

EMPOWERING FILIPINOS AROUND THE WORLD

2021 ANNUAL REPORT



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About the Cover

As the COVID-19 pandemic continued to pose challenges in 2021, businesses, industries, and sectors endeavored to recover and adapt to the "new normal."

Challenging as it was, our Overseas Filipino Workers (OFWs) remained resilient as they continued to send remittances to their loved ones and uplifted the lives of their families while contributing to the country's economic recovery.

Steadfast in leveraging the latest technological

solutions, OFBank upheld the same resilience and became the first bank to obtain a digital banking license in the Philippines. With its highly accessible services, the Bank has pushed for greater financial inclusion to help empower Filipinos across the globe.

The cover highlights OFBank's vital role in addressing the financial needs of our Overseas Filipinos and its distinctive service that grants them greater strength to conquer the world. The arrows signify OFBank's journey with our OFWs – a journey forward, upward and towards greater heights in the years to come.

About OFBank

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 the first Digital Bank in the country and the official Digital Bank of the government of the Philippines committed to provide convenient, reliable and secure banking solutions responsive to the needs of the Global Filipinos.

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 (LANDBANK) and was established to cater to the banking needs of Overseas Filipinos (OFs), Overseas Filipino Workers (OFWs), and their beneficiaries.

OFBank is leveraging on the latest technological solutions to bring affordable and reliable financial services to Filipinos across the globe primarily through its Mobile Banking Application.

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



Launching of the Overseas Filipino Bank held last January 18, 2018, with former President of the Philippines Rodrigo Roa Duterte



**Overseas
Filipino
Bank**

A Digital Bank of  **LANDBANK**



About OFBank

The OFBank was established in 2017 in response to government's mandate to create a bank that caters to the banking and financial needs of Filipinos overseas. As a wholly owned subsidiary of LANDBANK, it offers financial products and services through digital and electronic channels to address the banking requirements of Overseas Filipinos (OFs), Overseas Filipino Workers (OFWs), and their beneficiaries.

When the pandemic broke in 2020, more consumers shifted towards digital banking due

to their growing demand for safe, accessible and convenient financial services. This compelled banks to accelerate the enhancement of digital banking apps or the creation of a digital banking arm. In the midst of a global pandemic, OFBank was virtually launched on June 29, 2020 as a digital-only, branchless government bank. Alongside its parent bank, the Land Bank of the Philippines (LANDBANK), OFBank advocates for greater digital financial inclusion by making formal services much more accessible, primarily servicing OFs anytime and anywhere in the world.

Business Model of OFBank

On March 25, 2021, OFBank obtained its digital banking license from the Monetary Board of the Bangko Sentral ng Pilipinas, making it the first officially licensed digital branchless bank in the country. This enabled OFBank clients worldwide to conveniently open their own 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. 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. Customers can access value-adding financial services that respond to their diverse requirements such as savings, credit and investment.

The operation of OFBank runs 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 lean manpower complement of seven organic OFBank personnel supported by a team of seconded officers from LANDBANK.

A Cash Agency Agreement between OFBank and parent bank LANDBANK allows for OFBank clients' over-the-counter transactions in all LANDBANK branches nationwide. This ensures unhampered banking services especially during disruptive events, guaranteeing resilient operations and continuous access of OFBank clients' funds for the benefit of their families back home.

Bank Website

With digitalization as the core of OFBank's financial services, the Bank further enhanced its online banking platforms to make banking even more accessible and convenient to its client base composed of OFWs, immigrants and their families.

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 were first introduced to the public on June 29, 2020. The updated layout and contents of these channels are aimed at providing better user experience.

In 2021, the OFBank website was enhanced to provide a better user experience. This included adding links to the LANDBANK Leasing and Finance Corporation's leasing facilities and the LANDBANK Customer Satisfaction Survey.

The website contains an array of information about the Bank's history, products and services, and financial and operational highlights. In addition, it has links that direct clients to the retail banking sites, LANDBANK iAccess and Link.BizPortal.

The following are the updated features/reports in the OFBank website for 2021:

- Customer Assistance Mechanism (CAM) was also added in the contact us portion of the website. This is for compliance to BSP M-2021-031 where it shows the handling process of the customer's concerns.
- Statement of Financial Position
- Trial Balance
- Citizens Charter
- Certification of Code of Conduct
- Certification of Compliance
- ARTA Compliance Report
- Revision on Whistleblowing Reporting
- OFBank Performance Scorecard and Accomplishment
- Corporate Social Responsibility
- Board Committees and Charters
- Annual Procurement Plan





Message from the President of the Philippines

My warmest greetings to the Overseas Filipino Bank (OFBank) as it publishes its 2021 Annual Report.

I am pleased to note that OFBank has become a reliable digital bank that caters to the banking and financial needs of overseas Filipinos. I have no doubt that its programs have significantly improved the lives of our kababayans abroad even now that we are facing the COVID-19 pandemic.

May this annual report inspire you to build on the success of your operations and technological platforms to further promote inclusive growth and economic stability. I trust that your excellent performance in the previous year will encourage you to bring your innovative products and services to every Filipino in need.

Your efforts to foster a comprehensive financial environment is important in bringing our country to greater heights. Together, let us take great strides towards our goal of building a more secure and more prosperous future for all.

I wish you the best in your endeavors.

RODRIGO ROA DUTERTE

MANILA
April 2022

Message from the Secretary of Finance

Throughout many administrations, the OFW sector has served as a strong pillar to the economy, contributing immensely to the GDP and serving as steadfast support especially in times of global and local economic challenges. Thus, it is only fitting that we provide them with an equally dependable ally that they can rely on to help ensure their family's well-being even as they labored abroad.

OFBank was conceived by government for this purpose - to make sure that our fellow Filipinos working abroad could rely on a government bank solely created for their benefit and tailorfit to their particular needs and requirements. This is why we endeavored to establish the very first digital branchless government bank that delivered safe, accessible and convenient online banking services in any part of the world and time zone. To ensure its strength and stability, we placed it on the foundations of its parent bank, LANDBANK, the second largest universal bank in the country and the biggest Government Owned and Controlled Corporation.

We envisioned an innovative and nimble bank that will ride the digital wave and deliver digital banking products and services at their fingertips. We also wanted this bank to serve as a platform for overseas Filipinos working abroad to actively participate in the economy through sound government investments that they can easily avail of online. And more than anything else, we wanted this bank to be a reliable partner who looked out for them, understood their needs and helped them achieve their dreams for their families by teaching them how to manage their finances, grow their savings and prepare for a better future.

I am glad to note that we have set the path in achieving this through the gains that OFBank has achieved in the last two years since it was launched in 2020. The pandemic did not stop them from making inroads in establishing a presence in 116 countries and forging partnerships with over 70 remittance partners.

OFBank has also made account opening and online remittances so much easier and more convenient



through Digital Onboarding System with Artificial Intelligence and Mobile Banking App, both powered by LANDBANK.

It is also very gratifying to note that OFWs have enthusiastically participated in investment instruments launched by government, namely the Retail Treasury Bonds (RTB) 25, RTB 26 and Retail Onshore Dollar Bond in 2021. This is a testament of their trust and confidence in government and their eagerness to be part of development programs for the country's economic recovery.

The Bank's trainings on money management skills, in partnership with other government agencies, before and during overseas deployment, equip our fellow Filipinos with valuable knowledge, motivate and empower them on how to handle their finances well with their families to ensure a good future.

I would like to commend the OFBank Board of Directors, Senior Management and staff especially our overseas remittance officers abroad for working very hard to ensure that we are on the right path to achieve our vision. I am confident that with your leadership and cooperation, OFBank will achieve so much more for our modern-day heroes who deserve all our respect and support.

CARLOS G. DOMINGUEZ
Secretary of Finance

Chairperson's Message



OFBank's unique mandate as the first digital-only, branchless bank of the government catering to the OFW sector was further realized with the issuance of its digital banking license by the Monetary Board of the Bangko Sentral ng Pilipinas on March 25, 2021. This enabled the Bank to further expand its reach and build strong relationships with more customers and over 70 remittance partners in 116 countries.

OFBank is fueled by a lofty aspiration to be the bank of choice of OFWs amid a competitive market swept up in the digitalization wave. The pandemic fast-tracked this big shift, compelling industries to join this fourth industrial revolution or lose momentum. Thus, it is imperative to

seize this opportunity by delivering reliable and accessible digital banking services to the OFWs and immigrants who have been faithfully sending remittances to their families and shoring up the local economy for decades.

On its trailblazing path to achieve this, the Bank continued to enhance its digital banking platforms to equip its customers with the necessary tools that will allow them to conveniently and safely open accounts online and send money back home.

It also empowers them to take an active part in the country's economic recovery by investing in government securities. They were able to invest in the retail treasury bonds offering with ease and

“With strategic focus, we will carry on to blaze a trail in the field of digital banking, rooted to our mission of bringing banking services to Filipinos across the globe.”

convenience through the OFBank Mobile Banking App. For 2021, OFBank clients invested over P36.06 million in the Retail Treasury Bonds (RTB) 25, Retail On-shore Dollar Bonds and RTB 26 offerings, proof of a growing market of investment enthusiasts who are willing to invest in their country when given the right opportunity.

Most importantly, OFBank serves as a vehicle to inculcate money management skills to OFWs that will enable them to lead their families towards financial well-being and independence.

OFBank has ambitious goals but with the government's full support, the Board of Directors' guidance, and the hard work and dedication of the

men and women behind it, I am confident that we will be able to achieve them.

With strategic focus, we will carry on to blaze a trail in the field of digital banking, rooted to our mission of bringing banking services to Filipinos across the globe.

Cecilia C. Borromeo
CECILIA C. BORROMEO

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

President's Report



The Covid-19 pandemic continued to leave an impact around the world as individuals and businesses adapted to the “new normal”. Despite the challenges it posed in 2021, our Overseas Filipinos displayed resilience as they made significant contributions in response to the global health and economic crisis. Similarly, the Overseas Filipino Bank withstood adversities as it ensured an uninterrupted and improved service delivery while continuing to empower Filipinos around the world through its digital banking innovations.

Reaching out to more Overseas Filipino

As OFBank became the first licensed digital bank in

the country in 2021, the Bank continued to advance its thrust towards greater financial inclusion among Filipinos worldwide. I am proud to report that with our Digital Onboarding System with Artificial Intelligence (DOBSAI), we were able to onboard more Filipinos, bringing our accounts opened to more than 60,000 by the end of 2021 amidst the pandemic.

Likewise, OFBank facilitated more than 1 million e-banking transactions with a total value of 7.23 billion by the end of December. The 831.1% growth in transactions shown in our digital traction metrics is a testament to OFBank’s efforts to widen its reach in 2021.

“...the Overseas Filipino Bank withstood adversities as it ensured an uninterrupted and improved service delivery while continuing to empower Filipinos around the world through its digital banking innovations.”

Finding more avenues to deliver greater service

OFBank implemented system enhancements to make our Mobile Banking Application (MBA) easier to navigate and our products and services even more accessible. The new features and updated interface improved MBA’s convenience for our clients and partners.

The Bank developed the MBA module on Retail Treasury Bonds (RTBs), the first of its kind that can be accessed by Filipinos anywhere in the world without the need to visit physical establishments. Likewise, we introduced the Retail Dollar Bonds (RDB) Facility, the first MBA facility where Filipinos can invest in USD-denominated bonds using their peso account as a source.

With the Bank employees as our greatest asset, we also continued to improve the competency level of the organization. We enhanced the technical and foundational trainings we provide to our workforce for improved operations, systems, processes and procedures, resulting in better service to our clients.

Promoting Growth through Financial Literacy Sessions

To educate our Overseas Filipinos on the importance of financial management and help them achieve financial wellness, OFBank developed additional modules on the basic tenets of Savings, Debt Management, Investment Instruments and Premyo Savings Bonds.

This was conducted during webinar sessions and Pre-Departure Orientation Seminars (PDOS) which exponentially rose to 858% in 2021 from 100 webinars and PDOS in 2020. The seminars

were made possible with the help of LANDBANK’s Overseas Remittance Officers (ORO), the Philippine Embassy, the Philippine Overseas Labor Office (POLO), Philippine Overseas Employment Association (POEA), and other agencies.

Forging ahead

As the country moves towards revitalizing the local economy, OFBank shall also find more avenues to assist Overseas Filipinos in their recovery from the effects of the pandemic. We shall also strive to further expand our reach globally to cater to a greater number of Filipinos.

I want to thank our Overseas Filipinos, our local and international partners, and our employees for journeying with us in 2021. We look forward to bringing greater innovations and forming strategic alliances and partnerships focused on developing long-term relationships with all our stakeholders in the years to come.

Muli, maraming salamat sa ating mga OFBayani! Mabuhay po kayong lahat!

LEILA C. MARTIN
President and CEO

Financial Highlights

On the second year of its operations, OFBank continued to fulfill its mandate of serving Filipinos abroad even in the face of challenges caused by the pandemic.

The Bank posted a net loss of P123.9 million which is 145% higher than the P50.64 million loss (as restated) a year ago due to challenges in its operations. This was mainly due to the significant decline in interest income related to loans and higher expenses, loan loss provisions, and cost of outsourcing services.

OFBank's main source of revenues in 2021 came from the interest income from the Bangko Sentral ng Pilipinas' (BSP) investment facilities and transaction fees from online transactions.

Total resources increased by 5.5% from the rise in deposit liabilities (individual accounts) while equity decreased by the same amount of loss for the year.

The Bank's Capital Adequacy Ratio (CAR) of 136.73% is above the required minimum set by the BSP. Capital adequacy measures the Bank's capital and determine the bank's capability to absorb a reasonable amount of losses.

The asset quality ratios which indicate the credit risk associated with the Bank's asset, showed 100% non-performing loans as of Dec. 31, 2021, which are fully provided by allowance. The NPA is only 0.79% of the total gross assets.

In terms of management, the Bank managed its administrative expenditures which accounted for 79.68% of total expenses but 252.20% of gross revenues.

Liquidity ratios showed a high percentage for year 2021 and the same is set to increase, expecting additional capital funds from stockholders.

Financial Summary

	2021 (Audited)	2020 (Audited)
Profitability		
Total Net Interest Income	16,356,311.00	96,222,856.00
Total Non-interest Income	9,335,247.00	1,330,316.00
Total Non-interest Expenses	148,425,194.00	148,193,718.00
Pre-provision profit (Loss)	(73,571,620.00)	(326,696.00)
Allowance for Credit Losses	50,331,412.00	50,313,850.00
Net Income (Loss)	(123,903,032.00)	(50,640,546.00)
Selected Balance Sheet Data		
Liquid Assets	3,613,305,948.00	3,395,520,180.00
Gross Loans	2,158,501.00	3,327,244.00
Total Assets	3,886,419,541.00	3,682,984,256.00
Deposits	2,926,724,148.00	2,556,674,267.00
Total Equity	860,065,217.00	986,324,924.00

*Amount in PhP

	2021 (Audited)	2020 (Audited)
Selected Ratios		
Return on Equity	-13.40%	-5.10%
Return on Assets	-3.30%	-1.10%
CET 1 Capital Ratio	136.73%	118.56%
Tier 1 Capital Ratio	136.73%	118.56%
Capital Adequacy Ratio	136.73%	118.60%

	2021 (Audited)	2020 (Audited)	Growth Rate (%)
Gross Revenues	57.2	137.5	-58.4%
Total Expenses	181.1	188.1	-3.7%
Net Loss	(123.9)	(50.6)	144.9%
Net Income/(Loss) After Other Comprehensive Income/(Loss) (if applicable)	(126.3)	(47.4)	166.4%
Total Resources	3,886.4	3,683.0	5.5%
Total Liabilities	3,026.3	2,696.7	12.2%
Total Equity	860.1	986.3	-12.8%

*Amount in million PhP

KEY PERFORMANCE RATIOS AND INDICATORS 2021 (Audited)

CAPITAL ADEQUACY		MANAGEMENT	
Capital Adequacy Ratio (CAR)	136.73%	Administrative to Total Expense	79.68%
Capital (Tier 1) (P'000)	842,062	Overhead Cost to Gross Revenue	252.20%
Equity to Total Assets	22.13%		
ASSET QUALITY		EARNINGS/PROFITABILITY	
Past Due Ratio	100.00%	Net Income/(Loss) (P'000)	123,903.00
NPL Ratio - Gross	100.00%	Return on Assets	-3.27%
NPL Ratio - Net	1.49%	Return on Equity	-13.42%
NPL Coverage	97.18%	Net Interest Margin	0.47%
NPA to Gross Assets	0.79%		
NPA Coverage	99.81%	LIQUIDITY	
Loan Loss Reserve to Total Loan Portfolio	98.51%	Loans to Deposits	0.07%
		Liquid Assets to Deposits	123.46%

Capital and Capital Ratios

As of Dec. 31, 2021, OFBank's paid-up capital stood at P2.27 billion with net capital amounting to P860.06 million or P126.26 million lower than the previous year mainly due to increase in deficit.

Consistent with Basel III and BSP requirements, contained in the following table are the details and composition of the Bank's comparative common equity tier 1 (CET 1) capital, regulatory deductions and total qualifying capital for 2021 and 2020 (except for the ratios, all amounts are in million PHP).

	2021	2020
Tier 1 Capital		
Common Equity Tier 1 (CET1) Capital		
Paid-up Common Stock	2,272.00	1,000.00
Deposit for Common Stock Subscription	0	1,272.01
Retained Earnings	-1,286.99	-1,236.35
Undivided Profits	-123.90	-50.64
Other Comprehensive Income	-1.05	1.30
Total	860.06	986.32
Regulatory Deductions from CET 1 Capital		
a. Unsecured DOSRI Loans	0	0
b. Deferred Income Tax	0	0
c. Other intangible assets	18.00	6.55
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)	0	0
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)	0	0
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)	0	0
h. Other equity investments in non-financial allied undertakings and non-allied undertakings	0	0
Total	18.00	6.55
Net CET 1 Capital	842.06	979.77
Additional Tier 1 Capital	-	-
Total Tier 1 Capital	842.06	979.77
Tier 2 Capital		
General Loan Loss Provision	.04	.23
Total Tier 2 Capital	.04	.23
Total Qualifying Capital	842.10	980.00

¹Consolidated with Subsidiaries

The Bank's total CET 1 capital decreased by 14.07% in 2021 or P842.10 million from P980.0 million in the previous year due to continued losses.

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

Account Description	OFBank					
	2021			2020 As Restated		
	Regulatory Capital	Reconciling Items	Audited Financial Statements	Regulatory Capital	Reconciling Items	Audited Financial Statements
Paid-up Common Stock	2,272.01		2,272.01	1,000.00		1,000.00
Deposit for Common Stock Subscription	-		-	1,272.01		1,272.01
Paid-in Surplus	-		-			
Retained Earnings	-1,298.63	11.64	-1,286.99	-1,260.54	24.19	-1,236.35
Revaluation Increment						
Undivided Profits	-115.29	-8.61	-123.90	-126.43	75.79	-50.64
Other Comprehensive Income						
Net unrealized gains or losses on AFS securities	-1.01	(0)	-1.01	1.50		1.50
Remeasurement of retirement benefit obligation		(0)				
Currency Translation Difference	-0.05	0	-0.05	-0.20		-0.20
Others						
Deductions	-18.00	0	-18.00	-6.55		-6.55
Tier 1 (CET 1) capital/Total equity	839.03	3.03	842.06	879.79	99.98	979.77
Tier 2 Capital	.04	0	.04	.23		.23
Total Qualifying Capital/Total equity	839.07	3.03	842.10	880.02	99.98	980.00

¹Consolidated with Subsidiaries



There was a decrease in total risk-weighted assets (RWA) at 25.48% from P826.42 million to P615.87 million in 2021.

	OFBank	
	2021	2020
Risk-Weighted Assets		
Credit Risk-Weighted Assets		
Total Risk -Weighted On-Balance Sheet Assets	279.41	313.11
Total Risk-Weighted Off-Balance Sheet Assets	0	0
Total Counterparty Risk-Weighted Assets in the Trading Books	0	0
	279.41	313.11
Less: Gen. Loan Loss Provision (in excess of the amount permitted in Tier 2)	0	
Total Credit Risk-Weighted Assets	279.41	313.11
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	336.46	513.31
Total Risk-Weighted Assets	615.87	826.42

CET 1 ratio increased to 136.73% in 2021 from 118.56% the previous year due to decrease in operational risk-weighted assets.

	OFBank	
	2021	2020
CET 1 Capital Ratio	136.73%	118.56%
Capital Conservation Buffer	130.73%	112.56%
Tier 1 Capital Ratio	136.73%	118.56%
Risk-Based Capital Adequacy Ratio (CAR)	136.73%	118.58%

OFBank's December 2021 CAR improved in parallel with the CET 1 ratio to 136.73% from 118.58% in 2020, which is above the BSP requirement of 10.00%.

Operational Highlights

On **March 25, 2021**, the BSP-Monetary Board issued to OFBank its digital banking license which ushered in the bank as the **first licensed digital-only, branchless bank in the Philippines**. Consistent with its authority to "offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branch/sub-branch or branch-lite unit offering financial products and services", the bank's roster of digital products and services was further complemented by an innovative investment facility - the **Retail Dollar Bond (RDB)** launched in September 2021.

The RDB are United States (US) dollar-denominated bonds that allow retail investors to mobilize and grow their savings while helping fund the National Government's recovery and resiliency programs.

The RDB –available at a minimum investment of US\$300 and increments of US\$100 thereafter—can be purchased using the OFBank Philippine peso accounts, with the Mobile Banking Application (MBA) facilitating the currency conversion of peso to US dollars, including the principal payments and the interests.

For the first time, Overseas Filipino Workers (OFWs) and Overseas Filipinos (OFs) are able to **participate** in a Bureau of the Treasury offering and **purchase the RDB** via a convenient investment channel with transactions completed in as fast as five minutes or even less.

Wider network, higher gains

With the continued limited in-person interactions in 2021 spiking consumer preferences toward digital interactions, OFBank facilitated the opening of 42,631 accounts through its Digital Onboarding System with Artificial Intelligence (DOBSAI) and obtained a **114.4%** growth in terms of total number of accounts opened.



Increasing digital reach in **host countries, Emirates and Special Administrative Regions:**



Africa

1. Angola
2. Democratic Republic of Congo
3. Djibouti
4. Egypt
5. Ethiopia
6. Ghana
7. Kenya
8. Libya
9. Morocco
10. Rwanda
11. Zambia
12. Laos
13. Lebanon
14. Macau
15. Malaysia
16. Maldives
17. Myanmar
18. Oman
19. Pakistan
20. Philippines
21. Qatar
22. Russia
23. Saudi Arabia
24. Singapore
25. Sri Lanka
26. South Korea
27. Taiwan
28. Thailand
29. Turkey
30. United Arab Emirates
31. Vietnam

Asia

1. Afghanistan
2. Armenia
3. Bahrain
4. Bangladesh
5. Brunei Darussalam
6. Cambodia
7. China
8. East Timor
9. Hong Kong
10. India
11. Indonesia
12. Iraq
13. Israel
14. Japan
15. Jordan
16. Kazakhstan
17. Kuwait

Europe

1. Austria
2. Belarus
3. Belgium
4. Cyprus
5. Czech Republic
6. Denmark
7. Finland
8. France
9. Germany

North America

1. Bahamas
2. Barbados
3. Bermuda
4. British Virgin Islands
5. Canada
6. Cayman Islands
7. Costa Rica
8. Cuba
9. Jamaica
10. Mexico
11. Trinidad and Tobago
12. Turks and Caicos

South America

1. Argentina
2. Brazil
3. Chile
4. Uruguay

Oceania

1. American Samoa
2. Australia
3. Cook Islands
4. Fiji
5. Guam
6. New Zealand
7. Northern Mariana Islands
8. Papua New Guinea

10. Greece
11. Hungary
12. Iceland
13. Ireland
14. Italy
15. Lithuania
16. Malta
17. Netherlands
18. Norway
19. Poland
20. Portugal
21. Romania
22. Serbia
23. Spain
24. Sweden
25. Switzerland
26. United Kingdom
13. United States of America

Digital Footprints

As OFBank progresses in gaining momentum, digital transactions accelerated

P3.87 billion INFLOWS

P3.35 billion OUTFLOWS

1,011,501 NUMBER OF TRANSACTIONS

Investing made easy





Investing is an effective way to put money to work and potentially build wealth. This is continuously espoused by OFBank in its various financial literacy webinars for OFWs, OFs and their beneficiaries. To make investing more convenient and accessible, the Bank developed an investment facility via the MBA where transactions can be completed in five minutes or less.

These investment products are medium- to long-term debt securities issued by the Republic of the Philippines (ROP) through the BTr. The Retail Treasury Bonds (RTBs) are part of the government's savings mobilization program designed to make government securities available to retail investors, particularly individuals.

- Retail On-shore Dollar Bonds (RDBs)
RDBs are low-risk investment instruments which are direct, unconditional and general obligations of the ROP. They offer higher yields than USD term deposit instruments and provide frequent cash flows via quarterly interest payments over the life of the bond. Investors may invest at an affordable minimum placement of USD300 and

access the RDB online or through the branches of the Selling Agent Banks nationwide.

- Retail Treasury Bonds (RTB25)
Similar with RDBs, RTBs are low-risk investment instruments which are direct, unconditional and general obligations of the ROP. They also offer higher yields than term deposit instruments and provide frequent cash flows via quarterly interest payments over the life of the bond. Likewise, RTBs are accessed online and through the branches of the Selling Agent Banks nationwide. In comparison with RDBs, the minimum placement for RTB is P5,000.

	RTB25	Retail On-Shore Dollar Bonds	RTB26
 Investment	P8.28 MILLION	P10.29 MILLION	P17.49 MILLION
 Offer Period	February 9 – March 4, 2021	September 15 – October 1, 2021	November 16 – November 26, 2021
 Number of Transactions	380	242	497
 Number of Investors	344	219	435



Path to Financial Literacy

The evolving financial landscape underscores the importance of making thoughtful and informed decisions about finances. Financial literacy is the key to help OFWs support their families while preparing for sufficient funds when they finally decide to retire and go back home.

Along this line, OFBank endeavors to be of further assistance to our OFWs by providing financial literacy sessions via webinars and in-person. As of end-2021, the Bank conducted 759 webinars in coordination with LANDBANK Overseas Remittance Officers (ORO) and in collaboration with the Philippine Embassy, Philippine Overseas Labor Office (POLO), Philippine Overseas Employment Administration (POEA), and other government/private agencies. OFBank also participated in 99 in-person Pre-Departure Orientation Seminars (PDOS) and Financial Literacy sessions.

Enhanced Customer Service

To better assist its growing number of clients in the Philippines and abroad, OFBank regularly monitored comments in Google Play Store and Apple App Store and replied accordingly. A total of 99 non-technical issues and 3,505 systems and technical-related issues were received in 2021 and resolved within the set turn-around time (TAT).

The Bank also sought the feedback of customers through an online customer satisfaction survey. Out of the 826 respondents, 60% gave OFBank an excellent rating.

RATING	PERCENTAGE
Excellent	60%
Satisfactory	27%
Fair	5%
Needs Improvement	8%

Customer Support and Assistance Mechanism

To ensure that customer needs and requirements are identified, as well as to provide the appropriate resolution and escalation process, OFBank has a Customer Assistance Management mechanism in place wherein complaints and queries are managed and efficiently addressed.

Complaints can be coursed through the OFBank's Customer Care Hotline/email, Facebook page and website which are primarily handled by LANDBANK's Corporate Affairs Group – Customer Care Department (CuCD) under an outsourcing agreement. Since 2020, the CuCD has been providing services 24/7 for live phone bankers to address our clients' issues and concerns.

Meanwhile, requests or complaints from clients which are directly communicated to the OFBank Electronic Business Unit are handled by Customer Associates on duty 12/7.

Moreover, Remittance Officers from LANDBANK Remittance Marketing and Management Department provide prompt and responsive customer assistance via the Bank's official Facebook Fan Page and other OFW Groups in social media platforms.

People Development

OFBank is committed to supporting and growing its talents to be at par with the industry. Equal opportunities for professional development are offered and trainings are provided in collaboration with the parent bank.

The Bank replaced in-person or classroom trainings with a variety of alternative Learning and Development (L&D) approaches and platforms such as webinars and online courses as a preventive measure against the pandemic. The LANDBANK e-Learning Access Portal (LEAP) is also constantly being used to its fullest potential. The supervisors' on-the-job training on functional competencies and managerial coaching for leadership and supervisory competencies also help in strengthening the culture of coaching and mentoring. L&D programs were made available to all employees.

Synergizing Operational and Marketing Efforts

Cognizant that among the elements to business success and growth are collaborations and partnerships, OFBank allied with Remittance Agent Partners (RAPs) and Partner Pay-out Agents (PPAs) of the same niche and base that fit the OFBank brand.

As of end-2021, a total of 140 RAPs and PPAs with nationwide and international networks complemented the remittance payment ecosystem of OFBank.

With the increasing use of mobile bills pay, the expansion of the Bank's Bills Payment facility was pursued.

As of end-2021, a total of 106 merchants and billers facilitated online payments, effectively eliminating geographical boundaries.

Value-added solutions were likewise introduced to further the benefits of digital banking such as:

- Cardless ATM withdrawal which provides client's access to own deposit account and enables withdrawal of cash via ATM without the need for a card
- Merchant payment via QR Codes enabling the use of phone to scan the merchant's Quick Response code or QR code and complete the payment on the spot

Maximizing Social Media Platforms

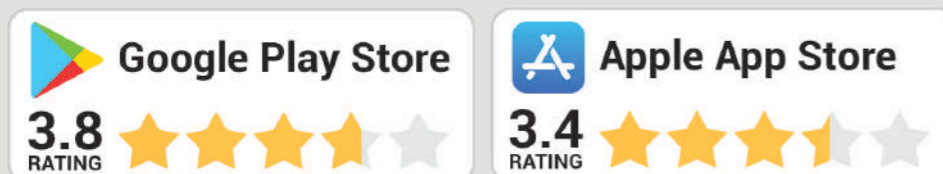
In today's business landscape, social media have proven to be effective ways to connect with and engage customers. To drum up awareness of OFBank and its services, a digitally driven marketing campaign was launched in September 2021 utilizing various digital channels – digital hybrid ads, podcasts, YouTube vlog, thematic videos, influencer posts, website contents, as well as engagements via webinars.

The Bank also continued to strengthen its online presence with higher engagement in its social media pages.

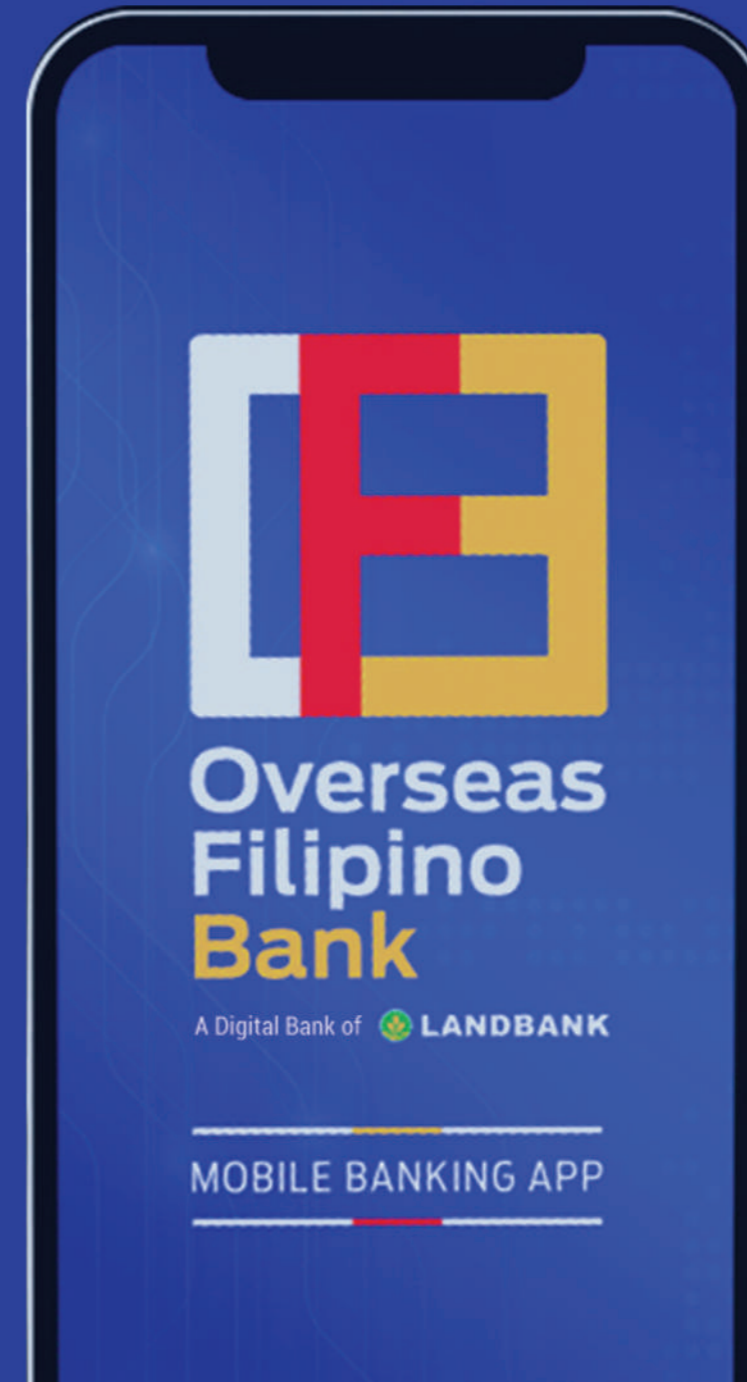
OFBank Facebook Page



OFBank MBA Rating



The first
branchless
digital-only bank
in the Philippines



Customer Care Center

OFBank's digital customer service received a total of 39,390 inquiries and requests from clients. Majority or 80% (31,406) of the total volume came via email and the remaining 20% or 7,984 came from the Bank's official social media accounts.

Most queries pertain to the process in online account opening. These include the status of the application, updating information, claiming of card, and taking a selfie. There were also queries on the availability of the Bank's services in the countries where the clients are based.

Other questions received by the Bank were regarding OFBank Mobile Banking App's (MBA) functionalities and transactions particularly on password resetting, account unlocking, fund transfer and bills payment validation, remittance process, and loan availment.

CuCD OFBank Data 2021

Month	Email	Social Media	Total
January	1,510	n/a	1,510
February	1,315	209	1,524
March	1,824	653	2,477
April	2,592	214	2,806
May	3,012	158	3,170
June	2,627	648	3,275
July	2,675	722	3,397
August	3,999	1,084	5,083
September	3,248	1,317	4,565
October	2,965	726	3,691
November	2,426	1,271	3,697
December	3,213	982	4,195
Total	31,406	7,984	39,390

Overseas Representative Officers Page and Other Social Media Channels

In addition to their individual social media accounts like Facebook, WhatsApp and Viber, the OFBank Overseas Representative Officers (OROs) maintain and co-manage a centralized Facebook Page to provide an additional touchpoint to customers.

Through this channel, customers from different parts of the world are assisted on their account-related concerns. Simple inquiries and requests like account opening, unlocking/resetting procedures, clarification on remittances, and ATM card pickup, among others, are addressed directly while technical concerns are coordinated with the OFBank Customer Care and other units concerned. The OROs also assist the customers in following through on their pending requests, helping the Customer Care in prioritizing and ensuring timely resolution of their concerns.

Simple inquiries, requests and complaints are resolved within the day or within seven calendar days while complex complaints are resolved within 45 calendar days including further assessment, verification, investigation or third-party intervention. OFBank clients are informed of the investigation results within 48 hours upon completion of the investigation.

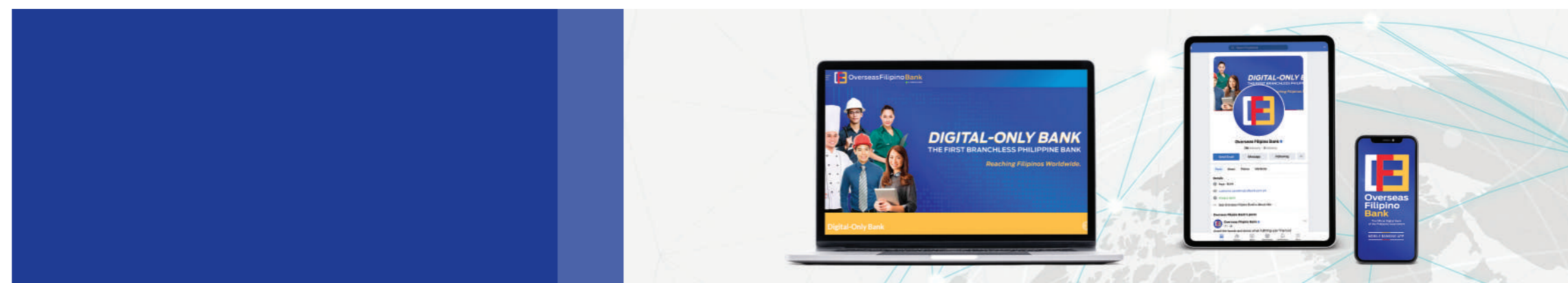
Technology Management Unit

The Technology Management Unit (TMU) ensures that OFBank's IT plans and programs are realized within target timelines. It also ensures the proper and timely coordination with LANDBANK counterparts as well as the first-hand management of IT infrastructure and applications in the OFBank Center for the efficient implementation of the OFBank's projects. LANDBANK's IT projects redound to the benefit of OFBank as they support and strengthen OFBank's IT plans and programs such as the cardless withdrawal using the OFBank MBA.

The IT projects of OFBank to further improve its digital operation are as follows:

I. IT Projects and Initiatives Implemented in 2021

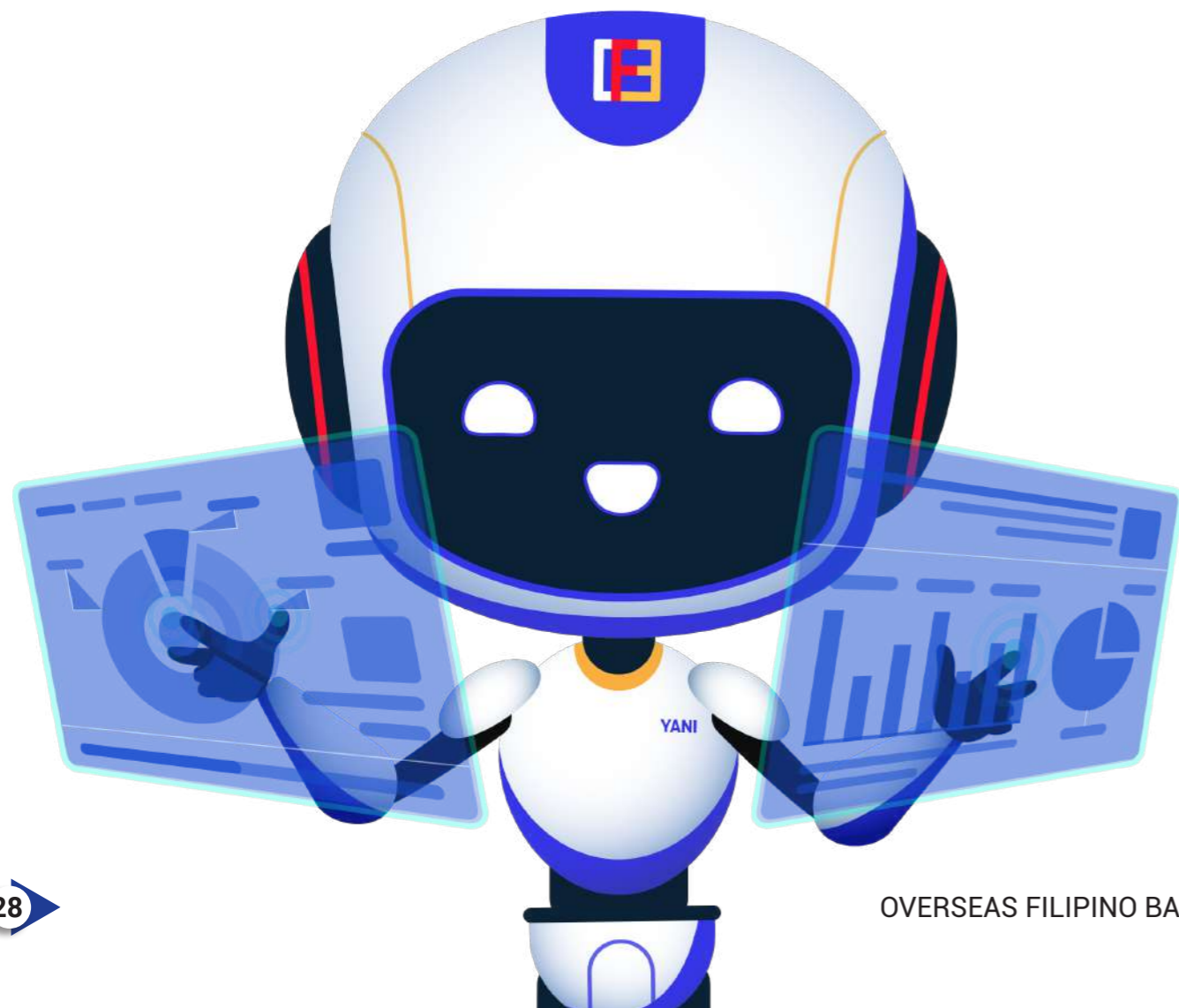
NAME OF PROJECT/ INITIATIVE	DESCRIPTION	IMPLEMENTATION DATE
1. OFBank Mobile Banking Application (MBA) Enhancements	<ul style="list-style-type: none"> Facility for Treasury Bonds in the OFBank MBA Cardless withdrawal in the OFBank MBA 	<ul style="list-style-type: none"> Retail Treasury Bond 25 Retail Dollar Bonds - RDB is the dollar-denominated retail treasury bonds that the government offers to attract retail investors to invest in safe assets at relatively higher rates. <p>This MBA module allows clients to perform cardless withdrawal from selected LANDBANK ATM using the OFBank MBA.</p>
2. OFBank Website	<ul style="list-style-type: none"> Added Customer Satisfaction Survey link Linked Leasing Facility page of LANDBANK Leasing and Finance Corporation and added description in the module 	<ul style="list-style-type: none"> February 9, 2021 September 7, 2021 June 25, 2021 July 7, 2021 July 13, 2021
3. OFBank Social Media Page	OFBank Customer Care and Facebook page for clients' queries, comments or suggestions on emails generated during account opening and sending of OTP	April 8, 2021



II. IT Projects and Initiatives Ongoing in 2021

NAME OF PROJECT/ INITIATIVE	DESCRIPTION
1. InstaPay Interface Project	<ul style="list-style-type: none">This project will enable OFBank to participate in InstaPay as a separate direct entity from LANDBANK for the e-banking channels of participant banks.
2. PESONet Direct Participation via LANDBANK Sponsorship	<ul style="list-style-type: none">Enable PESONet transaction processing for OFBank as a separate direct participant under the LANDBANK sponsorship setup with PESONet via the web-based front-end application

In addition, TMU completed the full network migration of all workstations to LANDBANK network, enabled the Bank's website with an online survey form, ensured participation in the IT drills and took the lead in the development and launch of Yani, OFBank's official avatar.



OVERSEAS FILIPINO BANK



Overseas Filipino Bank

A Digital Bank of  LANDBANK





JOJO V. LASTIMOSA *33 years old*
PH Address: Llanera, Nueva Ecija
Country of work: Abu Dhabi, UAE
Occupation: Senior Medical Coordinator
Number of years as an OFW: 11 years
Number of years as an OFBank accountholder: 3 years
OFBank MBA feature used the most: Fund Transfer

DESSERTIE O. BAJAR *37 years old*
PH Address: Sampaloc, Quezon Province
Country of work: Malta
Occupation: Caretaker
Number of years as an OFW: 10 years
Number of years as an OFBank accountholder: 1 year and 8 months
OFBank MBA feature used the most: Fund Transfer

ROCHEL P. TACARDON *37 years old*
PH Address: Davao City
Country of work: Beirut, Lebanon
Occupation: Nanny
Number of years as an OFW: 5 years
Number of years as an OFBank accountholder: 1 year and 4 months
OFBank MBA feature used the most: Fund Transfer

“Mahalaga para sa isang OFW ang magkaroon ng systematic way of saving their hard-earned money abroad. Bilang accountholder, I believe OFBank satisfies my banking-related demands. Through their service, I was also able to gain knowledge on how to manage my finances.

Isa sa mga napapanahong service that OFBank offers is online/mobile banking which really gives “instant” convenience. Once money has been deposited or is readily available in my account, I can do fund transfers and payments in the Philippines. Malaking bagay para sa amin ang ganitong banking service especially when we have to do an urgent transaction, because you can send money in real time. Ang pagkakaroon ng account for your beneficiary also helps us in saving a certain amount because there is no fund transfer fee.

OFBank webinars promote awareness and provide ideas on how to deal with our finances through the financial literacy and reintegration programs, debt management and investment. OFBank introduces ideas on how you can start a new source of income while working abroad or when you are considering to settle back in the Philippines. These services made the OFBank unique compared with other banks.

The support team. Bahagi ng programa na sumusuporta at nagbibigay ng assistance sa mga OFW anywhere in the globe. They have the expertise in providing quality services from enrollment to teaching clients regarding OFBank services and giving assistance when an OFW is experiencing technical difficulties with their account.”

“Simula Sept. 23, 2020, nung nag-open ako ng account dito sa OFBank, talagang nakatulong sa akin at sa pamilya ko yung monthly remittance. Para sa family ko, si OFBank ang gamit ko. Ang monthly tuition fee ng anak ko sa kolehiyo nababayaran ko rin gamit si OFBank. Sa pagbayad ng electric bill, minsan gamit ko rin si OFBank. Sa emergency need ng iba kong kaibigan, nakapag-transfer ako sa GCash para sa family or friends nila gamit si OFBank. Sobrang thankful ako dahil hassle-free talaga itong si OFBank. Kahit nakaupo lang tayo or anumang ginagawa natin, pwede na tayong maghulog gamit ang mobile phone natin na hindi na kailangan pang tayo ay pumila. Kaya OFBank is the best and number 1 digital bank for me. Thank you OFBank.”

“Para sa akin laking tulong talaga si OFBank lalo na as a single parent kasi very convenient. Like sa anak kong 16 years old, anytime need niya ng allowance, OFBank niya lang ang gamit niya. Hassle-free for both of us kasi anywhere, anytime, seconds lang, gamit lang ang phone ko, send na agad at pasok na sa ATM niya. Yung needed amount niya lang din ang pinapadala ko kasi need ko rin turuan ang anak ko paano mag-budget ng pera.”

“*Malaking bagay para sa amin ang ganitong banking service especially when we have to do an urgent transaction, because you can send money in real time. Ang pagkakaroon ng account for your beneficiary also helps us in saving a certain amount because there is no fund transfer fee.*”

Client Testimonials

Corporate Social Responsibility Initiatives

OFBank's Corporate Social Responsibility (CSR) Statement

The OFBank's Corporate Social Responsibility 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 of our mandated clients – the Overseas Filipino Workers (OFWs), the Overseas Filipinos (OFs) and their beneficiaries.

The Bank's CSR Programs revolves around themes aligned with our commitment to provide convenient, reliable and secure banking solutions responsive to the needs of the Global Filipinos strengthened by our corporate goals on honesty and integrity, innovation and creativity, organizational cohesiveness and unity, as well as other advocacies such as financial literacy programs for OFWs/OFs and their beneficiaries.



Engaging Stakeholders in Environmental Responsibility

OFBank commits to provide innovative digital products and services that allow the Bank and our clients to fulfill our sustainability and environmental protection goals in business lines, lower our carbon footprint, and promote ecological enhancement.

All our products are accessible in the digital space – from account opening, fund transfer, bills payment and investment. All transactions can be completed in 5 minutes or less through the client's mobile phone thus, does not require the use of ink and paper nor any over-the-counter engagement which substantially lowers client's carbon footprint.

OFBank's Corporate Environmental Policy reiterates the incorporation of environmental management practices in all our operations, services and decisions. OFBank is continuously implementing strategies geared towards:

- i) reduction in fuel and electricity consumption (i.e. office re-layout, restricted access of guests/clients/other building occupants)
- ii) reduction in greenhouse gas emissions (i.e. carpooling, electronic processing and approval, etc.)

Improving Lives of Filipinos Across the Globe

In line with our vision of being 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, OFBank continues to fuel economic activity by supporting the government initiatives on financial inclusion and digitalization.

The OFBank on-boarded the Retail Treasury Bonds (RTBs) in its mobile banking application enabling OFWs/OFs/beneficiaries to participate in the national government's savings mobilization program designed to make government securities available to retail investors, especially individuals, thus supporting the national government's initiatives towards financial inclusion.

The investment provides OFWs/OFs/beneficiaries with a safe way to grow their hard-earned savings that leads to a brighter and more secure future and at the same time assist in financing national expenditures focused on the country's efforts against the COVID-19 pandemic.

Nurturing our Most Important Resource

We are dedicated to nurturing our employees in an enabling environment and providing equal opportunities for career growth, regardless of gender and social status.

OFBank provides for the professional development and care of our human capital. We encourage growth by providing capability-building programs and granting every employee access to fair and equal opportunities for training and development.

We promote a safe, fair workplace for all employees of all genders. We strictly observe health and safety protocols (i.e. wearing of face masks/shields, social distancing, quarantining, ventilation of indoor spaces, sanitization of Head Office building, work from home arrangement, monitoring of employees health condition, etc.)

Championing Human Rights in the Quest for Prosperity

We champion human rights by performing our duties and responsibilities with full courtesy and respect, without prejudice to race, religion, regional or ethnic origin, gender or political affiliation. We prioritize the protection of human life within and outside of our organization.

We protect our people through the administration of adequate security coverage for the Bank's personnel and clientele against unlawful acts, harm, damage, loss, and compromise. We practice non-discrimination in hiring and granting professional advancement opportunities and uphold the rights of our employees.

Promoting Social Justice and Sustainable Development

We have established a well-defined governance structure consistent and compliant with all government policies and applicable laws, with current corporate governance rules and regulations, and with globally-accepted standards and principles of good governance.

We adhere strictly to appropriate government rules, and address and mitigate corruption through the implementation of rules on administrative cases, a strict implementation of the Code of Conduct for Public Officials and Employees, and adherence to the provisions of anti-corruption laws. We also expect all our personnel to comply strictly with our Code of Ethics.

Serving Customers with Excellence and Integrity

OFBank ensures excellence in customer service through full disclosure of the features, terms and conditions of our products and services that comply with all laws and rules of government regulatory bodies. We provide timely financial and technical support for our mandated clients and make pertinent product and service information easily available to them.

We reach out to our clients via various channels: webinars, social media cards in Facebook and fan pages. From January to December 2021, the OFBank conducted 759 webinars and 99 face-to-face seminars and released 252 posts.

As a financial institution, we make sure that compliance testing is an established procedure that ensures the management of pertinent risks and compliance with applicable laws, rules, and regulations.

We strictly adhere to the requirements of the Anti-Red Tape Act (ARTA) to improve efficiency in the delivery of services to the public by reducing bureaucratic red tape and preventing graft and corruption. All OFBank personnel are guided by the principles of professionalism and integrity, and abide by the Code of Conduct for Employees and ARTA.

Corporate Governance

Overall Corporate Governance Framework

OFBank adheres to good governance policies that are aligned with globally-accepted governance principles and best practices. This ensures that the Bank upholds the principles of fairness, accountability, transparency and ethics in all its policies, strategies and day-to-day operations in pursuit of its institutional goals and objectives.

Principles of Good Governance

1. Fairness

This provides the assurance that profits are balanced with ensuring that investments of the LANDBANK – parent bank and owner of OFBank – are protected.

Likewise, it recognizes that the owner's rights are respected and protected, promoting long-term shareholder value. The Bank's Board of Directors has the duty to direct and manage the Bank in a manner that is fair to its owners and stakeholders, and act with prudence and justice.

2. Accountability

This principle refers to the direct relationship of LANDBANK and the directors. The Board of Directors is accountable to LANDBANK, which owns the Bank, and is responsible for the actions of the Management, which implements policies and strategic directions emanating from the Board. The Board is also accountable in assigning responsibilities and measuring results, while balancing the interest of the owner and stakeholders.

3. Transparency

This requires that the Board ensures timely and accurate disclosure on all material matters, such as the financial situation, performance, ownership, and governance of the Bank. The Board 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

This principle refers to honesty, uprightness, and upholding a Code of Ethics that expresses the core values of the Bank. Ethics is about avoiding conflict of interest, which is a part of a director's duty of loyalty to the Bank. The Board must ensure that the Bank'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 by the Board of Directors and its delegated duties and responsibilities through the three 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 unit which liaise with counterparts in the LANDBANK Internal Audit Group, Risk Management Group and Compliance Management Group under the adoption of the group-wide independent control functions, covered by a Memorandum of Agreement entered into by LANDBANK and OFBank and Service Level Agreements between OFBank and respective LANDBANK Groups.

The CPC reports directly to the President and CEO. The Office of the Corporate Secretary provides logistical support to the OFBank Board 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) the Technology Management Unit, (3) the Financial Management Unit, (4) the Administrative Services Unit, and (5) the Central Point of Contact (CPC) Unit.

Selection Process for the Board and Senior Management

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

Board's Overall Responsibility

Consistent with the provisions of Section 132 of the MORB, the OFBank Board of Directors has the fiduciary responsibility to manage the Bank in a prudent and sound manner, as expected by its various stakeholders – clients, employees, the National Government, regulators, and the public at large.

The Board approves and oversees the implementation of strategies to achieve corporate objectives. From the time that OFBank was restructured to be a branchless, digital-only bank in the last quarter of 2019 up to the present year – 2021, the Board regularly reviews and approves the

Bank's Vision and Mission and its corresponding Strategy Map which summarizes the specific strategic objectives and measures for attainment of targets aimed to lead OFBank closer to its Vision.

These are further complemented by the OFBank Performance Scorecard which is presented to and duly approved by the Board as required per Memorandum Circular (MC) No. 2017-02 and MC-2019-02 on the monitoring and validation of performance vis-à-vis the targets for the year.

The Board also ensures that the established risk governance framework remains relevant and

oversees its continued implementation facilitated by systems of checks and balances. In addition, the Board has put in place a sound corporate governance framework that can deliver long term success with its strong adherence to ethical standards and compliance with legal, institutional, and regulatory requirements.

The Board of Directors approves the selection of the CEO and key members of Management, as well as controls functions and oversees their performance. Overall, the Board oversees how OFBank operates and how it aligns the interest of all its stakeholders.

The members of the OFBank Board 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 Board decisions are not biased in favor of the personal interest of any Board member.
- c. Act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholder and other stakeholder such as its depositors, investors, borrowers, other clients, and the general public.
- d. Devote the necessary time and attention to properly discharge his duties and responsibilities.
- e. Act judiciously. Before deciding on any matter brought before the Board, 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 Board's decision or approval.
- g. Exercise independent judgment. A Director shall view each problem or situation objectively. When a disagreement with others occurs, he/she 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, requirements of the BSP and pertinent

government agencies.

- i. Observe the confidentiality of the 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. The "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 the 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 is required to 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 Chairperson of the Board

- i. Chairperson of the Board of Directors (Non-Executive)
The Chairperson of the OFBank Board is responsible for the efficient functioning of the Board. As such, exercises control over quality, quantity, and timeliness of the flow of information between Management and the Board. The Chairperson calls meetings, approves, and sets the agenda and presides over Board meetings, ensuring that all directors are enabled and encouraged to actively participate in all discussions and resolutions on matters taken up by the Board. The Chairperson 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 Board meetings. Among the nine members of the 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 Bank's Articles of Incorporation, BSP Manual of Regulations for Banks, rules and regulations of the Governance Commission for GOCCs, and other laws and issuances as may be applicable. In addition, the Board 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 Board appoints/nominates the independent directors from among the appointive directors, seeking thereafter the confirmation of such nomination by the Monetary Board.
- v. In the nomination of an independent director, the Board 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).

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. (As provided for in EO 44 series of 2017)	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 members 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 Board 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

4. Reviews the following for updates/revisions: Bank's mission and vision, strategic objectives, policies, and procedures as being practiced by the Board 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 qualification of persons nominated to positions in the Bank which require appointment by the Board.
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.

List of Board-Level Committees Including Membership and Functions

i. Corporate Governance and Risk Management Committee (CGRMC)

As corporate governance is the basic framework from which effective risk management takes shape, the CGRMC is tasked to manage the loop between strategic initiatives and day-to-day operational performances of the bank.

Corporate Governance:

1. Assists the Board in adopting the appropriate decision-making processes so that there is a clear distinction between the decisions to be made by the Board and 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 Board has a process which determines whether a director devotes necessary time and attention in 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.

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 Board approval.
3. Evaluates the magnitude, nature, and distribution of risk 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.

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 the internal audit service provider, may it be for assurance, consulting, or any engagement in which the internal audit activity would require resource and competence/expertise from the third party
4. Provides functional supervision over the 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 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, Management, the Board of Directors, and other supervisory authority

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 non-compliance.
2. Ensures that procedures for the following has been established:
 - a. Receipt, retention, and treatment of complaints 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 examination/audit 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.

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.

iii. Related Party Transactions Committee (RPTCom)

Consistent with its function to assist the Board of Directors in ensuring that transactions with related parties are undertaken on an arm's length basis and handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations, the RPTCom is tasked as follows:

1. Evaluates on an ongoing basis the existing relations between and among business and counterparties and ensures 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 Board for approval;
3. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures,

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

In 2021, 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 and Compliance Committee (AC Com)

With the essential roles of audit and compliance in ensuring that the Bank operates effectively, the AC Com is mandated to monitor that the Bank adheres to sound policies, processes and procedures and at the same time, look at these policies, processes and procedures from the lens of regulatory compliance.

Audit:

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

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

In 2021, the AC Com reviewed and resolved matters pertaining to Audit and Compliance underscoring strict compliance with control procedures and monitoring on the effectiveness of embedded controls. The results of assurance services, consulting services, and other services are reported to the AC Com 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

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
Members	Director Bituin V. Salcedo
	Director Leticia V. Damasco

In 2021, The RPTCom issued resolutions on transactions with the parent bank as it continued on its journey in enhancing business operations and liquidity position. Foremost of which pertain to the **Purchase of LANDBANK Electronic Salary Loans (ESL) to OFBank.**

Term of Office of the Board of Directors

Under GCG Memorandum Circular No. 2012-04 (re-issued), any provision in the charter 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 TO BOARD AND BOARD-LEVEL COMMITTEE MEETINGS (CY 2021)								
Name of Directors	Board Meeting		Corporate Governance and Risk Management Committee		Audit and Compliance Committee		Related Party	
	(13 Meetings)		(12 Meetings)		(6 Meetings)		(1 Meeting)	
	Attended	%	Attended	%	Attended	%	Attended	%
1. CECILIA C. BORROMELO	13	100.00	N/A	-	N/A	-	N/A	-
2. LEILA C. MARTIN	12	100.00	N/A	-	N/A	-	N/A	-
3. JULIO D. CLIMACO JR.	13	100.00	N/A	-	6	100.00	N/A	-
4. ALAN V. BORNAS	13	100.00	N/A	-	N/A	-	N/A	-
5. BITUIN V. SALCEDO	12	92.31	N/A	-	6	100.00	1	100.00
6. LETICIA V. DAMASCO	13	100.00	12	100.00	N/A	-	1	100.00
7. ROBERT L. GOSIOCO	13	100.00	12	100.00	N/A	-	1	100.00
Total Number of Meetings Held During the Year: 32								

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 was 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 2021, continued enhancement was made on the implementation of the program with more focus on the 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 the Bank as a 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 oriented on 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 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 the 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 2021

Despite the community quarantine declared within the National Capital Region and other areas for the entire year 2021 due to the COVID-19 pandemic, the Bank was able to provide the required competency trainings to its employees. The Board members also attended trainings in the same year.

2021 Seminars/Trainings Attended by OFBank Board of Directors							
Name of Directors	Position	Kind of Trainings/Seminars	Date	Number of Hours	Seminars Given By/ Facilitator	Number of Seminars Attended	
1	Cecilia C. Borromeo	Chairperson	Anti-Money Laundering Act Webinar	Oct. 18, 2021	2	LANDBANK	1
2	Leila C. Martin	Vice-Chairperson	Crypto Assets for Corporates	May 19, 2021	3	Center of Global Practices	3
			CSC Policy on Expanded Maternity Leave, Paternity Leave and Adoption Leave	April 29, 2021	3	Civil Service Commission (via FB)	
			Anti-Money Laundering Act Webinar	Oct. 18, 2021	2	LANDBANK	
3	Julio D. Climaco Jr.	Member	Anti-Money Laundering Act Webinar	Oct. 18, 2021	2	LANDBANK	1
4	Alan V. Bornas	Member	Anti-Money Laundering Act Webinar	Oct. 18, 2021	2	LANDBANK	1
5	Leticia V. Damasco	Member	Anti-Money Laundering Act Webinar	Oct. 18, 2021	2	LANDBANK	1
6	Bituin V. Salcedo	Member	Anti-Money Laundering Act Webinar	Oct. 18, 2021	2	LANDBANK	1
7	Robert L. Gosioco	Member	Anti-Money Laundering Act Webinar	Oct. 18, 2021	2	LANDBANK	1

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 completely take on the position 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 recognize lengthy tenures of OFBank employees.

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 the 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 S. 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 Management

The compensation structure for Management follows the structure approved by the Bank’s Board of Directors. Cash benefits and allowances are 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 Close Family Members (CFMs) or juridical entity.

At OFBank, RPTs are allowed provided these are done at 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 Board 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
 - c. Identify, measure, monitor and control risks arising from RPTs;
5. Maintain adequate capital against risks associated with exposures to RPs;
 6. Oversee the integrity, and effective implementation of the Bank's whistleblowing policy; and
 7. 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 (in PhP)	Outstanding Balance as of Dec. 31 2021
Land Bank of the Philippines	Parent Bank	22-Oct-2021	LANDBANK Deposit Placement of High Yield Savings account with OFBank	Existing deposit placement's Terms and Conditions; Interest rate of 1.25% for 90 days	2,000,000,000.00	2,000,000,000.00

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 Board 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 Board 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 LANDBANK IAG on the provision of internal audit function to OFBank under the group-wide structures with the Central Point of Contact as the focal unit 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.

OFBank Dividend

As required under RA No. 7656, the OFBank shall remit cash dividends to the National Government (NG) every year. For 2021, 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.

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 a 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 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 Management

Meanwhile, the responsibilities of the OFBank 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; and
 - 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.

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, email, 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.

OFBank's Audit Committee

Internal audit is a critical component of any business operation as it provides the reliability of financial reporting that supports management in making the right financial decisions and its continuous provision of independent assurance to the Board. As OFBank evolves in its journey as a digital bank, internal audit keeps pace to proactively assess risks and identify efficiency opportunities. The constant support of internal audit enables OFBank to implement internal controls to reinforce and ensure compliance with laws and regulations governing the bank's operation in the digital space.

As OFBank gives focus on its core task of providing digital products and services for increased efficiency as well as access to the necessary skills and resources, internal audit was outsourced to the LANDBANK Internal Audit Group whose functions include the following:

Internal Audit Plan (IAP)

- Develop and provide to OFBank the Committee of Sponsoring Organizations (COSO) Framework of internal controls to be integrated into business processes, including the applicable types of audit and the rating system. Collectively, these controls provide reasonable assurance that the organization is operating ethically, transparently and in accordance with established industry standards.
- Conduct risk scoring of the audit universe using the approved Audit Risk Scoring System; and
- Prepare the Internal Audit Plan (IAP) of OFBank's auditable units in consultation with the OFBank's Audit Committee.

The development of the IAP requires OFBank's Central Point of Contact (CPC) participation in terms of:

- Provision to the LANDBANK IAG the necessary information and documents among which are the bank's plans and programs, strategic thrusts and directions, risk dictionary/top risks, results of ERM exercise, Reports on Crimes and Losses, list of units/processes/systems used by OFBank every start of the year, unit ORM tools, list of complaints received and their status, list of fines and penalties, financial statements, relevant policies, procedures and guidelines and Operations Manual of OFBank before the start of audit, and audit reports of BSP and COA, if applicable;
- Observance of confidentiality of the audit plan as deemed necessary; and
- Attendance to the LANDBANK Audit and Compliance Committee (AC Com) meeting during the presentation of the LANDBANK IAP (upon request only)

The engagement with LANDBANK IAG includes performance of the following cyclical activities that are critical to the conduct and appreciation of the audit phases:

Pre-engagement, fieldwork, communication of audit results, and monitoring of unresolved audit findings:

- Coordinate with OFBank CPC on the scheduled audit, submission of data/information, and audit requirements;
- Conduct walkthrough of processes;
- Perform audit of business units/processes/systems, and provide Comment Sheet/Summary of Findings;
- Conduct pre and final exit conferences;
- Provide Final Audit Report within 30 banking days after the final exit and list of unresolved audit observations; and
- Monitor quarterly the updates on OFBank's correction and corrective action plans/taken to address the root cause/s of the risks on outstanding observations.

With roles and responsibilities aligned with the LANDBANK IAG, OFBank CPC is expected to manage the following activities on its end:

- Ensure that all business units are informed of the schedule of audit and the required reports/documents;

- Participate/assist during process walkthrough;
- Liaise between LANDBANK IAG and OFBank units concerned until completion of audit;
- Attend pre and final exit conferences;
- Coordinate with business units concerned on correction and corrective action plans/taken on unresolved audit observations;
- Monitor status of unresolved audit findings and submit updates to LANDBANK IAG not later than 30 calendar days from end of the quarter; and
- Present to OFBank Audit Committee the Final Audit Results and long outstanding audit observations and recommendations with the corresponding impact on business operations and action plans taken.

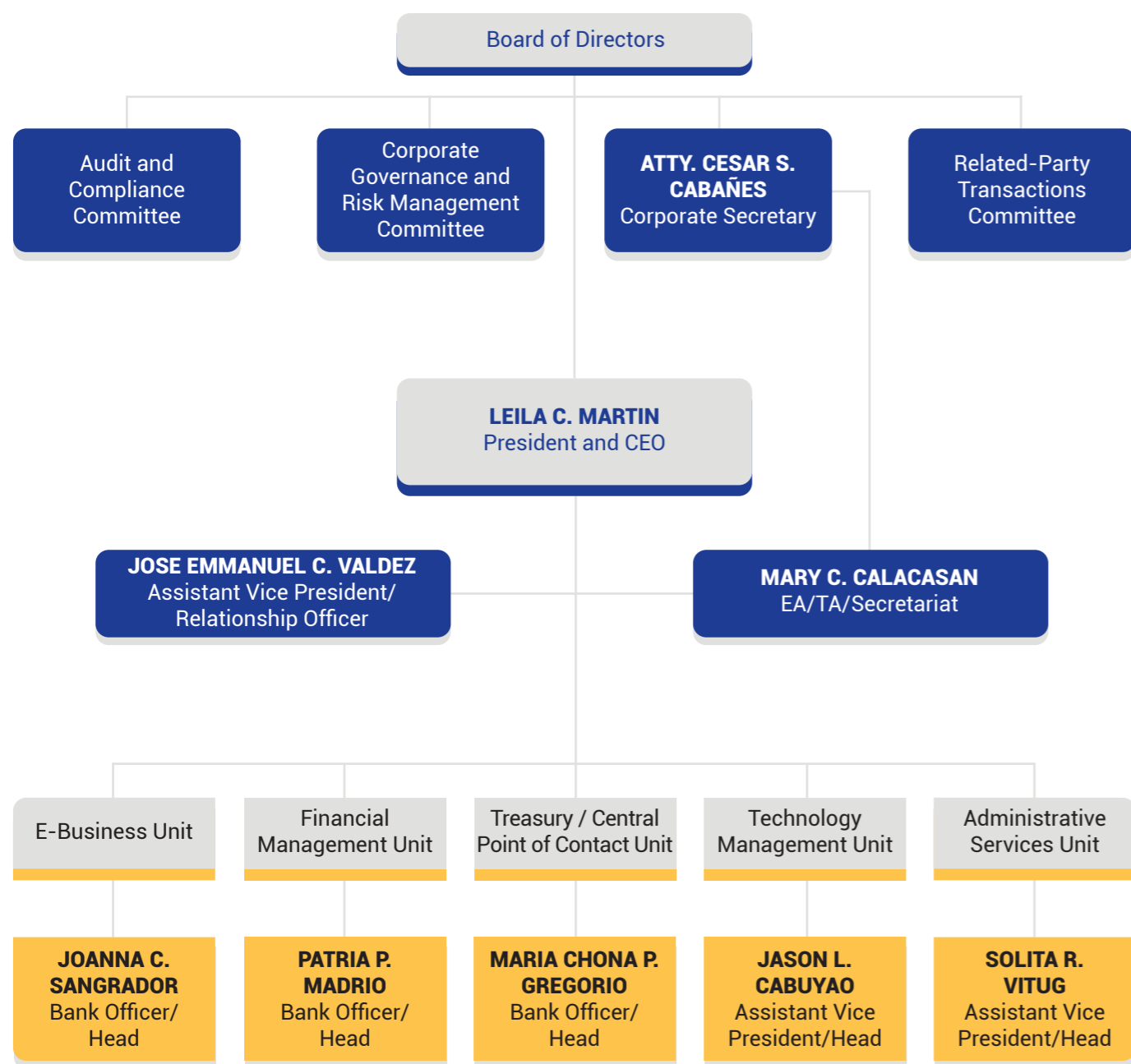
Recognizing that there is greater value in exposure to new ideas and innovations, LANDBANK IAG also provides initial training on internal control framework and audit methodology. Further support to OFBank is being provided through review/assessments of application systems. In 2021, two outsourced systems – the Remittance System and the Truncation System – were subjected to review/assessment.

Audit results are discussed/communicated with OFBank management with reports provided to the LANDBANK AC Com, LANDBANK President and CEO, and OFBank President and CEO.

Plans and Programs for 2022

2022 PLANS AND PROGRAMS	DESCRIPTION/OBJECTIVES	TARGET DATE OF IMPLEMENTATION
Purchase of Receivables Program (PRP) e-Salary Loan Facility	A mobile based system to enable borrowers covered by the PRP to apply for loan renewal/view/inquire loan account via the OFBank MBA. To ensure seamless transition of Salary Loans purchased from LANDBANK and to comply with BSP's requirement for digital bank products/services.	Q2 2022
MBA Digital Card Verification Value (CVV) Facility	A facility to display the CVV and the card expiry date via the MBA which will enable e-Commerce transactions without the need for physical cards. This will likewise provide a simple and convenient process.	Q4 2022
Optical Character Recognition (OCR) with data capture	With the implementation of the Philippine Statistics Authority's PhilSys Check website which uses public-private key cryptography, OFBank can utilize the OCR with data capture to verify the authenticity of a Philippine ID card and the data stored in its QR code accessible through android devices and laptops with internet connection. The OCR will enhance the KYC processes and will complement the PhilSys Check facility once available.	Q4 2022
Digital to Cash (Cash-Out)	These facilities are among the MBA enhancements of LANDBANK which would be also accessible in the OFBank MBA once in production.	Q3 2022
Inclusion of LinkBiz Portal Merchants in MBA		Q4 2022
Micro-Insurance Facility	A mobile based system to enable access to micro-insurance products intended to cover lives and protect the assets of low-income individuals and families from natural disasters, illness, death, accidents and crop failure among others.	Q4 2022

Organizational Chart



**The Central Point of Contact shall be the concurrent Treasurer.*



Risk Management

The Overseas Filipino Bank's (OFBank) risk management framework is aligned with the core risk management philosophy of its parent bank, Land Bank of the Philippines (LANDBANK), which is to balance risk and reward by maximizing business opportunities, operating within the risk threshold and minimizing losses beyond its appetite.

Risk management is embedded in all the business processes of OFBank to ensure that risk-taking is commensurate with its risk appetite. It has adequate risk management framework, policies and internal controls. Its systems, processes and procedures are continuously reviewed and updated with the guidance and active participation of the OFBank Board and Management.

OFBank's risk management approach is also aligned with its parent bank which is governed by LANDBANK's Board-approved Enterprise Risk Management (ERM) anchored on its mission, vision and strategic objectives. ERM is implemented in three levels namely strategic, portfolio and transactional levels.

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

At the **Portfolio Level**, the OFBank's Business Unit (BU) Heads oversee the implementation of policies and processes and monitor possible breaches. They also recommend policies, processes and revisions to address risk occurrences that are encountered.

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. The ARTs embrace the continuous management of risk events and immediately escalate policy breaches, procedural infractions and related risk occurrences to the Business Unit Heads.

Risk Governance Framework

OFBank, being a wholly owned digital bank subsidiary of LANDBANK, follows a central management of risk wherein the parent bank defines the risk framework including the process of identifying, assessing, mitigating, controlling, and reporting of risks. Moreover, OFBank is included in the capital planning exercise through the annual Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan of LANDBANK. All risk management activities are done in consultation and coordination with the risk owners and the Board through the Corporate Governance and Risk Management Committee of OFBank.

Risk Management of OFBank

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

Risk Management 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 levels. It is a means of improving LANDBANK's business and services on a group-wide or enterprise-wide level that involves LANDBANK as the parent bank, and its wholly owned subsidiaries and foundation, and 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 risk management oversight to OFBank. It monitors and reports risk exposures of OFBank through the submission of consolidated financial reports and other relevant documents.

Risk Management Program for Subsidiaries

The implementation of the Risk Management Program for Subsidiaries (RMPS) enables OFBank to mirror the risk management framework and policies of its parent bank in compliance with BSP Circular 971, series of 2017 or the Guidelines on Risk Governance).

RMPS includes relevant methodologies, processes and tools which guide OFBank and other LANDBANK subsidiaries in implementing a robust risk management 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 program embodies LANDBANK's risk management framework which covers the following elements:

- Risk Management Policy (Principles)
- Risk Management oversight structure, key roles and responsibilities
- Levels of Risk Management (Strategic, Portfolio and Transactional level)
- Risk Identification and Measurement
- Risk Monitoring and Reporting (Risk Management Tools, Risk Committee Risk Reports)
- Risk Management Strategy Formulation
- Programs to promote Risk Management awareness and culture in subsidiaries
- Risk Management 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 Risk Management 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 or 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 the LANDBANK Risk Management Group (RMG) which outlines the obligations between the parties regarding rendering reciprocal services in order to promote operational efficiency, leverage on customer relationship and ultimately, 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 the RiskCom and Board of Directors.
- Conduct relevant walkthrough sessions in order to augment Risk Management awareness of OFBank personnel

On the other hand, OFBank is responsible for:

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



Compliance Management

The compliance management functions of OFBank are centralized in the LANDBANK Compliance Management Group (LANDBANK CMG) effective Jan. 1, 2021, in accordance with the LANDBANK Group Centralized Compliance Management Framework (CCMF). The CCMF sets out the principles and standards for the compliance management functions of LANDBANK and its subsidiaries, including OFBank.

LANDBANK CMG oversees the implementation of the OFBank Compliance Risk Management System designed to identify and mitigate compliance risks which may erode the franchise value of the Bank. These include risks of regulatory sanctions, material financial loss or loss to reputation that the Bank may suffer as a result of its failure to comply with laws, rules, regulations, related self-regulatory organization standards, and codes of conduct applicable to its activities.

Said compliance risks may also arise from failure to manage conflict of interest, treat customers fairly, or effectively manage risks arising from money laundering and terrorist financial activities.

The LANDBANK CMG Head is the designated LANDBANK Group Chief Compliance Officer (CCO) and Anti-Money Laundering Compliance Officer responsible for the compliance functions of the Bank.

The compliance functions have the following key components:

1. Compliance Manual and Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual

- a. The Compliance Manual documents the risk-based Compliance Program of the Bank. It sets the planned activities such as the identification and assessment of new laws, rules and regulations, constructive working relationship with various regulatory agencies and Business Units (BUs), communication and training of Bank personnel on regulations and compliance matters, compliance monitoring and testing, and reporting to Management and the Board of Directors. This allows Bank personnel to keep abreast with new laws, rules and regulations and other regulatory issuances applicable and relevant to the Bank's operations.

The updated Compliance Manual was approved by the OFBank Board of Directors in August 2021.

- b. The MTPP Manual embodies the comprehensive and risk-based operating policies and procedures geared towards the promotion of high ethical and professional standards and the prevention for intentional or unintentional for Money Laundering/Terrorism Financing/Proliferation Financing activities.

2. Identification and Assessment of Compliance Risk, Monitoring Compliance and Reporting

The LANDBANK CMG undertakes the identification and compliance risk assessment of laws, rules and regulations including Anti-Money Laundering/Counter-Terrorism Financing and other areas with exposure to compliance risks. These are disseminated through Compliance Bulletins which contain identified regulatory requirements to help update personnel on new regulatory issuances. Actions taken or the Action Plan are monitored and validated by the LANDBANK CMG.

To further check and ensure compliance, different compliance testing approaches including AML/CTPF Compliance Testing (ACT) suited to the identified and assessed regulatory risks are adopted. Pre-testing which involves the checking of initial actions taken or the plan of action to implement the requirements is conducted on new regulatory issuances. Likewise, periodic testing is undertaken to regularly check compliance with existing laws, rules and regulations. A more detailed review of areas/activities that are identified to be exposed or vulnerable to high compliance risk is also in place.

As system owner and application administrator of the New AML System, the LANDBANK CMG reviews and submits OFBank Covered Transaction Reports (CTRs) and Suspicious Transaction Reports to AMLC, and monitors system-generated transaction alerts, among others.

The LANDBANK Group CCO or the designated representative reports to the OFBank Management Committee and to the Board through its Audit Committee. Among those that are regularly reported to the Committees are the following: compliance with new laws, rules and regulations relevant to its business operations, compliance testing results and corrective measures taken, the general status of the Bank's regulatory compliance, and areas with compliance vulnerabilities and emerging regulatory risk.

3. Training and Communication

Compliance advisories/bulletins and Compliance Nuggets, easy-to-read tidbits of information on significant regulations including AML/CTPF are regularly issued. AML/CTPF training materials are kept updated to ensure that OFBank personnel are aware of the new regulatory issuances.

The Bank's Compliance Point of Contact and LANDBANK CMG representatives hold regular meetings to discuss compliance issues and closely coordinate in managing compliance risk.

4. Constructive Working Relationship with Various Regulatory Agencies

OFBank, through the LANDBANK CMG, maintains a cooperative and constructive working relationship with various regulatory agencies. Open communication, frequent dialogues and consultations to clarify specific concerns on regulations have strengthened and broadened the relationship. The LANDBANK CMG ensures that documents/information and ad hoc reports requested by the regulatory agencies are closely coordinated with OFBank and their timely submission is monitored.

A. AML Governance and Culture, and Description of the Overall Money Laundering/Terrorist Financing (ML/TF) Risk Management Framework to Prevent the Use of the Bank for ML/TF Activities

OFBank has sound risk management policies and practices to ensure that ML/TF/PF risks are identified, assessed, monitored, mitigated and controlled.

The four areas of sound risk management practices are as follows:

1. Board and Management Oversight

The Board of Directors through its AuditCom and Management provide oversight in the implementation of the AML/CTPF policies ensuring that compliance issues are resolved expeditiously.

The LANDBANK CMG functions include, among others, updating of the MTPP Manual; identification and dissemination of the applicable AML/CTPF laws, rules and regulations; conduct of ACT; Training Program development; monitoring of corrective actions taken on the regulatory findings and compliance testing results; reporting of AML/CTPF compliance issues to the OFBank SM and Board through the Audit Committee; and handling the reporting of covered and suspicious transactions to AMLC.

2. Money Laundering and Terrorist Financing Prevention Program (MTPP)

The MTPP includes the policies and procedures on customer identification, transaction monitoring, alert investigation, covered and suspicious transaction reporting, record keeping, retention, training program, and internal audit program.

3. Monitoring and Reporting Tools

OFBank transactions are captured by the LANDBANK AML System, a web-based analytics system that generates CTRs, aggregated customer transactions with multiple accounts and transaction alerts for evaluation to identify red flags for filing of suspicious transactions to AMLC, if warranted.

Likewise, the Audit Command Language is a data extraction and analysis software used for detection, prevention and risk management of possible fraud/AML-related activities on remittance transactions.

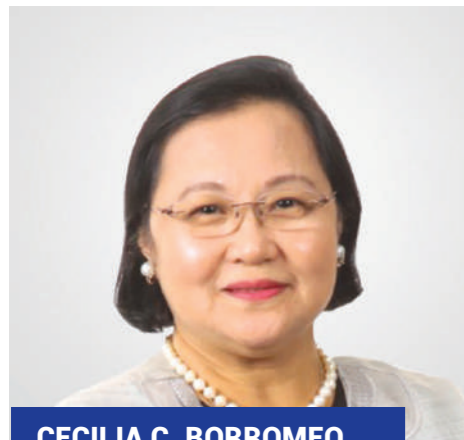
4. Internal Audit

The LANDBANK Internal Audit Group is responsible in the conduct of periodic and independent evaluation on soundness of risk management, degree of adherence to internal control mechanisms related to KYC and due diligence policies and procedures, covered and suspicious transaction reporting, record keeping and retention, efficiency of the electronic money laundering transactions monitoring the system's functionalities and effectiveness of other existing controls on AML/CTPF, among others.

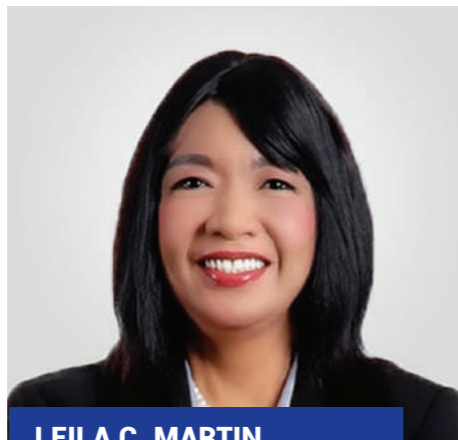
Reaching Filipinos Worldwide through digital banking.



Board of Directors



CECILIA C. BORRROMEO
Chairperson



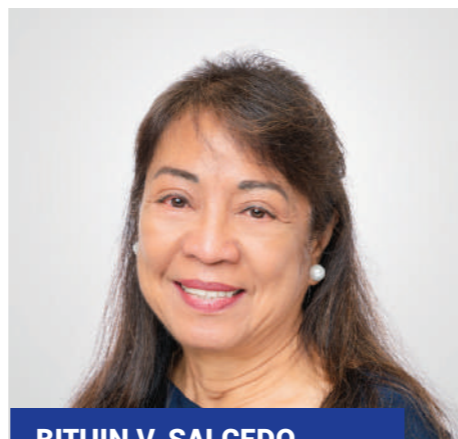
LEILA C. MARTIN
Vice-Chairperson



JULIO D. CLIMACO, JR.
Director, Board Member



ALAN V. BORNAS
Director, Board Member



BITUIN V. SALCEDO
Director, Board Member



LETICIA V. DAMASCO
Director, Board Member



ROBERT L. GOSIOCO
Director, Board Member

Profiles

CECILIA C. BORRROMEO Chairperson

62 years old, Filipino

Ms. Borrromeo holds the distinction of assuming the highest leadership post in the country's two top government banks – the Land Bank of the Philippines (LANDBANK) and the Development Bank of the Philippines. Of her 41 years as a civil servant, more than three decades were spent in development banking, striking a balance between generating profits and advancing economic growth.

Prior to her appointment as President and CEO of LANDBANK, she had been part of the organization for 27 years, holding positions in agricultural and development lending, treasury and investment banking, public sector lending, corporate banking, global banking, wholesale banking, and lending program management.

She completed her Bachelor of Science degree in Agribusiness at the University of the Philippines Los Baños and earned units in Master in Business Administration from the De La Salle Business School. She is a graduate of the Advanced Bank Management Course of the Asian Institute of Management and the Pacific Rim Bankers Program at the University of Washington Executive Education Foster School of Business. She likewise attended the International Study on Rural Banking and Finance at the Massey University in New Zealand.

She was appointed on March 29, 2019 and has served as an OFBank Director for 2 years and 9 months (as of Dec. 31, 2021) with one direct/indirect share held representing a nil percentage of shares held to total outstanding shares of the Bank.

LEILA C. MARTIN Vice-Chairperson

60 years old, Filipino

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. Her skills merited awards of excellence in the fields of audit management, branch banking operation, and project management.

She was appointed as an OFBank Director on Oct. 1, 2019 and 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 Trustees of the LANDBANK Countryside Development Foundation, Inc.

She obtained her Bachelor's Degree in Mass Communication from Pamantasan ng Lungsod ng Maynila and Post Graduate Degree in Business Administration from Colegio de San Juan de Letran. She further expanded her knowledge in the banking industry by attending a rural banking course in Japan and taking up International Study on Rural Banking and Finance at the Massey University in New Zealand.

She has served as an OFBank Director for 2 years and 2 months (as of Dec. 31, 2021) with one direct/indirect share held representing a nil percentage of shares held to total outstanding shares of the Bank.

JULIO D. CLIMACO, JR.
Director, Board Member

64 years old, Filipino

As the Executive Vice President and Head of the LANDBANK Branch Banking Sector, Mr. Climaco spearheads the delivery of financial services to the Bank's mandated and priority sectors, as well as corporate and consumer clients.

Before LANDBANK, he worked at PricewaterhouseCoopers as senior managing consultant. He also worked as a market analyst at the Hong Kong and Shanghai Banking Corporation in Manila and as Research Associate at the Economic Forecasting Unit of the Center for Research and Communication.

He graduated from De La Salle University Manila with a Commerce degree, major in Management of Financial Institutions, and earned Masteral units in Applied Business Economics from the Center for Research and Communication.

He was appointed on Nov. 8, 2017 and has served as an OFBank Director for 4 years and 1 month (as of Dec. 31, 2021) with one direct/indirect share held representing a nil percentage of shares held to total outstanding shares of the Bank.

ALAN V. BORNAS
Director, Board Member

55 years old, Filipino

Mr. Bornas has over three decades of experience in managing and responding to the technical and operational needs of LANDBANK. At present, he leads LANDBANK's Operations Sector and focuses on further improving its technology and operations.

He joined LANDBANK in 1989 as a technical specialist and handled various management positions that allowed him to lead the improvement of the Bank's customer service and business through automation and IT.

He obtained a degree in Computer Science from the University of the Philippines Diliman and completed the Pacific Rim Bankers executive banking course at the University of Washington in 2012.

He was appointed on Nov. 8, 2017 and has served as an OFBank Director for 4 years and 1 month (as of Dec. 31, 2021) with one direct/indirect share held representing a nil percentage of shares held to total outstanding shares of the Bank.

BITUIN V. SALCEDO
Director, Board Member

72 years old, Filipino

Ms. Salcedo has been a Member of the Board of Directors since March 3, 1998 and was a Corporate Treasurer of the Bank from 2002 to 2012.

Prior to joining OFBank, she was the 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 was Finance Officer of Manila Economics and Cultural Office.

Ms. Salcedo obtained her bachelor's degree in Social Work from the University of the Philippines and is a Licensed Social Worker.

She has served as an OFBank Director for 23 years and 9 months (as of Dec. 31, 2021) with one direct/indirect share held representing a nil percentage of shares held to total outstanding shares of the Bank.

LETICIA V. DAMASCO
Director, Board Member

72 years old, Filipino

Ms. Damasco has been a Member of the Board of Directors since July 1, 2016, and now concurrently serves as a director at LBP Leasing and Finance Corporation (LLFC), another LANDBANK subsidiary. She handled different roles during her 32 years with LANDBANK, from which she built a solid banking experience.

Prior to joining the Bank, Ms. 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.

She completed her bachelor's degree in Economics at the Philippine Women's University and her master's degree in Psychology at the Philippine Statesman College.

She has served as an OFBank Director for 5 years and 5 months (as of Dec. 31, 2021) with one direct/indirect share held representing a nil percentage of shares held to total outstanding shares of the Bank.

ROBERT L. GOSIOCO
Director, Board Member

64 years old, Filipino

Mr. Gosioco gained his vast knowledge from holding various banking positions locally and overseas. He previously worked with City Trust Banking Corporation (CTCB) and National Commercial Bank (NCB) in Saudi Arabia where he was assigned in a number of divisions.

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

On Dec. 20, 2019, he was appointed as a Non-Executive Director of OFBank, representing the principal stockholder, LANDBANK. Mr. Gosioco obtained his bachelor's degree in Commerce from St. Louis University.

He has served as an OFBank Director for 2 years (as of Dec. 31, 2021) with one direct/indirect share held representing a nil percentage of shares held to total outstanding shares of the Bank.

Management Team Profiles



LEILA C. MARTIN
President and CEO



JASON L. CABUYAO
Assistant Vice President
and Head of Technology
Management Unit



SOLITA R. VITUG
Assistant Vice President
and Head of Administrative
Services Unit



JOANNA C. SANGRADOR
Bank Officer
and Head of Electronic
Business Unit



PATRIA P. MADRIO
Bank Officer
and Head of Financial
Management Unit



JOSE EMMANUEL C. VALDEZ
Assistant Vice President
and Relationship Officer



MARIA CHONA P. GREGORIO
Bank Officer, Treasurer
and Head of Central Point of
Contact Unit



ATTY. CESAR S. CABAÑES
Corporate Secretary

JASON L. CABUYAO | Assistant Vice President and Head of Technology Management Unit

Mr. Cabuyao held various IT positions in LANDBANK before being designated as the Technology Management Unit Head in OFBank. He is a Certified Ethical Hacker V9 as well as a Certified IT Service Management Payment Card Industry Security Implementer. He was conferred with Certificates on Resilia Foundation, COBIT 5 Foundation, ITIL Foundation, and Lean-Six Sigma Yellow Belt. He earned a bachelor's degree in Biology, Diploma in Business and Development, and completed academic requirements in MS Information Technology from the University of the Philippines, Concordia International College and De La Salle University, respectively. He also has a post-graduate degree in Business Administration from the College of the Holy Spirit Manila.

SOLITA R. VITUG | Assistant Vice President and Head of Administrative Services Unit

Ms. Vitug held various positions in the LANDBANK Internal Audit Group for over 30 years before being assigned as Administrative Services Unit Head in OFBank. She is a Certified Public Accountant, Certified Internal Auditor, Certified Internal Control Auditor, and Certified Forensic Accountant. She completed her bachelor's degree in Commerce major in Accounting at Wesleyan University. She also obtained her post-graduate degree in Business Administration - Middle Managers Program from the Ateneo Graduate School of Business.

JOANNA C. SANGRADOR | Bank Officer and Head of Electronic Business Unit

Ms. Sangrador was Risk Officer of Philippine Postal Savings Bank, Inc. for three years before becoming part of the Management Team when the financial institution transitioned to OFBank. She has over 28 years of experience in the field of banking, including positions in credit risk, lending and banking operation in BDO, Bank of Commerce, and Traders Royal Bank. She obtained her bachelor's degree in Economics from the University of Santo Tomas.

PATRIA P. MADRIO | Bank Officer and Head of Financial Management Unit

Ms. Madrio is a Certified Public Accountant (CPA) who has held various positions in the Accounting Department as well as Comptroller of the Philippine Postal Savings Bank Inc. When PPSBI transitioned to OFBank, she became a member of the Bank's Management Team. She completed a degree in Accountancy at the Polytechnic University of the Philippines.

JOSE EMMANUEL C. VALDEZ | Assistant Vice President and Relationship Officer

Mr. Valdez served as head of various LANDBANK branches in NCR and also consequently as head of the Bank's Anti-Money Laundering Department before being appointed as Relationship Officer of OFBank. He obtained his bachelor's degree in Accountancy from the University of Sto. Tomas, Legaspi City and completed the required number of units for his Master in Business Administration at the De La Salle University. He is a Licensed Fixed Income Market Salesman and a Career Executive Service Board (CESWE) Passer.

MARIA CHONA P. GREGORIO | Bank Officer, Treasurer and Head of Central Point of Contact Unit

Ms. Gregorio has over 17 years of experience in LANDBANK in the areas of Branch Banking, International Trade, Corporate Banking, Treasury Sales, and Trust Banking before being designated as Treasurer and Head of Central Point of Contact Unit in OFBank. She is a Certified Treasury Professional, a Unit Investment Trust Fund (UITF) Trainor and Salesman and a Certified Fixed Income and Money Market Salesman. She completed her bachelor's degree in Accountancy at the University of San Carlos, Cebu, and her master's degree in Business Administration from the Ateneo Graduate School of Business.

Financial Statement

Independent Auditor's Report



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines
Corporate Government Audit Sector
Cluster 1 – Banking and Credit

INDEPENDENT AUDITOR'S REPORT

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)**, a wholly owned subsidiary of Land Bank of the Philippines, which comprise the statements of financial position as at December 31, 2021 and 2020, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the OFB as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the OFB in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

In our report for CY 2020 issued on June 25, 2021, we expressed a qualified opinion on the fairness of presentation of the financial statements as at December 31, 2020 in accordance with PFRSs because the recognized payables to LBP amounting to P193.172 million included in the balances of Accrued Expense Payable and Accounts Payable accounts did not reconcile with the corresponding amount of receivables recognized in LBP's books showing a total variance of P121.284 million, P121.314

million of which were also not supported with complete documents. Hence, we were unable to determine whether adjustments were necessary in respect of the Bank's payables as at December 31, 2020. OFB has performed reconciliation of the variance and adjustments with net credit of P88.343 million were made on the balances of payables accounts in 2020. Accordingly, our present opinion on the 2020 financial statements, as presented herein, is different from that expressed in our previous report.

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 charged 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 accordance with PFRSs.

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 23, and the Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 in Note 27 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue, and complying with the BSP, 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 13, 2022



June 09, 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of OVERSEAS FILIPINO BANK, INC., A Digital 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, 2021 and 2020, 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. BORROMEO
 Chairman of the Board


LEILA C. MARTIN
 President and Chief Executive Officer


PATRIA P. MADRIO
 Head, Financial Management Unit

OVERSEAS FILIPINO BANK
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 As restated
ASSETS			
Cash and cash equivalents	5,18	3,564,311,348	3,344,013,194
Fair value thru other comprehensive income	9	48,994,600	51,506,986
Loans and receivables - net	10	32,088	2,357,110
Property and equipment - net	11	160,368,690	160,283,326
Other Intangible Assets - net	12	18,003,160	6,555,680
Other assets - net	13,18	94,709,655	118,267,960
TOTAL ASSETS		3,886,419,541	3,682,984,256
LIABILITIES AND EQUITY			
Liabilities			
Deposit liabilities	14	2,926,724,148	2,556,674,267
Manager's/Cashier's checks		0	141,859
Accrued expenses	15,18	44,873,153	86,265,836
Other liabilities	16,18	54,757,023	53,577,370
Total Liabilities		3,026,354,324	2,696,659,332
Equity			
Capital stock	17	2,272,008,000	1,000,000,000
Deposit for stock subscription	17	0	1,272,008,000
Retained earnings/(Deficit)	18	(1,410,889,801)	(1,286,986,769)
Other comprehensive income (loss)	19	(1,052,982)	1,303,693
Total Equity		860,065,217	986,324,924
TOTAL LIABILITIES AND EQUITY		3,886,419,541	3,682,984,256

The Notes on pages 74 to 101 form part of these financial statements.

OVERSEAS FILIPINO BANK
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 As restated
INTEREST INCOME			
Loans & discounts		44,913	70,162,739
Investments		1,400,000	1,096,667
Loans and receivables arising from RA/CA/PR/SLB		4,319,536	12,965,416
Due from Bangko Sentral ng Pilipinas		41,953,965	51,928,922
Deposits with banks		170,916	47,913
		47,889,330	136,201,657
INTEREST EXPENSE			
Deposit liabilities		31,533,019	39,978,801
NET INTEREST INCOME		16,356,311	96,222,856
Provision for credit losses	10	1,169,396	0
NET INTEREST INCOME AFTER PROVISION FOR LOSSES		15,186,915	96,222,856
OTHER OPERATING INCOME			
Fees and commission		4,170,356	1,031,268
Foreign exchange gains from revaluation	18	(123)	1,073
Miscellaneous income	20	5,165,014	297,975
		9,335,247	1,330,316
OTHER OPERATING EXPENSES			
Compensation and fringe benefits	21	5,839,859	9,365,840
Provision for probable losses	21	49,162,016	50,313,850
Depreciation and amortization	21	5,695,547	7,201,626
Rent	18	2,078,400	4,210,303
Taxes and licenses	23	1,646,409	5,334,611
Miscellaneous expenses	18,22	84,002,963	71,767,488
		148,425,194	148,193,718
NET LOSS BEFORE TAX		(123,903,032)	(50,640,546)
PROVISION FOR INCOME TAX		0	0
NET LOSS FOR THE PERIOD		(123,903,032)	(50,640,546)
OTHER COMPREHENSIVE GAIN/ (LOSS)	19	(2,356,675)	3,216,572
TOTAL COMPREHENSIVE LOSS		(126,259,707)	(47,423,974)

The Notes on pages 74 to 101 form part of these financial statements.

**OVERSEAS FILIPINO BANK
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF CHANGES IN EQUITY**

December 31, 2021 and 2020
(In Philippine Peso)

	Capital Stock	Deposit for Stock Subscription	Other Comprehensive Income (Loss)	Retained Earnings / (Deficit)	Total Equity
	Note 17		Note 19	Note 18	
Balance as of January 1, 2020, before restatement	1,000,000,000	1,272,008,000	(1,912,879)	(1,260,543,629)	1,009,551,492
Net prior period adjustments				24,197,406	24,197,406
Balance as of January 1, 2020, as restated	1,000,000,000	1,272,008,000	(1,912,879)	(1,236,346,223)	1,033,748,898
Other Comprehensive Income			3,216,572		3,216,572
Net loss for CY 2020, as restated				(50,640,546)	(50,640,546)
Balance as of December 31, 2020, as restated	1,000,000,000	1,272,008,000	1,303,693	(1,286,986,769)	986,324,924
Reclassification of deposit for stock subscription	1,272,008,000	(1,272,008,000)			
Other Comprehensive Income			(2,356,675)		(2,356,675)
Net loss for CY 2021				(123,903,032)	(123,903,032)
Balance as of December 31, 2021	2,272,008,000	0	(1,052,982)	(1,410,889,801)	860,065,217

The Notes on pages 74 to 101 form part of these financial statements.

**OVERSEAS FILIPINO BANK
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		47,798,708	83,547,010
Interest paid		(32,097,542)	(49,191,498)
Fees and Commissions		4,199,276	1,277,526
Miscellaneous Income		5,136,095	51,717
General and Administrative Expenses		(177,362,458)	(278,429,223)
Operating loss before changes in operating assets and liabilities		(152,325,921)	(242,744,468)
Changes in operating assets and liabilities			
(Increase) / Decrease in operating assets			
Loans and Receivables		1,155,625	2,433,304,633
Other Resources		4,627,184	32,423,961
Increase / (Decrease) in operating liabilities:			
Deposit Liabilities		370,811,603	(1,406,842,020)
Treasurer's, Manager's and Cashier's Checks		(141,859)	(3,261,911)
Other Liabilities		395,372	33,962,095
Net Cash Provided by Operating Activities		224,522,004	846,842,290
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	11	(4,379,437)	(145,960)
Disposal of Non-Current Assets Held for Sale		0	354,463,717
Net Cash Provided by/ (Used in) Investing activities		(4,379,437)	354,317,757
EFFECTS OF EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS			
		155,587	(202,220)
NET INCREASE IN CASH AND CASH EQUIVALENTS		220,298,154	1,200,957,827
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
	5	3,344,013,194	2,143,055,367
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	5	3,564,311,348	3,344,013,194

The Notes on pages 74 to 101 form part of these financial statements.

OVERSEAS FILIPINO BANK
(A DIGITAL BANK OF LANDBANK)
NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020
(In Philippine Peso)

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 (BSP) 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.

The Monetary Board (MB) of the BSP, in its Resolution No. 358 dated 25 March 2021, approved the application of the Bank to convert its banking license from a thrift bank to a digital bank license, subject to the fulfillment of certain conditions.

As stated in its Vision/Mission: "OFB is the first digital bank in the country and the official digital bank of the Philippine government committed to provide convenient, reliable and secure banking solutions responsive to the needs of the global Filipinos, focused on developing long-term relationship with customers and other stakeholders through strategic alliances and partnerships. By 2024, OFB 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."

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

As of December 31, 2021, the Bank had six 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 13, 2022.

2. Statement of Compliance and Basis of Financial Statements Preparation

2.1 Statement of Compliance

The Bank's financial statements have been prepared in compliance with 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, 2021.

- a. PFRS 9 (Amendments), Financial Instruments, PFRS 7 (Amendments), Financial Instruments: Disclosures, PFRS 16 (Amendments), Leases, and PFRS 4 (Amendments), Insurance Contracts-Interest Rate Benchmark Reform Phase 2. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments are non-relevant to OFB because it is

exposed to the effects of the LIBOR reform on its financial instruments that will mature post-2021 (the date by which the reform is expected to be implemented) Below are the relevant information about these amendments.

- i. PFRS 9 (Amendments), Financial Instrument. The contractual terms of the borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Bank changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of PFRS 9 are applied to the other changes.
- ii. PFRS 16 (Amendments), Leases-Interest Rate Benchmark Reform Phase 2. When a lease is modified as a direct consequence of the interest rate benchmark reform and the new basis for determining the lease payments is economically equivalent to the previous basis, the Bank remeasures the lease liability to reflect the revised lease payments discounted using a revised discount rate that reflects the change in the basis for determining the contracted cash flows.
- iii. Amendments to PFRS 9, PAS 39 and PFRS 7 – Interest Rate Benchmark Reform Phase 2. 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.

For the year ended December 31, 2021, the interest rate benchmark reform has no impact on the OFB's financial assets and liabilities.

- b. PFRS 16 (Amendments), Leases-COVID-19 Related Rent Concessions beyond June 30, 2021, which was effective from April 1, 2021. The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

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. PFRS 3 (Amendments), Business Combination – Reference to the Conceptual Framework (effective from January 01, 2022). The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent

liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine –IFRIC 21, Levies, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- b. PAS 16 (Amendments), Property, Plant and Equipment – Proceeds Before Intended Use (effective from January 01, 2022). The amendments prohibit 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 cost of producing those items, in profit or loss.
- c. PAS 37 (Amendments), Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (effective January 01, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- d. Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 01, 2022:
 - PFRS 9 (Amendments), Financial Instruments – Fees in the "10 per cent" Test for Derecognition of Liabilities. The improvements clarify the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
 - Illustrative Examples Accompanying PFRS 16, Leases-Lease Incentives. The improvement merely removes potential for confusion regarding lease incentives.
- e. PAS 1 (Amendments), Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective January 01, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- f. PAS 1 (Amendments), Presentation of Financial Statements – Disclosure of Accounting Policies (effective January 1, 2023). The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.
- g. PAS 8 (Amendments), Accounting Estimates – Definition of Accounting Estimates (effective January 01, 2023). The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- h. PAS 12 (Amendments), Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective January 1, 2023). The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

2.4 Foreign currency translation

Foreign currency transactions are accounted for and revalued monthly using the month-end 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) investments, and (3) financial assets at amortized cost.

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 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.

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 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.

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.

2.9 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.

2.10 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 three 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 2021 and 2020, rent expenses were included in the statement of comprehensive income, amounting to P2.08 million and P4.21 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, 2021 are as follows:

Within one year	246,400
	246,600

2.11 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 P1.17 million additional credit losses as of December 31, 2021 computed using Expected Credit Losses Model of Parent Bank. Net carrying value of loans from customers stood at P0.03 million, net of allowance for credit losses amounting to P2.13 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	2021	2020 As restated
Due from Bangko Sentral ng Pilipinas	6	3,163,314,370	2,475,820,036
Due from other banks	7	25,156,645	32,364,991
Loans and receivables arising from RA/CA/PR/SLB	8	375,840,333	835,828,167
		3,564,311,348	3,344,013,194

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:

	2021	2020
Term deposit account	2,000,000,000	0
Demand deposit account	88,314,370	78,820,036
Overnight deposit account	1,075,000,000	2,397,000,000
	3,163,314,370	2,475,820,036

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:

	2021	2020 As restated
Land Bank of the Philippines	25,156,645	32,364,991

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 P375.840 million and P835.828 million in 2021 and 2020, respectively.

9. Fair Value thru Other Comprehensive Income

This account is composed of:

	2021	2020
Investment in Treasury Bills/Fixed Treasury Notes purchased from Security Bank Corp.	48,994,600	51,506,986
Investment in QUEDANCOR Bonds	30,000,000	30,000,000
Allowance for credit losses	(30,000,000)	(30,000,000)
	48,994,600	51,506,986

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. This investment was made for the Bank's Agri-Agra compliance which is now under negotiation for the replacement of QUEDANCOR Restructured Notes.

10. Loans and Receivables - net

This account consists of:

	2021	2020
Loans to Individuals for Other Purposes	2,158,501	3,327,244
Allowance for Losses	(2,126,413)	(970,134)
Net of Allowance	32,088	2,357,110

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:

	2021	2020
Balance, January 01	738,683	969,334,673
Provisions	1,169,396	250,192
Write-Offs	0	0
Transfers and other adjustments	189,534	(968,846,182)
Balance, December 31	2,097,613	738,683

The movement of the general loan loss provisions are:

	2021	2020
Balance, January 01	231,451	8,622,999
Transfers and other adjustments	(202,651)	(8,391,548)
Balance, December 31	28,800	231,451

As to Status:

	2021	2020
Current Loans	0	3,291,339
Non-Performing Loans	2,158,501	35,905
	2,158,501	3,327,244

As to Security:

	2021	2020
Secured Loans	0	0
Unsecured Loans	2,158,501	3,327,244
	2,158,501	3,327,244

11. Property and Equipment - net

This account consists of:

	Land	Building	Furniture Fixture & Equipment	Motor Vehicles	Computer and Peripherals	Totals
Cost						
January 1, 2021	131,008,000	44,116,201	12,647,493	6,286,057	123,034,374	317,092,125
Additions	0	4,083,641	24,000	0	271,796	4,379,437
31-Dec-2021	131,008,000	48,199,842	12,671,493	6,286,057	123,306,170	321,471,562
Accumulated Depreciation/ Allowance for Impairment January 1, 2021	0	21,347,712	11,304,855	6,098,074	118,058,158	158,808,799
Provisions	0	2,583,718	287,522	(75,960)	978,627	3,773,907
Impairment loss	0	0	2,018	0	518,148	520,166
31-Dec-2021	0	23,931,430	11,594,395	6,022,114	119,554,933	161,102,872
Carrying Amount 31-Dec-2021	131,008,000	24,268,412	1,077,098	263,943	3,751,237	160,368,690

	Land	Building	Furniture Fixture & Equipment	Motor Vehicles	Computer and Peripherals	Totals
Cost						
January 1, 2020	131,008,000	44,116,201	28,660,623	9,285,497	128,467,895	341,538,216
Additions	0	0	0	0	145,960	145,960
Disposals	0	0	(15,822,487)	(2,999,440)	(5,579,481)	(24,401,408)
Reclassifications	0	0	(190,643)	0	0	(190,643)
31-Dec-2021	131,008,000	44,116,201	12,647,493	6,286,057	123,034,374	317,092,125
Accumulated Depreciation						
January 1, 2020	0	18,763,994	26,912,606	8,687,512	120,906,512	175,270,624
Provisions	0	2,583,718	482,985	0	1,835,069	4,901,772
Disposals	0	0	(16,090,736)	(2,589,438)	(4,683,423)	(23,363,597)
31-Dec-2020	0	21,347,712	11,304,855	6,098,074	118,058,158	156,808,799
Carrying Amount						
31-Dec-2020	131,008,000	22,768,489	1,342,638	187,983	4,976,216	160,283,326

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.

12. Other Intangible Assets - net

This account is composed of the following:

	2021	2020
Other intangible assets	95,410,918	89,121,798
Accumulated amortization	(67,407,758)	(72,566,118)
	28,003,160	16,555,680
Allowance for losses	(10,000,000)	(10,000,000)
	18,003,160	6,555,680

13. Other Assets - net

This account is composed of the following:

	2021	2020 As restated
Accounts receivables	203,286,864	197,964,704
Stationery and supplies on hand	1,397,390	1,965,127
Accrued interest income from financial assets	1,219,491	829,984
Prepaid expenses	895,894	12,449,509
Documentary stamps on checks	547,756	912,644
Other investments	153,333	153,333
Miscellaneous assets	10,838,880	10,838,880
Sundry debits	38,746,123	6,367,839
	257,085,731	231,482,020
Other Assets - Allowance for Losses	(162,376,076)	(113,214,060)
	94,709,655	118,267,960

Accounts receivable

The Accounts Receivable account includes the amounts relative to cases involving former officers of Postbank branches, to wit: Sorsogon Branch in the amount of P4.10 million and Tacloban Branch of P8.635 million. Appropriate charges were 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 P11.90 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 P2.57 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 amount shall be applied in the future payments of income tax.

Sundry Debits

This is a temporary account used as partner clearing account on transactions resulting to inflow of funds on the Due Other Banks accounts which are cleared the next day.

14. Deposit Liabilities

This account is composed of the following:

	2021	2020
Domestic:		
Savings deposits	2,926,724,148	2,555,944,367
Time certificate of deposits	0	2,012
Foreign:		
Savings deposits	0	630,691
Time certificate of deposits	0	97,197
	2,926,724,148	2,556,674,267

Domestic deposit liabilities earns annual fixed interest rates ranging from 0.05 to 1.5 per cent in 2021 and 2020. Foreign deposits range from 0.05 to 0.75 per cent in 2020.

15. Accrued Expenses

This account represents:

	2021	2020 As restated
Information technology	13,852,904	841,690
Management and other professional fees	11,457,055	66,839,549
Advertising & Publicity	5,334,177	0
Accrued interest expense in financial liabilities	5,024,406	5,588,928
Insurance	2,544,000	2,544,000
Security, clerical, messengerial and janitorial	2,535,166	2,265,291
Fringe benefits	1,856,107	1,374,269
Rent	1,427,351	1,095,261
Power, light and water	141,000	476,717
Repairs and maintenance	82,908	426,815
Postage, telephone, cables and telegrams	67,232	176,118
Salaries and wages	56,970	121,599
Fuel and lubricants	42,764	35,239
Other taxes and licenses	0	3,476,791
Others	451,113	1,003,569
	44,873,153	86,265,836

Others include accruals for fees and commission, stationeries and supplies and miscellaneous expenses.

As of December 31, 2021, the remaining accrual on Early Retirement Incentive Plan is P1.24 million included under Fringe benefits.

16. Other Liabilities

This account comprises of:

	2021	2020 As restated
Accounts payable – others	16,462,152	42,021,749
Due to the Treasurer of the Phil.	3,083,920	851,205
Unclaimed balances	2,191,140	3,368,861
Withholding tax payable	139,600	107,022
SSS, PHIC, Employee Compensation and Pag-ibig Fund Payable	62,950	72,968
Sundry credits	32,715,762	7,054,066
Miscellaneous liabilities	101,499	101,499
	54,757,023	53,577,370

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

The Sundry Credits account is a temporary account used as partner clearing account on transactions resulting to outflow of funds on the Due Other Banks account which are cleared the next day.

17. 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 PPC amounting to P440 million. Additional issuance of 1,310,080 common shares of stock for the National Government was made by PPSBI 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 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 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.

18. Retained Earnings/(Deficit)

In consonance with PAS 8, the balance of this account as of December 31, 2020 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/(Deficit) of the Bank as December 31, 2020 are as follows:

Particulars	Debit	Credit	Balance
Retained earnings/(Deficit), as of January 1, 2020 before restatement			(1,260,543,629)
Adjustments:			
Reversal of various expenses		24,197,406	24,197,406
Retained earnings/(Deficit), as of January 1, 2020, as restated			1,236,346,223
Net loss for CY 2020 before restatement			(126,426,358)
Adjustments:			
Foreign exchange profit (loss)		30	
Management & Other Professional Fees		18,654,133	
Information Technology		45,491,702	
Documentary Stamp Tax		12,181,599	
Rent	541,652		
	541,652	76,327,464	
Net loss for FY 2020, as restated			(50,640,546)
Retained earnings/(Deficit) as of December 31, 2020, as restated			(1,286,986,769)

The effects of these restatements in the financial statements as of and for the year ended December 31, 2020 are summarized below:

	As Previously Reported	Effects of Restatement	As Restated
Changes in the Statement of Financial Position			
Assets			
Cash and cash equivalents	3,344,013,164	30	3,344,013,194
Other assets	106,086,361	12,181,599	118,267,960
		12,181,629	
Liabilities			
Accrued Expenses	174,106,380	(87,840,544)	86,265,836
Other Liabilities	53,538,415	38,95	53,577,370
		(87,801,589)	

	As Previously Reported	Effects of Restatement	As Restated
Equity			
Retained earnings deficit	(1,386,969,987)	99,983,218	(1,286,986,769)
		12,181,629	
Changes in the Statement of Comprehensive Income			
Foreign exchange profit (loss)	1,043	(30)	1,073
Rent	3,668,651	541,652	4,210,303
Miscellaneous expense	148,094,922	(76,327,434)	71,767,488
		(75,785,812)	
Net		(75,785,812)	

19. 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.

20. Miscellaneous Income

This account includes the following:

	2021	2020
Rental income	5,136,095	51,717
Other income	28,919	246,258
	5,165,014	297,975

21. Other Operating Expenses

a. Compensation and fringe benefits

	2021	2020
Salaries and Wages	3,129,509	6,732,185
Fringe Benefits	1,526,342	715,232
Government Contribution	196,008	388,205
Other compensation and benefits	988,000	1,530,218
	5,839,859	9,365,840

b. Provision for probable losses

	2021	2020
Loans to Individuals for Consumption Purposes	0	250,192
Other Assets	49,162,016	50,063,658
	49,162,016	50,313,850

c. Depreciation and Amortization

	2021	2020
Bank Premises, Furniture, Fixtures and Equipment	3,773,907	4,901,772
Other Intangible Assets	1,921,640	2,299,854
	5,695,547	7,201,626

22. Other Comprehensive Income (Loss)

This account is composed of:

	2021	2020 As restated
Management and other professional fees	25,177,067	25,769,492
Documentary stamps used	16,716,539	11,357,432
Information technology	14,693,858	6,980,460
Security, clerical, messengerial and janitorial	6,316,722	7,882,443
Insurance	5,576,363	5,523,067
Advertising and publicity	5,413,390	62,720
Impairment loss	5,240,166	1,037,811
Power, light and water	2,118,230	2,460,609
Stationeries and supplies used	758,197	2,080,790
Fees and commission	508,347	5,430,337
Postage, telephone, cable and telegram	357,831	955,910
Representation & entertainment	342,673	691,158
Fuel and lubricants	258,003	247,369
Membership fees and dues	160,380	251,720
Repairs and maintenance	137,730	654,274
Litigation expense	0	123,998
Travelling expense	40	70,586
Periodicals and magazines	0	740
Other expenses	227,427	186,572
	84,002,963	71,767,488

23. 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:

	2021	2020
Documentary stamp taxes	5,413,833	23,539,031
Final income taxes (1602)	6,419,759	163,371
Income taxes on compensation (1601C)	364,671	436,635
Percentage taxes (2551M)	467,984	3,553,481
VAT & other percentage taxes (1600)	387,967	1,634,062
Creditable income taxes (1601E)	200,849	823,384
Annual registration	500	500
	13,255,563	30,150,464

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 2021 are as follows:

Documents/Transactions	DST Paid
Certificate of time deposits/Other deposits	5,413,833
	5,413,833

b. Other taxes and licenses

In 2021, 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)	467,984
	478,984

c. Withholding Taxes

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

Tax on compensation and benefits	364,671
Creditable withholding taxes	200,849
Final withholding taxes	
Final income taxes	6,419,759
Final withholding VAT	330,892
	7,316,171

24. Related Party Transactions

In the ordinary course of business, the bank has deposits and other transactions in 2021 with its parent, LBP, as follows:

	Transaction Amount
Due from other banks	25,156,646
Accounts Receivable-Others	5,167,015
Deposit liability	2,000,000,000
Accrued expenses	36,707,477
Accounts payable-others	7,105,103
PICS-common stock	1,701,000,000
Interest income	170,916
Fees and Commission Expense	508,347
Interest expense	22,750,000
	3,798,565,504
Breakdown of Accrued Expenses	
Information technology	13,852,904
Management and other professional fees	11,457,055
Stationeries and Supplies	83,651
Fees and Commissions	367,461
Security Services	675,045
Advertising and Publicity	5,334,177
Fuel and Lubricants	6,628
Interest expense	4,930,556
	36,707,477

25. 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, 2021, the Bank outstanding accrual for retired employees pursuant to EO No. 44 series of 2017 is P1.24 million.

26. 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.

27. Basic Quantitative Indicators of Financial Performance

	2021	2020 As restated
	(In percentage)	(In percentage)
Return on average equity	-13.4	-5.1
Return on average assets	-3.3	-1.1
Net interest margin	0.5	2.9
Risk Based Capital Adequacy Ratio	136.73	118.6

28. 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.

29. Reclassification of Accounts

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

30. 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 two 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 parent bank's Risk Management Group (RMG) under the group-wide structure supports the CGRMC in the identification, measurement, monitoring and control of risks. As an independent unit reporting directly to the Board of LBP, the RMG consults with OFB's business units through the Bank's Central Point of Contact Unit (CPCU) 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 are align with the risk tolerance set by the Board. Due to the lean manpower of the Bank, its Management Committee functions as the Assets and Liabilities Committee (ALMC). This Committee is responsible for ensuring that market and liquidity risks are adequately addressed on long-term and daily basis.

The parent bank's Internal Audit Group (IAG) under the group-wide structure, provides another layer for independent check and balance to further strengthen risk controls and compliance. The IAG 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.

The Bank outsources its Legal Office to its parent bank. The unit responsible for this is the Legal Services Group of LBP. It has the primary responsibility of reviewing all Banks' documents for completeness and enforceability under respective legal jurisdiction provided for the Service Level Agreement signed by the Bank.

The Credit Risk Management Department (CRMD) of the RMG reviews the Bank's effective impairment to assure proper loan classification and setting up of valuation reserves.

The Bank estimated a total of P1.17 million additional credit losses as of December 31, 2021 computed using Expected Credit Losses (ECL) Model of parent bank, LBP, with total booked allowance for credit losses of P2.13 million. For the same period, the Bank's Non-Performing Loan (NPL) stood at P2.16 million or 100 per cent of the total loan portfolio.

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	<ul style="list-style-type: none"> • 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)
		<ul style="list-style-type: none"> • 4 (Very Satisfactory) • 5 (Satisfactory)
		<ul style="list-style-type: none"> • 6 (Watchlist)
	Stage 2	<ul style="list-style-type: none"> • 7 (EM) • 8 (Substandard)
	Stage 3	<ul style="list-style-type: none"> • 9 (Doubtful)
		<ul style="list-style-type: none"> • 10 (Loss)

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

Stage	Characteristics	ECL Statement
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):

	2021	2020
Neither past due nor impaired	0	3.291
Past Due but not impaired	0	0
Impaired	2.159	0.036
	2.159	3.327
Less: Specific allowance for credit losses	2.097	0.739
	0.062	2.588

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

	2021	Per cent	2020	Per cent
Secured	0	0	0	0
Unsecured	2.159	100	0.04	100
	2.159	100	0.04	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 validated by the CRMD and escalated to 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, 2021, the Bank's qualifying capital covering credit risk is P839 million. On the other hand, the SBL is pegged at P210 million for direct lending.

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

	2021	2020
Salary-Based General-Purpose Consumption Loans	2.159	3.327
Allowance for Credit Losses	(2.097)	(0.739)
	0.062	2.588

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 and CGRMC 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, 2021, remaining GS classified under FVOCI with average yield to maturity of 3.5 per cent registered an unrealized gain/mark-to-market gain of P1.05 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 Treasurer through the Management Committee 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 Position Matrix (LPM) and the Intraday Liquidity Reports.

The Bank's Board exercises oversight through CGRMC and has delegated the responsibility of managing overall liquidity to the Treasurer and the Management Committee. They are responsible for the daily implementation and monitoring of relevant variables affecting liquidity position. The Treasurer presents to the Management Committee the assets and liabilities position on a regular basis where the Management Committee 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 LPM.

Liquidity Risk Measurement Models

The Bank conducts liquidity gap analysis using the LPM. 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, 2021.

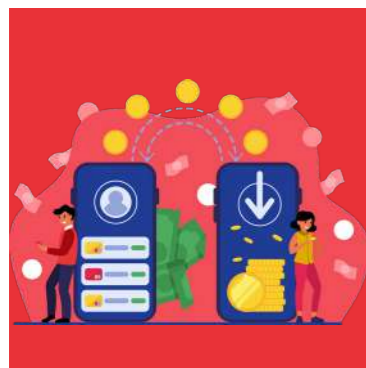
Liquid Assets (Cash and Due From BSP/ Local Bank, Government Securities)	P3,613,305,948
Financial Ratios:	
Liquid Assets to Total Assets	93%
Liquid Assets to Total Deposits	123%

Products and Services



Digital Onboarding System with Artificial Intelligence (DOBSAI)

A secure mobile account opening facility with liveness detection technology that enables account opening anytime, anywhere in 5 minutes or less with no opening deposit and maintaining balance requirement.



Fund Transfer Module

Fast, convenient and secure way of transferring funds between bank accounts. No charges for fund transfers between OFBank accounts and from/to LANDBANK accounts, regardless of the number of transactions. Fund transfers to other commercial bank accounts can also be made subject to applicable charges using InstaPay.



Bills Payment Facility

Hassle-free online payment for hospital bills, utility bills, school tuition, insurance premium, food deliveries and a lot more to over 800 merchants/billers, with just a few clicks on the mobile phone.

Investment Services

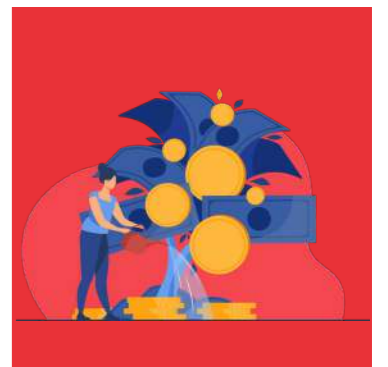
Online access/purchase of low-risk investments for a minimum of P500 and USD300:

a. Retail Treasury Bonds/Premyo Savings Bonds

Peso-denominated medium to long-term debt securities issued by the Republic of the Philippines (ROP) through the Bureau of Treasury (BTr). This is part of the government's savings mobilization program designed to make government securities available to retail investors.

b. Retail Dollar Bonds

US dollar-denominated bonds that are direct, unconditional and general obligations of the ROP. This is offered at a minimum investment of USD300 and increments of USD100 thereafter, with annual interest rates of 1.37% and 2.25% for the five- and 10-year bonds, respectively.



Complementing the major products and services are other MBA functionalities:

- Quick Balance
- Cardless Withdrawal
- Mobilock
- Loan Application
- One-Time PIN (OTP) Generator
- Customer Service

Corporate Information

Ownership	OFBank is a wholly owned and fully controlled subsidiary of LANDBANK.
Bank Website	The OFBank website, www.ofbank.com.ph , contains the Bank's corporate information, products and services, and financial and operational highlights.
Head Office	OFBank Center Liwasang Bonifacio, Ermita, Manila 1000 Philippines
Telephone Number	(632) 8405-7000
Customer Care	Phone: (632) 8405-7000, 1-800-10-405-7000 (PLDT/Smart Toll-Free Number) Email: customer.care@mail.ofbank.com.ph
Acknowledgment	For the OFBank client testimonials, we give special thanks to Desserie O. Bajar, Jojo V. Lastimosa, and Rochel P. Tacardon.





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Regulated by the Bangko Sentral ng Pilipinas