

Postbank

ANNUAL REPORT 2017



A Government Savings Bank



PHILIPPINE POSTAL SAVINGS BANK, INC.

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Postbank 
PHILIPPINE POSTAL SAVINGS BANK, INC.

STATEMENT

Mission

To provide financial services in the countryside in synergy with the Philippine Postal Corporation, specifically in the unbanked/ underserved areas where poverty and employment are the highest resulting in the upliftment of the lives of the poor communities thru bigger income and better services

Vision

By Year 2020, Postbank shall be a strong government bank with focus on countryside development

Core values

- a. **Commitment** in providing development to the countryside specifically in the unbanked/ underserved areas
- b. **Friendly Service and Excellence**
- c. **Integrity and Transparency**
- d. Promoting Organizational **Cohesiveness** and **Unity** in purpose

More than **100 YEARS** have passed since the Postal Savings Bank (PSB) was established in 24 May 1906 as part of the Bureau of Posts with the passage of Act No. 1493. During those days all post offices were considered and in fact operated as branches of the bank. PostalBank was created with a single vision in mind - to tap savings in the countryside and to bring banking services to far-flung areas of the Philippines.

True to its vision, the bank spurred savings and investments in the countryside. It served as catalyst for economic activity and growth in various uncharted places of the archipelago until the late 1930s. Unfortunately, World War I wiped out much of the progress made by the bank. The setbacks and other ravages caused by the war destroyed about 70% of the records of the PSB and crippled its operations.

It was only in 1946 that PSB resumed services in Manila. Starting with only 15,737 savings deposits accounts with a total value of ₱4,104,223, the bank rapidly grew with deposits jumping to ₱14.4 million in 1947 (250% increase), ₱25 million in 1948 (74% increase), and ₱33 million in 1949 (32% increase).

In the 1960's the private banking sector, rapidly grew while the operations of PSB deteriorated due to the shift of its clients to private banks. As PSB was seen as unduly competing with the private sector, it was dissolved via Presidential Decree No. 121 dated 29 January 1973.

More than 20 years after its dissolution, the PhilPost Board of Directors approved the re-opening of the Philippine Postal Savings Bank (PPSB) as a wholly-owned subsidiary of the Philippine Postal Corporation with its own separate funds, books of accounts and set of accountable officers and employees. The re-establishment was made pursuant to the Medium-Term Philippine Development Plan of the Philippine Postal Corporation (1993-1998) to 'develop the rural financial sector and ensure adequate supply of credit to the countryside.'

Today, PPSB undaunted and even made stronger by its historical setbacks, equipped with greater awareness of the banking needs of the Filipino People assumes the responsibility of being the government's partner in its quest for better economic opportunities for our countrymen through accessible banking and financial services.

Postbank has been characterized as a thrift bank catering small savers and small scale enterprises since it re-opened in 1994. It is often noted about Postbank that it is hardly noticed. It is largely unknown to the public and it hardly figures prominently in the banking environment.

This is rather ironic, for Postbank is the only public thrift bank in the country, and it has existed for over a century (save for the martial law regime). It has a famous address, 1000 Liwasang Bonifacio, right at the bosom of the cultural center of the country. But it is not associated with anything unique, so to speak, and this lack of identity has presumably impinged on its ability to grow in stature, in resources, and in its ability to make a difference.

While the brand has been always associated with the services of its major stockholder (PHLPost), it has managed to stand by its name slowly to be made known in the field of financial and banking services as the only government savings bank in the Philippines.

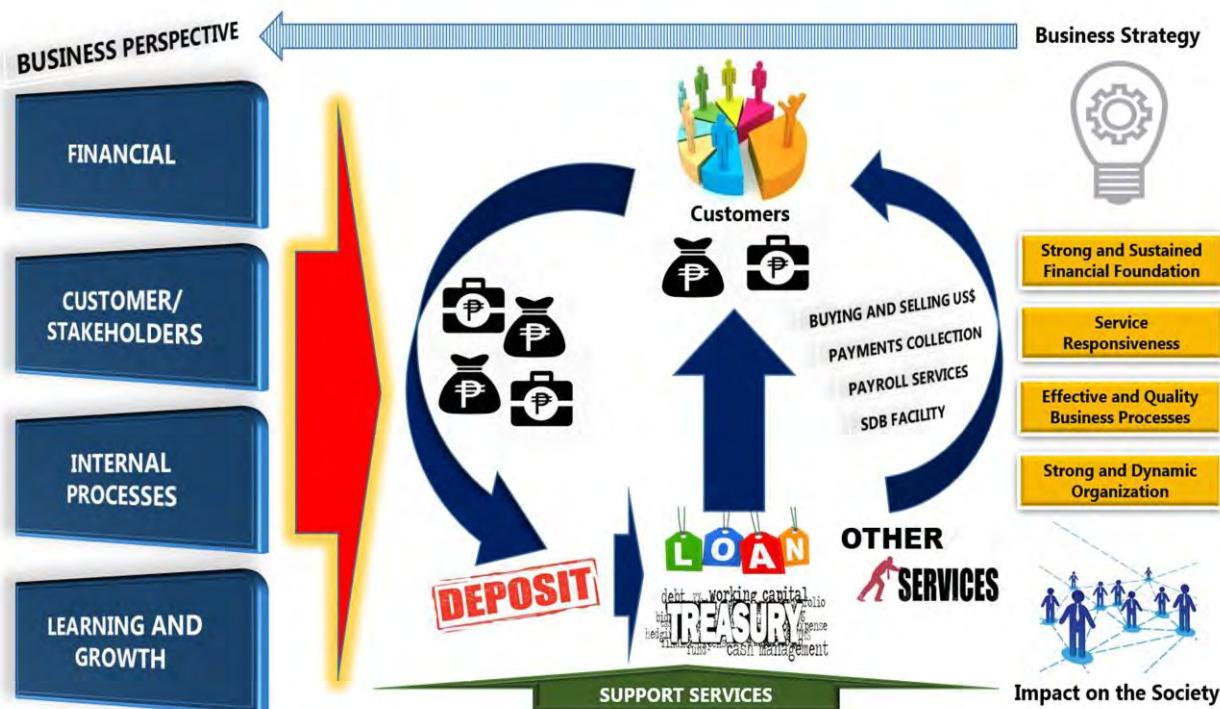
The Postbank logo contains three major elements: (1) A stylized Philippine Flag, to emphasize that, as the country's only public thrift bank, it carries the colors of the country; (2) An abbreviated arrow, to emphasize movement and dynamism, which the strategic plan intends to inject into the Bank; and (3) a slogan, "Kung Nasaan Kayo, Nandoon Kami", to emphasize the outreach objectives as a countryside bank and its synergy tie-up with PHLPost and its chain of more than 1500 post offices.

Postbank

BUSINESS MODEL

The Postbank business model is anchored in the four strategic business perspective: (1) financial perspective; (2) customer/ stakeholders perspective; (3) internal process; and (4) learning and growth. As part of the business strategy, the Bank has also identified the four strategic themes which are defined as the high-level business strategies that form the basis of the Bank's business model. These are the areas that the bank must excel in order to achieve its vision. These "pillar of excellence" were identified as: (1) strong and sustained financial foundation; (2) Services responsiveness; (3) Effective and quality business processes; and (4) strong and dynamic organization.

As a simple thrift bank model, the Bank's business emanates from its core operation particularly deposit taking and providing loans. It has an investment arm through its treasury operations that handles cash management. Aside from the traditional deposit and loan products, the Bank also offers other banking and cash management services. The core banking operations are being sustained by the various internal processes and services of various support groups.



HIGHLIGHTS

	DECEMBER 2017	DECEMBER 2016
PROFITABILITY		
Total Net Interest Income	305,246,580	424,864,684
Total Non-Interest Income	96,864,979	94,046,037
Total Non-Interest Expenses	480,257,140	485,675,065
Pre-provision profit	-78,145,581	33,235,656
Allowance for Credit Losses	28,626,804	57,669,116
Net Income	(106,772,385)	(24,433,460)
SELECTED BALANCE SHEET DATA		
Liquid Assets	3,640,271,965	5,325,644,351
Gross Loans	4,868,535,247	5,868,783,284
Total Assets	9,144,483,589	11,598,803,681
Deposits	7,979,186,648	9,723,641,069
Total Equity	842,001,759	966,799,765
SELECTED RATIOS		
Return on Equity	-11.57%	-1.13%
Return on Assets	-1.03%	-0.10%
Tier 1 Capital Ratio	6.31%	5.12%
Capital Adequacy Ratio	6.63%	5.48%
OTHERS		
Cash Dividend Declared	0	
Head Count	406	
Officers	77	
Staff	329	

Report from the **PRESIDENT AND CEO**



**RENATO G. EJE,
President and CEO**

GREETINGS IN BEHALF OF THE MANAGEMENT AND BOARD OF DIRECTORS OF POSTBANK!

Let me start this report by looking back of the year that has passed emphasizing the highlights of the events and activities that has been the focus of the Year 2017.

I have been appointed by the Board of Directors as the new President and CEO of the Bank, effective 08 November 2017. But prior to such appointment, I was the Head of the Remittance Group of Land Bank of the Philippines (LANDBANK) and I was designated as the Officer-in-Charge of the Bank upon resignation of Postbank former President Cesar Sarino.

In the early months of 2017, the Land Bank of the Philippines has been closely coordinating with the officers of Postbank regarding its acquisition by LANDBANK.

This is the fruition of President Rodrigo Duterte's promise to create a bank solely for the Overseas Filipino Workers (OFWs). He emphasized the need to establish a policy to create a bank dedicated to provide financial products and services tailored to the requirements of overseas Filipinos, and focused on delivering quality and efficient foreign remittance services. Thus, as early as 05 December 2016, the Office of the President of the Philippines has officially sent a copy of the Cabinet Action / Decision of its directive for the Land Bank of the Philippines to initiate the acquisition of the Philippine Postal Savings Bank, Inc. (Postbank) as a subsidiary bank and eventually a bank for all workers.

After which, series of meetings were held and an Audit Team was sent by LANDBANK to Postbank to conduct due diligence audit which was finished by the end of February 2017. Negotiation process with the Philippine Postal Corporation (PHLPost) as the owner of Postbank was held and various activities were done to comply with all the regulatory requirements needed for the acquisition.

On September 28, 2017, President Rodrigo Duterte signed the Executive Order No. 44 approving the acquisition of the Philippine Postal Savings Bank (Postbank) by the Land Bank of the Philippines (LANDBANK) and has ordered the Philippine Postal Corporation and the Bureau of the Treasury to transfer their Postbank shares to the Land Bank of the Philippines, turning Postbank into Overseas Filipino Bank (OFBank). With the LANDBANK entering into the picture, in effect, made them the "White Knight" who will save the Bank from further deterioration.

In the course of our activities, as part of the LANDBANK Team, we came across several items and indicators which need immediate actions. I have listed down the "Road to Recovery" which summarized action plans and the initiatives towards fulfilling our goals. As I have emphasized in one of our planning sessions, we shall "***Focus on the bright side. Despite all of the hurdles, I am very positive that we will be able to handle everything.***"

We have done the following initiatives in our initial months with the Bank:

- Within the two-month period, we were able to **provide liquidity cover from LANDBANK** which the Bank can avail anytime. Another significant thing happened is the approval of the **amendment of the DOF Circular 001-2015 which exclude Postbank as one of the government depository banks**. In LANDBANK, we had a weekly Special ManCom Meeting discussing with the LANDBANK President the treasury matters particularly liquidity position and for the amendment of DOF Circular which is now effected. In fact, Postbank is on the 3rd among the list of government depository banks after LANDBANK and DBP.
- We also introduced **cost cutting measures** which we are currently implementing thru issuance of a memorandum enjoining all employees to adhere with the said directive. This cost cutting measures does not necessarily refer to financials but also to simple things like saving papers, electricity and the like, which can contribute a big impact on the Bank's bottom-line. In the meantime, we also deferred the granting of excessive loans which the Bank cannot accommodate at present.
- Further, we introduce lots of **process improvements**. During the conduct of Committee Meetings, a time-bounded resolutions and directives were immediately issued. We also reviewed the Bank's Manual of Lending Operations (MOLO) and other policy guidelines where we have seen that the quality of our loan portfolio is immure with our MOLO. There are lots of policy gaps. Hence, we threaded the deficiencies on the guidelines from credit initiation, target marketing up to the last process of loan monitoring and determine the gaps. We did a lot of work-around and we created Task Force so that everything will be fixed according to the current status of the Bank. One of the important factors in the lending process which is the validation of third party appraisals by internal appraisers, is now enforced. Part of the process improvements also includes the standardization of memoranda format, loan documents, etc.
- Considering that the major BSP (Bangko Sentral ng Pilipinas) findings of the Bank are related to IT projects, we also **set deadlines** for its immediate completion and implementation. As observed, this is the source of unsound banking practices of the Bank because of wrong information to the Management and to the regulators. With this, we instructed the Head of the Information Systems and Technology Management Group to

have a concrete Road Map towards the completion of the Systems (i.e. LM, GL/ Accounting and Deposit) which the ManCom simplified and monitored regularly.

- We likewise implemented and **screened expenses in alignment with the government regulatory rules and regulations**. As the Bank operates under dual identity of a government/ private agency, our expenses is so much in the eyes of government auditors as it seems it was not clear whether Postbank is a government or a private institution. However, since the Bank is under the regulation of Governance Commission for GOCCs or Government-Owned or Controlled Corporations (GCG) starting 2011, meaning the Bank should have worked in accordance with the guidelines of the government. It is important for us to understand that we are regulated by GCG. Further, what we are implementing right now is the Organizational Structure of the Bank which was approved by GCG in 2015. We try to clean-up and we try to correct as much as possible all the things that we encounter, including the accounting and booking which were not compliant with Commission on Audit (COA) rules which have big impact on financials.
- We exert **marketing of deposits from new and existing big clients of Postbank and we give more focus on the remedial action accounts with Remedial and Assets Management Department (RAMD) and Legal Services Department (LSD)**. With the current situation, processing of loans is limited since we also set an SBL.

Road to Recovery

For us to recover, we shall **improve our CAMELS rating** by addressing all BSP ROE (Report of Examination) and PCA (Prompt Corrective Action) directives. Thus, we need to do the rightful things in accordance with BSP regulations to improve our rating and lift the Bank from PCA.

As earlier said, the **amendment of DOF Circular in favor of Postbank** will be a big help to the Bank to address its liquidity problem. Government funds can now be deposited with Postbank and all national government agencies shall need to secure written authority from the Bureau of Treasury and those under the GCG shall need to secure written authority from DOF. Hence, as a GOCC, we will help those agencies to secure said written authority for them to place deposits with us.

We shall also **address COA observations and adhere to the recommendations to avoid disallowances**. If there were audit findings emanating from the branches, it should be urgently addressed and coordinated with the Branch COA Auditor to avoid elevating the same to the Head Office that could add-up to the Audit Observation Memorandum (AOM).

We will give more emphasis and focus on the **massive collection efforts by all lending units** and maintaining the existing good quality accounts. We created a Task Force, specifically tasked to handle and determine strategies on how we can collect payments from the past due accounts. Said Task Force reports to the Management Committee on their regular meetings, the updates and any developments on the collection efforts. The report is also noted by the Board of Directors.

Last resort for loan recovery is foreclosure. As emphasized, the focus should be on collection and do remedial actions on the high past due accounts. It is not our priority to foreclose properties because it entails so much expenses. Besides, we find difficulty in selling

properties which have caused audit findings because there are lots of properties that were not yet sold for five years or more. We will improve on marketing of Real and Other Properties Acquired (ROPA), particularly those not moving for five (5) years and above, and we shall also extend selling our properties to our clients not only offering our products and services. We shall also pursue collecting from those written-off accounts and file claims against salary loan borrowers in the small claims court.

Do **aggressive deposit taking** (private and government) considering the Bank's cost of funds, thus, everything shall be cleared with the Treasury Department.

This is very important, the **house cleaning of loan accounts**. There shall be no fresh availments and no new loans to be released. Renewal is only allowed up to the outstanding balance except for good and quality accounts. The Account Officers must know how to manage the accounts from birth to death.

Lastly, we shall also **engage in more cross-selling activities**. We will be engaging now into FCDU (Foreign Currency Deposit Unit) and buying and selling of US Dollars. Since we will be converted into an OFW Bank, we will now also servicing OFW remittances. We will be introducing this to our micro-banking offices including payments (SSS, Pag-IBIG etc.)

These are the things that we see....the road to recovery of Postbank. As we have ended the year, we could say that we have gently initiated all of these and we were able to plan out on how it will be materialized.

As I present to you the results of operations of the Bank for Year 2017 in the succeeding sections, we all understand that these financial performance is reflective of the transition process that we are going through right now which will be continuing until next year until we fully completed the transition process.

But to my mind, the most important factor is the attitude and mindset from all the employees on how best to help the Bank achieve its ultimate goal – stability and growth. Everything starts from there, all else starts with all of us!

As I end my message, rest assured that all employees are always being encouraged to continue to CONTRIBUTE POSITIVELY IN IMPROVING the BANK before its full conversion. As I share this short quote, let this be a motivation to all of us, "that despite all the challenges and hurdles, there is HOPE ahead", because "*Every cloud has a silver lining*" and we should never feel hopeless because "*difficult times favors to lead to better days*".

We hope for more great things to come in the year 2018 and beyond, and we assure you that the new owner and Management shall not relent in our desire to fulfill the needs of our target customers, our stakeholders and all our personnel as we fully transform into an Overseas Filipino Bank as promised by President Rodrigo Roa Duterte.

Thank you very much.



RENATO G. EJE
President and CEO

A. TOTAL ASSETS

As of December 31, 2017, Total Assets reached ₱9.14 Billion which corresponds to 83% accomplishment based on the 2017 target of ₱11.02 Billion.

Total Assets decreased by 21.16% or by ₱2.45 Billion from ₱11.60 Billion in December 2016 to ₱9.14 Billion in December 2017.

ASSETS	2017 Target	As of December 31, 2017	Accomplishment %	As of December 31, 2016	Growth	
					Amount	%
TOTAL ASSETS	11,022.19	9,144.48	83%	11,598.80	(2,454.32)	-21.16%

TOTAL ASSETS
Previous vs. Actual vs. Budget
(in million ₱)



B. LOAN PORTFOLIO

Total Loans (Gross) aggregated to ₱4.87 Billion as of December 31, 2017, which is 79% of the 2017 target of ₱6.20 Billion. Loans to Private Corporations represents 45.2% (₱2.2 B) of the total portfolio, followed by SME Loans at 16.8% (₱817.5 M), Loans for Consumption Purposes at 13.7% (₱668.09 M) and Agrarian Reforms and Other Agri Loans 8.1% (₱395.05 M) with the remaining 16.2% coming from other types of loan.

Gross Loans decreased by 17% or by ₱1.0 Billion from ₱5.89 Billion in December 2017 to ₱4.87 Billion in December 2016.

In terms of Loan Status, Current Loans comprises 45.10% (₱2.20 B) of the gross portfolio while 54.90% (₱2.67 B) represents Past due Loans.

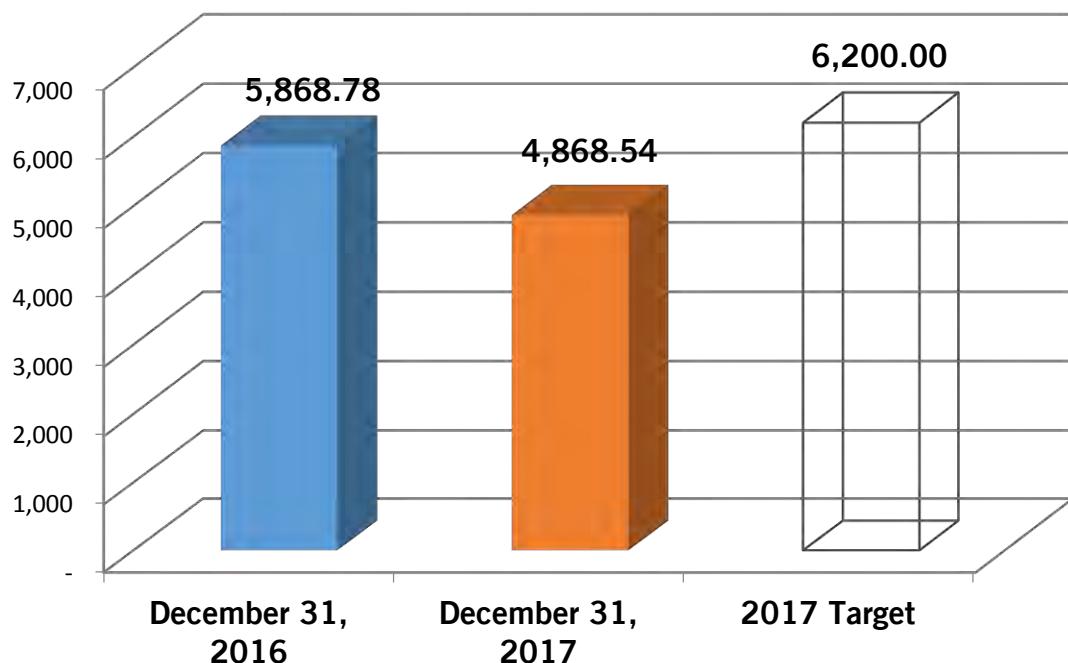
LOANS (BY TYPE)	2017 Target	As of December 31, 2017	Accomplishment %	As of December 31, 2016	Growth	
					Amount	%
Loans to Government	398.32	257.67	65%	380.08	(122.40)	-32%
Agrarian Reform and other Agri Loans	438.51	395.05	90%	413.02	(17.97)	-4%
Microfinance Loans	123.22	25.48	21%	134.44	(108.95)	-81%
Small and Medium Enterprises Loans	957.36	817.50	85%	933.11	(115.61)	-12%
Contracts to Sell	387.09	343.11	89%	365.40	(22.29)	-6%
Loans to Private Corporation	2,767.34	2,202.06	80%	2,602.33	(400.27)	-15%
Loans to Individuals for Housing Purposes	110.85	86.08	78%	107.43	(21.35)	-20%
Loans to Individuals for Consumption Purposes	932.20	668.09	72%	850.63	(182.54)	-21%
Loans to Individuals for Other Purposes	85.11	73.49	86%	82.35	(8.86)	-11%
TOTAL LOANS (GROSS)	6,200.00	4,868.54	79%	5,868.78	(1,000.25)	-17%
Allowance for Loan Loss (Gen. & Specific)		(359.70)		(332.86)		
TOTAL LOANS (NET)		4,508.84		5,535.92	(1,027.08)	-19%

LOANS (BY STATUS)	2017 Budget	As of December 31, 2017	Accomplishment %	As of December 31, 2016	Growth	
					Amount	%
Current Loans	3,807.70	2,195.83	58%	3,109.65	(913.82)	-29%
Past due	2,392.30	2,672.71	12%	6,613.99	(3941.28)	-60%
TOTAL LOANS (GROSS)	6,200.00	4,868.54	79%	9,723.64	(4,855.10)	-50%
Allowance for Loan Loss (Gen. & Specific)		(359.70)		(332.86)		
TOTAL LOANS (NET)		4,508.84		5,535.92	(1,027.08)	-19%

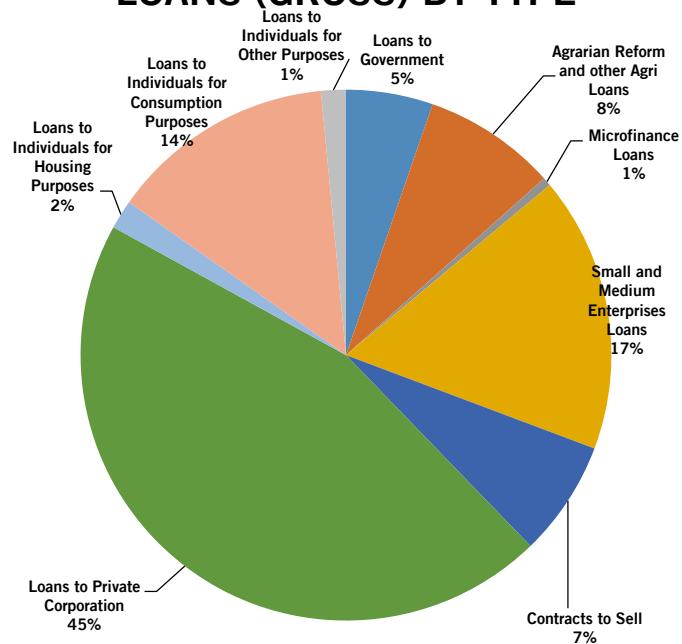
TOTAL LOANS (Gross)

Previous vs. Actual vs. Budget

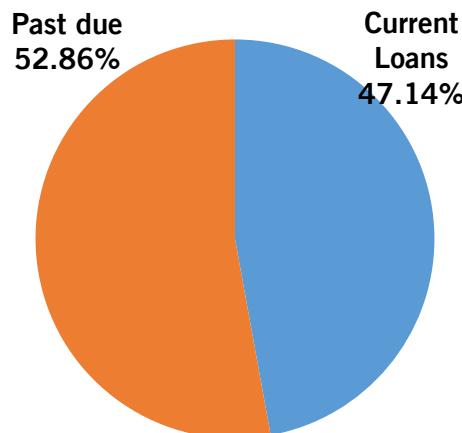
(in million ₱)



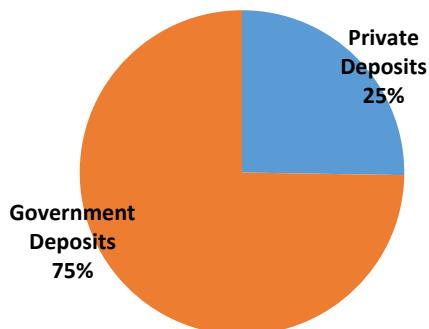
LOANS (GROSS) BY TYPE



LOANS (Gross) BY STATUS



DEPOSITS BY SOURCE



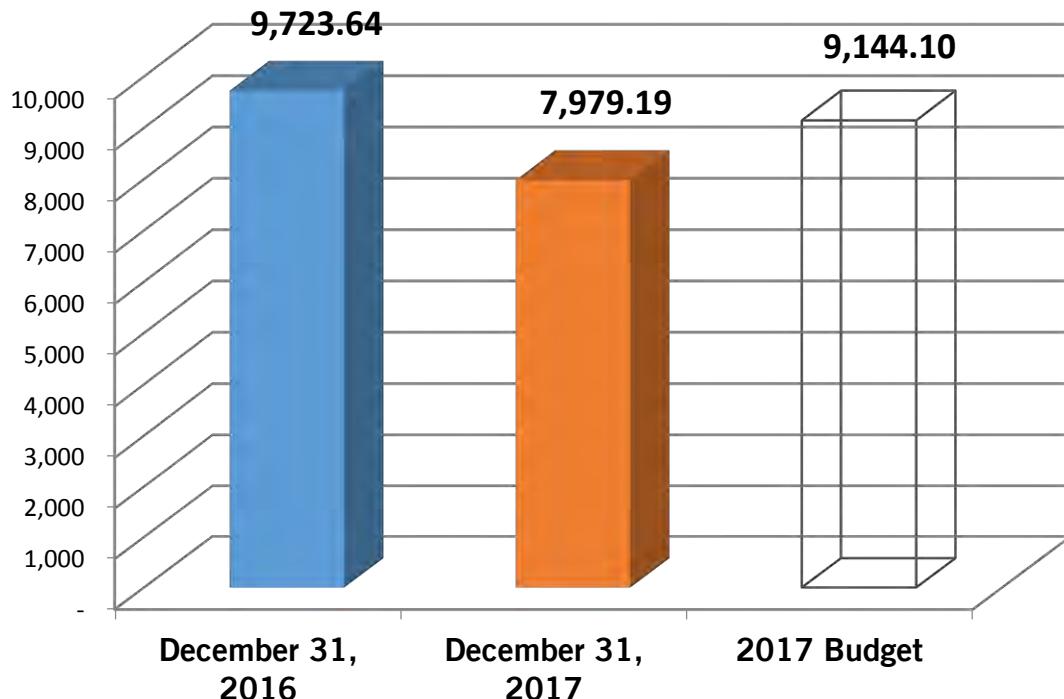
C. DEPOSIT PORTFOLIO

Postbank registered a total Deposit Portfolio of ₱7.98 Billion which corresponds to 87% accomplishment based on the 2017 target of ₱9.14 Billion. Deposit Mix favors Government deposits which comprises 75% (₱5.96 B) of the total portfolio while 25% (₱2.02 B) came from Private deposits.

Deposits decreased by 18% or by ₱1.74 Billion from ₱9.72 Billion in December 2016 to ₱7.98 Billion in December 2017.

DEPOSITS	2017 Budget	As of December 31, 2017	Accomplishment %	As of December 31, 2016	Growth	
					Amount	%
Private Deposits	4,082.68	2,015.38	49%	3,109.65	(1,094.28)	-35%
Government Deposits	5,061.42	5,963.81	118%	6,613.99	(650.18)	-10%
TOTAL DEPOSIT PORTFOLIO	9,144.10	7,979.19	87%	9,723.64	(1,744.45)	-18%

TOTAL DEPOSITS
Previous vs. Actual vs. Budget
(in million ₱)



D. CAPITAL

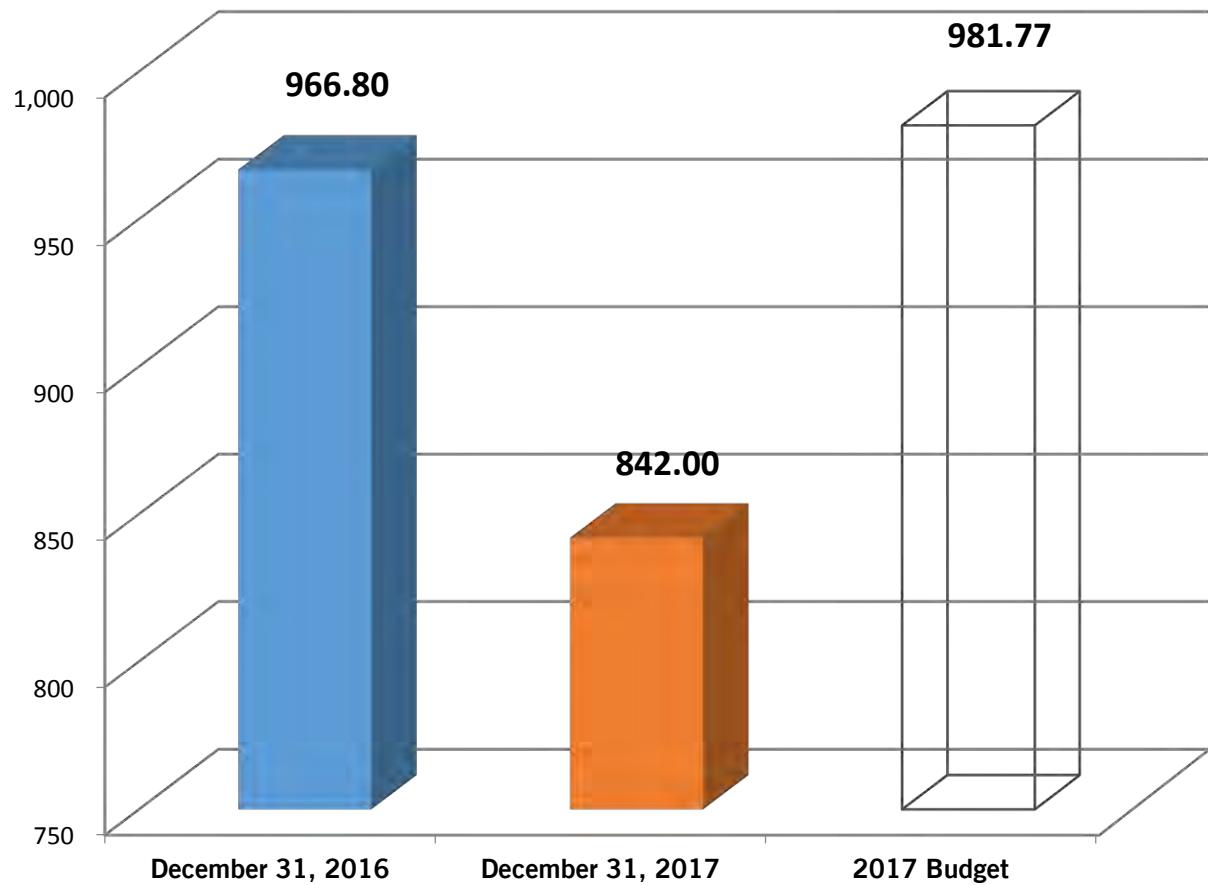
As of December 31, 2017, Total Capital reached ₱842 Million which corresponds to 86% accomplishment based on the 2017 target of ₱981.77 Million.

There was a decrease in capital by ₱124.8 Million from ₱966.8 Million in December 2016 to ₱842 Million in December 2017.

CAPITAL	2017 Budget	As of December 31, 2017	Accomplishment %	As of December 31, 2016	Growth	
					Amount	%
TOTAL CAPITAL	981.77	842.00	86%	966.80	(124.80)	-13%

TOTAL CAPITAL

Previous vs. Actual vs. Budget
(in million ₱)

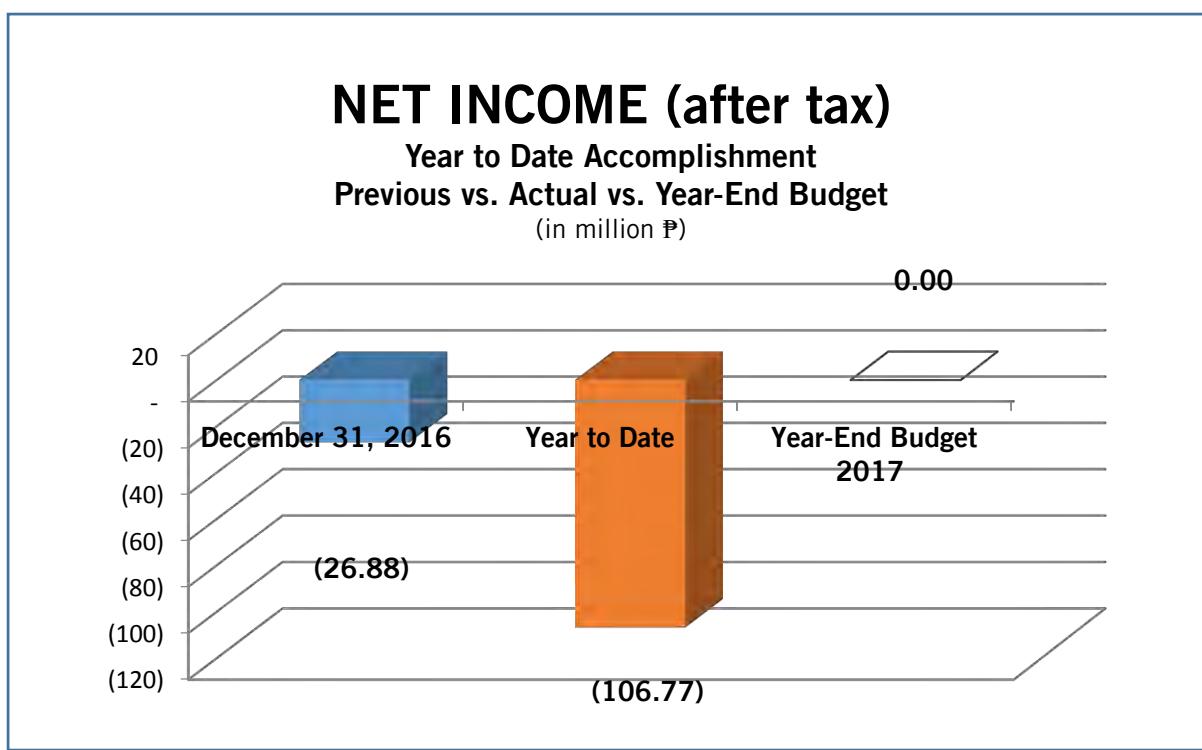


E. PROFIT AND LOSS

Year to date Revenues as of December 31, 2017 reached ₱529.59 Million which corresponds to 83% accomplishment based on the 2017 revenue target of ₱640.7 Million. Total Expenses totaled to ₱636.36 Million, representing 96% budget utilization based on the 2017 budget of ₱640.7 Million. Hence, year to date net loss (before tax) is (₱106.77) Million.

In comparison to the previous period, Total Revenues decreased by 21.52% from the December 2016 figure of ₱674.77 Million to ₱529.59 Million in December 2017. Meanwhile, Total Expenses was also reduced by 8.99% from ₱699.21 Million in December 2016 to ₱636.36 Million in December 2017. Net Profit for 2017 is lower than the previous period's total of (₱26.88) Million or by ₱79.89 Million with resulting net loss figure of (₱106.77) Million.

PROFIT AND LOSS	Year-End Budget 2017	Year to Date December 31, 2017	Accomplishment %	As of December 31, 2016	Growth	
					Amount	%
Interest Income	479.39	432.73	90%	580.73	(147.99)	-25%
Non-Interest Income	161.31	96.86	60%	94.05	2.82	3%
TOTAL REVENUES	640.70	529.59	83%	674.77	(145.18)	-21.52%
Interest Expense	110.32	127.48	116%	155.86	(28.38)	-18%
Non-Interest Expense	530.38	508.88	96%	543.34	(34.46)	-6%
TOTAL EXPENSES	640.70	636.36	99%	699.21	(62.84)	-8.99%
NET PROFIT OR (LOSS) BEFORE TAX	0.00	(106.77)	0%	(24.43)	(82.34)	337%
Income Tax Expense	-	-	0%	2.44	(2.44)	-100%
NET PROFIT OR (LOSS)	0.00	(106.77)	0%	(26.88)	(79.90)	297%



KEY PERFORMANCE RATIOS AND INDICATORS

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

The **capital** adequacy measures the bank's capital and determine the bank's capability to absorb a reasonable amount of losses. Though that Bank's Capital Adequacy Ratio (CAR) is below the required minimum, the Bank is looking forward to an increase in its capital level with the upcoming acquisition of Postbank and its conversion into an Overseas Filipino Bank as pronounced by the Office of the President of the Philippines.

The **asset quality** ratios indicate the credit risk associated with the bank's asset. Ratios on asset quality of the Bank as of December 31, 2017 showed that there are asset quality problems and issues that the Bank needs to manage.

In terms of **management**, the ratios indicates that the Bank was still able to manage at least its administrative cost up to about 80% of the total expenses and up to 96.08 of the gross revenues.

Earnings are the main determinant or indicator of the profitability of the Bank. For this year, the Bank has suffered losses due to circumstances that were beyond the control of the Bank and hurdles in the operations during the calendar year 2017

KEY PERFORMANCE INDICATORS	
31 December 2017	
CAPITAL ADEQUACY	
Capital Adequacy Ratio (CAR)	6.63%
Capital (Tier 1) (₱'000)	447,123
Equity to Total Assets	9.21%
ASSET QUALITY	
Past Due Ratio	51.37%
NPL Ratio – Gross	49.50%
NPL Ratio – Net	43.02%
NPL Coverage	13.98%
NPA to Gross Assets	30.31%
NPA Coverage	13.99%
Loan Loss Reserve to Total Loan Portfolio	6.92%
MANAGEMENT	
Administrative to Total Expense	79.96%
Overhead Cost to Gross Revenue	96.08%
EARNINGS/ PROFITABILITY	
Net Income (after tax) (₱'000)	(106,772)
Return on Assets	-1.03%
Return on Equity	-11.57%
Net Interest Margin	3.06%
LIQUIDITY	
Loans to Deposits	65.16%
Liquid Assets to Deposits	44.99%

The Bank is set on a “road to recovery” in the forthcoming years and has been seen to be improving its earnings and profitability via a new management.

Liquidity on the other hand, measures the ease with which the Bank can meet its financial obligations with the liquid assets available. While liquidity ratios showed a low percentage for Year 2017, the same is set to increase expecting additional capital funds and deposits from the government

NON-FINANCIAL INDICATORS

Aside from the financial ratios, the bank also measured the non-financial indicators to reflect the performance of the bank on other aspects.

The Bank was also measured by the indicators included in the Performance Scorecard as submitted to the Governance Commission for GOCCs (GCG).

The scorecard comprise measures on the different perspectives such as financial, stakeholders, internal processes and learning and growth

To measure the stakeholders' perspective the Bank commissioned a private company to conduct the third-party survey which resulted to 91% satisfaction rating.

In terms of the number of “Existing Products Improved”, the Bank was able to improve the US\$ Buying and Selling and Remittance Partners Accreditation and has also introduced Remittance Product (247 Remit Plus). It has also partnered with 4 Remittance Partners (LBP, TransFast, Cebuana, MOHUR)

The Bank was able to maintain its ISO Certification 9001:2008 of the Bank's Head Office and all the branches and micro-banking offices which means that the Bank was able to develop a Quality Management System (QMS) and was able to meet our customers' quality requirements while continually improving our operational processes. The Bank has also received its GQMC Certificate.

NON-FINANCIAL INDICATORS 31 December 2017	
STAKEHOLDERS	Satisfaction Rating 90.88%
INTERNAL PROCESSES	Total of 2: (1) US \$ Buying and Selling and (2) Remittance Partners Accreditation 1: Remittance Product (247 Remit Plus) 4 Remittance Partners (LBP, TransFast, Cebuana, MOHUR)
LEARNING AND GROWTH	ISO Certified (valid until 2018) Head Office and all Branches and Micro-banking offices/ Received GQMC Certificate

Strategic Plan and OBJECTIVES

For 2018 Strategic Plan and Objectives , the bank shall carry-over the current operations of 2017 while focusing its “road to recovery” to regain positive operations and at the same time strengthening its foundation covering the organizational, operational and financial aspects, to maintain and further increase the value of Postbank prior to its conversion, while still pursuing its original mandate:

VISION : To become a strong government bank with focus on countryside development

MISSION : To mobilize savings and provide financial services in the countryside especially in the unbanked and underserved areas where poverty and unemployment are the highest

A. DEPOSIT GENERATION

The Bank shall still intensify its marketing efforts to generate private deposits. The Bank shall therefore focus on the following:

1. Increase the volume of private deposits particularly from rural banks, schools/universities, cooperatives, private businesses and individuals.
2. Fully mobilize the Treasury Marketing Group to augment fund generation necessary for investing and lending activities.
3. Enjoin all borrowers to maintain ADB (Average Daily Balance) deposit with the Bank equivalent to at least five percent (5%) to ten percent (10%) of their outstanding loan.
4. Offer long-term placements to effectively manage the cash flow position such as Time Deposit and Premium Savings Plan (PSP).
5. Effectively use pricing strategies in conjunction with waiver of documentary stamp tax (DST) and withholding tax (in the case of PEA), if necessary.

6. Generate low-cost deposits, i.e. CASA deposits, to manage cost and prevent sudden fluctuations in the portfolio.
7. Revisit the government depositors, apprise them of the latest developments with the Bank and convince them to continue their deposit relationship with Postbank.

B. CREDIT MANAGEMENT

While the Bank has strengthened its loan underwriting particularly on loan packaging and evaluation, market forces and external factors beyond the Bank's control contributed to the increase of non-performing loans.

Meanwhile, the Bangko Sentral ng Pilipinas (BSP) cautioned the Bank from further increasing its loan portfolio until such time that the automated loan system is in place and necessary credit improvements are instituted. Therefore, the main focus of the Bank is improving the quality of its loan portfolio thru the following:

1. Intensify collection and remedial efforts on past due accounts by offering flexible payment arrangements, restructuring of account and non-cash settlement (Dacion en Pago).
2. Initiate foreclosure proceedings on past due accounts that can no longer be remedied.
3. Recommend accounts for write-off once all efforts have been exhausted and there is still no clear indication of collection.
4. Focus on quality over quantity by slowing down on loans generation and focusing more on improving the credit underwriting and management processes to maintain a healthy loan portfolio. This is in accordance also with BSP Circular 855 on “Guidelines on Sound Credit Risk Management Process”.
5. Concentrate lending to Micro, Small and Medium Sized Enterprises (MSMEs) as well as consumer loans such as Housing Loan and Salary Loan.

6. Veer away from cleans loans, real estate loans and those that exhibit higher risk than the Bank's appetite can allow.
 7. Adopt a risk-based approach in lending by prioritizing lending to secured accounts with established track records and those with high credit risk rating.
 8. Monitor the loan accounts and conduct periodic visits to clients to immediately detect red flags and institute courses of action to prevent incidence of default.
 9. Regularly review the loan portfolio and ensure timely reclassification of loan accounts and provision of necessary allowance for loan losses based on Appendix 18.
 10. Improve credit risk oversight of the Risk Management Office to have a comprehensive and objective assessment of the individual and aggregate loan portfolio.
- the same as a check and balance by the Risk Management Office.
4. Internal Audit Office shall conduct regular audit of branches (at least every 18 months) to immediately identify risk areas that the Bank might be exposed to.
 5. Update the Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) of the Bank and undertake BCP awareness and training programs.
 6. Institute control mechanisms on the manual reporting system of covered and suspicious transactions from source information capture and improve review function thereon to ensure completeness and accuracy of reports submitted to the AMLC.
 7. Continuously adhere to ISO 9001:2008 quality standards by implementing and improving management systems and processes.

C. CAPITAL BUILD-UP

With the issuance of the EO 44, the Bank is expecting for additional capital infusion from the new owner (LANDBANK) in order to improve capital-related indicators into levels required by the regulators.

D. MANAGEMENT AND CORPORATE GOVERNANCE

1. Regularly monitor the status and report to the Management the projects and programs of the Bank such as special financing programs, launch of non-core products and services (remittance, POS project, etc.) and development of IT projects.
2. Implement effective control mechanism to ensure consistency in branch operating procedures, particularly in the system, documentation and reports used for processing of loans and deposits.
3. Provide the necessary support and risk management tools and loss events database to business and operating units in identifying and determining the severity and control adequacy of operational risk and evaluating

E. ORGANIZATIONAL DEVELOPMENT

The Bank's structure shall conform to the 2015 Organizational Structure as approved by the Governance Commission for GOCCs (GOCCs). The capabilities of Bank officers and employees will be continuously developed to assist in the attainment of the organization's objectives.

The Human Resource Department shall continue implementing the Organizational Development Roadmap that will focus on: (1) Skills Development – Trainings and seminars will be conducted to enhance the selling and customer relations skills of employees as well those involved in the credit process; (2) Management Development to be able to develop potential employees who can be equipped with a broad range of technical, banking, people management skills, perspectives and values.

F. TECHNOLOGY ADVANCEMENT

Depending on the plans of the acquiring Bank, the information technology systems shall depend fully on the core-banking systems that the new Management may require.

Highlights of Major ACTIVITIES

Postbank is Now CICS Compliant

31 March 2017

In compliance with the directive from the Bangko Sentral ng Pilipinas (BSP) on the adoption of the electronic clearing of checks, Postbank already implemented the Check Image Clearing System (CICS). With the original deadline beginning 20 January 2017, the full cutover for the implementation of CICS has been pushed through on April 21, 2017 as set by the Monetary Board of BSP.

The CICS is a joint undertaking of the Bangko Sentral ng Pilipinas and the Philippine Clearing House Corporation (PCHC) which aims to shorten the Bank's clearing period. The PCHC implemented the clearing of checks via electronic presentment through its CICS.

The new check clearing process speeds up the crediting of funds to depositors' account from three to five banking days to only one banking day since only the digital images of checks and their electronic payment information are transmitted to the paying bank compared to the previous clearing system which requires the physical delivery of checks.

According to BSP, aside from promoting financial consumer welfare, this reform initiative enhances the efficiency of the domestic payment system and promotes the faster movement of goods and services in the country.

Pursuant to said requirement, the Bank has converted all Postbank branches from ECCS to CICS last 31 March 2017 in time for the cut-over date of PCHC on 21 April 2017. The Bank has also posted on its

website the Frequently Asked Questions (FAQs) related to the CICS.

AMLC Requires Updating of Client Information

21 April 2017

In compliance with the requirement of the Anti-Money Laundering Council (AMLC), Postbank has requested clients to update your personal records/information with PPSB by visiting your nearest branch or submitting your updated CIS and supporting documents.

Postbank Introduced New Products and Services

24 May 2017

In preparation for the conversion of the Bank into an Overseas Filipino Bank (OFBank), the Board of Directors has approved on 24 May 2017 the introduction of new services that would benefit the overseas-based Filipinos. The Bank has introduced the Buying and Selling of Foreign Currency (initially US Dollars) and the Accreditation and Evaluation of Remittance Agents, Money Changers and FOREX dealers.

The foreign exchange service is a facility offered by the bank to existing clients thru buying (or conversion of US Dollar into Philippine Peso) and selling (or conversion of Philippine Peso into US Dollar) which will be granted to existing bank clients and selected clients subject to strict implementation of the BSP's Know Your Client (KYC) policy and Anti-Money Laundering Act (AMLA).

On the other hand, the Accreditation and Evaluation of Remittance Agents, Money Changers and FOREX dealers aims to provide criteria for the bank in the evaluation and accreditation of FOREX companies, local entities and remittance agents to serve as partners in relation to money transfer remittances basically intended for OFWs and Filipinos residing abroad sending their money to their beneficiaries in the Philippines. This is in line with its objective to improve and expand the bank's services, partnering with remittance agents to improve the quality of services that the bank has to offer.

Postbank Ties Up with Remittance Partners

29 May 2017

Postbank fueled its remittance services by partnering with four of the recognized remittance service providers in the industry in 2017. These includes partnership and contract with Cebuana Lhuillier Pawnshop, Land Bank Remittance System, Mohur, Inc./ 247 RemitPlus and Transfast Worldwide Remittance Company/ New York Bay Philippines.



With about 30 years in the business, the PJ Lhuillier Group of Companies (PJLGC) is a dynamic, multi-industry company that owns and operates businesses

dealing with financial services such as pawning, remittance, microinsurance, and business to business micro loan solutions. The P.J. Lhuillier, Inc. (PJLI) is the proud parent company of the Cebuana Lhuillier Pawnshop, one of the leading and largest non-bank financial services provider in the Philippines with over 2,200 branches nationwide.

The Land Bank Remittance System (LBRS) or the Easy Padala is another e-banking innovation from LANDBANK. It is a web-based remittance system (LANDBANK Remittance System) available to remittance partners worldwide in order for Overseas Filipinos to facilitate a fast and secure way of sending their hard-earned money to their beneficiaries on a near real time basis wherever they may be.

Mohur Inc. is the first (1st) Remittance Platform Provider registered at the Bangko Sentral ng Pilipinas (BSP) and Anti-Money Laundering Council (AMLC) and also the first (1st) Remittance and Transfer Company (RTC) authorized by the Anti-Money Laundering Council (AMLC) Secretariat to use Digital Registration and ID Process or Electronic Know-Your-Customer (eKYC) for its Customers by virtue of AMLCS Opinion No. 17-08 dated 30 June 2017. It is also the first (1st) Philippine Company which copyrighted Money Transfer Platform with Anti-Money Laundering (AML) Solutions at the Intellectual Property Office of the Philippines.

On the other hand, Transfast Worldwide Remittance Company is an international money transfer and cross-border payments company with headquarters in New York and additional offices in UAE and the Philippines. The company is a provider of multi-currency, cross-border payments solutions for consumers and

businesses around the world. Remittances are processed through its wholly owned direct-to-bank network, and the company offers 200,000 cash payout points across 120 countries.

Postbank is finalizing and addressing issues to finally run and implement the tie-up with Cebuana Lhuillier. For the Land Bank Remittance System, Postbank will be a payout partner and now ready to start the operations. Likewise, for the Mohur, Inc. partnership, Postbank has already introduced its remittance solutions, the 247 RemitPlus wherein the system can be used as a sending and payout agent. On the other hand, Transfast has been operational wherein Postbank serves as a payout agent of remittances coming from abroad.

With the conversion of Postbank into Overseas Filipino Bank (OFBank), it could be partnering to other remittance system providers that will widen its scope in providing accessible and cheaper remittance services to support the overseas-based Filipinos all over the world.

Postbank Implements Updated Bank Fees and Charges

June 14, 2017

On 25 April 2017, the Board of Directors has approved the Revision to the Bank Charges for Deposit and Cash Operations. This is pursuant to Section X263.1 of the Manual on Regulations for Banks (MORB), the Bank needs to comply with these provisions prior to implementation, stated as follows:

§ X263.1 Amendments to terms and conditions for the imposition of service charges/fees. Any change in the terms and conditions for the imposition of service charges and/or maintenance

fees, e.g., increase in the amount of such charges and fees or increase in the required minimum monthly average daily balance of deposits, shall take effect only after due notice to the depositor: Provided, That information by regular mail, statement of account messages, electronic mail, courier delivery and/or other alternative modes of communication on the depositor's last known address at least sixty (60) days prior to implementation shall be considered sufficient notice:

Provided, further, that failure of the depositor to manifest or register his objection to the new service charges and maintenance fees or any change in their terms and conditions in writing within thirty (30) days from receipt of written notice of amendment shall be deemed to constitute acceptance of such changes, for purposes of this Subsection.

Banks shall likewise post said information on their respective websites, Automated Teller Machine on-screen messages, and in conspicuous places within the bank premises and other places near the bank's own Automated Teller Machine at least sixty (60) days prior to implementation.

The new set of charges / updated charges was implemented effective 01 August 2017.

Malacañan Issues EO 44

09 October 2017

On October 9, 2017 Malacanan released Executive Order (EO) No. 44, 28 September 2017 approving Land Bank of the Philippines' (LBP) acquisition of Philippine Postal Savings Bank (PPSB).

EO No. 44, likewise, authorized PPSB conversion into Overseas Filipino Bank (OFB), which aims to efficiently deliver

microfinance and micro-insurance products and services for overseas Filipinos.

"Overseas-based Filipinos, who contribute to the country's foreign exchange income, currency stability, employment, and overall economic growth through their remittances should be given provision of priority support for their growing financial needs," EO No. 44 underscored.

Subject to the clearance of the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, Philippine Deposit Insurance Corporation, and the Philippine Competition Commission, the PPSB acquisition via transfer of shares directs the Philippine Postal Corporation, the parent company of (PPSB), and the Bureau of Treasury to move their respective shareholdings in PPSB to Land Bank at zero value.

But prior to the actual transfer of shares, the PPSB is directed to return to the National Treasury the balance amounting to P249.23-million from the P500-million previously released to fund the Project DRIVE (Dagdag Regular Income Via Entrepreneurship) Fund managed by the PPSB.

Further, the PPSB is ordered to expedite the transfer of all its assets, liabilities, records, systems, and other pertinent items to Land Bank.

"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 of OFB," EO No. 44 stated.

As for the management of OFB, Land Bank will implement a reorganizational

plan, which may cause the detail or assignment of LBP employees to the OFB as may be necessary.

The affairs and businesses of OFB will be managed by a 9-member Board of Directors composed of the LBP President as OFB Chairperson; LBP-designated OFB President as Vice Chairperson; four LBP-designated directors or officers as members; and one representative each from the Department of Labor and Employment (DOLE), the Overseas Workers Welfare Administration (OWWA), and the private sector representing overseas Filipinos, as members.

"The members representing the DOLE, OWWA, and overseas Filipinos shall be appointed by the President," the EO said.

For those PPSB employees who will be affected by the reorganization, an early retirement incentive plan awaits those who voluntarily retire or may be separated from the service. This is on top of the retirement or separation benefits due to them under existing laws.

Source:https://pcoo.gov.ph/news_releases/land-bank-acquires-postal-bank-converts-overseas-filipino-bank-ofb/

Postbank Received GQMC Certificate

11 October 2017

Postbank was included as one of the awardees who received its GQMC (Government Quality Management Committee) Certificate during the GQMC 5th Recognition Ceremony held last 11 October 2017 at DAP Conference Center, Tagaytay City. The ceremony recognized government organizations with ISO 9001 Quality Management Systems Certification.

The institutionalization of the program on Quality Management Systems in government is a directive from the Office of the President to all departments and agencies of the Executive Branch including all government-owned and/or controlled corporations (GOCC) and government financial institutions (GFIs), via Executive Order No. 605 series of 2011. All government entities are directed to adopt the ISO 9001:2000 Quality Management Systems as part of the implementation of a government-wide quality management program.

As stipulated in the Executive Order 605, the Government Quality Management Program aims to: (1) Promote and enhance public sector performance through the adoption of ISO 9001: 2000 Quality Management Systems in all agencies of government; (2) Develop an institutional infrastructure that shall provide certification with international accreditation; (3) Establish the citizen's charter of key government offices that shall be provided to the transacting public

as government's manifestation of service guarantee; and (4) Recognize citizen-driven government organizations that have attained ISO 9001:2000 certification for other government agencies to emulate.

Postbank was among the eleven (11) GOCCs who were given the GQMC award, and one of the 52 government agencies awardees during the program. President Renato G. Eje received the certificate in behalf of the Bank.

The GQMC or the Government Quality Management Committee is chaired by Department of Budget and Management (DBM) Secretary Benjamin Diokno and co-chaired by Department of Trade and Industry (DTI) Secretary Ramon Lopez. The members were representative from Department of Interior and Local Government OIC Catalino Cuy, Office of the President, Internal Audit Office, Deputy Executive Secretary Alberto Bernardo and Development Academy of the Philippines (DAP) President and CEP Elba Cruz.

Postbank Tightens Collection Efforts, Improves Collection Efficiency

31 December 2017



Management directed the concerned units to tighten collection efforts due increasing problem accounts. As early as end of December 2016, the bank has been closely monitoring the collection and conversion of these problem accounts into good accounts. A Collection Team was created last May 2017 composed of various officers from the Credit Management Group, Corporate Banking Group and Branch Banking Group. The main function of the team is to prioritize and exert extra effort on the collection of loans particularly big accounts. They have been meeting on a

regular basis strategizing collection methodologies, assessing the progress of collection efforts and recommending measures to improve the collection performance and discussing the action taken on accounts in the collection list through a monitoring template. The team was also tasked to report the updates of the team performance on a weekly basis to the Management Committee.

With the tremendous efforts of the team, they were able to collect problem loan accounts amounting to ₱1.04 billion or a collection efficiency of 49% compared to the Bank's target for 2017 of 25%.

Postbank Set to Comply With the EMV Migration Deadline

31 December 2017

The BSP earlier set the deadline for EMV migration on Jan. 1, 2017, but since some banks still have yet to comply, BSP extended the deadline giving all the BSP-supervised financial institutions until June 30, 2018, to fully comply with the EMV requirement. The BSP has ordered banks to issue all customers with EMV chip-enabled cards until June 30, 2018.

The Bank already completed the acquirer side of the EMV implementation. It already completed the Terminal Integration Certification (TIC) last May 2017. The Bank also completed the conversion of the Diebold ATM to be an EMV compliant. Afterwards, the updating of the ATM card from magnetic stripe to EMV chip will follow.

As issuer, Postbank will rely on the outsourcing arrangement with Land Bank where Land Bank has now started issuing EMV compliant cards.

Postbank Continuous to Push for the POS Merchant Services

31 December 2017

The Bank continues to push for the POS merchant solicitation services to generate additional income for the Bank. Currently, the Bank has 10 POS terminals installed at Don Mariano Marcos Memorial State University in San Fernando, La Union (8 terminals) and Cebu GEMS Innovations and Career Development Center (2 terminals) in Cebu and Manila.

Number of transactions from the eight (8) terminals in La Union significantly increased from 196 transactions in 2016 to 478 transactions in 2017 (with ₱1.4 million in terms of amount), with ADB deposit increased to almost ₱40 million. On the other hand, the other two (2) terminals installed in Cebu and Manila decreased number of transactions from 55 in 2016 to only 30 transactions in 2017. However, the ADB deposit significantly increased to ₱1.4 million from the initial amount of only ₱30,000.

A POS (Point of Sale) System is a combination of software and hardware that allows merchants to take transactions and simplify key day-to-day business operations which streamlines retail operations by automating the process and tracking important transactions data.



Postbank considers sound and adequate risk management as critical component of a stable and profitable financial institution.

As risk is an inherent part of its business undertakings- present in the financial instruments it acquires and trades, in loans it grants, in deposits it generates to fund its requirements, and even in people it hires - it is imperative that risk related issues are taken into consideration in all its business decisions and communicated across the Bank starting from the Board of Directors to Senior Management down to actual risk-taking units through a well-defined risk system and structure.

A sound corporate risk management philosophy translates into prudent risk-taking and proactive portfolio management enabling Postbank to pursue its financial expansion while maintaining adequate capital at all times.

Risk Management System and Structure

The risk management framework at Postbank 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 5 members of the Board, to oversee the implementation of risk management process that includes development of various risk strategies and principles, implementation of risk measurement tools, monitoring risk indicators and approval of risk limits.

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

Senior Management of Postbank is also actively involved in the planning, reviewing and assessing different risks being managed by the Bank through the various committees. The Management Committee (MANCOM) ensures that all business objectives are align with the risk tolerance set by the Board. The Assets and Liabilities Management Committee (ALCO) is responsible for ensuring market and liquidity risks are adequately addressed on long-term and daily basis. The Lending Committee (LENDCOM) which has been delegated with credit authority limits, reviews, approves / recommends loan proposals and credit policies to the Board.

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

Legal Group has the primary responsibility of reviewing all Bank's documents for completeness and enforceability under respecting legal jurisdiction.

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

**CAPITAL ADEQUACY RATIO
(IN MILLION ₱)**

	2017	2016
Tier 1 Capital	447	537
Tier 2 Capital	23	38
Total Regulatory Capital	470	575
Reciprocal Investment in equity of other bank	-	-
Total Qualifying Capital after deductions	470	575
Total Credit Risk-Weighted Assets	6,222	9,654
Total Market Risk-Weighted Assets	-	-
Total Operational Risk-Weighted Assets	865	829
Total Risk-Weighted Assets	7,087	10,483
CAPITAL RATIOS		
Total Regulatory capital expressed as percentage of total risk weighted assets	6.63%	5.48%
Total Tier 1 expressed as percentage of total risk weighted assets	6.31%	5.12%

**TIER 1 & 2 CAPITAL COMPONENTS
(IN MILLION ₱)**

	2017	2016
QUALIFYING CAPITAL		
Tier 1 Capital		
Paid up common stock	820	820
Retained Earnings	183	210
Undivided Profits	(107)	10
Less: Unbooked valuation reserves	(449)	(503)
Less: Deferred tax assets	-	-
Total Tier 1 Capital	447	537
Tier 2 Capital		
General loan loss provision	22	38
Total Tier 2 Capital	22	38
Total Qualifying Capital (C = A+B)	470	575

Credit Risk

Credit risk pertains to risk of financial loss due to non-payment by borrowers, issuer or counterparties of their obligations, deterioration in credit quality and reduced recovery from a credit facility in the event of default. The Bank is exposed to credit risk as lender, holder of securities and as counterparty in trading activity.

The bank follows the Single Borrower's Limit (SBL) prescribed by the BSP. Credit exposures are constantly monitored and a credit evaluation process is conducted to assess the creditworthiness of each borrower.

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.

Management of Credit Risk

Management of credit risk at Postbank begins with the loan approval process. The Bank has established a rigid screening and prudent credit evaluation process of loan applications as contained in the credit risk manual. It defines loan activities from identification, credit initiation, documentation, loan administration, etc. The credit process is also guided by Board-approved credit policies and procedures including hierarchy on approving authority, internal risk-rating methodologies and collateral requirements.

An essential part of credit risk management is periodic review of quality of loan portfolio, monitoring of line utilization, analysis of concentration of loans by industry, assessment of adequacy of loan loss provisioning, etc. All these

measures are implemented in order to maintain a diversified and sound loan portfolio, and to detect any deterioration in credit quality so that remedial actions can be implemented.

In 2013, the Bank created the Credit Management Group (CMG) to further strengthen its credit process. CMG provides rigid screening and prudent credit evaluation of loan applications as well as periodic assessment of quality of loan portfolio of the Bank.

Aside from strengthening its credit evaluation process, the Bank has increased its provisioning for loan losses to address potential rise in non-performing loans as a result of robust expansion in its loan portfolio. In addition, it has pursued a speedy disposition of its ROPA

Exposure Credit Risk

The following shows the concentration of credit risk by industry at the reporting date:

CONCENTRATION BY INDUSTRY

(in million ₱)

	Dec 2017	Dec 2016
Real Estate Activities	1,463	1,503
Wholesale and Retail Trade	954	1,219
Salary-based General-Purpose Consumption Loans	657	836
Public Administration and Defense / Compulsory Social Sec.	350	431
Financial and Insurance Activities	334	421
Administrative and Support Service Activities	177	286
Agricultural, Hunting and Forestry	288	223
Construction	143	174
Education	122	154
Other Services Activities	44	153
*Others	336	468
Total	4,868	5,869
Allowance for Credit Losses	360	295
	4,508	5,574

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

In terms of credit risk monitoring, the Bank prepares a monthly report on credit quality as summarized below (in Millions):

	2017	2016
Neither past due nor impaired	2,198	3,642
Past Due but not impaired	97	122
Impaired	2,574	2,105
Gross	4,869	5,869
Less: Specific Allowance for credit losses	360	295
Net	4,509	5,574

CREDIT RISK-WEIGHTED ASSETS (In millions)	YEAR	
	2017	2016
Credit Risk Weighted Assets		
Total Risk-Weighted On-Balance Sheet Assets	6,668	10,156
Total Risk-Weighted Off-Balance Sheet Assets	-	-
Total Counterparty Risk Weighted Assets in the Banking Book (Derivatives and Repo-Style Transactions)	-	-
Sub-total: Gross Risk-Weighted Assets	6,668	10,156
Deductions:		
General loan loss provision	-	-
Unbooked valuation reserves and other capital affecting asset accounts based on the latest report of examination as approved by the Monetary Board	446	503
Sub-total: Deductions	446	503
C. Total (C = A + B)	6,222	10,659
Capital Requirements for Credit	622	1,065

Market Risk

The bank's exposure to market risks 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.

Market risk is the risk that changes in interest rates, foreign exchange rates, equity prices, commodity prices and other market indicators 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.

Postbank 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 has no outstanding exposure under the Held for Trading (HFT) portfolio as of December 31, 2015.

For debt securities under the Available for Sale Securities (AFS), no significant market risk exposure is observed as the mark-to-market valuation reflected a positive P4 million increasing the portfolio net carrying amount to P75 million.

For Unquoted Debt Securities Classified as Loans (UDSCL) being used as alternative compliance to agri-agra law, the Bank's exposure amounted to P 50 million with an average coupon rate 6.5%.

Liquidity Risk

Liquidity risk pertains to potential losses to the bank arising from either its inability to meet its obligations or to fund maturing liabilities as they fall due. Senior Management through the

Assets and Liabilities Management Committee (ALCO) is responsible for the implementation of sound policies and procedures keeping in mind

the strategic direction and risk appetite of the Bank.

Liquidity risk is the risk of loss to earnings or capital due to inability to meet funding requirements or payment of obligations as they fall due. Postbank liquidity policy is to maintain sufficient liquidity level not only to service deposit withdrawals and other contractual obligations but also to provide ample buffer to meet any unplanned changes in funding sources or changes in market conditions. Part of liquidity management strategy is to keep a sizeable amount of liquid assets like marketable government securities, and Deposit Balances with BSP such as Special Deposit accounts (SDA).

The Assets and Liabilities Management Committee (ALCO) and Treasury Group supervise the liquidity planning of the Bank both for the day-to-day funding requirements and for balance sheet management purposes.

Daily cash flow projection and analysis of liquidity position are prepared with any excess funds temporarily park on interbank placements or deposit balances with BSP.

The liquidity risk management process at Postbank also includes the preparation of liquidity gap reports. Also Called Maximum Cumulative Outflow (MCO) report, it reveals the mismatch on the tenor of the assets against liabilities with risk that the Bank may be forced to borrow at higher rate or sell its assets at a discount to generate the required liquidity. The analysis of the MCO report contains risk mitigating measures on how to close the negative gaps particularly on the shorter tenor buckets. The MCO report also takes into account behavioral pattern of deposit withdrawal specifically deposits retained beyond the contractual maturity

Presented below is the Maximum Cumulative Outflow (MCO) report
as of December 31, 2017 (in Million Pesos)

Liquidity Gap Report As of Dec 31, 2017

QUALIFYING CAPITAL	Up to 90 days	91 days to 1 year	Over 1 year to 5 years	Over 5 years	Total
Assets					
Cash and Cash Equivalents	94				94
Investment Securities	-	97	-	527	624
Due from BSP & other banks	2,917	-	-	-	2,917
Loans and Receivables	576	433	950	2,880	4,839
Other assets	29	10	78	554	671
	3,616	540	1,028	3,961	9,145
Liabilities					
Deposit Liabilities	6,711	660	592	-	7,974
Accrued Interest Expense	5	8	-	-	13
Other liabilities	310	0	0	0	310
	7,037	668	592	-	8,297
Equity*					
Net Liquidity Surplus (Gap)	(3,421)	(128)	436	3,961	
Cumulative Gap	(3,421)	(3,549)	(3,113)	848	

*includes accounts in Foreign Currency deposit Unit (FCDU)/ Expanded Foreign Currency Deposit Unit (FCDU)

¹/Includes Core deposits or those funds expected to remain with the Bank after deducting for volatile deposits and reserves that can be used for lending operations.

Interest Rate Risk

The bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable levels. Risk is addressed on a transactional level by matching the benchmark rate or basis for repricing of a particular asset with that of the equivalent source of fund at the onset of the transaction.

Further, sensitivity analysis is regularly performed to efficiently manage risk on earnings.

In measuring the interest rate risk, Postbank determines the sensitivity of its assets and liabilities to movements the interest rates by way of re-pricing gap analysis

The re-pricing gap analysis is calculated by first slotting the interest rate sensitive assets and liabilities into tenor buckets according to next re-pricing date (or the time remaining to maturity if the account has a fixed term), and then obtaining the difference or gap per defined buckets. A gap is considered negative when the level of interest rate sensitive liabilities exceeds that of assets. Conversely, a positive gap indicates more interest rate sensitive assets than liabilities. In an increasing interest rate scenario, a negative re-pricing gap would translate into potential reduction in interest income.

The following table shows the re-pricing gap position of Postbank as of December 31, 2017 (In P MM):

QUALIFYING CAPITAL	up to 1 mo.	over 1 mo. to 3 mos.	over 3 mos. to 1 yr	over 1 yr to 3 yrs.	over 3 yrs.	Total
FINANCIAL ASSETS						
Total loans and receivables	834	145	245	289	678	2,191
Total investments	-	-	97	-	527	624
Due from Other banks	72	1	-	-	-	73
Sales Contract Receivables	-	-	3	19	-	22
Tota Financial Assets	906	146	345	308	1,205	2,910
FINANCIAL LIABILITIES						
Deposit liabilities	4,439	2,287	660	497	95	7,978
Total Financial Liabilities	4,439	2,287	660	497	95	7,978
Repricing Gap	(3,533)	(2,141)	(315)	(189)	1,110	(5,068)

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. Operational risk is inherent in any activity, function or unit of the Bank. Top-level risk assessment is performed by the Board of Directors and Corporate Governance and Risk Management Committee (CGRMC) in its Annual Planning exercise.

Legal Risk

Legal Risk is defined as the risk of unenforceable contracts, lawsuits, adverse judgments or other legal proceedings disrupting or adversely affecting the operations or condition of a bank. Legal risk may rise due to a variety of issues, from broad legal or jurisdictional issues to something as simple as a missing provision in an otherwise valid agreement. The Bank's legal risk is centrally managed through its Legal Services Department (LSD) via control structures such as reviews of standard and non-standard legal documents covering transactions of the Bank and issuance of legal opinions. LSD conducts a periodic review of the Legal Risk Manual to determine whether there is a need to modify, revise, or amend any provisions to address new laws, rules and regulations as well as changes in the Bank's legal risk profile.

Money Laundering and TERRORIST PREVENTION PROGRAM

BASIC PRINCIPLES

The Bank adopts the following thrusts aimed at combating money laundering and terrorist financing activities:

1. Commitment of Compliance with AMLA

The Bank shall serve and satisfy the needs and best interests of its clients, employees, stockholders and community with high ethical standards to protect and preserve the confidentiality of customer's accounts and a commitment to comply with the regulatory requirements aimed at combating money laundering and terrorist financing.

2. Know Your Customer Policy

The Bank shall establish well-defined policies to sufficiently know the true identity of its client based on official identification documents and prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank.

3. Risk-Based Money Laundering and Financing of Terrorism Prevention Program

The Bank shall adopt and implement a sound AML and terrorist financing risk management system that identifies, assesses, monitors and control risks associated with money laundering and terrorist financing to ensure that the Bank shall not be used as a vehicle to legitimize proceeds of predicate crimes or to facilitate or finance terrorism.

4. Cooperation with Law Enforcement Agencies

The Bank shall undertake to fully cooperate with the law enforcement agencies and

regulatory agencies through the extent that it can do so under all applicable laws and regulations making sure that all identified instances of suspicious transactions are handled properly and reported in accordance with AMLA, as amended.

5. Policies, Procedures and Training

The Bank shall adopt policies consistent with the AMLA, as amended, and its RIRR, and ensure that its officers and staff are informed of these policies and adequately trained to fully and consistently comply with their obligations. To promote adherence to this principles, the Bank shall implement specific procedures for customer identification, retention of financial transaction documents and reporting of covered and suspicious transactions.

AML COMMITTEE

The AML Committee shall have the following duties and responsibilities:

1. Receive and deliberate on regulatory issuances relative to AML, and formulate policies and procedures necessary to enhance internal controls against money laundering and terrorist financing activities;
2. Review sufficiency of logistic support to ensure complete capture in the AML reporting system of all covered transactions and suspicious transactions reportable to the AMLC within the prescribed deadline to avoid the Bank's possible exposure to sanctions or penalties;
3. Refer to the Office of the President, the Management Committee and/or the Board of Directors issues/non-compliance with the

- AMLA, the MLPP, and other relevant rules and regulations that may result to compliance or reputational risk, or loss on the part of the Bank;
4. Conduct review of the Money Laundering and Terrorist Financing Prevention Program (MLPP), and revise or update it for new AML regulatory issuances at least annually or when necessary as an offshoot of an examination;
 5. Recommend and/or implement corrective and preventive measures, including but not limited to imposition of sanction/s to erring personnel or unit/s to address AML issues and improve compliance with the AMLA, the MLPP, and other related rules and regulations in accordance with the Bank's Code of Conduct, laws, and other rules and regulations; and
 6. Invite internal and/or external resource person(s) if an issue so warrants.

KNOW YOUR CUSTOMER POLICY

The identity of the customer or his/her/its representative who enters into a business relationship or conducts a transaction with the Bank shall be established from official documents in accordance with the Bank's existing policy. In case of corporate clients, their legal existence and organizational structure as well as the authority and identification of all persons purporting to act on their behalf shall also be verified.

The Bank shall implement its Know Your Customer (KYC) Policy before establishing a business relationship to:

1. Ensure that only legitimate and bona fide customers are accepted;
2. Ensure that customers are properly identified and that it understands the risks they may pose;
3. Verify the identity of customers using reliable and independent documentation;
4. Determine any unusual transaction activity or activity that is not commensurate with the client's known business or financial capacity or a deviation from client's profile and past

- transaction; and
5. Prevent the creation of fictitious account.

I. Customer Acceptance

The following procedures must be observed when establishing a business relationship:

- a. Personal appearance of the account holder;
- b. Verification of the photograph appearing on the ID card presented with the person presenting such document;
- c. Scrutiny of original identification documents presented;
- d. Comparison of signatures with live signatures;
- e. Completion of the account opening form;
- f. Checking of the completeness, accuracy and authenticity of documents and information; and
- g. Risk profiling and due diligence.

II. Customer Identification and Due Diligence

1. Customer due diligence shall be undertaken when the Bank:
 - a. Establishes business relations with any customer;
 - b. Undertakes any occasional but relevant business transactions for any customer who has not otherwise established relations with the Bank;
 - c. There is suspicion of money laundering or terrorism financing; or
 - d. There is doubt about the veracity or adequacy of previously obtained customer identification data.

III. Use of Alias

1. The Bank shall maintain accounts only in the true and full name of the account owner. The provisions of existing law to the contrary notwithstanding, anonymous accounts, accounts under fictitious names, numbered checking accounts, and all other similar accounts shall be absolutely prohibited.

2. The true and full identity of new individual customers shall be established and accounts shall be opened and maintained only in the true and full name of the account owner or owners.
3. The identity of corporate, partnership and sole proprietorship entities as well as the stockholders/partners/owners, directors, officers and their authorized signatory/ies shall be established and recorded.
4. The use of an alias shall be absolutely prohibited.

The alias given by a client shall be documented and shall be checked against watch lists and on the internet, if the branch or unit has an access. Any adverse finding on said alias shall be treated in the same manner with the true and real name of the client.

IV. Face-to-Face Contact

No new accounts shall be opened and created without face-to-face contact and personal interview between the Bank's authorized personnel and potential customer except under the following arrangements:

- a. Outsourcing arrangement;
- b. Account opened through a trustee, agent, nominee or intermediary; and
- c. Third party reliance.

The face-to-face contact and personal interview shall be documented by stamping the CIS with a notation "Face-to-face and personal interview conducted" or similar notation.

It shall be the duty of the branch accountant or the department head to monitor on a monthly basis the implementation of the outsourcing arrangements and third-party reliance arrangement, if any.

The same shall be subject of an annual review by the branch head or area head or group head on an annual basis while Compliance Office will test on a sample basis the compliance of these units

on the requirements of the outsourcing and/or third party reliance arrangements.

V. "Doing Business As" Accounts

1. Where the volume and amount of transaction are not commensurate with the financial profile of the individual client, the branch/unit shall inquire from the client the source and nature of funds. Proof of source of funds may be requested from the client.
2. Where it is ascertained that individual account is used for business or trade transactions, the branch/unit shall fully identify and document said business or trade.
3. The risk classification of the individual client shall be updated taking into account his/her business or trade. The corresponding due diligence shall likewise be conducted.
4. Where the new risk classification is high risk, senior officer's approval shall be required for the continuance of business relationship.
5. Where additional information cannot be obtained, or any information or document provided is false or falsified, or result of the validation process is unsatisfactory, the Bank shall immediately close the account and refrain from further conducting business relationship with the customer without prejudice to the reporting of a suspicious transaction to the AMLC when circumstances warrant.

VI. Due Diligence on Foreign Exchange Dealers, Money Changers and Remittance Agents

The Bank shall take extra caution and vigilance and shall perform enhanced due diligence upon onboarding and during transaction monitoring when dealing with foreign exchange dealers (FXDs), money changers (MCs) and remittance agents (RAs). For this purpose, the following shall be conducted:

1. The Bank shall only deal with FXDs, MCs and RAs registered with the BSP for appropriate authority to engage in a specified business.

2. When dealing with RAs as remittance partners or tie-up or if the accounts are being used to facilitate their due diligence, the Bank shall conduct appropriate due diligence necessary to the relationship to ensure that it will not be used as channel for money laundering or terrorist financing activities.
3. The Bank shall conduct risk assessment of the FXD, MC and RA customers, considering relevant factors such as business operations, types of customers, product/service availed, distribution channel, jurisdictions they are exposed to and expected account activity.
4. Perform enhanced due diligence. Unsatisfactory result of the due diligence process shall be a ground for denying the business relationship.
5. Perform continuing account and transaction monitoring

FUND / WIRE TRANSFER

The Bank, as beneficiary institution, shall not accept instructions to pay out fund transfers to non-customer beneficiary, unless it has conducted the necessary customer due diligence to establish the true and full identity and existence of said beneficiary. Should the originator and beneficiary be the same person, the Bank may rely on the customer due diligence conducted by the originating institution provided the rules on Third Party Reliance are met, treating the originating institution as Third Party.

The Bank, as originating institution, shall not accept instructions to wire/fund transfer from a non-customer beneficiary, unless it has conducted the necessary customer due diligence to establish the true and full identity and existence of said originator.

HANDLING OF CERTAIN TRANSACTIONS

I. Cashier's, Manager's and Certified Checks

The Bank may sell cashier's, manager's or certified checks only to its existing customers and

shall maintain a register of said checks indicating the following information:

- a. True and full name of the buyer or the applicant if buying on behalf of an entity;
- b. Account number;
- c. Date of issuance and the number of the check;
- d. Name of the payee;
- e. Amount; and
- f. Purpose of such transaction.

II. Second-Endorsed Checks

The Bank shall apply enhanced due diligence in the acceptance of second endorsed checks.

The Bank shall limit the acceptance of second-endorsed checks from properly identified customers and only after establishing that the nature of the business of said customer justifies, or at least makes practical, the deposit of second-endorsed check.

In case of isolated transactions involving deposits of second-endorsed checks by customer who are not engaged in trade or business, the true and full identity of the first endorser shall be established and the record of the identification shall also be kept for five (5) years.

III. Spurious Checks

Spurious checks are checks that were illegally printed to defraud banks or the payee. The Bank shall consider a check as spurious if it does not contain the security features set by the drawee bank or security features of the check have been maliciously altered.

IV. Prohibited Accounts

Anonymous accounts, accounts under fictitious names, numbered checking accounts, and all other similar accounts are considered prohibited accounts.

No peso and foreign currency non-checking numbered accounts shall be allowed without

establishing the true and full identity and existence of customers and applying enhanced due diligence.

Peso and foreign currency non-checking numbered accounts existing prior to October 17, 2001 shall continue to exist but the Bank shall establish the true and full identity and existence of the beneficial owners of such accounts and applying enhanced due diligence.

V. Dormant Account

The Bank should do everything to prevent checking and savings accounts from becoming dormant. If the account is inactive, a short letter to the depositor encouraging him/her to use his/her account.

VI. Closed Accounts

Account being closed, either client or bank-initiated due to improper handling, shall be required to surrender all unused checks to the Cash Department.

The branch/unit concerned should retrieve all unused checks from the depositor of closed accounts to prevent further negotiation and/or use.

CORRESPONDENT BANKING

The establishment of correspondent banking relationship (such as credit line, deposit account or treasury facilities) with financial institutions shall be the responsibility of Treasury Group.

The Treasury Group shall conduct financial analysis and evaluation on correspondent bank and the result shall be forwarded to the Risk Management Office (RMO) for its counterchecking and validation.

MONITORING & REPORTING OF COVERED & SUSPICIOUS TRANSACTIONS

It shall be the duty of the branch accountant (for branch), account officer (for loans) or the compliance coordinating officer (for other units) to monitor and report transactions or circumstances that may qualify as suspicious transactions, regardless of amount or that will raise a “red flag” for purposes of conducting further verification or investigation, or transactions involving amounts below the threshold to facilitate the process of aggregating them for purposes of future reporting of such transactions to the AMLC when their aggregated amounts breach the threshold. Likewise, all client-facing personnel of loans, cash treasury, and ROPA units, and remittance and ATM departments shall likewise monitor the transactions of client, especially those of high risk clients.

The accountant shall conduct callback procedures on all financial and non-financial transactions. Non-financial transactions include completeness and accuracy of KYC documents and information for newly opened accounts and completeness of information in purchase of manager's check application.

I. AMLA Extraction Tool

The Compliance Office shall suspicious transactions through the aid of the AMLA Monitoring Tool developed and maintained by the ISTMG

II. REPORTING OF COVERED AND SUSPICIOUS TRANSACTIONS

The AMLA, as amended, requires the reporting of suspicious and covered transactions to the AMLC.

Branches, MBOs and concerned head office units shall submit to Compliance Office: (a) CTRs within one (1) working day from date of

transaction; and (b) STRs within one working (1) day from the date of occurrence thereof

RECORDS KEEPING & RETENTION

The Bank shall prepare and maintain documents on customer identification and transactions such that:

1. The requirements of the AMLA, as amended, are met;
2. Any transaction affected can be reconstructed and from which the AMLC can be able to compile an audit trail for suspected money laundering as reported; and
3. It can satisfy within a reasonable time any inquiry or order from the AMLC as to disclosure of information, including whether a particular person is the customer or beneficial owner of transactions conducted through the Bank.

TRAINING OF EMPLOYEES

The Bank shall institute adequate screening and recruitment procedures for Bank personnel including designated compliance officer(s).

All employees shall undergo continuing education and training on the AMLA to enable them to fully comply with all their obligations under the law and its RIRR.

HANDLING OF FREEZE ORDERS, DIRECTIVES & ISSUANCES

The AMLC, upon determining probable cause, shall file an ex-parte application before the Court of Appeals (CA) for the issuance of a freeze order on any monetary instrument or property.

The Notice of Freeze Order from the CA shall be received by the Board of Directors chairman, Corporate Governance and Risk Management Committee chairman, Legal Services Department Head/General Counsel, Compliance Officer, or Branch Banking Group Head or, in their absence

all of the foregoing, the duly designated representative or office-in-charge for dissemination to the branches, offices and units concerned.

For branches, only the branch head or in his absence, the duly designated officer-in-charge, shall be authorized to receive the notice of freeze order. He/She shall immediately communicate the same to the Legal Services and the Compliance Office for dissemination and action.

COMPLIANCE TESTING & AUDIT PROGRAM

I. COMPLIANCE TESTING

The Bank, through the Compliance Office, shall ensure compliance by all responsible officers and employees with the AMLA, as amended, the RIRR and this MLPP. It shall conduct periodic checking which covers, among others, evaluation of existing processes, policies and procedures including ongoing monitoring of performance by staff and officers involved in money laundering and terrorist financing prevention, reporting channels, effectiveness of the electronic money laundering transaction monitoring and record retention system through sample testing and review of audit or examination reports.

II. AUDIT PROGRAM

The internal audit function associated with money laundering and terrorist financing shall be conducted by the Internal Audit Office. It shall have an independent audit program that will ensure the completeness and accuracy of the information and identification documents obtained from clients, the covered and suspicious transaction reports submitted to the AMLC, and the records retained as well as adequacy and effectiveness of the training program on the prevention of money laundering and terrorism financing

III. MONITORING OF CORRECTIVE ACTIONS

Internal Audit Findings

The Internal Audit Office (IAO) shall provide final audit report to the audited branch/unit, Group Head of the auditee and the Audit and IT Oversight Committee.

External Audit Findings

The Compliance Office shall be the primary unit in charge with communicating the findings of the audit conducted by the BSP, the Commission on Audit and other pertinent supervisory and regulatory bodies as well as monitoring of corrective actions undertaken by the branch/unit concerned.

OTHER RELEVANT AMLA PROVISIONS

I. EXEMPTION FROM BANK SECRECY LAWS

When reporting covered or suspicious transactions to the AMLC, covered institutions and their officers and employees shall not be deemed to have violated R.A. No. 1405, as amended, R.A. No. 6426, as amended, R.A. No. 8791 and other similar laws, but are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person, the fact that a covered or suspicious transaction report was made, the contents thereof, or any information in relation thereto. In case of violation thereof, the concerned officer and employee of the covered institution shall be criminally liable.

II. CONFIDENTIALITY PROVISION

When reporting covered transactions or suspicious transactions to the AMLC, covered persons, their directors, officers and employees are prohibited from communicating directly or indirectly, in any manner or by any means, to any person, entity, or the media, the fact that a covered or suspicious transaction report was

made, the content thereof, or any other information in relation thereto. Any information about such reporting shall not be published or aired, in any manner or form, by the mass media, or through electronic mail, or other similar devices. In case of violation thereof, the concerned director, officer and employee of the covered person shall be held criminally liable.

III. SAFE HARBOR PROVISION

No administrative, criminal or civil proceedings shall lie against any person for having made a CTR or an STR in the regular performance of his duties and in good faith, whether or not such reporting results in any criminal prosecution under the AMLA, as amended or any other Philippine law.

IV. PROHIBITION AGAINST POLITICAL PERSECUTION

The AMLA, as amended, and its RIRR shall not be used for political persecution or harassment or as an instrument to hamper competition in trade or commerce. No case for money laundering may be filed to the prejudice of a candidate for an electoral office during an election period.

V. AUTHORITY OF AMLC TO INQUIRE INTO DEPOSITS OR INVESTMENTS

Notwithstanding the provisions of R.A. No. 1405, as amended; R.A. No. 6426, as amended; R.A. No. 8791, and other laws, the AMLC may inquire into or examine any particular deposit or investment, including related accounts, with any banking institution or non-bank financial institution, upon order by the Court of Appeals based on an *ex parte* application in cases of violation of the AMLA, as amended, when it has been established that probable cause exists that the deposits or investments involved, including related accounts, are in any way related to an unlawful activity or a money laundering offense,

except in cases as provided in the immediately succeeding item.

VI. BSP AUTHORITY TO CHECK COMPLIANCE WITH THE AMLA AND ITS RIRR

In the course of a periodic or special examination, the BSP may inquire into or examine bank accounts or investments, including customer identification, account opening, and transaction documents, for the purpose of checking compliance by the Bank with the requirements of the AMLA, as amended, its RIRR, other AMLC issuances and BSP Circular No. 706, as amended.

PENALTIES

1. Penalties for Money Laundering

The penalty of imprisonment ranging from seven (7) to fourteen (14) years and a fine of not less than ₱3,000,000 but not more than twice the value of the monetary instrument or property involved in the offense, shall be imposed upon a person convicted of any of the following acts under Section 4(a), (b), (c) and (d) of the AMLA, as amended:

2. Penalties for Failure to Keep Records

The penalty of imprisonment of six (6) months to one (1) year or a fine of not less than ₱100,000 but not more than ₱500,000, or both, shall be imposed on a person convicted under Section 9(b) of the AMLA, as amended, for failure to keep records within the prescribed period.

3. Penalties for Malicious Reporting

Any person who, with malice, or in bad faith, reports or files a completely unwarranted or false information relative to money laundering transaction against any person shall be subject to a penalty to six (6) months to four (4) years imprisonment and a fine of not less than ₱100,000 but not more than ₱500,000, at the discretion of the court: *Provided*, That the

offender is not entitled to avail the benefits of the Probation Law.

4. Penalties for Breach of Confidentiality

The punishment of imprisonment ranging from three (3) to eight (8) years and a fine of not less than ₱500,000 but not more than ₱1,000,000 shall be imposed on a person convicted for a violation under Section 9(c) for breach of confidentiality. In the case of a breach of confidentiality that is published or reported by media, the responsible reporter, writer, president, publisher, manager and editor-in-chief shall be liable the AMLA, as amended.

5. Penalties for Knowingly Participating in the Commission of Money Laundering

The penalty of imprisonment ranging from four (4) to seven (7) years and a fine corresponding to not more than 200% of the value of the monetary instrument or property laundered shall be imposed upon the covered person, its directors, officers or personnel who knowingly participated in the commission of the crime of money laundering.

6. Imposition of Administrative Sanctions

After due notice and hearing, the AMLC shall, at its discretion, impose sanctions, including monetary penalties, warning or reprimand, upon any covered person, its directors, officers, employees or any other person for the violation of the AMLA and its RIRR, or for failure or refusal to comply with AMLC orders, resolutions and other issuances. Such monetary penalties shall be in amounts as may be determined by the AMLC to be appropriate, which shall not be more than ₱500,000 per violation.

CODE OF CONDUCT

1. Personal Commitment to the Job

We personally commit to discharge our duties and responsibilities in accordance with the highest standards of professionalism in banking, viz:

- To attend and actively participate in all board activities
- To continuously enhance our knowledge in banking
- To share our wisdom and talents with each other

2. Information Disclosure

We shall strictly adhere to the rules on confidentiality of information in accordance with all relevant laws and regulations.

3. Stockholders/ Stakeholders

We shall deal fairly and transparently with our stockholders, clients, competitors and the general public and commit to:

- Report regularly the real status of Postal Bank
- Preserve its resources and wealth
- Protect the interest of its depositors and stockholders

4. Human Capital

We shall strongly support our human capital and exert extra effort to:

- Formulate policies that will promote the professional growth and economic well-being of the employees
- Provide opportunities for career growth and development

5. Employment Practice for Staff and Managers

We shall always practice fairness with all our employees and ensure to:

- Select / appoint qualified officers and employees
- Instill discipline and compliance with personnel policy regulations.

6. Government Rules and Regulations

We shall strictly adhere to government policies, rules and regulations and internal policies and procedures in accordance with the Bank's Code of Conduct and manual of operations.

7. Business Directions and Risk Management

We shall adopt business policies and directions in accordance with pertinent rules and regulations in order to:

- Pursue the growth of business that is responsive to developments in industry and technology.
- Properly evaluate risk areas and take appropriate measures to prevent and/ or mitigate their occurrence.

8. Community

We commit ourselves to maximize our contribution to the economic development of the community we serve and the well-being of its members, particularly the marginalized sector in the countryside.

PRINCIPLES OF GOOD GOVERNANCE

1. Fairness

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

Recognizes that corporations have a public character:

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

2. Accountability

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

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

3. Transparency

Transparency requires that the BOD ensure timely and accurate disclosure on all material matters, such as the financial situation, performance, ownership and governance of

the corporation. The BOD should put in place a system of checks and balances and a system of monitoring and reporting based on accepted standards of adequate disclosures.

4. Ethics

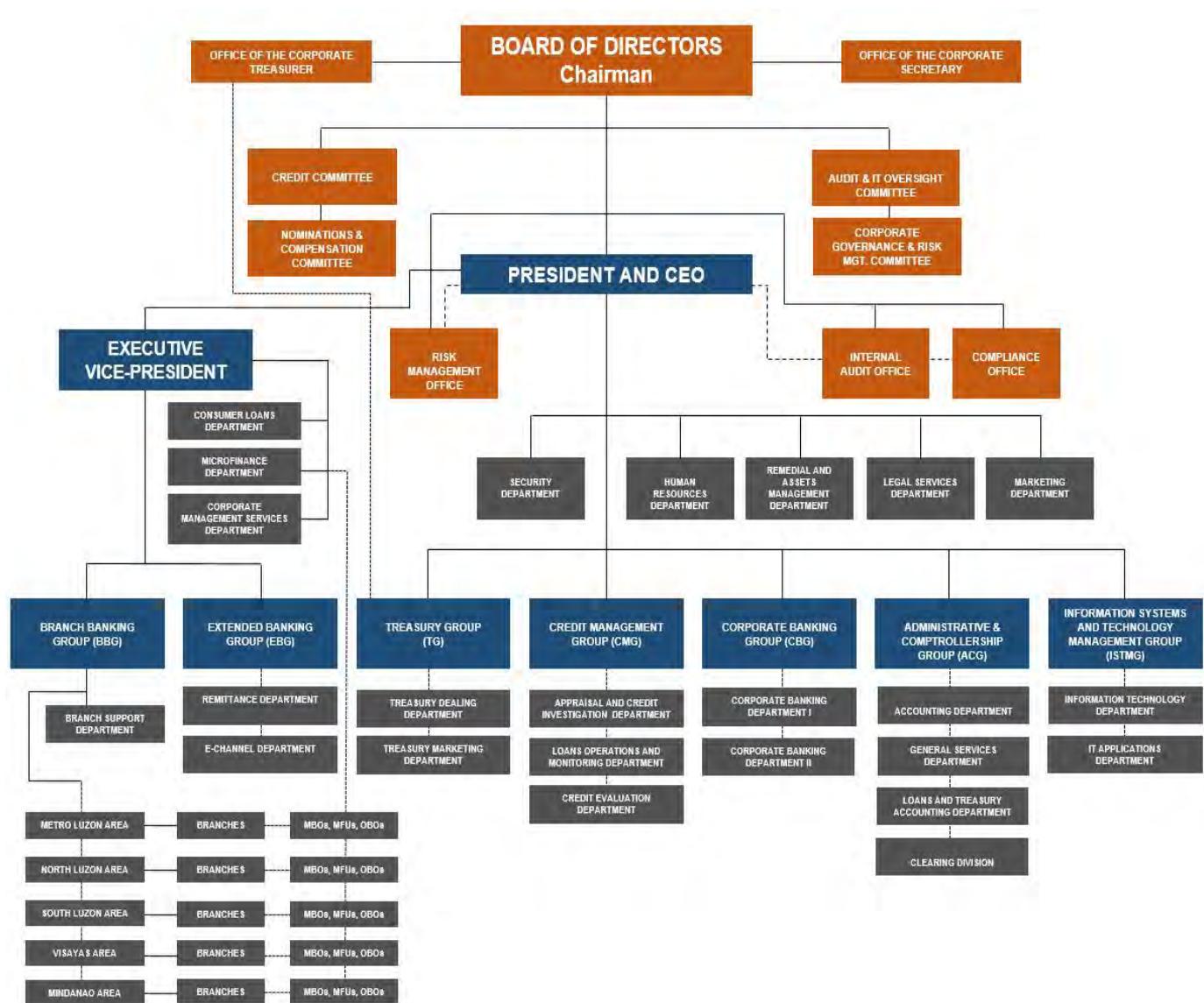
Refer to honesty, uprightness, upholding a Code of Ethics that expresses the basic values of the company. Ethic is about avoiding conflicts of interest which is a part of a director's duty of loyalty to the corporation. The BOD must ensure that the company's goals, strategies, policies and practices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



Postbank **Organizational STRUCTURE**

Postbank's organizational structure as reorganized was approved by the Governance Commission for GOCCs (GCG) via Memorandum Order 2015-08. This reflects the corporate governance of the Bank as it defines a governance hierarchy

led by the Bank's Board of Directors where its duties and responsibilities on oversight, assessment and review are handled by the four (4) Committees namely: (1) Credit Committee; (2) Audit and IT Oversight Committee; (3) Corporate Governance and



Risk Management Committee; and (4) Nominations and Compensation Committee. These committees are supported by independent offices administratively supervised by the Office of the President and functionally under the Board of Directors viz: (1) Risk Management Office; (2) Compliance Office; and (3) Internal Audit Office. The Office of the Corporate Treasurer and The Office of the Corporate Secretary are also the Board of Directors

The President and CEO supervises the Office of the Executive Vice-President and the five (5) groups namely: (1) The Treasury Group; (2) Credit Management Group; (3) Corporate Banking Group; (4) Administrative and Comptrollership Group; and (5) Information Systems and Technology Management Group. Also, five (5) Departments are directly under the Office of the President and CEO viz: (1) Security Department; (2) Human Resources Department; (3) Remedial and Asset Management Department; (4) Legal Services Department; and (5) Marketing Department. On the other hand, the Office of the Executive Vice-President supervises the Branch Banking Group and the Extended Banking Group. Also, there are three (3) departments also being supervised by the Office of the EVP viz: (1) Corporate Management Services Department; (2) Consumer Loans Department; and (3) Microfinance Department.

ORGANIZATIONAL FUNCTIONS

Office of the Corporate Treasurer

- Custody and control of all funds, securities and properties of the Bank.
- Deposit or cause to be deposited all monies and other valuable effects in the name and to the credit of Bank in compliance with applicable laws, rules and regulations;
- Regularly and at least quarterly render to the PCEO or to the Board an account of the condition of the funds of the Bank and all of his transactions as such;

- Ensure fund availability on a timely basis and at the most economical means;
- Optimize yields in temporary excess funds, but at the same time ensure the implementation of appropriate risk management measures over its resources;
- Provide relevant and timely financial market information;
- Perform such other responsibilities as the Board may impose.

Office of the Corporate Secretary

- Prepare agenda and minuets of Board and Committee Meetings in consultation with the Chairperson and PCEO;
- Ensure that the minutes are accurately recorded, approved and attested;
- Serve as secretariat for all meeting of the Board;
- Ensure that records of the Bank are maintained as required by law and made available when required by authorized persons;
- Ensure that proper notification of Directors and Members' meetings is given. It shall manage general correspondence of the Board of Directors, except as such correspondence assigned to others; and
- Perform such other duties and responsibilities as may be assigned by the PPSB Board of Directors and Chairperson.

Risk Management Office

- Responsible for overseeing the Bank's adoption and maintenance of an adequate risk management program involving identification, measurement, monitoring and controlling risks.
- It is responsible for the implementation of the approved Risk Management Charter.

Internal Audit Office

- Performs an independent, critical and systematic examination or review of accounting reports, documents, records and procedures for the purpose of determining their conformity with prescribed criteria.
- Responsible for reviewing all financial transactions, management practices and such other practices of the bank to determine their conformity to prescribed government regulations, accounting practices and procedures for the purpose of determining its effectiveness and efficiency in its operations.
- Responsible for conducting an independent and systematic review of existing internal control procedures to ensure adequacy and when necessary, recommend changes to improve their adequacy in safeguarding bank assets, promoting efficiency of operations and ensuring the reliability and security of its records.
- Plans, directs and controls activities of auditing to achieve the established objectives and targets of the office within the guidelines and limits of authority prescribed by the Board of Directors and other regulatory bodies.
- It shall be responsible for the implementation of the approved Internal Audit Charter.
- Perform such other duties and functions as are incidental to the office and those which, the Board of Directors may from time to time require and/or prescribe.

Compliance Office

- Responsible for the design of the Bank's compliance system that includes the compliance program specifically identifying and mitigating business risks that may erode the value of the Bank.
- It shall be responsible for the implementation of the approved Compliance Charter.

OFFICE OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

- Exercise general supervision and authority over the regular course of business, affairs, and property of the Bank, over its employees and officers;
- See to it that all orders and resolutions of the Board are carried into effect;
- Submit to the Board as soon as possible after the close of each fiscal year, and to the shareholders at the annual meeting, if applicable, a complete report of the operations of the Bank for the preceding year, and the state of its affairs;
- Report to the Board from time to time all matters which the interest of the Bank may require to be brought to its notice; and
- Perform such other duties and responsibilities as the Board may impose.

Security Department

- Responsible for the preparation of a reasonable, effective and updated security program for the Bank and overall direct supervision and implementation of the Bank's Security Program to protect its employees, resources, and clients.
- Assists Human Resource Department in background investigation of employees.

Human Resources Department

- Responsible for the welfare of the employees during their employment with the Bank. Develops, devises, advises on and implements HR policies, systems and procedures.
- Provides adequate and competent workforce through training and development.
- It shall be in charge of the administration of personnel movements and processing of employee benefits.
- Monitors the implementation of the succession plan.
- Administers the job evaluation program. Manages job performance and total

- compensation system including benefits, incentives and rewards.
- Acts as Secretariat to the Ad Hoc Committee concerning personnel violations.

Legal Services Department

- Renders legal advice and reviews documents and contracts for legal sufficiency.
- Analyzes and advises Management on existing and new cases and rulings affecting banking operations.

Remedial and Assets Management Department

- Responsible for addressing and controlling the risks of loan delinquency and loan default
- It shall address the growing non— performing loan (NPL) portfolio of the Bank and ensure its maximum collection/recovery of assets prior to its endorsement to the Legal Services Department

Marketing Department

- Responsible for conducting market research, identifying business opportunities and developing strategies for achieving company targets and objectives.
- Responsible for crafting the Bank's corporate image to best reflect its chosen market niche.

TREASURY GROUP

Treasury Dealing Department

- Manage the Bank's resources through investment of excess funds in local and foreign currency denominated debt instruments as approved by the Board of Directors.
- Monitor the Bank's liquidity position and engage in interbank borrowing and lending to meet liquidity needs of operations and Bangko Sentral ng Pilipinas (BSP) cover requirements.
- Set guidelines for pricing of deposit products to attract funders and optimize funding cost.

Treasury Marketing Department

- Conducts marketing activities to generate the necessary funding requirements to support lending and investing activities of the Bank

CREDIT MANAGEMENT GROUP

- Responsible for the implementation of sound credit administration procedures throughout the bank, ensuring full and appropriate use of bank resources, while still being consistent with your bank's goals and objectives.

Appraisal and Credit Investigation Department

- Responsible for the conduct of credit investigation and collateral appraisal. Assists in the initial evaluation of the loan applicant by way of credit investigation.
- Conducts inspection and appraisal of collateral offered for loans per approved lending guidelines.
- Directs and supervises the conduct of credit investigation, asset appraisal, project monitoring and such other fields of endeavor to attain planned objectives.
- Responsible for the safekeeping of all documents pertaining to credit investigation and collateral appraisal.

Loans Operations and Monitoring Department

- Responsible for the confirmation, documentation, settlement, collection, document safekeeping and report preparation functions of all transactions pertaining to loans operations. Acts as backroom of the head office.
- Responsible for the centralized loans operations reporting.
- Responsible for the Bank's central liability system.

Credit Evaluation Department

- Ensures the evaluation of the borrower's risk rating and collateral risk rating of all regular loans.

- Validates the submitted financial statements and analyzes the borrower's financial projections.
- Analyzes financial and other relevant data such as income growth, quality of management, and market share to determine expected loan profitability.
- Ensures accuracy of the financial analyses performed by the account officers prior to its submission to appropriate approving authorities.
- Provides industry analysis to lending units.

CORPORATE BANKING GROUP

- Plans, organizes, leads and controls all account management operations of the Bank consistent with the risk parameters set by Risk Management Office (RMO) and the Manual on Lending Operations (MOLO).
- It shall design and implement policies, procedures and guidelines on loans in accordance with regulatory bodies.
- It shall formulate and recommend policies, rules and regulations, systems and procedures for the effective implementation of its plans to improve and enhance competitiveness of the Bank at par within the industry.
- The Group shall also be responsible for the review and development of responsive products and services as well as development of strategies and promotional activities to boost the marketability of the different products and services of the Bank.

Corporate Banking Department I and II

- Total account management of all loan accounts from inception to collection at the Head Office consistent with the Manual on Lending Operations.
- Focus on markets identified by Management in accordance with the approved Business Plan of the Bank.

- Evaluate loan proposals and analyze financial and loan information to determine loan feasibility.
- Review, evaluate, validate, and endorse loan proposals to approving authorities in conformity with the risk parameters set by RMO.
- Plan the mix and volume of loan portfolio and formulate strategies to achieve them. Formulate, arrange / utilize special financing programs.

ADMINISTRATIVE AND COMPTROLLERSHIP GROUP

- Plans, leads, organizes, implements and controls all support services activities.
- Formulates and implements policies, procedures and guidelines in accordance with regulatory bodies to ensure efficient and effective operations without sacrificing internal control.
- Provides an efficient and effective accounting services to the Bank and implements the appropriate financial control and review system involving the corporate accounts.
- The Head of the ACG shall act as the Comptroller of the Bank.

Accounting Department

- Ensures effective implementation of the financial control system on operational expenses.
- Ensures that expenditures are within prescribed policies, laws, rules and regulations. Supervises the General Accounting Division,
- Reconciliation and Reports Division, and Budget Division. Responsible for the accounting / bookkeeping, budget administration, reports preparation, and disbursement activities of the Bank.

Loans and Treasury Accounting Department

- Responsible for the accounting and report preparation functions of all transactions pertaining to loans and treasury operations.
- Prepares proof sheets and block sheets for daily transactions and balances end-of-day transactions.
- Prepares schedules of past due accounts and accounts receivables, aging of past due accounts and accounts receivables, accrued interest receivables and payables, as well as other accounts that may be requested by Management.

General Services Department

- Provides general services Bankwide.
- Supervises purchase of supplies and other items for the Bank at the lowest cost possible without sacrificing quality.
- Provides and maintains transport and communication facilities as well as messengerial services to concerned units.
- Responsible for the maintenance and upkeep of the Bank's properties including but not limited to furniture, fixtures, equipment, vehicles, etc. Responsible for the timely dissemination of relevant information and documents to concerned units of the Bank.
- Responsible for the dispatch of vehicles, its proper maintenance and the development of policies and procedures to prolong the life and use of vehicles.
- It shall direct the disposal of unserviceable vehicles and shall take charge of the timely registration and insurance of all the Bank vehicles.
- Perform secretariat function for the Bids and Awards Committee.

Clearing Division

- Manages activities involving clearing and distributing of all checks received and sent by the Bank, and ensures timely and appropriate clearing operations to support all concerned units of the Bank.

- Recommends policies for appropriate and effective internal control in clearing operations.

INFORMATION SYSTEMS AND TECHNOLOGY MANAGEMENT GROUP

Information Technology Department

- Provide the leadership, management and supervisory functions to plan, implement, operate and administer the various Information Technology components of hardware, software, networks and data center facilities (including backup) for both the Core Banking and Extended Banking Information Systems installed in the Head Office and the Branches.
- The work includes report preparation, data backup processes, online support to Information Systems (IS) users, liaison and coordination with Information Technology (IT) suppliers and service providers, feedback and recommendations for improvement in the various aspects of their work and current operations documentation and manuals, using the appropriate change reporting process.

IT Applications Department

- Provide the leadership, management and supervisory functions to plan, develop, implement and administer the programs and projects for the application of computer and communications technologies to Core Banking Information Systems, to include Deposit, Loans, Treasury, Human Resources, Assets and Corporate Communications.
- The Department shall perform the functions of project management, systems design and development, construction and implementation, and change management. In the process, the Department shall perform outsourcing work (as alternative to in-house development) project risk assessments, risk mitigation and contingency plans, incorporation of security measures and

control, and planning and design of security, control and business continuity plans and programs.

OFFICE OF THE EXECUTIVE VICE PRESIDENT

- Responsible for the overall management of the Branch Banking Group, Microfinance Department, Consumer Loans Department, Remittance/Extended Banking Group and Corporate Services Management Department.

Corporate Management Services Department

- Responsible for budgeting and financial planning, liaising with GCG and ensuring Bank compliance with its requirements, review and initiation of policy and process improvements, and providing secretariat support to the ManCom and LendCom.

Consumer Loans Department

- Handle the formulation of marketing strategies to promote the Bank's consumer loan products as well as to provide regular updates on relevant policies and procedures pertinent thereto.

Microfinance Department

- Overseas and regulates the operation of microfinance portfolio of the Bank. Provides support to enable microfinance units to achieve its purpose of extending the Bank's financial reach to the unbanked and underserved communities

EXTENDED BANKING GROUP

Remittance Department

- Responsible for the formulation and development of policies and procedures on remittance operations and its strict implementation.
- Monitors and controls incoming/outgoing remittances to and from outside the Bank to its destination.

- Manages the day-to-day operations on remittance from front line support to back-end monitoring and reconciliation.

E-Channel Department

- Manage the Bank's ATM network to insure reliable operation and application of internal controls.
- Provide support to the preparation of initial studies, introduction, including launching activities and management and operation of new products such as foreign and domestic.

BRANCH BANKING GROUP

- Overall management, administration and control of operations in the area offices and branches.
- Determines and plans activities for existing and future branch expansion in conformity with the objectives set by the Bank.
- Monitors performance of the branches against their targets.
- Responsible for the administrative control of branch operations; Provides prompt, reliable and accurate support services to the Branches.

Branch Support Department

- Responsible for the preparation of strategic plans and budgets, periodic reporting and monitoring of branch activities, and operational analyses, as well as deposits and loans performance monitoring of branches.
- Responsible for the administrative control of branch operations and provides prompt, reliable and accurate support services to the Branches.
- It shall also be responsible for the review of all loan proposals endorsed by the branches prior to legal review and endorsement to approving authorities.
- It shall analyze, evaluate and validate financial and loan information to determine

loan feasibility in accordance with the MOLO and RMO risk parameters.

- It shall prepare and plan the mix and volume of loan portfolio and formulate strategies to achieve them. It shall provide technical assistance and guidance to all areas/branches on loan policies and procedures and documentation as well as account management.

AREA OFFICES

- Overall management of banking activities of the branches within the area.

BRANCHES

- Conduct general banking operations and maintains a complete set of books of accounts.

METRO LUZON AREA OFFICE

1. Main Branch
2. San Pablo Branch
3. Malolos Branch
4. Mabalacat, Pampanga Branch
5. Lipa Branch

NORTH LUZON AREA OFFICE

6. Dagupan Branch
7. Asingan Branch
8. Baguio Branch
9. San Fernando, La Union Branch
10. Tarlac Branch
11. Tuguegarao Branch

SOUTH LUZON AREA OFFICE

12. Naga Branch
13. Lagaspi Branch
14. Sorsogon Branch
15. Tigaon Branch

VIZAYAS AREA OFFICE

16. Tacloban Branch
17. Cebu Branch
18. Himamaylan Branch
19. Iloilo Branch
20. Tagbilaran Branch
21. Bacolod Branch

MINDANAO AREA OFFICE

22. CAGAYAN DE ORO BRANCH
23. MANOLO FORTICH BRANCH
24. DAVAO BRANCH
25. DIPOLOG BRANCH

Micro- Banking Office

- Provides a wide range of transactional activities which reflect the particular needs of the unserved and underserved market particularly microfinance clients, overseas Filipinos and their beneficiaries. This MBO is authorized to provide services that are appropriately designed for the target market such as to accept micro- deposits, disburse micro- loans and collect payments, sell , market and service micro-insurance products, receive and pay out authorized remittance transactions, act as cash in/out points for electronic money, receive utility payments, collect premiums and pay out benefits from social security institutions and other benefit systems including government conditional cash transfer programs, and purchase a limited level of foreign currency. The MBO shall only perform the activities for which it has specifically applied for and had been authorized to perform

Micro- Financing Units

EXTENSION OFFICES



BOARD & SENIOR MANAGEMENT

SELECTION PROCESS OF THE BOARD OF DIRECTORS

The Members of the Board of Directors of Postbank are duly appointed by the Office of the President of the Philippines. The Board of Directors shall be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for GOCCs (GCG).

Qualifications of Directors

Every director shall own at least one (1) share of the capital stock of the Bank of which he is a director, which share shall stand in his name in the books of the Bank.

The Board may provide for additional qualifications of a director such as, but not limited to, the following:

1. Educational attainment
2. Adequate competency and understanding of business
3. Age requirement
4. Integrity/probity
5. Assiduousness

All members of the Board, including the CEO and other Officers, 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, and shall include by reference the qualifications expressly provided for in the PPSB's By-Laws.

Independent directors

In selecting independent directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time effectively carry-out his duties and responsibilities:

Provided, That the rules and regulation of Securities and Exchange Commission (SEC) governing public and listed companies on the maximum number of companies of the conglomerate in which an individual can serve as an independent direction shall apply to directors of all types of banks.

Disqualification of Directors

Without prejudice to specific provisions of law, rules and regulations of Supervising Agencies prescribing disqualifications for Appointive Directors, the following are the disqualification rules for Appointive Director:

- a. Permanent Disqualification – the following individuals are permanently disqualified from appointment or re-appointment, or to continue holding the position of Appointive Director or CEO in any GOCC, as the case may be, thus:
 - i. any person who has been finally convicted by a competent judicial or administrative body of the following: (i) any crime involving the purchase or sale of securities, e.g., proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment company, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, floor broker; and (iii) any crime arising out of his relationship with a bank, quasi-bank, trust company,

- investment house or as an affiliated person of any of them.
- ii. any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Securities and Exchange Commission (SEC) or any court or other administrative body of competent jurisdiction from: (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities. Such disqualification shall also apply when such person is currently subject to an effective order of the SEC or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code, or any other law administered by the SEC or Bangko Sentral ng Pilipinas, or under any rule or regulation promulgated by the SEC or Bangko Sentral ng Pilipinas, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from associating with a member or participant of the organization.
- iii. any person finally convicted judicially or administratively of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false oath, perjury or other fraudulent act or transgressions.
- iv. any person finally found by the SEC or a court or other administrative body to have wilfully violated, or wilfully aided, abetted, counselled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the SEC or Bangko Sentral ng Pilipinas, or who has filed a materially false or misleading application, report or registration statement required by the SEC, or any of its rules, regulations or order,
- v. any person judicially declared to be insolvent, spendthrift or incapacitated to contract;.
- vi. any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in paragraphs (a) to (e) hereof.
- vii. any affiliated person who is ineligible, by reason of paragraphs (a) to (e) hereof to serve or act in the capacities listed in those paragraphs. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.
- viii. Directors, CEO and Officers of GOCCs who have been:
- a. found by a competent administrative body as administratively liable for violation of laws, rules and regulations, particularly applicable to the sector of the GOCC concerned, as well as those covered by related sectors, and where

- a penalty of removal from office is imposed, which finding of the administrative body has become final and executory;
- b. determined by the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, to have by virtue of their office, acquired or received a benefit or profit, of whatever kind or nature including, but not limited to, the acquisition of shares in corporations where the GOCC has an interest, using the rights, options or properties of the GOCC for their own benefit, receiving commission on contracts from the GOCC's assets or taking advantage of corporate opportunities of the GOCC, or
- c. found to be culpable for a GOCC's insolvency, closure, or ceasur of operations, as determined by the GCG in consultation with the appropriate Government Agency.
- ix. Directors and Officers of private corporations, or any person found by the GCG in consultation with the appropriate Government Agency to be unfit for the position of Appointive Director because they were found administratively liable by such Government Agency for:
- i. a violation of laws, rules and regulations relevant to the sector of the GOCC concerned, as well as in related sectors; or
 - ii. any offense/violation involving dishonesty or breach of trust; and which finding of such Government Agency has become final and executory.

The Board may also provide for the temporary disqualification of an Appointive Director or CEO for the following reasons:

- a. Refusal to fully disclose or failed to fully disclose the extent of his business interest as required by Bangko Sentral ng Pilipinas or the SEC under the law and its Implementing Rules and Regulations or any material information required to be disclosed to the GCG, the appropriate Governing Agency or the GOCC concerned. This disqualification shall be in effect as long as his refusal persists.
- b. Appointive Directors who have been absent or who have not participated for whatever reason in more than fifty (50%) of all meetings of the Board, both regular and special during the immediately preceding semester, or who failed to attend for whatever reason at least twenty five (25%) of all board meetings in any year; Provided however, that such temporary disqualification applies only for purposes of the immediately succeeding appointment for a new term of office.
- c. Persons who are delinquent in the payment of their obligations as defined hereunder:
 - c-1 Delinquency in the payment of obligations means the failure to pay according to the terms of the contracted obligation with the GOCC, subsidiary or affiliate or with a private corporation, within at least sixty (60) days from formal demand.
 - c-2 Obligations shall include all borrowings obtained by:
 - (i) A Director or Officer for his/her own account or as the representative or agent of others or where he/she acts as a guarantor, endorser or surety for loans from such institutions;
 - (ii) The spouse or child under the parental authority of the Director or Officer;

- (iii) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a Director or Officer;
- (iv) A partnership in which a Director or Officer, or his/her spouse, is the managing partner or a general partner owning a controlling interest in the partnership; and
- (v) A corporation, association or firm wholly-owned or majority of the capital of which is owned, by any or a group of persons mentioned in the foregoing items (i), (ii) and (iv).

c-3 Such temporary disqualification shall be in effect as long as delinquency persists.

- d. Being under preventive suspension by the Bank.
- e. If the independent director becomes an officer or employee of the Bank, he shall automatically cease to qualify as an independent director.
- f. If the beneficial security ownership of an independent director in the company or in its related companies shall exceed the 10% limit.
- g. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.

Composition of the Board

The Board shall be composed of nine (9) members to be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for GOCCs.

Multiple Board Seats

No Appointive Director in PPSB may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates. It is a declared policy

of the GCG to limit the number of Board seats that an incumbent GOCC Board Member may occupy, from which he/she may receive compensation, to at most three (3) positions, inclusive of their primary position, at any given time.

Term of Office of Appointive Directors

Pursuant to Section 17 of RA 10149, any provision in the Charters, Articles of Incorporation and/or By-Laws of each GOCC to the contrary notwithstanding, the term of office of each Appointive Director shall be for one (1) year, unless sooner removed for cause. Provided, however that each Appointive Director shall continue to hold office until his successor is appointed and qualified.

SELECECTION PROCESS OF SENIOR MANAGEMENT

Senior Management are being selected using the qualification criteria set by the Bank's Human Resources Department. All hiring / appointment of Senior Management are being approved by the Bank's Board of Directors.

There are positions that are also being confirmed by the Bangko Sentral ng Pilipinas.



Board's Over-all RESPONSIBILITY

As stipulated in the Bank's Manual on Regulations for Banks (MORB), per § X141.3 on Powers and Responsibilities of the Board of Directors, under item c, the following are the specific duties and responsibilities of the Board of Directors

(1) *To approve and monitor the implementation of strategic objectives.*

Consistent with the institution's strategic objectives, business plans shall be established for the bank including its trust operations, and initiatives thereto shall be implemented with clearly defined responsibilities and accountabilities. These shall take into account the bank's long-term financial interests, its level of risk tolerance and its ability to manage risks effectively.

The board shall establish a system for measuring performance against plans through regular monitoring and reviews, with corrective action taken as needed.

The board shall likewise ensure that *the bank has beneficial influence on the economy* by continuously providing services and facilities which will be supportive of the national economy.

(2) *To approve and oversee the implementation of policies governing major areas of banking operations.*

The board shall approve policies on all major business activities, e.g., investments, loans, asset and liability management, trust, business planning and budgeting. The board shall accordingly define the bank's level of risk tolerance in respect of said activities. A mechanism to ensure compliance with said policies shall also be provided.

The board shall set out matters and authorities reserved to it for decision, which include, among

others major capital expenditures, equity investments and divestments. The board shall also establish the limits of the discretionary powers of each officer, committee, sub-committee and such other groups for purposes of lending, investing or any other financial undertaking that exposes the bank to significant risks.

(3) *To approve and oversee the implementation of risk management policies.*

The board of directors shall be responsible for defining the bank's level of risk tolerance and for the approval and oversight of the implementation of policies and procedures relating to the management of risks throughout the institution, including its trust operations.

The risk management policy shall include:

- (a) a comprehensive risk management approach;
- (b) a detailed structure of limits, guidelines and other parameters used to govern risk-taking;
- (c) a clear delineation of lines of responsibilities for managing risk;
- (d) an adequate system for measuring risk; and
- (e) effective internal controls and a comprehensive risk-reporting process.

The board of directors shall ensure that a robust internal reporting system is in place that shall enable each employee to contribute to the appreciation of the bank's overall risk exposures.

The board of directors shall ensure that the risk management function is given adequate resources to enable it to effectively perform its functions. The risk management function shall be afforded with adequate personnel, access to information technology systems and systems development resources, and support and access to internal information.

(4) To oversee selection and performance of senior management.

It is the primary responsibility of the board of directors to appoint competent management team at all times, monitor and assess the performance of the management team based on established performance standards that are consistent with the bank's strategic objectives, and conduct regular review of bank's policies with the management team.

- (a) The board of directors shall apply fit and proper standards on key personnel. Integrity, technical expertise and experience in the institution's business, either current or planned, shall be the key considerations in the selection process. And because mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the institution. The board of directors shall replace members of senior management, when necessary, and have in place an appropriate plan of succession.
- (b) The board of directors shall regularly monitor the actions of senior management and ensure that these are consistent with the policies that it has approved. It shall put in place formal performance standards to be able to effectively assess the performance of senior management. The performance standards shall be consistent with the bank's strategic objectives and business plans, taking into account the bank's long-term financial interests.
- (c) The board of directors shall regularly meet with senior management to engage in discussions, question and critically review the reports and information provided by the latter. The board of directors shall set the frequency of meeting with senior management taking into account the size,

complexity of operations and risk profile of the bank.

- (d) The board of directors shall regularly review policies, internal controls and self-assessment functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues. The board of directors shall set the frequency of review taking into account the size, complexity of operations and risk profile of the bank.

The board of directors shall ensure that senior management's expertise and knowledge shall remain relevant given the bank's strategic objectives, complexity of operations and risk profile.

(5) To consistently conduct the affairs of the institution with a high degree of integrity.

Since reputation is a very valuable asset, it is in the institution's best interest that in dealings with the public, it observes a high standard of integrity. The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees. The board of directors shall:

- (a) Articulate clear policies on the handling of any transaction with DOSRI and other related parties ensuring that there is effective compliance with existing laws, rules and regulations at all times and no stakeholder is unduly disadvantaged. In this regard, the board of directors shall define "related party transaction", which is expected to cover a wider definition than DOSRI under existing regulations and a broader spectrum of transactions (i.e., not limited to credit exposures), such that relevant transactions that could pose material risk or potential abuse to the bank and its stakeholders are captured.

- (b) Require the bank's stockholders to confirm by majority vote, in the annual stockholders' meeting, the bank's significant transactions with its DOSRI and other related parties.
- (c) Articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the institution, or unethical conduct.
- (d) Articulate policies that will prevent the use of the facilities of the bank in furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.
- (e) Explicitly discourage the taking of excessive risks as defined by internal policies and establish an employees' compensation scheme effectively aligned with prudent risk taking. The compensation scheme shall be adjusted for all types of risk and sensitive to the time horizon of risk. Further, the grant of compensation in forms other than cash shall be consistent with the overall risk alignment of the bank. The board of directors shall regularly monitor and review the compensation scheme to ensure that it operates and achieves the objectives as intended.
- (f) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the bank at all times. Further, the board of directors shall ensure that all transactions involving the pension fund are conducted at arm's length terms.
- (g) Allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the board of directors or to any independent unit.

Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the board itself; and

- (h) Articulate policies in communicating corporate values, codes of conduct and other standards in the bank as well as the means to confidentially report concerns or violations to an appropriate body.

(6) *To define appropriate governance policies and practices for the bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.*

The board of directors, through policies and its own practices, shall establish and actively promote, communicate and recognize sound governance principles and practices to reflect a culture of strong governance in the bank as seen by both internal and external stakeholders.

- (a) The board of directors shall ensure that the bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability, especially between the roles of the chairman of the board of directors and chief executive officer/president.
- (b) The board of directors shall maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.
- (c) The board of directors shall structure itself in a way, including in terms of size, frequency of meetings and the use of committees, so as to promote efficiency, critical discussion of issues and thorough review of matters. It shall meet regularly to properly discharge its functions. It

- shall also ensure that independent views in board meetings shall be given full consideration and all such meetings shall be duly minuted.
- (d) The board shall conduct and maintain the affairs of the institution within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound banking practice. The board shall appoint a compliance officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. The compliance officer shall be vested with appropriate authority and provided with appropriate support and resources.
- (e) The board of directors shall establish a system of checks and balances which applies in the first instance to the board itself. Among the members of the board, an effective system of checks and balances must exist. The system shall also provide a mechanism for effective check and control by the board over the chief executive officer and key managers and by the latter over the line officers of the bank. Checks and balances in the board shall be enhanced by appointing a chairperson who is a non-executive, whenever possible.
- (f) The board of directors shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the chief executive officer, the individual directors, and the bank itself, which may be facilitated by the corporate governance committee or external facilitators. The composition of the board shall also be reviewed regularly with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation shall be adopted which shall include, but not limited to, the setting of benchmark and peer group analysis.
- (g) The board shall ensure that individual members of the board and the shareholders are accurately and timely informed. It shall provide all its members and to the shareholders a comprehensive and understandable assessment of the bank's performance, financial condition and risk exposures. All members of the board shall have reasonable access to any information about the institution at all times. It shall also provide appropriate information that flows internally and to the public.
- (7) To constitute committees to increase efficiency and allow deeper focus in specific areas.**
- The board of directors shall create committees, the number and nature of which would depend on the size of the bank and the board, the complexity of operations, long-term strategies and risk tolerance level of the bank.
- (a) The board of directors shall approve, review and update at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures.
- (b) The board of directors shall appoint members of the committees taking into account the optimal mix of skills and experience to allow the members to fully understand, be critical and objectively evaluate the issues. In order to promote objectivity, the board of directors, shall appoint independent directors and nonexecutive members of the board to the greatest extent possible while ensuring that such mix will not impair the collective skills, experience, and effectiveness of the committees. Towards this end, an independent director who is

a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance committees, without prior approval of the Monetary Board.

- (c) The board of directors shall ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.
- (d) The board of directors shall constitute, at a minimum, the following committees:

(i) *Audit committee.* The audit committee shall be composed of at least three (3) members of the board of directors, wherein two (2) of whom shall be independent directors, including the chairperson, preferably with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the bank. To the greatest extent possible, the audit committee shall be composed of a sufficient number of independent and non-executive board members. Further, the chief executive officer, chief financial officer and/or treasurer, or officers holding equivalent positions, shall not be appointed as members of the audit committee.

The audit committee provides oversight over the institution's financial reporting policies, practices and control and internal and external audit functions. It shall be responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall

both report directly to the audit committee. In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made only by independent and non-executive audit committee members. It shall monitor and evaluate the adequacy and effectiveness of the internal control system.

The audit committee shall review and approve the audit scope and frequency. It shall receive key audit reports, and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.

The audit committee shall have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

The audit committee shall ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually. The audit committee shall establish and maintain mechanisms by which officers and staff shall, 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.

(ii) *Risk oversight committee.* The risk oversight committee shall be responsible for the development and oversight of the risk management program for the bank and its trust unit. The committee shall be composed of at least three (3) members of the board of directors including at least one (1) independent director,

and a chairperson who is a non-executive member. The members of the risk oversight committee shall possess a range of expertise as well as adequate knowledge of the institution's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It shall oversee the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached. The bank's risk management unit and the chief risk officer shall communicate formally and informally to the risk oversight committee any material information relative to the discharge of its function. The risk oversight committee shall, where appropriate, have access to external expert advice, particularly in relation to proposed strategic transactions, such as mergers and acquisitions.

The core responsibilities of the risk oversight committee are to:

a. Identify and evaluate exposures. The committee shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen.

b. Develop risk management strategies. The risk oversight committee shall develop a written plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.

c. Oversee the implementation of the risk management plan. The risk oversight committee shall conduct regular discussion on the institution's current risk exposure based on regular management reports and assess how the concerned units or offices reduced these risks.

d. Review and revise the plan as needed. The committee shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss. The committee shall report regularly to the board of directors the entity's overall risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

(iii) Corporate governance committee.

The corporate governance committee shall assist the board of directors in fulfilling its corporate governance responsibilities. It shall review and evaluate the qualifications of all persons nominated to the board as well as those nominated to other positions requiring appointment by the board of directors. The committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson.

The committee shall be responsible for ensuring the board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.

The corporate governance committee may coordinate with external facilitators in carrying out board assessment, within the frequency approved by the entire board. The corporate governance committee shall also decide whether or not a director is able to and has been adequately carrying out his/ her duties as director based on its own assessment or the assessment of external facilitators, bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards.

The committee shall make recommendations to the board regarding the continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance.

The corporate governance committee shall decide the manner by which the board's performance shall be evaluated and propose an objective performance criteria approved by the board. Such performance indicators shall address how the board has enhanced long term shareholders' value.

Provided, That in case of simple or non-complex banks, the board of directors may, at a minimum, constitute only the audit committee:

Provided, further, That the board shall discuss risk management and corporate governance matters in their board meetings, with the views of the independent directors duly noted and minuted.

The Board Governance

The Board of Directors (Board) is primarily responsible for the governance of the Bank. It needs to be structured so that it provides an independent check on management. It is the Board's responsibility to foster the long-term success of the Bank, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its Stakeholders. As such, it is vitally important that a number of board members be independent from management.

Board Officers

The Board Officers of the Bank are the Chairman of the Board (who is the highest ranking of the Board Officers), the Vice Chairman, the Corporate

Secretary and the Compliance Officer, who must all be Filipino citizens.

The Chairman

The roles of the Chairman and the Chief Executive Officer ("CEO") shall be separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Chairman shall preside at all meetings of the Board of Directors and stockholders of the corporation. Unless delegated to the CEO, the Chairman's responsibilities may include:

- a. schedule meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the company's operations
- b. approving the meeting's agenda in consultation with the CEO and the Corporate Secretary;
- c. exercise control over quality, quantity and timeliness of the flow of information between Management and the Board; and
- d. assist in ensuring compliance with the Bank's guidelines on corporate governance.

The Corporate Secretary

The Corporate Secretary need not be a member of the Board. Ideally, the Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer and basic understanding of accounting principles. The Corporate Secretary shall have the following functions:

- a. Certify to all corporate actions approved by the Board of Directors and the stockholders;
- b. Serve as an adviser to the Board Members on their responsibilities and obligations;
- c. Keep the minutes of meetings of the Board of Directors and the stockholders;
- d. Keep in safe custody the seal of the Bank;
- e. Have charge of the stock certificate book;

- f. Attend to giving and serving notices of Board, stockholders meetings;
- g. Take the lead in the scheduling of the activities of the Board and holding of the Board Committees and stockholders meetings;
- h. Receive instructions from the Chairman or CEO;
- i. Oversee the adequate flow of the information to the Board;
- j. Ensure fulfilment of disclosure requirements to regulatory bodies except disclosures required to be made by the other officers of the corporation.

The Corporate Secretary shall have such other responsibilities as the Board may impose upon him. The Board shall have separate and independent access to the Corporate Secretary.

The Compliance Officer

The Board shall appoint a Compliance Officer who shall report directly to the Chairman. The Compliance Officer shall perform the following:

- a. Monitor compliance by the Bank of the requirements under this Act, this Code, the rules and regulations of the appropriate Government Agencies, and if violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- b. Appear before the GCG when summoned in relation to the compliance with this Code or other compliance issues; and
- c. Issue a certification every 30 May of the year on the extent of the Bank's compliance with government corporate standards governing GOCCs for the period beginning 1 July of the immediately preceding calendar year and, if there are any deviations, explain the reason for such deviation.

The appointment of the Compliance Officer shall not relieve the Governing Board of its primary responsibility vis-à-vis the State, acting through the GCG, to ensure that the Bank has complied with all its reportorial, monitoring and compliance obligations.

Duties and Obligations of Directors and Officers

- A. Fiduciaries of the State – Directors and Officers are fiduciaries of the State in that:
 - (a) They have legal obligation and duty to always act in the best interest of the Bank, with utmost good faith in all dealings with the properties, interest and monies of the Bank; and
 - (b) They are constituted as trustees in relation to the properties, interests and monies of the Bank.
- B. Directors and Officers as Public Officials – Directors and officers are also Public Officials as defined by, and are therefore covered by the provisions of the Code of Conduct and Ethical Standards for Public Officials and Employees, with its declared policies;
 - (a) To promote a high standard of ethics in public service, and
 - (b) Public Officials and employees shall at all times be accountable to the people and shall discharge their duties with utmost responsibility, modest lives and uphold public interest over personal interest.
- C. Respect for and Obedience to the Constitution and the Law – as Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply and cause the Bank to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the Bank in which they serve and to act within the bounds of their Charter, Articles of Incorporation.

- D. Duty of Diligence – the fiduciary duty of diligence of Directors and Officers to always act in the best interest of the Bank, with utmost good faith in all its dealings with the property and monies of the Bank, includes the obligation to:
- (a) Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of the Bank, using the utmost diligence of a very cautious person with due regard to all the relevant circumstances;
 - (b) Apply sound business principles to ensure the financial soundness of the Bank; and
 - (c) Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity.
- Every Director or Officer, by the act of accepting such position in the Bank, affirms and agrees:
- (1) To have working knowledge of the statutory and regulatory requirements affecting the Bank , including the contents of its Articles of Incorporation and By-Laws, the requirements of the GCG, and where applicable, the requirements of other Supervising Agencies; and
 - (2) To always keep himself informed of industry developments and business trends in order to safeguard the Bank's interests and preserve its competitiveness.
- E. Duty of Loyalty – the fiduciary duty of loyalty of Directors and Officers to always act in the best interest of the Bank, with utmost good faith in all its dealings with the properties and monies of the Bank, includes the obligation to:
- (a) Act with utmost and undivided loyalty to the Bank;
 - (b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and
 - (c) Avoid (1) taking for themselves opportunities related to the Bank's business, (2) using the Bank's property, information or position for personal gain; or (3) competing with the Bank's business opportunities.
 - (d) Avoid conflict of interest – Directors and Officers shall at all times avoid any actual or potential conflict of interest with the Bank. Each shall avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.
Any question about a Director's or Officer's actual or potential conflict of interest with the Bank, shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.
 - (e) Trustee relation to the Bank's Properties, Interest and Monies – Except for the per diem received for actual attendance in board meetings and the reimbursement for actual and reasonable expenses and incentives as authorized by the GCG, any and all realized and unrealized profits and/or benefits including, but not limited to, the share in the profits, incentives of Directors or Officers in excess of what is authorized by the GCG, stock options, dividends and other similar offers or grants from corporations where the Bank is a stockholder or investor, and any benefit from the performance of Directors or Officers acting for and in behalf of the Bank in dealing with its properties, investments in other corporations, management of Subsidiaries and other interest, are to be held in trust by such Director or Officer for the exclusive benefit of the Bank represented.
 - (f) Taking of corporate opportunities – where a Director or Officer or an Officer, by reason of his being a member of the Board

or an Officer of the Bank, acquires or receives for himself/herself a benefit or profit of whatever kind or nature, including but not limited to the acquisition of shares in corporation where the Bank has an interest, the use of the properties of the Bank for his/her own benefit, the receipt of commission(s) on contract(s) with the Bank or its assets, or the taking advantage of corporate opportunities of the Bank, all such profits and benefits shall be subject to restitution pursuant to Section 24 of RA 10149 without prejudice for any administrative, civil or criminal action against such Director or Officer. The remedy of restitution shall apply notwithstanding the fact that such Director or Officer risked his/her own funds in the venture.

- (g) Restitution – Pursuant to Section 24 of RA 10149, upon the determination and report of the Commission of Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, that properties or monies belonging to the Bank without authority, or that profits are earned by the Director or Officer in violation of his/her fiduciary duty, or the aggregate per diems, allowances and (SOMETHING IS MISSING HERE) provided under RA 10149, the Director or Officer receiving such properties or monies shall immediately return the same to the Bank.

Failure by a Director or Officer to make the restitution within thirty (30) days after written demand has been served, shall, after trial and final judgment, subject such Director or Officer to the punishment of imprisonment for one (1) year and a fine equivalent to twice the amount to be restituted and, in the discretion of the court of competent jurisdiction, disqualification to hold public office.

F. Limits to Compensation, Per Diems, Allowances and Incentives – Pursuant to Section 23 of RA 10149.

- (a) The Charters or By-Laws of the Bank, to the contrary notwithstanding, the compensation, per diems, allowances and incentives of the Appointive Directors shall be determined by the GCG, using as reference, among others Executive Order No. 24 dated 10 February 2011; and
- (b) Directors shall not be entitled to retirement benefits acting as such directors.

G. No gift policy – A Director or Officer shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value (“Gift”) from any person where such Gift:

- (a) Would be illegal or in violation of law;
- (b) Is part of an attempt or agreement to do anything in return;
- (c) Has a value beyond what is normal and customary in the Bank’s business;
- (d) Is being made to influence the member of the Board’s, or Officer’s actions as such; or
- (e) Could create the appearance of a conflict of interest.

H. Duty of Confidentiality – Pursuant to their duties of diligence and loyalty, a member of the Board or an Officer shall not use or divulge confidential or classified information officially made known to them by reason of their office and not made available to the public, either: (1) to further their private interests, or give undue advantage to anyone; or (2) which may prejudice the public interest.

Members of the BOARD



Mr. Alex V. Buenaventura
Chairman



Mr. Renato G. Eje
Vice-Chairman



Mr. Julio D. Climaco, Jr.
Member



Mr. Liduvino S. Geron
Member



Atty. Noel B. Marquez
Member



Mr. Alan V. Bornas
Member



Ms. Leticia V. Damasco
Member



Mr. Pelagio S. Paguican
Member



Ms. Bituin V. Salcedo
Member

As of 31 December 2017, the following are members of the Governing Board of the Philippine Postal Savings Bank, Inc.:

1. **Mr. Alex V. Buenaventura**, Chairman
 2. **Mr. Renato G. Eje**, Vice-Chairman
 3. **Mr. Julio D. Climaco, Jr.**, Member
 4. **Mr. Liduvino S. Geron**, Member
 5. **Atty. Noel B. Marquez**, Member
 6. **Mr. Alan V. Bornas**, Member
 7. **Ms. Leticia V. Damasco**, Member
 8. **Mr. Pelagio S. Paguican**, Member
 9. **Ms. Bituin V. Salcedo**, Member
- *Fidel A. Bugayong^a*
 - *Dic G. Togonon^b*
 - *Cesar N. Sarino^c*
 - *Jay B.T. Lacsamana^d*
 - *Victor N. Alimurung^e*
 - *Mario C. Lorenzo^e*
 - *Mariano O. Aureus Jr.^e*

^a Resigned effective 09 March 2017

^b Resigned effective 24 March 2017

^c Resigned effective 03 April 2017

^d Resigned effective 12 June 2017

^e Replaced effective 08 November 2017

BOARD MEETING ATTENDANCE

	Total No. of Meetings	Attendance	%
Dir. C.N. Sarino ^c	4	4	100%
Dir. F.A. Bugayong ^a	4	3	75%
Dir. M.O. Aureus Jr. ^e	18	15	83.33%
Dir. J.B.T. Lacsamana ^d	8	8	100%
Dir. V.N. Alimurung ^e	18	11	61.11%
Dir. M.C. Lorenzo ^e	18	18	100%
Dir. D.G. Togonon ^b	5	5	100%
Dir. L.V. Damasco	11	11	100%
Dir. P.S. Paguican	19	16	84.21%
Dir. B.V. Salcedo	19	18	94.74%
Dir. A.V. Buenaventura	2	2	100%
Dir. R.G. Eje	2	2	100%
Dir. J.D. Climaco, Jr.	2	2	100%
Dir. L.S. Geron	2	2	100%
Dir. A.V. Bornas	2	2	100%
Dir. N.B. Marquez	2	2	100%

^a Resigned effective 09 March 2017

^b Resigned effective 24 March 2017

^c Resigned effective 03 April 2017

^d Resigned effective 12 June 2017

^e Replaced effective 08 November 2017

For the calendar year 2017, the Board of Directors conducted at least 19 regular Board meetings, held every second (2nd) and fourth (4th) Tuesdays of every month.

In the conduct of Board meetings, the Board of Directors assures compliance with the Code of Corporate Governance.

The Board of Directors confirms full compliance with the Postbank's Code of Corporate Governance and that it has abide with the code principles of fairness, accountability, transparency and ethics.

Further, the Board of Directors has reviewed the vision and mission and strategies in the last financial year and has been continuously monitoring and overseeing the implementation of the corporate strategies and the achievement of the Bank's target for the calendar year 2017.

BOARD COMMITTEES MEMBERSHIP

The Board of Directors also had various Committees to increase their efficiency and allow deeper focus in specific areas. The Board Committees of the Bank and the membership of each committee are as follows:

1. Corporate Governance and Risk Management Committee

Membership

Chairperson	Dir. Victor N. Alimurung ^a
Members	Dir. Bituin V. Salcedo
	Dir. Mariano O. Aureus Jr. ^a
	Dir. Mario C. Lorenzo ^a
	Dir. Pelagio S. Paguican
	Dir. Cesar N. Sarino ^b

Effective 13 December 2017

Chairperson	Atty. Noel Marquez
Members	Dir. Pelagorio S. Paguican
	Dir. Leticia V. Damasco

2. Nominations and Compensation Committee

Membership

Chairperson	Dir. Victor N. Alimurung ^a
Members	Dir. Bituin V. Salcedo
	Dir. Mariano O. Aureus Jr. ^a
	Dir. Mario C. Lorenzo ^a
	Dir. Pelagorio S. Paguican
	Dir. Cesar N. Sarino ^b

Effective 13 December 2017

Chairperson	Atty. Noel Marquez
Members	Dir. Pelagorio S. Paguican
	Dir. Leticia V. Damasco

3. Credit Committee

Membership

Chairperson	Dir. Bituin V. Salcedo
	Dir. Victor N. Alimurung ^a
Alternate Member	Dir. Leticia V. Damasco
Non-voting Member	Dir. Mario C. Lorenzo ^a
	Renato G. Eje
	Dir. Cesar N. Sarino ^b
	Dir. Fidel A. Bugayong ^c
	Dir. Dic G. Togonon ^d

Effective 13 December 2017

Membership	
Chairperson	Dir. Liduvino S. Geron
Members	Dir. Julio D. Climaco, Jr.
	Dir. Renato G. Eje
	Dir. Alan V. Bornas
	Dir. Leticia V. Damasco

4. Audit and IT Oversight Committee

Membership

Chairperson	Dir. Mariano O. Aureus Jr. ^a
Members	Dir. Mario C. Lorenzo ^a
Alternate Member	Dir. Pelagorio S. Paguican
Member	Dir. Leticia V. Damasco
	Dir. Jay B.T. Lacsamana ^b

Effective 13 December 2017

Membership (as Audit Committee)

Chairperson	Dir. Julio D. Climaco, Jr.
Members	Dir. Bituin V. Salcedo
	Dir. Noel B. Marquez



MR. ALEX V. BUENAVENTURA Chairman of the Board of Directors

Age	:	65
Nationality	:	Filipino
Date of First Appointment	:	08 November 2017
Type of Directorship	:	Non-Executive Director
Principal Stockholder represented	:	Land Bank of the Philippines (LANDBANK)
Number of years served as director	:	2 months (as of December 2017)
Number of direct and indirect shares held	:	1
Percentage of shares held to total outstanding shares of the bank	:	Nil
Voting Status	:	Voting
Other directorships of listed companies	:	n.a.
Qualifications	:	Master's in Business Administration at the Catholic University of Louvain, Belgium AB Economics Honors Program at the Ateneo de Manila University

Relevant Experience:

He is currently the President and CEO of the Land Bank of the Philippines and the Chairman of the Board of the Overseas Filipino Bank (A Savings Bank of LANDBANK).

Mr. Buenaventura has 36 solid years of rural banking experience, dealing with small entrepreneurs, agro-industrial enterprises, farmers, cooperatives and other key economic players.

Before joining LANDBANK, he was the long-time president and director of One Network Bank (ONB), the country's largest rural bank in terms of assets, network of branches and net income. ONB is known to be a proponent of inclusive banking and a leading player in Mindanao. During his tenure at ONB, he focused on serving the unbanked and underbanked rural areas in southern Philippines.

A veteran banker, Mr. Buenaventura is the former president of the Rural Bankers Association of the Philippines (RBAP) and executive director of the Rural Bankers Research and Development Foundation Inc.

He also served as chairman of the Board of Trustees of Ateneo de Davao University and trustee of Holy Cross of Davao College Inc. and Davao del Norte State College in Panabo City.

From 1995 to 1998, he was the private sector representative for Mindanao of the Small and Medium Enterprises Development (SMED) National Council.

He is no neophyte in public service as he served the local government of Panabo City as chairman of the Municipal Industrialization Task Force and director of the Municipal Water District from 1994 to 1996.

An academic achiever, he graduated with honors from elementary to his post-graduate studies. He took up AB Economics Honors Program at the Ateneo de Manila University and completed his Master's in Business Administration at the Catholic University of Louvain in Belgium.



MR. RENATO G. EJE Vice-Chairman of the Board of Directors

Age	:	55
Nationality	:	Filipino
Date of First Appointment	:	08 November 2017
Type of Directorship	:	Executive Director
Principal Stockholder represented	:	Land Bank of the Philippines (LANDBANK)
Number of years served as director	:	2 months (as of December 2017)
Number of direct and indirect shares held	:	1
Percentage of shares held to total outstanding shares of the bank	:	Nil
Voting Status	:	Voting
Other directorships of listed companies	:	n.a.
Qualifications	:	Executive Masters in Development Management at the Asian Institute of Management (AIM), 2015 Masters in Business Administration at University of Perpetual Help (UPHR-ALTAS), 1995 BS Commerce – Accounting, University of Batangas, 1984 A Certified Public Accountant (CPA) and Career Executive Service Officer (CESO)

Relevant Experience:

Mr. Renato G. Eje was appointed by LANDBANK and approved by the BSP as a seconded employee positioned as the President and CEO of Philippine Postal Savings Bank, now Overseas Filipino Bank. He is also the Vice-Chairman of the Board of the Overseas Filipino Bank (A Savings Bank of LANDBANK).

Mr. Eje joined LANDBANK in 1989 up to present where he rose from the ranks, from Accounting Clerk to First Vice President, head of Various Metro Manila Branches and Main Branch for 15 years. He was the Regional Head of Region V-Bicol Region in 2009-2013, where he led back-to-back Best Region in Southern Luzon in 2010 and 2011. He was rated as TOP Relationship Officer in 2013. He was also the Group Head of Central Luzon Branches Group in 2014. He was the Group Head of Overseas Remittance Group of LANDBANK since 2014 prior to his appointment to Postbank.

Prior to joining LANDBANK, he held the position of Project Accountant/ Head of Finance of Various Projects of MERALCO INDUSTRIAL ENGINEERING SERVICES CORP., from 1984-1989



MR. JULIO D. CLIMACO, JR.

Member of the Board of Directors

Age	: 60 years old
Nationality	: Filipino
Date of First Appointment	: 08 November 2017
Type of Directorship	: Non-Executive Director
Principal Stockholder represented	: Land Bank of the Philippines (LANDBANK)
Number of years served as director	: 2 months (as of December 2017)
Number of direct and indirect shares held	: 1
Percentage of shares held to total outstanding shares of the bank	: Nil
Voting Status	: Voting
Other directorships of listed companies	: n.a.
Qualifications	: Masteral units in Applied Business Economics from the Center for Research and Communication Bachelor's Degree in Commerce major in Management of Financial Institutions, De La Salle University Manila

Relevant Experience:

Mr. Climaco is also the Executive Vice President - Corporate Services Sector of the Land Bank of the Philippines where he oversees the Bank's human resources, facilities, procurement, corporate affairs and provident fund. Prior to joining this sector, he was head of the Strategic Planning Group which handles corporate planning and MIS, customer service and product development, as well as the bank's program for Quality Management System.

He currently sits as Chairman of the LANDBANK Accountability Assessment Committee, Building Committee, and the Head Office Bids and Awards Committee. He is also a member of the Management Committee, Asset Liability Committee and Information Technology Committee.

He likewise sits as a director in LBP Leasing Corporation and Producers Savings Bank while serving as alternate director at the National Food Authority.

Before LANDBANK, he worked at Price Waterhouse Coopers, as senior managing consultant. He also worked as a market analyst at the Hongkong Bank in Manila and as Research Associate at the Economic Forecasting Unit of the Center for Research and Communication.



MR. LIDUVINO S. GERON

Member of the Board of Directors

Age	:	54
Nationality	:	Filipino
Date of First Appointment	:	08 November 2017
Type of Directorship	:	Non-Executive Director
Principal Stockholder represented	:	Land Bank of the Philippines (LANDBANK)
Number of years served as director	:	2 months (as of December 2017)
Number of direct and indirect shares held	:	1
Percentage of shares held to total outstanding shares of the bank	:	Nil
Voting Status	:	Voting
Other directorships of listed companies	:	n.a.
Qualifications	:	Master's Degree in Systems Agriculture at the University of Western Sydney, 1992 B.S. Agricultural Engineering from the University of the Philippines – Los Baños

Relevant Experience:

He is currently the Executive Vice President - Branch Banking Sector of the Land Bank of the Philippines.

Mr. Geron has spent more than two decades in LANDBANK, holding various positions that equipped him with the experience and competence to lead the Bank's Branch Banking Sector.

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

Prior to his designation as Branch Banking Sector head, he led the Strategic Planning Group that monitors and evaluates the Bank's performance and recommends strategic directions.



MR. ALAN V. BORNAS

Member of the Board of Directors

Age	:	52
Nationality	:	Filipino
Date of First Appointment	:	08 November 2017
Type of Directorship	:	Non-Executive director
Principal Stockholder represented	:	Land Bank of the Philippines (LANDBANK)
Number of years served as director	:	2 months (as of December 2017)
Number of direct and indirect shares held	:	I
Percentage of shares held to total outstanding shares of the bank	:	Nil
Voting Status	:	Voting
Other directorships of listed companies	:	n.a.
Qualifications	:	Pacific Rim Bankers Executive Banking Course at the University of Washington, 2012 B.S. Computer Science from the University of the Philippines

Relevant Experience:

Mr. Alan V. Bornas is the Executive Vice President - Operations Sector of the Land Bank of the Philippines.

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

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

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



ATTY. NOEL B. MARQUEZ

Member of the Board of Directors

Age	:	57
Nationality	:	Filipino
Date of First Appointment	:	08 November 2017
Type of Directorship	:	Non-Executive Director
Principal Stockholder represented	:	Land Bank of the Philippines (LANDBANK)
Number of years served as director	:	2 months (as of December 2017)
Number of direct and indirect shares held	:	1
Percentage of shares held to total outstanding shares of the bank	:	Nil
Voting Status	:	Voting
Other directorships of listed companies	:	n.a.
Qualifications	:	Bachelor of Laws, Ateneo de Manila University, 1988 AB Economics, Lyceum of the Philippines, 1982

Relevant Experience:

Atty. Noel B. Marquez is currently the First Vice-President and General Counsel of the Land Bank of the Philippines, Legal Services Group.

His nearly three-decade tenure in LANDBANK began with a Legal Officer position at the LANDBANK Legal Services in 1990 until 2004. He became a Special Assistant to the President in 2005 and was promoted as Assistant Vice-President of CARP Legal Services Department in 2006.

Prior to joining LANDBANK, he was a Cargo Representative at the Philippine Airlines from 1983 to 1989, and became an Associate Attorney at Bengzon Law Office from May 1989 until 1990.



MS. LETICIA V. DAMASCO

Member of the Board of Directors

Age	:	68
Nationality	:	Filipino
Date of First Appointment	:	01 July 2016
Type of Directorship	:	Non-Executive Director
Principal Stockholder represented	:	Land Bank of the Philippines (LANDBANK)
Number of years served as director	:	1 year and 5 months (as of December 2017)
Number of direct and indirect shares held	:	1
Percentage of shares held to total outstanding shares of the bank	:	Nil
Voting Status	:	Voting
Other directorships of listed companies	:	n.a.
Qualifications	:	Master of Arts in Psychology from the Philippine Statesman College, Cabanatuan City, 1996 Bachelor of Arts in Economics from the Philippine Women's University, 1971

Relevant Experience:

Prior to joining the Land Bank of the Philippines (LBP), Director Damasco was then a college instructor at the Manuel V. Gallego Foundation Colleges from 1973 to 1981. She served more than three (3) decades at LBP from November 1981 to October 2013. From a Chief of Division, she was promoted and held several positions such as Bank Executive Officer, Assistant Manager and Department Manager, in charge of the over-all supervision of branch operations and staff.

Director Damasco was also an in-house speaker/ trainor of various programs of LANDBANK.



JUDGE PELAGUIO S. PAGUICAN

Member of the Board of Directors

Age	:	62
Nationality	:	Filipino
Date of First Appointment	:	22 November 2016
Type of Directorship	:	Non-Executive director
Principal Stockholder represented	:	Land Bank of the Philippines (LANDBANK)
Number of years served as director	:	1 year and 1 month (as of December 2017)
Number of direct and indirect shares held	:	1
Percentage of shares held to total outstanding shares of the bank	:	Nil
Voting Status	:	Voting
Other directorships of listed companies	:	n.a.
Qualifications	:	Bachelor of Laws from the University of Mindanao in 1979 AB Political Science from Rizal Memorial Colleges in 1975

Relevant Experience:

Director Paguican had a long career on the judiciary services. Prior to his designation as an Executive Judge at the Regional Trial Court (RTC) Davao City for five (5) Years (2010 to 2015), he became Judge and Acting Presiding Judge of different RTC Branches in Davao City and Davao Oriental.

Director Paguican also attended various trainings and seminars which includes the Southeast Asia Regional Workshop of Judicial Training Institutions on Good Practices in Promoting Women Human Rights Complaint Justice Delivery in 2014, Multi-Sectoral Seminar/ Workshop on Agrarian Justice and Mid-Term Convention-Seminar of the Philippine Justice Association (PJA) in 2006, among others.

In December 1985, he was given a Certificate of Award for Exemplary Dedication and Distinguished Service in Protecting the Rights of Clients in Spite Threats to His Life and His Family, Harassment and Extortion Ordeals.



MS. BITUIN V. SALCEDO

Member of the Board of Directors

Age	:	68
Nationality	:	Filipino
Date of First Appointment	:	03 March 1998
Type of Directorship	:	Non-Executive Director
Principal Stockholder represented	:	Land Bank of the Philippines (LANDBANK)
Number of years served as director	:	19 years (as of December 2017)
Number of direct and indirect shares held	:	I
Percentage of shares held to total outstanding shares of the bank	:	Nil
Voting Status	:	Voting
Other directorships of listed companies	:	n.a.
Qualifications	:	Bachelor of Science in Social Work from the University of the Philippines in 1971 Passed the Board Examination in 1972

Relevant Experience:

She is elected as Corporate Treasurer of the Bank since 2002 and a Board of Director since 1998. She is a member of the University of the Philippines Alumni Association and Philippine Association of Social Workers. She was a former Director of Council for Mendicants Rehabilitation, International Affairs-Rizal Lions Club International and Medical and Mission-Golden State Lions Club.

She has attended several trainings and programs such as Personnel Management for Small Companies and Credit & Collection Management at Ateneo de Manila, Office Management Control at University of the Philippines, Management of Money Positions at Bancom Systems Control, Inc., Role of Professional Social Workers and Community Development Workers in Local Governance at DILG and Corporate Governance & Risk Management in 2002.

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

Board Level COMMITTEES

BOARD-LEVEL COMMITTEES, THEIR FUNCTIONS, THEIR CHARTER PROVISIONS ON MEETINGS AND NUMBER OF MEETINGS HELD IN 2017

To aid in complying with the principles of corporate governance, the Board created the following Committees constituted as follows:

Corporate Governance and Risk Management Committee

Membership

Chairperson	Dir. Victor N. Alimurung ^a
Members	Dir. Bituin V. Salcedo
	Dir. Mariano O. Aureus Jr. ^a
	Dir. Mario C. Lorenzo ^a
	Dir. Pelagorio S. Paguican
	Dir. Cesar N. Sarino ^b

Attendance

	Total No. of Meetings	Attendance	%
Dir. V.N. Alimurung ^a	19	14	73.7%
Dir. B.V. Salcedo	19	18	94.7%
Dir. M.O. Aureus Jr. ^a	19	16	84.2%
Dir. M.C. Lorenzo ^a	19	19	100.0%
Dir. P.S. Paguican	15	14	93.3%
Dir. C.N. Sarino ^b	4	4	100.0%

^a Replaced effective 08 November 2017

^b Resigned effective 03 April 2017

Effective 13 December 2017

Chairperson	Atty. Noel Marquez
Members	Dir. Pelagorio S. Paguican
	Dir. Leticia V. Damasco

There were no meetings held from 13 December 2017 until end-December 2017

Nominations and Compensation Committee

Membership

Chairperson	Dir. Victor N. Alimurung ^a
Members	Dir. Bituin V. Salcedo
	Dir. Mariano O. Aureus Jr. ^a
	Dir. Mario C. Lorenzo ^a
	Dir. Pelagorio S. Paguican
	Dir. Cesar N. Sarino ^b

Attendance

Total No. of Meetings	Attendance	%
Dir. V.N. Alimurung ^a	19	14
Dir. B.V. Salcedo	19	18
Dir. M.O. Aureus Jr. ^a	19	16
Dir. M.C. Lorenzo ^a	19	19
Dir. P.S. Paguican	15	14
Dir. C.N. Sarino ^b	4	4

^a Replaced effective 08 November 2017

^b Resigned effective 03 April 2017

Effective 13 December 2017

Membership

Chairperson	Atty. Noel Marquez
Members	Dir. Pelagorio S. Paguican
	Dir. Leticia V. Damasco

There were no meetings held from 13 December 2017 until end-December 2017

Function of the Corporate Governance and Risk Management Committee and the Nominations and Compensation Committee

The Corporate Governance & Risk Management Committee is tasked with the general oversight of the enterprise / overall risk management of the Bank including managing the process of evaluating the board as whole as well as the individual members. The result of these evaluation processes are envisioned to:

1. Guide the committee in attracting and retaining directors with the qualifications and skills sets to oversee the overall management of the affairs of the bank;
2. Matching individual directors' qualifications and strengths in leading or becoming members of the different board committees;
3. It may also be used to find ideas to further improve the board's interactions and performance;
4. Assess the effectiveness of the Compliance system of the Bank; and
5. Assist the Board with the oversight function to:
 - a. Identify and evaluate risk exposures
 - b. Develop risk management strategies; and
 - c. Implement and periodically review the risk management plan

The Committee will carry out the following responsibilities:

1. Ensures that the Board adopts the appropriate decision-making processes and that there is a clear distinction between the decisions to be made by the Board and those made by the Bank's management
2. Ensures a sound system of procedural and financial delegations that promotes efficiency as well as control.
3. Ensures that the Board has a process which determines whether a director devotes necessary time and attention to discharge

his duties, acts judiciously, exercises independent judgement, has working legal knowledge affecting the Bank, 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 of Directors and senior management.
 - Code of Conduct should have the appropriate and adequate policies and procedures to identify and deal with potential conflicts of interest.
5. Oversees director's 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 practice.

Credit Committee

Membership

Chairperson	Dir. Bituin V. Salcedo
	Dir. Victor N. Alimurung ^a
	Dir. Leticia V. Damasco
Alternate Member	Dir. Mario C. Lorenzo ^a
Non-voting Member	Renato G. Eje
	Dir. Cesar N. Sarino ^b
	Dir. Fidel A. Bugayong ^c
	Dir. Dic G. Togonon ^d

Attendance

	Total No. of Meetings	Attendance	%
Dir. B.V. Salcedo	15	14	93.33%
Dir. V.N. Alimurung ^a	14	12	85.71%
Dir. L.V. Damasco	9	9	100%

	Total No. of Meetings	Attendance	%
Dir. M.C. Lorenzo ^a	14	14	100%
Dir. C.N. Sarino ^b	4	4	100%
Dir. F.A. Bugayong ^c	4	3	75%
Dir. D.G. Togonon ^d	4	4	100%

^a Replaced effective 08 November 2017

^b Resigned effective 03 April 2017

^c Resigned effective 09 March 2017

^d Resigned effective 24 March 2017

Effective 13 December 2017

Membership

Chairperson	Dir. Liduvino S. Geron
Members	Dir. Julio D. Climaco, Jr.
	Dir. Renato G. Eje
	Dir. Alan V. Bornas
	Dir. Leticia V. Damasco

Function

In line with the Bank's trusts of maintaining high quality, sound and profitable loan portfolio, the purpose and scope of the Committee are as follows:

1. To evaluate and approve loan accounts within its credit approval authority
2. To review credit evaluation and approval procedures and recommend changes if necessary to ensure continuous relevancy and effectiveness

The Committee will carry out the following responsibilities:

1. Establishing the Bank's overall credit risk capacity
2. Setting strategic targets, portfolio composition and limits at the corporate level
3. Reviewing and approving credit decision that may pose material risks to the Bank's business strategy or reputation

4. Reviewing the financial results of the Bank and determining action plans
5. Reviewing and approving all loans and credit transactions with the scope of its authority

Audit and IT Oversight Committee

Membership

Chairperson	Dir. Mariano O. Aureus Jr. ^a
Members	Dir. Mario C. Lorenzo ^a
	Dir. Pelagorio S. Paguican
	Dir. Leticia V. Damasco
	Dir. Jay B.T. Lacsamana ^b

Attendance

	Total No. of Meetings	Attendance	%
Dir. M.O. Aureus Jr. ^a	19	17	89.5%
Dir. M.C. Lorenzo ^a	19	19	100.0%
Dir. P.S. Paguican	19	18	94.7%
Dir. L.V. Damasco	3	3	100.0%
Dir. J.B.T. Lacsamana ^b	10	9	90.0%

^a Replaced effective 08 November 2017

^b Resigned effective 12 June 2017

Effective 13 December 2017

Membership (as Audit Committee)

Chairperson	Dir. Julio D. Climaco, Jr.
Members	Dir. Bituin V. Salcedo
	Dir. Noel B. Marquez

Function

The purpose of the Committee is to represent and assist the Board of Directors in its general oversight of the Bank's accounting and financial reporting processes, audits of the financial statements, and internal control and audit functions.

Management is responsible for the preparation, presentation and integrity of the Bank's financial statements, accounting and financial reporting principles, and the Bank's internal controls and procedures designed to promote efficiency and effectiveness of operations and compliance with accounting standards and applicable laws and regulations.

The Commission on Audit (COA) as the independent Government Agency is responsible for performing an independent audit of the consolidated financial statements in accordance with Generally Accepted Auditing Standards.

This Committee serves a board level oversight role where it oversees the relationship with the independent external auditor, as set forth in this charter, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditor, and the experience of the Committee's members in business, financial and accounting matters.

The Committee will carry out the following responsibilities:

Financial Statements

1. Reviews significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
 - Complex or unusual transactions and highly judgmental areas.
 - Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Bank's selection or application of accounting principles.
 - The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Bank.

2. Reviews and analyses reports prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
3. Reviews with management and the independent auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.
4. Discusses the annual audited financial statements with external auditors and monthly financial statements with management and the internal auditors, including the Bank's disclosures.
5. Reviews disclosures made by the Chief Executive Officer (CEO) and The Treasurer/Chief Financial Officer (CFO)/Controller about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in Bank's internal controls.

Internal Control

1. Considers the effectiveness of the Bank's internal control system, including information technology security and control.
2. Understands the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations together with management's responses.

Internal Audit

1. Reviews with management and the Internal Auditor the internal audit charter, plans, activities, staffing, and organizational structure of the internal audit function including IT audits.

2. Ensures there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Internal Auditor.
3. Reviews the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
4. On a regular basis, meets separately in executive sessions with the Internal Auditor to discuss any matters that the Committee or internal audit believes should be discussed privately.

External Audit

1. Reviews the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
2. Takes in account the opinions of management and internal audit

Information Technology

1. Endorses to the Board prioritized, evaluated ISTM programs and projects as prepared by ISTM Group;
2. Reviews and evaluates ISTM programs and projects;
3. Reviews compliance to existing ISTM policies, procedures and standards in each of the life cycle stages of the information systems and its corresponding technology components;
4. Provides an open communications and coordination between ISTM Group and the Bank's functional units and groups to achieve the objectives set for the ISTM programs and projects;
5. Reviews adequacy and allocation of resources in terms of personnel, technology hardware and equipment, operating systems and software; and networks, facilities and proposes solutions, improvements and enhancements of implementation and operations of ISTM programs and projects;

6. Provides directions/corrective actions to address identified and related ISTM deficiencies and gaps;
7. Reviews results and provides support and assistance in the assessment of the Bank's Business Continuity Plan concerned with ISTM facilities, personnel, equipment and relevant information assets;
8. Reviews and approves updates on the ISTM and operation manuals and elevates to the Board for approval; and
9. Reviews the sufficiency and appropriateness of the ISTM Strategic and Operational Plan at least annually.

Other Responsibilities

1. Discusses with management the major policies of the Bank with respect to risk assessment and risk management.
2. Performs other activities related to this charter as requested by the Board of Directors.
3. Institutes and oversees special investigations as needed.
4. Reviews and assesses the adequacy of the Committee's charter annually, requests Board approval for proposed changes, and ensures appropriate disclosure as may be required by law or regulation.
5. Confirms annually that all responsibilities outlined in this charter have been carried out. Evaluates the Committee's and individual members' performance at least annually.
6. Reviews the reports of regulatory agencies such as PDIC and BSP.

Members of the Senior MANAGEMENT

OFFICE OF THE PRESIDENT AND CEO



PRES. & CEO RENATO G. EJE

GROUP HEADS



VP MAXIMO V. ESTRADA



VP ROLAN D. CAMPOS II



VP PATRIA P. MADRIO



VP ALONA B. LEE



AVP ROGELIO L. MORZO



AVP MA. CARINA S. CARANCHO

OFFICE HEADS



VP GEMILIANO O. BUENO



MGR. MILAGROS P. MACATUNO
(OIC)



MGR. JOANNA C. SANGRADOR
(OIC)

AREA HEADS



VP MA. THERESA C. URBANO



VP GODOFREDO G. PASCUAL



VP MIRANDA G. VARON



VP ALFRED L. TAYO III

DEPARTMENT HEADS



VP RODELIO S. ROMBLON



VP RONILO D. CONDE



AVP ALAN N. OROGO



AVP ALICE M. MORTELL



AVP MELODY C. DE LOS SANTOS

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MR. RENATO G. EJE **President and CEO**



Mr. Renato G. Eje, 54 years of age, is a Filipino and was appointed by LANDBANK and approved by the BSP as a seconded employee positioned as the President and CEO of Philippine Postal Savings Bank, now Overseas Filipino Bank. He is also the Vice-Chairman of the Board of the Overseas Filipino Bank (A Savings Bank of LANDBANK).

Mr. Eje joined LANDBANK in 1989 up to present where he rose from the ranks, from Accounting Clerk to First Vice President, head of Various Metro Manila Branches and Main Branch for 15 years. He was the Regional Head of Region V-Bicol Region in 2009-2013, where he led back-to-back Best Region in Southern Luzon in 2010 and 2011. He was rated as TOP Relationship Officer in 2013. He was also the Group Head of Central Luzon Branches Group in 2014. He was the Group Head of Overseas Remittance Group of LANDBANK since 2014 prior to his appointment to Postbank.

Prior to joining LANDBANK, he held the position of Project Accountant/ Head of Finance of Various Projects of MERALCO INDUSTRIAL ENGINEERING SERVICES CORP., from 1984-1989

Mr. Eje is a Certified Public Accountant, a Career Executive Service Officer (CESO) and a Career Executive Officer. In 1995, he graduated with a degree of Masters in Business Administration at University of Perpetual Help (UPHR-ALTAS). He is also a recipient of Scholarship from Department of Finance where he graduated with a degree of Executive Masters in Development Management at the Asian Institute of Management (AIM) in 2015. He finished his Bachelor's Degree in Commerce – Accounting at the University of Batangas in 1984.

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MR. MAXIMO V. ESTRADA

**Vice-President, Extended Banking Group
Officer-in-Charge, Branch Banking Group**



Mr. Estrada, 64 years of age, is a Filipino and has notable 40 years of banking experience from various banks. He served more than 20 years from March 1976 to January 1998 at the Far East Bank and Trust Company where he started as Jr. Analyst until becoming the First Vice President. On February 1998 to December 1999, he became the President and Chief Executive of the Far East Savings Bank.

At the Bank of Commerce, he served as Head of Asset Management & Recovery Division for eight (8) years from July 2007 to March 2015 and as Head of Consumer Lending and Credit Card Division for two (2) years (July 01, 2013 – January 2015). He also served as Head of Branch Banking Group of Real Bank (A Thrift Bank) with the rank of Senior Vice President for two (2) years

He was at the helm of the Branch Banking Group of United Overseas Bank of the Philippines as First Vice President for four (4) years from September 2, 2002 to January 15, 2006 and at Philippine Savings Bank as SVP for more than a year from January 18, 2000 to September 15, 2001.

Mr. Estrada is a certified “true blue Atenista.” He spent his grade and high school days at Ateneo de Manila and earned his degree in Bachelor of Arts in Economics at the Ateneo de Manila University in 1976. He also finished two semesters at the Ateneo de Manila Business School in 1978. He took up an Executive Development Course from the Asian Institute of Management in February 1997, Retail Delivery Systems (New Orleans, USA) in 1996 and 1998, Electronic Data Interchange (Singapore) in 1997, and Retail Delivery Systems (Bangkok, Thailand) in 1998.

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MR. ROLAN D. CAMPOS II

Vice-President, Treasury Group

Mr. Campos, 44 years of age, is a Filipino and had extensive experience in the Treasury business from the mix of savings and commercial banks in his employment history. He was the Treasury Head of a savings bank for ten years prior to his move to be the Treasury Head of Postbank.

He is a college graduate of Bachelor of Arts in Accountancy from San Beda College and earned his Masteral in Business Administration (AGSB-Regis Program) at the Ateneo de Manila University Graduate School of Business in 2002. He holds several titles and licenses in Treasury, Dealership, and Foreign Exchange.

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MS. PATRIA P. MADRIO

Vice-President, Administrative and Comptrollership Group

Ms. Madrio, 50 years of age, is a Filipino and is a CPA and a graduate of BS in Accountancy at Polytechnic University of the Philippines in 1991. Prior to joining Postbank, she worked with NEDA as Budget Officer.

In more than her two decades of being with Postbank (now OFBank), she gained her extensive experience in accounting and comptrollership at the Bank where she started as an Accounting Clerk in 1994 and rose from the ranks and until she was promoted to Vice-President of the Comptrollership Group.

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MS. MA. ALONA B. LEE

Vice-President, Information Systems and Technology Management Group



Ms. Lee, 50 years of age, is a Filipino and is an IT professional since 1992, with experience spanning project management, marketing, and implementation of various systems (core banking systems, Smart Telecoms Smart Money (back end integration solution) and mobile banking systems, BDO cash card system, Switchware system and IBM ATM, bills payments, universal banking software. A graduate of Bachelor of Science major in Psychology at Centro Escolar University in 1989, and COBOL Programming at Systems Technology Institute in 1987.

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MR. ROGELIO L. MORZO

Asst. Vice-President, Credit Management Group



Mr. Morzo, 52 years of age, is a Filipino and started his banking experience in 1990 at the Development Bank of the Philippines where he worked as Accounts Analyst. He then moved to Asiatrust Bank where he rose from the rank, starting as an Audit Assistant up to Senior Manager, and then as Assistant Vice President of the Loans Administration & Monitoring Unit.

He joined Postbank in 2013 where he had a brief stint as the Department Head of the Credit Evaluation Department before moving to Bank of Makati, Inc. to head the Loans Operations Department 2 as Senior Manager. In 2015, he was re-hired at Postbank to the same position he held. A little more than a year after, he was promoted as Assistant Vice President of the Credit Management Group.

Mr. Morzo graduated at the University of Pangasinan with a degree in BSC Accounting.

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MS. MARIA CARINA CARANCHO

**Asst. Vice-President/ Officer-in-Charge,
Corporate Banking Group**



With over 34 years of banking experience, Ms. Carancho, 64 years of age, is a Filipino and has a wide range of banking exposure in the area of Credit and Risk Management. She was the Head of Credit Policy and Review Department under the Risk Management Group for more than 4 years (January 2011- June 2015) at the Bank of Makati. She also served as Business Development Officer, South Lending Department at Planters Development Bank for three (3) years (2008 – 2011). She also held various responsible positions at Asiastrust Development Bank as Senior Manager/Group Head of Account Management Sector, Remedial Collection Officer at Asset Recovery Group and Asst. Vice President at Portfolio Management (2005-2008). She started her banking career in 1981 at PISO Development Bank as Investment Officer, where she rose from the ranks and eventually promoted to Assistant Manager in 1987.

She graduated with Bachelor of Arts Major in Mathematics in 1974 at St. Scholastica's College and Masters in Business Administration from the University of the Philippines in 1977.

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MR. GEMILIANO O. BUENO

**Vice-President/ Officer-in-Charge
Compliance Office**



Mr. Bueno, 63 years of age, is a Filipino and has twenty six (26) years solid Internal Audit experience and ten (10) year experience in Branch Operations at the Philippine National Bank (PNB). He has extensive knowledge in International Accounting Standards, Philippine Banking Laws and Central Bank rulings. A Certified Public Accountant, an LLB graduate from the Far Eastern University and a Cum Laude (meritus) graduate of Master of Business Administration (MBA) at the San Sebastian College.

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MS. MILAGROS P. MACATUNO

**Officer-in-Charge,
Internal Audit Office**



Ms. Macatuno, 55 years of age, is a Filipino and a CPA having graduated Bachelor in Accountancy at the Polytechnic University of the Philippines. She acquired her extensive banking experience at PNB where she worked for twenty-two (22) years, rose from the ranks with last position held as Finance and Accounting Officer.

Prior to joining Postbank, she was with Sumisho Motor Finance Corporation from 2011-2015 where she held the positions of General Accounting Officer and Purchasing Officer and at Greenpeace Southeast Asia from 2009-2010 as Finance Accounting Officer.

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MS. JOANNA C. SANGRADOR

**Officer-in-Charge,
Risk Management Office**



Ms. Sangrador, 44 years of age, is a Filipino and a graduate of Bachelor of Arts Major in Economics at the University of Sto. Tomas in 1994. In the same year, she started her banking experience at the Traders Royal Bank where she worked as a Teller/ Loans Assistant. She also spent 9 years at the Bank of Commerce where she held positions such as Marketing Assistant and Account Officer. In 2010, she transferred at the Banco de Oro Unibank, Inc. in Makati City and became a Credit Risk Officer.

She joined Postbank in October 2014 and headed the Credit, Operational, Market and Liquidity Risk Management Division under the Risk Management Office (RMO) and eventually designated as the Officer-in-Charge of RMO in February 2017.

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MS. MA. THERESA C. URBANO

Vice-President, Metro Luzon Area



One of the Bank's pioneers, Ms. Urbano, 46 years of age, is a Filipino and a graduate of Bachelor of Science in Commerce Major in Banking and Finance at the Far Eastern University with 21 years of experience in the banking industry specifically branch operations. Prior to joining Postbank, she was with Land Bank of the Philippines under service contract handling position in branch operations.

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MR. GODOFREDO G. PASCUAL

Vice-President, North Luzon Area



Mr. Pascual, 64 years of age, is a Filipino and A graduate of Bachelor of Science in Business Administration Major in Accounting at the University of the East and Bachelor of Laws at Cagayan State University with 37 years of experience in the banking industry handling various managerial positions specifically in branch operations. Prior to joining Postbank, he assumed an officer position at International Corporate Bank.

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MS. MIRANDA G. VARON

Vice-President, Visayas Area



Ms. Varon, 60 years of age, is a Filipino and a graduate of Bachelor of Arts in Psychology at the University of the Philippines, Tacloban with more than three (3) decades of experience in the banking industry handling various managerial positions specifically in branch operations. Prior to joining Postbank, she handled various positions at Land Bank of the Philippines.

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MR. ALFREDO L. TAYO III **Vice-President, Mindanao Area**



Mr. Tayo, 51 years of age, is a Filipino and was the Branch Head of Postbank Iloilo branch before his promotion to Area Head of Mindanao & concurrent Branch Head of Cagayan de Oro. Of his more than three (3) decades of banking experience, 17 years were from Land Bank of the Philippines, in the areas of branch banking, cash operations, audit and credit operations.

He is a Summa Cum Laude graduate of BSC Accounting from the University of Iloilo. He took his Masters in Development Management at the Asian Institute of Management with citation. He is also a CPA and at the same time Career Service Executive Officer (CESO)

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MR. RODELIO S. ROMBLON **Vice-President, Human Resources Department**



Mr. Romblon, 64 years of age, is a Filipino and has 34 years of extensive work experience in all areas of human resource management, in Job Evaluation and Compensation, Salary Structure Design, Performance Appraisal System, and Rewards and Incentive Programs for Employee Retention. He is experienced in Personnel Administration, including selection, hiring, training, as well as development of personnel policies. Having also worked as an Industrial Engineer, he is an expert in the implementation of continuous improvement methods on work processes to ensure optimum operational efficiency. He worked for various companies, such as with Radioworld, Inc. as an Industrial Engineer, at General Motors Philippines, Inc. as Senior Industrial Engineer, as Associate Consultant at EDF (Economic Development Foundation, Inc.), among others.

He also provided consultancy services on compensation, job evaluation, market research, job design, and appraisal system for the Department of Budget and Management (DBM), Philippine Postal Corporation, and with Philippine Postal Savings Bank.

Mr. Romblon is a graduate of Bachelor of Science in Industrial Engineering from the National University.

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ATTY. RONILO D. CONDE

Vice-President,
Legal Services Department



Atty. Conde, 59 years of age, is a Filipino and a graduate of BSBA Accounting at the Philippine School of Business Administration and Bachelor of Laws at Manuel Luis Quezon University Law School. He passed Philippine Bar in 2006 and is also a Certified Public Accountant (CPA).

Atty. Conde has a strong background in the areas of accounting, tax, financial management, risk management, audit, as well as legal and operations in banking. His work experience began in 1978 from various companies in the industry of banking, shipping, business solutions, graphics services, and corporate holding, where he worked as the company's Consultant/Lawyer/Chief Operating Officer/Chief Finance & Administrative Officer.

Atty. Conde has previously worked in Postbank for five years, from 2006 to 2011 as Risk Officer and Bank Attorney. He returned to Postbank on September 15, 2016, as Head of Legal Services Department

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MR. ALAN N. OROGO

Assistant Vice-President,
Microfinance Department



Mr. Orogo, 48 years of age, is a Filipino and a resident of Rodriguez, Rizal, is a graduate of Bachelor of Science major in Economics at the University of the Assumption, San Fernando, Pampanga in 1992. He has a Certificate in Development Management from the Center for Development Management of Asian Institute of Management in 2005. He is the Director for Development Consulting at Punla sa Tao Foundation since 2002. He was a Branch Manager at TSPI Development Corporation from August 1996 – March 2002 and an Account Officer from September 1993 – July 1996. He was also the Bookkeeper at Integrated Computer School, Angeles City from January – May 1993

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MS. ALICE M. MORTELL **Assistant Vice-President, Remedial and** **Asset Management Department**



Ms. Mortell, 64 years of age, is a Filipino and a graduate of Bachelor of Science in Education major in English at the University of the Philippines, Diliman, Quezon City in 1975.

Prior to joining Postbank in 2013 to head the Remedial and Asset Management Department, Ms. Mortell has over 27 years of vast experience in accounts management and lending operations which began in 1986 where she held positions as an Account Officer, Special Accounts Management Group at Metropolitan Bank and Trust Co., as Sales Counselor at Pacific Plans, Inc., as Remedial Collection Officer at Asiatrust Bank & Trust Company, and as Consultant, Remedial Group at Asia United Bank.

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MS. MELODY C. DELOS SANTOS **Assistant Vice-President,** **Corporate Banking Department I**



Ms. Delos Santos, 35 years of age, is a Filipino and has earned her degree in BSBA Business Management at the La Consolacion College Manila in 2003 where she graduated Magna Cum Laude.

She has extensive marketing experience in several banks such as Bank of Commerce, Prudential Bank, and Bank of the Philippine Islands. She also has a stint in financial research and data analysis at Thompson Financial Corporation before she was hired at Postbank as an Account Assistant III of then Account Management Department in 2007. Since then, from supervisory position she was promoted as an officer, from Assistant Manager, up to Assistant Vice-President of the now Corporate Banking Department I

Management Level COMMITTEES

LIST OF MANAGEMENT LEVEL COMMITTEES, MEMBERSHIP, FUNCTIONS AND CHARTER PROVISIONS ON MEETINGS

Management Committee (MANCOM)

Membership

Chairperson	President and CEO
Vice-Chairman	Executive Vice-President / next higher ranking officer
Members	Head, Branch Banking Group
	Head, Extended Banking Group
	Head, Treasury Group
	Head, Credit Management Group
	Head, Corporate Banking Group
	Head, Administrative and Comptrollership Group
	Head, Information Systems & Technology Mgt. Group
	Head, Legal Services Department
	Head, Human Resource Department
	Head, Microfinance Department
	Head, Remedial and Asset Management Department
Observers	Chief Audit Executive/ Head, Internal Audit Office
	Chief Compliance Officer/ Head, Compliance Office
	Risk Officer/ Head, Risk Management Office

The Management Committee (ManCom) derives its powers/authority from Section 28.m of Postbank's By-laws, to wit:

"The Board of Directors shall have the power to delegate to the Chairman of the Board, Vice Chairman, President, or to any

officer or to any committee any of its powers whenever deemed necessary for the best interest of the Bank, subject to such conditions or limitations as the Board may impose, and to limitations provided for by the by-laws and/or regulations."

Therefore, the Committee shall be primarily accountable to the Board for the operations of the corporation. As part of its accountability, it is obliged to provide the Board with complete and adequate information on the operations and affairs of the corporation in a timely manner.

The Model Code of Good Public Corporate Governance, disseminated by the Office of the Government Corporate Counsel (OGCC) thru its Memo Circular No.1, Series of 2008, elaborates further by stating in Section 4 that:

"Management stands as the locus of decision-making for the day-to-day affairs of the Government Corporation (GC). It determines the GCs activities by putting its targets in concrete terms and by implementing basic strategies for achieving these targets. It also puts in place the infrastructure for the corporation's success."

Hence, the Management Committee shall assist the Board in fulfilling its oversight responsibilities and help the Bank achieve its goals and purposes through effective governance and management.

1. Responsible for the execution/ implementation of the governance and strategic direction of the Bank including recommendations on changes in existing

- strategies or policies that may be formulated and duly endorsed by concerned business units and monitors them in accordance with the Bank's objectives and approved overall Business Plan and Budget.
2. Responsible for all aspects of the operations of Bank delegating the day-to-day tasks to the concerned units thru the Office of the President and CEO (OPCEO), while ensuring the desired results/ output are delivered based on agreed standards and timeline;
 3. Review the annual budget and spending policies. The committee shall review the monthly performance against the business plan and budget, reports on the Bank's financial position and other matters or proposals that may materially affect the Bank's financial position and make recommendations for any changes / corrective actions to be taken.
 4. Review/ discuss regular updates / reports/ activities/ issues of major business units in the bank.
 5. Make recommendations to the Board of Directors with respect to the Bank's governance systems and policies. The Committee discusses and recommends for approval of new and amendments to existing manuals and policies duly endorsed by concerned business units.
 6. Discuss and recommend for approval on proposed agreements/contracts e.g. Memorandum of Agreement (MOAs), Memorandum of Understanding (MOUs), Service Level Agreement (SLAs), etc. regarding prospective business tie-ups, joint undertakings, contracts of services, contracts of lease, and others.
 7. Act on the recommendations of the business units beyond the level of the concerned Group Heads, or as may be

stipulated in the Bank Codified Approving and Signing Authorities (CASA)

8. Discuss any significant or unusual occurrences / items that could materially affect the overall operations of the Bank.
9. Create task forces, technical working groups, project management/steering committees, and similar bodies that shall carry out special projects/functions, thereby assisting the ManCom in its policy-making, oversight, and executive functions.
10. Convene, as the need arises, and perform the tasks and act as the Risk Management Committee (Management Level), Change Management Committee and IT Oversight Committee.
11. Perform other functions as the Board may determine from time to time.

Lending Committee (LENDCOM)

Membership

Chairperson	President and CEO
Vice-Chairman	Executive Vice-President / next higher ranking officer
Members	Head, Branch Banking Group
	Head, Treasury Group
	Head, Corporate Banking Group
	Head, Legal Services Department
	Head, Remedial and Asset Management Department
Observers	Compliance Officer/ Head, Compliance Office
	Risk Officer/ Head, Risk Management Office

The Lending Committee (LendCom) derives its powers/authority from Section 28.m of Postbank's By-laws, to wit:

"The Board of Directors shall have the power to delegate to the Chairman of the Board, Vice Chairman, President, or to any officer or to any committee any of its powers whenever deemed necessary for the best interest of the Bank, subject to such conditions or limitations as the Board may impose, and to limitations provided for by the by-laws and/or regulations."

The LendCom shall assist the Board in carrying its overall responsibility with respect to the review and approval of loans.

1. To review, evaluate, revise and approve/deny loan proposals within its authority and recommend/ endorsed to higher authorities loan proposals beyond its approving levels based on the Bank's approved Codified Approving and Signing Authorities (CASA)
2. To consider in its review and approval such information as it determines to be consistent with prudent lending practices, including financial statements of the borrower and any guarantors, the ability of the borrower to generate cash flow to support its debt obligations and other cash flow needs, the value and adequacy of the collateral for the loan, recent trends and statistics, and other relevant information.
3. To review and monitor the Bank's lending and credit-related activities and recommend changes in the existing lending policies and credit-related strategies to ensure relevance and effectiveness and compliance to

regulatory policies

4. To call on concerned group/ area/ department/ branch heads, account officers, credit appraisers / investigators and other responsible employees in the conduct of its duties and responsibilities
5. To access data or record of loans accounts requiring actions from the Committee
6. Perform other functions as the Board may determine from time to time.

Assets Management and Liabilities Committee (ALCO)

Membership

Chairperson	President and CEO
Vice-Chairman	Head, Treasury Group
Members	Executive Vice-President / next higher ranking officer
	Head, Branch Banking Group
	Head, Corporate Banking Group
	Head, Administrative and Comptrollership Group
	Risk Officer/ Head, Risk Management Office
Observers	Compliance Officer/ Head, Compliance Office

The Asset and Liabilities Management Committee (ALCO) derives its powers/authority from Section 28.m of Postbank's By-laws, to wit:

"The Board of Directors shall have the power to delegate to the Chairman of the Board, Vice Chairman, President, or to any officer or to any committee any of its

powers whenever deemed necessary for the best interest of the Bank, subject to such conditions or limitations as the Board may impose, and to limitations provided for by the by-laws and/or regulations."

The ALCO has been established as one of the Committees under Management to assist the Board of Directors by assessing the adequacy and monitoring relating to (i) interest rate risk, (ii) market/investment risk, (iii) liquidity risk, (iv) credit risk, and (v) capital risk/ capital adequacy positions. ALCO shall also assure that Management is appropriately identifying, measuring, controlling, and monitoring the above-cited items. It is also responsible for the Bank's investment activities.

Hence, ALCO is primarily responsible in providing the framework to strategically manage the Bank's overall assets and liabilities for long-term and short term basis.

1. Monitor the actions and results of management to assure that:
 - a. liquidity is being maintained within policy guidelines;
 - b. interest rate risk is appropriately measured, monitored and controlled;
 - c. trends of liquidity and interest rate risk are monitored, and corrective actions are being taken where problems are identified;
 - d. capital position of the Bank, and the capital management activities undertaken by the Bank ensures that capital levels are maintained in accordance with regulatory requirements and management directives;
 - e. investment activities such as purchase, sale, exchange and other disposition of the investments of the Bank, including review of management reports concerning current equity and debt

security investment positions are monitored and ensured that they are in compliance with the policy and regulations

- f. management of the Bank's treasury functions, including its operations and funds management processes are monitored; and appropriate standards or limits are established and followed
2. Oversee the management of the Bank's assets and funding sources consistent with the Bank's growth and profitability objectives while meeting policy on interest rate risk, liquidity, and capital adequacy
3. Perform other functions as the Board may determine from time to time.

Anti-Money Laundering Committee (AML Committee)

Membership

Chairperson	Compliance Officer
Vice-Chairman	Legal Services Department Head
Members	Risk Officer
	Security Officer
	Information Systems and Technology Management Group Head
	Corporate Management Services Department Head
	Customer Assistance Team Chairperson

The AML Committee shall be primarily responsible for establishing and maintaining a sound AML and combating the financing of terrorism (CFT) program for the Bank. It shall assist the Board of Directors with its oversight function and assist the Management in its responsibilities to implement AML-related circulars and issuances of the Bangko Sentral ng

Pilipinas and the Anti-Money Laundering Council (AMLC), and the Revised Implementing Rules and Regulations of Republic Act (RA) No. 9160, otherwise known as the Anti-Money Laundering Act AMLA of 2001 (AMLA), as amended by RA Nos. 9194, 10167 and 10365

The Committee shall have the following duties and responsibilities:

1. Receive and deliberate on regulatory issuances relative to AML/CFT, and formulate policies and procedures necessary to enhance internal controls against money laundering (ML) and terrorist financing (TF) activities;
2. Review sufficiency of logistic support to ensure complete capture in the AML reporting system of all covered transactions and suspicious transactions reportable to the AMLC within a 10-day deadline to avoid the Bank's possible exposure to sanctions or penalties;
3. Refer to the Office of the President, the Management Committee and/or the Board of Directors issues/non-compliance with the AMLA, the Money Laundering and Terrorist Financing Prevention Program (MLPP), and other relevant rules and regulations that may result to compliance or reputational risk, or loss on the part of the Bank;
4. Conduct regular review of the MLPP and revise or update it at least annually, or when necessary as a result of an examination or new regulatory issuances;
5. Recommend corrective and preventive measures including, but not limited to, investigation of and imposition of sanction/s to erring personnel or unit/s to address issues on ML and TF and improve compliance with the AMLA, the MLPP, and other related rules and regulations in accordance with the Bank's Code of

Conduct, laws, and other rules and regulations; and

6. Invite internal and/or external resource person(s), such as business unit heads, if an issue so warrants.

Bids and Awards Committee (BAC)

Membership

Chairperson	VP Ma. Theresa C. Urbano
Vice-Chairman	Atty. Ronilo Conde
Members	VP Rodelio S. Romblon AVP Maria Carina S. Carancho AVP Rogelio L. Morzo

The following shall be the responsibilities of the BAC:

1. Recommend to the Head of the Procuring Entity the method of procurement of the goods, services, infrastructure projects included in the APP, i.e. whether to use public bidding or any of the alternative methods of procurement.
2. Creation of the TWG, if necessary, from a pool of technical, financial and/or legal experts to assist in the procurement process.
3. Undertake the advertisement and/or posting of the invitation to bid.
4. Conduct pre-procurement and pre-bid conferences.
5. Determine the eligibility of prospective bidders in accordance with the guidelines set forth in R.A. 9184 and its IRR-A.
6. Sole authority to receive and open bids.

7. Conduct the evaluation of bids with the assistance of the TWG.
8. Undertake post-qualification proceedings, with the assistance of the TWG.
9. Resolve motions for reconsideration filed by prospective bidders and other concerned parties with respect to the conduct of the bidding process.
10. Recommend award of contracts to the Head of the Procuring Entity or a duly authorized second-ranking official.
11. Recommend the imposition of sanctions in accordance with Rule XXIII of the IRR-A.
12. Prepare a procurement monitoring report that shall be approved and submitted by the Head of the Procuring Entity to the GPPB on a semestral basis or whenever required.
13. For each procurement transaction, accomplish a checklist showing its compliance with R.A. 9184, its IRR-A and Manual. This will be submitted to the Head of the Procuring Entity and made a part of the transaction record.
14. Invite the Observers required by law to be present during all stages of the procurement process, in accordance with the guidelines stipulated in R.A. 9184, its IRR-A and this Manual.
15. Furnish the Observers, upon the latter's request, with the following documents:
 - Minutes of the proceedings of BAC meetings;
 - Abstract of bids;
 - Post-qualification summary report; • APP and related PPMP; and
 - Copies of "opened" proposals.
16. Conduct due diligence review or verification of the qualifications of Observers.

In performing this due diligence review or verification of the qualifications of Observers, the BAC shall require the organization nominating the Observer to submit their Curriculum Vitae and proof of their technical expertise and procurement proficiency. The certifications / documents showing technical expertise and procurement proficiency should be issued by appropriate bodies and authenticated by the latter. Verification may be done by the BAC by inquiring with the bodies that issued the same.

17. Give utmost priority to BAC assignments over all other duties and responsibilities, until the requirements for the procurement at hand are completed (Jury Duty).
18. Perform such other related functions as may be necessary to the procurement process.

Corporate Governance

POLICIES AND PROGRAMS

Performance Assessment Program

GUIDELINES ON RATING OF EMPLOYEES

Performance Appraisal

I. Factors used in PPSB Performance Appraisal

Performance of all employees shall be evaluated based on Quantifiable Outputs and Qualitative Factors: The weightings applied are:

A. Quantifiable Outputs (75%)

Quantifiable Outputs shall be measured in terms of Key Performance Indicators (KPI's).

Targets for each of the Key Performance Indicators shall be discussed and agreed upon with the ratee at the beginning of the year and submitted to Group Heads for approval.

Approved KPI's and the agreed upon targets shall be submitted to the Human Resource Department not later than January 31, each year.

B. Qualitative Factors (25%)

Twenty five per cent (25%) of the total Performance Appraisal points are allotted to the following Qualitative Performance Factors.

Qualitative Factors	Weight
B.1 Competencies/Behavioral (Team Orientation, Interpersonal Relationship and Initiative)	15%
B.2 Attendance, Punctuality and Compliance towards Bank's Policies. (To be filled up by HRD)	5%
B.3 Result of Internal Audit (Based on actual result of internal audit conducted on the unit)	5%

II. Equivalent Rating Summary

Total Rating Score	Equivalent Adjective Ratings
95% to 100%	Excellent – Consistently exceeded job expectations; demonstrated job mastery in Quality and Quantity of work
90% to 94%	Very Good – Consistently met all job expectations; above average in Quantity and Quality of work
85% to 89%	Good – Met all job expectations and objectives

Total Rating Score	Equivalent Adjective Ratings
80% to 84%	Satisfactory – Met most expectations and job requirements.
Less than 80	Poor – Most goals and objectives have not been met.

Part	Weighted Score
A	75%
B1	15%
B2	5%
B3	5%
Total	100.00%

III. Performance Appraisal Periods

There shall be two Performance Appraisal periods as follows:

- January to June to be submitted at end of July
- July to December to be submitted at end of January

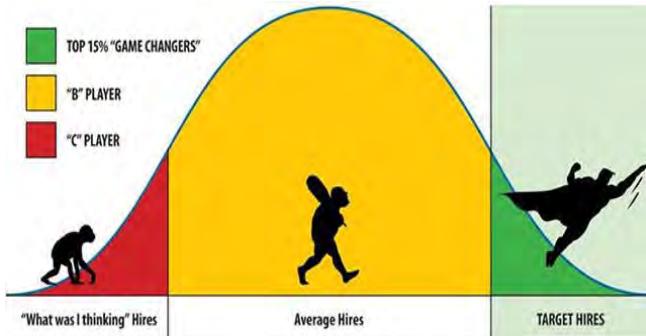
SYSTEM FOR RANKING OFFICERS AND EMPLOYEES PER GCG MEMORANDUM CIRCULAR NO. 2017-01

DISTRIBUTION SYSTEM - Distribution of PBB among qualified Officers and Employees of a GOCC who have complied with the eligibility rules as specified in GCG Memorandum Circular No. 2017-01 shall be in accordance with the following procedure:

I. GROUPING OF PERSONNEL

In determining the distribution of the PBB among qualified GOCC Officers and Employees, all personnel shall be ranked on a percentile basis

within their levels as determined by the GOCC Governing Board through Management in accordance with the following guidelines:



(a) **Senior Management:** This refers to the executive officers of the GOCC, and includes all heads of functional units, which are primarily involved in the development, evolution, and approval of long-term vision across a function or area of strategy, implement and maintain policies of the organization for area of responsibility. (e.g., Deputy Administrator, Sr. Deputy Administrator, Assistant General Manager, Executive Vice President, Sr. Vice President, Vice President, etc.)

The President/CEO, or whoever is the highest ranking executive officer, has the prerogative to avail of either the Performance-Based Incentive (PBI) under GCG MC No. 2017-02, or the PBB, but not both. In the event the CEO is included in the PBB application, he/she must meet the eligibility requirements for the PBI and shall be ranked separately on his/her own and shall be included in the forced ranking of Officers and Employees.

(b) **Middle Management:** This covers those whose work is primarily achieved through others, with direct accountability for setting direction and deploying resources. Responsible for people management, including performance evaluation and pay reviews and typically hire/fire decisions. Includes individual contributors who are recognized as subject

matter experts with in-depth technical knowledge, project management and significant influence skills in area of expertise (e.g., Head of Department or Service).

- (c) **Professional and Supervisory:** This level comprises the personnel whose work is primarily achieved by an individual or through project teams. Requires the application of expertise in professional or technical area(s) to achieve results. Typically has a university degree or equivalent work experience that provides knowledge and exposure to fundamental theories, principles and concepts. Includes supervisors and junior management that may not have full management authority (e.g., Financial Analyst/Specialists, Accountant, HR Officer, etc.)
- (d) **Clerical/General Staff:** This category includes all clerical, administrative and secretarial staff with little or no supervisory responsibility but who contribute independently to the organization. It also covers basic computing/data processing staff such as operators, customer service assistants and skilled craftsmen/technicians (e.g., Secretary, Clerk, Finance Processor, Administrative Assistant, Chauffeur, Utility Worker, Messenger).

II. DISTRIBUTION FOR QUALIFIED OFFICERS AND EMPLOYEES

In each level provided for in Section I above, the ratings of Officers and Employees under the GOCC's SPMS or its equivalent shall be quantified to allow for ranking on a percentile basis for the purpose of distribution as follows:

2.1 Rates of PBB - The grant of the PBB shall be based on the performance of the individual Officers and Employees with the rate of incentive as a multiple of the individual's monthly basic salary (MBS) as of 31 December of the applicable year based on the table below, but not lower than P5,000:

PERCENTILE	PBB AS PERCENTAGE OF MBS
Top: Maximum 10%	65.0%
Next: Maximum 25%	57.5%
Remaining: Minimum 65%	50.0%

**The percentile of the "Top" and "Next" levels are maximum figures with the discretion on the part of the Governing Board/Management to decrease the figures and distribute them to the "Remaining" level.*

Provided, that the total cost of the PBB shall not result in a net loss for the applicable year computed before subsidy and unrealized gains/losses, and after payment of all statutory obligations and liabilities.

Orientation and Education Program

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



For the new hires, the Human Resources Department conducts an Orientation Program to promote a broad understanding of Bank as financial institution. The process also include

details about working in Postbank, and the basic expectations of the Bank as an employer.

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

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

In terms of continuing education program for the Bank's employees, the Bank has been sponsoring various seminars and trainings for the whole year for all employees that are related to their duties and responsibilities.

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

In addition, the Bank also has an Educational Support Program for permanent employees who have served the bank for at least 5 years to avail of a 3 months study leave with pay (e.g. attending review for Board Exams, exploring masteral degree opportunities local and abroad, among others).

Retirement Policy

The Postbank's Employees' Retirement Plan as approved by the Board of Directors has an objective to reward employees who have remained loyal to the Bank for substantial number of years, encourage them to stay longer and to provide financial security when they retire from service.

ELIGIBILITY

1. An employee on a permanent status as of the effective date shall be automatically participant of the Plan
2. Employees not covered by the Plan as of the effective date or those hired by the Bank, subsequent to the effective date shall automatically become participants in the Plan on the day they became permanent employees of the Bank.



RETIREMENT DATES

1. The normal retirement date of a participant shall be the first day of the month coinciding with or next following the participant's 60th birthday with at least five (5) years of service.
2. The optional retirement date of a participant may be before age 60 but after the attainment of at least age 50 completing at least ten (10) years of service.

The participant shall submit a retirement letter to the President and CEO thru his Group Head in writing of his intention to retire at least six (6) months prior to the intended retirement date

3. The compulsory retirement date of a participant shall be the first day of the month coinciding with or next following the participant's 65th birthday with at least five (5) years of service

- A participant who will retire between the age of 60 and 65, regardless of length in service, shall submit a retirement letter to the President and CEO thru his Group Head, two (2) months prior to the intended retirement date.

RETIREMENT AND OTHER BENEFITS

- Every participant who retires on normal, optional or mandatory retirement date shall receive, upon his retirement, an amount equivalent to a certain percentage of his monthly basic salary which percentage shall depend on his length of service in accordance with the following schedule:

Length of Service	% of Monthly Basic Salary
5 years but less than 7 years	50%
7 years but less than 9 years	70%
9 years but less than 10 years	90%
10 years or more	100%

A fraction of a year longer than six (6) months shall be treated as one year. All leaves of absence without pay and all suspensions without pay shall be deducted from it.

- A retiring participant who was hired as of August 2010 shall receive an amount equivalent to a certain percentage of his monthly basic salary which percentage shall depend on his length of service in accordance with the following schedule:

Length of Service	% of Monthly Basic Salary
More than 15 years to 20 years	125%
More than 20 years	150%

A fraction of a year longer than six (6) months shall be treated as one year. All leaves of absence without pay and all suspensions without pay shall be deducted from it.

- A retired employee shall be entitled to the computation of the accumulated unused vacation leave prior to June of the current year, and unused sick leave based on the latest salary
- If a participant is terminated by the Bank due to authorized causes provided under Article 283 of the Labor Code, then he shall receive the full benefits due him under the Plan.

However, if the participant is terminated by the Bank due to just causes provided under Article 282 of the Labor Code, the benefits due him shall be forfeited

- In the event of death of any participant while in the employ of the Bank, the designated beneficiary or in his absence, to the duly qualified representative to his estate, shall receive the amount of benefit granted under normal retirement.
- Any participant whose employment is terminated because of total or permanent physical or mental disability or incapacity as certified by the Bank's designated physician, whether caused by injury or disease which prevents the employee from performing any work, physical or mental, shall be paid the same as in the normal retirement.

MANNER OF PAYMENT

- A participant may elect, at the time of his retirement, to have his benefits paid to him either in lump sum or in equal monthly instalments over a period of not less than one (1) year but not more than five (5) years. The actual period over which such installments will be paid shall be subject to approval by the Committee. Payment shall be made after

securing / submission of clearance from his money and property accountabilities

2. If the benefits are to be paid in installments, the unpaid balance remaining in the retired participant's account shall continue to participate in the income of the fund, and the retired participant shall likewise be credited with his proportionate share of such net income. Should the retired participant die before completion of such installments, the entire unremitted balance shall immediately become due and payable to his beneficiaries or his estate as the case maybe
3. Neither the Bank nor the Plan shall, in any manner, be liable for or subject to the payment of any debt or liability of any member-employee and/or his beneficiaries except liabilities arising from legal debts of the member-employee and/or his beneficiaries except liabilities arising from legal debts of the member employee and other liabilities and penalties arising out of a criminal offense.

NOMINATION OF BENEFICIARIES

1. An employee, upon eligibility to participate in the Plan, shall designate in writing, at least two (2) persons who will receive the amount which may be due to him as a participant of the Plan in case of his death or inability to receive in person any sum due from the fund. Designation of beneficiary/ies shall conform with the law on succession.
2. In the event of death, during the life of the participating employee, of any of his designated beneficiary, the employee shall designate, in writing, another person in the place of the deceased beneficiary.
3. In case the beneficiary is a minor or person under disability, such payments shall be made to the legal guardian. However, the beneficiary shall not be entitled to any income on the amount of the accrued

benefits during the period that the payment was deferred because of the absence of a legal representative

4. If at the time of death of the participating employee, no beneficiary has been designated and if there exist no valid designation or a beneficiary designated predeceased him, the amount due him shall be paid to his estate

AMENDMENT AND TERMINATION OF THE PLAN

1. Although the Plan is expected to continue indefinitely, the Bank reserves the exclusive right to change, amend or terminate the Plan. However, no such action of the Bank shall operate to permit any part of the income of the fund to be used for, or to be diverted to, purposes other than the exclusive benefit of the participants or their beneficiaries except as to such amounts after the satisfaction of all fixed and contingent obligations under the Plan, as may remain in the fund at its termination.
2. Upon the termination of the Plan or upon the complete discontinuance of Bank contributions under the Plan, the rights of each participant to benefits accrued to the date of such termination or discontinuance, to the extent then funded, shall be vested in such participants and payable in accordance with the following priorities:

First, all retired participants who have not received the full amount of their retirement benefits at the date of termination shall be paid the outstanding balance of such retirement benefits, to the extent then funded; pro-rata if the fund is not sufficient

Any funds remaining, Fourth, all participants who have not received the full amount of their benefits accrued at the date of termination or discontinuance determined using the same

formula as in normal retirement shall be paid such unpaid accrued benefits, to the extent then funded, pro-rata if the fund is not sufficient.

Any funds remaining, Fifth, whatever balance is left after satisfying the above provisions shall revert to the Bank.

BUREAU OF INTERNAL REVENUE REGULATIONS

The rules and regulations of this Plan have been designed to meet the requirements of the Bureau of Internal Revenue regulations as a tax-qualified Plan. The Bank reserves the right to amend any provision of the Plan which shall be effective retroactively or prospectively in order that it shall maintain tax qualified status in accordance with the present and future Bureau of Internal Revenue regulations.

Succession Policy

GUIDELINES

I. RATIONALE

Philippine Postal Savings Bank, Inc. recognizes the need for developing succession plans for its critical positions. This is to ensure that qualified individuals with the required knowledge, skills, experience and expertise and process abilities (referred as competencies) are always available to perform the critical position's responsibilities.

Critical positions include more than just executive and other senior management positions. Certain technical, operational, or business positions may be designated as critical positions because of the difficulty in finding or developing individuals with the competencies to successfully perform in these positions.

II. POLICY STATEMENT

It is the policy of the Bank to be prepared for any eventual change in leadership, key managerial and professional positions – planned or unplanned – to ensure business continuity, stability and accountability.

It is also the policy of the Bank to assess its leadership and managerial needs to ensure the selection of qualified and capable successors with the required competencies, and are fitted for Bank's mission, vision, values, principles and objectives.

To this end, starting 2012, the Bank shall embark on a revised and ungraded Succession Planning Program.

This Program is a deliberate and systematic effort by the Bank to ensure leadership and managerial continuity in key and critical positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement.

III. GOAL OF THE PROGRAM

The Program shall build a development culture by assessing the existing talents in the Bank and determining their development needs and actions for future staffing needs and bench strength, in order to meet the Bank's strategic objectives.



IV. OBJECTIVES OF THE PROGRAM

1. To contribute to the implementation and achievement of the Bank's strategic business plans.
2. To provide increased opportunities for high potential employees.
3. To identify replacement needs as a means of targeting necessary training and employee development.
4. To increase the talent pool of promotable employees.
5. To improve employee's ability to respond to changing environmental demands.
6. To improve employee morale.
7. To cope with effects of separation programs.

V. CRITICAL POSITIONS

Critical positions are those with the following characteristics:

- Have responsibilities that are critical to business success.
- Exercise influence, control, or direction over the performance of many other individuals, workgroups, or units.
- Require levels of knowledge, skills, and process abilities that are not readily available or easily obtained in the labor market; nor easily developed by most individuals in their current assignments.
- May require specialized experiences and expertise as a component of preparation for the critical position.

VI. PROCESS OF PROGRAM IMPLEMENTATION

The Program will be implemented in accordance to the process and templates shown in Annex 1.

This entire process shall be observed in full confidentiality.

This process involves the following:

1. Identification of key and critical positions in the Bank:
Level I - Board of Directors
Level II- Group/Area Heads
Level III- Department/Branch Heads
Level IV- Critical professional and expert positions
2. Development of critical position profiles. The profile shall include a description of each position, the competencies required to perform its responsibilities, and critical success factors.

HR shall review and revise, as necessary, the existing set of competences for these critical positions to make these appropriate.
3. Identification of key talents, Current holders of key positions shall identify up to three (3) possible candidates (in a candidate pool) based on their performance, track record and potential for advancement from:
 - a. Within the Group or Department
 - b. Other Groups and Departments within the Bank
 - c. Prospective candidates may be sourced from outside the Bank if there are no available qualified candidates within the Bank.
4. Assessment of key talents and generation of development plans. A development plan is prepared for each candidate on how he/she will be developed over the next year.
5. Development monitoring and review. The progress made by candidates in developing the competencies required for critical positions is tracked by their respective managers and HR. The performance vis-à-vis the development plan is measured and evaluated.

On a quarterly basis, HRD shall monitor and report development progress and make necessary adjustments to the plan.

VII. DEVELOPMENT TOOLBOX AND CANDIDATE GROOMING APPROACHES

The following are some development toolbox and grooming approaches for key talents that will be employed:

1. On The Job:

- Job Enrichment
- Committee Assignments
- Task Force Participation
- Lead Person Responsibilities
- Giving Presentation
- Preparing Proposals
- Special Projects
- Installing A New System
- Leading A New Program
- Temporary Job Assignments
- Full Job Change

2. Learning from Others

- Working With a Mentor
- Teaming with an Expert
- 360-degree Feedback
- Focused Interviews

3. Training and Education

- Seminars and Conferences
- Continuing Education
- Cross Training

4. Grooming Approaches

- Rotation
- Training
- Coaching and Mentoring
- Functional Exposure
- Relationship Building
- Leadership Development
- Ability to put together diverse teams
- Motivating
- Engaging and sharing plans for growth.

VIII. PROCEDURE IN THE EVENT OF TEMPORARY ABSENCE

1. Absence of the President and CEO

The Board of Directors shall designate an OIC during the absence of the President and CEO duly recommend by the latter.

2. Absence of Officers below the President and CEO

a. The President and CEO or any authorized officer under the CASA shall designate as OIC of a department/branch/area/office/group vacated due to temporary absence of the officers identified in this Succession Plan.

b. The person designated as OIC shall assume the full responsibility of the position and shall be authorized to sign reports and/or documents within the scope of authority of the said position in accordance with the Bank's approved codified Approving and Signing Authority (CASA).

c. The OIC shall receive a temporary allowance equivalent to the representation allowance only of the officer being temporarily replaced. The allowance shall be prorated if the OIC designation is less than one month.

The OIC may reimburse his business development expense subject to the Bank's policy.

3. Turn-Over during Temporary Absence

a. Prior to scheduled absence, there should be proper turnover of duties and responsibilities to the designated OIC.

b. In case of unscheduled absence, the next in line officer/supervisor in said unit shall conduct an inventory of the duties and

- responsibilities of the officer on leave and turnover the same to the designated OIC.
- c. Upon assumption of the officer on temporary leave, the OIC shall turn over the duties and responsibilities to the concerned officer.
4. Time Frame for Making Interim Appointments
- The Office of the President and CEO shall issue the temporary designation within day of knowledge prior to the absence of the officer. However, in case of unannounced leave, the designation shall be issued a day after knowledge of the absence of the officer.
- In the event the officer on approved temporary leave cannot, for justifiable reasons, assume office after the lapse of his approved leave, the President and CEO shall issue an office order extending the designation of the OIC.
- IX. IMPLEMENTATION PLAN**
1. Orientation and Briefing of Board, Executives and Managers
Lead: HR Manager
Business Continuity Coordinator
 2. Identification of key and critical positions
Development of critical position profiles
 - Board, Officers, Group/Area Department/Branch Heads
 - Assistance and advise from HR Manager and BC Coordinator
 3. Review and revision, as necessary, of existing set of competencies
 - HR Manager and BC Coordinator
 4. Identification of key talents and candidate pooling
 - Board, Officers, Group/Area/Department/Branch Heads
 - Assistance and advise from HR Manager and BC Coordinator

5. Assessment of key talents and generation of development plans
 - Board, Officers, Group/Area/Department/Branch Heads
 - Assistance and advise from HR Manager and BC Coordinator
6. Submission of first Report on Succession Plan to the President and CEO
 - HR Manager and BC Coordinator

Remuneration Policies

REMUNERATION POLICY AND STRUCTURE FOR THE BOARD OF DIRECTORS

The remuneration and compensation of the Board of Directors follows the rules prescribed under Executive Order No. 24, "Prescribing Rules To Govern The Compensation Of Members Of The Board Of Directors/Trustees In Government-Owned Or Controlled Corporations Including Government Financial Institutions", signed on 10 February 2011.



The maximum allowed compensation for the Board of Directors of Postbank was determined based on the Sections as stipulated on EO 24, viz:

SECTION 6. GOCC Classification

For the purpose of determining the maximum allowable compensation for members of the Board of Directors/Trustees pursuant to this Executive Order, GOCCs shall be classified by size based on the assets and revenues as follows:

Classification	Assets (P)	Revenues (P)
A	≥ 100 Billion	≥ 10 Billion
B	≥ 25 Billion and < 100 Billion	≥ 2.5 Billion and < 10 Billion
C	≥ 5 Billion and < 25 Billion	≥ 500 million and < 2.5 Billion
D	≥ 1 Billion and < 5 Billion	≥ 100 million and < 500 million
E	< 1 Billion	< 100 million

- a) Assets shall be based on the prior year's audited balance sheet;
- b) Revenues shall be based in the average of the prior three years' audited income statements;
- c) GOCCs must meet both asset and revenue criteria;
- d) Additional consideration may be given for such factors as financial performance, industry, and strategic positioning; and
- e) Changes in a GOCC's classification shall be reviewed, evaluated, and recommended by the Department of Finance, subject to the approval of the President.

SECTION 7. Compensation of Members of the Board of Directors/Trustees

The compensation of members of the Board of Directors/Trustees shall be in accordance with the following rules:

- a) Department Secretaries, Undersecretaries, Assistant Secretaries and other government officials, who are *Ex-Officio* Board Members, including their Authorized Alternates/Representatives, shall not be entitled to any additional compensation for their services as such;

- b) Appointive or Elective Board Members may receive compensation as set forth herein unless specifically prohibited by law or Charter;
- c) Compensation granted to *Ex-Officio* Board Members of subsidiaries or private corporations wherein a GOCC has investments shall accrue to the GOCC represented; and
- d) Compensation granted to Appointive or Elective Board Members representing a GOCC in a private corporation where the GOCC has investments shall not exceed the allowable compensation of the members of the Board of Directors/Trustees of the GOCC represented. Any excess shall accrue and be remitted to the GOCC represented within fifteen (15) days.

SECTION 8. Compensation Structure

The compensation of members of the Board of Directors/Trustees shall have the following components:

- a) Compensation shall be in the form of *per diems* and subject to limits as provided for under Sections 9 and 10 hereof;
- b) Compensation in the form of Performance-Based Incentives may be allowed and shall be based on agreed upon metrics as provided under Section 11 hereof;
- c) Annual Retainer Fees and Stock Plans shall not be allowed; and
- d) Salaries, Allowance, Benefits, and other Bonuses shall not be allowed unless specifically authorized by law or Charter and approved by the President, *provided* that the total of foregoing compensation and *per diems* shall not exceed the limits stipulated under Sections 9 and 10 hereof.

SECTION 9. Per Diems for Board Meetings

The maximum *per diem* per Regular or Special Board meeting *actually attended* provided to members of the Board of Directors/Trustees shall be based on the size of the GOCC but not to exceed the maximum annual amounts as specified herein. Actual amounts provided shall consider the nature of the GOCC and fiscal

realities, but any increases from the current rates of per diems being granted shall take effect only upon the approval by the President.

a) The following schedule shall serve as limits:

Classification	Max Per Diem Per Meeting	Max Per year
A	40,000	960,000
B	20,000	480,000
C	15,000	360,000
D	10,000	240,000
E	5,000	120,000

b) The Board chairperson may receive not more than 20% of the amount set for members of the Board of Directors/Trustees.

SECTION 10. Per Diems for Committee Meetings

The maximum *per diem* per Committee meeting *actually attended* provided to members of the Board of Directors/Trustees shall be based on the size of the GOCC and shall be at most sixty percent (60%) of the amount set per Board meeting but not to exceed the maximum annual amounts as specified herein. Actual amounts provided shall consider the nature of the GOCC and fiscal realities, but any increases from the current rates of per diems being granted shall take effect only upon approval by the President. The following schedule shall serve as limits:

Classification	Max Per Diem Per Meeting	Max Per Year
A	24,000	576,000
B	12,000	288,000
C	9,000	216,000
D	6,000	144,000
E	3,000	72,000

SECTION 11. Performance-based Incentives

The maximum amount of Performance-Based Incentives which may be paid to members of the Board of Directors/Trustees shall be based on the

size of the GOCC but not to exceed a reasonable percentage of a Board Member's *actual* annual *per diems* received. Actual amounts provided shall be based on metrics agreed upon by the Board of Directors/Trustees and the supervising department, endorsed by the Department of Finance and the Department of Budget and Management, and subject to and upon approval of the President.

- a) A rating system shall be used to assess GOCC performance using metrics that clearly identify when targets have been met or exceeded; and
- b) Performance-based incentives shall only be paid if a GOCC has complied with its statutory obligations.

SECTION 12. Reimbursable Expenses

All necessary expenses of members of the Board of Directors/Trustees to attend Board and other meetings and discharge their official duties shall be paid directly by the GOCC. However, when *due only* to the exigency of the service and subject to the submission of receipts, it is necessary for the members of the Board of Directors/Trustees to advance the same, they may be reimbursed but only for the following items incurred in the performance of official functions subject to budgeting, accounting, and auditing rules and regulation:

- a) Transportation expenses in going to and from the place of meetings;
- b) Travel expenses during official travel;
- c) Communication expenses; and
- d) Meals during business meetings.

On the other hand, the Performance Based Incentive (PBI) for the Board of Directors was based on the Memorandum Circular issued by GCG on Interim Performance-Based Incentive (PBI) System for Appointive Directors/Trustees of GOCCs Covered by R.A. No. 10149.

REMUNERATION POLICY AND STRUCTURE FOR THE SENIOR MANAGEMENT

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

Cash benefits and allowances pursuant to the Board approved benefits and allowances.

The grant of representation and transportation allowances is based on the DBM National Budget Circular No. 548 dated 15 May 2013 re: Amended Rules and Regulations on the Grant of Representation and Transportation Allowances

The Performance Based-Bonus (PBB) is based in the Interim PBB guidelines based on the Memorandum Circular issued by the GCG

Related Party Transactions Policies and Procedures

OBJECTIVE

1. To update the existing policy on Related Party Transactions (RPT)
2. To establish clear policies in handling transactions between the Philippine Postal Savings Bank, Inc. (Postbank) and Related Parties for uniform implementation of all the users

SCOPE

This policy shall apply to all related party transactions of the Postbank

REFERENCE

Manual on Regulations for Banks (MORB)
Postbank's Manual on Lending Operations (MOLO)

DEFINITION

Related parties shall cover the bank's subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the bank exerts direct/indirect control over or that exerts direct/indirect control over the bank; the bank's directors; officers; stockholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of Postbank, hence, is identified as a related party.

Close family members are persons related to the bank's directors, officers and stockholders (DOS) within the second degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son-/daughter-in-law, brother-/sister-in-law, grandparent-in-law, and grandchild-in-law of the Postbank's DOS.

Corresponding persons in affiliated companies are the DOS of the affiliated companies and their close family members.

Control of an enterprise exists when there is:

- a. Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or
- b. Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
- c. Power to appoint or remove the majority of the members of the Board of Directors or equivalent governing body; or
- d. Power to cast the majority votes at meetings of the Board of Directors or equivalent governing body; or

- e. Any other arrangement similar to any of the above.

Control is presumed to exist if there is ownership or holding, whether direct or indirect, of 20 percent or more of a class of voting shares of a company.

Should Postbank choose to disclaim or rebut the presumption, it should provide facts sufficient to show that there is indeed no control. Further, Postbank shall submit a written commitment that: (1) shares owned or held are exclusively for investment purposes; (2) the Postbank-stockholder will not serve on the Board of Directors and will not nominate any candidate to serve on the board or otherwise seek board representation; (3) the Postbank-stockholder will have only limited contacts with bank management that are customary for interested shareholders; (4) the Postbank-stockholder will engage only in normal and customary transactions with the enterprise; and (5) the Postbank will not pledge the shares acquired to secure a loan with any institution.

Related party transactions (RPTs) are transactions or dealings with related parties of the Postbank, including its trust department regardless of whether or not a price is charged. These shall include, but not limited to the following:

- a. On-and off-balance sheet credit exposures and claims and write-offs;
- b. Investments and/or subscriptions for debt/equity issuances;
- c. Consulting, professional, agency and other service arrangements /contracts;
- d. Purchases and sales of assets, including transfer of technology and intangible items (e.g, research and development, trademarks and license agreements)
- e. Construction arrangements/contracts;



- f. Lease arrangements/contracts;
- g. Trading and derivative transactions;
- h. Borrowings, commitments, fund transfers and guarantees;
- i. Sale, purchase or supply of any goods or materials; and
- j. Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

GUIDELINES

I. RATIONALE

- 1. To promote transparency/ disclosure
- 2. Promotes objective judgment in decision making process
- 3. Propriety of use of public funds
- 4. Protects minority shareholders

II. POLICY STATEMENT

All transactions with Related Parties shall be done at “arm’s length” or conducted in accordance with the principles of transparency and fairness, taking into account the best interest of the bank.

Dealings with Related Parties should be in the regular course of business and upon terms not less favorable to the Bank than those offered to others.

III. BOARD DUTIES AND RESPONSIBILITIES

The Board of Directors shall have the overall responsibility in ensuring that the 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. The Board of Directors shall carry out the following duties and responsibilities and shall comply with the succeeding updates thereon:

1. To observe good governance and approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. A group-wide RPT policy shall be adopted, encompassing all entities within the banking group, taking into account their size, structure, risk profile and complexity of operations.
2. To approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the Board of Directors.

All final decisions of the board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make

informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of board and stockholders' meetings.

3. To delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the Board of Directors. This shall, however, exclude DOSRI transactions, which are required to be approved by the board. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.
4. To establish an effective system to:
 - Determine, identify and monitor related parties and RPTs;
 - Continuously review and evaluate existing relationships between and among businesses and counterparties; and
 - Identify, measure, monitor and control risks arising from RPTs.

The system shall be able to define related parties' extent of relationship with Postbank; assess situations in which a non-related party (with whom a bank has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the BSP and audit functions for review. Any changes in the policies and procedures shall be approved by the Board of Directors.

5. To maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process, whenever applicable. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether Postbank is well-insulated from any going concern issue of related parties
6. To oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board should ensure that senior management addresses legitimate issues on RPT that are raised. The board should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.

IV. ROLES OF SENIOR MANAGEMENT AND SELF-ASSESSMENT FUNCTIONS

The Senior Management (thru the Management Committee) shall implement appropriate controls to effectively manage and monitor RPTs on a per transaction and aggregate bases. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with this policy and BSP's regulations.

The Internal Audit Office shall conduct a periodic formal review of the effectiveness of the Postbank's system and internal controls governing RPTs to assess consistency with the Board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee.

The Compliance Office shall ensure that Postbank complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. It shall aid in the review of the Postbank's transactions and identify any potential RPT that

would require review by the Board or RPT Committee. It shall ensure that the RPT policy is kept updated and is properly implemented throughout Postbank.

V. IDENTIFYING RELATED PARTIES

For purpose of this policy, Related Parties shall refer to:

- a. Directors, Officers, Stockholders and Related Interests (DOSRI) as defined in the Manual of Regulations for Banks (MORB)
- b. Subsidiaries and/or Affiliates of PPSB, viz:

Subsidiary shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.

Affiliate shall refer to an entity linked directly or indirectly to a bank by means of:

1. Ownership, control or power to vote, of ten (10%) or more of the outstanding voting stock of the entity, or vice versa;
2. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
3. Common stockholders owning ten percent (10%) or more of the outstanding voting stock of each financial intermediary and the entity;
4. Management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity, or vice-versa; and,
5. Permanent proxy or voting trusts in favor of the bank constituting ten percent (10%) or more of the outstanding voting stock of the entity, or vice-versa.

- c. Supervisory and Rank and File Employees and their Related Interests as provided under Section X326.1 Item e. of the MORB.
- d. An entity in which a director or officer of the Bank assumes the role of directors, partner, officer or guarantor
- e. A person or class of persons who has present or past interest or relationship with the Bank, who can reasonably be expected to have influence on the decision of the Bank regarding a transaction

Relatives, peers and associates of DOSRI and employees of the Bank who has control or has significant influence over the Bank's DOSRI and employees

VI. LIST OF RELATED PARTY TRANSACTIONS (RPTs):

The following are considered as Related Party Transactions (RPTs) when performed with a Related Party:

- Investments
- Purchases or sales of goods
- Purchases or sales of property and other assets
- Rendering or receiving of services
- Agency arrangements
- Leasing arrangements
- Transfer of technology
- Fund transfers
- Guarantees
- Credit exposures of the financial institution with its DOSRI and bank's subsidiaries and affiliates
- Settlement of liabilities on behalf of the entity or by the entity on behalf of that related party

VII. CHECKING OF RELATED PARTIES

The transacting or processing department/unit of the Bank shall check whether a person / entity is

a related party. The counterparty to any of the above transactions as well as the name of its directors, officers and stockholders shall be checked against the "Central Inventory of Related Parties" of the Bank to determine if it is a related party.

The persons and entities in each Related Party Group shall be determined in advance and a central inventory of all related parties of the Bank shall be set up, maintained and updated from time to time to reflect subsequent changes in relationships such as a non-related party becoming a related party, promotions, resignations or retirements of bank officers by the Human Resources Department.

VIII. REPORTING OF RPTs TO MANAGEMENT

The initiating unit to a transaction as well as the concerned group, department or office who shall implement the same shall be responsible in reporting Related Party Transactions to the Management and to the regulatory agency, where applicable, and should perform the necessary due diligence to ascertain whether a transaction is considered an RPT or not.

IX. GENERAL CRITERIA FOR APPROVING RELATED PARTY TRANSACTIONS

In determining whether to approve, ratify, disapprove or reject a Related Party Transaction, the Management Committee and the Board of Directors shall take into account, among other factors it deems appropriate, whether the Related Party Transaction is entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances; the results of an appraisal, if any; whether there was a bidding process and the results thereof; review of the valuation methodology used and alternative approaches to valuation of the transaction; and the extent of the Related Person's interest in the transaction.

The Board of Directors will review the following information when assessing a Related Party Transaction:

- The terms of such transaction;
- The Related Person's interest in the transaction;
- The purpose and timing of the transaction;
- Whether the Bank is a party to the transaction, and if not, the nature of the Bank's participation in the transaction;
- If the transaction involves the sale of an asset, a description of the asset, including date acquired and costs basis;
- Information concerning potential counterparties in the transaction;
- Description of any provisions or limitations imposed as a result of entering into the proposed transaction;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction and
- Any other relevant information regarding the transaction.

Independent judgment is critical in approving related party transactions and to ensure that agreed transactions are in the interests of the Bank and all shareholders. To avoid bias, only non-conflicted directors shall discuss and decide on a related party transaction.

X. RPT AT ARM'S LENGTH TERMS

To ensure that related party transactions are conducted at arm's length basis and in the ordinary course of business, the terms and conditions of the transaction should not be more favorable than similar transactions with non-related parties. The terms and conditions shall include those relating to term, interest rates, fees, collaterals, contract/selling price and other relevant information that will allow a clear determination that no preferential treatment was

given to a related party. The price discovery mechanisms used and the results obtained should also be disclosed in the proposal

- All transactions with related parties shall undergo the normal/regular transaction processing and approval process. Interest on loans and other credit accommodations and deposits/deposit substitutes shall be consistent with the pricing mechanism/standard of the Bank based on posted rates from the Treasury Group. Other economic terms of RPTs (e.g., price, commissions, fees, tenor, and collateral requirement) shall likewise be based on existing policy of the Bank. All RPTs with deviations shall be subject to evaluation and endorsement by the Management Committee to the Board of Directors for approval, regardless of amount, and shall be supported by written justifications.
- Price Discovery Mechanism
 - List of Bank's ROPAs shall be posted at the conspicuous place in the Head Office and branches. The list should bear information on the indicative/minimum selling price of the property.
 - Selection of: (i) service providers for courier/janitorial/security, construction/maintenance, information technology and other services allowed to be outsourced under existing regulations, and (ii) suppliers of office and other administrative supplies, furniture, fixtures and equipment (including for transport) and systems applications, shall be subject to applicable procurement/bidding process in accordance with existing policy of the Bank.

XI. CONFLICT OF INTEREST

If an actual or potential conflict of interest arises on the part of a director, officer or employee, he is mandated to fully and immediately disclose the same and should not participate in the decision-making process relating to the transaction.

Any member of the Board of Directors who has an interest in the transaction under evaluation shall not participate therein and shall abstain from voting on the approval of the transaction.

XII. MATERIALITY THRESHOLDS AND EXCLUDED TRANSACTIONS

The threshold amount prescribed for each type of transaction with each related party or group of related parties shall be classified based on the monetary value involved to determine the appropriate action from the Management and/or the Board of Directors, and / or reporting to BSP.

Transactions with Related Parties:

Classification	Transaction Amount	Action
De Minimis	₱10,000 and below	Does not require disclosure or approval from the Board
Disclosure	₱10,001 up to ₱100,000	To be reported to the Board of Directors for notation
Approval	₱100,001 and above	To be submitted to the Board of Directors for approval

Excluded Transactions:

The following transactions shall not be deemed related party transactions and shall therefore be

excluded from materiality thresholds requirement and reporting to the BSP:

- Transactions concerning deposit operations;
- Regular trade transactions involving purchases and sales of debt securities traded in an active market; and
- Those granted under BSP-approved fringe benefits program
- Executive Officer and Director compensation arrangements

XIII. INTERNAL LIMITS FOR INDIVIDUAL AND AGGREGATE EXPOSURES

To ensure that RPTs are within prudent levels, Postbank shall abide with the limits for individual and aggregate exposures on RPTs as defined in BSP Circular 914 series of 2016, amending sections on the MORB, and to the succeeding updates, thereon.

XIV. WHISTLEBLOWING MECHANISMS

The Bank has an existing whistleblowing mechanism consistent with the corporate values and codes of conduct set by the Board of Directors. The policy encourages employees to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable transactions that would include RPT. The current whistle blowing policy includes guidance on how and by whom legitimate material concerns should be reported, investigated and addressed by an objective independent internal body.

XV. RESTITUTION OF LOSSES AND OTHER REMEDIES FOR ABUSIVE RPTS

Whenever applicable, the Bank shall discontinue a related party transaction if found abusive and demand restitution of losses or opportunity costs it incurred from such related party transaction.

XVI. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Bank becomes aware of a Related Party Transaction with a Related Person that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Management Committee (ManCom). The ManCom shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, including the items listed in the preceding section, and shall evaluate all options available to the Bank, including ratification, revision or termination of the Related Party Transaction. The ManCom shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Board of Directors and to the regulatory agency, where applicable, and shall propose to the Board of Directors any such action it deems appropriate.

XVII. DISCLOSURE AND REGULATORY REPORTING

Postbank shall follow the disclosure and regulatory reporting procedure on RPTs as stipulated in BSP Circular 895 series of 2015 and Section 4. Section X146.3 of the MORB to be administered by the Accounting and Comptrollership Group and shall comply with the succeeding updates thereon, as follows:

- Postbank shall adequately disclose in their Annual Report, if applicable, the overarching policies and procedures for managing RPTs, including managing of conflicts of interest or potential conflicts of interest; nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments, of material RPTs.
- In addition to the required reports on DOSRI and transactions with subsidiaries and affiliates under existing regulations, Postbank shall submit a report on material exposures to related parties, based on the bank's internal

definition within twenty (20) calendar days after the end of the reference quarter starting with the quarter ending 31 March 2016.

- Transactions concerning deposit operations, regular trade transactions involving purchases and sales of debt securities traded in an active market, are excluded from the reporting requirement to BSP, provided that credit lines with amounts falling within the definition of "material transactions" shall be reported to BSP upon approval of the line.
- Lease contracts and other similar contracts with recurring payment transactions shall only be reported once, upon approval of said transaction by the Board of Directors. In case the parties involved in the transactions are both supervised by the BSP, only the lessor, in case of a lease contract, or the party engaging/requesting for the services of the other bank, in case of other contracts, shall submit the report.

XVIII. PRE-APPROVED RELATED PARTY TRANSACTIONS

Unless required by the BOD, Related Party Transactions approved before the issuance of this revised policy shall not require review or ratification from the BOD.

XIX. REPEALING CLAUSE

All relevant provisions of previous issuances inconsistent hereto shall be deemed superseded.

XX. EFFECTIVITY

This policy shall take effect upon approval of the Board of Directors.

ADMINISTRATION

- Branch Banking Group
- Corporate Banking Group
- Credit Management Group
- Administrative and Comptrollership Group

5. Human Resources Department
6. Risk Management Office
7. Legal Services Department
8. Compliance Office
9. Internal Audit Office

Self-Assessment Function

As stated in the Sec. X185 (2008 - X163) of the MORB, the Internal Control Framework stipulated that:

"Internal control is a process designated and effected by the board of directors, senior management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, supervisory requirements, and the organization's policies and procedures.

Banks shall have in place adequate and effective internal control framework for the conduct of their business taking into account their size, risk profile and complexity of operations. The internal control framework shall embody management oversight and control culture; risk recognition and assessment; control activities; information and communication; and monitoring activities and correcting deficiencies."

INTERNAL AUDIT OFFICE

The Internal Audit Office (IAO) is headed by a Chief Audit Executive with a rank of Vice-President. Under the approved plantilla and structure, IAO has 3 Senior Auditors, 3 Junior

Auditors, 1 IT Junior Auditor, 5 Audit Assistants and 1 Administrative Staff

The scope of the internal audit encompasses the examination and evaluation of the adequacy and effectiveness of the Bank's governance, risk management process, information security systems of internal control structures and the quality of performance in carrying out the assigned responsibilities to achieve the organization's goal, objectives and strategies. It covers among others all processes, systems, units and activities including outsourced services that fall within the overall scope of the internal audit function.

The Internal Audit is an independent, objective assurance and consulting functions established to examine, evaluate and improve the effectiveness of internal control, risk management and governance systems and processes of an organization, which helps management and the Board of Directors in protecting the Bank and its reputation and integrity. The internal audit function shall both assess and complement operational management, risk management, compliance and other control functions. In this respect, the internal audit is being conducted in frequencies commensurate with the assessed levels of risk in specific banking areas.



It functionally reports to the Audit & Compliance Committee, and administratively reports to the President and CEO

COMPLIANCE OFFICE

The Compliance Office (CO) is headed by a Compliance Officer with a rank of Vice-President assisted by 1 Asst. Compliance Officer, 1 AMLA Officer, 1 Compliance Assistant and 1 AMLA Assistant.

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

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

The function of Compliance Office as defined in the regulation is “is an independent function which identifies, assesses, monitors and reports on the bank’s compliance risk which is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a Bank may suffer as a result of its failure to comply with banking laws, rules, regulations, codes of conduct and standards of good practice.

It functionally reports to the Audit & Compliance Committee, and administratively reports to the President and CEO

The compliance function responsibilities as defined are as follows:

- The Board of Directors for the overall oversight
- The Senior Management and Business Units on the effective management of compliance in their respective areas, compliance being a line driven function
- Compliance Function in identifying, monitoring and reporting on the bank’s compliance risk.

Its scope includes Regulatory Issuances by:

- BSP (BSP MORB, Circulars, Circular Letters, Memoranda, RAs as applicable)
- AMLC (RA 9160/9194 as amended)
- SEC (Corporate Governance SEC Memo No. 6)
- PDIC (RIs)

INTERNAL CONTROL SYSTEM REVIEW PROCESS

The review process adopted by the Board to ensure effectiveness and adequacy of the internal control system is consistent with the principles as stipulated in the Manual on Regulations for Banks (MORB) as follows:

Consistent with the principles provided under Subsecs. X141.3 and X142.3, the board of directors and senior management shall be responsible for promoting high ethical and integrity standards; establishing the appropriate culture that emphasizes, demonstrates and promotes the importance of internal control; and designing and implementing processes for the prevention and detection of fraud.

- a. The Board of Directors shall be ultimately responsible for ensuring that senior management establishes and maintains an adequate, effective and efficient internal control framework commensurate with the size, risk profile and complexity of operations of the bank. The board of directors shall also ensure that the internal audit function has an appropriate stature and authority within the bank and is provided with adequate resources to enable it to effectively carry out its assignments with objectivity.

Further, the board of directors shall, on a periodic basis:

- (1) conduct discussions with management on the effectiveness of the internal control system;

- (2) review evaluations made by the audit committee on the assessment of effectiveness of internal control made by management, internal auditors and external auditors;
 - (3) ensure that management has promptly followed up on recommendations and concerns expressed by auditors and supervisory authorities on internal control weaknesses; and
 - (4) review and approve the remuneration of the head and personnel of the internal audit function. Said remuneration shall be in accordance with the bank's remuneration policies and practices and shall be structured in such a way that these do not create conflicts of interest or compromise independence and objectivity.
- b. The audit committee shall be responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.
- The audit committee shall oversee the internal audit function and shall be responsible for:
- (1) monitoring and reviewing the effectiveness of the internal audit function;
 - (2) approving the internal audit plan, scope and budget;
 - (3) reviewing the internal audit reports and the corresponding recommendations to address the weaknesses noted, discussing the same with the head of the internal audit function and reporting significant matters to the board of directors;
 - (4) ensuring that the internal audit function maintains an open communication with senior management, the audit committee, external auditors, and the supervisory authority;
 - (5) reviewing discoveries of fraud and violations of laws and regulations as raised by the internal audit function;
 - (6) reporting to the board of directors the annual performance appraisal of the head of the internal audit function;
 - (7) recommending for approval of the board of directors the annual remuneration of the head of the internal audit function and key internal auditors;
 - (8) appointing, reappointing or removing the head of the internal audit function and key internal auditors; and
 - (9) selecting and overseeing the performance of the internal audit service provider.
- In particular, the audit committee shall be responsible for:
- (1) ensuring independence of the internal audit service provider;
 - (2) reporting to the board of directors on the status of accomplishments of the outsourced internal audit activities, including significant findings noted during the conduct of the internal audit;
 - (3) ensuring that the internal audit service provider comply with sound internal auditing standards such as the Institute of Internal Auditors' International Standard for the Professional Practice of Internal Auditing and other supplemental standards issued by regulatory authorities/ government agencies, as well as with relevant code of ethics;
 - (4) ensuring that the audit plan is aligned with the overall plan strategy and budget of the bank and is based on robust risk assessment; and
 - (5) ensuring that the internal audit service provider has adequate human resources with sufficient qualifications and skills necessary to accomplish the internal audit activities.
- c. Senior management shall be responsible for maintaining, monitoring and evaluating the

adequacy and effectiveness of the internal control system on an ongoing basis, and for reporting on the effectiveness of internal controls on a periodic basis. Management shall develop a process that identifies, measures, monitors and controls risks that are inherent to the operations of the bank; maintain an organizational structure that clearly assigns responsibility, authority and reporting relationships; ensure that delegated responsibilities are effectively carried out; implement internal control policies and ensure that activities are conducted by qualified personnel with the necessary experience and competence. Management shall ensure that bank personnel undertake continuing professional development and that there is an appropriate balance in the skills and resources of the front office, back office, and control functions. Moreover, Management shall promptly inform the internal audit function of the significant changes in the bank's risk management systems, policies and processes.

All personnel need to understand their roles and responsibilities in the internal control process. They should be fully accountable in carrying out their responsibilities effectively and they should communicate to the appropriate level of management any problem in operations, action or behavior that is inconsistent with documented internal control processes and code of ethics.



Dividend Policy

REVISED IMPLEMENTING RULES AND REGULATIONS TO REPUBLIC ACT NO. 7656, "AN ACT REQUIRING GOVERNMENT-OWNED OR-CONTROLLED CORPORATIONS TO DECLARE DIVIDENDS UNDER CERTAIN CONDITIONS GUIDELINES ON RATING OF EMPLOYEES

Pursuant to Section 7 of the republic Act No. 7656, which was approved on 09 November 1993, the following rules and regulations are hereby promulgated to implement the provisions of the said Act:

SECTION 1. *Title*

These rules shall be known as the "Revised Implementing Rules and Regulations to the Republic Act No. 7656 (2016)," hereinafter referred to as the Rules.

SECTION 2. Declaration of Policy.

It shall be the policy of the State that in order for the National Government to realize additional revenues, Government-Owned or -Controlled Corporations (GOCCs), without impairing their viability and the purposes for which they have been established, shall share a substantial amount of their net earnings to the National Government.

These Rules are also intended to promote fiscal discipline among GOCCs and improve National Government cash management.

SECTION 3. Definition of Terms.

As used in this Rules, the term:

(a) "Act" refers to Republic Act No. 7656

- (b) "Acquired Asset Corporation" refers to a corporation: (1) which is under private ownership, the voting or outstanding shares of which were: (i) conveyed to the Government or to a government agency, instrumentality or corporation in satisfaction of debts whether by foreclosure or otherwise, or (ii) duly acquired by the Government through final judgment in a sequestration proceeding; or (2) which is a subsidiary of a government corporation organized exclusively to own and manage, or lease, or operate specific physical assets acquired by a government financial institution in satisfaction of debts incurred therewith, and which in any case by law or by enunciated policy is required to be disposed of to private ownership within a specified period of time.
- (c) "BIR", "BSP", "BTr", "COA", "DBM", "DOF", "DOJ," and "GCG" refer to the Bureau of Internal Revenue (BIR), the Bangko Sentral ng Pilipinas, the Bureau of the Treasury, the Commission on Audit, the Department of Budget and Management, the Department of Finance, the Department of Justice, and the Governance Commission for GOCCs, respectively.
- (d) "Dividends" refer to the distribution of profits to stockholders of a corporation in proportion to the number of shares held by the respective owners which may take the form of cash, shares of the company's own stock or property, as allowed by law. All dividends declared and remitted to the National Treasury shall be non-refundable
- (e) "Dividend Year" refers to the calendar year during which Net Earnings were realized by a GOCC
- (f) "Financial Institutions Owned or Controlled by the National Government" refer to financial institutions or corporations in which the National Government directly or indirectly owns majority of the capital stock, and which are either: (1) registered with or directly supervised by the BSP; or are (2) collecting or transacting funds or contributions from the public and thereafter, placing them in financial instruments or assets such as deposits, loans, bonds and equity including, but not limited to, the Government Service Insurance System and the Social Security System
- (g) "Government-owned or Controlled Corporations (GOCCs)" refer to corporations organized as a stock or non-stock corporation vested with functions relating to public needs, whether governmental or proprietary in nature, and owned by the Government directly or through its instrumentalities either wholly or, where applicable as in the case of stock corporations, to the extent of at least fifty one percent (51%) of its capital stock. This term shall also include financial institutions, owned or controlled by the National Government, but shall exclude acquired asset corporations, as defined in the next paragraphs, state universities, and colleges.
- (h) "National Government" refers to the entire machinery of the central government, as distinguished from the different forms of local governments.
- (i) "Net earnings" refers to the income derived from whatever source, whether exempt or subject to tax, net of deductions allowed under Section 29 of the National Internal Revenue Code, as amended, and income tax and other taxes paid thereon, but in no case shall any reserve for whatever purpose be allowed as a deduction from Net Earnings. For the avoidance of doubt, "Net Earnings" shall include:
- i. Income subject to income tax, as provided in the Annual Income Tax Return, net of tax;
 - ii. Income subject to final tax, as provided in the Annual Income Tax Return Schedule on Supplemental Information, net of tax;

- iii. Income exempt from tax, as provided in the Annual Income Tax Return Schedule on Gross Income/ Receipts Exempt from Income tax, net of tax;

Provided, further that:

- 1. Net Earnings shall not include program subsidies and subsidies granted to settle tax obligations for prior years if included in the income statement as revenues, and actual disbursements of program subsidies treated as expenses. In the case of operating subsidies, these shall be considered part of revenues;
 - 2. Net Earnings shall not include dividend income remitted directly to the National Government in compliance with Section 5(h) of these Rules; and
 - 3. This definition of Net Earnings shall likewise apply to GOCCs that are exempted from income tax
- (j) "Parent GOCC" refers to a GOCC receiving Dividends from another GOCC;
- (k) "Property" refers to land and buildings, securities issued by the National Government, other marketable securities and other assets to be approved by the Secretary of Finance
- (l) "Reserves" refer to the portion of Retained Earnings of a GOCC that has been appropriated by its governing board for a specific purpose, i.e. legal or contractual obligation, plant expansion and other contingencies

SECTION 4. Coverage

These Rules shall apply to all GOCCs, as defined herein, including GOCCs whose profit distribution is provided by their respective charters or by special law: Provided, however, That the GOCCs created or organized by law to administer real or

personal properties held in trust for the use and benefit of its members shall not be covered by the Rules such as, but not limited to:

- a. Government Service Insurance System;
- b. Social Security System;
- c. Home Development Mutual Fund;
- d. Employee Compensation Commission
- e. Overseas Workers Welfare Administration; and
- f. Philippine Health Insurance Corporation

Provided, finally, that Net Earnings derived from operations funded by monies not held in a fiduciary or trustee capacity by the above cited GOCCs shall be subjected to declaration of dividends as herein required.

Section 5. Dividends

- a. Except as otherwise provided herein, all GOCCs covered by these Rules, regardless of shareholdings, shall annually declare and remit Dividends directly to the National Government in the name of the Treasurer of the Philippines in accordance with following guidelines:
 - i. On or before 15 May of each year at least fifty percent (50%) of their Net Earnings, as Cash, Stock and/or Property Dividends to the national Government.
 - ii. In the interest of promoting fiscal discipline and improving revenue generation efforts, the Department of Finance, upon consultation with the DBM and the GCG, may request the GOCC to remit above the 50% minimum dividend rate in the event that the GOCC has excess cash or windfall earnings; provided that the viability and purposes for which the GOCC has been established are not impaired.
- b. As a general rule, GOCCs shall declare and remit Dividends in the form of cash in order to raise additional revenues for the National Government. GOCCs intending to remit Dividends in any form other than cash, i.e stock or property, may do so only upon

express written permission from the Secretary of Finance. Request for remittance of Dividends in stock or property shall be submitted to the DOF on or before 15 May of the year following the relevant Dividend Year, with the Documentary requirements under Annex A.

- c. In the case of a stock corporation, GOCCs may declare stock dividend to the National Government provided that their authorized capitalization has not been fully paid-up. Stock dividends shall be valued at par or the book value of shares based on the latest audited financial statements of the GOCCs.
- d. GOCCs owned directly by the National Government and whose shares of stock are not listed in the stock exchange shall, upon obtaining written DOF approval for its declaration of stock dividends, request from DBM the corresponding appropriation following its declaration.
- e. GOCCs may declare property dividends, upon obtaining DOF approval for its declaration. GOCC shall execute and deliver in the name of the Treasurer of the Philippines the necessary deed of transfer or other instrument of conveyance in favour of the National Government. GOCCs shall bear the cost of transferring title, notarial expenses and other fees and charges incidental to the transfer. Land and buildings declared as property dividends, as accepted and approved by the DOF, shall include assets which are owned, but not used in operation, by a GOCC. That property shall be free from all liens and encumbrances and not be subject to any adverse judicial process at the time of conveyance. The value of the property shall be based on its fair market value as approved by the COA.
- f. GOCCs remitting stock dividend:
 - i. That are owned directly by the National Government and whose shares are listed in the Stock Exchange, shall deliver to the

BTr the stock certificates with the aggregate value corresponding to the dividend due on or before May 15 following the dividend year.

- ii. That are owned directly by the National Government and whose shares are not listed shall earmark the same and shall deliver to the BTr the stock certificates upon issuance by the DBM of the appropriate document and based on the provisions of the General Appropriations Act.
- iii. That are corporations with majority of its outstanding capital stock owned or controlled, directly or indirectly, through one or more intermediates, by one or multiple GOCCs, shall deliver to the parent GOCCs the stock dividend which in the latter shall, in turn, assign the same to the BTr within ten (10) working days upon receipt of the stock certificates.
- g. Corporations with majority of its outstanding capital stock owned or controlled, directly or indirectly, through one or more intermediates, by one or multiple GOCCs, shall remit directly to the national Government all Dividends declared in compliance with Section 5(a) of these Rules.
- h. For the purpose of computing Net Earnings, Parent GOCCs shall not include as part of its Net earnings any dividend income received from shareholdings in other GOCCs which were remitted directly to the National Government by the latter as part of its own Dividend remittance.
- i. Government-owned banks shall declare and remit Dividends to the National Government pursuant to the applicable banking laws and regulations.
- j. These Rules shall apply to Dividends which shall become due and payable after the effectiveness of these rules, in accordance with the provisions hereof.

SECTION 6. Schedule of Remittance

- a. All GOCCs shall declare and remit to the BTr in the name of the Treasurer of the Philippines the Dividend due for a given Dividend year subject to Section 5(a) of these rules.
- b. Simultaneous with the payment of the Dividends to the BTr, the GOCC shall send the DOF: schedule showing the computation of Dividends due (copy furnish BTr); (ii)copy of its Annual Income Tax Return, duty received by the BIR or authorized agent banks, for the relevant Dividend Year; (iii) Financial statements for the relevant Dividend Year duly received and subsidies granted to settle tax obligations for prior year/s treated as revenues and actual disbursements of program subsidies treated as expenses. The schedules should be signed by the GOCC's chief executive officer.
- c. The DOF-corporate affairs group shall determine and review the correctness of computation of dividend remittance.
- d. Any amendment to the Annual Income Tax Return resulting to an increase in the Net Earnings shall warrant a reevaluation by the DOF_CAG. Within ten working days of filing the amended tax return, the GOCC shall submit to the DOF documents enumerated in Section 6(b) of these Rules related to such amendment and remit to the BTr any deficiency
- e. In the case of GOCCs which may encounter cash flow difficulties in remitting cash dividends to the National Government, the GOCC may request an alternative schedule of payment through the submission of a request to the Secretary of Finance on or before 15 May of the year following the relevant Dividend Year, with the documentary requirements under Annex A.

Section 7. Flexible Clause

- a. In the interest of the national economy and general welfare, and in consideration of the viability of the GOCCs and the purpose for which they were established, the percentage of annual Net Earnings that shall be declared by the GOCC may be adjusted by the President of the Philippines below the minimum 50% Dividend rate, upon recommendation by the Secretary of Finance.
- b. Subject to Section 7 (a) of these Rules, a downward adjustment in Dividend rate below the minimum 50% may be allowed for the following cases: (i) where there is a presence of a deficit as reflected in the GOCCs latest Statement of Equity, (ii) where the GOCCs viability or the purpose for which the GOCC has been established will be impaired by the payment of the required Dividends; (iii) where the declaration and remittance of Dividends at the minimum Dividend rate will result in a breach in minimum regulatory requirements (e.g. capital level and ratios as may be required by BSP); and. (iv) for GOCCS governed by Batas Pambansa Blg. 68 (or the Corporation code of the Philippines), where declaration and remittance of Dividends at the minimum Dividend rate exceeds the unrestricted retained earnings of the GOCC.
- c. Request for download adjustment should be submitted to the Secretary of Finance on or before 15 May of the year following the relevant dividend year. The requesting GOCC shall submit the documentary requirements as provided under Annex A of these Rules.

Section 8. Recording of Dividends

The BTr shall record the dividends as follows:

- a. Cash dividends – recorded as income to the General fund;
- b. Property dividends – recorded as assets upon receipts of the property and, upon sale of the property, income to the General fund;
- c. Stock Dividends:

- (i) For GOCCs whose shares are listed in the stock exchange, dividends shall be recorded as asset upon receipt of the shares of stock and excess over the par value of shares, and, upon sale of the shares of stock, income to General Fund;
- (ii) For GOCCs directly owned by the National Government whose shares are not listed in the stock exchange, dividends shall be recorded as income to the General Fund and as additional paid-up equity by the National Government to the GOCC upon issuance by the DBM of the appropriate document based on the provisions of the General Appropriations Act,
- (iii) For corporations, where at least a majority of the outstanding capital stock is owned or controlled, directly or indirectly, through one or more intermediates, by one or multiple GOCCs, and whose shares are not listed in the stock exchange, dividends shall be recorded as income to the General Fund.

Section 9. Responsibility, sanctions and Penalty

- a. The governing board of the GOCC shall be responsible for approving the declaration of the proper amount of Dividends in accordance with these Rules. The chief executive and finance officers of the GOCC shall be responsible for the remittance of said Dividends. In case of failure of a GOCC to declare and remit the proper amount of dividends in accordance with these Rules: (i) the DOF shall recommend to the GCG or DBM the deferral or disapproval of the performance incentive of the GOCC's appointive Directors (including the chief executive) without the prejudice to other sanctions as may be imposed by the GCG or DBM; and, (ii) the BTr, in coordination with DOF, shall assess the GOCC penalty charge for late payment equivalent to the prevailing 364-day regular

Treasury bill rate plus five percent (5%) on the Dividend rate.

- b. In case of failure to remit the declared Stock or Property Dividends on the specified deadline, the GOCC shall immediately remit in the form of cash the equivalent cash value of stock or Property Dividend within ten (1) days upon the advice of the BTr, Additional sanctions and penalty charges, as provided for in Section 9 (a) of these Rules, Shall be imposed on the GOCC should it further fail to remit the equivalent cash dividend within this period.

Section 10. Criminal Liabilities of Directors and Officers

In addition to the penalties which may be imposed on the GOCC pursuant to Section 9 of these Rules, any member of the governing board, the chief executive officer and the chief financial officer of a GOCC who violates any provision of these Rules, in addition to other sanctions provided by law, upon conviction thereof, shall suffer the penalty of a fine of not less than Ten thousand pesos (10,000) but not more than (3) years, or both at the discretion of the court, without prejudice to other appropriate sanctions provided by law.

Section 11. Resolution of Related Issues

All cases for clarifications not covered by the provision of these Rules shall be referred to the DOF for resolutions.

SECTION 12. Repeating Clause

Implementing Rules and Regulations Issued on 28 January 1994 and 5 August 1998 are hereby amended, revised, modified or repealed accordingly.

Section 13. Separability Clause

If for any reason or reasons any part of the provisions of these Rules shall be deemed

unconstitutional or invalid, other parts or provisions which are not affected thereby shall continue to be in force and effect.

Section 14. Effectivity

These Rules shall be applicable immediately upon publication

Corporate Social Responsibility (CSR)

POSTBANK'S CORPORATE SOCIAL RESPONSIBILITY PROGRAM

Embarking on Corporate Social Responsibility (CSR) initiatives complements Postbank's business efforts to address the needs of the communities we serve, apart from imbuing our employees with civic spirit, a sense of purposive volunteerism, and solidarity and engagement with these communities. It is a powerful means for demonstrating to our stakeholders and the general public Postbank's values of mission, service and compassion.



Our Corporate Social Responsibility Program revolves around themes aligned with our corporate goals and mission: Governance, and Growth and Relevance, as well as other advocacies such as children and youth development and disaster mitigation and risk reduction.

GOVERNANCE

Through its CSR Program, Postbank contributes to the government's program on the pervasive campaign against graft and corruption, via awareness-raising events and communication campaigns aimed at highlighting the values of honesty, integrity, simple lifestyle and loyalty to the Republic and the Filipino people, as exemplified by the President of the Philippines. It will promote citizen participation, particularly among the children and youth.

In our own way, Postbank shall contribute in this endeavor thru serving our stakeholders/customers with excellence and integrity.

Postbank ensures full disclosure of the features, terms and conditions of our products and services and it complies with the rules of concerned regulatory bodies.

We also thrive for continuous improvement in our services through adoption of the Quality Management Systems (QMS) in our banking processes and adherence to the requirements of the Anti-Red Tape Act (ARTA) to improve efficiency in the delivery of our services to the public.

GROWTH AND RELEVANCE

As Postbank expands into the rural areas with the opening of its Micro Banking Offices, it stands to position itself more strategically to support the Government's inclusive growth program. Its CSR Program will complement the Bank's business activities for the poor by partnering with NGOs and other community-based organizations in assisting communities build their capacities for fighting poverty through savings mobilization, education, training, employment promotion, entrepreneurship development, and resiliency-building in light of climate change.

CHILDREN AND YOUTH DEVELOPMENT

The long-term campaign to eradicate poverty hinges on the country's ability to provide children and youth access to quality education.

In the areas where we operate, Postbank, in partnership with NGOs and other civic organizations, will organize such activities as feeding program, provision of books and school supplies, organizing of sports activities, book reading and tutoring to improve the school performance of children and youth. As well, we help develop among the children and youth a sense of citizen participation and the competence to go about it. Lastly, we instill among the youth the value of savings and enable them to have greater access to economic opportunities through skills training and entrepreneurship development.

CHILDREN AND YOUTH DEVELOPMENT

The other track that we pursue in our CSR program addresses one of the biggest game-changers of our time: climate change. We contribute to increased resiliency of communities by interventions that bring about greater understanding of this enormous challenge, mitigating the risks and helping build capacities of the communities in disaster preparedness and responsiveness. Building on our Business Continuity concepts, we develop approaches that will guide our individual and corporate efforts to help the victims of disasters in a variety of simple but meaningful ways

Consumer Protection Practices

I. BACKGROUND/INTRODUCTION

PHILIPPINE POSTAL SAVINGS BANK, INC. (the "Bank") shall provide consumer protection applicable to all its products and

services, as specified in the Bangko Sentral ng Pilipinas (BSP) Circular No. 857 or "BSP Regulations on Financial Consumer Protection".

In this regard, the Bank shall:

- ensure that the implementation of all its consumer-related transactions are in compliance with regulatory requirements to ensure fair, responsible dealings and continuous protection of the welfare of its financial consumers/clients
- reduce fraud and theft of sensitive customer information.

The Bank adheres to the principles of disclosure and transparency, protection of client information, fair treatment, effective recourse, and financial education as minimum standards of consumer protection.

This program shall cover all products and services offered by the Bank, including those that will be introduced in the future.

II. PROGRAM OBJECTIVES

- 2.1 To promote fair and equitable financial services practices while embedding a culture of excellent customer service.
- 2.2 To increase transparency in its financial services information, to empower and foster consumers' confidence in the Bank's products and services.
- 2.3 To be fully compliant with existing consumer protection rules, laws and regulations.

III. SCOPE AND COVERAGE

- 3.1 The program shall apply equally to all financial consumers/clients of the Bank together with the Bank's products and services (such as deposits, investments, loans, among others), branches, offices,

- systems, processes, personnel, training, and outsource service providers, if applicable.
- 3.2. The program covers disclosure and transparency on transactions involving protection of financial consumers/clients, fair treatment, privacy of information, security measures, financial education and awareness, service delivery, and redress mechanism to handle consumer complaints.
- 3.3. The system and processes are evaluated and reviewed as the need arises and carries enforcement actions, if necessary.



IV. CONSUMER PROTECTION OVERSIGHT & MANAGEMENT FUNCTION

The achievement of the objectives set for consumer protection relies on the authority and independence of responsible individuals for implementing the manual and performing audit/review activities, and the support provided by the Board and Senior Management.

4.1 Role and Responsibility of the Board

- 4.1.1 The Board is ultimately responsible in ensuring that consumer protection practices are embedded in the Bank's business operations. The Board adheres to the highest service standards; embraces a culture of fair and responsible dealings in the conduct of its business through a Financial Consumer Protection Framework appropriate to its structure, operations, and risk profile.
- 4.1.2 The Board, among other things, shall be responsible for approving a consumer protection strategy together with an effective oversight over the consumer protection manual.
- 4.1.3 The Board assumes **Oversight Functions** on the following:
- 4.1.3.1 Implementation of the consumer protection policies and mechanism to ensure compliance with said policies.
- 4.1.3.2 Performance of Senior Management in managing the day to day consumer protection activities of the Bank.
- 4.1.3.3 Development and maintenance of a sound Consumer Protection Risk Management System (CPRMS) that is integrated into the overall product and service life-cycle framework of the Bank.

- 4.1.3.4 The CPRMS's effectiveness including report of findings and audit mechanisms to enable adequate oversight.
- 4.1.3.5 The Board ensures the devotion of sufficient resources to consumer protection.
- 4.1.3.6 The Board may delegate related duties and responsibilities to Senior Management and/or Committees.
- 4.2 Role and Responsibility of Senior Management
- 4.2.1 Develops a sound CPRMS and implements the consumer protection strategies as well as policies incorporated in the CPRMS as approved by the Board.
- 4.2.2 Oversees compliance with the Bangko Sentral ng Pilipinas' Consumer Protection Framework for Banks.
- 4.2.3 Ensures that the system's weaknesses are addressed and corrective and preventive actions are undertaken in a timely manner.
- 4.2.4 Periodically reviews the CPRMS's effectiveness including how findings are reported and audit mechanisms are in place to enable adequate oversight.
- 4.3 Corporate Structure
- 4.3.1 PPSB shall have a Consumer Assistance Officer/ Independent Business Unit with defined roles and responsibilities in handling customer concerns. This shall be headed by a Consumer Assistance Group Head. The Branch Heads/Unit Heads shall be designated as Customer Assistance Officers to handle customer concerns.
- 4.3.2 The Consumer Assistance Group Head shall, as a minimum, perform the following:
- a. Monitor consumer assistance process;
 - b. Keep track, identify and analyze the nature of complaints and recommend solutions to avoid recurrence;
 - c. Report to senior management the complaints received on a monthly basis including reasons for such complaints, the recommended solutions to avoid recurrence, and the suggestions for process or personnel competency needing improvement; and
 - d. Ensure immediate escalation of any significant complaint to concerned unit of the Bank.
- V. CONSUMER PROTECTION RISK MANAGEMENT SYSTEMS (CPRMS).**
- The Consumer Protection Risk Management System (CPRMS), is a means by which the Bank identifies, measures, monitors, and controls consumer protection risks inherent in its operations. It is the Bank's adherence to consumer laws, rules and regulations and part of its corporate-wide Risk Management System. The CPRMS ensures that the Bank's consumer protection practices address and prevent risks to the Bank and associated risks of financial harm or loss to its consumers.
- 5.1 Service Delivery Policies and Guidelines.** The Bank's business units that have direct/indirect dealings with clients and customers shall be guided by the Service Delivery Guidelines and

Policies which is included in this document as Annex A.

5.2 Code of Conduct. PHILIPPINE POSTAL SAVINGS BANK, INC. (POSTBANK) shall have an Institutional Code of Conduct that upholds Consumer Protection and is approved by the Board. All Bank front-line personnel must signify that they shall abide by the Code in writing. This Code is attached as Annex B.

5.3 CPRMS Compliance Program. A written, formal program that is essential component of the CPRMS and part of the over-all Compliance System. Implemented by the Compliance Department, the Program prevents or reduces regulatory violations and protects consumers from non-compliance, associated harm, or loss. Program is attached as Annex C.

5.4 Internal Audit Function. The Internal Audit Office (IAO) shall integrate a Consumer Protection Audit Program in its audit program which shall be endorsed by the Audit Committee for approval to the Board. The IAD shall perform the following:

- 5.4.1** Reviews the Bank's consumer protection program and practices.
- 5.4.2** Evaluates Bank units concerned as to their adherence to internal policies and procedures.
- 5.4.3** Assesses compliance with existing laws, rules, and regulations.

5.5 Training for Bank Employees. The Human Resource Department shall develop and implement a Continuing Education Program on Financial Consumer Protection (Attached as

Annex E) which shall provide specific and comprehensive training for concerned officers and staff, especially those whose roles and responsibilities have customer interface with Bank clients. These training programs should ensure that all concerned personnel must be aware of the Bank's Financial Consumer Protection policies and procedures, relevant consumer protection laws, rules, and regulations and should be provided in a timely manner.

5.6 Protection of Client Information. POSTBANK shall ensure the confidentiality of its clients' financial transactions and information. In the achievement of this goal, the Bank shall strictly enforce its Privacy and Confidentiality Policy (attached as Annex F).

5.7 Advertising & Promotions. Following the rules and regulations of the BSP, POSTBANK shall ensure the following:

- 5.7.1** That all advertising and marketing materials do not make false or misleading statements or claims, and are easily readable and understandable by the general banking public. Necessary disclosures and key information are included and visible. These include advantages and risks, and where more details (such as the Terms and Conditions) can be obtained and the Bank contact details.

- 5.7.2** That all advertising and marketing materials disclose the required regulatory details and membership such as: BSP, PDIC and Bancnet.

5.8 Customer Service and Complaint Handling Mechanism.

The Bank shall provide an accessible, affordable, independent, fair, accountable, timely and efficient means for consumers/clients to air and resolve complaints regarding their transactions (Attached as Annex G). In all instances, complaints are filed with the unit who is directly in-charge of the service as follows:

- 5.8.1** ATM related complaints – filed with the ATM Department or branches
- 5.8.2** Microfinance related complaints – filed with the MBO or concerned branches
- 5.8.3** Deposit related complaints – filed with the front-liner or the branch where the transaction occurred.
- 5.8.4** Loan related complaints – servicing Account Officer

For clients who opt to file their complaints via other means, i.e. internet, the Bank has provided an email address where clients may lodge their complaint/s.

A feedback/suggestion box is also provided in all branch lobby for walk-in clients.

5.9 Financial Education Programs for clients.

The Bank through its Customer Assistance group (currently being handled by the Corporate Management Services Department (CMSD), shall have a clear and defined Financial Education Program as an integral part of its ongoing relationship and interaction with its clients. These programs should improve clients' knowledge and understanding of their rights and responsibilities, basic

information and risks of the Bank's products and services. These can be developed in-house or in partnership with industry associations and other groups. Topics include financial planning, investing, protection against fraud and scams, consumer rights and responsibilities, responsible financial management, etc. These will be done via printed materials, videos (BSP infomercials) and seminars, etc.

VI. REPORTING & MONITORING

The Corporate Governance and Risk Management Oversight Committee (CGRMC) shall oversee compliance with these guidelines and ensure that any breach shall be promptly attended to and recommend the appropriate sanctions, if any, under the Bank's Manual on Corporate Governance, Code of Conduct and related policies.



Whistleblowing Policy

OBJECTIVE:

Postbank management is committed in upholding and preserving the highest ethical standards in its work and one way to achieve

this is through the approval and support of this policy. This policy will encourage the timely and honest reporting of alleged wrongdoing so that management will be able to provide a consistent and timely response on the disclosed allegation/s.

Postbank through its Board of Directors and duly authorized officers and employees, shall conduct the affairs, operations and business of the Bank in full compliance with applicable laws, rules and regulations, and must exemplify the behavior and professional demeanor consistent with such laws, rules, regulations, policies and procedures of the highest standard

SCOPE:

- 2.4 All Officers and employees of the bank
- 2.5 Including the Chairman and the members of the Board of Directors
- 2.6 External customers and stakeholders of the Bank

REFERENCE

- 3.2 BOD Resolution No. 2011-247 (approved on 04 October 2011)
- 3.3 Whistleblowing Policy approved on January 04, 2016 (Compliance Manual)
- 3.4 GCG Memorandum Circular No. 2016-02 (Revised Whistleblowing Policy for the GOCC Sector)
- 3.5 Revised Procedures in Handling of Disciplinary cases approved on September 21, 2016

DEFINITION

Whistleblowing refers to a process where an officer or employee, with no purpose of obtaining a wrongful gain, or causing damages to others, of disclosing information that the officer/employee reasonably believes

to be evidence of illegality, gross waste, gross mismanagement, abuse of power, or substantial and specific danger to public health and safety.

Whistleblower refers to an officer or employee who makes protected disclosure of relevant information on actual, suspected or anticipated wrongdoing by any of the Bank's personnel or unit."

GUIDELINES:

I. NATURE OF WHISTLEBLOWING

A Whistleblower may also complain of or report acts or omissions involving:

- 1) Abuse of Authority;
- 2) Bribery
- 3) Conflict of Interest
- 4) Criminal offenses;
- 5) Damage to the environment
- 6) Deliberate concealment of any sanctionable activity
- 7) Destruction/Manipulation of Records;
- 8) Endangering the health and safety of any person;
- 9) Failure to comply with laws, rules or regulations;
- 10) Fixing;
- 11) Graft and corruption
- 12) Inefficiency;
- 13) Making False Statements
- 14) Malversation
- 15) Misappropriation of Assets;
- 16) Miscarriage of justice;
- 17) Misconduct;
- 18) Money Laundering;
- 19) Negligence of duty;
- 20) Nepotism;
- 21) Plunder;
- 22) Receiving a Commission;
- 23) Solicitation of Gifts;
- 24) Taking Advantage of Rendition of Service;
- 25) Undue delay in Rendition of Service;
- 26) Undue Influence;
- 27) Violation of Procurement Laws;

All other activities which are sanctioned under the Bank's Code of Conduct and/or may have a harmful effect on the Bank, its clients, employees, the public and/or the environment.

II. PROTECTION OF RIGHTS

Whistleblowers are protected by the following:

Republic Act No. 6981 Witness Protection, Security and Benefit Act; Presidential Decree No. 749 Granting Immunity from Prosecution to Givers of Bribes and Other Gifts and to their Accomplices in Bribery and Other Graft Cases Against Public Officers;

Employees of the bank are governed by the Philippine Labor Code and employment contract with the bank:

- a) Without any risk of losing employment, or retribution;
- b) Without fear of harassment, ostracism and/or discrimination. And if such would occur, disciplinary action would be imposed after the appropriate procedure on the person. The provision of the Bank's Code of Conduct on Unsafe and Unsound Act Item 8.3.5.5 and existing provision in R.A. 6981 and other pertinent laws shall protect the whistleblower from any form of retaliation.
- c) Discrimination or harassment in the workplace;
- d) Demotion;
- e) Reduction in salary or benefits;
- f) Termination of contract;

This policy assures the whistleblower that if the issue was raised in good faith, he/she will be treated fairly and seriously.

This policy also assures the accused that he will be notified of the issue, the right to a due process and the right to a legal counsel.

III. CONFIDENTIALITY

If the whistleblower wants to be anonymous, confidentiality shall be maintained to a reasonable extent possible, but within the existing laws on disclosure and this policy and when there is a need for an external investigation.

It shall treat all reports, including the identity of the whistleblower and the person/s complained of, in a confidential and sensitive manner. The identity of the whistleblower will be kept confidential, unless compelled by law or the Courts to be revealed or unless the whistleblower authorized the release of his/her identity.

This policy assures the whistleblower that only those individuals investigating will know his/her identity. The identity of the whistleblower will only be divulged to persons outside the investigating body:

- if there is a legal obligation to do so;
- if the information is already made public;
- on a strictly confidential basis to the bank attorney for the purpose of obtaining advice;
- to the police in case of crimes or as required by AMLA or by Law.

Should there be other circumstances in which the investigator will be required to reveal the identity of the whistleblower other than those cited above, the whistleblower should first be informed of the circumstances.

Likewise, the whistleblower has the duty to maintain confidentiality and should not disclose information on the issue to anyone within or outside the bank except to the concerned investigators.

ADMINISTRATION

This policy shall be administered by the Human Resource Department

AS OF DEC 2017 (IN PHP)



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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Philippine Postal Savings Bank, Inc.
Liwasang Bonifacio, Manila

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of **Philippine Postal Savings Bank, Inc. (PPSBI)**, which comprise the statements of financial position as at December 31, 2017 and 2016, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section, the financial statements present fairly the financial position of **PPSBI** as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Qualified Opinion

Provision for credit losses amounting to P1.287 billion on secured and unsecured past due loans, which were of doubtful collectability was not recognized in 2017. Had the provision for credit losses been recognized in 2017, loans and receivable account and net income for the year would have been decreased by P1.287 billion.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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 **PPSBI** in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippine Public Sector, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 PFRS, 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 PPSBI'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 PPSBI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the PPSBI'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 than an audit conducted in accordance with ISSAI 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 ISSAI, 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 PPSBI'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 PPSBI to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 to the 2017 financial statements is presented for the purpose of filing with the Bureau of Internal Revenue 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 audit 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 whole.

COMMISSION ON AUDIT

[Signature]
RODALINDA T. SILAGAN
OIC - Supervising Auditor
Audit Group D

May 21, 2018

May 16, 2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

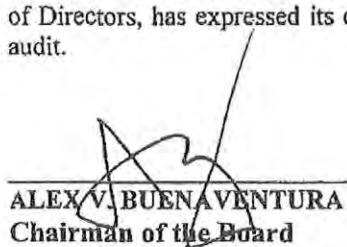
The management of PHILIPPINE POSTAL SAVINGS BANK, INC.(PPSBI) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework 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 PPSBI'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 PPSBI or to cease operations, or has no realistic alternative but to do so.

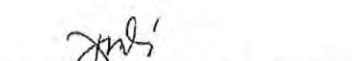
The Board of Directors is responsible for overseeing PPSBI's financial reporting processes.

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 PPSBI 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.


ALEX V. BUENAVENTURA
Chairman of the Board


RENATO G. EJE
President and Chief Executive Officer


PATRIA P. MADRIO
Head, Admin. & Compt. Group

PHILIPPINE POSTAL SAVINGS BANK, INC.
 (A Subsidiary of the Philippine Postal Corporation)
STATEMENT OF FINANCIAL POSITION
 December 31, 2017 and 2016
 (in Philippine Peso)

	2017	2016 (as re-stated)
ASSETS		
Cash and Cash equivalents	93,796,842	97,919,576
Due from Bangko Sentral ng Pilipinas	2,848,360,713	1,849,700,615
Due from other banks	73,996,036	2,731,871,060
Loans and receivables - net	4,508,838,610	5,535,920,575
Loans and receivables arising from RA/CA/PR/SLB	330,428,988	78,892,402
Held for trading financial assets	47,467,251	48,529,195
Available for sale financial assets	526,642,841	547,538,108
Total Current Assets	8,429,531,281	10,890,371,531
Unquoted debt securities classified as loans	50,008,282	50,085,797
Bank premises, furniture, fixtures and equipment - net	185,587,251	196,114,353
Non- Current Assets held for sale	59,957,318	41,000,328
Investment property - net	215,428,598	220,189,010
Sales contract receivables	22,786,375	34,465,101
Other asset - net	181,184,484	166,577,561
Total Non-Current Assets	714,952,308	708,432,150
TOTAL ASSETS	9,144,483,589	11,598,803,681
LIABILITIES AND EQUITY		
Deposit liabilities	7,979,186,648	9,723,641,069
Bills payable	0	650,000,000
Manager's /Cashier's checks	18,689,569	16,309,768
Accrued taxes and other expenses	106,625,013	72,936,556
Total current liabilities	8,104,501,230	10,462,887,393
Unearned income and other deferred credits	59,930,349	59,519,580
Special time deposit	0	40,000,000
Other liabilities	138,050,251	69,596,943
Total non-current liabilities	197,980,600	169,116,523
TOTAL LIABILITIES	8,302,481,830	10,632,003,916
EQUITY		
Capital stock	820,242,883	820,242,883
Unrealized loss on available for sale financial assets	(54, 113,297)	-36,087,676
Retained earnings unappropriated	75,872,173	182,644,558
TOTAL EQUITY	842,001,759	966,799,765
TOTAL LIABILITIES AND EQUITY	9,144,483,589	11,598,803,681

PHILIPPINE POSTAL SAVINGS BANK, INC.
 (A Subsidiary of the Philippine Postal Corporation)
STATEMENT OF COMPREHENSIVE INCOME
 December 31, 2017 and 2016
 (in Philippine Peso)

	2017	2016 (as re-stated)
INTEREST INCOME		
Interest /discount earned on loans & discounts	351,444,787	502,545,424
Interest on investments	18,619,778	11,505,296
Interest income - loans and receivable arising from RA/CA/PR/SLB	7,904,055	1,687,759
Interest on due from Bangko Sentral ng Pilipinas	40,800,351	34,827,568
Interest on deposits with banks	11,424,263	26,550,320
Interest Income on sales contract receivable	2,531,923	3,609,543
Others	46	193
	432,725,203	580,726,103
INTEREST EXPENSE		
Interest on deposits liabilities	127,498,083	148,168,713
Provisions for losses on accrued interest income	(19,460)	7,692,706
	127,478,623	155,861,419
NET INTEREST INCOME	305,246,580	424,864,684
OTHER INCOME		
Fees and commission income	23,687,327	28,684,700
Gain/loss from sale/derecognition of non-financial assets	1,185,675	6,169,379
Gain on financial assets and liabilities held for trading	(1,010,351)	450,917
Gain from sale/redemption/derecognition of non-trading financial assets & liabilities	0	5,898,334
Foreign exchange (loss)/gain	229,631	(10,863)
Recovery on charged-off assets	20,798,792	570,604
Miscellaneous income	51,973,905	52,282,966
	96,864,979	94,046,037
OPERATING EXPENSES	508,883,944	543,344,181
NET INCOME / (LOSS) BEFORE TAX	(106,772,385)	(24,433,460)
PROVISION FOR INCOME TAX	0	2,441,573
NET INCOME/ (LOSS) AFTER TAX	(106,772,385)	(26,875,033)
OTHER COMPREHENSIVE INCOME / (LOSS)		
Unrealized loss on Available for sale financial assets	(18,025,621)	(38,497,480)
TOTAL COMPREHENSIVE INCOME(LOSS)	(124,798,006)	(65,372,513)

PHILIPPINE POSTAL SAVINGS BANK, INC.
 (A Subsidiary of the Philippine Postal Corporation)
STATEMENT OF CHANGES IN EQUITY
 December 31, 2017 and 2016
 (in Philippine Peso)

	Capital Stock	Other Comprehensive Income/ (Loss)	Retained Earnings Unappropriated	Total Equity
Balance January 1, 2016 before restatement	800,242,883	2,409,804	209,519,591	1,012,172,278
Issuance of capital stock	20,000,000			20,000,000
Unrealized loss on Available for sale financial assets		(38,497,480)		(38,497,480)
Balance January 1, 2016 as restated	820,242,883	(36,087,676)	209,519,591	993,674,798
Net loss, 2016 before restatement			(11,907,372)	(11,907,372)
Net adjustments			(14,967,661)	(14,967,661)
Net Loss, 2016 as restated			(26,875,033)	{26,875,033}
Balance, December 31, 2016 as restated	820,242,883	(36,087 ,676)	182,644,558	966,799,765
Issuance of capital stock				
Unrealized loss on Available for sale financial assets		(18,025,621)		(18,025,621)
Net loss, 2017			(106,772,385)	(106,772,385)
Balance, December 31, 2017	820,242,883	(54, 113,297)	75,872,173	842,001,759

PHILIPPINE POSTAL SAVINGS BANK, INC.
 (A Subsidiary of the Philippine Postal Corporation)
STATEMENT OF CASH FLOWS
 December 31, 2017 and 2016
 (in Philippine Peso)

	2017	2016 (as re-stated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Deposit / (withdrawals) by clients	(1,744,454,421)	(1,041,620,015)
Interest income, fees and commission received	518,403,216	683,618,255
Release/collection of loans and receivables	984,278,044	328,344,839
Fund advances to customers and employees	(30,914,893)	(956,681)
Profit from sale/redemption of assets/ investments	1,185,675	5,898,334
Recoveries on loans previously written off	20,798,792	570,604
Loss/Income from assets held for trading	(1,010,351)	450,917
Deposits to/Proceeds from BSP for regulatory or monetary control purposes	(1,250,196,684)	808,420,820
Proceeds of Matured Placements/Deposits to other banks	2,657,875,024	(120,556,130)
Cash payments to suppliers	(136,771,123)	(180,688,547)
Cash payments to employees	(206,505,727)	(229,138,878)
Interest and finance charges	(129,577,906)	(151,453,901)
Prepaid taxes, licenses and other expenses	11,745,445	(467,363)
Cleared/returned checks and other cash items	(445,762)	(118,581)
Proceeds from sale/Purchase of financial assets	3,931,590	(691,020,058)
Proceeds of unidentified cleared checks	20,823	549,718
Payment of taxes	(24,107,387)	(61,020,946)
Collection of director's disallowance and other expenses	0	110,000
Payment of litigation/asset acquired expenses	(32,120,923)	(3,861,660)
Transfer of funds from/to regional branches	56,033,066	(2,323,755)
Payment/ Proceeds of short term borrowings	(650,000,000)	650,000,000
Net cash used in operating activities	48,166,498	(5,769,028)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of unquoted debt securities classified as loans	0	10,180,655
Rental Income	4,767	16,951
Acquisition of property and equipment	(24,202,357)	(39,706,798)
Collection of sales contract receivables	11,678,726	6,169,379
Net cash used/provided by investing activities	(12,518,864)	(23,339,813)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of long term borrowings	(40,000,000)	0
Issuance of common shares	0	20,000,000
Net cash provided by financing activities	(40,000,000)	20,000,000
Effects of exchange rate changes on cash and cash equivalents	229,631	(10,863)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,122,734)	(9,119,704)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	97,919,576	107,039,280
CASH AND CASH EQUIVALENTS AT END OF YEAR	93,796,842	97,919,576

1. GENERAL INFORMATION

Philippine Postal Savings Bank, Inc. (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 R.A. No. 7354, otherwise known as Postal Service Act of 1992, which was enacted by the Congress on April 03, 1992. The re-establishment of PPSBI was finally approved under the Bangko Sentral ng Pilipinas Board Resolution No. 267 dated March 18, 1994. The bank was incorporated on June 22, 1994 and started operations as a savings and mortgage bank on July 21, 1994. As stated in its Vision/Mission: "The Bank 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."

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

As of December 31, 2017, the bank had 406 employees and operated twenty five (25) branches and six (6) Micro Banking Offices (MBO), namely:

Northern Luzon Area

1. Tuguegarao, Cagayan Branch
2. Baguio Branch
3. Asingan, Pangasinan Branch
4. Dagupan, Pangasinan Branch
 - 4.1 MBO Binmaley
 - 4.2 MBO Mapandan
5. San Fernando, La Union Branch
6. Tarlac Branch

Metro Luzon Area

1. Head Office - Liwasang Bonifacio, Manila
2. Mabalacat, Pampanga Branch
3. Malolos, Bulacan Branch
4. San Pablo, Laguna Branch
5. Lipa City, Batangas Branch

Southern Luzon Area

1. Naga, Camarines Sur Branch
 - 1.1 MBO Bula
 - 1.2 MBO Bombon
2. Tigaon, Camarines Sur Branch
3. Legaspi, Albay Branch
 - 3.1 MBO Bacacay
 - 3.2 MBO Malinao
4. Sorsogon Branch

Visayas Area

1. Tacloban, Leyte Branch
2. Tagbilaran, Bohol Branch
3. Iloilo Branch
4. Himamaylan, Negros Occidental Branch
5. Cebu Branch
6. Bacolod Branch

Mindanao Area

1. Davao Branch
2. Zamboanga Branch
3. Cagayan de Oro Branch
4. Manolo Fortich, Bukidnon Branch

In December 2016, the National Government directed the Land Bank of the Philippines to initiate the acquisition of Postbank as its subsidiary, with the plan of eventually converting it to a Bank for Overseas Filipino Workers (OFWs).

The said plan was also made public via pronouncements in major broadsheets by the Secretary of Finance.

This paved way for the conduct of due diligence on bank operations which started January 2017 and preliminary discussions between Land Bank of the Philippines (LBP) and Postbank officials to implement the government's directive.

On September 26, 2017, President Rodrigo Duterte issued Executive Order (EO) No. 44, which mandates the PPC and the Bureau of Treasury to transfer their Postbank shares to Landbank at zero value. The EO further stated that Postbank will be converted into the Overseas Filipino Bank. The Bank will be established as a savings bank dedicated to provide financial products and services tailored to the requirements of overseas Filipinos, and focused on delivering quality and efficient foreign remittance services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Financial Statement Preparation

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

These financial statements are prepared on the historical cost basis modified by the fair value measurement of financial assets on Available for Sale Securities.

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

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 years.

Financial statements are presented in Philippine peso, which is the functional currency.

2.2 Foreign Currency Translation

Foreign currency transactions are accounted for and revalued monthly using the month-end Philippine Dealing and Exchange System (PDEX) closing rate. Foreign exchange differences arising from the revaluation are charged to operations.

2.3 Cash and Other Cash Items

For purposes of presentation in the consolidated statement of cash flows, Cash and other cash equivalents consist of cash and other cash items on hand.

2.4 Due from Other Banks

This account refers to the balances of funds deposited with other local banks to meet not only reserve requirements but also to cover operational requirements including payroll and tax requirements.

2.5 Financial Assets/Liabilities

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.

In accordance with PAS 39-Financial Assets – Recognition and Measurement, the Bank's financial assets or financial liabilities are recognized initially at fair value. Subsequent to initial recognition, we continue to measure at fair value except for the loans and receivables, which are measured at amortized cost using the diminishing balance method. Gains and losses arising from changes in the fair values of

available for sale financial assets are recognized directly in the equity until the financial asset is derecognized or impaired at which time the cumulative gain or loss statement. Gain or loss arising from the change in fair value of Unquoted Debt Securities Classified as Loans and Held to Maturity Financial assets are recognized in profit or loss when the security is derecognized or impaired, and through the amortization process.

The Bank classifies its financial assets under the following categories:

a. Financial Assets Available for Sale (AFS)

Available for sale investments are those purchased and held indefinitely, which may be sold in response to liquidity needs or changes in interest rates, exchange rates or equity prices.

b. Financial Assets Held for Trading (HFT)

This refers to the debt and equity securities that are:

- b.1 Acquired principally for the purpose of selling or repurchasing them in the near term; or
- b.2 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 – Held to Maturity (HTM)

These are debt securities, quoted in an active market with fixed or determinable payments and fixed maturity for which the Bank has the positive intention and ability to hold until maturity.

d. Unquoted Debt Securities Classified as Loans

These are debt securities with fixed or determinable payments that are not quoted in an active market.

e. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: a) those that the bank intends to sell immediately or in the near term, which shall be classified as High Frequency Trading (HFT) and those that the entity upon initial recognition designates as at fair value through profit or loss; b) those that the Bank designates as AFS upon initial recognition; or c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as AFS.

Regular loans (Loans to Gov't, Agri-Agra, Development, Incentive, SME and microfinance, contract to sell and others) are carried in the books at its amortized cost or the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the diminishing balance method, minus any reduction –directly or through the use of an allowance account – for impairment or uncollectability.

There are fees and other charges that are recognized immediately as income upon collection except for the advance interests, which are booked under Unearned Income account. Starting July 2014, the Bank started to use the Effective Interest Rate Method of calculating interest on new loans releases. Transactions costs were amortized over the life of the loan.

Past due loans and receivables are automatically carried on non-accrual basis. Interest incomes on such accounts are recognized only upon collection.

Unclassified Loans are loans that do not have a greater-than normal risk and do not possess the characteristics of classified loans as defined below:

- a. Loans or portions thereof secured by holdouts on deposit/deposit substitutes maintained in the lending institution and margins deposits, or government-supported securities; and
- b. Loans with technical defects and deficiencies in documentation and/or collateral requirements. These deficiencies are isolated cases where the exception involved are not material nor is the Bank's chance to be repaid or the borrower's ability to liquidate the loan in an orderly manner undermined. These exceptions should be brought to management's attention for corrective action during the examination and those are not corrected shall be included in the Report of Examination under "Miscellaneous Exceptions – Loan". Moreover, deficiencies which remained uncorrected in the following examination shall be classified as "Loans Especially Mentioned".

Classified Loans are loans which possess the characteristics outlined hereunder:

- a. Loans Especially Mentioned are loans and advances that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the Bank.
- b. Substandard are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the institution because of unfavorable record or unsatisfactory characteristics. There exists in such loans the possibility of future loss to the institutions unless given

closer supervision. Those classified as "Substandard" must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

- c. Doubtful Loans are loans or portion thereof which have the weaknesses inherent in those classified as "Substandard", with the added characteristics that existing facts, conditions, and values make collection or liquidation in full highly improbable and in which substantial loss is probable.
- d. Loans Classified as Loss are loans or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. The amount of loss is difficult to measure and it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

Loan Loss Estimation Methodology, Provisioning and Allowance for Credit Losses:

- a. All FIs shall develop and document a sound loan loss methodology that can reasonably estimate provisions for loans and other credit accommodations and risk assets in a timely manner, using their experience and research and this guidance to ensure that the specific and collective allowance for credit losses (ACL) are adequate and approximates the expected losses in their credit portfolio.

The Bank's loan loss methodology considers the following:

- a.1 Written policies and procedures for the credit risk systems and controls inherent in the methodology, including roles and responsibilities of the FI's board of directors and senior management;
- a.2 A detailed analysis of the entire loan portfolio, including off-balance sheet facilities, performed on a regular basis;
- a.3 A realistic view of its lending activities and uncertainty and risks inherent in those activities in preparing accounting information. Loan accounting policies and practices shall be selected and applied in a consistent way that reasonably assures that loan and loan loss provision information is reliable and verifiable;
- a.4 Identification of loans to be evaluated individually and segmentation of the remaining portfolio into groups of loans with similar credit risk characteristics for collective assessment.
- a.4.a. Individually assessed loans. FIs shall establish a materiality threshold for significant credit exposures that will warrant an individual assessment, which threshold shall be regularly reviewed.

The loan loss estimates shall reflect consideration of the facts and circumstances that affect the repayment of each individual loan as of the evaluation date. The following factors are relevant in estimating loan losses for individually assessed loans:

- a.4.a.1. Significant financial difficulty of the borrower;
- a.4.a.2. Probable bankruptcy or other financial reorganization of the borrower;

- a.4.a.3. Breach of contract, such as a default or delinquency in interest or principal payments; or
- a.4.a.4. Concession granted by the FI, for economic or legal reasons relating to the borrower's financial difficulty, which would not otherwise be considered.

The methodology shall include procedures describing the determination and measurement of the amount of any impairment, the impairment measurement techniques available and steps performed to determine which technique is most appropriate in a given situation.

- a.4.b. Collectively assessed loans. The Bank uses different methods to group loans for the purpose of assessing credit risk and valuation. More sophisticated credit risk assessment models or methodologies for estimating expected future cash flows, including credit risk grading processes, may combine several of the following characteristics: loan type, product type, market segment, estimated default probabilities or credit risk grading and classification, collateral type, geographical location and past-due status.

Estimated credit losses shall reflect consideration of the FI's historical net charge-off rate of the groups, adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans in these groups as of the evaluation date, and applied consistently over time:

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- a.4.b.1. Methods used to determine whether and how loans individually evaluated, but not considered to be individually impaired, shall be grouped with other loan (excluding individually assessed loans that are impaired) that share similar credit risk characteristics for collective impairment evaluation;
- a.4.b.2. The quality and net realizable values of physical collateral and other financial guarantees and credit risk mitigants incorporated in the loan agreement, where applicable;
- a.4.b.3. Address the methods used to validate models for credit risk assessment;
- a.4.b.4. The analyses, estimates, reviews and other provisioning methodology functions shall be performed by competent and well-trained personnel and be well documented, with clear explanations of the supporting analyses and rationale; and
- a.4.b.5. Use experienced credit judgment. Assessment of expected losses shall not be based solely on prescriptive rules or formula but must be enhanced with experienced credit judgment by the appropriate levels of management in as much as historical loss experience or observable data may be limited or not fully relevant to current circumstances. However, the scope for actual discretion shall be prudently within the following constraints:
 - a.4.b.5.a. Experienced credit judgment shall be subject to established policies and procedures;
 - a.4.b.5.b. With approved and documented analytical framework

for assessing loan quality applied consistently over time: Estimates shall be based on reasonable and verifiable assumptions and supported by adequate documentation; and

a.4.b.5.c. Assumptions concerning the impact on borrowers of changes in general economic activity, both favorable and unfavorable, shall be made with sufficient prudence.

The method of determining loan loss provisions shall reasonably assure the timely recognition of loan losses. While historical loss experience and recent economic conditions are a reasonable starting point for the institution's analysis, these factors are not, by themselves, sufficient basis to determine the appropriate level of aggregate loan loss provisions. Management shall also consider any current factors that are likely to cause loan losses to differ from historical loss experience, including changes in the following:

- a. Lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices;
- b. International, national and local economic and business conditions and developments, including the condition of various market segments;
- c. Trend, volume and severity of past due loans and loans graded as low quality, as well as trends in the volume of impaired loans, troubled debt restructuring and other loan modifications;
- d. The experience, ability and depth of lending management and staff;
- e. Changes related to new market segments and products;
- f. Quality of the FI's loan review system and the degree of

- oversight by senior management and board of directors;
- g. The existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
 - h. Credit risk profile of the loan portfolio as a whole as well as the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the FI's current portfolio.

Experienced credit judgment shall also be used to determine an acceptable period that will yield reliable historical loss rates as loss rate periods shall not be restricted to a fixed time period to determine the average historical loss experience for any group of loans with similar credit risk characteristics.

PPSBI maintains sufficient historical loss data over a full credit cycle to provide robust and meaningful statistical loan loss estimates for establishing the level of collective impairment losses for each group of loans with similar credit risk characteristics. When applying experienced credit judgment, the Bank provide a sound rationale for excluding any historical loss data that is deemed not representative of the performance of the portfolio.

- b. Whenever there are credit operations that may not economically justify a more sophisticated loan loss estimation methodology or the Bank's practices fell short of expected standards will, at a minimum, be subject to the regulatory guidelines in setting up allowance for credit losses prescribed in Appendix 18 of Manual of Regulations for Banks (MORB): Provided, that the Bank will notify the Bangko Sentral, through their respective Central Points of Contact, of

this preference. Nevertheless, the Bank still uses experienced credit judgment, subject to the criteria prescribed in Subsection X178.17 of the MORB, in determining the ACL.

- c. The Bank sets up general loan loss provision equivalent to one percent (1%) of the outstanding balance of individually and collectively assessed loans for which no specific provisions are made and/or for which the estimated loan losses are less than one percent (<1 %), less loans which are considered non-risk under existing laws, rules and regulations.
- d. PPSBI ensures the adequacy of the individual and collective ACL for the entire loan portfolio. The Bank have a policy for the regular review of the ACL, which are conducted at least semi-annually after considering results of the credit review, level of classified loans, delinquency reports, historical losses and market conditions.

Failure to make adequate provisions for estimated future losses results in material misrepresentation of a FI's financial condition.

As a general rule, past due accounts shall refer to all accounts of the Bank under its loan portfolio which are not paid at maturity.

- i. The following shall be considered as past due:
 - a.1 Loan receivable payable on demand not paid on the date indicated on the demand letter, or within three months from the date of grant, whichever comes earlier;
 - a.2 Bills discounted and time loans, whether or not representing availments against a credit line, not paid on the respective maturity dates of the promissory notes;
 - a.3 Bills and other negotiable instruments purchased, if dishonored upon

presentment for acceptance/payment or not paid on maturity date, whichever comes earlier: provided, however, that an out-of-town check and a foreign check shall be considered as past due if outstanding for 30 days and 45 days, respectively, unless earlier dishonored; and

- a.4 Loans or receivables payable in installments where the number of installment in arrears fall under the following:

Mode of Payment	Min. No. of Installment in Arrears
Monthly	3
Quarterly	1
Semestral	1
Annual	1

Provided, however, that when the total amount of arrearages reaches 20 percent of the total outstanding balance of the loan/receivable, the total outstanding balance of the loan/receivable shall be considered as past due, regardless of the number of installment in arrears.

Provided, further, that for modes of payment other than those listed above (e.g., daily, weekly, semi-monthly), the entire outstanding balance of the loan/receivable shall be considered as past due when the total amount of arrearages reaches 10 percent of the total loan/receivable balance.

- ii. Reclassification of loan accounts to past due status shall be effected on the banking day immediately following the date when any of the preceding conditions has been reached. In determining the total number of days past due, the relevant time period is reckoned as follows:

Payment Type	Reclassification date
Lump sum (single) payment	From maturity date to payment date
Amortized	From date of first default to payment date

- iii. If a borrower has past due obligations, the Bank may declare the borrower's other current obligation as due and demandable.
- iv. The decision to proceed with the collection of outstanding obligations in current status as well as the suspension of credit lines shall rest with the same approving authority which approved the loan.
- v. When the account turned past due, real estate tax and insurance premium shall be updated by the lending unit concerned if the client fails to pay such obligations.
- vi. A grace period of 30 days is given to clients after the due date where no penalty charges shall be imposed.
- vii. Past due interest shall be computed on loans considered past due. Interest on past due loans (amortized) before the maturity date shall be computed as is using the interest rate indicated in the PN. Interest on the past due loans after the maturity date shall be computed using the interest rate indicated in the PN or the prevailing interest rate at the time of payment, whichever is higher.
- viii. Penalty charge shall be computed on delayed amortization or, in case of past due accounts, on outstanding balance. Amortization shall mean principal and/or interest payment. When the payment due date falls on a Saturday, Sunday or a non-working holiday, payment made on the next banking days shall be deemed to have been received on the original due date. No penalty charges shall be imposed accordingly.

2.6 Sales Contract Receivable

These are receivables from assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said properties are transferred to the names of the respective buyers

only upon full payment of the agreed selling price. These are recorded initially at the value of the installment receivables due from borrower. Discounts are accreted over the life of the SCR by crediting interest income. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss at the date of sale in accordance with the provisions of PAS 18.

2.7 Impairment

A financial asset is impaired if its carrying cost less allowance for losses exceeds its recoverable values. 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. Impairment losses are recognized in the books only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably measured/estimated. The carrying amount of the asset is also reduced through the use of an allowance account. The amount of the impairment loss is recognized in the income statement.

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 income statement.

If in a subsequent period, the amount of the recognized impairment loss decreases, and the decrease can be related objectively to an event after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account and the amount of reversal is recognized in the income statement.

In case of Investment property, Bank Premises, Furniture, Fixtures and Equipment (BPFFE) and other assets, impairment loss is the difference between the carrying amount and the fair value less cost to sell in case carrying amount is higher. The loss is recognized in the income statement and an allowance account is set up to reduce the carrying amount of the asset.

2.8 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures 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 ten percent residual value of acquisition cost over the estimated useful lives of the related assets as follows:

Building	10-20 years
Furniture and Fixtures	5-10 years
Equipment	5 years
Leasehold Improvements	5 years (maximum)

Impairment is only recognized when there is substantial evidence of the decline in the value of the bank premises, furniture, fixtures 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 5 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 from the books and any resulting gain or loss is credited or charged to current operations.

2.9 Non-Current Assets Held for Sale

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

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

2.10 Investment Property

These are generally land and buildings acquired by the Bank either through foreclosure (legal proceedings initiated by the Bank to acquire the collateral securing the loan of the defaulting borrowers) or dacion en pago in settlement of loans and advances of defaulting borrowers, or assets acquired through the implementation of an execution of attachment of real properties in settlement of the Bank's deficiency claims against defaulting borrowers (legal proceedings initiated by the Bank in case there are still deficiency claims after all the underlying collaterals of the borrowers were judicially/extrajudicially acquired by the Bank). These assets are being held until such time that these are readily available for disposition and are reclassified to Non-Current Assets Held for Sale.

Expenditures such as repairs and maintenance are charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of acquired assets beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of acquired assets held for sale.

2.11 Leases

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

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.

2.12 Intangible Assets

Intangible assets represent costs of software licenses and cost incurred directly in the development and maintenance. These are measured at cost and amortized based on a straight-line method with an expected maximum useful life of 10 years. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Cost that are directly associated with

the production of identifiable and unique software products controlled by the bank and that will probably generate economic benefits exceeding costs, beyond one year, are recognized as intangible assets.

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

2.13 Deferred Tax Asset

Deferred tax assets are the amount of income taxes recoverable in future periods, which are recognized for all deductible temporary differences.

2.14 Recognition of Income and Accounting for Expenses

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 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.

3.2 Impairment of AFS investments

The Bank considers AFS investments as impaired when there has been a significant or prolonged

decline in fair value (market value) below its cost. The determination of what is 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.

3.3 Held to Maturity Financial Assets

The Bank follows the guidelines of PAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM. This classification requires significant judgment for the Bank in evaluating its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than in certain specific circumstances, the Bank will be required to reclassify the entire portfolio as AFS. The investments would therefore be measured at fair value and not at amortized cost.

3.4 Impairment of Bank Premises, Furniture, Fixtures 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.

4. FAIR VALUES OF FINANCIAL ASSETS & LIABILITIES

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

- 4.1 For debt securities, its 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.
- 4.2 For short-term investments, carrying amounts approximate fair values.
 - 4.3 For other financial assets and financial liabilities with quoted market prices not readily available, they are reported at cost.
 - 4.4 For Cash and cash equivalents, carrying amounts approximate fair values.

5. MANAGEMENT OF RISKS RELATED TO FINANCIAL INSTRUMENTS

The Bank has established risk management systems to address the risks inherent to its activities which include, among others, credit, market, liquidity, foreign currency, and interest rate risks.

Decisions in relation to risk management are made by the Risk Management Committee (RMC), which ensures effective monitoring and control over risks being taken. The committee, together with the Risk Officer, is responsible for the development, implementation, maintenance, improvement and communication of the risk management policy while each business and supporting unit has the primary task of managing the risks applicable to its area of responsibility.

Overall Risk Management Philosophy

Postbank considers sound and adequate risk management as critical component of a stable and profitable financial institution. As risk is an inherent part of its business undertakings - present in the financial instruments it acquires and trades, in loans it grants, in deposits it generates to fund its requirements, and even in people it hires - it is imperative that risk-related issues are taken into consideration in all its business decisions and communicated across the Bank starting from the Board of Directors to Senior Management down to actual risk-taking units through a well-defined risk system and structure. A sound corporate risk management

philosophy translates into prudent risk-taking and proactive portfolio management enabling Postbank to pursue its financial expansion while maintaining adequate capital at all times.

Risk Management System and Structure

The risk management framework at Postbank 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 5 members of the Board, to oversee the implementation of risk management process that includes development of various risk strategies and principles, implementation of risk measurement tools, monitoring risk indicators and approval of risk limits.

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

Senior Management of Postbank is also actively involved in the planning, reviewing and assessing different risks being managed by the Bank through the various committees. The Management Committee (ManCom) ensures that all business objectives are aligned with the risk tolerance set by the Board. The **Assets and Liabilities Management Committee** (ALMC) is responsible for ensuring market and liquidity risks are adequately addressed on long-term and daily basis. The **Lending Committee** (LendCom) which has been delegated with credit authority limits, reviews, approves/ recommends loan proposals and credit policies to the Board.

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

Legal Group has the primary responsibility of reviewing all Bank's documents for completeness and enforceability under respective legal jurisdiction.

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

Credit Risk

Credit risk pertains to risk of financial loss due to non-payment by borrowers, issuer or counterparties of their obligations, deterioration in credit quality and reduced recovery from a credit facility in the event of default. The Bank is exposed to credit risk as lender, holder of securities and as counterparty in trading activity.

The Bank follows the Single Borrower's Limit prescribed by the Bangko Sentral ng Pilipinas (BSP). Credit exposures are constantly monitored and a credit evaluation process is conducted to assess the credit-worthiness of each borrower. 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.

Management of Credit Risk

Management of credit risk at Postbank begins with the loan approval process. The Bank has established a rigid screening and prudent credit evaluation process of loan applications as contained in the Manual of Lending Operations (MOLO). It defines loan activities from identification, credit initiation, documentation, loan administration, etc. The credit process is also guided by Board-approved credit policies and procedures including hierarchy on approving authority, internal risk-rating methodologies and collateral requirements.

An essential part of credit risk management is periodic review of quality of loan portfolio, monitoring of line utilization, analysis of concentration of loans by industry, assessment of adequacy of loan loss provisioning, etc. All these measures are implemented in order to maintain a diversified and sound loan portfolio, and to detect any deterioration in credit quality so that remedial actions can be implemented.

In 2013, the Bank created the Credit Management Group (CMG) to further strengthen its credit process. CMG provides rigid screening and prudent credit evaluation of loan applications as well as periodic assessment of quality of loan portfolio of the Bank.

Aside from strengthening its credit evaluation process, the Bank has increased its provisioning for loan losses to address potential rise in non-performing loans as a result of robust expansion in its loan portfolio. In addition, it has pursued a speedy disposition of its ROPA

Exposure to Credit Risk

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

	2017	2016
Real Estate Activities	1,463	1,503
Wholesale and Retail Trade	954	1,219
Salary-Based General-Purpose Consumption Loans	657	836
Public Adm. and Defense/Compulsary Social Sec.	350	431
Financial and Insurance Activities	334	421
Agriculture, Hunting and Forestry	288	223
Administrative and Support Service Activities	177	286
Construction	143	174
Education	122	154
Mining and Quarrying	75	153
*Others	305	468
	4,868	5,868
Allowance for Credit Losses	337	295
	4,531	5,573

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

In terms of credit risk monitoring, the Bank prepares report on credit quality as summarized below (in million Pesos):

	2017	2016
Neither past due nor impaired	2,198	3,642
Past Due but not impaired	97	121
Impaired	2,573	2,105
	4,868	5,868
Less: Specific allowance for credit losses	337	295
	4,531	5,573

The Bank further classifies its non-performing loans into secured and unsecured (in million Pesos):

	2017	Per cent	2016	Per cent
Secured	2,148	83	1,610	76
Unsecured	425	17	495	24
	2,573	100	2,105	100

Market Risk

The Bank's exposure to market risks 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.

Market risk is the risk that changes in interest rates, foreign exchange rates, equity prices, commodity prices and other market indicators 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.

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 has an outstanding exposure of ₱47 million under the Held for Trading (HFT) portfolio as of December 31, 2017.

The Bank's government securities classified under Available for Sale Securities (AFSS) which have an average yield to maturity (YTM) of 3.27% registered an unrealized loss/marked to market loss of ₱54.113M for a ₱527M portfolio.

Liquidity Risk

Liquidity risk pertains to potential losses to the Bank arising from either its inability to meet its obligations or to fund maturing liabilities as they fall due. Senior Management through the Assets and Liabilities Management Committee (ALMC) is responsible for the implementation of sound policies and procedures keeping in mind the strategic direction and risk appetite of the Bank.

Liquidity risk is the risk of loss to earnings or capital due to inability to meet funding requirements or payment of obligations as they fall due. Postbank liquidity policy is to maintain sufficient liquidity level not only to service deposit withdrawals and other contractual obligations but also to provide ample buffer to meet any unplanned changes in funding sources or changes in market conditions. Part of liquidity management strategy is to keep a sizeable amount of liquid assets like marketable government securities, and Deposit Balances with BSP such as Special Deposit accounts (SDA).

The Assets and Liabilities Management Committee (ALMC) and Treasury Group supervise the liquidity planning of the Bank both for the day-to-day funding requirements and for balance sheet management purposes. Daily cash flow projection and analysis of liquidity position are prepared with any excess funds temporarily park on interbank placements or deposit balances with BSP.

The liquidity risk management process at Postbank also includes the preparation of liquidity gap reports. Also called Maximum Cumulative Outflow (MCO) report, it reveals the mismatch on the tenor of the assets against liabilities with risk that the Bank may be forced

to borrow at higher rate or sell its assets at a discount to generate the required liquidity. The analysis of the MCO report contains risk mitigating measures on how to close the negative gaps particularly on the shorter tenor buckets. The MCO report also takes into account behavioral pattern of deposit withdrawal specifically deposits retained beyond the contractual maturity.

Presented below is the Maximum Cumulative Outflow (MCO) report as of December 31, 2016 (In million Pesos).

	Up to 90 days	91 days to 1 year	Over 1 year to 5 years	Over 5 years to 15 years	Total
Assets					
Cash and cash equivalents*	94	0	0	0	94
Due from BSP and other banks*	2,922	0	0	0	2,922
Investment securities	0	97	0	527	624
Loans and receivables	576	433	950	2,880	4,839
Other assets*	29	10	79	547	665
	3,621	540	1,029	3,954	9,144
Liabilities					
Deposit Liabilities*	6,727	660	592	0	7,979
Accrued interest expense	10	3	0	0	13
Other liabilities	0	0	0	310	310
	6,737	663	592	310	8,302
Equity					
Net liquidity surplus (gap)	(3,116)	(123)	437	2,802	842
Cumulative gap	(3,116)	(3,239)	(2,802)	0	

*Includes accounts in Foreign Currency Deposit Unit (FCDU)/ Expanded Foreign Currency Deposit Unit (EFCDU).

1/ Includes Core deposits or those funds expected to remain with the Bank after deducting for volatile deposits and reserves that can be used for lending operations.

Interest Rate Risk

The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable levels. Risk is addressed on a transactional level by matching the benchmark rate or basis for repricing of a particular asset with that of the equivalent source of fund at the onset of the transaction. Further, sensitivity analysis is regularly performed to efficiently manage risk on earnings.

When measuring the interest rate risk, we consider liabilities as funding the Bank's asset (inversely related to liquidity risk, where we looked at assets as sources of funds to pay off maturing liabilities). The balance sheet is pulled apart into time buckets, showing when the assets will and liabilities will reprice or change their interest rates. The repricing gap analysis is calculated by first slotting the interest rate sensitive assets and liabilities into tenor buckets according to next re-pricing date (or the time remaining to maturity if the account has a fixed term), and then obtaining the difference or gap per defined buckets. A gap is considered negative when the level of interest rate sensitive liabilities exceeds that of assets. Conversely, a positive gap indicates more interest rate sensitive assets than liabilities. In an increasing interest rate scenario, a negative repricing gap would translate into potential reduction in interest income.

The following table shows the re-pricing gap position of Postbank as of December 31, 2017 (In million Pesos):

	Up to 1 mo.	Over 1 mo. to 3 months	Over 3 mos. to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 15 years	Over 15 years	Total
Financial Assets								
Due from Other banks	73	1	0	0	0	0	0	74
Total Investments	0	0	97	0	0	527	0	624
Total Loans and	834	145	245	289	163	505	10	2,191

Receivables	0	0	0	4	19	0	0	23
Sales Contract Receivables								
Total Financial Assets	907	146	342	293	182	1,032	10	2,912
FINANCIAL LIABILITIES								
Deposit Liabilities	4,440	2,287	660	497	95	0	0	7,979
Total Financial Liabilities	4,440	2,287	660	497	95	0	0	7,979
Repricing Gap	(3,533)	(2,141)	(318)	(204)	87	10	10	(5,067)

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	2017	2016
Cash on Hand	93,749,842	97,236,828
Petty cash Fund	47,000	39,000
Checks and Other	0	643,748
Cash Items	93,796,842	97,919,576

7. DUE FROM BANGKO SENTRAL NG PILIPINAS

This account represents the following: a) demand deposits which the bank utilizes in its clearing operations, b) Special Deposit Account for liquidity requirement purposes, and c) Reserve Deposit Account for the Circular 10 compliance of the bank with the Bangko Sentral ng Pilipinas

	2017	2016
Reserve Deposit Account	2,124,000,000	1,270,000,000
Demand Deposit Account	724,360,713	579,700,615
	2,848,360,713	1,849,700,615

8. DUE FROM OTHER BANKS

This account represents demand deposit account, short-term investments in special

savings deposits and premium savings account deposited with the following banks:

	2017	2016
United Coconut Planters Bank (UCPB) Peso Account	41,321,550	214,220,188
Land Bank of the Philippines (LBP) Peso Account	17,423,859	443,167,189
Philippine Business Bank	6,217,334	11,280,068
China Bank	4,122,923	248,996,386
Rizal Commercial Banking Corporation	3,492,309	2,956,806
Philippine National Bank Peso Account	782,109	11,574,094
Metro Bank and Trust Company	504,339	199,526,400
Banco de Oro Unibank, Inc.	65,508	61,379
Philippine Savings Bank Development Bank of the Philippines	39,111	136,348
	26,994	27,949
Maybank	0	645,980,535
Security Bank	0	201,288,444
Malayan Bank	0	201,086,875
Union Bank	0	200,952,800
East West Bank	0	199,940,017
Asia United Bank	0	150,675,582
	73,996,036	2,731,871,060

9. LOANS & RECEIVABLES

This account consists of:

	2017	2016
Loans to Private Corporation	2,202,059,848	As Restated 2,602,327,102
Small and Medium Enterprises	817,500,170	933,113,887
Consumption Loans	668,086,194	850,629,878
Agrarian Reform and Other Agricultural Loans	395,050,230	413,021,660
Contract to Sell	343,113,514	365,403,240
Loans to Government	257,671,914	380,076,388
Loans to Individual for Housing Purposes	86,079,619	107,428,159
Loans to Individuals for Other Purposes	73,490,529	82,345,535
Microfinance Loans	25,483,229	134,437,435
	4,868,535,247	5,868,783,284
Allowance for Losses	(359,696,637)	(332,862,709)
Net of Allowance	4,508,838,610	5,535,920,575

As to Status

2017	2016
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Current Loans	2,294,899,114	As Restated 3,763,119,508
Non-Performing Loans	2,573,636,133	2,105,663,776
	4,868,535,247	5,868,783,284

As to Security

	2017	2016
Secured Loans	3,539,738,064	As Restated 4,087,555,859
Unsecured Loans	1,328,797,183	1,781,227,425
	4,868,535,247	5,868,783,284

As to Type of Security

	2017	2016
Real Estate Mortgage	2,666,514,177	As Restated 3,369,694,665
Other Collaterals	873,223,887	717,861,194
	3,539,738,064	4,087,555,859

Consumption loans include financial assistance given to eligible employees of the PPC & PPSBI, for personal consumption such as educational, hospital or medical, appliance purchase and/or working capital for business/ livelihood purposes in the form of salary loans in a maximum amount of P150,000 and P250,000, respectively.

In October 2017, pursuant to ManCom Resolution no. 299-2017, it was moved by the Committee to direct all the Lending Groups/ Branches to be guided on the granting of loans as follows:

- No new and additional loans shall be granted. Increase in exposures in terms of aggregate amount on a per borrower/ group basis shall be considered a willful violation;
- Renewal of the existing exposures, particularly if the renewal per se is nothing but normal considering its nature, is acceptable.

10. LOANS AND RECEIVABLE ARISING FROM RA/CA/PR/SLB

This pertains to loans arising from repurchase agreement with Bangko Sentral ng Pilipinas.

11. HELD FOR TRADING FINANCIAL ASSETS

This comprises securities purchased from Rizal Commercial Banking Corporation which are issued by the Bureau of the Treasury.

12. AVAILABLE FOR SALE FINANCIAL ASSETS

This account is composed of investments in government treasury bills and fixed treasury notes purchased from the following:

	2017	2016
Rizal Commercial Banking Corporation	295,913,596	300,182,352
East West Banking Corporation	93,758,651	93,940,978
Security Bank Corporation	90,091,269	106,444,289
China Bank	46,879,325	46,970,489
	526,642,841	547,538,108

13. UNQUOTED DEBT SECURITIES CLASSIFIED AS LOANS

These are investments in government securities held by the Bureau of Treasury under the Registry of Scripless Securities (ROSS) System in compliance with SSP Memorandum Circular (series of 1997) dated October 6, 1997.

These securities were purchased for compliance purposes with Philippine Commercial Capital, Inc.

14. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

This account consists of:

	Land	Building	Furniture, Fixture and Equipment	Motor Vehicle s	Compute r and Peripher als	Lease, Right and Improv ements	Totals
Cost 1-Jan-17	131,008 ,000	41,501, 900	58,631,04 2	13,77 2,938	136,351 .397	26,92 7,800 .077	408,193 2,390,8 59
Additions	0	0	1,027,783	1	1,175,2 16	187,8 59	(6,433,5 04)
Disposals	0	0	(1,159,35 7)	0	(4,629,2 73)	(644,8 74)	2,179,5 07
Reclassificati ons	0	0	2,148,445	78,55 1	(230,74 4)	183,2 55	2,179,5 07
31-Dec-17	131,008 ,00	41,501, 900	66,660,26 4	13,84 6,173	132,666 .596	26,65 4,040	406,329 .939
1-Jan-17 Accumulated Depreciation (restated)	0	11,283, 718	48,686,60 2	12,18 3,704	120,408 .895	19,51 5,805	212,078 .724
Provisions	0	2,821,4 19	2,786,272	432,3 90	4,853,3 39	1,707, 458	12,600, 878
Disposals	0	0	(1,198, 195)	0	(972,03 8)	(585,5 84)	(2,755,8 17)
Reclassificati ons	0	0	2,723,750	36,81 6	(4,115,4 57)	173,7 94	(1,181,0 97)
31-Dec-17	0	14,105, 137	55,317,19 1	12,65 2,910	122,022 .702	20,81 1.4 73	220,742 .688
Carrying Amount 31-Dec-17	131,008 ,.000	27,396, 763	7,649,484	1,198, 580	12,491 .857	5,842, 567	185,587 .251
Carrying Amount 31-Dec-16 (restated)	131,008 ,.000	30,218, 182	9,944,440	1,589, 234	15,942, 502	7,411, 995	196,114 .353

PPSBI building was acquired thru Dacion en Pago from Philippine Postal Corporation on November 02, 2012 with booked value amounting to ₱37,567,000.

15. NON-CURRENT ASSETS HELD FOR SALE

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

	2017	2016
Head Office- Manila	71,732,956	46,617,105
Accumulated Depreciation	(9,994,797)	(5,616,777)
	61,738,159	41,000,328
Allowance for Probable Losses	(1,780,841)	0
Net of allowance	59,957,318	41,000,328

16. INVESTMENT PROPERTY

Investment Property represent properties acquired by the Bank judicially in settlement of outstanding loans of delinquent borrowers. These are maintained by the Bank pending sale through public auction after a one-year redemption period as mandated by Bangko Sentral ng Pilipinas regulations.

	2017	2016
Head Office-Manila	248,883,345	243,893,515
Accumulated Depreciation	28,243,976	19,329,012
Allowance for Probable Losses	220,639,369	224,564,503
Net of allowance	5,210,771	4,375,493
215,428,598	220,189,010	

17. SALES CONTRACT RECEIVABLE

This account represents the amortized cost of assets acquired in settlement of loans through foreclosure or dacion in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price.

	2016	2016
Sales Contract Receivable	22,786,375	34,465,101
Less: Provision for Credit Losses	0	0
	22,786,375	34,465,101

18. OTHER ASSETS

This account is composed of the following:

	2017	2016
Miscellaneous assets	61,942,935	70,203,535
Accounts Receivables	56,893,397	23,483,921

Accrued interest income from financial assets	45,034,441	74,431,389
Other intangible assets	23,236,965	12,244,048
Prepaid Expenses	4,285,291	16,030,736
Stationery and supplies on hand	3,835,605	4,215,901
Deferred tax asset	2,539,789	2,494,583
Documentary stamps on checks	1,899,494	1,715,095
Returned checks and other cash items	1,370,032	924,270
Other investments	153,333	153,333
Sundry debits	71,762	92,586
Shortages	1,500	0
		201,264,544
Other Assets - Allowance for Losses	20,080,060	39,411,836
		181,184,484
		166,577,561

The Accounts Receivable account includes the amount of ₱4 million and ₱7.3 million misappropriated by the former Cashiers of Sorsogon and Tacloban Branches for which cases were already filed in court.

In 2017, payments amounting to P52.16 million for our ongoing LMS/GL and Deposit System projects, were temporarily lodge to Miscellaneous Assets account.

19. DEPOSIT LIABILITIES

	2017	2016
Domestic:		
Demand deposits	471,853,111	373,644,104
Savings deposits	7,233,914,508	6,210,047,257
Time Certificate of Deposits	269,085,885	496,327,514
Foreign:		
Demand deposits	0	0
Savings deposits	2,168,556	2,301,048
Time certificate of deposits	2,164,588	2,641,321,146
	7,979,186,648	9,723,641,069

Domestic deposit liabilities earns annual fixed interest rates ranging from 0.25 to 0.65 per cent and from 0.25 to 3.05 per cent in 2017 and

2016. Foreign deposits range from 0.25 to 1.375 per cent in 2017 and 2016, respectively.

20. BILLS PAYABLE

These are interbank term loans from other banks and non-bank financial institutions with quasi-banking authority, other than those payable on call/demand.

	2017	2016
Maybank	0	500,000,000
China Bank	0	150,000,000
Net Amount	0	650,000,000

21. ACCRUED EXPENSES

This account represents:

	2017	2016	As restated
Litigation / assets acquired	18,636,227	12,075,254	
Management and other professional fees	15,471,900	2,092	
Fringe Benefits	14,613,907	13,641,796	
Accrued interest expense in financial liabilities	12,913,031	14,992,853	
Rent	11,555,798	9,393,556	
Security, clerical, messengerial and janitorial	6,494,842	2,144,078	
Salaries and wages	2,853,047	1,205,352	
Other taxes and licenses	1,705,410	2,801,265	
Power, light and water	692,251	748,732	
Postage, telephone, cables and telegrams	570,305	592,812	
Repairs and maintenance	421,761	411,400	
Fuel and lubricants	106,253	166,911	
Fines, penalties and other charges	12,900	14,592	
Others*	20,577,381	14,745,863	
	106,625,013	72,936,556	

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

22. OTHER LIABILITIES

	2017	2016 As restated
Accounts payable – others	74,072,368	63,091 ,875
Inter-office float items	56,515,259	482,192
Withholding tax payable	4,898,501	4,412,558
SSS, PHIC, Employee Compensation and Pag-ibig Fund payable	1,193,915	1,039,313
Unclaimed balances	1,128,684	292,762
Miscellaneous liabilities	205,941	211,455
Sundry credits	28,322	55,960
Overages	7,261	10,828
	138,050,251	69,596,943

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

23. CAPITAL STOCK

The Bank is authorized to issue 10,000,000 shares at ₱100.00 par value. Total subscribed is 8,802,428 shares amounting to ₱880,242,883. Five million (5,000,000) shares were subscribed by Philippine Postal Corporation of which ₱440,000,000.00 was fully paid. Subscription receivable of ₱60,000,000.00 is still outstanding.

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. 201-142 dated June 10, 2014.

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 Drive Fund (PDF) amounting to ₱249,234,883 or equivalent to

2,492,348 shares last 2011. The National Government has 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.

The Fund totaling ₱500,000,000.00 was released by the National Government to PPSBI for the former's microfinance program for the transport sector.

In September 2017, the President of the Philippines, through E.O. 44, directed the Bank to return to the National Treasury (NT) the balance amounting to ₱249.23 million from the previously released ₱500 million to fund the PDF.

On January 19, 2018 pursuant to EO 44, the Bank transferred to the National Treasury the amount of ₱249,234,883 which is the equivalent value of the Capital Stock issued for the remaining balance of the PDF.

24. UNREALIZED GAINS/LOSSES ON AFS FINANCIAL ASSETS

This account refers to the gains and losses from marking to market valuation of AFS securities which is booked on a daily basis.

25. RETAINED EARNINGS UNAPPROPRIATED

In consonance with PAS 8, the balance of this account as of December 31, 2016 were restated for prior period adjustments. The adjustments principally relate to reversal of accrued interest income, reversal of erroneous recordings, disallowances, reclassification of various accounts, recognition of expenses and the write-off of non-performing loans.

Retained earnings of the Bank as of December 31, 2016 have been restated as follows:

Particulars	Debit	Credit	Balance
Retained earnings, beg.			209,519,591
FY 2016 before re statement			(11,907,372)
Net loss before restatement			
Adjustments			
Other income	0	26,466	
Reclassification of BPFFE	1,588,567	70,654	
Compensation and fringe benefits	184,615	40,000	
Rental charges	7,764,364	985,212	
Prepayments	202,686	0	
Electricity charges	0	554	
Provisions for probable losses	0	255,514	
Messengerial, janitorial expenses	125,000		
Provision for income tax	0		
Reversal of capitalized interest charged on income	8,965,365	0	
Restated net income for FY 2016	18,830,597	3,862,936	(14,967,661) (26,875,033)
Restated retained earnings, end			182,644,558

Particulars	Balance before restatement	Debit (Credit)	Restated Balance
BPFFE – net	197,632,266	(1,517,913)	196,114,353
Compensation and fringe benefits	214,010,367	347,301	214,357,668
Rent	33,313,395	6,779,152	40,092,547
Power, light and water	10,971,438	(554)	10,970,884
Provision for probable losses	57,886,486	(255,514)	57,630,972
Security, clerical, messengerial and janitorial	19,728,490	125,000	19,853,490
Provision for income tax	4,926,109	(2,484,536)	2,441,573
Interest/discount earned on loans & discounts	(511,510,789)	8,965,365	(502,545,424)
Miscellaneous income	(52,256,500)	(26,466)	(52,282,966)

26. INCOME AND OTHER TAXES

Under Philippines tax laws, the Bank is subject to percentage and other taxes as well as income

taxes. Percentage and other taxes paid consist principally of gross receipt tax (GRT) and documentary stamp tax (DST)

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

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

	2017	2016
Documentary Stamp Taxes	25,856,186	33,250,701
Income Taxes on Compensation (1601C)	23,739,959	24,171,931
Final Income Taxes (1602)	21,171,780	21,825,586
Percentage Taxes (2551M)	18,175,412	25,427,259
VAT and Other Percentage Taxes (1600)	3,823,389	5,156,209
Creditable Income Taxes (1601E)	3,130,199	4,046,943
Annual Registration Annual / Quarterly Income Taxes (1702)	12,500 0	12,500 4,926,109
	95,909,425	118,817,238

27. SUPPLEMENTAL INFORMATION ON REVENUE REGULATION

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.

Requirement under RR 15-2010

Documentary stamp tax

The documentary stamp tax (DST) on loan instruments and other transactions subject thereto for the tax period 2017 are as follows:

Documents/ Transactions	DST Paid
Loan Instruments	5,951,637
Certificate of Time Deposits/ Other Deposits	19,891,874
Certification	12,675
	25,856,186

Other taxes and licenses

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

a. Local

Annual Business Taxes	3,325,418
Business Tax for A TM	11,499
Barangay Business Clearance	21,496
Fire Inspection Fee	23,596
Real Property Tax	118,313
Community Tax	13,098
Mayor's Permit	3,100
Regulatory Fee	5,750
Other Fees	14,366
Building Safety Inspection Fee	6,089
Sanitary Fee	100
Garbage Fee	418
Personnel	400
Health	400
Plate and Sticker	50
Police Clearance Fee	1,200
Zoning Inspection Fee	20
Drug Test	200
Tax for generator	3,016
Electrical permit	5,747
Registration	23,122
b. National	
BIR Annual Registration	12,500
Percentage Taxes	18,175,413

Withholding Taxes

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

i. Tax on compensation and benefits	23,739,959
ii. Creditable withholding taxes	3,130,199
iii. Final withholding taxes	
(i) Final income taxes	21,171,780
(ii) Final withholding VAT	3,823,389

28. MISCELLANEOUS INCOME

This account represents additional interest and penalty charges on loans and other fees collected by the bank. Penalties on past due loans amounted to P47.901 million and on others amounted to P4.072 million.

29. OPERATING EXPENSES

	2017	2016 (as restated)
Compensation and fringe benefits	205,492, 179	214,357,668
Information Technology	32,804,331	28,984,278
Rent	32,437,553	40,092,547
Litigation Expense	32,120,923	4,108,871
Provision for probable losses	28,649,142	57,630,972
Depreciation and amortization	27,371,642	27,519,473
Insurance	23,383,882	28,429,005
Taxes and Licenses	23,011,532	32,005,318
Security, Clerical, Mess. & Janitorial Services	20,011,990	19,853,490
Management & Other Professional Fees	16,204,229	13,013,125
Documentary Stamps Used	14,510,938	14,495,390
Power, Light and Water	10,994,54	10,970,884
Representation & Entertainment	9,708,048	12,459,711
Stationery and Supplies Used	6,132,496	7,303,809
Travelling Expense	4,927,480	7,048,730
Postage, Telephone, Cable and Telegram	4,776,581	4,921,759
Repairs and Maintenance	4,405,733	5,724,742
Impairment Loss	2,616,118	343,806
Supervision Fees	2,476,498	2,273,784
Fees and commission	1,724,090	2,770,160
Trainings and Seminars	1,654,093	3,820,793
Fuels and Lubricants	1,651,982	1,756,946
Membership fees and dues	720,708	1,293,424
Advertising and Publicity	191,037	750,260
Fines, Penalties and Other Charges	144,040	492,900

Periodicals and Magazines	111,968	116,227
Donations and Charitable Contributions	25,192	64,089
Miscellaneous expenses	624,991	742,020
	508 883,944	543,344,181

30. BASIC QUANTITATIVE INDICATORS OF FINANCIAL PERFORMANCE

	2017	2016
(in percentage)		
Return on Average Equity	-11.8	-1.13
Return on Average Assets	-1.04	-0.10
Net Interest Margin	3.09	3.70
Risk Based Capital	6.63	5.31
Adequacy Ratio		

31. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the bank has loans, deposits and other transactions with its related parties and with some directors, officers and related interest (DOSRI).

The loan granted by the bank to its mother company, Philippine Postal Corporation (PPC) in December 2006 and July 31, 2008 has an outstanding balance of 45.38 million as of December 31, 2016. The loan is secured by REM and a deposit holdout of peso and dollar deposits with the bank. Payments of monthly amortizations were effected thru offsetting of the building rentals and direct payments.

The loan was already settled as of year ended 2017.

32. EMPLOYEE BENEFITS

Retirement/Separation Benefits

The Bank's Separation Plan per Board Resolution no. 2010-199 dated September 23, 2010, entitles all permanent and regular employees hired as of August 31, 2010 to the separation benefits as follows:

Length of service	Amount to be received
5-10 years	75% of basic salary per year of service
More than 10 years-15 years	100% of basic salary per year of service
More than 15 years-20 years	125% of basic salary per year of service
More than 20 years	150% of basic salary per year of service

A fraction of six (6) months will be considered as one (1) year.

Payment of retirement/separation benefits is charged to current operations.

Accrued Sick Leaves

This represents the cash value of the accumulated sick leave credits of the employees with provision to monetize a maximum of 15 days in excess of 90 days accumulated sick leave credits within the year per existing policy.

33. 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.

34. SUBSEQUENT EVENTS

Investment in notes by the Quedan and Rural Credit Guarantee Corporation (Quendancor) for the bank's Agri-agra compliance is now under negotiation for the replacement by Quendancor Restructured Notes. This was lodged under the Unquoted Debt Securities Classified as Loans account and was fully provided with allowance for losses and accruals for the litigation expenses.

35. RECLASSIFICATION OF ACCOUNTS

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

36. AUTHORITY TO ISSUE FINANCIAL STATEMENTS

As per Board of Directors' Resolution No. 2018-55 entitled "RELEASE of FS to GOA", which contains its 2017 Financial Statements, was presented to and duly confirmed and noted by the Board of Directors during the 3rd Regular Meeting of the Board of Directors of Philippine Postal Savings Bank, Inc. held on April 6, 2018.

37. EVENTS AFTER THE REPORTING DATE

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

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

On the same day, President Duterte led the launching of the Overseas Filipino Bank (OFB) at the Postbank Center in Manila.

Capital Structure and CAPITAL ADEQUACY

Item	Nature of Item	Amount
A.	Calculation of Qualifying Capital	
A.1	Net Tier 1 Capital	447,122,743.03
A.2	Net Tier 2 Capital	22,502,083.07
A.3	Total Qualifying Capital [<i>Sum of A.1 and A.2</i>]	469,624,826.10
B.	Calculation of Risk-Weighted Assets	
B.1	Total Credit Risk-Weighted Assets [<i>B.1(d) minus B.1(h)</i>]	6,221,853,496.34
(a)	Risk-Weighted On-Balance Sheet Assets	6,668,306,020.79
(b)	Risk-Weighted Off-Balance Sheet Assets	0.00
(c)	Counterparty Risk-Weighted Assets	0.00
(d)	Total Credit Risk Weighted Assets [<i>Sum of B.1(a), B.1(b) and B.1(c)</i>]	6,668,306,020.79
(e)	Deductions from Total Credit Risk-Weighted Assets	
(f)	General Loan Loss Provision (in excess of the amount permitted to be included in upper Tier 2 capital) [<i>Part III.1, Item G.(1)(b) minus Part II, Item B.1 (7)</i>]	0.00
(g)	Unbooked valuation reserves and other capital adjustments affecting asset accounts based on the latest report of examination as approved by the Monetary Board	446,452,524.45
(h)	Total Deductions [<i>Sum of B.1(f) and B.1(g)</i>]	446,452,524.45
B.2	Total Operational Risk-Weighted Assets	865,567,135.18
B.3	Total Market Risk-Weighted Assets	0.00
B.4	Total Risk-Weighted Assets [<i>Sum of B.1, B.2 and B.3</i>]	7,087,420,631.52
C.	RISK-BASED CAPITAL ADEQUACY RATIO [A.3 divided by B.4 multiply by 100]	6.63

Item	Nature of Item	Amount
A.	Tier 1 (Core plus Hybrid) Capital	
A.1	Core Tier 1 Capital	
(1)	Paid up common stock	820,242,800.00
(2)	Deposit for common stock subscription	
(3)	Paid-up perpetual and non-cumulative preferred stock	
(4)	Deposit for perpetual and non-cumulative preferred stock subscription	
(5)	Additional paid-in capital	83.02
(6)	Retained earnings	182,644,558.44
(7)	Undivided profits	(106,772,385.39)
(8)	Net gains on fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities	
(9)	Cumulative foreign currency translation	
(10)	Minority interest in subsidiary financial allied undertakings (i.e., RBs and venture capital corporations (VCCs) for TBs, and RBs for Coop Banks) which are less than wholly-owned (for consolidated basis) ^{1/}	
(11)	Sub-total [Sum of A.1 (1) to A.1 (10)]	896,115,056.07
A.2	Deductions from Core Tier 1 Capital	
(1)	Common stock treasury shares (for consolidated basis)	
(2)	Perpetual and non-cumulative preferred stock treasury shares (for consolidated basis)	
(3)	Net unrealized losses on available for sale equity securities purchased	
(4)	Unbooked valuation reserves and other capital adjustments based on the latest ROE as approved by the Monetary Board	446,452,524.45
(5)	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance for credit losses	
(6)	Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses	
(7)	Deferred tax asset, net of deferred tax liability ^{2/}	2,539,788.59
(8)	Goodwill, net of allowance for losses ^{3/}	
(9)	Total Deductions [Sum of A.2 (1) to A.2 (8)]	448,992,313.04
A.3	Total Core Tier 1 Capital [A.1 (11) minus A.2 (9)]	447,122,743.03
A.4	Hybrid Tier 1 Capital	
(1)	Perpetual preferred stock	
(2)	Perpetual unsecured subordinated debt	
(3)	Total Hybrid Tier 1 Capital [Sum of A.4 (1) and A.4 (2)]	0.00
(4)	Eligible Hybrid Tier 1 Capital [Limited to 17.65% of Total Core Tier 1 Capital (Item A.3)]	0.00
A.5	Total Tier 1 Capital [Sum of A.3 and A.4 (4)]	447,122,743.03

B.	Tier 2 (Supplementary) Capital		
B.1	Upper Tier 2 Capital		
(1)	Paid-up perpetual and cumulative preferred stock		
(2)	Deposit for perpetual and cumulative preferred stock subscription		
(3)	Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption		
(4)	Deposit for limited life redeemable preferred stock subscription with the replacement requirement upon redemption		
(5)	Appraisal increment reserve – bank premises, as authorized by the Monetary Board		
(6)	Net unrealized gains on available for sale equity securities purchased (subject to a 55% discount)		
(7)	General loan loss provision [limited to 1.00% of total credit risk-weighted assets computed per Part I, Item B.1(d)]		22,502,083.07
(8)	Unsecured subordinated debt with a minimum original maturity of at least 10 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)		
(9)	Hybrid Tier 1 Capital (in excess of the max allowable 15% limit of total Tier 1 capital) [A.4 (3) minus A.4 (4)]		0.00
(10)	Sub-total [Sum of B.1 (1) to B.1 (9)]		22,502,083.07
B.2	Deductions from Upper Tier 2		
(1)	Perpetual and cumulative preferred stock treasury shares (for consolidated basis)		
(2)	Limited life redeemable preferred stock treasury shares with the replacement requirement upon redemption (for consolidated basis)		
(3)	Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption		
(4)	Net losses in fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities		
(5)	Total Deductions [Sum of B.2 (1) to B.2 (4)]		0.00
B.3	Total Upper Tier 2 Capital [B.1 (10) minus B.2 (5)]		22,502,083.07

B.4	Lower Tier 2 Capital		
(1)	Paid-up limited life redeemable preferred stock without the replacement requirement upon redemption (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)		
(2)	Deposit for limited life redeemable preferred stock subscription without the replacement requirement upon redemption		
(3)	Unsecured subordinated debt with a minimum original maturity of at least 5 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)		
(4)	Sub-total [Sum of B.4 (1) to B.4 (3)]		0.00
B.5	Deductions from Lower Tier 2		
(1)	Limited life redeemable preferred stock treasury shares without the replacement requirement upon redemption (for consolidated basis)		
(2)	Sinking fund for redemption of limited life redeemable preferred stock without the replacement requirement upon redemption (limited to the balance of redeemable preferred stock after applying the cumulative discount factor)		
(3)	Total Deductions [Sum of B.5 (1) and B.5 (2)]		0.00
B.6	Total Lower Tier 2 Capital [B.4 (4) minus B.5 (3)]		0.00
B.7	Eligible Amount of Lower Tier 2 Capital (limited to 50% of total Tier 1 capital per Item A.5)		0.00
B.8	Total Tier 2 Capital [Sum of B.3 and B.7]		22,502,083.07
B.9	Eligible Amount of Tier 2 Capital (limited to 100% of total Tier 1 capital per Item A.5)		22,502,083.07
C.	Gross Qualifying Capital (Sum of A.5 and B.9)		469,624,826.10
(1)	Total Tier 1 Capital (Item A.5)	447,122,743.03	
(2)	Total Tier 2 Capital (Item B.9)	22,502,083.07	

D.	Deductions from Tier 1 and Tier 2 Capital		
(1)	Investments in equity of unconsolidated subsidiary RBs and VCCs for TBs, and RBs for Coop Banks after deducting related goodwill, if any (for solo basis)		
(2)	Investments in other regulatory capital instruments of unconsolidated subsidiary RBs for Coop Banks (for solo basis)		
(3)	Investments in equity of unconsolidated subsidiary non-financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)		
(4)	Significant minority investments (20%-50% of voting stock) in banks and other financial allied undertakings (for both solo and consolidated bases)		
(5)	Reciprocal investments in equity/other regulatory capital instruments of other banks/quasi-banks/enterprises		
(6)	Total Deductions [<i>Sum of D (1) to D (5)</i>]		0.00
E.	Net Tier 1 and Tier 2 Capital		
E.1	Net Tier 1 Capital ^{4/} {C (1) minus [D (6) multiply by 50%]}	447,122,743.03	
E.2	Net Tier 2 Capital ^{4/} {C (2) minus [D (6) multiply by 50%]}	22,502,083.07	
F.	Total Qualifying Capital [C minus D (6)]		469,624,826.10

- ^{1/} Provided that a bank shall not use minority interests in the equity accounts of consolidated subsidiaries as an avenue for introducing into its capital structure elements that might not otherwise qualify as Tier 1 capital or that would, in effect, result in an excessive reliance on preferred stock within Tier 1.
- ^{2/} Provided that the conditions to offset under PAS 12 are met and that any excess of deferred tax liability over deferred tax assets (i.e., net deferred tax liability) shall not be added to Tier 1 capital.
- ^{3/} This shall include those relating to unconsolidated subsidiary RBs and VCCs for TBs, and RBs for Coop Banks (on solo basis) and unconsolidated non-financial allied undertakings (on solo and consolidated bases).
- ^{4/} The amount to be deducted from Tier 2 capital shall be limited to its balance and any excess thereof shall be deducted from Tier 1 capital.

PART III.1. RISK-WEIGHTED ON-BALANCE SHEET ASSETS

(Amounts in ₱0.000 million)

Item	Nature of Item	Net Carrying Amount ^{1/} (1)	Risk Weight (in %) (2)	Risk Weighted Amount (3) = (1) * (2)
A.	0% Risk Weight –			
(1)	Cash on hand (including foreign currency notes and coins on hand acceptable as international reserves)	93,749,841.99		
(2)	Peso denominated claims on or portions of claims guaranteed by or collateralized by peso-denominated securities issued by the Philippine National Government and the BSP			
(a)	Due from BSP	2,850,203,759.8		
(b)	Financial assets designated at fair value through profit or loss			
(c)	Available for sale financial assets	526,642,840.99		
(d)	Held-to-maturity financial assets			
(e)	Unquoted debt securities classified as loans	50,008,282.41		
(f)	Loans and receivables			
(g)	Loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse, and securities lending and borrowing transactions	330,428,988.00		
(h)	Others			
(3)	Claims on or portions of claims guaranteed by or collateralized by securities issued by central governments and central banks of foreign countries with the highest credit quality			
(4)	Claims on or portions of claims guaranteed by or collateralized by securities issued by multilateral development banks with the highest credit quality			
(5)	Loans to the extent covered by hold-out on, or assignment of, deposits/deposit substitutes maintained with the lending bank	33,223,410.36		
(6)	Loans or acceptances under letters of credit (LCs) to the extent covered by margin deposits			
(7)	Peso denominated special time deposit loans to the extent guaranteed by Industrial Guarantee and Loan Fund (IGLF)			
(8)	Peso denominated real estate mortgage loans to the extent guaranteed by the Home Guaranty Corporation (HGC)			
(9)	Peso denominated loans to the extent guaranteed by the Trade and Investment Development Corporation of the Philippines (TIDCORP)			
(10)	Sub-total [Sum of A (1) to A (9)]	3,884,257,123.64	0	0.000

B.	20% Risk Weight -			
(1)	Checks and other cash items (including foreign currency checks and other cash items denominated in currencies acceptable as international reserves)			
(2)	Claims on or portions of claims guaranteed by or collateralized by securities issued by local government units (LGUs) with the highest credit quality			
(3)	Claims on or portions of claims guaranteed by or collateralized by securities issued by non-central government public sector entities of foreign countries with the highest credit quality			
(4)	Claims on or portions of claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality			
(5)	Claims on or portions of claims guaranteed by foreign incorporated banks with the highest credit quality			
(6)	Interbank call loans			
(7)	Claims on or portion of claims guaranteed by Philippine incorporated private enterprises, including claims on government corporations and MSME not qualifying under highly diversified loan portfolio definition, with the highest credit quality			
(8)	Claims on or portion of claims guaranteed by foreign incorporated private enterprises, including claims on government corporations, with the highest credit quality			
(9)	Loans to small farmer and fisherfolk engaged in palay and/or food production projects/activities to the extent guaranteed by the Agricultural Guarantee Fund Pool (AGFP) subject to the conditions enumerated in Circular No. 713 dated 14 February 2011			
(10)	Loans to performing MSME loans to the extent guaranteed by a Credit Surety Fund (CSF) Cooperative, subject to the conditions prescribed under Appendix 63c of the MORB			
(11)	Sub-total [Sum of B (1) to B (9)]	0.00	20	0.00
C.	50% Risk Weight -			
(1)	Loans to individuals for housing purpose, fully secured by first mortgage on residential property that is or will be occupied by the borrower, which are not classified as non-performing	70,065,602.14		
(2)	Foreign currency denominated claims on or portions of claims guaranteed by or collateralized by foreign currency denominated securities issued by the Philippine National Government & the BSP.			
(3)	Sub-total [Sum of C (1) to C (2)]	70,065,602.14	50	35,032,801.07
D.	75% Risk Weight –			
(1)	Qualified micro, small and medium enterprise (MSME) loan portfolio		75	0.00
E.	100% Risk Weight –			
(1)	Non-performing loans to individuals for housing purpose, fully secured by first mortgage on residential property that is or will be occupied by the borrower.	11,187,152.28	100	11,187,152.28

F.	150% Risk Weight –			
(1)	All non-performing loans (except non-performing loans to individuals for housing purpose, fully secured by first mortgage on residential property that is or will be occupied by the borrower), all non-performing sales contract receivables, and all non-performing debt securities	2,557,622,116.11	150	3,836,433,174.17
(2)	Real and other properties acquired and Non-current assets held for sale, net of allowance for losses	275,385,916.08	150	413,078,874.12
G.	100 % Risk Weight –			
(1)	Other Assets			
(a)	Total Assets per Balance Sheet	9,144,483,589.04		
(b)	General Loan Loss Provisions per Balance Sheet	22,502,083.07		
(c)	Total Exposures excluding Other Assets [Sum of A(10), B(10), C(3), D(1), E(1), F(1) and F(2)]	6,798,517,910.25		
(d)	Sub-total [Sum of G(1)(a) and G(1)(b) minus G(1)(c)]	2,368,467,761.86		
(2)	Deductions from Other Assets			
(a)	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance for credit losses [refer to Part II. Item A.2 (5)]	0.00		
(b)	Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates, net of allowance for credit losses [refer to Part II. Item A.2 (6)]	0.00		
(c)	Deferred tax asset, net of deferred tax liability [refer to Part II. Item A.2 (7)]	2,539,788.59		
(d)	Goodwill, net of allowance for losses [refer to Part II. Item A.2 (8)]	0.00		
(e)	Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption [refer to Part II. Item B.2 (3)]	0.00		
(f)	Sinking fund for redemption of limited life redeemable preferred stock without the replacement requirement upon redemption (limited to the balance of redeemable preferred stock after applying the cumulative discount factor) [refer to Part II. Item B.5 (2)]	0.00		

	(g)	Investment in equity of unconsolidated subsidiary RBs and VCCs for TBs, and RBs for Coop Banks, after deducting related goodwill, if any (for solo basis) [refer to Part II. Item D (1)]	0.00		
	(h)	Investments in other regulatory capital instruments of unconsolidated RBs for Coop Banks (for solo basis) [refer to Part II. Item D (2)]	0.00		
	(i)	Investment in equity of subsidiary non-financial allied undertakings, after deducting related goodwill, if any (for both solo and consolidated bases) [refer to Part II. Item D (3)]	0.00		
	(j)	Significant minority investments (20%-50% of voting stock) in banks and other financial allied undertakings (for both solo and consolidated bases) [refer to Part II. Item D (4)]	0.00		
	(k)	Reciprocal investments in equity/other regulatory capital instruments of other banks/quasi-banks/enterprises [refer to Part II. Item D (5)]	0.00		
	(l)	Net accumulated market gains/(losses) on available for sale debt securities purchased	(54,113,296.81)		
	(m)	Financial Assets Held for Trading	47,467,250.93		
	(n)	Derivatives with Positive Fair Value Held for Hedging			
	(o)	Total Deductions [Sum of G(2)(a) to G(2)(n)]	(4,106,257.29)		
(3)		Net Other Assets [G (1)(d) minus G (2)(o)]	2,372,574,019.15	100	2,372,574,019.15
H.		TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS [Sum of A(10), B(10), C(3), D(1), E(1), F(1), F(2) and G(3)]			6,668,306,020.79

^{1/} This shall refer to the outstanding balance of the account inclusive of unamortized discount/(premium) and accumulated market gains/(losses), and net of allowance for credit losses, except that for available for sale debt securities, any accumulated market gains/(losses) shall be deducted/added back.

PART III.2 RISK-WEIGHTED OFF-BALANCE SHEET ASSETS (Amounts in P0.000 million)

Item	Nature of item	Notional Principal Amount	Credit Conv. Factor (CCF)	Credit Equivalent Amount	Distribution of Credit Equivalent Amount According to Risk Weights ^{1/}				Total (Sum of 4 to 7)
					0%	20%	75%	100%	
A.	Direct credit substitutes (.e.g. general guarantees of indebtedness and acceptances)								
	(1) Guarantees issued other than shipside bonds/airway bills		100%	0.00					
	(2) Financial standby letters of credit - domestic (net of margin deposit)		100%	0.00					
	(3) Financial standby letters of credit - foreign (net of margin deposit)		100%	0.00					
	(4) Sub-total [Sum of A (1) to A (3)]	0.00		0.00	0.00	0.00		0.00	
	(5) Risk-weighted amount [A(4) x applicable risk weight]				0.00	0.00		0.00	0.00
B.	Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)								
	(1) Performance Standby LCs – domestic (net of margin deposit) established as a guarantee that a business transaction will be performed		50%	0.00					
	(2) Performance Standby LCs – foreign (net of margin deposit) established as a guarantee that a business transaction will be performed		50%	0.00					
	(3) Other Commitments e.g. formal standby facilities and credit lines with maturity of more than one year		50%	0.00					
	(4) Sub-total [Sum of B (1) to B (3)]	0.00		0.00	0.00	0.00		0.00	
	(5) Risk-weighted amount [B (4) x applicable risk weight]				0.00	0.00		0.00	0.00

C.	Trade-related contingencies arising from movement of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one (1) year								
(1)	Trade related guarantees – shipside bonds/airway bills		20%	0.00					
(2)	Trade related guarantees – LCs confirmed		20%	0.00					
(3)	Sight LCs - domestic (net of margin deposit)		20%	0.00					
(4)	Sight LCs - foreign (net of margin deposit)		20%	0.00					
(5)	Usance LCs - domestic (net of margin deposit)		20%	0.00					
(6)	Usance LCs - foreign (net of margin deposit)		20%	0.00					
(7)	Deferred LCs - domestic (net of margin deposit)		20%	0.00					
(8)	Deferred LCs - foreign (net of margin deposit)		20%	0.00					
(9)	Revolving LCs - domestic (net of margin deposit) arising from movement of goods and/or services		20%	0.00					
(10)	Revolving LCs - foreign (net of margin deposit) arising from movement of goods and/or services		20%	0.00					
(11)	Other commitments with an original maturity of up to 1 year		20%	0.00					
(12)	Sub-total [Sum of C (1) to C (11)]	0.00		0.00	0.00	0.00	0.00	0.00	

	(13)	Risk-weighted amount [C (12) x applicable risk weight]				0.00	0.00	0.00	0.00	0.00
D.	Other commitments which can be unconditionally cancelled at any time by the bank without prior notice									
(1)	Credit card lines		0%							
E.	Items not involving credit risk									
(1)	Late deposits/payments received	3.252	0%							
(2)	Inward bills for collection		0%							
(3)	Outward bills for collection		0%							
(4)	Travelers' checks unsold		0%							
(5)	Trust department accounts		0%							
(6)	Items held for safekeeping/custodianship	0.005	0%							
(7)	Items held as collaterals	0.002	0%							
(8)	Deficiency claims receivable		0%							
(9)	Others (Please specify)	2.791	0%							
	-	2.791	0%							
	-									
(10)	Sub-total [Sum of E (1) to E (9)]	6.050								
F.	Total Notional Principal Amount [Sum of A (4), B (4), C (12), D (1), E (10)]	6.050								
G.	TOTAL RISK-WEIGHTED OFF-BALANCE SHEET ASSETS [Sum of A (5), B (5) and C (13)]									0.000

^{1/} Assign the appropriate risk weight according to the obligor, or if relevant, the qualified guarantor or the nature of the collateral.

PART III.3 COUNTERPARTY RISK-WEIGHTED ASSETS (Amounts in P0.000 million)

Item	Nature of item ^{1/}	Notional Amount	Current Credit Exposure (M-to-M valuation, if positive)	Appropriate Potential Future Credit CCF	Potential Future Credit Exposure ^{2/}	Credit Equivalent Amount ^{3/}	Distribution of Credit Equivalent Amount According to Risk Weights			Total
							0%	20%	100%	
		(1)	(2)	(3)	(4) = (1)*(3)	(5) = (2)+(4)	(6)	(7)	(8)	(Sum of 6 to 8)
Derivative Exposures ^{4/}										
A.	Interest Rate Contracts									
	(1) With a residual maturity of 1 year or less									
	1.a Interest Rate Forwards			0.00%	0.000	0.000				
	1.b Interest Rate Swap			0.00%	0.000	0.000				
	(2) With a residual maturity of more than 1 year to 5 years									
	2.a Interest Rate Forwards			0.50%	0.000	0.000				
	2.b Interest Rate Swap			0.50%	0.000	0.000				
	(3) With a residual maturity of more than 5 years									
	3.a Interest Rate Forwards			1.50%	0.000	0.000				
	3.b Interest Rate Swap			1.50%	0.000	0.000				
	(4) Sub-total [Sum of 1.a to 3.b]	0.000	0.000		0.000	0.000	0.000	0.000	0.000	
	(5) Risk-weighted amount [(4) x applicable risk weight]						0.000	0.000	0.000	0.000
B.	Exchange Rate Contracts									
	(1) With a residual maturity of 1 year or less									
	1.a Forward Foreign Exchange Contracts			1.00%	0.000	0.000				
	1.b Currency Swap			1.00%	0.000	0.000				

	(2) With a residual maturity of more than 1 year to 5 years									
2.a	Forward Foreign Exchange Contracts			5.00%	0.000	0.000				
2.b	Currency Swap			5.00%	0.000	0.000				
(3)	With a residual maturity of more than 5 years									
3.a	Forward Foreign Exchange Contracts			7.50%	0.000	0.000				
3.b	Currency Swap			7.50%	0.000	0.000				
(4)	Sub-total [Sum of 1.a to 3.b]	0.000	0.000		0.000	0.000	0.000	0.000	0.000	
(5)	Risk-weighted amount [(4) x applicable risk weight]						0.000	0.000	0.000	0.000
C.	Total [Sum of A (4) and B (4)]	0.000	0.000		0.000	0.000				
D.	TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS [Sum of A (5) and B (5)]									0.000

- 1/ Provide additional line items, where necessary. (Refer to Part III.4 of the CAR Reporting Template of U/KBs and their subsidiary banks and quasi-banks under Circular No. 574.)
- 2/ No potential future credit exposure shall be calculated for single currency floating/floating interest rate swaps; i.e. the credit exposure on these contracts would be evaluated solely on the basis of their mark-to-market value.
- 3/ The credit equivalent amount shall be assigned the appropriate risk weight according to the obligor, or if relevant, the qualified guarantor or the nature of collateral.
- 4/ This shall exclude instruments which are traded on exchange where they are subject to daily receipt and payment of cash variation margin and exchange rate contracts with original maturity of 14 calendar days or less.

PART IV. OPERATIONAL RISK-WEIGHTED ASSETS

(Amounts in ₱0.000 million)

Item	Nature of Item	Gross Income			Average 1/
		Year 3	Year 2	Last Year	
A.	Net interest income				
A.1	Interest Income	613.726	668.855	604.138	
A.2	Interest Expense	101.002	135.532	148.168	
A.3	Sub-total <i>(A.1 minus A.2)</i>	512.723	533.322	455.969	
B.	Other non-interest income				
B.1	Dividend Income				
B.2	Fees and Commissions Income	35.798	26.579		
B.3	Net Gain/loss on Financial Assets and Liabilities Held for Trading	.001	.029		
B.4	Net Gain/loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss				
B.5	Net Profit/loss on Foreign Exchange	.018	.068	(10.862)	
B.6	Net Gain/loss on Fair Value Adjustment in Hedge Accounting				
B.7	Other Income	18.841	59.189	59.468	
B.8	Sub-total <i>(Sum of B.1 to B.7)</i>	54.659	85.866	88.593	
C.	Gross Income <i>(Sum of A.3 and B.8)</i>	567.383	619.189	544.562	577.045
D.	Capital Charge <i>[C (average) multiply by Capital Charge Factor of 12%^{2/}]</i>				69.245
E.	Adjusted Capital Charge <i>(D multiply by 125%)</i>				86.557
F.	TOTAL OPERATIONAL RISK-WEIGHTED ASSETS <i>(E multiply by 10)</i>				865.567

^{1/} When calculating the average, include only the positive annual gross income; hence, figures for any year in which annual gross income is negative or zero should be excluded from both the numerator and denominator.

^{2/} The capital charge shall be applied over a 3-year period, i.e., 4% capital charge shall be applied by 1 January 2012, 8% by 1 January 2013, and 12% by 1 January 2014.

PART V. MARKET RISK-WEIGHTED ASSETS (Amounts in P0.000 million)

Item	Nature of Item	Amount
A.	Using Standardized Approach	
A.1	Interest Rate Exposures	0.000
A.2	Equity Exposures	0.000
A.3	Foreign Exchange Exposures	0.000
A.4	Options	
A.5	Sub-total (Sum of A.1 to A.4)	0.000
B.	Using Internal Models Approach	
C.	TOTAL MARKET RISK-WEIGHTED ASSETS ^{1/} (Sum of A.5 and B)	0.000

- 1/ A.5 = 0, for banks that calculate capital charge for all its risk exposures, covering both general market and specific risks, using the internal models approach. If computation of specific risk charge is not yet incorporated in the model, report in items A.1 and A.2 above the specific risk charge only.
 B = 0, for banks that calculate capital charge for all its risk exposures using the standardized approach.

LIST OF HEADS OF GROUPS, OFFICES, DEPARTMENTS, DIVISIONS AND UNITS

As of 31 December 2017

(please refer to the *Organizational Structure* on page 47)

OFFICE OF THE BOARD OF DIRECTORS

COMPLIANCE OFFICE

Gemiliano O. Bueno

Vice-President / Officer-in-Charge

Mary Grace C. Cabrera

Assistant Manager/ Regulatory Officer

INTERNAL AUDIT OFFICE

Milagros P. Macatuno

Manager / Officer-in-Charge

RISK MANAGEMENT OFFICE

Joanna C. Sangrador

Manager / Officer-in-Charge

IT Risk Management Division

Emmanuel V. Cama, Jr.

Senior Manager

OFFICE OF THE CORPORATE SECRETARY

Atty. Cesar S. Cabañas

Corporate Secretary

Eva Luz T. Berenguer

Assistant Manager / Executive Asst. I

OFFICE OF THE PRESIDENT AND CEO

Renato G. Eje

President and CEO

SECURITY DEPARTMENT

Amador A. Prado

Manager/ Department Head

HUMAN RESOURCES DEPARTMENT

Rodelio S. Romblon

Vice-President / Department Head

Staffing and Career Management Division

Ma. Angela T. Cloa

Manager

Training and Development Division

Rosabella R. Vasallo

Manager

REMEDIAL AND ASSETS MANAGEMENT DEPARTMENT

Alice M. Mortell

Assistant Vice-President / Department Head

Acquired Assets Division

Godofredo C. Begino Jr.

Manager / Head

Gilly D.G. Camilet

Assistant Manager / Property Management

Assistant III

LEGAL SERVICES DEPARTMENT

Atty. Ronilo D. Conde

Vice-President / Department Head

Atty. Gene Darryl R. Santok

Manager / Bank Attorney

Henry P. Gonzaga

Asst. Manager / Paralegal Officer

OFFICE OF THE EXECUTIVE VICE-PRESIDENT

CONSUMER LOANS DEPARTMENT

Luzviminda S. Pacardo
Manager

MICROFINANCE DEPARTMENT

Alan N. Orogo
Assistant Vice-President / Department Head

CORPORATE MANAGEMENT SERVICES DEPARTMENT

Glenda M. Llarena
Senior Manager/ Department Head

Management Secretariat Division

Rowena G. Camilet
Manager

Business Process Improvement Division

Maribel M. Willy
Assistant Manager

BRANCH BANKING GROUP (BBG)

Maximo Estrada
Vice-President / Group Head

METRO LUZON AREA

Ma. Theresa C. Urbano
Vice-President / Area Head

Main Branch

Ma. Theresa C. Urbano
Vice-President / concurrent Branch Head

Malolos (Bulacan) Branch

Rosella M. Aldaba
Officer-in-Charge

San Pablo (Laguna) Branch

Jennifer H. Bautista
Officer-in-Charge

Mabalacat (Pampanga) Branch

Rowina M. Turla
Manager / Branch Head

Lipa (Batangas) Branch

Gerardo V. Diala
Assistant Manager/ Branch Head

NORTH LUZON AREA

Godofredo G. Pascual
Vice-President / Area Head

Dagupan (Pangasinan) Branch

Godofredo G. Pascual
Vice-President / concurrent Branch Head

Macario A. Posadas

Assistant Manager/ Operations Head

Tuguegarao (Cagayan) Branch

Rizaldy C. Barcellano
Assistant Manager/ Branch Head

Asingan (Pangasinan) Branch

Rene M. Viado
Manager/ Branch Head

Baguio (Benguet) Branch

Heraldo A. Carosen
Assistant Manager/ Branch Head

San Fernando (La Union) Branch

Raul Roy S. de Guzman
Manager/ Branch Head

Tarlac (Tarlac) Branch

Ferdinand E. Orpilla
Manager/ Branch Head

SOUTH LUZON AREA

Naga (Camarines Sur) Branch

Virgilia V. Avila
Assistant Manager/ Operations Head

Legazpi (Albay) Branch

Hector G. Pili

Senior Manager/ Branch Head

Sorsogon (Sorsogon) Branch

Jose Hector R. Monje

Manager/ Branch Head

Tigaon (Camarines Sur) Branch

Gina P. Rosanes

Manager/ Branch Head

VISAYAS AREA

Miranda G. Varon

Vice-President / Area Head

Tacloban (Leyte) Branch

Miranda G. Varon

Vice-President / concurrent Branch Head

Ma. Fatima L. Aguinalde

Asst. Manager / Operations Head

Cebu (Cebu) Branch

Ricardo P. Cordova

Senior Manager/ Branch Head

Iloilo (Iloilo) Branch

Mary Jane G. General

Manager/ Branch Head

Himamaylan (Negros Occidental) Branch

Adolfo T. Mangao, Jr.

Senior Manager/ Branch Head

Tagbilaran (Bohol) Branch

Cristina J. Romuga

Manager/ Branch Head

Bacolod (Negros Occidental) Branch

Bella Donna A. Abunda

Senior Manager/ Branch Head

MINDANAO AREA

Alfredo L. Tayo III

Vice-President / Area Head

Cagayan De Oro (Misamis Oriental) Branch

Alfredo L. Tayo III

Vice-President / concurrent Branch Head

Chery C. Dagooc

Assistant Manager/ Operations Head

Shirley L. Delgado

Assistant Manager/ Cashier

Davao (Davao) Branch

Arturo B. Cruz

Manager/ Branch Head

Manolo Fortich (Bukidnon) Branch

Blecyline C. Pitao

Manager/ Branch Head

Dipolog (Zamboanga Del Norte) Branch

Romulo P. Andrade

Assistant Manager/ Branch Head

EXTENDED BANKING GROUP (EBG)

Maximo V. Estrada

Vice-President / Group Head

E-CHANNEL DEPARTMENT

Enrique M. Catli

Senior Manager/ Department head

TREASURY GROUP (TG)

Rolan D. Campos II

Vice-President / Group Head

TREASURY MARKETING DEPARTMENT

Clarissa C. Pitallano

Manager/ Treasury Specialist III

Carina B. David

Assistant Manager/ Treasury Specialist

CREDIT MANAGEMENT GROUP (CMG)

Rogelio L. Morzo

Assistant Vice-President / Group Head

APPRAISAL AND CREDIT INVESTIGATION DEPARTMENT

Ernani G. Arago

Manager/ Department Head

LOANS OPERATIONS AND MONITORING DEPARTMENT

Hazel F. Mino

Manager/ Department Head

Mary C. Calacasan

Assistant Manager/ Document Review Officer

CREDIT EVALUATION DEPARTMENT

Romina V. Pelobello

Senior Manager/ Department Head

Mario C. dela Cruz

Assistant Manager/ Senior Financial Analyst

CORPORATE BANKING GROUP (CBG)

Maria Carina S. Carancho

Assistant Vice-President / Group Head

CORPORATE BANKING DEPARTMENT I

Melody C. De los Santos

Assistant Vice-President / Department Head

Elmo Clemente P. Pilapil

Assistant Manager/ Account Officer

CORPORATE BANKING DEPARTMENT II

Mary Grace S. de Leon

Manager/ Department Head

ADMINISTRATIVE & COMPTROLLERSHIP GROUP (ACG)

Patria P. Madrio

Vice-President / Group Head

ACCOUNTING DEPARTMENT

Ardelio N. Galang

Manager/ Department Head

GENERAL SERVICES DEPARTMENT

Ruben D. Valeza Jr.

Manager/ Department Head

LOANS AND TREASURY ACCOUNTING DEPARTMENT

Elizabeth G. Lagunsad

Manager/ Department Head

Clearing Division

Robert R. Roldan

Manager/ Division Head

INFORMATION SYSTEMS AND TECHNOLOGY MANAGEMENT GROUP (ISTMG)

Alona B. Lee

Vice-President / Group Head

INFORMATION TECHNOLOGY DEPARTMENT

Randy M. Belen

Assistant Manager/ Officer-in-Charge

IT APPLICATIONS DEPARTMENT

Glennwin S. Muldong

Manager/ Department Head

DEPOSIT PRODUCTS

- ☛ Passbook Savings Account
- ☛ Postalcash ATM Savings Account
- ☛ Checking Account
- ☛ Premium Savings Plan
- ☛ Peso Time Deposit
- ☛ US Dollar Savings Deposit
- ☛ US Dollar Time Deposit

REGULAR LOANS

- ☛ Large Scale Enterprise Loan
- ☛ Small and Medium Enterprise Loan
- ☛ LGU Loan
- ☛ Rediscounting Facility
- ☛ Contract-to-Sell (CTS) Financing
- ☛ Back-to-Back Loan
- ☛ Water District Loan Program

CONSUMER LOANS

- ☛ Salary Loans
- ☛ Educational Loan
- ☛ SSS Pensioners' Loan
- ☛ Car Loans
- ☛ Motorcycle Loan
- ☛ Housing Loans
- ☛ Property Maximizer
- ☛ Special Vehicle Financing

MICROFINANCE FACILITIES

- ☛ Wholesale Microfinance Facility
- ☛ Arangkada Pasada
- ☛ Agricultural Production Loans
- ☛ Extended Barangay Microfinance Facility

TREASURY PRODUCTS

- ☛ Treasury Bills
- ☛ Treasury Notes
- ☛ Retail Treasury Bonds

CASH MANAGEMENT SERVICES

- ☛ Deposit pick-up service
- ☛ Payroll services
- ☛ Participating bank of SSS for Sickness, Maternity and Employees Compensation (SMEC)
- ☛ Accredited Collecting Bank of Bureau of Treasury, PhilHealth and SSS

OTHER PRODUCTS

- ☛ Microfinance Products
 - Micro Loans
 - Micro Deposits
 - Micro Insurance Program
- ☛ Remittance Product
- ☛ Other Services
 - Safety deposit box facilities
 - Sale of acquired assets

DESCRIPTION OF PRODUCTS AND SERVICES

DEPOSIT PRODUCTS

Passbook Savings Account

A Savings Deposit-Regular -Passbook Account is the traditional deposit account that allows you to save with fixed interest rate. All financial transactions are recorded in the Passbook given during the time of opening. All transactions (deposits or withdrawals) are done via over-the-counter

Postalcash ATM Savings Account

This is a type of a Savings Deposit Account that allows you to save and earn a fixed interest rate and enjoy a 24-hour banking convenience with the use of ATM card. Clients can withdraw anytime thru Bancnet, Megalink and Expressnet ATM nationwide. Clients can also avail of the Bancnet- On- line facilities thru the use of their ATM card

Checking Account

This is a non-interest earning deposit account that allows withdrawal through issuance of a check.

Premium Savings Plan

This is an interest-bearing deposit account that entitles the client to a premium over savings account interest rate. Interest rate is determined based on the amount and term of deposit.

Minimum term is 30 days and maximum of 360 days. Minimum balance required is ₱10,000 for Personal/Individual Account and ₱100,000 for Corporate/Government Account.

Peso Time Deposit

A form of deposit earning an interest rate higher than savings account rate. Interest rate is determined based on the amount and term of deposit. This account is withdrawable at maturity and is evidenced by a Certificate of Time Deposit

US Dollar Savings Deposit

This is an interest-bearing US Dollar savings account whose transactions are recorded in a passbook. It can be individual or joint account.

US Dollar Time Deposit

A form of US Dollar deposit earning an interest rate higher than savings account rate. Interest rate is determined based on the amount and term of deposit. This account is withdrawable at maturity and is evidenced by a Certificate of Time Deposit

REGULAR LOANS

Large Scale Enterprise Loan

Large-Scale Enterprise Loan is a financing facility intended to provide a wider scale of lending opportunities to Large-Scale Enterprises to support the government's thrust towards accelerating countryside economic growth and development.

Small and Medium Enterprise Loan

SME Loan is a financing facility intended to provide a wider scale of lending opportunities to Small and Medium Scale Enterprises (SMEs) to support the government's thrust towards accelerating countryside economic growth and development.

LGU Loan

LGU (Local Government Unit) Loan is a financing facility that aims to support the government's thrust towards accelerating countryside economic growth and development by financing local infrastructure and other socio-economic development projects in accordance with the approved local development plan and public investment program of Local Government Units (LGUs).

Rediscounting Facility

Rediscounting Facility is a credit facility intended to supplement the operating capital of Accredited Financial Institutions (AFIs) in delivering timely and adequate credit.

Contract-to-Sell (CTS) Financing

CTS (Contract-To-Sell) Financing is a facility intended to refinance the Developer's CTS receivables from its existing project/s and institute wholesale acquisition of accounts for conversion to retail accounts. Also, for the purpose of accelerating project development and sale

Back-to-Back Loan

Back-to-Back Loan or Loan against Deposit Hold-Out is a facility extended to PPSB depositors for their personal/ business financing needs. This type of loan facility is considered non-risk since the loan is covered and secured by deposit duly assigned by the borrower in favor of PPSB. For this purpose, PPSB shall be empowered by the depositor, in event of default in the payment of all or any part of the loan, to withdraw from the deposit and apply an amount equal to the sum of such defaulted and unpaid amount.

Water District Loan Program

A loan program for Water Districts to finance the construction of water systems, purchase of equipment, building construction and refinancing. This loan program is in partnership with the LWUA

CONSUMER LOANS

Salary Loans

Salary Loan is a financing facility extended to eligible employees of Government and Private Institutions, intended for their consumption and other personal needs.

Educational Loan

Educational Loan is an additional facility extended to eligible employees under PPSB's Salary Loan Program, purposely to assist in their education needs (e.g. tuition and matriculation fees, books and uniforms). Eligible dependents of the employees may also avail of this financial assistance

SSS Pensioners' Loan

Pensioner Loan is a loan facility extended to eligible pensioners of the Social Security System (SSS) where payments shall be made via automatic debit against their Savings Deposit account maintained with Postbank

Car Loans

Car Loan is a financing facility extended to selected clients for the acquisition of brand new car/ vehicle

Motorcycle Loan

Motorcycle Loan is a financing facility extended to employed or self-employed individuals for the acquisition of motorcycle, for personal or business use.

Housing Loans

Housing Loan is a financing facility that aims to support the government's thrust toward accelerating economic growth and development by offering affordable housing program to eligible individuals.

Property Maximizer

Property Maximizer is a multi-purpose loan facility extended to qualified clients for their personal financing needs. The loan can be used to meet the borrower's cash flow needs as well as for investment activities.

Special Vehicle Financing Policy Guidelines

Special Vehicle Financing is a loan facility extended to eligible officers of government and private institutions for personal and business use.

Under this program, PPSB shall finance one hundred percent (100%) cost of the car

MICROFINANCE FACILITIES

Wholesale Microfinance Facility

Wholesale Microfinance Facility is a credit facility extended to Microfinance Institutions (MFIs) and Cooperatives intended for re-lending to eligible borrowers. Said facility aims to alleviate poverty and provide financial assistance to small

entrepreneurs who typically lack collateral to create sustainable living, through MFIs with verifiable credit history.

For this purpose, Micro-Enterprises shall be defined as any business enterprise engaged in industry, agribusiness and/or services whose total assets, inclusive of those arising from loans, have the value of ₱3,000,000 and below. Alternately, a business entity may also be classified as Micro-Enterprise if it has less than nine (9) employees.

Arangkada Pasada

Arangkada Pasada is a special financing facility extended to transport cooperatives/ associations/ groups to be used either for projects that would benefit members of transport sectors or for re-lending to eligible members. The program is also open to drivers and conductors of different transport cooperatives their spouses and immediate family members

Agricultural Production Loans

Production Loan Facility is a credit facility extended to individual small farmers and/ or conduit financial institutions (e.g. Microfinance Institutions (MFIs), Cooperatives, Associations) intended for lending and re-lending to eligible borrowers. Said facility aims to provide credit financing support to marginalized farmers that will promote productivity and enabling them to meet the market requirements in terms of quantity and quality that would in turn provide more income opportunities.

Extended Barangay Microfinance Facility

The Extended Barangay Microfinance facility is a financial assistance extended to eligible barangays for the promotion of social and countryside development. Said Financing Program is designed to generate revenues and promote livelihood. Projects that may be undertaken are as follows: (1) Botika ng Barangay; (2) Tindahan ng Barangay; (3) Tricycle/ Multicab Pampasada Project; (4) Buy and Sell of Recycled Waste Materials Project; (5) Water System/ Sanitation Project; (6) Micro-Enterprises Project; (7) Maintenance Equipment

Project; and (8) Other revenue generating and development projects to be identified by the barangays

TREASURY PRODUCTS

Treasury Bills

The Treasury Bills (T-Bills) are government securities that provide a relatively risk-free investment alternative since it carries the full and unconditional guarantee of the government. These T-Bills are sold on a true discount basis with interest subject to the 20% withholding tax.

Treasury Notes

The Fixed Rate Treasury Notes/Bonds (FRTN) are direct and unconditional obligation of the National Government with a minimum term of two (2) years from date of issue. Interest payment is done on a semi-annual basis.

Retail Treasury Bonds

Retail Treasury Bonds (RTBs) are medium to long-term investments issued by the Philippine government to make securities available to small investors.

CASH MANAGEMENT SERVICES

Deposit pick-up service

A service offered to valued clients of the Bank for the pick-up of cash. This service is covered by a Memorandum of Agreement between the bank and the client

It is a special arrangement between client and the Bank to pick up daily deposits via on-foot teller or armored car

Payroll services

The PostalCash ATM Payroll Facility is an automated payroll service which offers our corporate/government clients a convenient and efficient way of distributing their payroll through

ATM accounts maintained by participating employees.

Participating bank of SSS for Sickness, Maternity and Employees Compensation (SMEC)

Members will receive their benefits (sickness, maternity and Employees Compensation (EC) benefit payments) directly released to their automated teller machine (ATM), current or savings accounts

This offers a faster, easier, safer and more convenient means of releasing cash benefits to SSS self-employed and voluntary members, non-working spouses, overseas Filipino workers and employee-members separated from employment.

Accredited Collecting Bank of Bureau of Treasury, PhilHealth and SSS

Over-the-counter collection system of PhilHealth, BTr and SSS payments, collection and remittances

OTHER PRODUCTS

Microfinance Products

- Micro Loans

Hanapbuhay Loan I - For Additional working capital, Business site improvement, Acquisition of business assets with loan amount from ₱5,000 to ₱300,000. This is offered by the MBOs of the Bank

Hanapbuhay Loan II - For financing of additional working capital or for the acquisition of fixed assets for use in the client's business from ₱10,000 to ₱300,000. This is offered by the MFUs of the Bank

- Micro Deposits

These are savings accounts that cater to the needs of the basic sectors, low-income clients and those that are unserved by the financial system.

Initial deposit and maintaining balance of ₱100, with an average daily balance not exceeding ₱40,000.

Micro-deposits without micro-credit

Refers to micro-deposits of a client without outstanding microfinance loans or microcredits. This type of deposit is not related to any loan transaction and shall be implemented only by the MBOs.

Contractual Savings

These are Hanapbuhay deposits that are regularly collected along with the loan repayments

- Micro Insurance Program

Credit life insurance is through Pioneer Life Inc. An insurance protection that guarantees the payment of the face value or outstanding balance upon the death or total permanent disability of the insured borrower

Remittance Product

- International Money Order via PostalCash ATM
- PostalBank and AUB Gintong Hatid Remittance Program
- International Money Fund Transfer (in partnership with PNB, LandBank, UCPB)

Other Services

- Safety deposit box facilities

These are fire proof containers housed in the bank's vault that are leased to clients on an annual basis and are usually used as a repository for the client's valuables

- Sale of acquired assets

Selling of acquired assets (from foreclosure, dacion en pago), real estate and vehicles / chattels, on "as-is-where-is" basis to qualified buyers

METRO LUZON AREA**VP MA. THERESA C. URBANO**, Area Head**MAIN BRANCH**

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