notes on pages 73 to 100 form part of these financial statements.

OVERSEAS FILIPINO BANK, INC.
(A SAVINGS BANK OF LANDBANK)
STATEMENTS OF COMPREHENSIVE INCOME

December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 As restated
INTEREST INCOME			
Loans & discounts		70,162,739	114,189,245
Investments		1,096,687	12,774,824
Loans and receivables arising from RA/CA/PR/SLB		12,965,416	24,795,929
Due from Bangko Sentral ng Pilipinas		51,928,922	52,658,325
Deposits with banks		47,913	25,603,842
Sales contract receivable		0	1,204,166
Others		0	474
		136,201,657	231,226,805
INTEREST EXPENSE			
Deposit liabilities		39,978,801	131,107,126
NET INTEREST INCOME		96,222,856	100,119,679
Provision for credit losses		0	13,010
NET INTEREST INCOME AFTER PROVISION FOR LOSSES		96,222,856	100,106,669
OTHER OPERATING INCOME			
Fees and commission		1,031,268	6,361,570
Foreign exchange gains from revaluation		1,043	(92,931)
Miscellaneous income	22	297,975	44,596,592
		1,330,286	50,865,231
OTHER OPERATING EXPENSES			
Compensation and fringe benefits	20, 23	9,365,840	90,982,140
Provision for probable losses	23	50,313,850	360,410,668
Depreciation and amortization	20, 23	7,201,626	31,200,669
Rent	20	3,668,651	16,819,478
Taxes and licenses		5,334,611	11,347,872
Miscellaneous expenses	20, 24	148,094,922	246,853,644
		223,979,500	757,614,471
NET LOSS BEFORE TAX		(126,426,358)	(606,642,571)
PROVISION FOR INCOME TAX		0	0
NET LOSS FOR THE PERIOD		(126,426,358)	(606,642,571)
OTHER COMPREHENSIVE GAIN/ (LOSS)	21	3,216,572	99,956,723
TOTAL COMPREHENSIVE LOSS		(123,209,786)	(506,683,848)

The Notes on pages 73 to 100 form part of these financial statements.

OVERSEAS FILIPINO BANK, INC.
(A SAVINGS BANK OF LANDBANK)
STATEMENTS OF CHANGES IN EQUITY
December 31, 2020 and 2019
(In Philippine Peso)

	Capital Stock	Deposit for Stock Subscription	Other Comprehensive Income (Loss)	Retained Earnings Deficit	Total Equity
	Note 19		Note 21	Note 20	
Balance as of January 1, 2019, before restatement	1,000,000,000	0	(101,871,602)	(726,806,000)	171,322,398
Net prior period adjustments				72,904,942	72,904,942
Balance as of January 1, 2019, as restated	1,000,000,000	0	(101,871,602)	(653,901,058)	244,227,340
Deposit for Stock Subscription		1,272,008,000			1,272,008,000
Other Comprehensive Income			99,958,723		99,958,723
Net loss for CY 2019, as restated				(606,642,571)	(606,642,571)
Balance as of December 31, 2019, as restated	1,000,000,000	1,272,008,000	(1,912,879)	(1,260,543,629)	1,009,551,492
Other Comprehensive Income			3,216,572		3,216,572
Net loss for CY 2020				(126,426,358)	(126,426,358)
Balance as of December 31, 2020	1,000,000,000	1,272,008,000	1,303,693	(1,386,969,987)	886,341,706

The Notes on pages 73 to 100 form part of these financial statements.

OVERSEAS FILIPINO BANK, INC.
(A SAVINGS BANK OF LANDBANK)

STATEMENTS OF CASH FLOWS

December 31, 2020 and 2019

(In Philippine Peso)

	Note	2020	2019 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		83,547,010	252,341,181
Interest paid		(49,191,498)	(132,353,739)
Fees and Commissions		1,277,526	38,510,362
Loss on financial assets and liabilities at fair value thru profit or loss		0	(28,064,704)
Miscellaneous Income		51,717	12,447,801
General and Administrative Expenses		(290,571,867)	(376,067,008)
Operating loss before changes in operating assets and liabilities		(254,887,112)	(233,786,107)
Changes in operating assets and liabilities			
(Increase) / Decrease in operating assets:			
Fair value thru profit or loss		0	44,660,868
Loans and Receivables		2,433,304,633	634,357,315
Other Resources		44,605,561	36,553,672
Increase / (Decrease) in operating liabilities:			
Deposit Liabilities		(1,406,842,020)	(4,352,726,726)
Treasurer's, Manager's and Cashier's Checks		(3,261,911)	(14,218,455)
Other Liabilities		33,923,139	(32,330,978)
Net Cash Provided by/ (Used in) Operating Activities		846,842,290	(3,917,490,416)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	12	(145,960)	(3,601,390)
Additions to Investment Property		0	(20,035,381)
Disposal of Non-Current Assets Held for Sale	13	354,463,717	11,225,614
Decrease in Fair value thru other comprehensive income		0	528,759,126
Net Cash Provided by Investing activities		354,317,757	516,347,969
CASH FLOWS FROM FINANCING ACTIVITIES			
Deposit for Stock Subscription	19	0	1,272,008,000
Net Cash Provided by Financing Activities		0	1,272,008,000
EFFECTS OF EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS			
		(202,250)	(92,931)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,200,957,797	(2,129,227,378)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
	5	2,143,055,367	4,272,282,745
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	5	3,344,013,164	2,143,055,367

The Notes on pages 73 to 100 form part of these financial statements.

OVERSEAS FILIPINO BANK, INC.
(A SAVINGS BANK OF LANDBANK)
NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

(All amounts in Philippine Peso unless otherwise stated)

1. Corporate Information

Overseas Filipino Bank, Inc., a Savings Bank of LANDBANK (OFB or the Bank) formerly known as Philippine Postal Savings Bank, Inc. (PPSBI) is a subsidiary of the Land Bank of the Philippines (LBP or the Parent Bank or LANDBANK) acquired by the latter at zero value as stated on Executive Order no. 44 dated September 26, 2017.

The PPSBI is a subsidiary of the Philippine Postal Corporation (PPC) re-established and re-opened by virtue of PPC Board Resolution No. 94-34 dated February 24, 1994 in fulfillment of the intents and purposes of Republic Act No. 7354, otherwise known as Postal Services Act of 1992, which was enacted by the Congress on April 03, 1992. The re-establishment of PPSBI was finally approved under the Bangko Sentral ng Pilipinas Board Resolution No. 267 dated March 18, 1994. The PPSBI was incorporated on June 22, 1994 and started operations as a savings and mortgage bank on July 21, 1994. The PPSBI shall mobilize savings and promote entrepreneurship to widen economic opportunities and to provide the Filipino people with a full range of professional banking and financial resources accessible in all areas of the country, and shall promote the values of thrift, industry and prudence especially in the youth.

In December 2016, the National Government directed the LBP to initiate the acquisition of PPSBI as its subsidiary, with the plan of eventually converting it to a bank for Overseas Filipino Workers.

On September 26, 2017, President Rodrigo Duterte issued Executive Order No. 44, which mandates the PPC and the Bureau of Treasury (BTR) to transfer their PPSBI shares to LBP at zero value.

On January 5, 2018, the PPSBI registered with the Securities and Exchange Commission the Amended Articles of Incorporation bearing the new corporate name.

The Bangko Sentral ng Pilipinas through its Circular Letter no. CL-2018-007 dated January 18, 2018, approved the change of corporate name of the PPSBI to "Overseas Filipino Bank, Inc., a Savings Bank of LANDBANK".

On March 2018, the BTR and PPC transferred and conveyed to LBP the 3,802,428 and 2,999,998 common shares respectively at P100 per share.

As stated in its Vision/Mission: "OFB is a Digital Bank servicing Overseas Filipinos and their Beneficiaries through state-of-the-art Electronic Banking Channels such as Mobile Phone, Automate Teller Machine and Internet which are more convenient, faster (realtime), cheaper and secure, eliminating the need for over-the-counter services. By 2023, LANDBANK through OFB will be the market leader among the top five universal banks in terms of online transactions from Overseas Filipinos and their Beneficiaries."

Its principal place of business is at Liwasang Bonifacio, Intramuros, Manila.

As of December 31, 2020, the Bank had seven organic employees and seven seconded employees from the Parent Bank.

The accompanying comparative financial statements were authorized for issue by the Board of Directors per Secretary's Certificate issued on June 25, 2021.

2. Statement of Compliance and Basis of Financial Statements Preparation

2.1 Statement of Compliance

The Bank's financial statements have been prepared in accordance with the applicable accounting principles generally accepted in the Philippines and as set forth in the Philippine Financial Reporting Standards/Philippine Accounting Standards (PFRSs/PASs).

2.2 Basis of Financial Statements Preparation

The financial statements have been prepared on historical cost basis unless otherwise stated.

Fair Value through Other Comprehensive Income (FVOCI), Fair Value through Profit or Loss (FVTPL), and Non-Current Asset Held for Sale (NCAHS) are measured at fair value while Loans and Receivables are measured at amortized cost.

The accompanying financial statements include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The financial statements prepared for these units are combined after eliminating inter-unit accounts. The functional currency of RBU and FCDU is Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated assets and liabilities in the RBU are translated in Philippine Peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the end the year.

The preparation of financial statement requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies.

The accounting policies adopted are consistent with those of the previous year.

The financial statements are presented in Philippine Peso and all values are rounded to the nearest peso except when otherwise indicated.

Summary of Significant Accounting Policies

2.3 Adoption of New and Amended PAS/PFRS

The Bank adopted for the first time the following new PFRS, amendments to PAS or PFRS, interpretation and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020.

- a. Amendments to PAS 1, 'Presentation of financial statements', and PAS 8, Accounting policies, changes in accounting estimates and errors' – Definition of material

The amendments clarify that obscuring information could reasonably expected to influence decisions of primary users of general purpose financial statements, which in effect is similar to omission or misstatement of those information. The reporting entity assesses materiality in the context of financial statements as a whole. The "primary users" also define as "existing and potential investors, lender and other creditors", all of whom rely on general purpose financial statements in deriving at decisions.

The adoption of foregoing amendments had no significant impact on the financial statements.

b. Amendments to PFRS 9, PAS 39 and PFRS 7 – Interest Rate Benchmark Reform

The amendments provide for relief on hedging relationships on interest rate based contracts that are directly affected by the interest rate benchmark reform. The reliefs have the effect that the reform should not generally cause hedge accounting to terminate. Further, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The Bank assumed that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be materially impacted as a result of interest rate benchmark reform.

c. Amendments to the Conceptual framework

The revised Conceptual Framework introduces the following new/main improvements:

- definitions of an asset and a liability; criteria for including assets and liabilities in financial statements
- revised recognition criteria refer explicitly to the qualitative characteristics of useful information
- consideration of the factors and the cost constraint is likely to result in the selection of different measurement bases for different assets, liabilities, income and expenses
- guidance on when assets and liabilities are removed from financial statements
- coherent set of concepts, not to increase or decrease the range of assets and liabilities recognized
- describes what information measurement bases provide and explains the factors to consider when selecting a measurement basis.
- concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income

The adoption of foregoing amendments had no significant impact on the financial statements.

Standards Issued but not yet Effective

Below consists of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt these standards when they become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

a. Amendments to PAS 1, 'Presentation of financial statements', on classification of liabilities beginning on or after January 1, 2022 deferred to January 1, 2023.

The amendments clarify the following to specify the requirements for classifying liabilities as current or non-current:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- b. Amendments to PAS 16, Plant and Equipment - Proceeds before Intended Use, effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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.

- c. Amendments to PAS 37, Onerous Contract - Costs of Fulfilling a Contract, effective for annual reporting periods beginning on or after January 1, 2022.

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.

2.4 Foreign currency translation

Foreign currency transactions are accounted for and revalued monthly using the monthend closing rate published by the Banker's Association of the Philippines. Foreign exchange differences arising from the revaluation are charged to operations.

2.5 Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair value of the financial instruments include the following:

Cash and cash equivalents and short-term investments – Carrying amounts that approximate fair values due to the relatively short-term maturity of these instruments.

Debt securities – Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using either value obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments.

Other financial assets and financial liabilities – Since quoted market prices are not readily available, they are reported at cost.

2.6 Financial assets and liabilities

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Deposits, amounts due to banks and customers and loans are recognized when cash is received or released to the borrowers.

Initial recognition and classification

The Bank's financial instruments, including investment securities and loans and receivables, are initially recognized at fair value. Except for financial assets and financial liabilities valued at Fair Value through

Profit or Loss (FVTPL). The initial measurement of financial instruments includes transaction costs. The Bank generally classifies its financial assets in the following measurement categories as: (1) financial assets at FVTPL, (2) financial assets at Fair Value through Other Comprehensive Income (FVOCI)

The Bank classifies its financial assets under the following categories:

a. Financial assets at Fair Value through Other Comprehensive Income

These investments are measured at fair value through other comprehensive income that meets the following conditions:

- i. the Financial Asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ii. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b. Financial assets at Fair Value through Profit or Loss

This refers to the debt and equity securities held for trading that are measured at fair value through profit or loss that the company may, at initial recognition, irrevocably designate as such to eliminate or significantly reduce a measurement or recognition inconsistency. The financial assets are:

- i. acquired principally for the purpose of selling or repurchasing them in the near term; or
- ii. part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

c. Financial assets at amortized cost

The financial asset shall be measured at amortized cost if the following conditions are met:

- i. The financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This represents loans and receivables, due from BSP, due from other banks, and securities under agreement to resell.

The financial liabilities are classified as financial liabilities at FVTPL and financial liabilities at amortized cost. Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Determination of fair value

The fair value of financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotation. In the absence of an available current bid or asking prices, the price of the most recent transaction is used because it provides evidence of the current fair value as long as there has no significant change in the economic circumstances since the time of the transaction. For other financial instruments not listed in an active market, the Bank determines fair value using relevant valuation models.

2.7 Impairment of Financial Assets

The Bank determines at each reporting date if there is objective evidence that assets may be impaired.

Financial assets at FVOCI

The Bank opted to apply the impairment requirements for the recognition and measurement of loss allowance for FVOCI investments. The said allowance is to be recognized in other comprehensive income and will not reduce the carrying amount of the financial asset in the statement of financial position.

Financial assets at amortized cost

The Bank calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. Because every loan and receivable carries with it some risk of default, every such asset has an expected loss attached to it – from the moment of its origination or acquisition.

The Bank recognizes in profit or loss, as impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with PFRS 9.

Uncollectible loans are written off against the related allowance account for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of loss has been determined. Subsequent recoveries of amounts previously written off are recognized as deductions to provisions in the statement of comprehensive income.

The Bank measures expected credit losses of a financial instrument that reflects:

- a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b. the time value of money; and
- c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions."

The maximum period considered when measuring expected credit losses is the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if that longer period is consistent with business practice.

Investment Property, Property and Equipment and Other Assets

Where an indicator of impairment exists, the Bank makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of its fair market value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. The impairment loss on non-revalued asset is recognized in the profit or loss and an allowance account is set up to reduce the carrying amount of the asset.

2.8 Investment Property

These are generally land and buildings acquired by the Bank either through foreclosure (legal proceedings initiated by the Bank to acquire the collateral securing the loan of the defaulting borrowers) or dacion en pago in settlement of loans and advances of defaulting borrowers, or assets acquired through the

implementation of an execution of attachment of real properties in settlement of the Bank's deficiency claims against defaulting borrowers (legal proceedings initiated by the Bank in case there are still deficiency claims after all the underlying collaterals of the borrowers were judicially/extra-judicially acquired by the Bank). These assets are being held until such time that these are readily available for disposition and are reclassified to Non-Current Assets Held for Sale.

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Straight line method was being used in depreciating the properties over 10 years useful lives.

Expenditures such as repairs and maintenance are 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 acquired assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of acquired assets held for sale.

2.9 Property and Equipment

Property and equipment including leasehold improvements are stated at cost less accumulated depreciation and amortization and any impairment in value. Depreciation is computed based on a straight-line method net of 10 per cent residual value of acquisition cost over the estimated useful lives of the related assets as follows:

	Number of Years
Building	10 -20
Furniture, fixtures and equipment	5 - 10
Leasehold improvements	5 (maximum)
Transportation equipment	5

Impairment is only recognized when there is substantial evidence of the decline in the value of the property and equipment.

The cost of leasehold improvements is amortized over the term of the lease or the estimated useful life of the improvements not exceeding five years whichever is shorter. Minor expenditures for replacement, maintenance and repairs are expensed as incurred. Major renovations and improvements that will extend the life of the asset are capitalized.

Properties that are no longer needed or uneconomical to maintain are disposed of in accordance with the existing guidelines on disposal. The cost and the related accumulated depreciation and amortization of the disposed assets are derecognized in the books and any resulting gain or loss is credited or charged to current operations.

2.10 Non-Current Assets Held for Sale

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management is committed to a plan to sell the assets and an active program to locate a buyer and the plan has been initiated. Further, the assets are actively marketed for sale at a price that is reasonable in relation to its current fair value. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Bank's control and there is sufficient evidence that the Bank remains committed to its plan to sell the asset.

Non-current assets classified as held for sale should be measured at the lower of its carrying amount and fair value less cost to sell. The Bank recognizes an impairment loss for any initial or subsequent write-down of the asset to fair value less cost to sell.

2.11 Sales Contract Receivable (SCR)

These are receivables from assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said properties are transferred to the names of the respective buyers only upon full payment of the agreed selling price. These are recorded initially at the value of the installment receivables due from borrower. Discounts are accreted over the life of the SCR by crediting interest income. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss at the date of sale in accordance with the provisions of PFRS 15 Revenue from Contracts with Customers.

2.12 Intangible Assets

Intangible assets represent costs of software licenses and cost incurred directly in the development and maintenance. These are measured at cost and amortized based on a straight-line method with an expected maximum useful life of 10 years. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Cost that are directly associated with the production of identifiable and unique software products controlled by the bank and that will probably generate economic benefits exceeding costs, beyond one year, are recognized as intangible assets.

Direct costs include software licenses, software development, employee costs and the related overheads.

2.13 Leases

The leases entered into by the bank are primarily operating leases. The payments made under operating leases are recognized as an expense on a straight-line basis over the period of the lease. The Bank leases the premises of its 3 branches (Cagayan de Oro, Baguio and Dagupan) from Philippine Postal Corporation (PPC), its former mother corporation, for periods ranging from five to 10 years renewable upon mutual agreement of both parties. The costs of renovations effected by the bank on PPC premises are charged against future rentals payable.

The Bank leases the premises occupied by its provincial branches. The terms of these contracts are renewable at the mutual agreement of both lessee and lessor. Various lease contracts contain escalation clauses. In 2020 and 2019, rent expenses were included in the statement of comprehensive income, amounting to P3.67 million and P16.82 million, respectively.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2019 are as follows:

Within one year	1,573,264
After one year but not more than five years	263,648
	1,836,912

Due to the closure of branches in 2019, the Bank assessed that the impact of adopting PFRS 16 was insignificant.

2.14 Recognition of Income and Accounting for Expenses

Interest, other income and expenses are recognized on accrual basis, except for those loan accounts, which are adversely classified consistent with the guidelines of the BSP.

3. Significant Accounting Judgments and Estimates

The following are the critical judgments and key assumptions that have significant influence in the carrying amounts of assets and liabilities:

3.1 Operating lease commitments

The Bank assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for considerations. It applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. Also, the Bank applies the short term and low value assets lease recognition exemptions to its lease of branch premises with remaining lease term which are non-cancellable when they ceased operations. The Bank has no lease liabilities and Right of Use Assets recognized.

3.2 Impairment losses of loans and receivables

The Bank reviews its loan portfolio to assess impairment at least annually or as the need arises. In determining whether an impairment loss should be recorded in the books, the Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows including information indicating that there has been an adverse change in payment status of borrowers, or national or local economic conditions that correlate with defaults on assets.

The Bank estimated a total of P0.25 million additional credit losses as of December 31, 2020 computed using Expected Credit Losses Model of Parent Bank. Net carrying value of loans from customers stood at P2.357 million, net of allowance for credit losses amounting to P0.97 million.

3.3 Impairment of FVOCI investments

The Bank considers FVOCI investments as impaired when there has been a significant or prolonged decline in fair value (market value) below its carrying amount. The determination of significant or prolonged decline in fair value requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in prices. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the Investee Company, industry and sector performance, changes in technology and operational and financing cash flows.

3.4 Impairment of Property and Equipment /Other Assets

Assets are reviewed and tested whenever there is indication of impairment at least annually. Impairment of assets requires estimates and judgments through the use of certain tools/devices/factors/market data/ existing conditions.

Management determines the estimated useful lives and related depreciation charges for its property and equipment. The Bank will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or items that have been sold.

4. Fair Value Hierarchy

These levels are based on the inputs that are used to determine the fair value and can be summarized in:

- Level 1 : quoted prices in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs that are not based on observable market data or unobservable inputs

5. Cash and Cash Equivalents

This is broken as follows:

	Note	2020	2019
Cash and other cash items		0	265,041
Due from Bangko Sentral ng Pilipinas	6	2,475,820,036	1,834,723,024
Due from other banks	7	32,364,961	60,518,088
Loans and receivables arising from RA/CA/PR/SLB	8	835,828,167	247,549,214
		3,344,013,164	2,143,055,367

6. Due from Bangko Sentral ng Pilipinas

This account consists of the following deposits/placement accounts which the bank utilizes in its clearing operations and reserve requirements of the Bangko Sentral ng Pilipinas:

	2020	2019
Term deposit account	0	1,500,000,000
Demand deposit account	78,820,036	162,723,024
Overnight deposit account	2,397,000,000	172,000,000
	2,475,820,036	1,834,723,024

7. Due from Other Banks

This account represents demand deposit account, short-term investments in special savings deposits and premium savings account deposited with the Parent Bank:

	2020	2019
Land Bank of the Philippines	32,364,961	60,518,088

8. Loans and Receivables Arising from Repurchase Agreements (RA)/ Certificates of Assignment (CA)/Participation with Recourse (PR)/ Securities Lending and Borrowing (SLB)

This pertains to loans arising from repurchase agreement with Bangko Sentral ng Pilipinas amounting to P835.828 million and P247.549 million in 2020 and 2019, respectively.

9. Fair Value thru Other Comprehensive Income

This account is composed of:

	2020	2019 (As Restated)
Investment in Treasury Bills/Fixed Treasury Notes purchased from Security Bank Corp.	51,506,986	48,087,121
Investment in QUEDANCOR Bonds	30,000,000	30,000,000
Allowance for credit losses	(30,000,000)	(30,000,000)
	51,506,986	48,087,121

The investment in QUEDANCOR bonds amounting to P30.0 million with allowance for probable losses of the same amount was recorded initially under Unquoted Debt Securities Classified as Loans (UDSCL) and subsequently reclassified to Miscellaneous Assets account in 2018 in accordance with BSP Circular No. 1011 dated August 14, 2018 and to FVOCI account in 2020 with restatement in 2019. This investment was made for the Bank's Agri-Agra compliance which is now under negotiation for the replacement of QUENDANCOR Restructured Notes.

10. Loans and Receivables - net

This account consists of:

	2020	2019 (As Restated)
Loans to Private Corporation	0	1,564,712,484
Small & Medium Enterprises	0	530,657,960
Consumption loans	0	287,403,673
Contract to Sell	0	402,861,900
Agrarian Reform & other Agricultural Loan	0	345,004,230
Loans to Government	0	173,715,986
Loans to Individuals for Housing Purposes	0	44,343,072
Loans to Individuals for Other Purposes	3,327,244	38,078,608
Microfinance Loans	0	8,931,734
	3,327,244	3,395,709,647
Allowance for Losses	(970,134)	(977,957,672)
Net of Allowance	2,357,110	2,417,751,975

In January 10, 2020, the Bank transferred the loans and related accrued interest receivable to the Parent Bank amounting to P3.376 billion and P37.671 million respectively. The remaining loans represent salary loans.

Allowance for Losses

The details of specific allowances on loans are:

	2020	2019 (As Restated)
Balance, January 01	969,334,673	637,847,724
Provisions	250,192	324,725,668
Write-Offs	0	(5,012,863)
Transfers and other adjustments	(968,846,182)	11,774,144
Balance, December 31	738,683	969,334,673

The movement of the general loan loss provisions are:

	2020	2019
Balance, January 01	8,622,999	29,328,497
Transfers and other adjustments	(8,391,548)	(20,705,498)
Balance, December 31	231,451	8,622,999

As to Status:

	2020	2019
Current Loans	3,291,339	1,040,170,953
Non-Performing Loans	35,905	2,355,538,694
	3,327,244	3,395,709,647

As to Security:

	2020	2019
Secured Loans	0	2,482,160,676
Unsecured Loans	3,327,244	913,548,971
	3,327,244	3,395,709,647

As to Type of Security:

	2020	2019
Real Estate Mortgage	0	1,407,647,322
Other Collaterals	0	1,074,513,354
	0	2,482,160,676

11. Sales Contract Receivable

This account represents the amortized cost of assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price. In CY 2020, the SCR was transferred and paid by the Parent Bank amounting to P18.160 million

12. Property and Equipment - net

This account consists of:

	Land	Building	Furniture Fixture & Equipment	Motor Vehicles	Computer and Peripherals	Lease, Right And Improvements	Totals
Cost							
January 1, 2020	131,000,000	44,116,201	38,800,623	8,255,487	125,467,865	0	347,639,216
Additions	0	0	0	0	145,980	0	145,980
Disposals	0	0	(15,822,487)	(2,998,440)	(5,570,481)	0	(24,401,408)
Reclassifications	0	0	(190,643)	0	0	0	(190,643)
31-Dec-20	131,000,000	44,116,201	22,847,493	8,255,487	125,467,865	0	311,692,126
Accumulated Depreciation							
January 1, 2020	0	18,793,994	26,912,000	6,887,512	120,908,512	0	175,270,624
Provisions	0	2,583,718	482,008	0	1,830,069	0	4,901,772
Disposals	0	0	(16,060,736)	(2,589,438)	(4,833,423)	0	(23,363,697)
Reclassifications	0	0	0	0	0	0	0
31-Dec-20	0	21,347,712	11,334,855	6,098,074	118,056,168	0	156,836,799
Carrying amount							
31-Dec-20	131,000,000	22,768,489	11,512,638	2,157,413	7,411,697	0	184,850,237

	Land	Building	Furniture Fixture & Equipment	Motor Vehicles	Computer and Peripherals	Leasehold Rights and Improvements	Totals
Cost							
January 1, 2019, As restated	131,008,000	41,505,900	52,517,885	13,822,648	135,430,150	26,285,745	400,526,288
Additions	-	2,614,301	775,458	-	211,601	-	3,601,360
Disposals	-	-	(24,732,720)	(4,537,181)	(1,960,503)	(28,245,745)	(57,425,199)
Reclassifications	-	-	-	-	(5,064,353)	-	(5,064,353)
31-Dec-2019	131,008,000	44,118,201	28,060,623	8,285,467	129,467,898	-	341,538,216
Accumulated Depreciation							
January 1, 2019	-	16,572,421	47,732,612	12,836,360	125,293,503	31,938,018	224,371,311
Provisions	-	2,151,573	1,234,798	83,413	3,378,263	743,688	7,631,745
Disposals	-	-	(22,055,004)	(8,232,481)	(7,765,254)	(22,678,713)	(58,732,432)
Reclassifications	-	-	-	-	-	-	-
31-Dec-2019	-	18,763,998	26,912,606	8,087,512	129,806,512	-	175,270,624
Carrying amount 31-Dec-2019 As restated	131,008,000	25,352,297	1,748,017	597,955	7,561,385	-	165,207,592

OFB (formerly PPSBI) building was acquired thru Dacion En Pago from Philippine Postal Corporation on November 02, 2012 with booked value amounting to P37.567 million

13. Non-Current Assets Held for Sale

These are real and other properties acquired that are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale must be highly probable.

	2020	2019
Cost	0	389,313,657
Accumulated depreciation	0	0
	0	389,313,657
Allowance for losses	0	(34,849,940)
Net of allowance	0	354,463,717

On November 27, 2019, the OFB Board of Directors under Board Resolution No. 2019-142 approved the transfer of ROPAs to LBP as of December 31, 2019. The consideration for the sale shall be the net carrying value as of December 31, 2019.

The Non-Current Assets Held for Sale amounting to P354.463 million were transferred to the Parent Bank on January 10, 2020.

14. Other Intangible Assets - net

This account is composed of the following:

	2020	2019
Other intangible assets	89,121,798	87,321,798
Accumulated amortization	(72,566,118)	(70,266,264)
	16,555,680	17,055,534
Allowance for losses	(10,000,000)	(10,000,000)
	6,555,680	7,055,534

15. **Other Assets - net**

This account is composed of the following:

	2020	2019 (As Restated)
Accounts receivables	197,964,704	199,156,080
Accrued interest income from financial assets	829,984	37,878,383
Miscellaneous assets	10,838,880	8,632,627
Documentary stamps on checks	912,644	429,593
Stationery and supplies on hand	1,965,127	2,024,870
Prepaid expenses	267,910	1,115,556
Deferred tax asset	0	2,549,904
Returned checks and other cash items	0	21,597
Other investments	153,333	153,333
Sundry debits	6,367,839	305,473
Inter-office float items	0	2,946,379
	219,300,421	255,213,795
Other Assets - Allowance for Losses	(113,214,060)	(83,954,522)
	106,086,361	171,259, 273

Accounts receivable

The Accounts receivable account includes the amount of P4.105 million and P8.635 million misappropriated by the former Cashiers of Sorsogon and Tacloban Branches for which cases were already filed in court.

In addition, outstanding accounts receivable from Naga branch amounts to P179.37 million as of December 2019 as restitution for losses expropriated by a former employee. On the last quarter of 2018, the Bank requested for staggered booking of the estimated P237.9 million provision for losses arising from Naga branch fraud.

On March 2019, the BSP approved the staggered booking of allowance at P11.895 million quarterly starting March 31, 2019 for five years ending in December 2023.

Miscellaneous assets

The account consists of various security deposits and advance rentals of building and utilities transferred from the closed branches. This account also includes the amount of P2.568 million resulting from the payments of quarterly income tax of prior years which was recorded under Deferred Tax Assets account in CY 2019. However, the year-end operations resulted in a loss. Said amounts shall be applied in the future payments of income tax.

16. Deposit Liabilities

This account is composed of the following:

	2020	2019
Domestic:		
Savings deposits	2,555,944,367	3,944,711,618
Time certificate of deposits	2,012	17,732,502
Foreign:		
Savings deposits	630,691	816,540
Time certificate of deposits	97,197	255,627
	2,556,674,267	3,963,516,287

Domestic deposit liabilities earns annual fixed interest rates ranging from 0.05 to 1.5 per cent and 0.25 to 4.25 per cent in 2020 and 2019, respectively. Foreign deposits range from 0.05 to 0.75 per cent and 0.15 to 0.5 per cent in 2020 and 2019, respectively.

17. Accrued Expenses

This account represents:

	2020	2019 (As Restated)
Management and other professional fees	94,728,305	63,526,110
Information technology	61,335,130	0
Accrued interest expense in financial liabilities	5,588,928	14,801,626
Other taxes and licenses	3,476,791	1,829,364
Security, clerical, messengerial and janitorial	2,265,291	12,610,621
Fringe benefits	1,374,269	137,253,930
Rent	553,609	527,533
Power, light and water	476,717	728,273
Repairs and maintenance	426,815	30,989
Postage, telephone, cables and telegrams	176,118	670,621
Salaries and wages	121,599	311,053
Fuel and lubricants	35,239	82,961
Others	3,547,569	25,308,752
	174,106,380	257,681,833

Others include accruals for internet connection and subscriptions, PDIC Insurance, offsite storage services, disaster recovery collocation site services, preventive maintenance services for data center's UPS, air conditioning units and ATM units, card embossing services, travelling expenses, rental of PCSO with PPC Baguio, photocopy charges, advertising expenses, membership fees and representation expenses.

The accrual as of December 31, 2019 includes the P137.16 million employee benefits representing the Early Retirement Incentive Plan (ERIP) per E.O. 44, dated 28 September 2017. As of December 31, 2020, the remaining accrual on ERIP is P1.24 million.

18. Other Liabilities

This account comprises of:

	2020	2019 (As Restated)
Accounts payable – others	41,982,794	16,991,780
Sundry credits	7,054,066	871,229
Unclaimed balances	3,368,861	3,368,861
Due to the Treasurer of the Phil.	851,205	851,205
Withholding tax payable	107,022	250,490
SSS, PHIC, Employee Compensation and Pag-IBIG Fund Payable	72,968	416,077
Unearned income and other deferred credits	0	68,898,924
Miscellaneous liabilities	101,499	298,591
	53,538,415	91,947,157

The Accounts Payable – others account represents unpaid obligation to LBP, overpayment on loans pending refund, loans payment pending posting, contributions payable to BIR, SSS, PHIC, Bancnet, delivered items of supplies and equipment not yet paid and others.

Unearned income relates to loans and receivable accounts that was approved by the Board for reversal in 2020.

19. Capital Stock

The Bank is authorized to issue 10,000,000 shares at P100 par value of which 10,000,000 shares amounting to P1 billion were fully paid and issued.

Four million four hundred thousand (4,400,000) shares were issued and were fully paid by Philippine Postal Corporation (PPC) amounting to P440 million. Additional issuance of 1,310,080 common shares of stock for the National Government was made by Philippine Postal Savings Bank, Inc. (PPBSI) corresponding to the latest appraised value of parcel of land where Head Office is situated per Board Resolution No. 2014-142 dated June 10, 2014. These shares were then approved for transfer to Land Bank of the Philippines

(LBP) on October 10, 2017 per PPC Board Resolution no. 2017-147 in compliance with Executive Order no. 44, dated September 28, 2017.

The Board of Directors of the Bank, through Board Resolution No. 2011-274, approved the issuance to the Republic of the Philippines of common shares of stock with par value equal to the cash balance of the Project Dagdag Regular Income Via Entrepreneurship (DRIVE) Fund, a microfinance program for the transport sector, amounting to P249.24 million or equivalent to 2,492,348 shares last 2011. The National Government consented to the treatment of the Fund as capital in the books of PPSBI per memorandum from the Executive Secretary of the Office of the President of the Philippines dated December 16, 2011.

On September 28, 2017, the President of the Philippines, through Executive Order (EO) No. 44, directed the Bank to return to the National Treasury (NT) the balance amounting to P249.23 million from the previously released P500 million to fund the Project DRIVE Fund.

On January 19, 2018, pursuant to EO 44, the Bank transferred to the NT the amount of P249.23 million which is the equivalent value of the Capital Stock issued for the remaining balance of the Project DRIVE Fund.

On July 6, 2018, the LBP subscribed and paid four million two hundred eighty-nine thousand nine hundred twenty (4,289,920) shares amounting to P428.99 million.

EO No. 44 series of 2017 provides that "In order to strengthen the capital base of OFB and enable the same to attain its primary agenda of servicing the various financial and banking needs of overseas Filipinos, the LBP is hereby directed to infuse the necessary capital to OFB".

Relatedly, at the respective meetings of the stockholders and Board of Directors held on May 18, 2018, approved the increase in the authorized capital stock from P1.0 billion to P3.5 billion divided into 30.0 million common shares with a par value of P100 per share and 5.0 million preferred shares with a par value of P100 per share.

In January and December 2019, the parent bank, LBP contributed cash of P500 million and P772 million, respectively, and recognized as deposit for stock subscription.

The Bank received the endorsement by the Government Commission on GOCCs on the proposed increase in capital stock which was also filed and approved by the Securities and Exchange Commission through issuance of Certificate of Approval of Increase of Capital Stock from P 1.0 billion divided into 10.0 million shares of the par value of P100.00 each, to P3.5 billion divided into 30.0 million common shares of the par value of P100.00 each and 5.0 million preferred shares of the par value of P100.00 each, and Certificate of Filing of Amended Articles of Incorporation dated March 18, 2021.

20. Retained Earnings Deficit

In consonance with PAS 8, the balance of this account as of December 31, 2019 was restated for prior period adjustments. The adjustments principally relate to reclassification of various accounts, recognition of expenses and the reversal of income.

Details of the restatement of Retained earnings of the Bank as December 31, 2019 are as follows:

Particulars	Debit	Credit	Balance
Retained earnings, as of January 1, 2019 before restatement			(726,806,000)
Adjustments:			
Reversal of various expenses		72,904,942	72,904,942
Retained earnings as of January 1, 2019, as restated			(653,901,058)
Net loss for CY 2019 before restatement			(809,274,581)
Adjustments:			
Compensation and Fringe Benefits		436,170	
Rent		317,933	
Security services		377,809	
Management & Other Professional Fees		205,755	
Power, Light and Water		103,166	
Postage, Tel., Cables and Telegrams		468,068	
Information Technology		926,704	
Repairs and Maintenance	391,443	190,348	
Depreciation -BPFPE	9,724		
Fees and Commissions (PCHC)		7,224	
	401,167	3,033,177	2,632,010
Net loss for FY 2019, as restated			(606,642,571)
Retained earnings as of December 31, 2019, as restated			(1,260,543,629)

The effects of these restatements in the financial statements as of and for the year ended December 31, 2019 are summarized below:

	As Previously Reported	Effects of Restatement	As Restated
Changes in the Statement of Financial Position			
Assets			
Loans and Receivables - net	2,417,557,121	104,854	2,417,751,975
Property and Equipment - net	165,953,189	314,403	166,267,592
		509,257	
Liabilities			
Accrued Expenses	333,425,097	(75,743,264)	257,681,833
Other Liabilities	91,231,587	715,569	91,947,156
		(75,027,695)	
Equity			
Retained earnings deficit	(1,336,080,581)	75,535,952	(1,260,543,629)
		509,257	
Changes in the Statement of Comprehensive Income			
Compensation and fringe benefits	91,418,310	(436,170)	90,982,140
Depreciation and Amortization	31,190,945	9,724	31,200,669
Rent	17,137,411	(317,933)	16,819,478
Miscellaneous expense	246,741,275	(1,887,631)	246,853,644
		(2,632,010)	
Net		(2,632,010)	

21. Other Comprehensive Income (Loss)

This account consists of Unrealized Gains/Losses on FVOCI Financial Assets representing the gains and losses from mark to market valuation of FVOCI securities which is booked on a daily basis and the Cumulative Foreign Currency Translation representing the foreign exchange differences arising from the revaluation of the foreign currency assets every end of the month using the month-end closing rate published by the Banker's Association of the Philippines.

22. Miscellaneous Income

This account includes the following:

	2020	2019
Rental income	51,717	427,135
Penalties on past due loans/amortizations	0	28,584,019
Recovery on charged-off assets	0	923,152
Gain from sale/derecognition of non-financial assets	0	11,097,514
Other income	246,258	3,564,772
	297,975	44,596,592

22. Other Operating Expenses

a. Compensation and fringe benefits

	2020	2019 (As Restated)
Salaries and Wages	6,732,185	59,081,675
Fringe Benefits	715,232	24,492,777
Government Contribution	388,205	3,870,992
Other compensation and benefits	1,530,218	3,536,696
	9,365,840	90,982,140

b. **Provision for probable losses**

	2020	2019
Loans to Individuals for Consumption Purposes	250,192	28,511,213
Loans to Private Corporation	0	197,296,741
Small and Medium Enterprise Loans	0	76,899,999
Agrarian Reform and Other Agricultural Loans	0	22,017,715
Other Assets	50,063,658	35,685,000
	50,313,850	360,410,668

c. **Depreciation and amortization**

	2020	2019 (As Restated)
Bank Premises, Furniture, Fixtures and Equipment	4,901,772	7,631,745
Investment Property	0	20,033,510
Other Intangible Assets	2,299,854	3,535,414
	7,201,626	31,200,669

24. **Miscellaneous Expenses**

This account is composed of:

	2020	2019 (As Restated)
Information technology	52,472,162	26,870,773
Management and other professional fees	44,423,625	50,315,676
Documentary stamps used	23,539,031	38,130,238
Security, clerical, messengerial and janitorial	7,882,443	27,048,432
Insurance	5,523,067	14,231,145
Fees and commission	5,430,337	1,730,601
Power, light and water	2,460,609	9,295,473
Stationeries and supplies used	2,080,790	6,211,303
Impairment loss	1,037,811	13,018,275
Postage, telephone, cable and telegram	955,910	7,969,686
Representation & entertainment	691,158	4,730,768
Repairs and maintenance	654,274	4,839,736
Membership fees and dues	251,720	640,053
Fuel and lubricants	247,369	1,060,268
Litigation expense	123,998	5,587,860
Travelling expense	70,586	1,619,084
Advertising and publicity	62,720	74,475
Periodicals and magazines	740	73,543
Loss on financial assets held for trading	0	28,664,704
Supervision fees	0	2,054,750
Fines, penalties and other charges	0	339,052
Donation and charitable contributions	0	5,220
Other expenses	186,572	2,342,529
	148,094,922	246,853,644

25. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes as well as income taxes. Percentage and other taxes paid consist principally of gross receipt tax (GRT) and documentary stamp tax (DST).

Income taxes include the corporate income tax and final taxes paid at the rate of 20 per cent, which is a final withholding tax on gross interest income from government securities.

Interest allowed as a deductible expense is reduced to an amount equivalent to 33 per cent of interest income subject to final tax.

Summary of taxes paid during the year:

	2020	2019
Documentary stamp taxes	23,539,031	38,130,238
Final income taxes (1602)	163,371	21,481,108
Income taxes on compensation (1601C)	436,635	3,616,087
Percentage taxes (2551M)	3,553,481	5,835,506
VAT & other percentage taxes (1600)	1,634,062	2,070,778
Creditable income taxes (1601E)	823,384	1,404,573
Annual registration	500	500
	30,150,464	72,538,790

Supplemental Information Required under Revenue Regulation No. 15-2010

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulation to be disclosed as part of the notes to financial statements.

a. Documentary stamp tax

The documentary stamp tax (DST) on loan instruments and other transactions subject thereto for the tax period 2020 are as follows:

Documents/Transactions	DST Paid
Certificate of time deposits/Other deposits	23,539,031
	23,539,031

b. Other taxes and licenses

In 2020, Taxes and licenses presented as part of "Other Operating Expense" accounts in the statement of comprehensive income includes the following:

Local taxes	10,500
National	
BIR annual registration	500
Percentage taxes (2551)	3,553,481
	3,564,481

b. **Withholding Taxes**

The amount of withholding taxes paid/accrued for the year amounted to:

Tax on compensation and benefits	436,635
Creditable withholding taxes	823,384
Final withholding taxes	
Final income taxes	163,371
Final withholding VAT	1,634,062
	3,057,452

26. **Related Party Transactions**

In the ordinary course of business, the bank has deposits and other transactions in 2020 with its parent, Land Bank of the Philippines (LBP), as follows:

	Transaction Amount
Due from other banks	32,364,961
Accounts Receivable-Others	30,920
Deposit liability	2,000,000,000
Accrued expenses	159,528,652
Accounts payable-others	33,643,547
PICS-common stock	428,992,000
Deposits for Stock Subscription	1,272,008,000
Interest income	61,018
Fees and Commission Expense	85,327
Interest expense	38,555,556
	3,965,269,981
Breakdown of Accrued Expenses	
Information technology	59,001,738
Management and other professional fees	94,291,155
Stationeries and Supplies	1,491,702
Repairs and Maintenance	344,057
Interest Expense	4,400,000
	159,528,652

26. **Employee Benefits**

Sick Leave Credits

Per existing policy, the cash value of the accumulated sick leave credits of the employees can be monetized at a maximum of 15 days in excess of 90 days accumulated sick leave credits within the year.

Employees Benefits, Plan Amendment, Curtailment or Settlement

As of December 31, 2020, the Bank already paid all retired employees pursuant to EO No. 44 series of 2017.

Effective February 17, 2020, the Bank adopted a lean and mean organizational structure where employees shall be new hires.

28. Commitments and Contingent Liabilities

The bank is contingently liable for lawsuits or claims filed by third parties, which are either pending decision by the courts or under negotiations, the outcomes of which are not determinable at balance sheet date.

29. Basic Quantitative Indicators of Financial Performance

	2020	2019 (As Restated)
	(In percentage)	(In percentage)
Return on average equity	-13.4	-102.8
Return on average assets	-2.8	-8.5
Net interest margin	0.8	2.0
Risk Based Capital Adequacy Ratio	108.1	19.6

30. Capital Management

The overall capital management objective of the Bank is to create a more efficient capital structure while ensuring compliance with externally imposed capital requirements.

The Bank manages its capital by maintaining strong credit ratings and healthy risk-based Capital Adequacy Ratio to support its business and sustain its mandate. Adjustments to the Bank's capital structure are made in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the bank may issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

31. Reclassification of Accounts

Certain accounts in the financial statements were reclassified to conform with the current year's presentation.

32. Management of Risks Related to Financial Instruments

Credit risk management

Credit risk is a possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection.

The Bank is exposed to credit risk as lender, holder of securities and as counterparty in trading activity.

Management of Credit Risk

Credit risk management aims to maintain its risk exposure within proper and acceptable parameters set out in contractual agreement.

The process involves the identification, measurement, and monitoring of actual or potential losses and implementation of appropriate measures by setting-up limits to credit exposures.

The Bank also manages the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions and the correlation of credit risk with other risks. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of the Bank.

The Bank manages credit risk through a structured risk management system and structure, to wit:

Risk Management System and Structure

The risk management framework at OFB is a top-down process where all risk policies and procedures are approved by the Board of Directors (BOD). The Board sets the overall risk tolerance of the Bank that is consistent with its business plan, financial strength and organizational capability.

BOD has created the Corporate Governance and Risk Management Committee (CGRMC), composed of five members of the Board, to oversee the implementation of risk management process that includes development of various risk strategies and principles, implementation of risk measurement tools, monitoring risk indicators and approval of risk limits.

The Risk Management Office (RMO) is the direct support of the CGRMC in the day-to-day identification, measurement, monitoring and control of risks. As an independent unit reporting directly to the Board, RMO consults with business units in identifying, measuring, and implementing risk management methodologies and controls. It assists business and operating units in measuring risk/return to better manage their risk profile.

Senior Management of OFB is also actively involved in the planning, reviewing and assessing different risks being managed by the Bank through the various committees. The Management Committee ensures that all business objectives align with the risk tolerance set by the Board. The Assets and Liabilities Management Committee (ALMC) is responsible for ensuring that market and liquidity risks are adequately addressed on long-term and daily basis.

The Lending Committee (LendCom) which has been delegated with credit authority limits, reviews, approves / recommends loan proposals and credit policies to the Board.

Internal Audit provides another layer for independent check and balance to further strengthen risk controls and compliance. Internal Audit ensures that risk-takers comply with standards and established policies. It also evaluates the effectiveness and adequacy of the Bank's risk management framework particularly on its control processes.

Legal Office has the primary responsibility of reviewing all Banks' documents for completeness and enforceability under respecting legal jurisdiction.

Compliance Office oversees that the Bank is effectively managing compliance of regulatory risk as prescribed by the Compliance Manual. The same unit is also responsible for the implementation of the Anti-Money Laundering Program.

To effectively monitor and maintain the quality of its loan portfolio, the Bank conducts annual qualitative and impairment review to assure proper loan classification and setting-up of valuation reserves.

The Bank estimated a total of P0.250 million additional credit losses as of December 31, 2020 computed using Expected Credit Losses (ECL) Model of parent bank, LBP, with total booked allowance for credit losses of P0.97 million. For the same period, the Bank's Non-Performing Loan (NPL) stood at P0.04 million or 1 per cent of the total loan portfolio of P3.327 million.

Credit Risk Rating

The Bank adopts the industry-specific and borrower-specific credit risk scorings with consideration on Single Borrower's Limit (SBL) rule.

In addition, the Bank shall also continue to use the expert-based credit rating system for banks and financial institutions.

Credit Risk Monitoring

The Bank has continuously adopted a formal reporting system for the BOD and Senior Management to be able to monitor the credit quality of individual and loan portfolio using asset quality indicators such as past due ratio, NPL ratio, level of non-performing assets, coverage ratio and concentration risk. Large exposures, breaches in regulatory and internal limits, potential credit risk, Directors, Officers, Stockholder and their Related Interests loans, Related Party Transactions and compliance with Real Estate Stress Test (REST) are intensively monitored by the CGRMC. The recovery of written-off accounts is also within the radar of the OFB Board, CGRMC and Management.

ECL assessment shall be applied to the following exposures:

1. Loans and receivables measured at amortized cost;
2. Investments in debt instruments that are measured at amortized cost;
3. Investments in debt instruments that are measured at fair value through other comprehensive income (FVOCI);
4. Due from Bangko Sentral ng Pilipinas and Due from Other Banks

Credit exposures follow the staging assessment:

Factor	Stage	Criteria
Age	Stage 1	<ul style="list-style-type: none"> Current One (1) to thirty (30) days past due
	Stage 2	Thirty one (31) to ninety (90) days past due
	Stage 3	<ul style="list-style-type: none"> More than ninety (90) days past due (monthly installments) More than thirty (30) days past due (lump sum payment, and quarterly, semi-annual and annual installments)
Observable Impairment Indicators	Stage 1	General economic and market conditions
	Stage 2	<ul style="list-style-type: none"> Economic and market conditions adverse to the borrower Industry specific issues
	Stage 3	Company-specific business, operational and financial (PFRS 9 loss events)
BSP Classification/ Internal Rating	Stage 1	<ul style="list-style-type: none"> 1 (Prime) 2 (High Grade) 3 (Good) 4 (Very Satisfactory) 5 (Satisfactory) 6 (Watchlist)
		7 (EM)
		8 (Substandard)
		9 (Doubtful)
		10 (Loss)

The Bank's exposures shall be further classified into the following stages:

Stage	Characteristics	ECL Assessment
1	credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk	12 month
2	credit exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition	lifetime
3	credit exposures with objective evidence of impairment, these are considered as "non-performing"	lifetime

The result of the credit evaluation is used as basis in adjusting credit lines periodically. To efficiently manage credit exposures, collateral and other applicable agreements are executed with counterparties whenever possible.

The Bank monitors and reviews from time to time the credit practices and reporting, and if appropriate, approve credit policy changes and procedures to ensure that credit policies are appropriate and are being complied with. Accounts for write-off shall also approved by the BOD.

The Bank prepares a monthly report on credit quality as summarized below (in million Pesos):

	2020	2019
Neither past due nor impaired	3.291	578
Past Due but not impaired	0	462
Impaired	0.036	2,356
	3.327	3,396
Less: Specific allowance for credit losses	0.739	969
	2.588	2,427

Collateral and Other Credit Enhancements

The Bank adopts a cash flow lending principles and collateral is not the primary factor in granting credit. The required amount and type of collateral and other credit enhancements to mitigate credit exposures depend primarily on the results of the holistic and prudent credit assessment. When needed, the Bank diligently evaluates the enforceability, realizable value and marketability of offered collaterals. The Bank's Manual of Lending Operations and issued policies provide the guidelines on the acceptability of loan collateral and maximum valuation for each type of collateral.

The primary collaterals accepted are Holdout on Deposits, Government Securities (GS), Real Estate Mortgage, Chattel Mortgage and eligible guarantees. In the case of agricultural and agriculture-related loans that are vulnerable to the effects of climate and weather disturbances, borrowers are encouraged to avail of crop insurance guarantees and other insurance mechanisms to protect them from these risks.

The Bank further classifies its NPL into secured and unsecured (in million Pesos):

	2020	Per cent	2019	Per cent
Secured	0	0	868	37
Unsecured	0.04	100	1,488	63
	0.04	100	2,356	100

Credit Stress Test

The Bank regularly conducts stress testing of individual large exposure and its loan portfolio taking into account plausible risk events with high probability of occurrence. Utilizing such scenarios with documented assumptions, tests are done to determine the magnitude of impact on the loan portfolio, on the Credit Risk Weighted Assets, and finally on the Common Equity Tier 1 (CET1) Ratio. The stress testing also includes prescribed regulatory tests such as uniform stress test and REST. Likewise, various loan portfolio assessment and review are conducted to determine impact of a certain event and government regulation to the Parent's loan portfolio, past due ratio and CET 1. Results of the stress testing, together with the contingency plans, are escalated to LendCom and CGRMC.

Risk concentrations of the maximum exposure to credit risk

Concentrations arise 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.

The Bank has established concrete guidelines and procedures relative to managing, monitoring and reporting large exposures and credit risk concentrations in accordance with the rules and regulations issued by the BSP.

Overall credit risk management oversight is a function of the BOD-level CGRMC. In general, mitigation measures on credit risks are implemented at various levels.

As of December 31, 2020, the Bank's qualifying capital covering credit risk is P899 million. On the other hand, the SBL is pegged at P224 million for direct lending.

The following shows the concentration of credit risk by industry at the reporting date (in million Pesos):

	2020	2019
Real Estate Activities	0	1,171
Wholesale and Retail Trade	0	744
Salary-Based General-Purpose Consumption Loans	3,327	269
Public Adm. and Defense/Compulsary Social Sec.	0	259
Agriculture, Hunting and Forestry	0	250
Financial and Insurance Activities	0	98
Administrative and Support Service Activities	0	177
Education	0	115
Construction	0	70
Mining and Quarrying	0	74
Others	0	169
	3,327	3,396
Allowance for Credit Losses	(0.739)	(969)
	2,588	2,427

Others include the following Sector: Other Service Activities, Arts, Entertainment and Recreation, Manufacturing, Transportation and Storage, Accommodation and Food Service Activities, Water Supply, Sewerage and Waste Management, Motor Vehicle Loans, Professional, Scientific and Technical Activities, Human Health and Social Work Activities, Information and Communication, Electricity, Gas, Steam and Air conditioning Supply and Activities of Extra-Territorial Org. and Bodies.

Market Risk

Market risk is the risk that changes in interest rates, foreign exchange rates, equity prices, commodity prices and other market indicators which may affect the Bank's income or values of its financial assets. The Bank uses mark-to-market and factor sensitivity to manage risk on its securities portfolios.

The Bank is exposed to market risk that originates primarily from its risk-taking activities on fixed income investments in securities and foreign exchange effects. Transaction limits are used to operationally manage market risks.

Treasury market risks originate from its holdings of debt securities mainly as compliance to liquidity reserves for government deposits. Further, it classifies its debt securities exposures under trading and non-trading portfolios.

The Bank uses a combination of stress testing, CET 1 ratio and capital metrics to manage market risks and establish limits. The OFB BOD, CGRMC and ALMC, define and set the various market risk limits for each treasury portfolio. The Electronic Business Unit manages the liquidity and reserve positions, conducts risk-taking activities and seeks approval from President and CEO.

The Bank also adopts the following staging assessment for its treasury exposures based on external rating:

- Stage 1 - investment grade
- Stage 2 - downgrade to speculative/non-investment grade; risk ratings downgraded by at least two rating grades
- Stage 3 - default

As of December 31, 2020, remaining GS classified under FVOCI with average yield to maturity of 3.5 per cent registered an unrealized gain/mark-to-market gain of P1.5 million for a P50 million portfolio.

Market Risk Measurement

Treasury portfolio is measured at mark-to-market to measure market risk in the books under normal conditions.

Liquidity Risk Management

Liquidity Risk Management (RM) Framework

The Bank's liquidity RM process is consistent with its general RM framework covering risk identification, measurement and analysis, monitoring and control. The Management through the ALMC is responsible for the implementation of sound policies and procedures keeping in mind the strategic direction and risk appetite of the Bank. The basic liquidity policy of the Bank is to maintain fund availability at all times and hence, to be in a position to meet all of its obligations, in the normal course of business.

The Bank considers liquidity risk based on market and funding liquidity risk perspectives. Market liquidity risk refers to inability to unwind positions created from market, exchanges and counterparties due to temporary or permanent factors. It is the risk that the Bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or through market disruption.

Market liquidity risk is also associated with the probability that large transactions may have a significant effect on market prices in markets that lack sufficient depth. This liquidity risk perspective is captured through stress testing or scenario analysis.

Funding liquidity risk is the risk that the Bank will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Bank. It occurs from the mismatch of asset, liability, exchange contract and contingent commitment maturities. Funding liquidity risk is being monitored and controlled through the classification of maturities of assets and liabilities over time bands and across functional currencies as reflected in the Liquidity Gap Report (LGR).

The Bank's Board exercises oversight through CGRMC and has delegated the responsibility of managing overall liquidity to ALMC. The ALMC and Electronic Business Unit (EBU) are responsible for the daily implementation and monitoring of relevant variables affecting liquidity position. The EBU presents to ALMC the assets and liabilities position on a regular basis where ALMC recommends measures to promote diversification of its liabilities according to source, instrument and currency to minimize liquidity risks resulting from concentration in funding sources. The Bank performs a comprehensive liquidity risk measurement and control using LGR.

Liquidity Risk Measurement Models

The Bank conducts liquidity gap analysis using the LGR. This risk measurement tool is used in identifying the current liquidity position and the Bank's ability to meet future funding needs. It categorizes balance sheet items according to estimated maturities of assets and liabilities in order to determine any future mismatch such as long-term assets growing faster than long term liabilities.

Financial ratio analysis is another liquidity risk measurement tool that calculates and compares liquidity leverage ratios derived from information on financial statements against set liquidity/ leverage limits.

The following table sets out the liquidity ratios as of December 31, 2020.

Liquid Assets (Cash and Due From BSP/ Local Bank, Government Securities)	P3,395,520,150
Financial Ratios:	
Liquid Assets to Total Assets	93%
Liquid Assets to Total Deposits	133%



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