



2022 ANNUAL REPORT
EXTENDING ACCESSIBILITY



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About the Cover

The cover highlights the Bank’s commitment to promote greater accessibility among its clients and partners through its main platform. Its intricate details depict a forward-thinking direction – a path that OFBank continuously embarks on to keep in stride with digitalization and fulfill its mandate of empowering Filipinos around the world.

Core Values

Uphold the highest ethical standards with honesty and integrity

Innovation and creativity to develop reliable products and services for Overseas Filipinos/OFWs and their beneficiaries

Organizational cohesiveness and teamwork based on shared values, shared responsibilities and positive relationships anchored on trust and desire for mutual success

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 officially licensed 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 that provides them 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.

About Overseas Filipino Bank

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.

OFBank has also leveled the investment playing field, enabling Filipinos to grow their hard-earned money and participate in government's economic programs, befitting their status as modern-day heroes and strong economic pillars of the country.

Beyond the business of banking and with the overseas Filipinos' welfare in mind, OFBank also conducts financial literacy webinars to provide valuable money management advice that guide them in making smart decisions that improve their economic condition and eventually achieve financial wellness and success.

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 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.

Chairperson's Message

“Driven to make its mark in the digital banking industry, OFBank also continued to expand its reach to cater to a greater number of OFWs whose unwavering dedication has not only helped support their families, but also contributed in shoring up the local economy.”

The easing of COVID-19 restrictions around the world opened new opportunities for the recovery and growth of our Overseas Filipino Workers (OFWs) and their families. Similarly, this positive development sparked renewed optimism to the Overseas Filipino Bank (OFBank) as it sought greater avenues to address the evolving needs of our priority sector.

In the midst of these recent relaxations, the global market went through continuing transformation as it rides the wave of digitalization. This constant change drives various industries to leverage on the latest technological solutions in order to ensure business viability and maintain their financial momentum. Keeping in stride with this fast-paced evolution, the Bank pursued various innovations with its OFBank Mobile Banking Application (MBA) to deliver more reliable and more accessible digital banking services to our OFWs and their beneficiaries.

OFBank turned the MBA into a more integrative platform as it introduced two new features – the cardless withdrawal, which promotes ease and convenience of cash withdrawal without the need for a physical card, and the virtual card with the digital Card Verification Value (CVV), which beefs up the security of cashless payments and other financial transactions done through the MBA.

Driven to make its mark in the digital banking industry, OFBank also continued to expand its reach to cater to a greater number of OFWs whose unwavering dedication has not only helped support their families, but also contributed in shoring up the local economy. I am glad to note that in 2022, OFBank established its presence in 10 different regions, bringing the total number of countries and territories it has reached to 126. This reflects the Bank's steadfast commitment to promote financial inclusion even beyond borders and boundaries.

Consistent with the Bank's unique mandate as a digital bank of the Land Bank of the Philippines (LANDBANK), OFBank also provided its clients with a fixed-income opportunity that enabled them to attain greater financial stability while taking part in resiliency programs that aid the country's economic recovery.

Through the OFBank MBA, the Bank offered investment instruments of the National Government, particularly the Bureau of the Treasury's Retail Treasury Bonds (RTB) 27 and RTB 28.



The P41.33 million invested by OFBank's clients in these government securities serves as a testament of their confidence and faith in the government's noble initiative to strengthen the country's resilience and contribute to its development.

I extend my heartfelt gratitude to our Board of Directors, senior management, and all our stakeholders for their constant trust and support that enabled the Bank to obtain these significant achievements in the past year.

As we march towards a future made brighter by our learnings and experiences, I am confident that OFBank will remain committed to enhancing delivery of accessible and meaningful service while pursuing greater digital innovations for the benefit of our *kababayan* across the globe.

Cecilia

Cecilia Cayosa Borromeo

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



President's Report

The year 2022 ushered endings and new beginnings. The two-year lockdown finally eased up and the global economy opened once again. International borders also eased their restrictions, opening up more opportunities for our *kababayans*. The Department of Migrant Workers reported that around 800,000 Filipinos were deployed abroad in 2022.

Despite the challenges posed by the escalating military conflict between Ukraine and Russia, the middle eastern forces, and other uncontrollable factors, the Filipino spirit lives on in our *kababayans* who braved these dangers just to bring home the much-needed remittances to their families here in the country.

In the face of this volatile environment, the Overseas Filipino Bank (OFBank) continues to improve its operations to allow the seamless delivery of quality and innovative banking services to its stakeholders.

By the Numbers

Digital transactions hiked up in 2022 even as inflation rises in the country. OFBank facilitated a total of 458,090 inbound transactions amounting to P6.61 billion and 1,311,636 outbound transactions amounting to P5.09 billion.

This is largely attributed to the influx of accounts opened and the expanded countries reached. As of Dec. 31, 2022, OFBank opened 110,968 accounts through its DOBS Mobile, reaching Overseas Filipinos and Overseas Filipino Workers in 126 countries.

Consistent with the thrust of its parent bank, the Land Bank of the Philippines (LANDBANK), of aiding the National Government in its development agenda, OFBank also joined in the offerings for the Retail Treasury Bonds (RTB) 27 and 28. A total of 308 investors transacted using the OFBank MBA for the RTB-27, investing a total of P13.06 million, while 663 investors trusted OFBank for its accumulated total investment amounting to P28.27 million.

OFBank continued updating its systems to provide more efficient banking channels to its stakeholders, as well as its growing partnerships with overseas and local merchants.

These are all thanks to the trust that our stakeholders have in us and our products and services.

Through Capacity Building

While we are committed to providing convenient, reliable, and secure banking solutions to all Filipinos, we are also dedicated in cultivating a sustainable financial ecosystem among our stakeholders. More than simply opening up the banking channels for use of our *kababayans*, OFBank also highlighted the importance of educating them on financial management.

The Bank, in collaboration with LANDBANK Overseas Remittance Officers, conducted 975 webinar sessions and Pre-Departure Orientation Seminars (PDOS). In these sessions, the Bank discusses the basic tenets of Savings, Debt Management, and Investment Instruments, among others. This is to ensure that our *kababayans* would not simply go with the flow of the financial mainstream, but swim steadily no matter the circumstances.

In Moving Forward

The world moves forward, adapting to change and creating innovations to make life easier. OFBank will also continue onward—enhancing its operational efficiency and creating new ways to assist our Overseas Filipinos.

Despite the high stakes and competition dynamics in the digital banking sector, I have faith that we can overcome any obstacles with the support of our valued clients, local and international partners, and employees. Your collective efforts and unwavering support play a vital role in our achievements.

For 2023, we anticipate a year of enhanced digitalization and expansion. We will keep on doing an excellent job of developing more innovative solutions and cooperative relationships. Together, let's pave the way for Filipinos everywhere in moving towards digital banking.

Maraming salamat at mabuhay kayo, mga *OFBayanis*!

Leila C. Martin
President and CEO



Financial Highlights

During its third year of operations, OFBank remained dedicated to fulfilling its mandate of serving Filipinos abroad, despite encountering new challenges in the midst of the “new normal” situation and the prospects of economic recovery following the global COVID-19 pandemic. The Bank persevered in its commitment to meet the financial needs of overseas Filipinos, adapt to the changing circumstances, and contribute to the nation’s economic revival in the post-pandemic era.

The Bank posted a net loss of P13.86 million, which is 89% lower than the P130.38 million loss (as restated) from a year ago, primarily due to challenges in its operations. This can be attributed to the growth in interest income related to loans and investments that was significantly higher than expenses, loan loss provisions and costs of outsourced services incurred.

OFBank’s main sources of revenues in 2022 came from interest income generated through the Purchase of Receivable Program (PRP), investments in BSP facilities, Retail Treasury Bonds, and transaction fees.

Total resources increased by 15.6% to P4.49 billion in 2022 from P3.88 billion in 2021 due to capital infusion and a rise in deposit liabilities from individual

accounts. Total equity also registered significant growth by 46% or P392 million from P0.85 billion to P1.25 billion.

The Bank’s Capital Adequacy Ratio (CAR) of 53.1% is above the required minimum set by the BSP. The CAR measures the Bank’s capital and assesses its capability to absorb a reasonable amount of losses.

The asset quality ratios, which indicate the credit risk associated with the Bank’s assets, showed 0.6% non-performing loans as of Dec. 31, 2022, all of which are fully provided for by allowance. The Non-Performing Assets (NPA) constitute only 0.87% of the total gross assets.

Regarding management, the Bank effectively managed its administrative expenditures, which accounted for 72.9% of total expenses but represented only 78% of gross revenues.

Liquidity ratios demonstrated a high percentage for the year 2022, and the same is expected to increase, anticipating additional funds from depositors.

Financial Summary

	2022 (Audited)	2021 (Restated)
Profitability		
Total Net Interest Income	136,653,624	16,356,311
Total Non-interest Income	30,687,369	10,610,987
Total Non-interest Expenses	181,199,649	157,353,281
Pre-provision profit (Loss)	53,426,967	(80,054,571)
Allowance for Credit Losses	67,285,623	50,331,412
Net Income (Loss)	(13,858,656)	(130,385,983)
Selected Balance Sheet Data		
Liquid Assets	2,339,586,589	3,613,305,948
Gross Loans	1,866,120,069	2,158,501
Total Assets	4,490,042,694	3,884,879,455
Deposits	3,056,725,993	2,926,724,148
Total Equity	1,245,226,206	853,582,266
Selected Ratios		
Return on Equity	-1.32%	-13.90%
Return on Assets	-0.33%	-3.40%
CET 1 Capital Ratio	52.20%	136.10%
Tier 1 Capital Ratio	52.20%	136.10%
Capital Adequacy Ratio	53.10%	136.10%

	2022 (Audited)	2021 (As Restated)	Growth Rate (%)
Gross Revenues	194,119,859	58,500,317	232%
Total Expenses	207,978,515	188,886,300	10%
Net Loss	(13,858,656)	(130,385,983)	
Net Income/(Loss) After Other Comprehensive	(16,348,060)	(132,742,658)	-88%
Income/(Loss) (if applicable)			

Total Resources	4,490,042,694	3,884,879,455	16%
Total Liabilities	3,244,816,488	3,031,297,189	7%
Total Equity	1,245,226,206	853,582,266	46%

KEY PERFORMANCE RATIOS AND INDICATORS

CAPITAL ADEQUACY	
Capital Adequacy Ratio (CAR)	53.10%
Capital (Tier 1) (P'000)	1,225,610
Equity to Total Assets	27.73%
ASSET QUALITY	
Past Due Ratio	0.94%
NPL Ratio – Gross	0.60%
NPL Ratio – Net	0
NPL Coverage	104.75%
NPA to Gross Assets	0.87%
NPA Coverage	101.30%
Loan Loss Reserve to Total Loan Portfolio	1.68%

KEY PERFORMANCE RATIOS AND INDICATORS

MANAGEMENT

Administrative to Total Expense	72.92%
Overhead Cost to Gross Revenue	78.01%

EARNINGS/PROFITABILITY

Net Income/(Loss) (P'000)	13,859
Return on Assets	0.33%
Return on Equity	-1.32%
Net Interest Margin	3.50%

LIQUIDITY

Loans to Deposits	61.05%
Liquid Assets to Deposits	76.54%

Capital and Capital Ratios

As of Dec. 31, 2022, OFBank's paid-up capital amounted to P2.68 billion, with net capital reaching P1.24 billion. This represents an increase of P391 million compared to the previous year, primarily due to capital infusion.

Consistent with BASEL III and BSP regulations, the table below provides the details and composition of the Bank's comparative common equity tier 1 (CET 1) capital, regulatory deductions, and total qualifying capital for 2022 and 2021 (amounts in P millions):

	2022	2021
Tier 1 Capital		
Common Equity Tier 1 (CET 1) Capital		
Paid-up Common Stock	2,680.00	2,272.00
Deposit for Common Stock Subscription	0	0
Retained Earnings/(Deficit)	-1,417.37	-1,286.99
Undivided Profits/(Losses)	-13.86	-130.38
Other Comprehensive Income	-3.54	-1.05
Total	1,245.23	853.58
Regulatory Deductions from CET 1 Capital		
a. Unsecured DOSRI Loans	0	0
b. Deferred Income Tax	0	0
c. Other intangible assets	19.62	18.00
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	19.62	18.00
Net CET 1 Capital	1,225.61	835.58
Additional Tier 1 Capital	-	-
Total Tier 1 Capital	1,225.61	835.58
Tier 2 Capital		
General Loan Loss Provision	19.52	.42
Total Tier 2 Capital	19.52	.42
Total Qualifying Capital	1,245.13	835.62

The Bank's total CET 1 capital increased by 49% in 2022 to P1.25 billion from P0.84 billion the previous year due to capital infusion.

The full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements is as follows (amounts in P millions):

	2022			2021 (As Restated)		
Account Description	Regulatory Capital	Reconciling Items	Audited Financial Statements	Regulatory Capital	Reconciling Items	Audited Financial Statements
Paid-up common stock	2,680.00		2,680.00	2,272.01		2,272.01
Deposit for Common Stock Subscription	-		-	0		0
Paid-in Surplus	-		-			
Retained earnings/(Deficit)	-1,417.37	0	-1,417.37	-1,286.99	0	-1,286.99
Revaluation Increment						
Undivided profits/(Losses)	-13.86	0	-13.86	-123.90	-6.48	130.38
Other Comprehensive Income						
Net unrealized gains or(losses) on AFS securities	-3.76	0	-3.76	-1.01		-1.01
Remeasurement of retirement benefit obligation		0				
Currency Translation Difference	-.22	0	-.22	-.05		-.05
Others						-
Deductions	-19.61	0	-19.61	-18.00		-18.00
Tier I (CET 1) capital/Total equity	1,225.61	0	1,225.61	842.06	-6.48	835.58
Tier 2 Capital	19.52	0	19.52	.04		.04
Total Qualifying Capital/Total equity	1,245.13	0	1,245.13	842.10	-6.48	835.62

There was an increase in total risk-weighted assets (RWA) of 282.01%, rising from P614.33 million to P2,346.80 million in 2022, driven by the implementation of the Purchase of Receivable Program (PRP).

	OFBank		Parent	
	2022	2021	2021	2020
Risk-Weighted Assets				
Credit Risk-Weighted Assets				
Total Risk -Weighted On-Balance Sheet Assets	2,201.11	277.87	837,718.96	781,886.08
Total Risk-Weighted Off-Balance Sheet Assets	0	0	70,103.62	43,579.32
Total Counterparty Risk-Weighted Assets in the Trading Books	0	0	-	580.95
	2,201.11	277.87	908,179.30	826,371.62
Less: Gen. Loan Loss Provision (in excess of the amount permitted in Tier 2)	0		1,001.28	2,018.51
Total Credit Risk-Weighted Assets	2,201.11	277.87	907,178.02	824,353.10
Market Risk-Weighted Assets				
Interest Rate Exposures	0	0	3,289.35	1,106.55
Equity Exposures	0	0	-	297.14
Foreign Exchange Exposures	0	0	2,159.66	2,026.70
Options	0	0	10,349.34	11,950.11
Total Market Risk-Weighted Assets	0	0	15,798.35	15,380.50
Total Operational Risk-Weighted Assets	145.69	336.46	109,969.00	97,189.39
Total Risk-Weighted Assets	2,346.80	614.33	1,032,945.37	936,922.99

The CET 1 ratio decreased to 52.20% in 2022 from 136% the previous year, primarily due to an increase in operational risk-weighted assets.

	OFBank		Parent	
	2022	2021	2022	2021
CET 1 Capital Ratio	52.20%	136.00%	17.25%	15.17%
Capital Conservation Buffer	46.20%	130.00%	11.25%	9.17%
Tier 1 Capital Ratio	52.20%	136.00%	17.25%	15.17%
Risk-Based Capital Adequacy Ratio (CAR)	53.10%	136.00%	18.13%	16.05%

OFBank Capital Adequacy Ratio (CAR) for December 2022 decreased in line with the CET 1 ratio to 53.1% from 136% in 2021. However, this ratio still exceeds the BSP requirement of 10%.

Operational Highlights

As the first licensed digital-only, branchless bank in the Philippines, OFBank has the 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 for the Bureau of the Treasury's **Retail Treasury Bonds 27 and 28 (RTB27 and RTB28)** launched in February and November 2022, respectively.

The RTBs allow retail investors to mobilize and grow their savings while helping fund the National Government's recovery and resiliency programs.

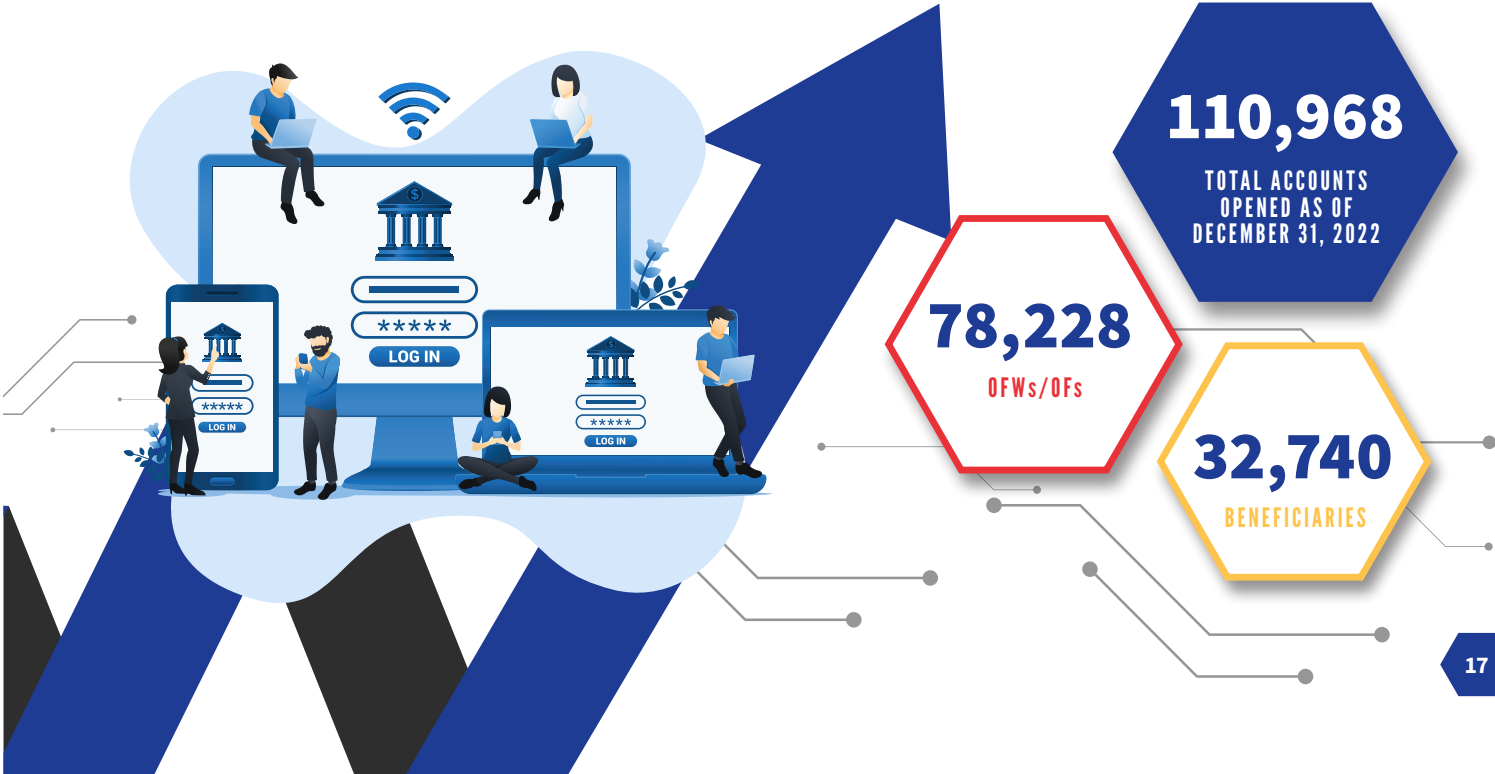
The RTBs, which are available at a minimum investment of P5,000 and increments of P5,000 thereafter, can be purchased using the OFBank Mobile Banking Application (MBA). Investors' account with OFBank may be used for settlement of the RTB purchased and crediting of its quarterly interest and principal maturities.

Asset Improvement and Maximization of Profit

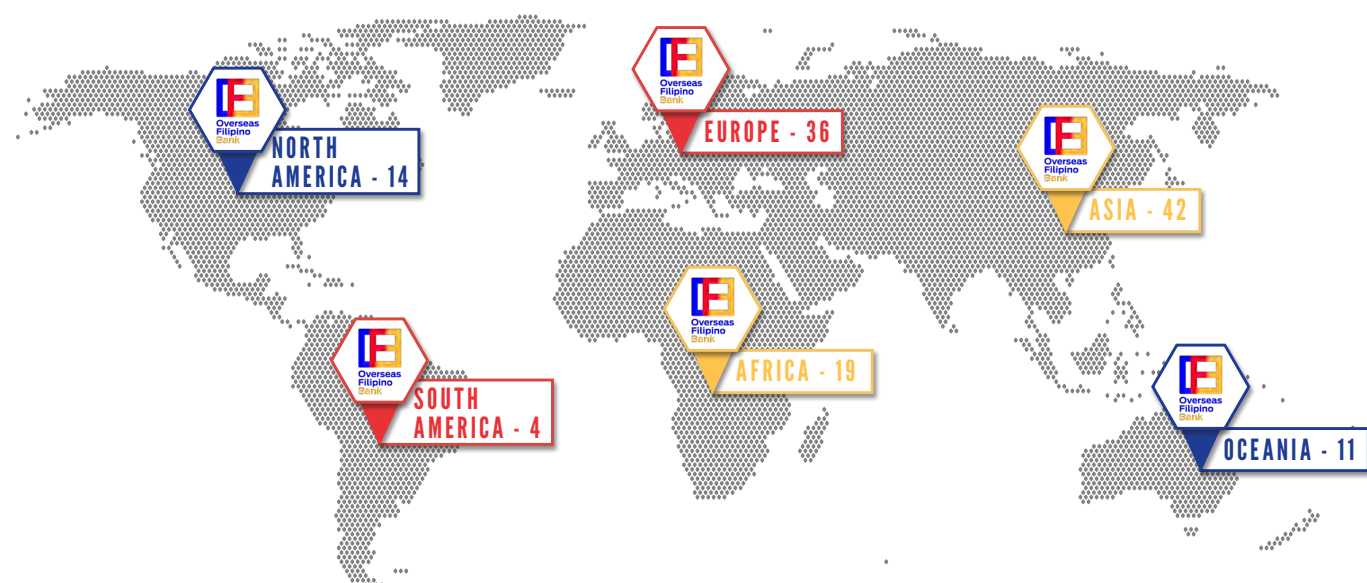
In line with the Bank's goal of improving its assets and maximizing its profitability, OFBank purchased the Salary Loan Accounts of LANDBANK under the Purchase of Receivable Program. A total of P1.9 billion of choice Salary Loan accounts was bought in 2022.

Wider Network, Higher Gains

With the increasing consumer preferences for digital interactions, OFBank facilitated the opening of 110,968 accounts through its Digital Onboarding System with Artificial Intelligence (DOBSAI) and obtained a **160.3%** growth in terms of total number of accounts opened in 2022.



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



AFRICA

1. Algeria
2. Angola
3. Democratic Republic of Congo
4. Djibouti
5. Egypt
6. Ethiopia
7. Gambia
8. Ghana
9. Kenya
10. Lesotho
11. Libya
12. Madagascar
13. Malawi
14. Morocco
15. Nigeria
16. Rwanda
17. South Africa
18. Sudan
19. Zambia

ASIA

1. Afghanistan
2. Armenia
3. Bahrain
4. Bangladesh
5. Brunei Darussalam
6. Cambodia
7. China
8. Cyprus
9. East Timor
10. Hong Kong
11. India
12. Indonesia
13. Iran
14. Iraq
15. Israel
16. Japan
17. Jordan
18. Kazakhstan
19. Kuwait
20. Kyrgyzstan
21. Laos
22. Lebanon
23. Macau

24. Malaysia
25. Maldives
26. Mongolia
27. Myanmar
28. Nepal
29. Oman
30. Pakistan
31. Philippines
32. Qatar
33. Saudi Arabia
34. Singapore
35. South Korea
36. Sri Lanka
37. Syria
38. Taiwan
39. Thailand
40. Turkey
41. United Arab Emirates
42. Vietnam

EUROPE

1. Albania
2. Austria
3. Belarus
4. Belgium
5. Bulgaria
6. Croatia
7. Czech Republic
8. Denmark
9. Finland
10. France
11. Germany
12. Greece
13. Hungary
14. Iceland
15. Ireland
16. Italy
17. Lithuania
18. Luxembourg
19. Malta
20. Moldova
21. Monaco
22. Netherlands
23. Norway
24. Poland
25. Portugal

26. Romania
27. Russia
28. Serbia
29. Sint Maarten
30. Slovak Republic
31. Slovenia
32. Spain
33. Sweden
34. Switzerland
35. Ukraine
36. United Kingdom

NORTH AMERICA

1. Aruba
2. Bahamas
3. Barbados
4. Bermuda
5. British Virgin Islands
6. Canada
7. Cayman Islands
8. Costa Rica
9. Cuba
10. Jamaica
11. Mexico
12. Trinidad and Tobago
13. Turks and Caicos Island
14. United States of America

SOUTH AMERICA

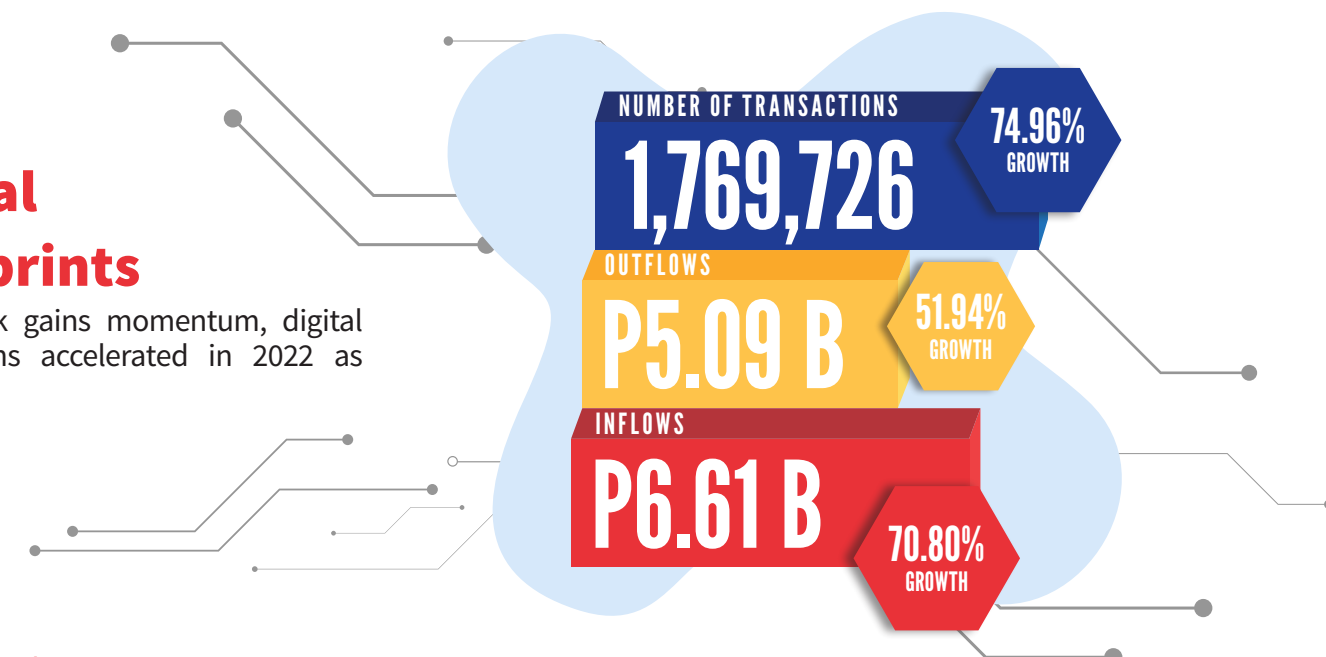
1. Argentina
2. Brazil
3. Chile
4. Uruguay

OCEANIA

1. American Samoa
2. Australia
3. Cook Islands
4. Fiji
5. Guam
6. Marshall Islands
7. New Caledonia
8. New Zealand
9. Northern Mariana Islands
10. Palau
11. Papua New Guinea

Digital Footprints

As OFBank gains momentum, digital transactions accelerated in 2022 as follows:



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 within a few minutes.

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 TREASURY BONDS (RTB27 & RTB28)

Similar to Retail Dollar Bonds (RDBs), RTBs are low-risk investment instruments which are direct, unconditional, and general obligations of the Republic of the Philippines. 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 P5,000.00.



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 sessions. As of end-2022, the Bank conducted 975 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), Overseas Workers Welfare Administration (OWWA), and other government and private organizations.

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 394 non-technical issues and 2,664 systems and technical-related issues were received in 2022 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 866 respondents, 400 gave OFBank an excellent rating.

CUSTOMER SATISFACTION SURVEY 2022



RATING	RESPONSES	PERCENTAGE
Excellent	400	46%
Satisfactory	358	41%
Fair	52	6%
Needs Improvement	56	7%
TOTAL	866	100%

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 issues and concerns of OFBank clients.

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 Digital Product Marketing Department provided 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 its 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-2022, a total 139 of 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.

An additional of 82 merchants and billers were on-boarded to OFBank MBA, which resulted in a total of 188 as of end of 2022, effectively eliminating geographical boundaries.

Value-added solutions were likewise introduced to further benefits clients such as:

1. Cardless ATM withdrawal which provides client's access to his/her own deposit account and enables withdrawal of cash via ATM without the need for a card
2. Virtual Card with the digital Card Verification Value (CVV)

Maximizing Social Media Platforms

In today's business landscape, social media has been proven to be effective in connecting with and engaging 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.



Customer Care Center

OFBank's digital customer service received a total of 45,236 inquiries, incidents and requests from clients. Majority or 79% (35,817) of the total volume came via email and the remaining 21% or 9,419 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 and updating of information. There were also queries on the financial transactions such as fund transfer validation and fund transfer/bills payment, and on log-in such as user ID retrieval, forgot password, and OTP generator.

MONTH	EMAIL	SOCIAL MEDIA	PHONE	TOTAL
January	2,481	1,065	3	3,549
February	1,764	1,001	2	2,767
March	3,268	182	2	3,452
April	3,049	56	5	3,110
May	2,973	746	31	3,750
June	3,174	991	28	4,193
July	2,559	701	50	3,310
August	2,755	759	19	3,533
September	3,521	1,725	17	5,263
October	3,716	749	15	4,480
November	3,289	723	19	4,031
December	3,269	517	13	3,799
TOTAL	35,817	9,215	204	45,236

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 (ORO) 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 Center and other units concerned. The OROs also assist the customers in following through on their pending requests, helping the Customer Care Center 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.

Information Technology and Bank Automation Process

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.

Among the enhancements implemented in 2022 to further the Bank's digital operation are the following:

IT PROJECTS AND INITIATIVES IMPLEMENTED IN 2022

NAME OF PROJECT/INITIATIVE	DESCRIPTION	IMPLEMENTATION DATE
1. OFBank Mobile Banking Application (MBA) Enhancements		
a. Facility for Treasury Bonds in the OFBank MBA	Retail Treasury Bond 28	August 22, 2022
b. Digital Card Verification Value (CVV) in MBA	Exposing of the existing CVV in the MBA	October 10, 2022
c. Optical Character Recognition	Enhancement in the Account Opening process	October 10, 2022
d. MBA Retrofit of Account On-boarding Process	Users can perform forgot password and self-unlock with the MBA. They may also delete or continue an existing ongoing account opening application	October 10, 2022
e. Additional Billers in MBA	UCPB Biller 2 and 3 were added in the MBA	December 20, 2022
f. Fund Transfer (FT) and Bills Payment (BP) Parameterized SMS Notification	Enable SMS based on these parameters: P20,000 and above for FT; P5,000 and above for BP	December 20, 2022
g. Transaction History and Favorite Feature in MBA	Display and allow recurring FT and BP transactions to be saved as favorites for future transactions	December 20, 2022
h. SMART SMS Integration in MBA	Utilize Smart Telco as an additional web services platform in the MBA	December 23, 2022
2. OFBank Website	OFBank GAD Corner	November 2022

IT PROJECTS AND INITIATIVES ONGOING IN 2023

NAME OF PROJECT/INITIATIVE	DESCRIPTION
1. OFBank Dollar Account	Enabling of Dollar Account Opening in the OFBank MBA (pending implementation of RDB)
2. UITF Module in the OFBank MBA	This will be an additional investment facility in the OFBank MBA
3. InstaPay Interface Project	This project will enable OFBank to participate in InstaPay as a separate direct entity from LANDBANK for the e-banking channels of participant banks (Aligned with Vocalink 2.0 Project of LANDBANK)
4. PESONet Direct Participation via LANDBANK Sponsorship	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
5. Onboarding of Link.BizPortal Merchants in the Bills Payment module of the OFBank MBA	This project enables OFBank MBA to have more billers/merchants which will give convenience to its existing and future clients



Corporate Social Responsibility

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

The Bank's Corporate Environmental Policy reiterates the incorporation of environmental management practices in all operations, services and decisions. Among the strategies geared towards reduction in fuel and electricity consumption and greenhouse gas emissions which are implemented by the Bank include: office re-layout; restricted access of guests, clients, and other building occupants; carpooling; and electronic processing and approval.

OFBank Sustainability

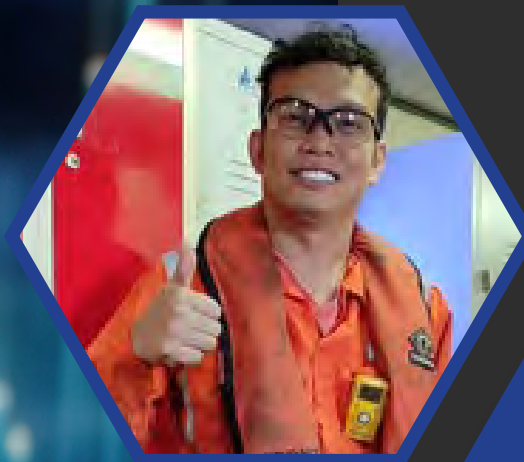
OFBank strengthens its strategies to ensure secure delivery of uninterrupted, secured, and accessible banking services to its clients and stakeholders, as well as to fulfill its role as the official digital bank of the Philippine government, advocating financial inclusion to Filipinos anywhere in the world.

The Bank leverages on technology, not just on the delivery of products and services but also in its operations. It embraces hybrid work schedules, engages in virtual seminars, and online internal communications, among others. As a subsidiary of LANDBANK, it adheres to its parent bank's various initiatives to provide innovative products and services which enable the institution to achieve its commitment to sustainable development and environmental protection.

As OFBank progresses, it will continue to deliver seamless digital products and services to Filipinos around the world, and will remain true to its social mandate of promoting financial inclusion and sustainable development.

OFBank Board has approved the Sustainable Finance Framework (SFF) Transition Plan on September 23, 2022 and submitted the same to the BSP on October 3, 2022, relative to the Bank's compliance with BSP Circular No. 1085. In line with this, the Bank has already incorporated in the performance evaluation Key Result Area (KRA) of its employees 5% weight to the compliance to this circular. The rest of the compliance is embodied in the SFF roadmap with target full implementation in 2023.

Client Testimonials



Uley E. Carbonquillo

PH Address: Daanbantayan, Cebu and Toledo City, Cebu
Country of work: Qatar
Occupation: Multi-Skilled Technician
No. of years as OFW: 8 Years
No. of years as OFBank client: 2 years
MBA feature used frequently: Fund Transfer

"I remember it was around Feb. 2021 that I decided to open an account in OFBank through their constant online awareness seminars. Since then, I am thankful to this Bank as they helped me a lot when it comes to my financial transactions from salary remittance to online fund transfers."

For me, the best service that OFBank has offered is the overall program and application they maintained, plus all the accommodating representatives who are always ready to answer my query.

To those who want to save through OFBank, I appeal to you. Don't hesitate to open and save in this Bank. This is a legit banking institution, and this was funded by the Philippine Government. Here in OFBank, you don't need to worry."



Rachel S. Chua

PH Address: Tagum City, Davao del Norte
Country of work: Cambodia
Occupation: Teacher
No. of years as OFW: 5 Years
No. of years as OFBank client: 3 years
MBA feature used frequently: Fund Transfer

"Last 2020, my friend akong nag-encourage sa akin regarding sa OFBank Savings Account. Pwede raw mag-open ng account online, then mobile banking na ang mga transactions na gagawin after successfully done sa pag-process."

Sa pag-open ko ng OFBank account with beneficiaries ang dalawa kong anak, malaki po ang pasasalamat ko sa OFBank Representative na si Sir Francis Gillego Fellone. Siya po ang nag-assist sa amin mula sa pag-open account ng mga anak ko until nakakuha po sila ng ATM card mismo sa LANDBANK na malapit sa lugar namin. Salamat po, Sir Francis!

Mula noon, nag-continue na ang mga padala ko from my salary bank account dito sa Cambodia to OFBank account sa Pinas. Sobrang satisfied ako sa mga transactions ko kasi napakadali at convenient niya. Anytime, anywhere pwede ako mag-transfer ng money sa mga anak ko."

Honestly, malaking tulong sa amin ng mga anak ko ang OFBank. Walang charge, madali, maaasahan at convenient talaga siya. Mamonitor din ang account namin because of the mobile banking."

Maraming salamat, OFBank. God bless and more power!"

"I have been using the Overseas Filipino Bank Mobile Banking App since 2020. In my experience until now, this system is more reliable, can be trusted and user-friendly. It is the safest and faster in means of remittances to our family and friends in the Philippines."

With the mobile app, I can transfer money in any bank or send remittances in a minute and the charge for transfer is cheaper compared to other companies. Highly recommend it to all OFW."



Rommel C. Balistoy

PH Address: Bilar, Bohol and Tagbilaran City, Bohol
Country of work: Nice, France
Occupation: Personal Assistant
No. of years as OFW: 29 Years
No. of years as OFBank client: 2 years
MBA feature used frequently: Fund Transfer

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 is accountable to OFBank (as well as to LANDBANK), and is responsible for the actions of the Management, which implements policies and strategic directions emanating from the Board. The Directors are also accountable in assigning responsibilities and measuring results, while balancing the interest of the owner and stakeholders.

3. Transparency

This requires the Board to ensure timely and accurate disclosure on all material matters, such as the financial condition, performance, ownership, and governance of the corporation. 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 delegating its 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 liaises

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 between LANDBANK and OFBank and Service Level Agreements between OFBank and respective LANDBANK Groups.

The CPC reports directly to the President and CEO of OFBank. 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 Chairperson of the Board and the President and CEO are two distinct individuals with clearly delineated duties and responsibilities.

While the Chairperson 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 aforementioned five units of the Bank that supports the three Board-level committees.

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: 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 Board/Trustees of GOCCs, Subsidiaries, and Affiliates.

BOARD'S OVERALL RESPONSIBILITY

Consistent with the provisions of Section 132 of the MORB, the OFBank Board 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 2022, 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. To deliver long-term success, the Board has put in place a sound corporate governance framework that strongly adheres to ethical standards and complies with legal, institutional, and regulatory requirements.

The Board approves the selection of the Bank's Management Team as well as oversees their functions and performance. Overall, the Board directs how OFBank operates and how it aligns with the interest of all its stakeholders.

The members of the OFBank Board are expected to abide by the following:

1. Remain fit and proper for the position for the duration of his/her term.
2. 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.

3. Act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholder and other stakeholders such as its depositors, investors, borrowers, other clients, and the general public.
4. Devote the necessary time and attention to properly discharge his/her duties and responsibilities.
5. 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.
6. 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.
7. 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/her 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.
8. Have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of OFBank's Articles of Incorporation and By-laws, requirements of the BSP and pertinent government agencies.
9. 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.
10. Ensure the continuing soundness, effectiveness, and adequacy of the Bank's control environment.
11. 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.
12. 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

1. 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, 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.

2. Vice-Chairperson (Executive Director)

The Vice Chairperson of the Board of Directors is the Bank's President and CEO. In the absence of the Chairperson 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.

3. Non-Executive Directors

The non-executive directors shall perform the duties and responsibilities of a director as prescribed under the Bank's Manual on Corporate Governance, 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.

4. 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.

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.

Based on the OFBank's By-laws, the members of the Board representing the DOLE, OWWA and Overseas Filipinos shall be appointed by the President of the Philippines. Subject to their individual confirmation by the BSP in accordance with applicable regulations, they shall be deemed designated as the Bank's Independent Directors.

Pursuant to BSP Circular No. 969, Series of 2017, the independent directors are members of the following Board-level committees:

- a. Audit and Compliance Committee (with at least three members, majority shall be independent including the chairperson);
- b. Corporate Governance Committee (with at least three members, majority shall be independent including the chairperson); and
- c. Risk Oversight Committee (with at least three members, majority shall be independent including the chairperson).

BOARD COMPOSITION

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

BOARD COMPOSITION	
LANDBANK President and CEO	Chairperson (Ex-Officio)
OFBank President and CEO	Vice-Chairperson
<ul style="list-style-type: none"> Four LANDBANK-designated Directors; 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, BSP Circular 1127, s. 2021 and other pertinent laws and regulations, the following are the qualifications of the members of the OFBank Board.

1. No person shall be elected or appointed director of the Bank unless he/she is 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, agriculture, agrarian reform, 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.
2. An ex-officio member must be at least a college graduate or have at least five years of experience in business. For an appointive director, he/she must have a college degree with at least five years relevant work experience, except for a sectoral representative who only needs to be a bona fide member of the indicated sector of the association being represented as provided for in the Charter or By-Laws. An appointive director must possess management skills and competence preferably relating to the operations of the Bank.
3. He/She must have attended a special seminar on corporate governance for the Board conducted or accredited by the BSP.

Provided, that the following persons are exempted from complying with the aforementioned requirement:

- a. Filipino citizens with recognized stature, influence and reputation in the banking community, including directors of publicly listed companies in the Philippines, and whose business practices stand as testimonies to good corporate governance. In this respect, the BSP shall consider results of supervisory assessments in evaluating the eligibility of the candidate for the exemption;

- b. Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies. For this purpose, senior officials in the BSP shall refer to those who assumed Managing Director position or higher; or
- c. Former Chief Justices and Associate Justices of the Philippine Supreme Court.

Provided, further, that this exemption shall not apply to the annual training requirements for the members.

- 4. An appointive director 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. He/She shall be equipped with adequate technical training on payments and/or appropriate work experience to be able to understand payment system operations, financial markets, and payment-related risks, and be updated on digital platforms.
- 6. He/She must be fit and proper for the position of a bank director. Following are the matters to be considered in determining whether a directorship position is fit and proper for a specific person:
 - a. integrity/probity;
 - b. physical/mental fitness;
 - c. competence;
 - d. relevant education/financial literacy/training;
 - e. diligence;
 - f. knowledge/experience;
 - g. independence of mind;
 - h. sufficiency of time to fully carry out responsibilities; and
 - i. concurrent positions in the same BSP-Supervised Financial Institution (BSFI) and interlocking positions in other entities that may pose conflict of interest.

Members of the Board shall not be appointed as Corporate Secretary or Chief Compliance Officer.

All members of the LANDBANK Board, including the President and CEO and its other officers, including Appointive Directors in Subsidiaries and

Affiliates shall be qualified by the Fit and Proper Rule issued by the Governance Commission for GOCCs (GCG) approved by the President of the Philippines, including any future amendments and revisions thereof.

The foregoing qualifications for Directors shall be in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws 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.
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.

Risk Management:

1. Recommends for full Board approval of Bankwide 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.

CGRMC COMPOSITION

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

In 2022, the CGRMC issued resolutions covering various areas of concerns amongst which are stress testing of credit and market risks, updated/revised the Bank's Corporate Governance Manual, 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.
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.

AC COM COMPOSITION

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

In 2022, 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. It also updated its committee charter. 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 notation of the regular reports of the CPC Unit, LANDBANK IAG and CMG-RCD, the Committee also deliberated 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 (RPT Com)

Consistent with its function to assist the Board 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 RPT Com 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 RPT Com 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, and policies on conflicts of interest or potential conflicts of interest;
4. Reports quarterly to the Board 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.

RPT COM COMPOSITION

Chairperson	Director Robert L. Gosioco
Members	Director Bituin V. Salcedo
	Director Leticia V. Damasco

TERM OF OFFICE OF THE BOARD OF DIRECTORS

Pursuant to Section 17 of the GOCC Governance Act of 2011, any provision in the Charter, Articles of Incorporation and/or By-laws of the Bank 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 each Appointive Director shall continue to hold office until the successor is appointed and qualified.

Appointment to any vacancy shall only be for the unexpired term of the predecessor. The appointment of a Director to fill such vacancy shall be in accordance with the manner provided for regular nomination, shortlisting and appointment of Appointive Directors.

DIRECTORS' ATTENDANCE AT BOARD AND BOARD-LEVEL COMMITTEE MEETINGS (CY 2022)

Name of Directors	Board Meeting		Corporate Governance and Risk Management Committee		Audit and Compliance Committee		Related Party Transactions Committee	
	(13 Meetings)		(11 Meetings)		(7 Meetings)		(0 Meeting)	
	Attended	%	Attended	%	Attended	%	Attended	%
1. CECILIA C. BORROMEO	13	100.00	N/A	-	N/A	-	N/A	
2. LEILA C. MARTIN	13	100.00	N/A	-	N/A	-	N/A	
3. JULIO D. CLIMACO, JR.	9	100.00	N/A	-	6	100.00	N/A	
4. ALAN V. BORNAS	13	100.00	N/A	-	1	100.00	N/A	
5. BITUIN V. SALCEDO	13	100.00	N/A	-	7	100.00		
6. LETICIA V. DAMASCO	13	100.00	11	100.00	N/A	-		
7. ROBERT L. GOSIOCO	12	92.31	11	100.00	N/A	-		

TOTAL NUMBER OF MEETINGS HELD DURING THE YEAR : 31

Dir. Climaco retired on September 24, 2022

Dir. Bornas was appointed Chairman of Audit and Compliance Committee on October 21, 2022

PERFORMANCE ASSESSMENT PROGRAM

The performance of the members of the Board 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 and 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 2022, 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 programs 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 training 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 to attend ongoing or continuous professional education programs, OFBank abides with the Fit and Proper Rule which refers to a set of standards for determining whether a Director or Executive Officer is qualified to hold a position in a GOCC which shall include, but not limited to, standards on integrity, experience, education, training and competence as such standards are set forth under GCG Memorandum Circular No. 2012-05.

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

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

SUMMARY OF ACTUAL TRAININGS ATTENDED FOR YEAR 2022

2022 SEMINARS/TRAININGS 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/Countering the Financing of Terrorism (AML/CFT)	October 17, 2022	2	LANDBANK	2
		Republic Act No. 9184 and Its 2016 Revised Implementing Rules and Regulations (GOVERNMENT PROCUREMENT REFORM ACT)	May 18, 2022	8	LANDBANK	
2. LEILA C. MARTIN	Vice-Chairperson	AMLC Registration and Reporting Guidelines (ARRG) Webinar for Covered Persons	January 26, 2022	3	AMLC	4
		AML/CTF Fundamentals Webinar	January 27, 2022	3	AMLC	
		Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT)	October 17, 2022	2	LANDBANK	
		Republic Act No. 9184 and Its 2016 Revised Implementing Rules and Regulations (GOVERNMENT PROCUREMENT REFORM ACT)	May 18, 2022	8	LANDBANK	
3. JULIO D. CLIMACO, JR.	Member	Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT)	October 17, 2022	2	LANDBANK	2
		Republic Act No. 9184 and Its 2016 Revised Implementing Rules and Regulations (GOVERNMENT PROCUREMENT REFORM ACT)	May 18, 2022	8	LANDBANK	
4. ALAN V. BORNAS	Member	Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT)	October 17, 2022	2	LANDBANK	2
		Republic Act No. 9184 and Its 2016 Revised Implementing Rules and Regulations (GOVERNMENT PROCUREMENT REFORM ACT)	May 18, 2022	8	LANDBANK	
5. LETICIA V. DAMASCO	Member	Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT)	October 17, 2022	2	LANDBANK	2
		Republic Act No. 9184 and Its 2016 Revised Implementing Rules and Regulations (GOVERNMENT PROCUREMENT REFORM ACT)	May 18, 2022	8	LANDBANK	
6. BITUIN V. SALCEDO	Member	Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT)	October 17, 2022	2	LANDBANK	1
7. ROBERT L. GOSIOCO	Member	Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT)	October 17, 2022	2	LANDBANK	2
		Republic Act No. 9184 and Its 2016 Revised Implementing Rules and Regulations (GOVERNMENT PROCUREMENT REFORM ACT)	May 18, 2022	8	LANDBANK	

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 Governance Commission for GOCCs has the power to recommend the fixing of salaries of the Executive Officers pursuant to the GOCC Governance Act of 2011.

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

All positions in the Bank shall be governed by a compensation and position classification system endorsed by the Board and approved by the GCG based on the qualification standards and a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan shall be comparable with the prevailing compensation plans in the private sector and shall be subject to periodic review without prejudice to yearly merit reviews or increases based on productivity and profitability. It shall however endeavor to make its system conform as closely as possible with the principles under Republic Act No. 6758 (Compensation and Position Classification Act of 1989).

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 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 the Management Committee the vetting of non-material RPTs and confirm all non- material RPTs vetted in accordance with the CASA as presented by the RPT Com. 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	Outstanding Balance as of 31 December 2022
Land Bank of the Philippines	Parent Bank	22-Oct-2021	LANDBANK Deposit Placement of High Yield Deposit Account with OFBank	Existing Deposit Placement Terms and Conditions: Interest rate of 1.25% for 358 days	2,000,000,000.00	2,000,000,000.00
Land Bank of the Philippines	Parent Bank	11-May-2022	Purchase of Receivable Program (Salary Loan) by OFBank from LANDBANK	Purchased without Recourse; A Collection Fee of 1.5% of total the interest collected shall be paid to LANDBANK; Existing Terms and Conditions of the Loan shall be implemented.	1,705,815,066.25	1,864,166,940.66
		15-Jun-2022			248,849,167.76	

SELF-ASSESSMENT FUNCTION

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

Pursuant to Sec. 163 (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 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.

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.

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.

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. 112. 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 2022, 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;
 - d. Identify and assess emerging or increasing consumer risks that affect the BSFI such as through social media monitoring and market monitoring;
3. Ensure that adequate systems and controls are in place to promptly identify issues that affect the consumer across all phases of the relationship with the consumer;
4. Ascertain that weaknesses in the consumer protection practices or consumer protection emerging risks are addressed and corrective actions are taken in a timely manner; and
5. Ensure observance of expectations and requirements prescribed under relevant regulations on compliance and internal audit.

CONSUMER ASSISTANCE MANAGEMENT SYSTEM (CAMS)

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:

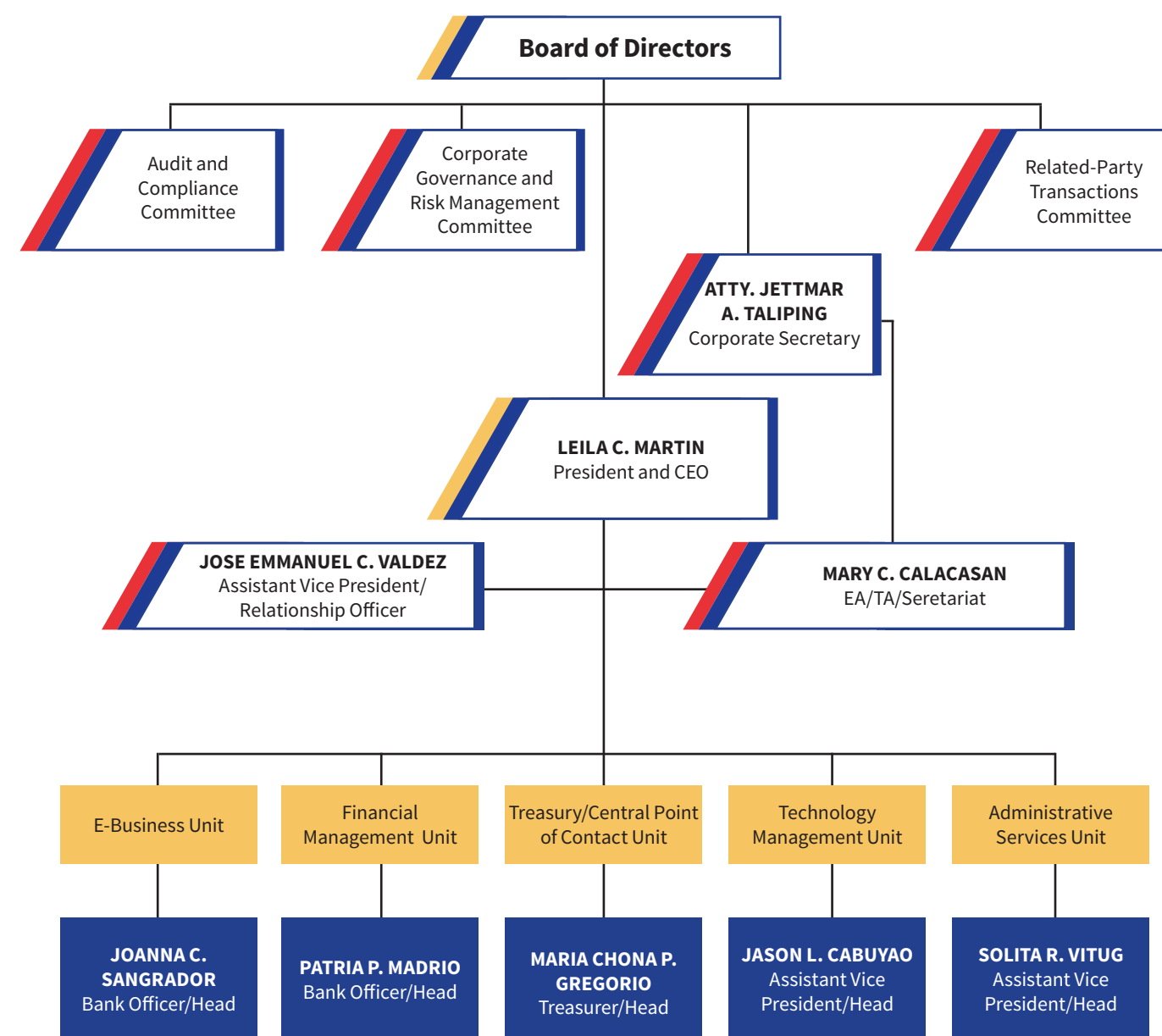
- 1. Receipt, Acknowledgment and Recording of Complaints**
The Bank obtains pertinent information/data from the customer, provides the turnaround time and, if necessary, inform the complainant of the progress and the measures being taken for the complaint's resolution.
- 2. Assessment and Investigation**
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.

Plans and Programs for 2023

PLANS AND PROGRAMS	DESCRIPTION/OBJECTIVES	TARGET DATE OF IMPLEMENTATION
Digital Lending Platform	<p>A lending facility with easy application submission, quick approvals, compliant lending processes, and auto-debit loan payments.</p> <p>It aims to automate the journey from application to loan disbursement and collection, as well as acquire and assess customers faster while enhancing back-office processes and reducing costs</p>	End of third quarter of 2023
Credit Risk Database with Credit Scoring Model applicable for OFWs and Beneficiaries further financial inclusion	<p>Facility that will provide a statistical credit scoring which can be used by OFBank as a source of information to assess the OFWs and beneficiaries capacity to pay.</p> <p>It aims to address the challenges of OFWs and their beneficiaries such as their access to finance due to lack of collateral, inability to provide credit history, and lack of information in assessing credit.</p>	End of fourth quarter of 2023
Direct participation in National Retail Payment System based on ISO 20022 standard	<p>OFBank integration with InstaPay and PESONet, allowing for straight-through processing and interoperability of payment and settlement systems and other financial initiatives</p> <p>It aims to raise OFBank's visibility in InstaPay and PESONet platforms, and improve payment transaction data quality and greater interoperability between international payment schemes</p>	End of second quarter of 2023
Mobile Micro-Insurance	<p>A mobile-based system that enables access to micro-insurance products intended to cover lives and protect the assets of OFs/OFWs and their families from natural disasters, illness, death, accidents amongst others</p> <p>It aims to leverage the mobile infrastructure for micro-insurance product, particularly through:</p> <ol style="list-style-type: none"> 1. Registration via SMS; 2. Facilitation of payment of Insurance premiums; and 3. Facilitation of disbursement of payouts. <p>It also aims to create additional revenue stream for OFBank.</p>	End of second quarter of 2023

Organizational Chart





Risk Management

Risk management is embedded in all the business processes of OFBank's risk-taking activities. OFBank 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 approach to risk management is also aligned with its parent bank, the Land Bank of the Philippines (LANDBANK), which aims to balance risks and rewards by operating within its thresholds and maximizing business opportunities by minimizing losses within its risk appetite. It is governed by the LANDBANK Board-approved Enterprise Risk Management (ERM) system which is anchored on its mission, vision, and strategic objectives. ERM is implemented in three (3) levels namely Strategic, Portfolio, and Transactional levels.

At the **Strategic Level**, the OFBank Board, through its Corporate Governance and Risk Management Committee (CGRMC) and Senior Management, is actively involved in an enterprise-wide risk management oversight that involves formulation and approval of the risk management framework, policies

and strategies, internal controls, and RM systems, as well as annual review and enhancement of the RM process. The OFBank Board and Senior Management are also involved in an organizational-wide risk monitoring which is used as basis for decision-making and review of OFBank's controls/mitigating measures (operational, financial, and compliance control).

At the **Portfolio Level**, the OFBank's Business Unit (BU) Heads oversee the implementation of policies and processes and monitor and report possible breaches. They also recommend policies and process enhancements 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 associated with their operations and immediately escalate to their BU Heads all policy breaches, procedural infractions and related risk occurrences.

Risk Governance Framework

Risk Management involves the oversight function covering risk identification, assessment, measurement, control, monitoring and reporting of risks inherent in all activities of OFBank.

LANDBANK's Risk Governance Framework includes managing risks residing in all its foundation and subsidiaries, which include OFBank. 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 foundation and subsidiaries, and newly acquired entities/institutions in the pursuit of its business goals and objectives.

The LANDBANK Risk Management Group (RMG) performs the independent risk management oversight function for all major risk areas which includes the risks coming from the subsidiaries and foundation that ensures an integrated perspective of risk exposures, both at disaggregated and aggregated levels.

RMG provides risk management oversight to OFBank through the risk Central Point of Contact (CPC), as part of its enterprise-wide risk management. It provides guidance in identifying, measuring, monitoring and reporting, mitigating risk exposures to current and new/emerging risks.

Risk Management Program for Subsidiaries

The implementation of the Risk Management Program for Subsidiaries (RMPS) enables OFBank to ensure that the RM Framework of OFBank is robust and the articulated RM process of identifying, measuring, monitoring and managing risks is aligned with the RM framework of LANDBANK.

The 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 and the foundation.

The RMPS covers the following to mirror LANDBANK's risk management framework:

1. RM Policy, Structure, Roles, and Responsibilities
2. Risk Management Approaches
3. Enterprise Risk Management Approach
4. Risk Management Culture Development in LANDBANK subsidiaries

In 2022, the enhanced RMPS was approved by the LANDBANK RISKCOM to enable LANDBANK (as parent bank) to strengthen its RM oversight on its eight subsidiaries and foundation. Among the enhancements are:

1. Inclusion of the Environmental and Social Risk Management and Business Continuity Management;
2. Enhancement of the roles and responsibilities of all RM Key players to include overall oversight and implementation of sustainability principles, Environmental and Social Risk (E&S risk) objectives and mapping of new/emerging risks such as E&S risk; and
3. Customized ERM Tools and templates based on the size, risk profile, nature/scope of business operations of the eight LBP Subsidiaries including the Foundation.

The following tools facilitate the identification, assessment, mitigation, monitoring and reporting of risks inherent in OFBank's business operations:

OPERATIONAL RISK MANAGEMENT

Pursuant to BSP Circular 900 s. of 2016 re: "Guidelines on Operational Risk Management" and as part of LANDBANK's Risk Management oversight to OFBank, ORMD regularly maintains and updates the subsidiaries' Operational Risk and Loss Database (ORLD).

The ORLD includes relevant information on the risk events encountered by OFBank, including the amount of actual losses, potential losses or near misses, the description of the risk event, frequency and mitigating measures implemented.

The ORLD highlights the brief description of operational risk events in OFBank categorized per Basel 2 risk event categories, amount of potential or actual losses incurred, causes and consequences of the risk event, and actions taken by OFBank Management to mitigate the risk event. These information is collected through the Risk Event Monitoring Report, a reference for building up OFBank's ORLD.

Other ORM tools that are implemented by OFBank include:

1. Risk and Control Self-Assessment (RCSA)
2. Business Continuity Management (BCM)/Business Continuity Plan (BCP)
3. Business Continuity Risk Assessment (BCRA)
4. Business Impact Analysis (BIA)
5. Risk Event Monitoring Report (REM)
6. ICAAP Major Risk Assessment Document for Subsidiaries Risk

INFORMATION SECURITY/IT RISK MANAGEMENT

Information Security-related RM Tool implemented by OFBank, as aligned with LANDBANK, include the Information Security Risk Assessment (ISRA). This is in compliance with 2020 MORB Appendix 75 IT Risk Management Standards and Guidelines (Area: Information Security) which aims for the establishment of a more robust and effective technology risk management processes, governance structures, and cyber security controls.

The ISRA, which includes the accomplishment of the Risk Assessment Register (RAR)/Risk Treatment Register (RTR) templates, is a qualitative and quantitative self-assessment tool used in identifying, quantifying and estimating the magnitude of risks associated with information security assets of the Bank and its subsidiaries. The goal is to determine an acceptable level of risk and selecting appropriate controls on information security assets.

Information security awareness trainings for OFBank, are conducted through virtual trainings and posting of infographics covering topics on securing information assets and resources, password management, common cyber threats, social engineering tactics, risk drivers, red flags, measures/controls, DOs and DON'Ts, and incident reporting for employees to instill in them a strong information security culture.

OFBank systems are covered by LANDBANK security tools/solutions that detect and prevent cyber attacks and provide a secure environment for clients to transact.

CREDIT RISK MANAGEMENT

Credit risk arises from the failure of a counterparty to meet the terms of any contract with the Bank. Credit risk is not limited to the loan portfolio but is found in all the Bank's activities where success depends on counterparty, issuer, or borrower performance. It arises any time the Bank's funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet. The Bank considers its loan portfolio as the major source of credit risk. However, other sources of credit risk exist throughout the activities of the Bank, including the banking and trading books and On- and Off-Balance Sheet transactions.

Management of Credit Risk

Credit risk management aims to adequately manage the risk of financial loss arising from the failure of borrowers or counterparties to settle their obligations in accordance with the terms and conditions of the duly approved contractual agreement.

This involves the identification, measurement and monitoring of actual or potential losses and the implementation of appropriate measures, including the setting up of applicable limits to keep credit risk exposures within the Bank's risk appetite or the acceptable level of credit risk that it is willing to accept in pursuit of its lending plans and programs.

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 framework duly approved by the OFB Board that sets out policies and procedures covering the identification, measurement, control, and monitoring of credit risk.

Credit Risk Monitoring

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. Also, the Bank has continuously adopted a formal reporting system for the Board of Directors and Senior Management to be able to monitor the credit quality of individual and loan portfolios using asset quality indicators such as past-due ratio, NPL ratio, level of non-performing assets, coverage ratio.

MARKET RISK MANAGEMENT

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.

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 the 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

1. Liquidity Position Matrix (LPM)

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.

2. Liquidity Coverage Ratio (LCR)

The LCR is reported monthly to BSP to ensure that the Bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA) to meet liquidity needs for a 30 calendar-day liquidity stress scenario. The Bank computes the LCR using the BSP prescribed formula:

$$LCR = \frac{\text{Stock of HQLA}}{\text{Total Net Cash Outflow over the next 30 calendar days}}$$

Where:

HQLA - Refer to assets that can be converted easily and immediately into cash at little or no loss of value in private markets to meet the Bank's liquidity needs during times of stress.

Total Net Cash Outflows - Pertains to the sum of the stressed outflow amounts less the sum of the stressed inflow amounts, with the inflow amounts limited to seventy-five percent (75%) of outflow amounts.

PARTICULARS	31 DECEMBER 2022 (IN MILLION ₱)
High Quality Liquid Assets	2,186.64
Total Net Cash Outflows	681.21
LCR	320.99%

As of December 31, 2022, the Bank's LCR is higher than the 100% minimum requirement for the CY 2022.

3. Net Stable Funding Ratio

The NSFR is reported monthly to BSP to ensure that the Bank meets the objective to limit overreliance on short-term wholesale funding risk across all on- and off-balance sheet accounts.

The Bank computes the NSFR using the BSP prescribed formula:

$$NSFR = \frac{\text{Available Stable Funding (ASF)}}{\text{Required Stable Funding (RSF)}}$$

Where:

ASF - the portion of the Bank's capital and liabilities that are expected to be reliable sources of funds over a one-year time horizon.

RSF - the amount of funding needed to support the Bank's assets and OBS exposures based on their liquidity characteristics or liquidity risk profile.

PARTICULARS	31 DECEMBER 2022 (IN MILLION ₱)
Available Stable Funding	3,290.56
Required Stable Funding	2,065.05
NSFR	1.59

As of December 31, 2022, the Bank's NSFR is higher than the 100% minimum requirement for the CY 2022.

Compliance Management

In accordance with the LANDBANK Group Centralized Compliance Management Framework (CCMF), the compliance management functions of OFBank are centralized in the LANDBANK Compliance Management Group (CMG). 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

- 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 December 16, 2022.

- 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 and Proliferation of Weapon of Mass Destruction 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 CPC and LANDBANK CMG representatives hold regular meetings to discuss compliance issues and closely coordinate in managing compliance risk.

4. CONSTRUCTIVE 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.

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 through its Audit Committee 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 Senior Management 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.

Board of Directors



CECILIA C. BORROMEO
Chairperson



LEILA C. MARTIN
Vice-Chairperson



JULIO D. CLIMACO, JR.
Director, Board Member



ALAN V. BORNAS
Director, Board Member



ROBERT L. GOSIOCO
Director, Board Member



BITUIN V. SALCEDO
Director, Board Member



LETICIA V. DAMASCO
Director, Board Member

Profiles

CECILIA C. BORROMEO

Chairperson

63 years old, Filipino

Ms. Borromeo holds the distinction of assuming the highest leadership post in the country's two top government banks – LANDBANK and the Development Bank of the Philippines. Of her 42 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 28 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 3 years and 9 months (as of Dec. 31, 2022) 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

61 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 3 years and 2 months (as of Dec. 31, 2022) 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

65 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. He retired from the Bank on Sept. 24, 2022.

Before LANDBANK, he worked at Pricewaterhouse Coopers 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 Bachelor's Degree in Commerce 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 10 months (as of Sept. 24, 2022) 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

56 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 the Bank's 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 was appointed on Nov. 8, 2017 and has served as an OFBank Director for 5 years and 1 month (as of Dec. 31, 2022) 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 December 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 3 years (as of Dec. 31, 2022) 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

73 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 24 years and 9 months (as of Dec. 31, 2022) 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

73 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 6 years and 5 months (as of Dec. 31, 2022) with one direct/indirect share held representing a nil percentage of shares held to total outstanding shares of the Bank.

Management Team



LEILA C. MARTIN
President and CEO



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

43 years old, Filipino

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, Business and Development, and Information Technology from the University of the Philippines, De La Salle University, and Concordia International College, respectively. He also obtained his post-graduate degree in Business Administration from the College of the Holy Spirit Manila.



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

58 years old, Filipino

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, 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.



JOSE EMMANUEL C. VALDEZ
Assistant Vice President
Relationship Officer

44 years old, Filipino

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 is a Licensed Fixed Income Market Salesman and a Career Executive Service Board (CESWE) Passer.

He obtained his bachelor's degree in Accountancy from the University of Sto. Tomas, Legazpi City and completed the required number of units for his Master in Business Administration at the De La Salle University.



PATRIA P. MADRIO
Bank Officer
Head of Financial Management Unit

55 years old, Filipino

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. (PPSBI). 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.



JOANNA C. SANGRADOR
Bank Officer
Head of Electronic Business Unit

49 years old, Filipino

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 operations in BDO, Bank of Commerce, and Traders Royal Bank. She obtained her bachelor's degree in Economics from the University of Santo Tomas.



MARIA CHONA P. GREGORIO
Treasurer
Head of Central Point of Contact Unit

44 years old, Filipino

Ms. Gregorio has over 18 years of experience in LANDBANK in the areas of Branch Banking, International Trade, Corporate Banking, Treasury Sales, and Trust Banking before being designated as the Treasurer and the Head of Central Point of Contact Unit in OFBank. She is a Certified Treasury Professional, a Certified Trust Practitioner, Certified 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 is completing her master's degree in Business Administration in the Ateneo Graduate School of Business.



ATTY. JETTMAR A. TALIPING

Corporate Secretary

36 years old, Filipino

Atty. Taliping has been designated by the LANDBANK Board as the Corporate Secretary of OFBank effective July 1, 2022. He has been with the LANDBANK Office of the Corporate Secretary (OCS) since March 11, 2019 up to present where he performed the role of LANDBANK's Assistant Corporate Secretary.

At present, he is the Head of the LANDBANK OCS - Board and Corporate Governance Unit. He also had the opportunity to head the LANDBANK OCS - Related Party Transactions Unit, in concurrent capacity.

He completed his bachelor's degree in Legal Management at the University of the Cordilleras, Baguio City and his Bachelor of Law/Juris Doctor at the University of Baguio. He passed the bar examinations in 2017. Likewise, he earned units in Management (Major in Business Management) at the University of the Philippines - Manila.

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, 2022 and 2021, 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with 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.

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

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

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

Those charges with governance are responsible for overseeing the OFB's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OFB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimate and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the OFB to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in 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 24, and the Bangko Sentral ng Pilipinas (BSP) Circular No. 1075 in Note 28 to the financial statements is 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


MARIE FRANCES HAZEL S. ACEBEDO
Supervising Auditor

June 30, 2023



June 30, 2023

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, 2022 and 2021, 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.


MA. LYNETTE V. ORTIZ
Chairman of the Board


RANDOLPH L. MONTESA
President and Chief Executive Officer


PATRIA P. MADRIO
Head, Financial Management Unit

OVERSEAS FILIPINO BANK, INC.
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(In Philippine Peso)

	NOTE	2022	2021 As restated
ASSETS			
Cash and cash equivalents	5	880,630,272	3,564,311,348
Fair value thru other comprehensive income	9	46,240,669	48,994,600
Held to Maturity Financial Assets	10	1,412,715,648	0
Loans and receivables - net	11,31	1,834,813,361	32,088
Property and equipment - net	12	154,674,748	157,867,697
Other Intangible Assets (net)	13	19,615,816	18,003,493
Other assets - net	14	141,352,180	95,670,229
TOTAL ASSETS		4,490,042,694	3,884,879,455
LIABILITIES AND EQUITY			
Liabilities			
Deposit liabilities	15	3,056,725,993	2,926,724,148
Accrued expenses	16	116,277,411	49,628,391
Other liabilities	17	71,813,084	54,944,650
Total Liabilities		3,244,816,488	3,031,297,189
Equity			
Capital stock	18	2,680,000,000	2,272,008,000
Retained earnings (deficit)	19	(1,431,231,408)	(1,417,372,752)
Other Comprehensive Income (Loss)	20	(3,542,386)	(1,052,982)
Total Equity		1,245,226,206	853,582,266
TOTAL LIABILITIES AND EQUITY		4,490,042,694	3,884,879,455

The notes on pages 64 to 91 form part of these statements.

OVERSEAS FILIPINO BANK, INC.
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Philippine Peso)

	Note	2022	2021 As restated
INTEREST INCOME			
Loans & discounts		100,958,201	44,913
Investments		22,379,966	1,400,000
Loans and receivables arising from RA/CA/PR/SLB		3,483,243	4,319,536
Due from Bangko Sentral ng Pilipinas		36,593,259	41,953,965
Deposits with banks		17,821	170,916
		163,432,490	47,889,330
INTEREST EXPENSE			
Deposit liabilities		26,778,866	31,533,019
NET INTEREST INCOME		136,653,624	16,356,311
Provision for credit losses	11	29,180,295	1,169,396
NET INTEREST INCOME AFTER PROVISION FOR LOSSES		107,169,582	15,186,915
OTHER OPERATING INCOME			
Fees and commission		22,229,179	4,170,356
Foreign exchange gains from revaluation		(323)	(123)
Miscellaneous income	21	8,458,513	6,440,754
		30,687,369	10,610,987
OTHER OPERATING EXPENSES			
Compensation and fringe benefits	22	7,189,973	5,839,859
Provision for probable losses		38,105,328	49,162,016
Depreciation and amortization	22	7,111,049	5,612,785
Rent		1,893,341	1,921,748
Taxes and licenses		8,691,785	1,834,036
Miscellaneous expenses	23	89,027,878	91,813,441
		151,715,607	156,183,885
NET LOSS BEFORE TAX		(13,858,656)	(130,385,983)
PROVISION FOR INCOME TAX		0	0
NET LOSS FOR THE PERIOD		(13,858,656)	(130,385,983)
OTHER COMPREHENSIVE LOSS		(2,489,404)	(2,356,675)
TOTAL COMPREHENSIVE LOSS		(16,348,060)	(132,742,658)

The notes on pages 64 to 91 form part of these statements.

OVERSEAS FILIPINO BANK, INC.
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Philippine Peso)

	Capital Stock	Deposit for Stock Subscription	Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Equity
	Note 18		Note 20	Note 19	
Balance as of January 1, 2021	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)			0
Unrealized loss on Fair value thru other comprehensive income financial assets			(2,356,675)	(2,356,675)	(2,356,675)
Net loss for CY 2021, as restated				(130,385,983)	(130,385,983)
Balance as of December 31, 2021, as restated	2,272,008,000	0	(1,052,982)	(1,417,372,752)	853,582,266
Additional capital infusion	407,992,000				407,992,000
Unrealized loss on Fair value thru other comprehensive income financial assets			(2,489,404)	(2,489,404)	(2,489,404)
Net loss for CY 2022				(13,858,656)	(13,858,656)
Balance as of December 31, 2022	2,680,000,000	0	(3,542,386)	(1,431,231,408)	1,245,226,206

The notes on pages 64 to 91 form part of these statements.

OVERSEAS FILIPINO BANK, INC.
(A DIGITAL BANK OF LANDBANK)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Philippine Peso)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		154,053,650	47,798,708
Interest paid		(7,775,494)	(32,097,542)
Fees and Commissions		22,229,179	4,199,276
Miscellaneous Income		1,448,408	5,136,095
General and Administrative Expenses		(95,423,557)	(177,362,458)
Operating loss before changes in operating assets and liabilities		74,532,187	(152,325,921)
Changes in operating assets and liabilities			
(Increase) / Decrease in operating assets			
Loans and Receivables		(1,863,961,568)	1,155,625
Other Resources		(36,092,557)	4,627,184
Increase / (Decrease) in operating liabilities:			
Deposit Liabilities		130,001,845	370,811,603
Treasurer's, Manager's and Cashier's Checks		0	(141,859)
Other Liabilities		16,992,400	395,372
Net Cash Provided by/ (Used) in Operating Activities		(1,678,527,694)	224,522,004
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	12	(693,939)	(4,379,437)
Investments in Bonds	10	(1,412,715,648)	0
Net Cash Used in Investing activities		(1,413,409,586)	(4,379,437)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of Common Shares	18	407,992,000	0
Net Cash Provided by Financing Activities		407,992,000	0
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		264,205	155,587
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2,683,681,076)	220,298,154
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,564,311,348	3,344,013,194
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	880,630,272	3,564,311,348

The notes on pages 64 to 91 form part of these statements.

OVERSEAS FILIPINO BANK, INC.
(A Digital Bank of LANDBANK)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
 (All amounts in Philippine Peso unless otherwise stated)

1. Corporate Information

Overseas Filipino Bank, Inc., a Digital 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 (EO) 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 (BSP) 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 EO 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 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, 2022, the Bank had eight 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 30, 2023.

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 applicable accounting principles generally accepted in the Philippines and as set forth in the Philippine Financial Reporting Standards/Philippine Accounting Standards (PFRSs/PASs).

2.2 Basis of Financial Statements Preparation

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

Fair Value through Other Comprehensive Income (FVOCI) are measured at fair value while Loans and Receivables are measured at amortized cost. Held to Maturity Financial Assets are carried at cost less/add premium/discount amortizations. Discount amortization uses the effective interest rate method.

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, 2022.

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 1 – The amendments permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.
- PFRS 9 (Amendments), Financial Instruments –The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- PFRS 16 – The amendments to Illustrative Example 13 accompanying PFRS 16, removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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. PAS 1 (Amendments), Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective January 1, 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.

b. 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.

c. PFRS 4 (Amendments) Extension of the Temporary Exemption from Applying PFRS 9. The amendment changes the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply PFRS 9 for annual periods beginning on or after 1 January 2023.

d. 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".

e. 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.

f. PFRS 17 Insurance Contracts – requires liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. PFRS 17 supersedes PFRS 4 Insurance Contracts as of January 01, 2023.

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.

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.

This account includes digital license fees to be amortized within the remaining life of the corporation.

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.

In 2022 and 2021, rent expenses were included in the statement of comprehensive income, amounting to P1.89 million and P2.08 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.

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 P9.69 million additional credit losses as of December 31, 2022 computed using Expected Credit Losses Model of Parent Bank. Net carrying value of loans from customers stood at P1,834.81 million, net of allowance for credit losses amounting to P31.31 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	2022	2021
Due from Bangko Sentral ng Pilipinas	6	760,024,312	3,163,314,370
Due from other banks	7	31,662,362	25,156,645
Loans and receivables arising from RA/CA/PR/SLB	8	88,943,598	375,840,333
		880,630,272	3,564,311,348

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:

	2022	2021
Term deposit account	397,000,000	2,000,000,000
Demand deposit account	244,024,312	88,314,370
Overnight deposit account	119,000,000	1,075,000,000
	760,024,312	3,163,314,370

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:

	2022	2021
Land Bank of the Philippines	31,662,362	25,156,645

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 88,943,598 and 375,840,333 in 2022 and 2021, respectively.

9. Fair Value thru Other Comprehensive Income

This account is composed of:

	2022	2021
Investment in Treasury Bills/Fixed Treasury Notes purchased from Security Bank Corp.	46,240,669	48,994,600
Investment in QUEDANCOR Bonds	30,000,000	30,000,000
Allowance for credit losses	(30,000,000)	(30,000,000)
	46,240,669	48,994,600

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. Held to Maturity Financial Assets, net

	2022	2021
Retail Treasury Bonds (05-16)	1,290,687,648	0
San Miguel Corporation GP Bonds	59,830,000	0
Robinson Land Corporation Bonds	62,200,000	0
Total	1,412,715,648	0

11. Loans and Receivables - net

This account consists of:

	2022	2021
Loans to Individuals for Other Purposes	1,866,120,069	2,158,501
Allowance for Losses	(31,306,708)	(2,126,413)
Net of Allowance	1,834,813,361	32,088

On November 26, 2021 and December 15, 2021, OFB and Landbank had secured their respective Board of Directors' approval for the assignment of Landbank's Electronic Salary Loans to OFB with total outstanding principal amount of up to Two Billion Pesos.

On May 11, 2022 and June 15, 2022, Landbank assigned its Salary Loan portfolio composed of 13,065 and 1,662 eligible borrowers' accounts to OFB and pursuant to

said assignments, Landbank executed a Deed of Assignment in favor of OFB covering the Salary Loan accounts assigned. There were 15 accounts returned to the Parent Bank due to ineligibility.

After the assignment, OFB shall outsource from the concerned Landbank branches various operational support and administrative services relative to the loans assigned to further enhance OFB's business efficiency, aligned with its new structure, in providing digital banking services to its clients.

A servicer fee of 1.5 per cent based on total interest collected per month per covered Landbank Branch shall be paid by OFB to Landbank. The Cash Agency Arrangement executed by both parties shall supplement the Memorandum of Agreement.

Allowance for Losses

The details of specific allowances on loans are:

	2022	2021
Balance, January 01	2,097,613	738,683
Provisions	9,688,099	1,169,396
Transfers and other adjustments	0	189,534
Balance, December 31	11,785,712	2,097,613

The movement of the general loan loss provisions are:

	2022	2021
Balance, January 01	28,800	231,451
Provisions	19,492,196	(202,651)
Balance, December 31	19,520,996	28,800

As to Status:

	2022	2021
Current Loans	1,854,869,013	0
Non-Performing Loans	11,251,056	2,158,501
	1,866,120,069	2,158,501

As to Security:

	2022	2021
Secured Loans	0	0
Unsecured Loans	1,866,120,069	2,158,501
	1,866,120,069	2,158,501

12. Property and Equipment - net

This account consists of:

	Land	Building	Furniture Fixture & Equipment	Motor Vehicles	Computer and Peripherals	Totals
Cost						
January 1, 2022	131,008,000	48,199,841	7,892,359	6,152,198	97,487,591	290,739,989
Additions	0	0	0	0	693,939	693,939
Reclassifications	0	0	0	2,000	5	2,005
Disposal	0	0	(130,500)	(1,855,400)	(6,445,576)	(8,431,476)
December 31, 2022	131,008,000	48,199,841	7,761,859	4,298,798	91,735,959	283,004,457
Accumulated Depreciation/Allowance for Impairment						
January 1, 2022	0	23,931,429	7,325,776	5,901,640	95,713,447	132,872,292
Provisions	0	2,583,717	149,609	0	370,953	3,104,279
Reclassification	0	0	0	2,000	480,925	482,925
Disposal	0	0	(130,499)	(1,769,397)	(6,229,891)	(8,129,787)
December 31, 2022	0	26,515,146	7,344,886	4,134,243	90,335,434	128,329,709
Carrying amount						
December 31, 2022	131,008,000	21,684,695	416,973	164,555	1,400,525	154,674,748

	Land	Building	Furniture Fixture & Equipment	Motor Vehicles	Computer and Peripherals	Totals
Cost						
January 1, 2021, as restated	131,008,000	44,116,200	7,868,359	6,152,198	97,215,795	286,360,552
Additions	0	4,083,641	24,000	0	271,796	4,379,437
December 31, 2021, as restated	131,008,000	48,199,841	7,892,359	6,152,198	97,487,591	290,739,989
Accumulated Depreciation/Allowance for Impairment						
January 1, 2021, as restated	0	21,347,711	7,036,236	5,977,600	94,216,673	128,578,220
Provisions	0	2,583,718	287,522	(75,960)	978,626	3,773,906
Impairment loss	0	0	2,018	0	518,148	520,166
December 31, 2021, as restated	0	23,931,429	7,325,776	5,901,640	95,713,447	132,872,292
Carrying amount						
December 31, 2021, as restated	131,008,000	24,268,412	566,583	250,558	1,774,144	157,867,697

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

13. Other Intangible Assets - net

This account represents cost of the Digital license fee, creation of the OFB microsite in LBP, enhancements of the Digital On Boarding System Mobile Banking Application (DOBS MBA) and the Livelihood Loan System (LLS) to support OFB operations. Details as follows:

	2022	2021 As restated
Other intangible assets	25,353,287	95,411,251
Accumulated amortization	(5,737,471)	(67,407,758)
	19,615,816	28,003,493
Allowance for losses	0	(10,000,000)
	19,615,816	18,003,493

14. Other Assets - net

This account is composed of the following:

	2022	2021 As restated
Accounts receivables	257,207,028	204,562,604
Deferred Charges	16,647,965	0
Stationery and supplies on hand	870,042	1,397,390
Accrued interest income from financial assets	10,299,444	1,219,491
Prepaid expenses	556,683	895,894
Documentary stamps on checks	1,015,794	547,756
Other investments	153,333	153,333
Miscellaneous assets	10,206,523	10,523,714
Sundry debits	44,274,138	38,746,123
	341,230,950	258,046,305
Other Assets - Allowance for Losses	(199,878,770)	(162,376,076)
	141,352,180	95,670,229

Accounts receivable

The Accounts Receivable account includes the amounts relative to cases involving former officers of the then PPSBI branches, to wit: Sorsogon Branch in the amount of P4.10 million and Tacloban Branch of P8.64 million. Appropriate charges were filed in court.

In addition, outstanding accounts receivable from Naga branch amounted to P179.37 million as of December 2019 as restitution for losses appropriated 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.

As of October, 2022, accounts receivable from Naga branch fraud were 100 per cent provided with allowance.

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.

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. This was utilized in the payment of MCIT for 2022 and 2021 which was treated also as miscellaneous asset-prepaid tax.

15. Deposit Liabilities

This account is composed of the following:

	2022	2021
Domestic:		
Savings deposits	3,056,725,993	2,926,724,148
	3,056,725,993	2,926,724,148

Domestic deposit liabilities earn annual fixed interest rates ranging from 0.05 to 1.25 per cent in 2022 and 2021.

16. Accrued Expenses

This account represents:

	2022	2021 As restated
Management and other professional fees	52,430,114	15,156,290
Accrued interest expense in financial liabilities	24,027,778	5,024,406
Information technology	20,241,290	13,852,904
Insurance	3,004,092	2,544,000
Other taxes and licenses	2,969,266	0
Postage, telephone, cables and telegrams	2,582,622	222,906
Fringe benefits	2,049,400	1,856,107
Fees and commissions	1,602,450	465,854
Rent	1,354,955	1,108,644
Advertising & Publicity	1,343,545	5,334,177
Travelling	1,223,200	738,713
Security, clerical, messengerial and janitorial	890,045	2,535,166
Stationeries and supplies	834,857	14,469
Salaries and wages	646,961	56,970
Power, light and water	599,848	141,000
Others	325,010	451,113
Fuel and lubricants	151,978	42,764
Repairs and maintenance	0	82,908
	116,277,411	49,628,391

As of December 31, 2022, the remaining accrual on Early Retirement Incentive Plan is P1.16 million included under Fringe benefits. Others includes provision for fraud losses in compliance with BSP Memorandum 2017-019, membership dues to Baiphil and accrual for freight charges to PPC.

17. Other Liabilities

This account comprises of:

	2022	2021 As restated
Accounts payable – others	28,212,165	16,649,779
Unclaimed balances	5,907,843	2,191,140

	2022	2021 As restated
Due to the Treasurer of the Phil.	3,083,920	3,083,920
Withholding tax payable	165,462	139,600
SSS, PHIC, Employee Compensation and Pag-ibig Fund Payable	100,750	62,950
Sundry credits	34,241,445	32,715,762
Miscellaneous liabilities	101,499	101,499
	71,813,084	54,944,650

The Accounts Payable – others account is composed of unpaid obligation to LBP, overpayment on loans pending refund, loans payment pending posting, delivered items of supplies and equipment not yet paid, obligations deducted from employees last salary 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.

18. 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 EO 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 No. 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 P1.0 billion divided into 10.0 million shares of the par value of P100 each, to P3.5 billion divided into 30.0 million common shares of the par value of P100 each and 5.0 million preferred shares of the par value of P100 each, and Certificate of Filing of Amended Articles of Incorporation dated March 18, 2021.

On May 26, 2022, the Parent Bank infused additional capital amounting to P 407.992 million to meet the requirement of the P1 billion capitalization of a digital bank.

19. Retained Earnings/(Deficit)

In consonance with PAS 8, the balance of this account as of December 31, 2022 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, 2021 are as follows:

Particulars	Debit	Credit	Balance
Retained Earnings, as of January 1, 2021			(1,286,986,769)
Net loss for CY 2021 before restatement			(123,903,032)
Adjustments:			
Rent Income	0	1,275,740	
Correction on amortization of Intangible Assets	0	333	
Gross receipts tax	187,627	0	
Additional cost of seconded personnel services	3,699,236	0	
Cost of Chauffeuring services	738,713	0	
Fees and commissions-switch fee	465,854	0	
Stationeries and supplies	2,793,274	42,273	
Communication expenses	116,058	0	
Adjustment on depreciation	0	82,429	
Cost of leased lines	39,616	0	

Particulars	Debit	Credit	Balance
Reversal of rent	0	156,652	
	8,040,378	1,557,427	(6,482,951)
Net loss for CY 2021, as restated			(130,385,983)
Retained earnings as of December 31, 2021, as restated			(1,417,372,752)

December 31, 2021	As Previously Reported	Effects of Restatement	As Restated
Changes in the Statement of Financial Position			
Assets			
Bank Premises, Furniture, Fixtures & Equipment,	160,368,690	(2,500,993)	157,867,697
Other Intangible Asset,	18,003,160	333	18,003,493
Other Assets	94,709,655	960,574	95,670,229
		(1,540,086)	
Liabilities			
Accrued Expenses	44,873,153	4,755,238	49,628,391
Other Liabilities	54,757,023	187,627	54,944,650
		4,942,865	
Equity			
Retained earnings (Deficit)	(1,410,889,801)	(6,482,951)	(1,417,372,752)
Changes in the Statement of Comprehensive Income			
Miscellaneous Income	5,165,014	1,275,740	6,440,754
Depreciation and Amortization	5,695,547	(82,762)	5,612,785
Rent	2,078,400	(156,652)	1,921,749
Taxes and Licenses	1,646,409	187,627	1,834,036
Miscellaneous Expenses	84,002,963	7,810,478	91,813,441
Net		6,482,951	

20. 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.

21. Miscellaneous Income

This account includes the following:

	2022	2021
Rental income	7,010,105	6,411,835
Other income	1,448,408	28,919
	8,458,513	6,440,754

22. Other Operating Expenses**a. Compensation and fringe benefits**

	2022	2021
Salaries and Wages	3,676,422	3,129,509
Fringe Benefits	1,421,370	1,526,342
Government Contribution	253,531	196,008
Other compensation and benefits	1,838,650	988,000
	7,189,973	5,839,859

b. Provision for probable losses

	2022	2021
Other Assets	38,105,328	49,162,016
	38,105,328	49,162,016

c. Depreciation and amortization

	2022	2021
Bank Premises, Furniture, Fixtures and Equipment	3,259,205	3,691,478
Other Intangible Assets	3,851,844	1,921,307
	7,111,049	5,612,785

23. Miscellaneous Expenses

This account is composed of:

	2022	2021
Management and other professional fees	41,340,008	28,876,302
Documentary stamps used	15,946,926	16,716,539
Information technology	7,385,858	14,693,858
Security, clerical, messengerial and janitorial	4,913,773	6,316,722
Insurance	6,581,771	5,576,363
Advertising and publicity	1,406,585	5,413,390
Impairment loss	147,083	5,240,166
Power, light and water	1,875,483	2,118,230
Stationeries and supplies used	1,565,792	3,509,198
Fees and commission	2,795,853	974,201
Postage, telephone, cable and telegram	2,914,474	513,505
Representation & entertainment	454,835	342,673

	2022	2021
Fuel and lubricants	324,686	258,003
Membership fees and dues	244,234	160,380
Repairs and maintenance	132,931	137,730
Travelling expense	732,112	738,754
Other expenses	265,474	227,427
	89,027,878	91,813,441

24. 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 and documentary stamp tax.

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 20 per cent of interest income subject to final tax.

Summary of taxes paid during the year:

	2022	2021
Documentary stamp taxes	15,946,926	5,413,833
Final income taxes (1602)	1,553,410	6,419,759
Income taxes on compensation (1601C)	387,880	364,671
Percentage taxes (2551M)	6,538,116	467,984
VAT & other percentage taxes (1600)	347,247	387,967
Creditable income taxes (1601E)	349,467	200,849
Annual registration	500	500
	25,123,546	13,255,563

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 on loan instruments and other transactions subject thereto for the tax period 2022 are as follows:

Documents/Transactions	DST Paid
Certificate of time deposits/Other deposits	15,946,926
	15,946,926

b. Other taxes and licenses

In 2022, Taxes and licenses presented as part of "Other Operating Expense" accounts in the statement of comprehensive income includes the following:

Local taxes	52,020
National	
BIR annual registration	500
Percentage taxes (2551)	6,538,116
	<u>6,590,636</u>

c. Withholding Taxes

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

Tax on compensation and benefits	387,880
Creditable withholding taxes	349,467
Final withholding taxes	
Final income taxes	1,553,410
Final withholding VAT	347,247
	<u>2,638,004</u>

25. Related Party Transactions

In the ordinary course of business, the Bank has deposits and other transactions in 2022 with its parent, LBP, as follows:

	Amount
Due from other banks	31,662,362
Accounts Receivable-Others	58,721,854
Deposit liability	2,000,000,000
Accrued expenses	103,960,087
Accounts payable-others	17,983,266
Paid In Capital Stock-common stock	2,108,992,000
Interest income	17,821
Fees and Commission Expense	2,795,853
Interest expense	25,347,222
	<u>4,349,480,465</u>

Breakdown of Accrued Expenses

Information technology	20,171,290
Management and other professional fees	51,976,926
Stationeries and Supplies	819,607
Fees and Commissions	1,602,450
Security Services	780,045
Advertising and Publicity	1,343,545
Employee Benefits (Seminars)	7,000
Postage, cables, telephone and telegraph	1,856,269
Fuel and Lubricants	151,977
Travelling expense	1,223,200
Interest expense	<u>24,027,778</u>

Amount
<u>103,960,087</u>

26. Employee Benefits*Sick Leave Credits*

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

Employees Benefits, Plan Amendment, Curtailment or Settlement

As of December 31, 2022, the Bank outstanding accrual for retired employees pursuant to EO No. 44 series of 2017 is P1.16 million.

27. 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.

28. Basic Quantitative Indicators of Financial Performance

	2022	2021
		As restated
	(In percentage)	(In percentage)
Return on average equity	-1.3	-13.9
Return on average assets	-0.3	-3.4
Net interest margin	3.5	0.5
Risk Based Capital Adequacy Ratio	53.1	136.1

29. 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.

30. Reclassification of Accounts

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

31. 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 P9.69 million additional credit losses as of December 31, 2022 computed using Expected Credit Losses (ECL) Model of parent bank, LBP, with total booked allowance for credit losses of P11.79 million. For the same period, the Bank's Non-Performing Loan (NPL) stood at P11.25 million or 0.6 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 FVOCI; and
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 to 30 days past due
	Stage 2	<ul style="list-style-type: none"> • 31 to 90 days past due
	Stage 3	<ul style="list-style-type: none"> • More than 90 days past due (monthly installments) • More than 30 days past due (lump sum payment, and quarterly, semi-annual and annual installments)
Observable Impairment Indicators	Stage 1	General economic and market conditions
	Stage 2	<ul style="list-style-type: none"> • Economic and market conditions adverse to the borrower • Industry specific issues
	Stage 3	Company-specific business, operational and financial (PFRS 9 loss events)
BSP Classification/Internal Rating	Stage 1	<ul style="list-style-type: none"> • 1 (Prime) • 2 (High Grade) • 3 (Good) • 4 (Very Satisfactory) • 5 (Satisfactory) • 6 (Watchlist)
	Stage 2	<ul style="list-style-type: none"> • 7 (EM) • 8 (Substandard)
	Stage 3	<ul style="list-style-type: none"> • 9 (Doubtful) • 10 (Loss)

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

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

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

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

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

	2022	2021
Neither past due nor impaired	1,848.593	0
Past Due but not impaired	6.276	0
Impaired	11.251	2.159
	1,866.120	2.159
Less: Specific allowance for credit losses	11.786	2.098
	1,854.334	0.061

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

	2022	Per cent	2021	Per cent
Secured	0	0	0	0
Unsecured	11.251	100	2.159	100
	11.251	100	2.159	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, 2022, the Bank's qualifying capital covering credit risk is P1.3 billion. On the other hand, the SBL is pegged at P325 million for direct lending.

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

	2022	2021
Salary-Based General-Purpose Consumption Loans	1,866.12	2.159
	1,866.12	2.159

	2022	2021
Allowance for Credit Losses	(11.79)	(2.098)
	1,854.33	0.061

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, 2022, remaining Government Securities classified under Fair Value thru Other Comprehensive Income with average yield to maturity of 3.5 per cent registered an unrealized gain/mark-to-market loss of P3.759 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.

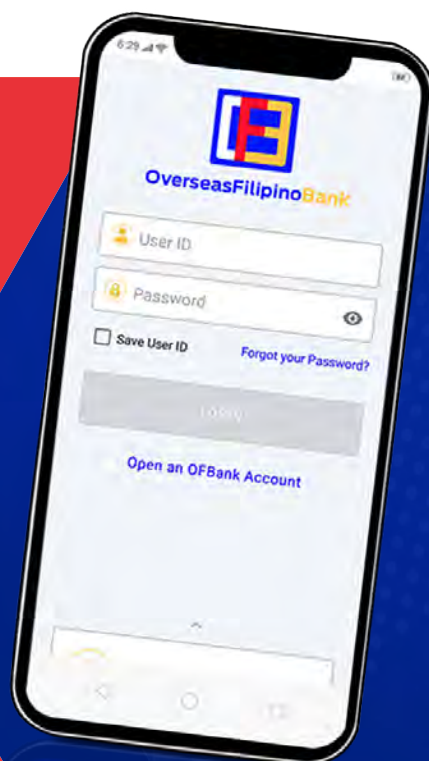
Financial ratio analysis is another liquidity risk measurement tool that calculates and compares liquidity leverage ratios derived from information on financial statements against set liquidity/ leverage limits.

The following table sets out the liquidity ratios as of December 31, 2022.

Liquid Assets (Cash and Due From BSP/ Local Bank, Government Securities)	P2,339,586,589
Financial Ratios:	
Liquid Assets to Total Assets	52%
Liquid Assets to Total Deposits	77%

Products and Services

OFBank advocates financial inclusion by making formal financial services much more accessible to global Filipinos through a Mobile Banking Application (MBA) which hosts four major 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 five 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 P5,000 and USD300

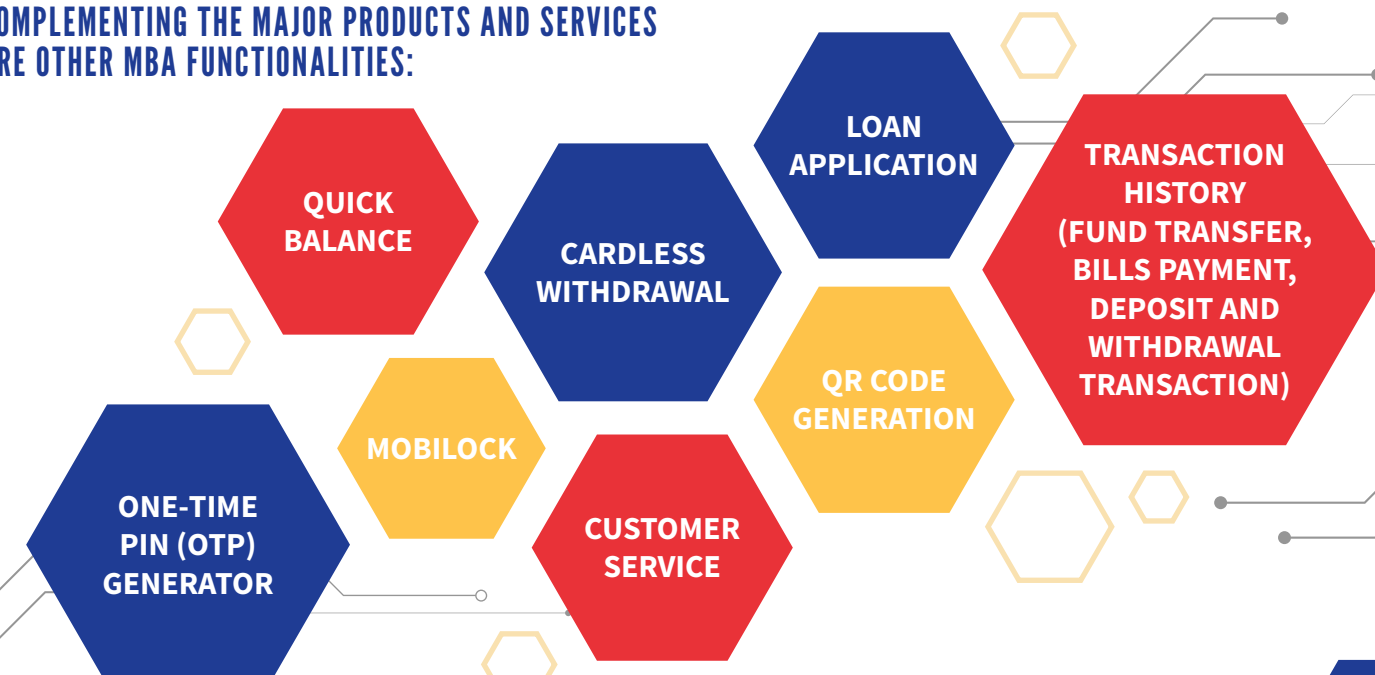
1. RETAIL TREASURY BONDS/PREMYO SAVINGS BONDS

Peso-denominated medium to long-term debt securities that are 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.

2. RETAIL DOLLAR BONDS (RDB)

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.

COMPLEMENTING THE MAJOR PRODUCTS AND SERVICES ARE OTHER MBA FUNCTIONALITIES:

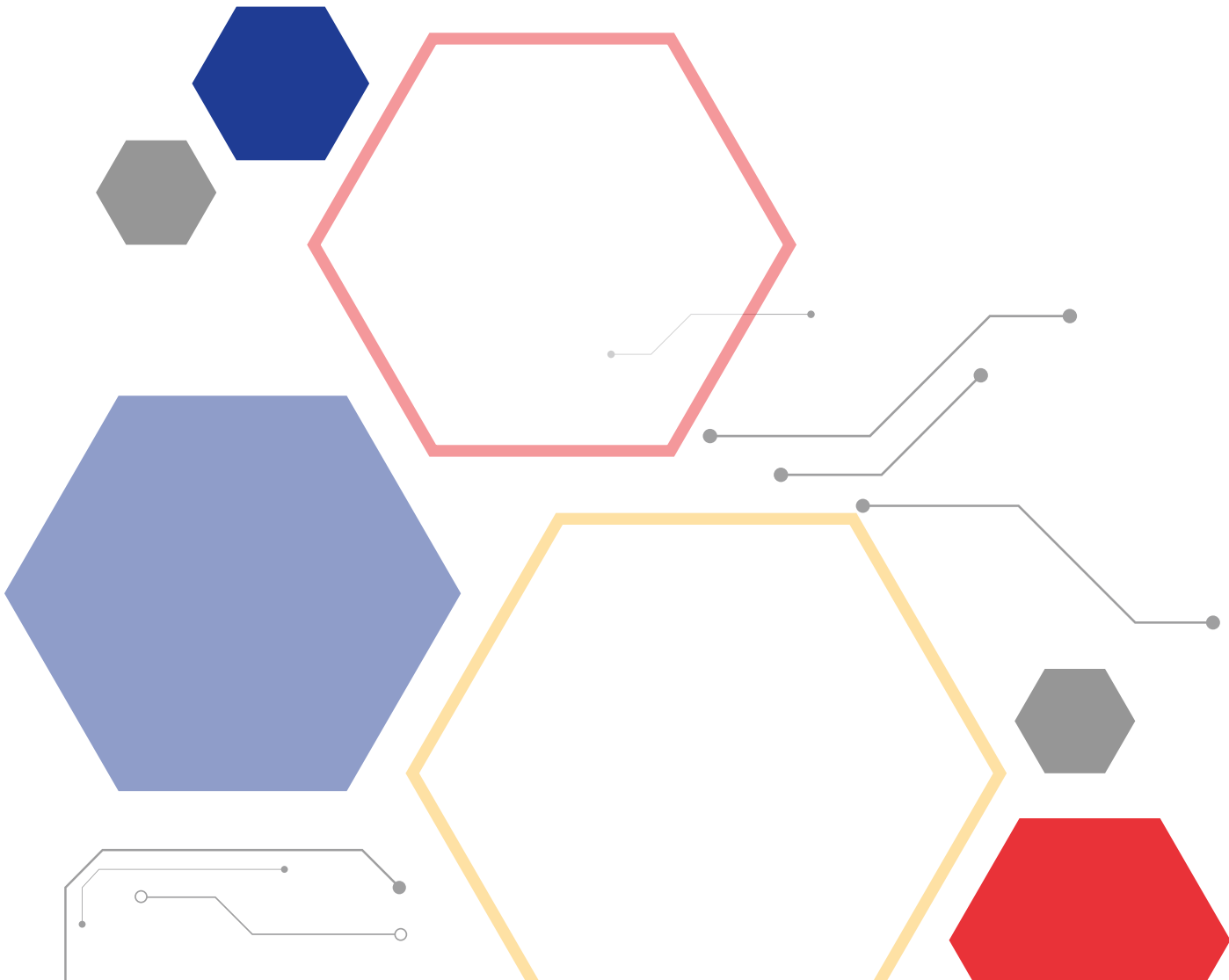




Corporate Information

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

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Regulated by the Bangko Sentral ng Pilipinas