



PERFORMANCE AGREEMENT

This Performance Agreement has been executed pursuant to the **PERFORMANCE EVALUATION SYSTEM FOR THE GOCC SECTOR (GCG MC No. 2013-02 [Re-Issued])** between the –

GOVERNANCE COMMISSION FOR GOCCs (GCG)

- and -

PHILIPPINE POSTAL SAVINGS BANK, INC. (POSTBANK)

Patricia T. Solares
WHEREAS, the Parties above entered into a Performance Agreement covering CY 2016;

WHEREAS, the Parties agreed to renegotiate certain targets for CY 2015, pursuant to Section 7.2 of GCG MC No. 2013-02 (Re-Issued), which provides that "GOCCs can renegotiate the targets set in their Performance Agreements for the current year if the same are no longer feasible due to substantial changes in circumstances that could not have been foreseen at the time the targets were agreed upon."

WITNESSETH: THAT –

The Parties agree to the following terms:

1. **Renegotiation.** – POSTBANK's Performance Scorecard in its CY 2015 Performance Agreement is hereby amended pursuant to the attached **Renegotiated Performance Scorecard**. All other conditions in the Performance Agreement covering CY 2015 shall remain effective.

2. **Mission and Vision.** – POSTBANK's Mission and Vision for its vision year are as follows:

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

Vision : By year 2020, PPSB shall be a strong government bank with focus on countryside development.

The agreed Strategy Map for achieving the vision is attached hereto as **Annex A**.

3. **Measurement of Performance.** – Performance for CY 2015-16 shall be measured based on based on the Performance Scorecard attached hereto as **Annexes B and B-1, respectively**. It is understood that the GOCC must achieve a weighted-average of at least 90% based on the agreed targets for 2015-16 to be eligible to grant any Performance-Based Bonus.

4. **Quarterly Submission of Performance Monitoring.** – POSTBANK shall submit a quarterly monitoring report to the GCG within thirty (30) calendar days from the close of each quarter.
5. **Good Governance Conditions.** – In addition to the covered portions of the Performance Scorecard, the GOCC must fully comply with the Good Governance Conditions enumerated under GCG MC No. 2013-02 (Re-Issued), GCG MC No. 2014-02, and GCG MC No. 2014-03 namely:

5.1. *Conditions Common to National Government Agencies and GOCCs:*

- (a) Transparency Seal;
- (b) PhilGEPS Posting;
- (c) Cash Advance Liquidation;
- (d) Citizen's Charter or its equivalent; and
- (e) Compliance with the submission and review requirements covering Statement of Assets, Liabilities and Networth (SALN);

5.2. *Conditions Specific to GOCCs Covered by R.A. No. 10149:*

- (a) Satisfaction of all statutory liabilities, including the payment of all taxes due to the Government, and declaration and payment of all dividends to the State as cleared by DOF, whenever applicable.
- (b) Submission and execution of concrete and time bound action plans for addressing Notices of Disallowances and Audit Observation Memoranda from the Commission on Audit (COA), if any.
- (c) Adoption of a "*Manual of Corporate Governance*" pursuant to Section 42 of the **CODE OF CORPORATE GOVERNANCE FOR GOCCs (GCG MC No. 2012-07)** that is approved by GCG and uploaded on the GOCC's website.
- (d) Compliance with posting on the GOCC's website the information enumerated under Section 43 of GCG MC No. 2012-07.
- (e) Adoption of a **NO GIFT POLICY** approved by the GCG and uploaded on the GOCC's website pursuant to Section 29 of GCG MC No. 2012-07.
- (f) Compliance with the deadlines and submission of reports through the Integrated Corporate Reporting System (ICRS) pursuant to GCG MC No. 2014-02.
- (g) Compliance by all members of the Governing Board with the submission of all required forms for the Director Performance Review (DPR) pursuant to GCG MC. No. 2014-03 and implementing issuances pursuant thereto.
- (h) Submission of Corporate Operating Budgets (COBs):
 - i. For GOCCs receiving national government budgetary support, COBs shall be submitted to the Department of Budget and Management (DBM) for review and approval on or before the deadline indicated in DBM National Budget Memorandum No. 123 on "Budget Call for FY 2016;"

- ii. For GOCCs without national government budgetary support, COBs shall be submitted to the Governance Commission using the same deadline as provided in DBM National Budget Memorandum No. 123.

6. POSTBANK shall timely inform GCG of all audit observations and notices of disallowances within seven (7) working days from the time it receives the same from the Commission on Audit (COA) prior to the regular publication of the final annual audit report. Accordingly, POSTBANK shall copy furnish the Governance Commission copies of all written communications between POSTBANK and COA on such matters, inform GCG of the schedule of its exit interview with COA seven (7) working days before the schedule or as soon as practicable, and other efficient means of inter-agency coordination.

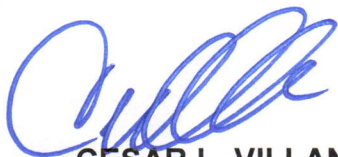
Failure to timely disclose such matters to the Governance Commission prior to the same becoming public information or the submission of the application for the Performance-Based Bonus (PBB) or Performance-Based Incentive (PBI) may be considered as non-compliance with the Good Governance Condition of submitting Concrete and Time Bound Action Plans on findings of COA, rendering the Governing Board **INELIGIBLE** to apply for the PBI, without prejudice to a further determination on the impact of the same on the GOCCs PBB application.

7. Nothing herein shall be construed as limiting the authority of GCG to initiate renegotiations and/or revoke Performance Agreements in accordance with existing laws, rules and regulations.

DONE, this 5th day of April 2016, in the City of Makati, Philippines.

**GOVERNANCE COMMISSION FOR
GOCCs**

BY AUTHORITY OF THE COMMISSION:



CESAR L. VILLANUEVA
Chairman



MA. ANGELA E. IGNACIO
Commissioner

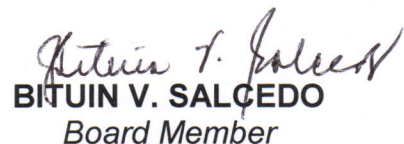


RAINIER B. BUTALID
Commissioner

**PHILIPPINE POSTAL SAVINGS BANK,
INC.**



CESAR N. SARINO
President and CEO



BITUIN V. SALCEDO
Board Member



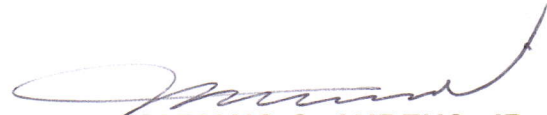
MARIO C. LORENZO
Board Member



JOSELITO H. SIBAYAN
Board Member



VICTOR N. ALIMURUNG
Board Member



MARIANO O. AUREUS, JR.
Board Member



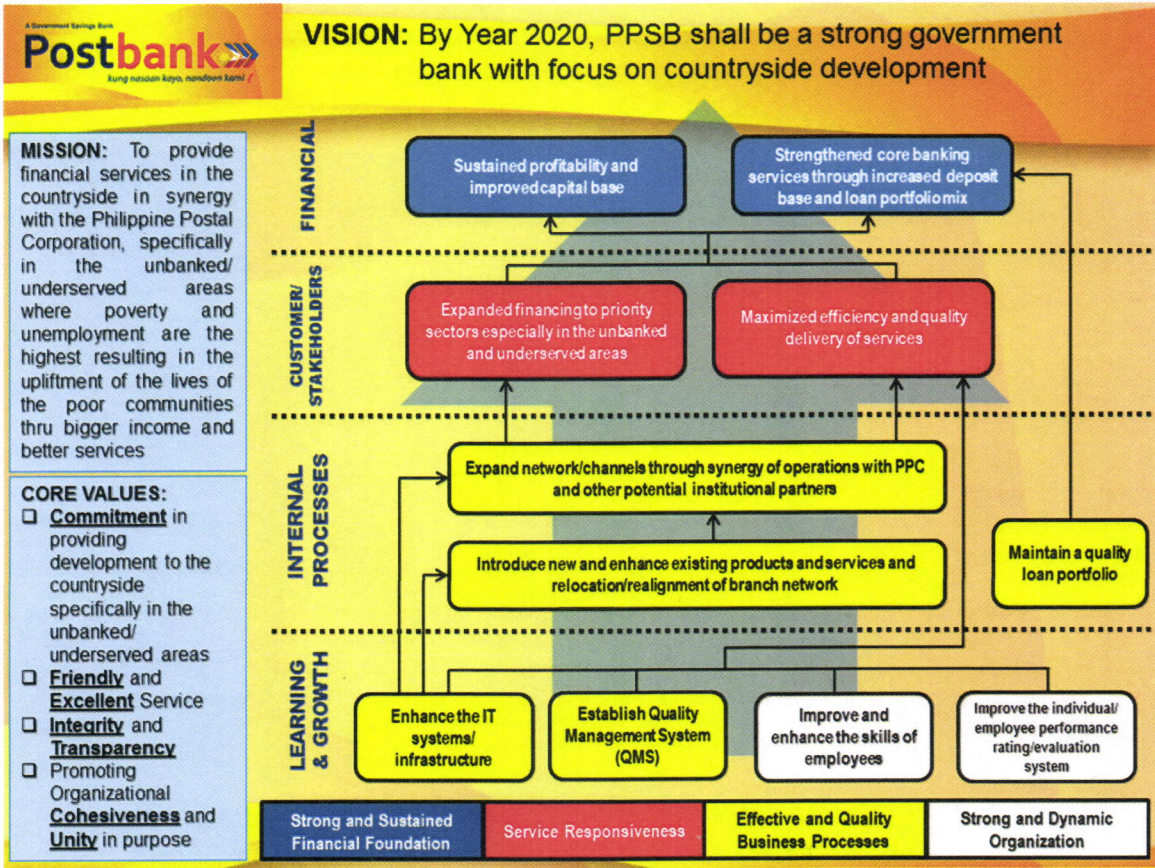
JAY B.T. LACSAMANA
Board Member



FIDEL A. BUGAYONG
Board Member



PHILIPPINE POSTAL SAVINGS BANK, INC.
STRATEGY MAP



PHILIPPINE POSTAL SAVINGS BANK, INC.

Component					Baseline		Renegotiated Target
Objective/Measure			Weight	Rating Scale	2013	2014	2015
FINANCIAL	SO 1	Sustained Profitability and Improved Capital Base					
	SM 1	Amount of Net Profit	15%	Actual / Target x Weight	₱64.43 Mn	₱123.14 Mn	₱100 Mn
	SM 2	Amount of Capital	10%	Actual / Target x Weight	₱655.75 Mn	₱975.56 Mn	₱1,100 Mn
	SO 2	Strengthened Core Banking Services Through Increased Deposit Base and Loan Portfolio					
	SM 3	Amount of Total Deposits	10%	Actual / Target x Weight	₱6,385.76 Mn	₱7,956.44 Mn	₱8,400 Mn
	SM 4	Percentage of Small Private Depositors (below ₱15,000)	5%	No. of Small Private Depositors/ Total No. of Depositors Actual/ Target x Weight	n/a	n/a	90 %
	SM 5	Amount of Total Loans	10%	Actual/ Target x Weight	₱4,419.32 Mn	₱5,729.83 Mn	₱5,800 Mn
	Sub-Total		50%				

Figure 1. Selected

Component				Baseline		Renegotiated Target	
Objective/Measure		Weight	Rating Scale	2013	2014	2015	
STAKEHOLDERS	SO 3	Expanded Financing to Priority Sectors Especially in the Unbanked and Underserved Areas					
	SM 6	Amount of Loans to Small and Medium Enterprises (SMEs) and Microfinance	7.5%	Actual/ Target x Weight	₱450.25 Mn	₱798.63 Mn	₱850 Mn
	SM 7	Amount of Loans to Local Government Units (LGUs)	7.5%	Actual/ Target x Weight	₱537.57 Mn	₱496.45 Mn	₱600 Mn
	SO 4	Maximized Efficiency and Quality Delivery of Services					
	SM 8	Satisfaction Rating	5%	No. of Satisfied Clients/ Total No. of Clients Surveyed Actual/ Target x Weight	n/a	n/a	80%
	Sub-Total		20%				

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Component				Baseline		Renegotiated Target	
Objective/Measure		Weight	Rating Scale	2013	2014	2015	
INTERNAL PROCESS	SO 5	Expand Networks/Channels Through Synergy of Operations with PPC and Other Potential Institutional Partners					
	SM 9	No. of Service Networks					
		MFUs with Extension Offices in Post Offices and LGUs	4%	Actual/ Target x Weight	n/a	n/a	Additional 4
	SM 10	Operating Targets of 6 Micro-Banking Offices (MBOs)					
		[A] Total MBO Deposits	2%	Actual/ Target x Weight	n/a	₱2.82 Mn	₱2.00 Mn
		[B] Total MBO Loan Releases	2%	Actual/ Target x Weight	n/a	₱25.09 Mn	₱20.00 Mn
		[C] No. of Beneficiaries	2%	Actual/ Target x Weight	n/a	746	1,000

Component					Baseline		Renegotiated Target
Objective/Measure			Weight	Rating Scale	2013	2014	2015
INTERNAL PROCESS		[D] Portfolio at Risk (PAR-30 days)	2%	100% - [(Actual – Limit)/ Limit]	n/a	1.03%	6.00%
	SO 6	Introduce New and Enhance Existing Products and Services and Relocation/Realignment of Branch Network					
	SM 11	No. of New Products Introduced	2%	Actual/ Target x Weight	n/a	n/a	Additional 2 (Remittance and POS)
	SM 12	No. of Existing Products Improved	2%	Actual/ Target x Weight	n/a	n/a	Additional 2 (Housing and Salary Loans)
	SO 7	Maintain a Quality Loan Portfolio					
	SM 13	Non-Performing Loans (NPL) Ratio – Net	2%	Amount of NPL over Total Loan Portfolio 100% - [(Actual – Limit) / Limit]	2.33%	3.13%	2.50%

Component					Baseline		Renegotiated Target
Objective/Measure			Weight	Rating Scale	2013	2014	2015
	SM 14	Past Due Ratio	2%	100% - [(Actual – Limit) / Limit]	10.49%	9.20%	10.00%
	Sub-Total		20%				
LEARNING AND GROWTH	SO 8	Enhance the IT Systems/infrastructure					
	SM 15	Automation of Processes	2.5%	All or Nothing	LMS and GL	Procured CASA Project (Signed Contract)	[a] CASA – 56% ¹ [b] POS – 100% ²
	SO 9	Establish Quality Management System (QMS)					
	SM 16	ISO Certification 9001:2008	2.5%	All or Nothing	n/a	n/a	ISO Certified (Head Office, 3 branches and 6 MBOs)
	SO 10	Improve and Enhance the Skills of Employees					

¹ Target completion based on the TOR/ Project Plan/ Contract of Work

² 100% - Go Live

Component					Baseline		Renegotiated Target
Objective/Measure			Weight	Rating Scale	2013	2014	2015
	SM 17	Competency Framework	5%	All or Nothing	n/a	n/a	Establish an initial Competency Matrix
Sub-Total			10%				
Total			100%				

PHILIPPINE POSTAL SAVINGS BANK, INC.

Component					Baseline			Target
Objective/Measure			Weight	Rating Scale	2013	2014	2015 ¹	2016
FINANCIAL	SO 1	Sustained Profitability and Improved Capital Base						
	SM 1	Amount of Net Profit	15%	Actual / Target x Weight	₱64.43 Mn	₱123.14 Mn	₱134.71 Mn	₱100 Mn
	SM 2	Amount of Capital	10%	Actual / Target x Weight	₱655.75 Mn	₱975.56 Mn	₱1,080.64 Mn	₱1,200 Mn
	SO 2	Strengthened Core Banking Services Through Increased Deposit Base and Loan Portfolio						
	SM 3	Amount of Total Deposits	5%	Actual / Target x Weight	₱6,385.76 Mn	₱7,956.44 Mn	₱10,765.26 Mn	₱8,000.00 Mn
	SM 4	Amount of Private Deposits	5%	Actual / Target x Weight	₱2,295.00 Mn (36% of total)	₱2,790.40 Mn (35% of total)	₱3,889.49 Mn (36% of total)	50% of total deposits
	SM 5	Percentage of Small Private Depositors (below ₱15,000)	5%	No. of Small Private Depositors/ Total No. of Depositors Actual/ Target x Weight	n/a	n/a	83.8%	90%
	SM 6	Amount of Total Loans	10%	Actual/ Target x Weight	₱4,419.32 Mn	₱5,729.83 Mn	₱6,415.01 Mn	₱5,800 Mn
	Sub-Total		50%					

Component					Baseline			Target
Objective/Measure			Weight	Rating Scale	2013	2014	2015 ¹	2016
STAKEHOLDERS	SO 3	Expanded Financing to Priority Sectors Especially in the Unbanked and Underserved Areas						
	SM 7	Amount of Loans to Small and Medium Enterprises (mSMEs) and Microfinance	7.5%	Actual/ Target x Weight	₱450.25 Mn	₱798.63 Mn	₱998.80 Mn	₱850.00 Mn
	SM 8	Amount of Loans to Local Government Units (LGUs)	7.5%	Actual/ Target x Weight	₱537.57 Mn	₱496.45 Mn	₱469.89 Mn	₱400.00 Mn
	SO 4	Maximized Efficiency and Quality Delivery of Services						
	SM 9	Satisfaction Rating	5%	No. of Satisfied Clients/ Total No. of Clients Surveyed Actual/ Target x Weight	n/a	n/a	97%	80% (Third Party Conducted Survey)
	Sub-Total		20%					

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Component				Baseline			Target
Objective/Measure		Weight	Rating Scale	2013	2014	2015 ¹	2016
INTERNAL PROCESS	SO 5	Expand Networks/Channels Through Synergy of Operations with PPC and Other Potential Institutional Partners					
	SM 10	No. of Service Networks					
		MFUs with Extension Offices in Post Offices and LGUs	4%	Actual/ Target x Weight	n/a	n/a	Additional 4
	SM 11	Operating Targets of 6 Micro-Banking Offices (MBOs)					
		[A] Total MBO Deposits	2%	Actual/ Target x Weight	n/a	₱2.82 Mn	₱8.12Mn
		[B] Total MBO Loan Releases	2%	Actual/ Target x Weight	n/a	₱25.09 Mn	₱82.99 Mn
		[C] No. of Beneficiaries	2%	Actual/ Target x Weight	n/a	746	1,397

Component					Baseline			Target
Objective/Measure			Weight	Rating Scale	2013	2014	2015 ¹	2016
		[D] Portfolio at Risk (PAR-30 days)	2%	100% - [(Actual – Limit)/ Limit]	n/a	1.03%	8.79%	5.00%
INTERNAL PROCESS	SO 6	Introduce New and Enhance Existing Products and Services and Relocation/Realignment of Branch Network						
	SM 12	No. of New Products Introduced	2%	Actual/ Target x Weight	n/a	n/a	Additional 2 (Remittance and POS)	Additional 1 (Cash Card)
	SM 13	No. of Existing Products Improved	2%	Actual/ Target x Weight	n/a	n/a	Additional 2 (Housing and Salary Loans)	Expansion of POS: 10 additional locations with POS installed
	SO 7	Maintain a Quality Loan Portfolio						
	SM 14	Non-Performing Loans (NPL) Ratio – Net	2%	Amount of NPL over Total Loan Portfolio 100% - [(Actual – Limit) / Limit]	2.33%	3.13%	3.94%	3.50%

Component					Baseline			Target
Objective/Measure			Weight	Rating Scale	2013	2014	2015 ¹	2016
	SM 15	Past Due Ratio	2%	100% - [(Actual – Limit) / Limit]	10.49%	9.20%	7.20%	10.00%
		Sub-Total	20%					
LEARNING AND GROWTH	SO 8	Enhance the IT Systems/infrastructure						
	SM 16	Automation of Processes	2.5%	All or Nothing	LMS and GL	Procured CASA Project (Signed Contract)	[a] CASA – 57% [b] POS – 100%	CASA – 100%
	SO 9	Establish Quality Management System (QMS)						
	SM 17	ISO Certification 9001:2008	2.5%	All or Nothing	n/a	n/a	ISO Certified (Head Office, 3 branches and 6 MBOs)	ISO Certified (remaining 22 branches)

Component				Baseline			Target
Objective/Measure		Weight	Rating Scale	2013	2014	2015 ¹	2016
SO 10	Improve and Enhance the Skills of Employees						
SM 18	Competency Framework	5%	All or Nothing	n/a	n/a	Establish an initial Competency Matrix	Establish baseline for Competency Level
Sub-Total		10%					
Total		100%					

¹ December 2015 Tentative Actual

Patricia T. J. J. J.

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