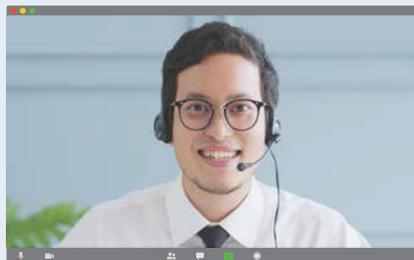
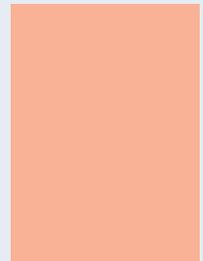
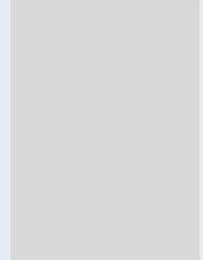


# MANAGING IN THE NEW NORMAL



2020  
ANNUAL  
REPORT



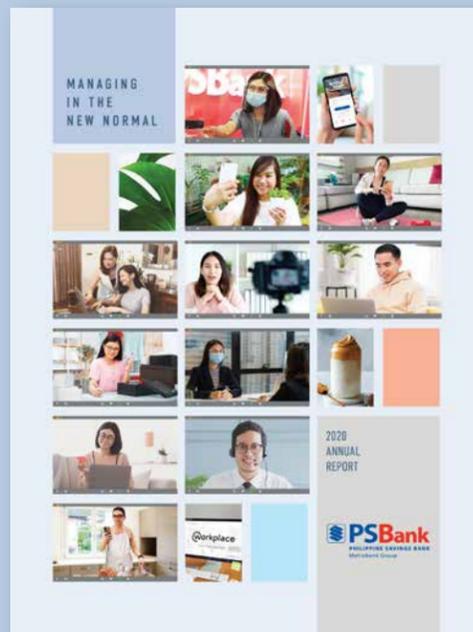
 **PSBank**  
PHILIPPINE SAVINGS BANK  
Metrobank Group

## ABOUT THE THEME

### Managing in the New Normal

The coronavirus (COVID-19) pandemic has dramatically and irreversibly changed, not just the way we live, but also the way we bank. This unprecedented crisis is ushering in a “new normal,” with digital technology playing a pivotal role. Those previously reluctant to embrace technology now find themselves thrust into a relationship with their laptops or mobile phones for work, education, health care, commercial transactions, and social interactions.

At PSBank, putting the customer first has always been at the heart of our business strategy. Even before the pandemic, we have already been embarking on digital initiatives that would make every customer journey simple and *maasahan* (reliable). This pandemic only deepened our commitment to keep up with the new breed of “always-connected” customers and to deliver an unmatched customer experience thus helping them navigate through the new normal realities.



## CONTENTS

01	About PSBank
02	Message from the Chairman
06	President's Report
10	Financial Highlights
12	Digital Ready
16	Safety First
20	Employee & Customer Engagement
22	Sustainability Commitment
26	Risk Management
31	Audit Committee Report
32	Corporate Governance
47	Table of Organization
48	Board of Directors
50	Directors' Profiles
52	Senior Officers
58	Products and Services
60	Shareholders Information



### Vision:

To be the country's consumer and retail bank of choice.

### Mission:

- As an INSTITUTION: To conform to the highest standards of integrity, professionalism and teamwork.
- For our CLIENTS: To provide superior products and reliable, top-quality services responsive to their banking needs.
- For our EMPLOYEES: To place a premium on their growth, and nurture an environment of teamwork where outstanding performance is recognized.
- For our SHAREHOLDERS: To enhance the value of their investments.

## ABOUT PSBANK

Philippine Savings Bank (PSBank) is the thrift banking arm of the Metrobank Group, one of the largest financial conglomerates in the Philippines. It offers deposit and consumer loan products to retail customers and small and medium enterprises through various channels.

### History

The Bank traces its roots to a small neighborhood bank on the historic Plaza Miranda in Quiapo, Manila, formerly the country's commercial hub. From September 26, 1960, when it first opened its doors to the public, PSBank is now the second largest thrift bank in the Philippines, with Php219.41 billion in assets as of 2020.

Since it started its consumer banking business, customer service and innovation have always been PSBank's keystones. The Bank takes pride in being the first bank in the country to offer banking-by-mail and online electronic data system. It also pioneered ATM Lock/Unlock, Cardless Withdrawal, Mobile Check Deposit, and PayMe among others. Its track record of accessibility, convenience, and service quality earned the Bank the reputation of being the best in providing exceptional customer experience.

### Delivery Channels

Six decades later, PSBank continues to provide products and services that are simple and *maasahan* (reliable).

Through its network of 250 branches and 535 ATMs strategically located nationwide, it offers 24/7 banking services through PSBank Mobile and PSBank Online. Customers can also reach the Bank through its Customer Experience Hotline, PSBank LiveChat, ISSA Chatbot, and PSBank Official accounts on social media.



**JOSE T. PARDO**

CHAIRMAN

Message from the Chairman

## Making ‘Copability’ Our New Normal

Around this time in 2020, terms such as “lockdown,” “enhanced community quarantine,” “social distancing,” “health protocols,” and “mask mandates” became part of our everyday vocabulary. In just a quarter, life as we know it got upended because of the novel coronavirus (COVID-19).

This compounded what was already a difficult year for the Philippine economy. The eruption of Taal volcano, and the string of strong typhoons Rolly, Ulysses, and Quinta have caused devastation on lives, property, and agriculture. The COVID-19 outbreak in China, however, was the straw that broke the camel’s back. Not only did it weaken the world’s second-biggest economic powerhouse and disrupted supply chains, the pandemic has also “triggered a global crisis like no other – a global health crisis that, in addition to an enormous human toll, is leading to the deepest global recession since the Second World War,” according to the World Bank.<sup>1</sup>

In my more than 60 years in business, I have not been witness to a crisis of such an unimaginable scale as this. COVID-19 has shaken the Philippines to its core. What used to be one of the fastest-growing economies in the region contracted by 9.5% in 2020 — its worst performance since the country started releasing growth data in 1947 after World War II.<sup>2</sup>

<sup>1</sup> <https://www.worldbank.org/en/news/press-release/2020/06/08/covid-19-to-plunge-global-economy-into-worst-recession-since-world-war-ii>

<sup>2</sup> <https://asia.nikkei.com/Economy/Philippines-GDP-shrinks-9.5-in-2020-worst-since-1947>

“Thanks to our heavy investment in digitalization and data analytics over the years, we were able to keep our channels open and accessible to our customers.”



While the government is forecasting a strong comeback in 2021, we remain cautious and realistic on our outlook. Being in the consumer banking business, PSBank’s growth is anchored primarily on consumer confidence. At this point, no amount of science can accurately predict when this will be restored. While COVID-19 vaccines have started to trickle into our country, we are not yet over the hump. Recovery — no matter what shape or form — will surely be slow in coming.

Despite the new situation we find ourselves in, we are most proud of one ability that PSBank has exhibited during this difficult time. This is what I call ‘copability’ — the ability to quickly cope and adapt to change. While this has always been in PSBank’s genetic makeup, it is only during the pandemic that we were able to successfully demonstrate how we turned this into an effective strategy.

About a decade ago, we envisioned a bank of the future that will no longer require human contact when a customer goes to a branch, opens an account, or carries out deposit or withdrawal transactions. PSBank has already introduced self-service processes in its online portal and mobile phone applications even before COVID-19 made them a must-have.

Thanks to our heavy investment in digitalization and data analytics over the years, we were able to keep our channels open and accessible to our customers while ensuring that our employees are safe and productive while shifting to a work from home environment. We have managed to stay close to our customers even as we observe social distancing protocols. We found innovative ways to continue to listen and respond to their needs amid the lockdown restrictions.

We hold no illusion, however, that we have found the nirvana to every customer’s heart. Even as we have built our digital capabilities and data-driven processes over the years, the pandemic has drastically changed the ballgame. Now we ask: are the data we mined still accurate in the post-pandemic world? Will our channels stay relevant?

As the economic fallout from the pandemic spreads, we at PSBank must be able to plan and prioritize our resources well while also recalibrating for the future. Now more than ever, we need to read the signs of the times and keep a close eye on issues that will redefine our fate. Market forces and customer behaviors can potentially change as we emerge from this crisis.

Yet even as business models and the customer journey dramatically evolve, we at PSBank will continue to grow our ‘copability’ and resilience to pandemic-proof our business in the coming years.

This pandemic is a unique inflection point for PSBank to create more exciting opportunities ahead.

On behalf of the Board of Directors, which I have the honor of serving as Chairman since 2002, I would like to thank all PSBankers for their dedication during this most trying time in all our lives, and especially in the past year. Without your commitment, passion, and willingness to work (even from home) for the success of our customers, your Bank would not be where it is today. Allow me to sincerely thank, too, our loyal customers and shareholders for their continued trust and confidence in PSBank. We hope this pandemic has all the more strengthened your conviction and patronage of our Bank.

**Jose T. Pardo**  
Chairman



**JOSE VICENTE L. ALDE**

PRESIDENT

President's Report

## Managing to Stay Ahead in the New Normal

2020 will be marked in PSBank's 60-year history as the most challenging year. Never did we imagine that a coronavirus of global pandemic proportions would reverse the country's economic gains and force many businesses to be in a survival mode.

But while there were immediate challenges in our operating environment, we turned the COVID-19 health crisis as an opportunity for PSBank to further strengthen our internal systems, as well as to differentiate ourselves by making every customer journey simple and memorable using digital technology.

### **Opportunity to demonstrate our digital capabilities**

We are dedicated to always be there for our customers, especially in trying times as these when we are most needed. Thus, we made it a priority to provide payment relief on consumer and business loans, waived fees for PaSend and interbank transfers via InstaPay and PESONet, and ensure that all our 250 branches remained open and cash is available in all our ATMs, to help customers deal with the economic and business impact of the pandemic.

We also recognized that in times of uncertainty, customers need a bank that understands them better and make their life stress-free, especially as they adjust to the new ways of working and banking. Even before the pandemic, we were already making headway with industry-first innovations such as the PSBank Mobile Check Deposit and other digital strategies that allow our customers to transact without going to our branches. The pandemic gave us an opportunity to demonstrate our digital capabilities even more.



“The global pandemic served as our stage to demonstrate what we can do, as well as a sneak peek into what else we can do — to help our customers, employees, and partners manage in the New Normal.”

In 2020, we added two more powerful features on our mobile app. Using their mobile devices, customers can now book time deposits as well as use the QR (quick response) code for faster and more convenient transactions. To ensure the safety and convenience of our borrowers, we also made settlement of PSBank loans via InstaPay available.

As we further strengthened our digital platforms and made them reliable, we saw the exponential rise in demand for our digital banking services. Proof that we were successful in delivering relevant and simple solutions for the customer, our digital enrolments and utilization soared by 56% and 143%, respectively, in 2020.

#### Opportunity to engage our employees

One of the vital lessons the pandemic has taught us is that our business is only as good as the people we keep. Not only does this refer to the quality of their skills and talent, but also to their health and well-being.

When lockdown restrictions were enforced by the government, the safety of our employees and customers became more paramount. We rapidly implemented safety and hygiene

protocols and invested in physical installations that prevent the spread of the virus in our Head Office and branches. Due to the lack of available public transportation during the ECQ, we provided P2P (point-to-point) shuttle service to our own frontliners. Our employees also took the initiative to offer ride sharing through the PSBiyaHERO.

We also quickly shifted to a work from home environment even as our IT people pulled all the stops to ensure everyone is safe, connected, and still productive. Fortunately, even before the pandemic, our employees are already used to engaging through social media tools that allow for faster and easier transmission of information, communication, and collaboration. The pandemic only gave rise to increased utilization of our enterprise social media: Workplace by Facebook.

#### Opportunity to serve our community

Among the lessons that came out of the pandemic, perhaps the most enduring is that it showed how interconnected and interdependent we are in the world. And if we are to rise and rebuild, we must do our part in making this world stronger, more equitable, and sustainable.

Our PSBankers demonstrated they are a force for good by launching an initiative called PSBayanihan. Employees from around the country pooled funds to provide monetary donations, goods, as well as volunteered their time to assist fellow employees and those affected by the typhoons, the Taal volcano eruption, and the pandemic in 2020.

#### Opportunity to ‘pandemic-proof’ our operations

Throughout the year, we have pursued our digital transformation roadmap by delivering on what is relevant and simple for the customer. We have also fully harnessed data to ensure asset quality in anticipation of emerging risks.

Our financial performance in 2020 reflects the continuing strength of our balance sheet and capitalization, and our determination to stay resilient amid the pandemic-induced challenges.

The Bank grew its operating income by 31% to PhP7.45 billion in 2020 from a year ago. This enabled us to set aside additional loan loss provisions three times over to PhP6.40 billion, bringing our net income to PhP1.108 billion. Gross revenues were 13% higher at PhP16.57 billion.

While consumer loans were down due to the slump in overall consumer spending, our net interest income rose by 21% to PhP13.75 billion, thanks to the significant growth in low-cost CASA deposits by 16%

to PhP67.25 billion, as well as the decline in the interest on term deposits. To achieve operational efficiency, we managed to keep operating expenses in check, increasing by only 2%.

#### Sixty years strong

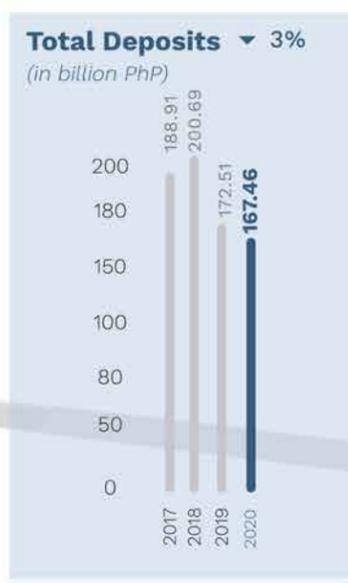
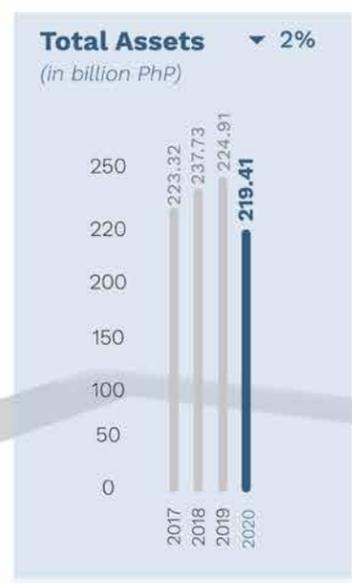
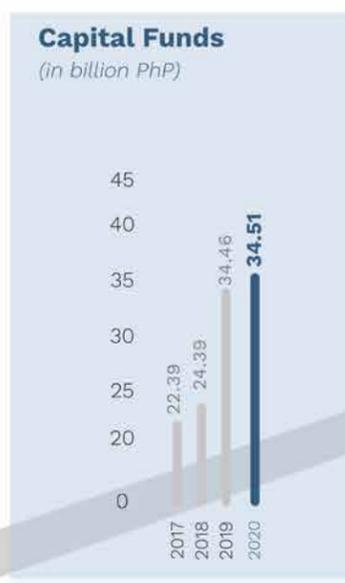
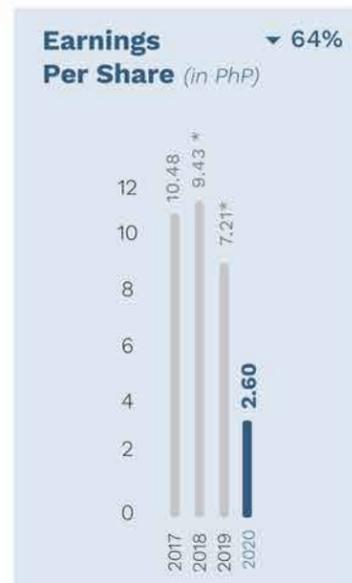
While 2020 was a year that presented unprecedented challenges, it was a pivotal year for PSBank as it marked its 60th anniversary. From a small neighborhood bank in Quiapo, we have grown to become a leading savings bank that is immensely entrepreneurial, agile, adaptive, and innovative. The global pandemic served as our stage to demonstrate what we can do, as well as a sneak peek into **what else we can do** — to help our customers, employees, and partners manage in the New Normal.

My heartfelt thanks to all of you for putting your trust in our capabilities. We remain hopeful that 2021 will be a much better year if we do not lose sight of our focus on health and safety.

**Jose Vicente L. Alde**

President

# FINANCIAL HIGHLIGHTS



\*Restated to show the effect of stock dividends in 2020

## STATEMENTS OF CONDITION (in PhP)

	December 31 2020	December 31 2019	December 31 2018	December 31 2017
<b>ASSETS</b>				
Cash and Other Cash Items	35,992,302,289	10,235,321,035	20,615,077,767	19,370,749,882
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	5,445,979,370	-	1,891,820,000	1,842,023,049
Investments	23,795,282,132	39,009,406,957	48,588,473,810	46,765,446,014
Loans and Receivables	142,524,344,524	164,384,202,213	156,260,362,775	144,964,513,221
Investment in a Joint Venture	705,476,563	755,781,369	691,425,681	607,162,821
Property and Equipment	3,089,814,582	3,312,836,126	2,257,379,905	2,480,012,354
Investment Properties	3,585,971,956	3,765,748,696	4,036,317,716	3,930,317,479
Other Assets	4,274,430,823	3,443,524,794	3,388,434,384	3,363,817,804
	<b>219,413,602,239</b>	<b>224,906,821,190</b>	<b>237,729,292,038</b>	<b>223,324,042,624</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Deposit Liabilities	167,464,310,096	172,505,110,160	200,687,939,383	188,913,401,607
Bills Payable	-	4,189,736,932	2,968,567,431	1,492,418,518
Bonds Payable	10,902,456,911	6,254,701,780	-	-
Subordinated Notes	-	-	2,981,673,382	2,978,997,695
Other Liabilities	6,536,106,830	7,499,998,855	6,696,963,632	7,545,900,637
	<b>184,902,873,837</b>	<b>190,449,547,727</b>	<b>213,335,143,828</b>	<b>200,930,718,457</b>
<b>Equity</b>				
Common Stock	4,268,594,160	3,831,094,160	2,402,524,910	2,402,524,910
Capital Paid in Excess of Par Value	11,418,563,257	9,287,650,873	2,818,083,506	2,818,083,506
Surplus Reserves and Surplus	19,594,705,443	22,306,758,913	20,427,749,521	18,132,449,405
Fair Value Reserves on Financial Assets at FVOCI	13,058,180	(18,931,431)	(782,896,279)	(411,510,218)
Remeasurement Losses on Retirement Plan	(726,238,329)	(937,954,589)	(470,611,677)	(545,392,541)
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture	(1,285,176)	941,681	3,131,435	1,245,144
Equity in Hedge Reserves of a Joint Venture	(35,097,280)	-	-	-
Cumulative Translation Adjustment	(21,571,852)	(12,286,144)	(3,833,206)	(4,076,039)
	<b>34,510,728,403</b>	<b>34,457,273,463</b>	<b>24,394,148,210</b>	<b>22,393,324,167</b>
	<b>219,413,602,239</b>	<b>224,906,821,190</b>	<b>237,729,292,038</b>	<b>223,324,042,624</b>

## STATEMENTS OF INCOME (in PhP)

Years ended December 31	2020	2019	2018	2017
Interest Income	17,317,905,086	17,412,487,728	16,373,976,976	14,543,776,800
Interest Expense	3,564,952,487	6,053,619,403	5,042,026,680	3,464,677,418
Net Interest Income	13,752,952,599	11,358,868,325	11,331,950,296	11,079,099,382
Net Service Fees and Commission Income	1,257,384,725	1,863,504,377	1,625,637,759	1,375,774,149
Other Operating Income	1,559,164,633	1,379,839,143	1,240,991,855	1,434,248,690
Total Operating Income	16,569,501,957	14,602,211,845	14,198,579,910	13,889,122,221
Other Expenses	15,519,051,878	11,129,338,845	11,309,215,373	11,039,478,119
Share in Net Income of a Joint Venture	40,299,304	105,905,423	82,376,569	71,836,533
Provision for Income Tax	(17,462,895)	550,440,783	309,595,240	267,061,507
<b>Net Income</b>	<b>1,108,212,279</b>	<b>3,028,337,640</b>	<b>2,662,145,866</b>	<b>2,654,419,128</b>

## Profitability (vs. 2019)

Total Net Interest Income  
▲ 21.1% to PhP 13,752,952,599

Total Non-Interest Income  
▼ 13.2% to PhP 2,816,549,358

Total Non-Interest Expenses  
▲ 2.3% to PhP 9,121,792,492

Pre-Provision Profit  
▲ 30.9% to PhP 7,447,709,465

Provision for Credit and Impairment Losses\*  
▲ 188.8% to PhP 6,397,259,386

Share in Net Income of a Joint Venture  
▼ 61.9% to PhP 40,299,304

Provision for Income Tax  
▼ 103.2% to PhP (17,462,895)

Net Income  
▼ 63.4% to PhP 1,108,212,279

\*Allowance for credit losses (MORB Appendix 125)

## Selected Ratios

Return on Equity (ROE)  
2020 - 3.21%  
2019 - 10.29%

Return on Assets (ROA)  
2020 - 0.50%  
2019 - 1.31%

Capital Adequacy Ratio  
2020 - 19.42%  
2019 - 17.76%

## Per Common Share Data (vs. 2019)

Net Income per Share  
Basic  
▼ 64% to PhP 2.60

Diluted  
▼ 64% to PhP 2.60

Book Value  
▼ 1.4% to PhP 80.85

## Selected Balance Sheet Data (vs. 2019)

Gross Loans  
▼ 12.8% to PhP 143,146,451,935

Total Assets  
▼ 2.4% to PhP 219,413,602,239

Deposits  
▼ 2.9% to PhP 167,464,310,096

Total Equity  
▲ 0.2% to PhP 34,510,728,403

## Others

Total Cash Dividends Declared  
2020 PhP 1,247,765,748  
2019 PhP 1,149,328,248

## Headcount (vs. 2019)

Officers  
▼ 18% to 1,146

Staff  
▼ 8% to 1,768

## DIGITAL READY



## Digital is the 'New Normal'

The COVID-19 global pandemic has permanently changed our way of life and how we work. Technology plays a central role in this new reality. Today, more people rely on their gadgets and internet connectivity than ever before. Never has technology served as a lifeline to avoid the risk of exposure to the virus as well as to deal with lockdown restrictions.

Even before the pandemic, PSBank has already recognized the need to continuously redefine the customer journey and improve on overall customer experience across all touchpoints. Over the years, it has been unveiling digital innovations such as the local industry's first ATM Lock, Cardless Withdrawal, and Mobile Check Deposit to keep in step with evolving customer behavior and needs.

The prolonged community quarantine has made easy and secure access to banking services 24/7 a must-have.

To help customers adjust to this new environment, PSBank made its mobile app more powerful by adding robust features, strengthening security protocols, and ensuring close to if not 100% availability at all times in 2020.

Using the PSBank Mobile App, customers can pay their bills, transfer funds, apply for a loan, and deposit a check, to name a few. In 2020, customers were introduced to a new way of "pandemic-proofing" their hard-earned money: through the **PSBank Mobile Time Deposit (TD) placement**. They can open peso time deposits at the comfort of their own home, 24/7. With just a few taps on



their mobile phone, they can already invest their excess funds, enjoy rates higher than in traditional savings accounts, and gain guaranteed fixed-rate returns even while on lockdown.

Another added feature to the PSBank Mobile App is the **PSBank QR function** that simplifies and secures person-to-person payments or fund transfers. This not only allows people to move their money with ease and flexibility, but also reduces human error when typing long and confusing account information. With a few clicks, customers can scan or upload QR codes to send funds to PSBank and other QRPh participating bank accounts. They may also generate their own QR code so they can use it to receive funds or payments from others. They can save the QR code in their mobile phone for future transactions. The waiver of interbank fund transfer

fees via InstaPay for the most part of 2020 has helped in promoting the use of QR among customers.

PSBank demonstrated these benefits in a social media campaign called **Tap, Tap, Tapos, Agad** in 2020. The campaign conveyed the Bank's commitment to empowering customers to bank wherever and whenever they are without the need for physical contact or presence at the branch. It also further highlighted the simplicity, seamlessness, and intuitiveness of the user interface and user experience (UI/UX) of the PSBank Mobile App.

To further ensure their safety by avoiding the need to visit the branch, PSBank also enabled customers to **pay their business and consumer loans using their mobile phone**.

DIGITAL READY



Using InstaPay, borrowers can transfer real-time the loan payment from their online or mobile account in other banks to their 15-digit loan account number with PSBank to pay for their PSBank Auto Loans, PSBank Home Loans, PSBank Flexi Personal Loans, and PSBank Business Loans.

Since the start of the pandemic, PSBank has seen an exponential rise in the use of its digital banking services. While the Bank has always been digital ready, it further fortified its digital capabilities to keep up with customers' new demands due to restrictions on mobility.

Customer queries used to be handled by call center agents are now managed by a chatbot facility called **ISSA**. This interactive chatbot software application provides PSBank customers easy access and quick responses to loan inquiries. Online chat conversations with ISSA can be carried out on PSBank's Facebook page.

The Bank also saw the need to upgrade its F5 server to accommodate the growing demand for its digital applications. It also rolled out various automation projects to manage the rise in transaction volume, improve turnaround time and customer experience, strengthen internal controls, among others.



As the pandemic rages and lockdown restrictions continue to be enforced, there will be new patterns of customer behavior as well as new challenges. PSBank will remain on the lookout for

these emerging realities as it further strengthens its digital capabilities to make them even more reliable, relevant, and simple for its customers.



**Peso Time Deposits via Mobile**  
(Launched June 2020)

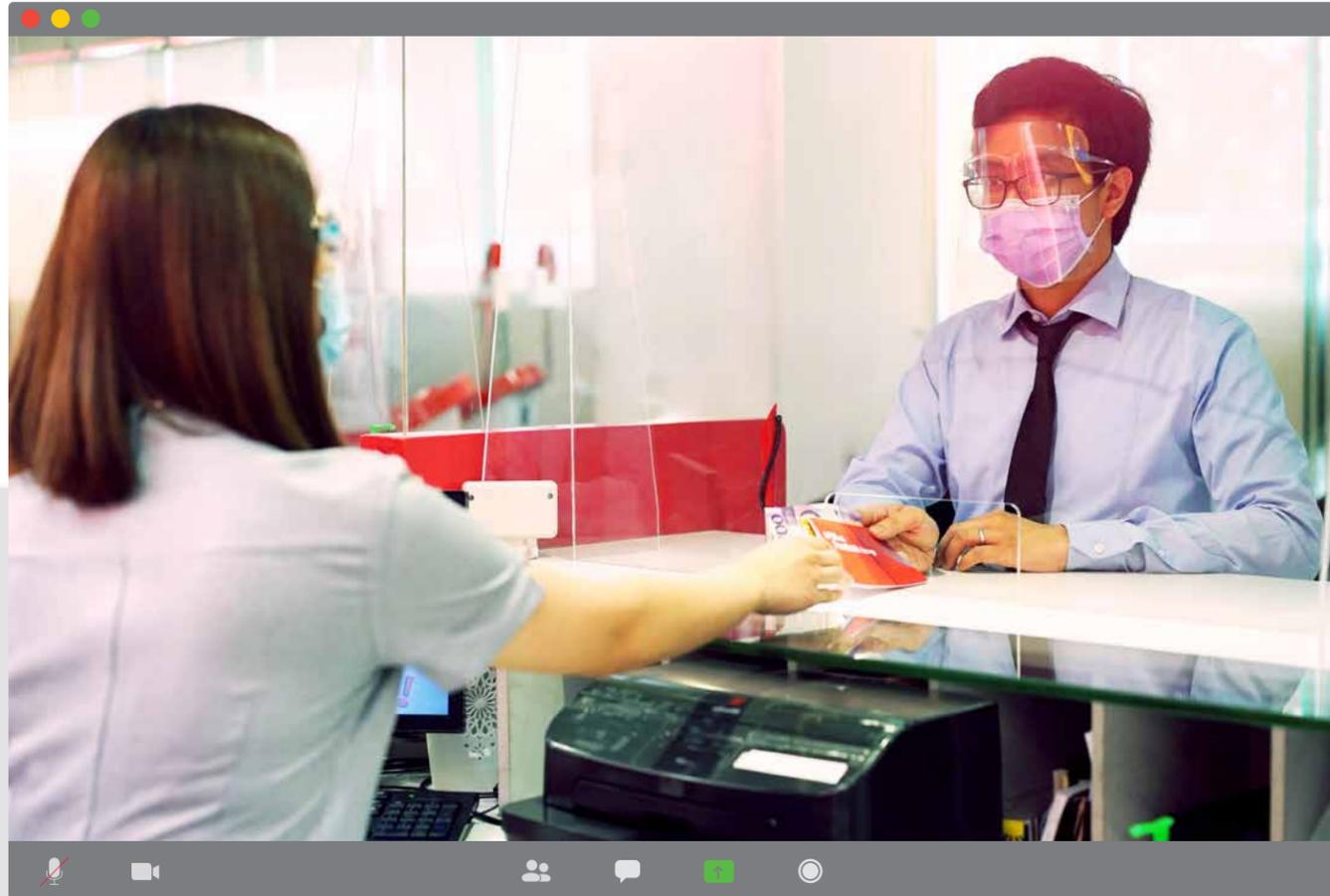
- **PhP150 Million** volume and **3,412** accounts booked in 6 months
- **Zero** service complaints



**QR Code for Fund Transfers**  
(Launched July 2020)

- **20,890** monthly average QR-enabled transactions
- Peak of **67,000** QR transactions in November 2020

SAFETY FIRST



## Managing ‘Business Unusual’

As an essential business, banks were allowed to continue their operations during the community quarantine in 2020. However, they needed to ensure a safe environment for their customers as well as their own workforce.

This poses a challenge as banking has always been a relationship business. While the spread of COVID-19 has limited face-to-face interactions, PSBank had taken steps to ensure that customers can still access the services they need while ensuring that employees stay safe and protected against the virus.

Its branches serve as PSBank’s frontline. In 2020, the Bank kept nearly all of its 250 branches open and ready to serve

customers. All contact points — branches, office facilities, ATMs — are sanitized regularly. Acrylic panels in areas where customer interactions happen were also installed. PSBank mounted information campaigns and put logistics in place so its customers and personnel can strictly adhere to health and safety protocols: putting hand sanitizers at the entrance and counters, temperature monitoring, foot bath, reminders to wear masks and face shields, requiring health declaration forms daily.

The Bank heavily promoted “safe banking from home” so customers can continue to do their banking transactions by using the powerful, seamless, and intuitive functionalities of the PSBank Mobile App and online banking channels even



during the lockdown. To encourage the shift to these digital platforms and offer financial relief to customers, it waived fund transfer fees via InstaPay, PESONet, and PaSend, a cash remittance feature in the PSBank Mobile App, from March 2020 to the end of the second quarter of 2021. It also ensured its mobile and online banking services were always available and capable of processing customer requests fast. This was despite the country’s slow internet connection which was further challenged by the unexpected rise in digital transactions.

To ensure the safety and protection of its entire workforce, PSBank has tasked a COVID-19 Management Team to enforce its comprehensive COVID-19 Prevention and Control Measures and Protocols, 24/7. The team has a dedicated Flu Manager, Safety Officers, and Occupational Health and Safety Committee members. It regularly releases COVID-19 and mental health advisories and developed a video so employees constantly observe these health and safety protocols in the organization. The Bank also required swab testing for its employees and dedicated a holding area for those found positive of COVID-19. A full-service medical staff also attends to employees’ needs at the PSBank Clinic.

When the ECQ was implemented nationwide, PSBank quickly shifted gears to make sure the pandemic will have minimal disruption to its operations and customer experience will not be compromised even with the lockdown restrictions.

It adopted an Agile setup which included Work-from-Home (WFH) arrangements and reporting to alternate/backup sites or satellite stations. During the Enhanced Community Quarantine, it limited the number of people who can work onsite. Essential teams or those needed to work onsite were allowed flexible working hours and provided with laptops with VPN access, as well as transportation and meal allowances during the ECQ.



## SAFETY FIRST



Employees doing remote work were given Secure Sockets Layer (SSL) so they can access systems even without work-issued laptops. Personal devices on limited tasks were allowed to be used for increased productivity.

Operations Group employees were divided up in shifts to minimize the number of people that need to be physically present at a given location. PSBank also split up staff working in the same business unit or department so that if someone has an exposure to the virus in one location, the entire team will not be affected. To maintain the recommended six-feet physical distance between employees, its Building Administration team initiated a re-layout of the floor areas and converted conference rooms into work stations.

In a pandemic situation, communication and coordination between management and staff becomes more critical. In addition to the regular meetings of the Business Continuity team, PSBank kept everyone in the organization apprised of the latest developments via virtual meeting and social media platforms such as Webex and Workplace from Facebook. It also ensured that productivity will not suffer by instituting enhanced Daily Attendance Record and performance reporting systems.

These are just a few of the strategies that PSBank employed to ensure the safety of its employees and serve its customers. It will continue to navigate this ever-changing situation even as it makes “safety first” a way of life in the New Normal.



Scan to watch a few reminders for a #SafePSBanking experience



### Utilization of Digital Platforms:



**20%** of PSBank customers (excluding loan clients) were digitally active at any time during the height of the pandemic period



Online/Mobile/BOB/e-Credit:

- » **32%** increase in digital enrolments, **54%** increase in usage
- » **56%** increase in enrolments (by unique client name)
- » **143%** increase in usage (more than 3 million transactions)



Bills Payment Facility: **70%** increase



Time Deposit Placements via Mobile

- » **Php 150 Million / 3,412** accounts booked in 6 months



ATM Lock/Unlock feature via Mobile: **17%** increase



PaSend (Cash Remittances via ATM): **75%** increase



Interbank Fund Transfers via INSTAPAY: **610%** increase  
Interbank Fund Transfers via PESONET: **184%** increase

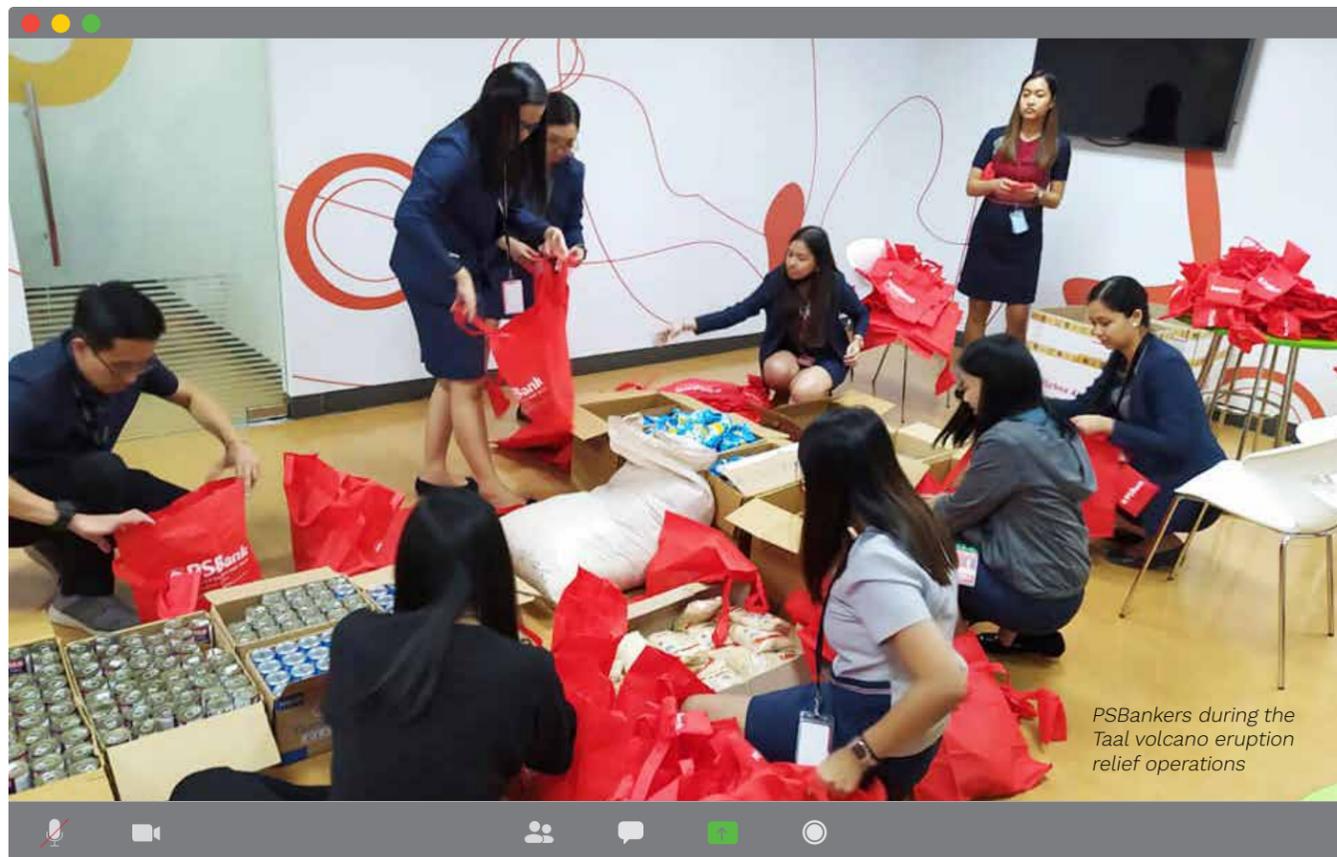
### Availability of PSBank's digital services



### Customer Feedback

- Customer Satisfaction Survey 2020: **72% “satisfied/extremely satisfied”** respondents for Mobile; **89%** for Online
- **“4” or “5”** average customer satisfaction rating in 2020
- **Above 4** Google Play Rating (July to November 2020)
- **Above 3.5** Apple Store Rating (July to November 2020)

## EMPLOYEE & CUSTOMER ENGAGEMENT



## Staying Stronger Together

The COVID-19 global pandemic has altered the nature of work and workplace culture. And for organizations, one of the biggest challenges is managing the disruption to the employee experience (EX).

PSBank believes that having a meaningful EX not only leads to higher productivity, but to providing the most exceptional customer experience, which ultimately shapes the long-term viability of its business.

The Bank has always taken a holistic EX approach by ensuring that PSBankers are taken care of and empowered to be at their best. In 2020, however, it pushed the envelope even further to manage the impact of the pandemic on its workforce.

In times of crisis, people panic, and the sense of anxiety grows. Thus, it was important for PSBank management to show leadership and control over the pandemic situation. Immediately after an Enhanced Community Quarantine (ECQ) was announced by the government, it quickly assembled a COVID-19 Management Team tasked

to operate 24/7 to spearhead the Bank's comprehensive COVID-19 Prevention and Control Measures and Protocols.

The Bank created **HR for U** to ensure that employee welfare during these extraordinary times are looked after 24/7. Employee concerns ranged from Work from Home, limited public transportation and connectivity, to mental health and productivity, among others. PSBank responded by providing work laptops and even shuttle services to and from work for essential teams, as well as enabling those working from home to access files even without work-issued laptops using their personal devices.

To keep the organization abreast of pandemic-related developments and concerns, PSBank transformed **Workplace** and **Workchat from Facebook** as its main platform for employee engagement and communication. PSBankers have already been using Workplace from Facebook since 2019, but the pandemic prompted them to fully utilize this social media platform for online team huddles or meetings, information dissemination, and online learning sessions, to name a few.



Even as PSBank moved rapidly to put employees' and customers' safety first, it recognized that it cannot simply push the pause button on workplace learning and reskilling, which is important to its long-term sustainability. PSBankers have already been using online learning platforms before COVID-19 struck, but there has been a marked increase in 2020 as **PSBank Business Campus**, the Bank's training arm, migrated to digital or virtual learning and development programs.

If the pandemic gave rise to silver linings, these included initiatives that enabled PSBank to register its highest-ever scores on workforce engagement and on employee-Net Promoter Score, which is a measure of employee satisfaction and loyalty with the company.

Bank programs were augmented with employee initiatives that demonstrated PSBankers' sense of genuine care and concern for others (*malasakit*) and reliability (*maaasahan*). **PSBiyaHERO** is a ride-sharing initiative to help fellow employees — those considered "essential" to delivering banking services to customers — with their transportation requirements during ECQ. Through **PSBisikleta** and **PSBiker**, PSBankers were encouraged to ride their bikes to work. The Bank installed bicycle racks in designated parking areas to accommodate the increase in the number of PSBisikleta users in 2020.

PSBankers' sense of *malasakit* was also extended to the community through the **PSBayanihan** program. In the spirit of generosity and civic duty, PSBank employees generously pooled their time and personal finances to donate food and other essential items to those affected by the Taal volcano eruption in Luzon; by the devastation of typhoons Quinta, Rolly, and Ulysses in Cagayan Valley, Bicol, CALABARZON, and National Capital Region; and by the pandemic. The beneficiaries also included PSBank colleagues and the security and janitorial staff of agencies serving PSBank. Financial assistance was also extended to non-profit organizations Bike for Philippines, CRIBS Foundation, Citizens Disaster Response, The Coalition of Services of the Elderly, iVolunteer, and Trains to Empower Kids.

Even as it deals with the business disruptions during the pandemic, the Bank was able to live up to its commitment

as a corporate citizen. Through its Educational Assistance Program, talented but financially disadvantaged students of Chiang Kai Shek College (CKSC) and those under the Association of Chinese-Filipino Schools (ACFS) continued to receive scholarship assistance. As of 2020, 31 students obtained their college degrees while 15 finished their primary and secondary education under the program. For school year 2020-2021, PSBank supported 10 college students from CKSC and 28 grades 2-12 students from 16 schools under the ACFS. In addition, PSBank continued its annual donation to World Vision, Resources for the Blind, and Chosen Children Village Foundation.

As the pandemic is ongoing, so is the pursuit of maintaining employee experiences that are relevant and meaningful. A positive workplace culture is not just a "nice to have" but mission-critical to meeting customer needs and business continuity. It is what will make PSBank thrive now and in the future.



### Workforce Engagement Scale (WES) 4.0 being the highest possible score:

<b>3.66</b> Company Support	<b>3.85</b> Dedication
<b>3.81</b> Job Performance	<b>3.90</b> Company Policies and Goals
<b>3.80</b> Working Relationship	

**Employee-Net Promoter Score (e-NPS) :**  
**+80**, higher by +8 points vs. 2019

## SUSTAINABILITY COMMITMENT

# Banking on Sustainability

As a leading consumer bank in the Philippines, PSBank recognizes the economic, environmental, and social impacts of its banking operations, products, and services.

Our Board of Directors firmly believes PSBank has a role to play in promoting sustainable development. In pursuit of this commitment, we started reporting our environmental, social, and governance (ESG) impacts in 2019. The report was guided by global sustainability reporting frameworks and the disclosure requirements of the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC).

### Scope of the Report

For 2020, our ESG Report contains quantitative and qualitative information for the period January 1 to December 31, 2020 for relevant indicators in accordance with the PSE and SEC guidelines, as well as with Bangko Sentral ng Pilipinas (BSP) Circular 1085 which requires banks to adopt a Sustainable Finance Framework.

In compliance with the BSP Circular, we documented our transition plan for the adoption of a Sustainable Finance Framework, which was presented to and approved by our Board of Directors in October 2020. The sustainability principles in our plan were embedded in our Corporate Governance Manual. The sustainable finance roles were incorporated in our Corporate Governance Committee, Audit Committee, and Risk Oversight Committee Charters.

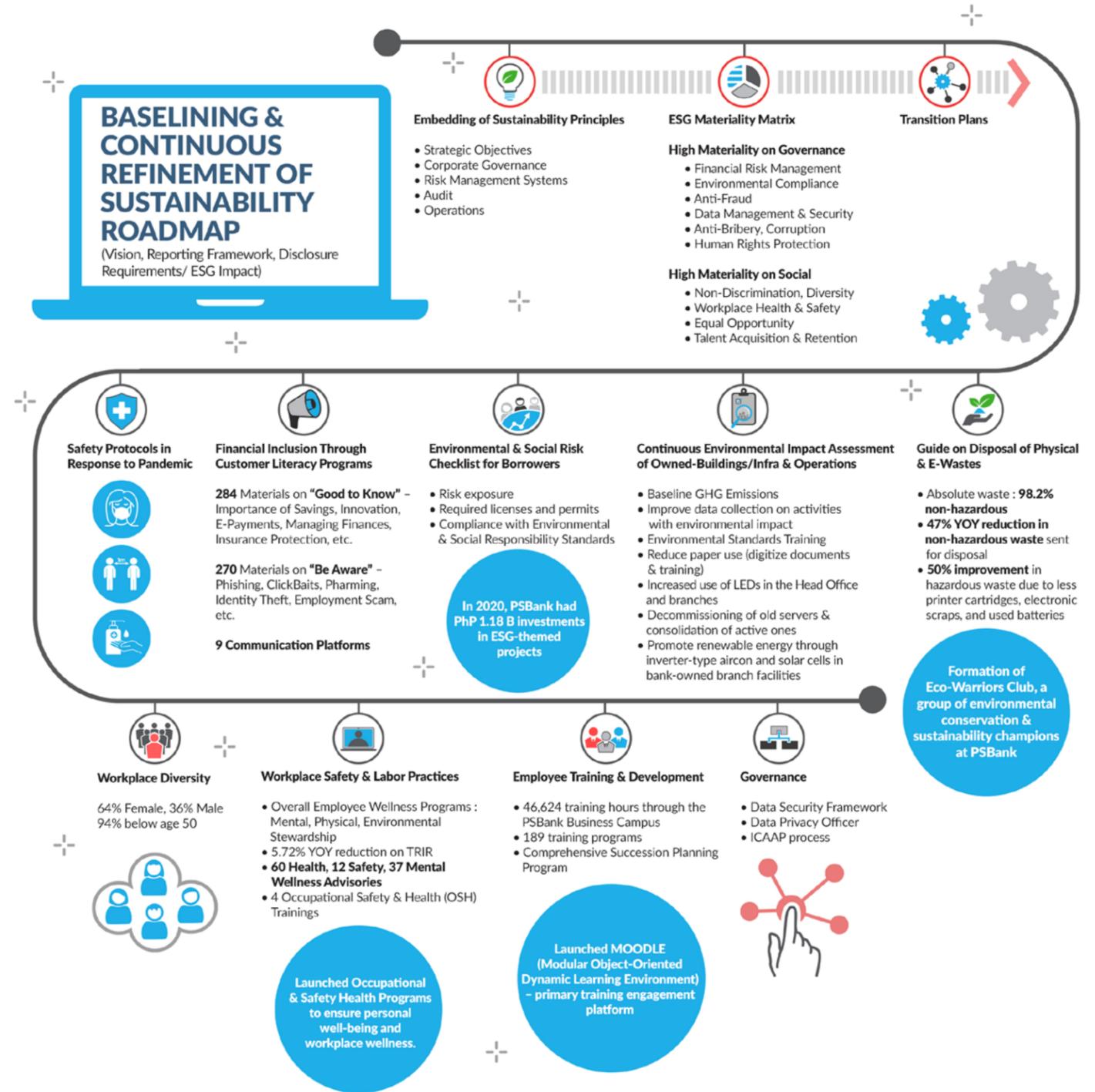
### Stakeholders and ESG Materiality

To determine the issues that matter to our stakeholders, we engaged Trucost of S&P Global in 2019 in identifying materiality themes using SASB, investor trend review, and a wider literature review. We adopted the same approach in assessing sector and organizational-level materiality for 2020.

Based on our assessment, the issues we identified as highly material, both to the sector and to our organization, are the following:

Economic aspects	Social aspects	Environmental aspects	Governance aspects
<ul style="list-style-type: none"> <li>Market presence</li> <li>Financial performance</li> <li>Geographical footprint</li> <li>Innovation and digitalization</li> <li>Brand positioning and management</li> <li>Customer experience</li> </ul>	<ul style="list-style-type: none"> <li>Non-discrimination</li> <li>Workplace health and safety</li> <li>Labor practices</li> <li>Diversity and equal opportunity</li> <li>Talent acquisition and retention</li> <li>Customer health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with environmental laws and regulations of the national government and local government units</li> </ul>	<ul style="list-style-type: none"> <li>Anti-fraud and anti-bribery</li> <li>Data management and security practices</li> <li>Financial risk management</li> <li>Anti-corruption/whistleblower protection</li> <li>Human rights protection</li> <li>Customer privacy</li> <li>Ethics and integrity</li> <li>Regulations and compliance management</li> </ul>

We added customer health and safety as part of the issues with high materiality in the social aspect, particularly as we needed to institute health and safety protocols during the COVID-19 global pandemic.



**Sustainability Performance Highlights in 2020**

We consider the economic, environmental, and social impacts of our banking operations, products and services, as they provide strategic opportunities and financial risks.

**Financial Inclusion and Literacy**

We believe in inclusive growth and make available our financial tools and services to individuals, and small and medium enterprises (SMEs). In 2020, we extended PhP197 million in loans to promote community development and PhP6 billion to the promotion of small businesses. To help improve financial literacy in the country, we have been running two award-winning financial literacy campaigns since 2016: *Be Aware* and *Good to Know*. We also offer Kiddie Savers and Teen Savers savings deposit accounts to help young children save for their future.

**Responsible Investment**

We use an Environmental and Social Risk Checklist to understand the environmental and social risks of potential borrowers. This also aids our credit officers in determining the exposure of the loan and the customer to any future or present financial, legal, and reputational risks from environmental and social issues. We invest mostly in government securities which account for 69% of our total investment portfolio. For 2020, we made an investment on ESG-themed projects to the tune of PhP1.2 billion.

**Environmental Impact**

We continue to assess the environmental impacts of our buildings and operations, in compliance with the Department of Environment and Natural Resources (DENR) requirements. Our Pollution Control Officers and Managing Heads for the Head Office and Branch Clusters across the country have undergone training for accreditation to better understand environmental permit processes and requirements.

**Operational Greenhouse Gas Emissions**

In 2020, the restrictions on mobility related to the COVID-19 pandemic consequently led to shortened operating hours, a drastic reduction in the number of employees reporting to our workplace, and in the waste generated by the Bank given the shift to paperless processes and WFH arrangements. These paved the way for a substantial reduction in our carbon footprint.

**Water Use**

We consumed 76,992 cubic meters (m3) of water supplied by public utilities. Of the total water consumption, our branches accounted for the majority (62%), followed by our Head Office (38%), and the rest by our auto warehouses.

**Waste Management**

We generated 574 tonnes of waste, 98.2% of which were non-hazardous waste and 1.8% hazardous. The intensity of total waste generated normalized by square meter of floor area,

employee and revenue were 0.004 tonnes/m2, 0.20 tonnes/employee and 0.52 tonnes/mPHP. The total non-hazardous waste sent for disposal decreased by 47% in 2020 vs. 2019, particularly on the paper and plastic garbage while the total hazardous waste improved by 50% due to lower printer cartridges, electronic scraps and used batteries sent for disposal.

**Social Impact**

We are mindful of our social impacts in providing financial products and services.

**Workforce Diversity**

We have 2,914 employees, of which 64% are female employees and 36% male. The largest age group in our bank is between 30 to 50 years old (68%), followed by those less than 30 (26%) and over 50 (6%). Our Board of Directors has 9 members, of which there are 2 female members or 22% of the Board composition.

**Workforce Safety and Labor Practices**

The health, safety, and overall wellness of our employees is one of our top priorities. In 2020, we implemented various programs that addressed issues on mental health, physical fitness, workplace wellness, environmental stewardship, and dealing with the COVID-19 pandemic. The Bank had no incidents involving deaths or diseases in 2020. The Total Recordable Incident Rate (TRIR) for permanent employees was 18.74 and the Near Miss Frequency Rate (NMFR) was 0.24.

**Employee Training and Development**

To strengthen skills and support the professional and personal development of our employees, the PSBank Business Campus (PBC), our official training arm, dedicated 46,624 hours on employee training in 2020. This entailed a total expenditure of PhP3.6 million, 218% lower than in the previous year, primarily due to the shift to virtual learning. Despite the decrease in training cost, PBC was able to produce 189 training programs.

**Governance**

**Data Privacy and Security**

We protect customer data through multiple layers of security and policies that are closely intertwined with our business processes. Our Data Privacy Officer (DPO) is responsible for ensuring compliance with the guidelines and directives of the country's strict Data Privacy law. We also rolled out security awareness campaigns, such as the award-winning Be Aware! fraud awareness program, as part of our data privacy and security efforts. As of December 31, 2020, we maintained a total of 945,667 individual customer data. To date, we have not suffered any data security breaches.

“Believing that we have a role to play in promoting sustainable development, PSBank is committed to advancing the United Nations Sustainable Development Goals (SDGs). Through our product and service offerings and the integration of digital technology, we aim to create **ADDED VALUE** to our clients, stakeholders, and the rest of the society.”



**Systemic Risk Management**

We undertake ICAAP exercise which helps in the proactive determination of whether our qualifying capital can support our mid-term risk asset growth based on various economic and regulatory factors, both domestic and international. *Please refer to the Bank's ESG / Sustainability Report for a more detailed discussion.*

**Business Ethics**

We ensure that all our transactions are executed in accordance with the Anti-Money Laundering (AML) policy guidelines, procedures, tools, and controls set forth in our Money Laundering & Terrorism Financing Prevention Program (MLTFPP) which we update annually. Compliance with the requirements of the MLTFPP is continuously

monitored by the Board-designated AML Compliance Officer (AMLCO) under the Compliance Office as lead implementer. *Please refer to the Corporate Governance section of this Annual Report for a more detailed discussion.*

Scan to view the full Sustainability Report.



RISK MANAGEMENT

# Managing Risk Amid the Pandemic



The COVID-19 global pandemic has amped up risk management as businesses have had to adapt to a work-from-home environment, pivot to digital technologies, and find new ways to serve their customers. In this unprecedented time, good risk management is key to business survival.

At PSBank, we treat risk management as an integral part of our strategy design and execution. Risk is inherent in the nature of our business. This arises in the areas of deposit taking, lending, securities investment and trading, foreign exchange, and operational support. We identify how much risk we are willing to take, and how to balance risks and opportunities. Performing this tight balancing act is an essential element of our Enterprise Risk Management (ERM).

Using a set of qualitative standards and quantitative metrics, we are able to identify our risk appetite. These are aimed at maintaining a strong capital and liquidity position, stable funding, good risk-reward balance, acceptable business practices, and dynamic compliance culture. Our risk metrics allow us to monitor our risk exposure under normal and stressed scenarios versus established trigger levels and limits. To avoid a breach in our risk limits, we institute a hierarchy of approval and observe escalation processes. Reports on our risk profile are presented to the senior management and the Board of Directors. Board-approved risk manuals are revisited annually or more frequently based on the changing risk environment and evolving regulatory landscape.

In March 2020, the World Health Organization (WHO) declared COVID-19 a pandemic outbreak. To prevent the spread of the virus, governments were forced to impose lockdowns, travel restrictions, and border closures which had a catastrophic impact on the global economy. In response to the dramatic change in the economic outlook due to the pandemic, PSBank undertook a reassessment exercise of the parameters of the expected economic loss (ECL). Under Philippine Financial Reporting Standards (PFRS) 9, impairment allowances have a forward-looking component and must take into account forecasted economic conditions. Recalibrated probability weights for the forward-looking multiple economic scenarios and actual recovery levels during the pandemic were imputed into the ECL models. These enhancements aim to ensure that provisions for credit losses are sufficient and robust.

In 2020, the Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1085, mandating banks to adopt a Sustainable Finance Framework. In compliance, PSBank submitted a Board-approved Transition Plan containing our action plan and target timetable to eventually and completely integrate sustainability principles by May 2023. The action plan includes coverage of environmental and social (E&S) risk areas in the corporate governance, risk management, strategic objectives, and operations of the Bank.

**Risk Management Structure**

Our Board of Directors takes the lead on all major risk management initiatives. It approves broad strategies and policies, and ensures that these are consistent with our overall objectives.

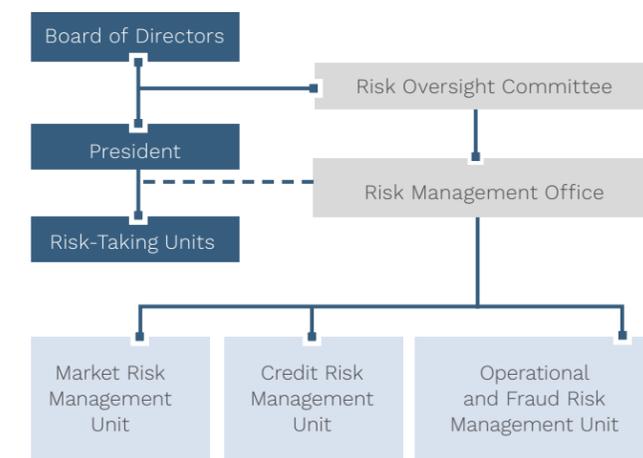
The Risk Oversight Committee (ROC) is composed of at least three members of the Board, the majority of whom are independent directors, including the Chairperson who does not chair the Board or any other committee. The ROC members possess expertise and knowledge of our risk exposures, which enable them to develop appropriate strategies for preventing or minimizing the impact of losses.

The Board may also appoint non-Directors to the ROC as part of the Metrobank Group’s risk oversight measures. However, only bank Directors shall be considered as voting members. Non-voting members are appointed in an advisory capacity. The ROC oversees our Enterprise Risk Management (ERM) framework, the consistency of current and emerging risk exposures with our strategic direction and overall risk appetite and the effectiveness of our risk management function in monitoring our risk-taking activities. It formulates policies and strategies to identify, measure, manage and limit risks. The ROC ensures that the system of limits approved by the Board remains effective. It also makes certain that limits are observed and that immediate corrective actions are taken whenever needed.

The Risk Management Office (RMO), together with the President, various committees, and senior management, support the ROC in the fulfillment of its duties and responsibilities.

The RMO is independent from executive functions and business line responsibilities, operations and revenue generating functions. It reports directly to the Board through the ROC. (See our Risk Organization Below.)

**RISK ORGANIZATION**



The RMO supports the ROC in carrying out its responsibilities by:

- Analyzing, communicating, implementing, and maintaining the risk management policies approved by the ROC and the Board.
- Spearheading the regular review of our risk management policies and elevating recommendations that enhance the risk management process to the ROC and the Board, for their approval.
- Ensuring that the risks arising from our activities are identified, measured, analyzed, reported, and understood by risk takers, management, and the Board. It analyzes limit exceptions and recommends enhancements to the limits structure.
- Monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel III capital adequacy framework and based on our internal capital adequacy assessment on an ongoing basis

- Monitoring and assessing decisions to accept particular risks whether or not these are consistent with Board-approved policies on risk tolerance and appetite as well as the effectiveness of the corresponding risk mitigation measures.
- Reporting on a regular basis to Senior Management and the Board the results of assessment and monitoring.

### Types of Risks

Below is a description of the risks we face.

#### Credit Risk

This arises when a counterparty fails to meet its contractual obligations. Due to our low tolerance for nonperforming loans, our lending business follows strict credit policy guidelines set by the Board, ROC, and RMO. These guidelines serve as our minimum standards for extending credit. Everyone engaged in the credit process is required to understand and adhere to these policies.

Our product manuals contain business plans and define the business parameters by which credit activity is to be performed. Before extending a loan, we observe a system of checks and balances, including the approval of at least two credit approvers through the Credit Committee (Crecom), Executive Committee (Excom), or the Board.

The ROC reviews our business strategies and ensures that revenue-generating activities are within our overall risk appetite and meet the Board-approved credit risk thresholds. We hold regular audits across our organization. The Board — through the Excom, Crecom, and ROC ensures that all business segments follow sound credit policies and practices.

We assess our portfolio growth and health using key performance indicators. We use internal loan loss models to measure the credit quality of financial assets, credit scoring models and decision systems for consumer loans, and borrower risk rating and facility risk rating models for SME loans, as approved by the Board. We carry out stress testing analyses using Board-approved statistical models, relating the default trends to macroeconomic indicators.

#### Credit Concentration Risk

Risk concentration is managed by type of individual or group of borrowers, by geographical region, and by industry sector. This is closely monitored with sufficient senior level oversight to ensure that our low risk tolerance and policies for risk concentration are enforced.

We compute for additional risk-weighted assets attributed to credit concentration following the methodology of the Metrobank Risk Group. Concentration risk is scoped in two dimensions: name (or concentration due to specific obligors) and industry (or concentration due to specific industries).

#### Market Risk

This covers the areas of trading, interest rate, and liquidity risks. Trading market risk is the risk to earnings and capital arising from changes in the value of traded portfolios of financial instruments. Interest rate risk arises from movements in interest rates. Liquidity risk is the inability to meet obligations when they fall due without incurring unacceptable losses.

The Assets and Liabilities Committee (ALCO), ROC, and the Board regularly review our market risk policies and implementing guidelines to ensure that these are up-to-date, in accordance with our low appetite for market risks, and in line with changes in the economy, environment, and regulations. The ROC and the

Board set a comprehensive market risk limit structure and define the parameters of market activities that we can engage in. We utilize various measurement and monitoring tools to ensure that risk-taking activities are managed within instituted market risk parameters.

#### Trading Market Risk

Our trading portfolios are currently composed of peso- and dollar-denominated debt securities that are marked-to-market daily. We use Value-at-Risk (VaR), a statistical measure that calculates the maximum potential loss from a portfolio over a holding period, within a given confidence level. Our current VaR model is based on a historical simulation methodology with a one-day holding period and a 99% confidence level.

We also perform back testing to validate the VaR model, and stress testing to determine the impact of extreme market movements on our portfolios. We establish limits for trading portfolios and closely monitor our daily profit and loss against loss triggers and stop-loss limits. These ensure that our trading activities are in line with our low tolerance for market risk. To a certain degree, we also carry foreign exchange (FX) risk. It is our policy to maintain exposures within approved position limits, stop loss limits, loss triggers, VaR limits and to remain within regulatory standards. We also use VaR to measure market risk arising from our FX exposure. We use BSP-approved Type 3 Derivative License for plain vanilla FX forwards to manage our FX risk against adverse exchange rate movements.

#### Interest Rate Risk

We have a risk management system and processes to quantify and manage interest rate risk in the banking book. We use measurement tools such as Interest Rate Repricing Gap, Earnings at Risk (EaR), Delta Economic Value of Equity ( $\Delta$ EVE), and Sensitivity Analysis. An independent auditor regularly validates all these models.

Interest Rate Repricing Gap is a tool that distributes rate sensitive assets and liabilities to predefined tenor buckets according to time remaining to their maturity (if fixed rate) or repricing (if floating rate). Items lacking definitive repricing schedule (e.g., current and savings accounts) are assigned to repricing tenor buckets based on analysis of deposit behavioral patterns, past experience and/or expert judgment.

EaR measures the possible decline in our net interest income as a result of adverse interest rate movements, given the current repricing profile. It is a tool used to evaluate the sensitivity of the accrual portfolio to changes in interest rates in the adverse direction over the next 12 months. We calculate our EaR using a historical simulation on interest rate volatility using 1,300 data points for one year, and using five years worth of data. Based on this, EaR is derived as the 99th-percentile biggest drop in net interest income. We use various stress scenarios such as largest historical movement in interest rates, predefined increase in interest rates, flattening and steepening yield curves.

We use  $\Delta$ EVE to measure changes in the net present value of our banking book at different interest rate shocks and stress scenarios. It reflects changes in the economic value of equity over the remaining life of the assets and liabilities, i.e. runoff assumption.  $\Delta$ EVE is calculated by slotting the notional repricing cash flows arising from rate sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios or changes in the yield curve such as steeper, flattener, parallel up, parallel down, short rates up and short rates down.

We generate and monitor our monthly EaR and Delta EVE exposures. EAR and Delta EVE levels are assessed vis-a-vis limits which are based on a percentage of net interest income or capital.

Aside from the EaR and  $\Delta$ EVE, we perform regular sensitivity and stress testing analysis on our banking book to further broaden our forward-looking analysis. This way, our management can craft strategies to address and/or arrest probable risks, if necessary. The EaR,  $\Delta$ EVE and stress testing reports are prepared monthly.

The ALCO is responsible for managing our structural interest rate exposure. Its goal is to achieve a desired overall interest rate profile within our low appetite for interest rate risk and keeping flexibility to interest rate movements and changes in economic conditions. RMO and ROC review and oversee our interest rate risks.

#### Liquidity Risk

In managing our liquidity position, we ensure that we have more than adequate funds to meet maturing obligations.

We use the Maximum Cumulative Outflow (MCO) model to measure liquidity risk arising from the mismatches of our assets and liabilities.

We administer stress testing to assess our funding needs and strategies under various conditions. Stress testing enables us to gauge our capacity to withstand both temporary and long-term liquidity disruptions.

Our Liquidity Contingency Funding Plan (LCFP) helps us anticipate a liquidity crisis under various stress scenarios. Liquidity limits for normal conditions cap the outflows on a cumulative and per tenor basis.

We discourage dependence on Large Funds Providers (LFPs) and monitor our deposit funding concentrations versus our High Quality Liquid Assets (HQLA). This way, we will not be vulnerable to a substantial drop in deposit level should there be an outflow of large deposits. ALCO is responsible for managing our liquidity while RMO and ROC review and oversee our overall liquidity risk management.

We have zero appetite for non-compliance with liquidity requirements and ensure this through the close monitoring and management of our High Quality Liquid Assets vis-a-vis our net cash outflows. Beginning 2019, we improved the management and monitoring of our Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) into daily basis to ensure compliance with the required regulatory ratios.

#### Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. To mitigate these and meet our standard for low tolerance of operational risks, we constantly strive to maintain our strong control culture, prudently use technology, and adopt an effective internal control system. We consider these as key factors in our continuous self-improvement under a “no-surprise” operating environment.

We have no appetite for fraud and constantly improve our policies and processes and tools to prevent these instances. We also have no appetite for non-compliance to our internal policies as well as applicable local regulations and laws.

As part of ensuring an appropriate risk management environment, the operational risk framework is consistently implemented throughout the organization. The Bank recognizes the principle of having three levels of defense in mitigating operational risk exposures, namely: the first level involves all personnel, the second are the risk and compliance teams, and the internal audit team is third. Our Board-approved, bank-wide organizational chart clearly establishes areas of management responsibility, accountability, and reporting lines for all senior officers. Senior management is responsible for developing policies, processes, and procedures for managing operational risk in all the Bank’s material products, activities, processes, and systems.

Operational risk management policies and frameworks are regularly reviewed and updated, subject to ROC and Board approvals to ensure that they remain relevant, effective and aligned with those of the parent bank. Performance gaps are identified and resolved by strengthening existing controls and implementing additional controls. Risk awareness is implemented through various training curricula that the PSBank Business Campus designs and implements. This is a key component of the New Employee Orientation (NEO) for new hires and embedded in the regulatory training for regular employees. For high-potential and high-performing employees undergoing management training programs, this is a component of the Ladderized Programs, the Staff Professional Enhancement and Educational Development – Accelerated Learning (SPEED AX-L), the Redefining Institutional Sales Efficiency (RISE), ELEV8: Future-Proofing the Leadership Bench, and other initiatives.

Our products and operating manuals, policies, and procedures spell out internal controls that our business and operating support units implement. Our Internal Audit Group (IAG) provides independent reasonable assurance on control adequacy and compliance with these manuals. We identify and assess operational risks across the organization and develop controls to mitigate and manage them as part of our continuing efforts to enhance our Operational Risk Management Framework in close coordination with our parent bank. We perform this vis-a-vis the Board-approved operational loss thresholds and benchmarks and through the ORM tools such as the Institutional Key Risk Indicator (KRI) Report, Business Unit Level (BU Level) KRI Report, Risk Incident Report (RIR), Risk and Control Self-Assessment (RCSA), Loss Event Database (LED), and various Risk Assessments. These operational risks are regularly monitored and reported to senior management, and Board through the ROC.

We likewise implement a Business Continuity Plan (BCP) and a Disaster Recovery Program (DRP) that are reviewed and tested annually on a per segment and bank-wide basis to ensure their effectiveness in case of business disruptions, system failures and disasters.

#### Technology Risk

This is the risk to earnings or capital arising from deficiencies in systems design, implementation, maintenance of systems or equipment, and the failure to establish adequate security measures, contingency plans, testing and audit standards.

We invest in information technology to provide simpler, faster, more convenient, and secured banking services to our growing clientele. We also utilize an advanced management information system so we can make quick and well-informed business decisions. We continuously venture into core business process automations, key system enhancements, and information security solutions while ensuring we meet our low appetite for technology risks.

Given the heavily automated operating environment, we ensure that we identify and quantify risks to the greatest extent possible. We also establish standards and controls to manage technology-associated risks through effective planning, proper implementation, periodic measurement and monitoring of performance.

We have a Bank-wide IT Risk Management Framework which is being revisited annually to ensure its conformity with existing and/or latest bank-wide processes and compliance with related local regulatory requirements. This defines the responsibilities of all employees involved in identification, assessment, reporting, and management of technology risks and the guidelines that govern the IT Risk Management process. This provides for the annual conduct of IT Risk Assessment to identify, assess, monitor and control the technology-related risks.

We have an IT Steering Committee that oversees IT performance and institutes appropriate controls to manage significant IT issues. The Information Technology Group (ITG) and Information Security Division (ISD) provide support through their technology and information security initiatives, projects and well-defined policies and controls.

**Legal Risk**

This is the potential loss arising from regulatory or legal action, disputes for or against us, failure to correctly document, enforce or adhere to contractual arrangements, inadequate management of non-contractual rights, or failure to meet non-contractual obligations. We have low tolerance for legal risks and employ a legal review process to control and manage these risks.

The Legal Services Division plays a significant role in protecting the Bank's rights and interests by ensuring that legal activities of the Bank are carried out in accordance with laws and regulations, established legal processes, prescribed practices, customary or ethical standards, Bank policies and goals. The Legal Services Division also conducts necessary legal review of products, services, policies, manuals, bank documents including legal capacities of the parties to a transaction.

Legal risk is difficult to measure, but it can be defined, understood, and controlled with the end view of limiting and minimizing exposure to such risks. The Legal Services Division conducts legal risk assessment of cases filed against the Bank and recommends legal risk mitigation measures. The appropriate actions include reducing exposures of sources of legal risk, establishing an appropriate legal risk management process and strengthening the compliance function in the Bank. The legal risks are tracked in the monthly Institutional KRIs of the Legal Services Division, and breaches with the corresponding action plans are reported by the Operational and Fraud Risk Management Unit to the ROC and Board.

**Regulatory Risk**

Regulatory risk, also known as compliance risk, covers the potential loss from non-compliance with laws, rules and regulations, policies and procedures, and ethical standards.

We recognize that compliance risk can diminish our reputation, reduce our franchise value, limit business opportunities, and reduce our potential for expansion. Guided by our Compliance Office, we continuously promote a strong culture of compliance. The Bank's internal policies, local rules and regulations, and laws support our low appetite for regulatory risk amid an ever dynamic banking regulatory landscape and zero tolerance specific to Money Laundering and Terrorist Financing (ML/TF) risks.

**Strategic Risk**

This is the current and prospective impact on earnings or capital arising from adverse business decisions, improper resolution of conflicts, and slow response to industry changes.

Strategic risk can shape our long-term goals, business strategies, and resources. We utilize both tangible and intangible resources to carry out our business strategies and meet our low appetite for strategic risk. These include communication channels, operating systems, delivery networks, and managerial capacities and capabilities.

**Reputational Risk**

This refers to the current and prospective impact of negative public opinion on our earnings or capital which may affect our ability to establish new relationships or services, or manage existing relationships. The risk may also expose us to litigation, financial loss, or a decline in customer base. All employees are responsible for building our brand reputation and exercising an abundance of caution when dealing with customers and communities to support our zero tolerance for reputational risk.

To further mitigate reputational risk, we have policies and procedures on client complaint handling and employee conduct. These are embedded in our business operations manuals such as, but not limited to, the following:

1. Financial Consumer Protection Manual and Compliance Program
2. Employee Code of Conduct
3. Related Information Security policies and procedures (such as Social Media, Limited Access to Systems & Customer Information)
4. Related Customer Experience policies and procedures (such as Customer Handling, Complaints Handling)

For a complete discussion of PSBank's capital details, please refer to the Supplementary Management Discussion and Notes to the Financial Statements on Financial Risk Management Policies and Objectives.

**Risks Related to Trust**

This considers the impact of compliance, reputational, or operational risks on our managed funds. These risks are part of the overall risks taken by the Bank or the enterprise risk. The Trust Committee oversees the implementation of the risk management framework for trust and ensures that controls are in place relative to fiduciary activities. The Trust Division is governed by risk management and various policies and procedures for trust.

**AUDIT COMMITTEE REPORT**

The Audit Committee is delegated by the Board of Directors (Board) to provide independent oversight on the Bank's financial reporting process, corporate governance, risk management, and control processes; fraud management; internal and external audit functions; and monitoring of compliance with Bank policies and Code of Conduct and applicable laws, rules, and regulations.

The Committee, composed of three members, all of whom are independent directors including the Chairperson, held its regular monthly and special meetings in 2020. The Committee also had executive sessions with the external auditors; with the non-executive directors, the heads of Compliance, Internal Audit, and Risk Management, and the Bank's external auditor; and with the Board without the presence of the management team.

The Committee performed the following:

- Discussed and approved the overall plans and scope of the Internal Audit Group (IAG), Fraud Management Group (FMG), and Sycip Gorres Velayo & Co. (SGV);
- Recommended the re-appointment of SGV as the Bank's external auditor, including its assigned certifying partner, based on the result of the annual assessment of their overall qualifications, professional experience, performance, independence, and objectivity; and endorsed the group-negotiated SGV audit fee to the Board for approval;
- Reviewed and discussed the year-end financial statements with SGV, which is responsible for expressing an independent opinion on the Audited Financial Statements (AFS) and their conformity with Philippine Financial Reporting Standards (PFRS); and with management, which is responsible for the preparation and fair presentation of the Bank's financial statements and adequacy of disclosures in accordance with PFRS. The 2020 AFS was endorsed by the Committee for approval of the Board, which approved it on February 18, 2021;
- Reviewed and monitored through IAG the results of evaluation on the adequacy and effectiveness of the Bank's governance, risk management, and control processes; and the Bank's adherence to applicable laws, rules, regulations, Code of Conduct, and whistle-blowing policy;
- Reviewed and monitored through FMG the results of overall fraud management which included the prevention, detection, investigation, and recovery monitoring of possible, suspected and actual fraud;
- Evaluated the process in assessing the significant risks and related risk mitigation efforts of the Bank;

- Reviewed and monitored through IAG the management's actions taken and plans for the implementation of recommendations to improve the operations of the branches, head office units, and information systems and security;
- Confirmed that the Bank's corporate governance, risk management, and internal control framework and processes are generally established, adequate, and are operating properly;
- Reviewed and endorsed for approval by the Board the revised Audit Committee Charter;
- Reviewed and approved the revised Internal Audit Charter;
- Discussed and approved the result of the annual internal quality assessment of IAG's conformance with the International Standards for the Professional Practice of Internal Auditing and internal audit policies;
- Reviewed the adequacy of resources, staff competencies, activities, and effectiveness of the IAG and FMG; and
- Confirmed, through a self-assessment process, that the Committee has effectively fulfilled its responsibilities as embodied in its Charter.

Based on the reviews and discussions undertaken and subject to the limitations on the roles and responsibilities provided for in the Audit Committee Charter, the Committee recommends that the Audited Financial Statements be included in the Annual Report for the year ended 31 December 2020, for filing with the Securities and Exchange Commission and other regulatory bodies.

The Committee will continuously review and monitor management's activities to ensure its conformance with the guidelines set by the Board.

  
EDUARDO A. SAHAGUN  
Chairman

  
JOSE T. PARDO  
Member

  
SAMSON C. LIM  
Member

CORPORATE GOVERNANCE

# Making Governance Count



Corporate governance helps us identify and respond to the right risks. This becomes even more important in the context of the current global pandemic, and the economic and societal challenges it induced.

PSBank believes that the true essence of good corporate governance goes beyond compliance with applicable laws, rules, and regulations, which we regard as a minimum requirement. We aim to continually build the trust and confidence of our stakeholders by running our business in a prudent and sound manner, being fair and transparent in all our dealings, providing reliable and better service in response to the ever-growing expectations of our customers, and working with integrity and accountability.

**CORE GOVERNANCE POLICIES**

The policies and guidelines embodied in our updated Corporate Governance Manual are posted in our website, [www.psbank.com.ph](http://www.psbank.com.ph), and in our intranet site, InfoChannel, for the guidance of all our stakeholders. These primarily revolve around three basic values that we observe:

**Fairness**

We see to it that we conduct fair dealings with counterparties and other stakeholders. We ensure that such dealings, especially with our related parties, are made in the regular course of our business, and upon mutually favorable terms. Our Board-level Related Party Transactions Committee (RPTC), entirely composed of non-executive directors, and Management-level Related Party Transactions Management Committee (RPTMC), help ensure that our transactions with related parties are conducted at arm’s length, and that our resources are not misappropriated. These are in accordance with our Board-approved Related Party Transactions (RPT) policy and its specific guidelines and handling procedures vis-à-vis set transaction materiality thresholds and exposure limits. Our RPT policy is regularly reviewed and updated on an annual basis. It was last updated in November 2020 to address the recommendations of the Bank’s Internal Audit Group based on its latest RPT process review. It also aligns with the latest RPT policy of parent-Metrobank and incorporates the submission of the prescribed BIR Form No. 1709 on the Information Return on Related Party and its attachments as required under BIR Revenue Regulations (RR) No. 19-2020.

Our transaction materiality thresholds for RPTs were set on a per transaction type basis, taking into account the high end of their historical ticket sizes, their nature, and our risk appetite. These thresholds are applied on a per single transaction basis for one-time or non-recurring transactions, or the aggregate amount of multiple transactions expected in a year for some arrangements with recurring/continuing transactions. Except for loan transactions to Directors, Officers, Stockholders, and their Related Interests (DOSRI), as well as to subsidiaries and

affiliates requiring prior approval of the Board of Directors under existing Bangko Sentral ng Pilipinas (BSP) rules regardless of their amounts, RPTs with amounts within these thresholds are subject to the review and approval of the Management-level RPTMC and endorsement of the Board-level RPTC for the Board of Directors’ confirmation. On the other hand, those beyond such thresholds are considered “material” and shall pass through the Board-level RPTC for review and endorsement for Board approval prior to their consummation and for stockholders’ confirmation in the Annual Stockholders’ Meeting.

In 2020, the following material RPTs were entered into between the Bank and its related parties (see also Note 29 of the Audited Financial Statements section) *see material RPTs table on page 34.*

Our RPT policy likewise requires our directors and officers with personal interest in our transaction (e.g., they themselves or any of their close family members act as our counterparty) to inhibit or abstain from the discussion, approval, and management of such a transaction, except to provide material information to the RPTC or Board about the transaction. Provisions against conflict of interest situations are also stipulated in our Board approved “Code of Conduct” such as the prohibition of self-dealing transactions.

Pursuant to Memorandum Circular No. 10 s2019 of the Securities and Exchange Commission (SEC), or the “Rules on Material Related Party Transactions for Publicly-Listed Companies,” the Bank also adopted since August 2019 a Board-approved Material Related Party Transactions (MRPT) policy that exclusively applies to related party transaction(s) amounting to at least 10% of its Total Assets based on its latest Audited Financial Statement (AFS), either individually or in aggregate over a 12-month period with the same related party. Save for a few differences in terms of scope, approval, reportorial and disclosure requirements, this separate policy espouses the same key principles in handling related party transactions and is likewise posted in our corporate website and intranet site.

We also ensure that our stockholders are treated equally and without discrimination by preserving stockholders’ rights and protecting our minority stockholders’ interests, including the latter’s right to nominate candidates to our Board of Directors.

**Integrity and Accountability**

We uphold at all times the value of honesty as the best policy. We believe that our reputation precedes us in the business of trust and confidence. We continue to enhance a working culture of integrity, guided by a Code of Conduct that defines the standards that we must follow in our business dealings and relationships.

**MATERIAL RELATED PARTY TRANSACTIONS**

Related Parties	Relationship	Nature of Transaction	Terms and Conditions	In PhP millions	
				Original Amount	Dec. 31, 2020 Balance
<b>INSURANCE</b>					
AXA Philippines (AXA)	Affiliate	Annual Renewal of the Bank's Fire Insurance Coverage for ROPA-Real Estate Properties	Total sum insured is PhP3.111 billion with a net annual premium rate of 0.1500% thereof	5.91	N/A
		Annual Renewal of Bank's Money, Securities, Payroll & Robbery Insurance Coverage	Total sum insured is PhP425 million with a net annual premium rate of 1.72% thereof	8.61	N/A
<b>INTERCOMPANY COUNTERPARTY LINES</b>					
Metropolitan Bank & Trust Company (MBTC)	Parent bank	Annual Renewal of Related Intercompany Counterparty Lines of Treasury Group	Clean/unsecured lines for Interbank Call Loans (IBCL) only; secured lines are collateralized by non-risk assets i.e., Government securities (GS)	Clean – 2,000; Secured -16,000; Settlement – 1,500 & Pre-Settlement -750	N/A
First Metro Investment Corporation (FMIC)	Affiliate		Clean/unsecured lines for Interbank Call Loans (IBCL) only; secured lines are collateralized by non-risk assets i.e., Government securities (GS)	Clean -1,000; Secured - 4,000 & Pre- Settlement – 85	N/A
ORIX Metro Leasing & Financing Corporation (OMLFC)	Affiliate		Clean/unsecured lines for Interbank Call Loans (IBCL) only	Clean -1,000	N/A
First Metro Investment Corporation (FMIC)	Affiliate	Annual Renewal of Related Intercompany Lines of Trust Division	Counterparty line for fixed income securities (i.e., corporate bonds, government securities)	Pre-Settlement – 70 & Settlement – 700	N/A
First Metro Securities Brokerage Corp. (FMSBC)	Affiliate		Counterparty line for equity transactions of various trust accounts	Pre-Settlement – 500 & Settlement – 500	N/A
Metropolitan Bank & Trust Company (MBTC)	Parent bank		Counterparty line for fixed income securities (i.e., corporate bonds, government securities)	Clean – 1,000; Pre-Settlement – 5 & IMA – 100	N/A
<b>LOANS AND OTHER CREDIT ACCOMMODATIONS</b>					
PSBank Trust Division	Bank Proper	Credit /Domestic Bill Purchase Line	Renewal of Domestic Bills Purchase Line for the purchase of local and regional checks issued by PSBank Trust Division's clients payable to PSBank Trust Division for outright crediting of their investments	1,000	N/A
Director of parent-MBTC	Corresponding Persons of Affiliated Companies	Renewal of Business Credit Line	One-year business credit line subject to annual renewal with interest rate of 7.00% p.a.	30	14.35 (aggregate balance inclusive of other loans is 29.41, all in current status)
<b>OTHERS</b>					
Sumisho Motor Finance Corporation (SMFC)	Affiliate	Renewal and increase of existing Multi-Purpose Loan (MPL) Accreditation for SMFC employees' MPL accounts	Automatic debit-credit arrangement for the MPL accounts of their employees; subject to the same handling fee payable to PSBank and penalty rate per month in case of late remittance; accredited company does not act as co-maker, guarantor or surety thereof	10	N/A
Sumisho Motor Finance Corporation (SMFC)	Affiliate	Lease Arrangement - Renewal of existing lease agreement with PSBank as lessor	Three-year lease term for an office space with four parking slots	16.52	N/A
ORIX Metro Leasing & Finance International Trading & Development Corporation (OITDC)	Affiliate	Lease Arrangement - Temporary lease agreement with PSBank as lessee	Six-month lease agreement to be temporarily used as Bank's warehouse for its foreclosed vehicles	8.35	N/A

**MATERIAL RELATED PARTY TRANSACTIONS**

Related Parties	Relationship	Nature of Transaction	Terms and Conditions	In PhP millions	
				Original Amount	Dec. 31, 2020 Balance
<b>OTHERS</b>					
Metropolitan Bank & Trust Company (MBTC)	Parent bank	Provision of Services - Amended service fee rate, allowances and provisions under the existing IT Services Agreement on the use of Bank's various systems	Increase in service fee rates for consistency across all IT services arrangements within the Metrobank Group and enhancement of certain provisions to improve overall productivity and efficiency	N/A	N/A
Toyota Manila Bay Corporation (TMBC)	Affiliate	Renewal of Stand-by booking line facility	Booking arrangement for auto loan accounts via the Bank's Online Dealer System Standby Line Facility terminal	30	N/A

**Code of Conduct**

Our Code of Conduct is our guide in defining the norms, rules, and responsibilities of each and every PSBanker. It includes provisions on:

- Disciplinary process
- General policies to establish a professional working environment and secure a favourable reputation for our Bank
- Corrective measures for unacceptable behaviour or failure to comply with our rules, such as on Financial Consumer Protection and on Anti-Money Laundering/Terrorism Financing, policies and procedures
- Schedule of penalties for attendance and punctuality, required corporate attire, conduct and behaviour, dishonesty, health, safety and security, reporting of violations, and information security
- Provisions on management of personal finances, conflict of interest, anti-sexual harassment, non-disclosure of information and insider information

**Insider Trading**

Under our Policy Against Insider Trading, reporting insiders are required to disclose their and their associates' initial beneficial ownership in PSBank shares and any changes thereof within two trading days after their election/appointment in office and from the date of these changes, respectively. They are likewise prohibited from selling or buying PSBank shares during "blackout periods," i.e., upon obtaining material on non-public information up to two trading days after such information is disclosed. The Bank did not have any trading transactions with reporting insiders and/or their associates in 2020. However, a stock dividend, which amounted to PhP437,500,000.00 equivalent to 43,750,000 common shares with par value of PhP10 per share, was declared on March 12, 2019 by our Board of Directors and ratified by our stockholders representing at least two-thirds of our capital stock on April 15, 2019. The issuance of stock dividends to all of its stockholders of record, as approved by the SEC, was made on February 21, 2020. Directors' level of share ownership and movements throughout 2020 are summarized below:

#	Name of Director	Position	Rollforward of Common Shares					
			Beginning		Movements		End	
			12/31/2019	%	Additions	Deductions	12/31/2020	%
1	Jose T. Pardo	Chairman and Independent Director	1,852	0.000483	211	-	2,063	0.000483
2	Arthur V. Ty	Vice-Chairman	117	0.000031	12	-	129	0.000030
3	Vicente R. Cuna Jr.	Vice-Chairman	100	0.000026	11	-	111	0.000026
4	Samson C. Lim	Independent Director	100	0.000026	11	-	111	0.000026
5	Benedicto Jose R. Arcinas	Independent Director	100	0.000026	11	-	111	0.000026
6	Eduardo A. Sahagun	Independent Director	100	0.000026	11	-	111	0.000026
7	Jose Vicente L. Alde	President and Director	100	0.000026	11	-	111	0.000026
8	Ma. Soledad D.S. De Leon	Director	4,000,000	1.044088	456,795	-	4,456,795	1.044090
9	Rosanna F. De Vera	Director	100	0.000026	11	-	111	0.000026
<b>Total</b>			<b>4,002,569</b>	<b>1.044758</b>	<b>457,084</b>	<b>-</b>	<b>4,459,653</b>	<b>1.044759</b>

**Whistleblowing**

PSBank’s whistleblowing policy requires our employees to report any impropriety or malpractice committed by co-employee/s or third party or parties to their Group Heads or to the Customer Experience and Human Resources Group Head, the Fraud Management Group Head/Division Heads, or the Chief Audit Executive/Internal Audit Group Head for evaluation if it would warrant an investigation. Under the Code of Conduct, concealment or non-reporting is considered as an impropriety or malpractice in itself. The whistleblower is protected from any form of harassment as a result of any disclosure which was made in good faith believing the disclosure to be true and was not made maliciously or for personal gain. The policy considers any attempt to determine the whistleblower’s identity as a breach of confidentiality which is subject to disciplinary sanctions.

**Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT)**

PSBank subscribes to and adopts the State’s policy to protect the integrity and confidentiality of accounts and to ensure that it shall not be used as a money laundering/terrorism financing site and/or conduit for the proceeds of unlawful activities; and life, liberty and property from acts of terrorism by condemning such acts and those who support and finance it as a crime against the Filipino people, against humanity and against the law of nations. We ensure that we execute transactions with our customers in accordance with the AML/CFT policy guidelines, procedures, tools, and controls set forth in our regularly updated Money Laundering & Terrorism Financing Prevention Program (MLTFPP).

Our MLTFPP, as posted in our intranet site for the guidance of all our implementing personnel, primarily revolves around the following basic AML/CFT controls required under existing AML/CFT laws, rules and regulations:

1. Know Your Customer (KYC)/Customer Due Diligence (CDD) and Know Your Employee (KYE)
2. Ongoing Monitoring of Customers and their Transactions
3. Covered and Suspicious Transactions Reporting
4. Records Keeping and Retention
5. Employee Training and Continuing Education

Our MLTFPP was updated in September 2020 to realign with the recent AMLC Regulatory Issuance A, B & C No. 1 Series of 2020, address the recommendations of the most recent BSP examination and incorporate the various CO AML Advisories, among others. Compliance with the requirements of this MLTFPP is continuously monitored by our Board-designated AML Compliance Officer (AMLCO) under the Compliance Office as lead implementer.

**Transparency and Open Communication**

As a publicly listed company and a responsible financial institution, we abide by the various disclosure requirements of

the BSP, the SEC, and the Philippine Stock Exchange (PSE). We ensure that we are transparent to our stakeholders by posting the latest public disclosures on the Investor Relations section of our website and in our press releases. In compliance with SEC Memorandum Circular No. 11 s2014, we regularly update our website to include all required disclosures in accordance with the SEC-prescribed web template for our stakeholders to readily check our corporate governance practices.

We also maintain an open communication line and use feedback from our stakeholders to develop better policies, products, and services. We likewise accommodate requests for information on the management of our Bank, stockholders rights, or any other Bank-related matters, while remaining mindful of disclosure limitations under existing laws on the secrecy of bank deposits and data privacy.

Our Corporate Governance Manual (CGM) serves as a valuable guide and reference in our implementation of corporate governance rules and regulations, and standards of both the BSP and the SEC. Our CGM is reviewed on an annual basis and was updated in March 2020 to update and incorporate certain provisions. In November 2020, the updates included the duties and responsibilities of the Board of Directors with respect to the Sustainable Finance Framework mandated by the BSP and the disclosure of the Bank’s beneficial owners and to add certain stockholder’s rights per recent SEC issuances.

**Financial Consumer Protection**

With customers at the forefront of our priorities and in compliance with BSP Circular No. 857 (BSP Regulations on Financial Consumer Protection), our corporate governance system and culture includes a Financial Consumer Protection (FCP) Framework to ensure that consumer protection standards and practices are duly observed and embedded in our business operations.

This framework comprises FCP Policies and Procedures, FCP Code of Conduct, Consumer Assistance Management System, FCP Training Program, FCP Risk Management System, FCP Compliance Program, FCP Audit Program, and Financial Consumer Education and Awareness Program. The framework revolves around the core principles of consumer protection, namely:

1. Disclosure and transparency
2. Protection of client information
3. Fair treatment
4. Effective recourse
5. Financial education and awareness

This FCP Framework was updated in March 2020 to realign with the pertinent provisions of the amended FCP rules & regulations per recently issued BSP Circular No. 1048. It was further amended in July 2020 to rationalize the scope of the Compliance Office’s

specialized FCP Independent Compliance Testing (ICT) and the FCP compliance risk rating system.

The Board of Directors, jointly with the Senior Management, is ultimately responsible in establishing an effective oversight over our consumer protection programs as well as in ensuring that consumer protection practices are embedded in our business operations.

As part of our corporate-wide risk management system spearheaded by our Risk Management Office (RMO), an FCP Risk Management System (FCPRMS) is instituted to identify, measure, monitor, and control consumer protection risks (both risks to the financial consumers and the Bank) inherent in our operations.

PSBank aims to differentiate itself from other banks by providing excellent customer experience. Being attentive and proactive to all customer feedback is one of the effective means of doing so. While positive feedback is welcome, we are more vigilant about negative feedback or complaints as they cover areas for improvement. For data analytics purposes, complaints received from clients are lodged in an automated tracking system to manage our defined turnaround time in resolving them and to serve as a database of all customer complaints, including the record of actions taken. This process is implemented in four steps, namely:

- (1) Acknowledgement
- (2) Decision/Disposition by designated Senior Officers
- (3) Investigation and communication of feedback to the customer concerned
- (4) Resolution of complaint

While all personnel are given access to the system for the reporting of customer complaints and feedback, the investigation and resolution are handled by the following:

- **Service Recovery Team (SRT):** consists of the Consumer Assistance Management Department. The Team is responsible for investigation, resolution, and documentation of all customer complaints and feedback received across all channels. The SRT also works with other departments, divisions, or groups in the implementation of interim and long-term resolution (e.g., process improvement efforts, policy revision, system enhancement, personnel training).
- **Designated Senior Officers:** consists of Senior Officers or Group Heads tasked to provide decision/disposition to the customer complaint.
- **Emergency Recovery Team (ERT):** All complaints/feedback that are qualified under fraud or those that may be classified as high risk are immediately escalated to the ERT which consists of the Executive Vice President (EVP), the Customer

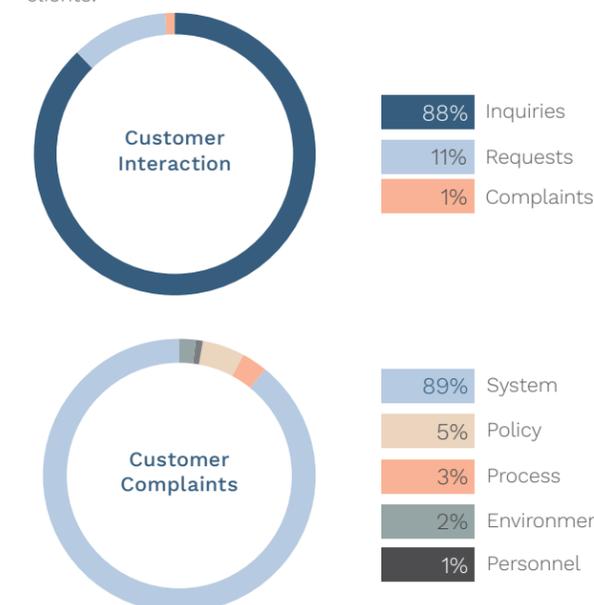
Experience and Human Resource Group (CXHRG) Head, Information Technology Group (ITG) Head, Branch Banking Group (BBG) Head, and Marketing Group (MG) Head. Issues requiring PR solutions or those with media impact are also submitted to the PR and Corporate Communications Head.

- **Process Owner Representative:** respondents to the complaint. They can also be subject matter experts who may provide valuable inputs in the immediate resolution of the complaint.
- **Customer Experience (CX) Council:** a top-level advisory and action group of Senior Officers. The Council is composed of holistic organizational leaders who review the biggest issues and recommend actions that will lead to continuous structural improvements.

At the end of each day, all customer issues received are reported to a pool of Senior Officers, including the President and the EVP. The consolidated report is likewise submitted to the RMO on a monthly basis as part of the Key Risk Indicator (KRI) reports.

Each valid complaint arising from a service/process lapse shall have a corresponding one demerit point against the responsible personnel’s performance rating.

**CUSTOMER INTERACTION:** Aside from the branches, we offer other channels for customer interaction. The Customer Experience Operations Division handles loan and deposit inquiries, requests, and complaints coursed through Direct Banking, Call Banking, email, LiveChat, SMS, website, PSBank Online, PSBank Mobile and social media. All these channels are managed 24/7, except for Direct Banking which caters to walk-in clients.



**Data Privacy**

PSBank respects and values data privacy rights and makes sure that all personal data collected from its data subjects (i.e. employees, clients & customers, suppliers, etc.) are processed in adherence to the principles of transparency, legitimate purpose, proportionality, quality and security in compliance with Republic Act No. 10173 otherwise known as “The Data Privacy Act of 2012”, its Implementing Rules and Regulations and the related issuances of the National Privacy Commission (NPC). Our Board-approved Data Privacy Policy encapsulates the privacy and data protection protocols/security measures that need to be observed and carried out within the Bank for specific circumstances (i.e. from collection to destruction) directed towards the fulfilment and realization of the rights of our data subjects and protection of personal data against natural dangers such as accidental loss or destruction, and human dangers such as unlawful access, fraudulent misuse, unlawful destruction, alteration and contamination.

**BOARD OVERSIGHT**

The Board of Directors sets the corporate governance tone in our organization by ensuring adherence to principles and standards. It is accountable to our stakeholders in running our Bank in a prudent and sound manner to ensure long-term sustainability and success. It is primarily responsible for developing, reviewing, and approving our strategic objectives annually and thereafter monitoring and overseeing the effective implementation with due consideration of our risk strategies, corporate governance and corporate values. It monitors Management’s performance against set targets and makes sure that appropriate controls and systems of checks and balances are in place and operating effectively.

As of end 2020, there are nine directors in our Board, four of whom are independent directors, four are non-executive directors, and one is an executive director who is also the President of the Bank. They are all qualified business professionals with the required expertise and experience in directing our strategic path. Their selection was based on their qualifications (i.e., integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience) without discrimination against gender, age, and ethnic, political, religious, or cultural backgrounds, and therefore achieving diversity in the Board.

In accordance with our By-Laws, directors are elected by the vote of the holders of common stock of the Bank in accordance with Section 23 of the Revised Corporation Code of the Philippines and other pertinent applicable laws. Any stockholder may submit nominations for directorial positions to the Corporate Governance Committee. The Committee then screens the qualifications of the nominees in accordance with screening policies and procedures, and parameters, including alignment with our strategic directions by attaining an optimal mix of skills and talents and balanced Board membership.

In identifying or screening potential candidates, the Committee may consult whatever resources it deems appropriate, including but not limited to, referrals from existing directors and officers, recommendations from a third-party search firm or suggestions from stockholders or by checking on the external databases of the Institute of Corporate Directors (ICD) or other professional search firms. Only nominees whose names appear in the final list of candidates are considered for election as directors at the annual meeting of the stockholders.

We have consistently maintained independent directors who provide independent judgment, outside experience, and objectivity. In our nine-seat Board, we have four independent directors, including our Board Chairman. This is more than the required minimum number of independent directors. We do not have any non-executive director holding a total of more than five board seats in publicly listed companies.

Non-executive directors, including independent directors, meet regularly on an annual basis, other than in meetings of the Audit, Risk Oversight, Corporate Governance and other Board-level committees in the absence of any executive director and Senior Management, with the external auditor and the heads of internal audit, compliance and risk management functions to scrutinize Management’s performance particularly in meeting our goals and objectives and to determine the integrity of our internal controls and effectiveness of risk management systems. Further, the Board also meets annually with the Audit Committee without the presence of the President/Chief Executive Officer (CEO) and any other Management team members to discuss and resolve any significant issues.

Our Chairman provides active leadership by ensuring that our Board and its various committees function effectively, including maintaining a relationship of trust among Board members. Our Chairman also ensures that our Board follows a sound decision-making process. Individual directors are tasked to observe the fit and proper rule. They are expected to conduct fair business dealings, avoid conflict of interest, and observe confidentiality. They must act honestly, judiciously and in good faith, and uphold the best interest of our Bank and its stakeholders. They must also devote time and attention to their duties and responsibilities and contribute to our Board’s decision-making process. They must exercise independent judgment and have a working knowledge of laws, rules and regulations applicable to our Bank.

All new members of the Board of Directors are furnished with a copy of their duties and responsibilities and are provided with a comprehensive training on corporate governance, as part of the BSP’s requirements in confirming elected bank directors. Due to the challenges brought about by the COVID-19 pandemic such as lockdown and mobility restrictions, our parent bank’s training academy has decided to postpone the Group’s holding of its 2020 annual Corporate Governance refresher program for directors and principal officers to the first quarter of 2021 and has formally

notified the SEC accordingly. Some of our directors and all our principal/key officers instead attended a webinar on Anti-Money Laundering and Countering the Financing of Terrorism in December 2020.

Our Board has access to our Corporate Secretary who manages the flow of information to the Board prior to the meetings. The Office of the Corporate Secretary plays a significant role in supporting the Board in discharging its responsibilities as it administers, attends, and prepares the agenda and minutes of Board meetings, and ensures that notices required under the By-Laws are given to all directors and stockholders. Beginning in 2020, regular Board meetings were scheduled in advance and were set on every third Thursday of the month.

Our Board also reviews and approves all policy manuals to ensure that regulatory changes and best practices are included. They have access to a permanent compilation of documents related to past Board activities. They can readily seek clarification from Senior Management should they have concerns about our Bank or any item submitted for their consideration.

**Board Committees**

A number of Board-level committees were created to aid our Board in its various tasks to ensure efficiency and provide greater focus. Four of these committees are in charge of governance oversight functions, as follows:

The **Corporate Governance Committee (CGC)** is tasked to assist our Board in fulfilling its duties and responsibilities and monitoring our adherence to the corporate governance principles and guidelines set forth in our Corporate Governance Manual, including the functions formerly assigned to the Nomination Committee and Compensation and Remuneration Committee which were both dissolved and integrated into this committee since 2017. It also oversees the development and effective implementation of our compliance system. The Committee is composed of three Directors, all of whom are independent directors, including the committee chairperson. The Committee meets monthly and is supported by our Compliance Office (CO). The CGC meeting attendance records in 2020 were logged as follows:

**CORPORATE GOVERNANCE COMMITTEE**

Members	Position	Attendance	%
<b>JOSE T. PARDO</b> <i>Independent Director</i>	Chairperson	12/12	100%
<b>EDUARDO A. SAHAGUN</b> <i>Independent Director</i>	Member	12/12	100%
<b>SAMSON C. LIM</b> <i>Independent Director</i>	Member	12/12	100%
<b>GILBERT L. NUNAG</b> <i>Chief Compliance Officer</i>	Secretary	12/12	100%

The **Risk Oversight Committee (ROC)** is responsible for the development and oversight of our risk management program. The Committee is composed of three members of the Board of Directors and one non-voting member appointed as adviser. Two or majority of its voting members are independent directors, including its Chairperson, who is not the Chairman of the Board or of any other Board-level committee. The ROC members possess a range of expertise and adequate knowledge of our risk exposures, which is needed to develop appropriate strategies for preventing or minimizing losses. The Committee meets monthly and is supported by our Risk Management Office (RMO). The ROC meeting attendance records in 2020 were logged as follows:

**RISK OVERSIGHT COMMITTEE**

Members	Position	Attendance	%
<b>BENEDICTO JOSE R. ARCINAS</b> <i>Independent Director</i>	Chairperson	12/12	100%
<b>JOSE VICENTE L. ALDE</b> <i>President and Executive Director</i>	Member	12/12	100%
<b>EDUARDO A. SAHAGUN</b> <i>Independent Director</i>	Member	11/12	92%
<b>EDMUND A. GO</b> <i>Independent Professional</i>	Adviser	12/12	100%

The **AML Oversight Committee (AMLOC)** is tasked to assist our Board in fulfilling its oversight responsibility over our AML compliance management. It ensures that we comply with the provisions of the Anti-Money Laundering Act (AMLA), as amended, its Revised Implementing Rules and Regulations (RIRRs), and BSP AML regulations to the end that the Bank shall not be used as a vehicle to legitimize the proceeds of unlawful activity or to facilitate or finance terrorism. The committee is composed of three Directors, of whom two are non-executive directors, including the Chairperson and an independent director. The Committee meets monthly and is supported by our Compliance Office (CO). The AMLOC meeting attendance records in 2020 were logged as follows:

**AML OVERSIGHT COMMITTEE**

Members	Position	Attendance	%
<b>VICENTE R. CUNA JR.</b> <i>Non-Executive Director</i>	Chairperson	11/12	92%
<b>BENEDICTO JOSE R. ARCINAS</b> <i>Independent Director</i>	Member	12/12	100%
<b>ROSANNA F. DE VERA</b> <i>Non-Executive Director</i>	Member	12/12	100%
<b>GILBERT L. NUNAG</b> <i>Chief Compliance Officer</i>	Secretary	12/12	100%

The **Audit Committee (AudCom)** is designated to provide independent oversight for our financial reporting process, corporate governance, system of internal control and risk management, internal and external audit as well as fraud management functions, and monitoring of compliance with Bank policies, applicable laws, rules, regulations, and Code of Conduct. It is composed of three non-executive directors, all of whom are independent, including the committee Chairperson, who is not the Chairman of the Board of Directors or of any other Board-level committee. The committee members have accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. The Committee meets monthly and as needed, and is supported by our Internal Audit Group (IAG) and the Fraud Management Group (FMG). The AudCom meeting attendance records in 2020 were logged as follows:

**AUDIT COMMITTEE**

Members	Position	Attendance	%
<b>EDUARDO A. SAHAGUN</b> <i>Independent Director</i>	Chairperson	13/13	100%
<b>SAMSON C. LIM</b> <i>Independent Director</i>	Member	13/13	100%
<b>JOSE T. PARDO</b> <i>Independent Director</i>	Member	12/13	92%
<b>ATTY. EMMA B. CO</b> <i>Chief Audit Executive</i>	Secretary	13/13	100%

Other Board-level committees are as follows:

The **Executive Committee (ExCom)** is tasked to regularly review and approve credit proposals within its limits. It recommends additional conditions and requirements on loan applications Board approval. The Committee is composed of four Directors which includes the President, and our Credit & Collections Sector Head as the Bank’s representative. The ExCom meeting attendance records in 2020 were logged as follows:

**EXECUTIVE COMMITTEE**

Members	Position	Attendance	%
<b>ARTHUR V. TY</b> <i>Non-Executive Director</i>	Chairperson	13/13	100%
<b>VICENTE R. CUNA JR.</b> <i>Non-Executive Director</i>	Member	13/13	100%
<b>JOSE VICENTE L. ALDE</b> <i>President and Executive Director</i>	Member	13/13	100%
<b>ROSANNA F. DE VERA</b> <i>Non-Executive Director</i>	Member	13/13	100%
<b>MARY MYLEEN M. MASANQUE</b> <i>PSBank Representative</i>	Member	13/13	100%
<b>JOSE M. MANUEL JR.</b>	Secretary	13/13	100%
<b>ARLYN S. MONTEBON</b>	Alternate Secretary		

The **Related Party Transactions Committee (RPTC)** is tasked to assist the Board in ensuring that transactions with related parties are reviewed, appropriate restrictions are followed, and corporate resources are judiciously used. The Committee is composed of three non-executive Directors, two or majority of who are independent directors, including the committee Chairperson. It meets monthly and is supported by our Compliance Office (CO). The RPTC meeting attendance records in 2020 were logged as follows:

**RELATED PARTY TRANSACTION COMMITTEE**

Members	Position	Attendance	%
<b>SAMSON C. LIM</b> <i>Independent Director</i>	Chairperson	12/12	100%
<b>JOSE T. PARDO</b> <i>Independent Director</i>	Member	12/12	100%
<b>MA. SOLEDAD D.S. DE LEON</b> <i>Non-Executive Director</i>	Member	11/12	92%
<b>ATTY. EMMA B. CO</b> <i>Chief Audit Executive</i>	Resource	12/12	100%
<b>GILBERT L. NUNAG</b> <i>Chief Compliance Officer</i>	Resource and Secretary	12/12	100%

The **Trust Committee (TrustCom)** is a special committee tasked to be primarily responsible for overseeing the fiduciary activities of the Bank. It is composed of five members: the President, the Trust Officer, a non-executive director, an independent director, and an independent professional who is the committee Chairperson. It meets quarterly, and is supported by our Trust Division. The TrustCom meeting attendance records in 2020 were logged as follows:

**TRUST COMMITTEE**

Members	Position	Attendance	%
<b>EDMUND A. GO</b> <i>Independent Professional</i>	Chairperson	4/4	100%
<b>JOSE VICENTE L. ALDE</b> <i>President and Executive Director</i>	Member	4/4	100%
<b>BENEDICTO JOSE R. ARCINAS</b> <i>Independent Director</i>	Member	4/4	100%
<b>MA. SOLEDAD D.S. DE LEON</b> <i>Non-Executive Director</i>	Member	4/4	100%
<b>REUEL R. JAVIER</b> <i>Trust Officer</i>	Member	4/4	100%

**Board Meetings.** In 2020, our Board had 12 regular meetings, in addition to the annual stockholders’ meeting (ASM) and organizational meeting. Directors logged a 99% attendance rate. Attendance records to Board meetings in 2020 are summarized on the next page.

Directors	Attendance	%	ASM
<b>JOSE T. PARDO</b> <i>Chairman and Independent Director</i>	12/12	100%	YES
<b>ARTHUR V. TY</b> <i>Vice Chairman and Non-Executive Director</i>	12/12	100%	YES
<b>VICENTE R. CUNA JR.</b> <i>Vice Chairman and Non-Executive Director</i>	12/12	100%	YES
<b>SAMSON C. LIM</b> <i>Independent Director</i>	12/12	100%	YES
<b>BENEDICTO JOSE R. ARCINAS</b> <i>Independent Director</i>	12/12	100%	YES
<b>EDUARDO A. SAHAGUN</b> <i>Independent Director</i>	12/12	100%	YES
<b>JOSE VICENTE L. ALDE</b> <i>President and Executive Director</i>	12/12	100%	YES
<b>MA. SOLEDAD D.S. DE LEON</b> <i>Non-Executive Director</i>	12/12	100%	YES
<b>ROSANNA F. DE VERA</b> <i>Non-Executive Director</i>	11/12	92%	YES

**SENIOR MANAGEMENT OVERSIGHT**

Senior Management. Our Senior Management Team, headed by our President as the Chief Executive Officer (CEO), consists of a core group of senior officers who manage our day-to-day operations and business affairs. They exercise good governance by ensuring that line managers under their respective areas of responsibility execute their activities in a manner consistent with Board-approved policies and strategic directions. These should be aligned with applicable laws, rules and regulations, as well as standards of good practice.

**Management Committees.** To achieve efficiency and provide greater focus for our Senior Management in overseeing key areas of banking operations, we have various Management-level committees tasked as follows:

- The **Assets and Liabilities Committee (ALCO)** manages our assets and liabilities consistent with our liquidity, capital adequacy, growth, risk tolerance and appetite, and profitability goals.
- The **Credit Committee (CRECOM)** regularly reviews and approves credit proposals within the authority and limits set by our Board.
- The **Anti-Money Laundering Compliance Committee (AMLCC)** is designated by the Board to receive, evaluate, and decide whether or not a Suspicious Transaction Report (STR) and/or Report on Crimes and Losses (RCL) shall be filed with the Anti-Money Laundering Council Secretariat (AMLCS) and/or with the BSP for cases or incidents reported or elevated by various business or operating units of the Bank. It also provides support to our Compliance Office in terms of AML policy review/development, and in addressing AML deficiencies/adverse findings.

- The **Outsourcing Oversight Committee (OOC)** oversees the accreditation of service providers, performance monitoring, post-implementation reviews and contract renewals in accordance with our Board-approved risk-based Outsourcing Policy Guidelines pursuant to existing BSP rules and regulations on outsourcing.
- The **IT Steering Committee (ITSC)** monitors IT performance and institutes appropriate actions to ensure achievement of desired results. It is accountable for designing and implementing our Board-approved Information Technology Risk Management System (ITRMS).
- The **Emergency Committee (EMCOM)** manages and monitors the effective implementation of our Business Continuity Plan (BCP). It aims to provide our Bank with the capability to continue its critical functions and processes by identifying, assessing and managing emergency scenarios and other business interruptions.
- The **Policy Committee (POLCOM)** resolves policy-related issues that require escalation or cross-functional discussion for resolution.
- The **Personnel Committee (PERCOM)** assists our Senior Management in evaluating the performance and career advancement of our employees, deciding on employee offenses/administrative cases, and in maintaining personnel policies and procedures, including our Code of Conduct.
- The **Retirement Committee (RETCOM)** exclusively administers our Gratuity and Retirement Benefit Plan.
- The **Related Party Transactions Management Committee (RPTMC)** assists the Board-level RPTC and the Board of Directors in ensuring that transactions with related parties, with respect to those considered as “non-material” (i.e., within the set transaction materiality thresholds) are conducted at arm’s length/fair terms and conditions.
- The **Investment Committee (IC)** establishes investment guidelines and oversees the investment activities of the Bank. It monitors and reports the overall investment results and reviews compliance with investment objectives and guidelines.

**OUR GOVERNANCE VANGUARDS**

Our compliance, risk management, and internal audit functions are the forerunners in our relentless drive to promote and uphold the noblest tenets and highest standards of good corporate governance across all our business operations.

**Compliance**

Ensuring our compliance with applicable laws, rules and regulations, as a minimum requirement, is our collective duty and team effort. It begins with our Board and Senior Management at the top and down the line to our various business and operating units in accordance with our Board-approved compliance system. The design and implementation of this program is administered and annually updated by our Compliance Office, led by our Chief Compliance Officer (CCO) who directly reports to our Corporate Governance Committee and to our Board.

Our Compliance Program, which was updated in October 2020 to incorporate certain process enhancements and other relevant updates, has a three-pronged, risk-based approach to effectively manage our compliance risks by ensuring compliance with pertinent banking laws, rules and regulations, codes of conduct, policies and standards of good practice. Its priority, focus and compliance testing frequency depends on the pre-assessed level of risk the business/operating units are inherently exposed relative to the number and magnitude or severity of pertinent requirements applicable to them.

This three-pronged strategy is structured to be operated by three key players, namely:

1. The line units are the first line of defense being the risk owners and managers.
2. The Compliance Office (CO) is the second line of defense and the compliance risk overseers.
3. The Internal Audit Group (IAG) is the third line of defense as the independent assurance provider.

Aside from monitoring and controlling compliance risk, our Chief Compliance Officer (CCO) also tracks our Bank’s adherence to our Corporate Governance Manual, which is aligned with the SEC’s Revised Code of Corporate Governance for Publicly-Listed Companies, and embodies all CG-related rules and regulations of the BSP. Cases of non-compliance are required to be reported to our Board Chairman who ensures due process and determines appropriate sanctions. The Bank fully and continually complies with the material requirements of the SEC’s Revised Code of Corporate Governance for Publicly-Listed Companies as embodied in its Board-approved Corporate Governance Manual.

Our Compliance Office continually strives to maintain our strong compliance culture in the midst of an ever-dynamic banking regulatory landscape. It proactively identifies and monitors, assesses, and addresses emerging compliance issues, vigorously promotes continuing education through formal/informal trainings, compliance awareness testing, compliance checking, and advisory service through a clear and open communication line; and fosters good corporate governance culture by benchmarking against industry best practices and standards.

**Internal Audit**

The Internal Audit Group (IAG) is established by the Board of Directors. Its responsibilities are defined by the Audit Committee (AudCom) as part of its oversight function. The mission of internal auditing within an organization is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The role of the IAG is to assist the Bank in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s governance, risk management, and control processes. IAG is headed by the Chief Audit Executive (CAE)

who reports functionally to the Board through the AudCom and administratively to the President. The CAE confirms annually to the Board the organizational independence of the internal audit activity.

IAG is self-governed and adheres to The Institute of Internal Auditors’ (IIA) mandatory guidance which includes the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes the principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.

IAG, with strict accountability for confidentiality and safeguarding records and information, is authorized to:

1. Have full, free, and unrestricted access to all Bank functions, records, properties, and personnel pertinent to carrying out any engagement
2. Have direct and unrestricted access to senior management and the AudCom
3. Allocate resources, set frequencies, select subjects, determine scopes of work, apply the procedures and techniques required to accomplish audit objectives, and issue reports
4. Obtain necessary assistance from personnel in other units of the Bank where they perform audits, as well as other specialized services from within or outside the Bank. IAG remains free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude.

**OUR REMUNERATION POLICY**

Our directors and officers are provided with an industry competitive compensation package to attract, motivate, and retain highly qualified people. The salary scales of our officers, including that of our President or Chief Executive Officer (our sole Executive Director), are generally based on the nature of their jobs, positions and ranks. These are reviewed annually vis-à-vis annual performance scorecards so structured to achieve business objectives and adjusted as needed, based on performance.

Our compensation package for non-officers/rank-and-file employees is in accordance with labor law requirements and is linked to both performance and our contractual obligation under a collective bargaining agreement which include loyalty bonuses for long-term employees.

We also grant fixed bonuses, including a 13th-month pay in accordance with the law, and a performance bonus (non-guaranteed) based on our overall performance, individual performance, and market conditions.

Our Board sees to it that this remuneration strategy is regularly reviewed to ensure that the policy is commensurate with

corporate and individual performance, aligned with our long-term interests, compliant with labor laws and regulations, and benchmarked against our industry peers and other market considerations, while also maintaining internal equity.

Except for the President/Chief Executive Officer (our sole Executive Director), each director receives a monthly professional fee for attending Board and committee meetings. This is also in consideration of their valuable contributions in the formulation of our Bank’s overall strategy.

The total per diem and transportation allowance paid to directors for their attendance in Board meetings for the period January to December 2020 was Php20 million. Our remuneration policy for directors indicates that the Chairman, Vice Chairpersons, and each of the Directors receive reasonable per diems for attendance at any Board meeting. There is nothing in our By-Laws that prevents any director from serving any other capacity and receiving compensation.

We have been consistent in preaching the philosophy of meritocracy, such that our compensation and rewards programs are geared towards providing incentives to employees who have contributed to the success of the Bank.

- Merit Increase. Annual increases are given to employees based on their relative performance within the organization. The Bank has adopted an increase matrix that rewards high performers without neglecting those rated as standard performers, or those who were able to perform as expected. Rewarding the most productive encourages others to perform better. This procedure on merit increase comes immediately after the performance appraisal exercise for the employees to relish the fruits of their hard work and contributions to the growth of the Bank.
- Other Performance Incentives. Based on the overall company performance, i.e., attainment by the Bank of a stipulated income, we grant a return on equity (ROE) bonus to rank-and-file employees.
- HE1GHTS: Reaching the Peak of Topnotch Performance. This productivity-based award is given quarterly and annually to an individual or group for achieving exceptional performance. Amid the pandemic in 2020, top-performing PSBankers from Branch Banking Group, Collections and Remedial Management Division, and Credit Verification Division were recognized for exceeding more than 100% of their target productivity.
- Job Evaluation. We regularly conduct job evaluation on new positions resulting from our reorganization. This was an offshoot of a bank-wide job evaluation conducted every three years, which aimed to measure and benchmark all Bank positions vis-à-vis the banking industry.

- Salary Structure Program. We conduct salary restructuring to ensure that the salaries of our employees are equitable to what the industry offers. The Bank recognizes the need to attract and retain top talent, thus it reviews the existing scale periodically to ensure competitiveness.

**SENIOR MANAGEMENT SELECTION PROCESS**

The Bank has pre-defined job descriptions for its senior management positions (i.e., those to be held by officers from Assistant Vice President and up). It evaluates the qualifications of internal and/or external candidates for the available positions. Every candidate undergoes a series of interviews by the Line Head, Customer Experience and Human Resources Group, and the President. Any hiring or appointment to the role is endorsed by the Management-level Personnel Committee for approval of the President and the Board of Directors.

**OUR RETIREMENT AND SUCCESSION POLICY**

As a matter of policy, the compulsory retirement age for our regular employees (officers and staff) is at 55 years old. This has been established in our Retirement and Gratuity Plan, duly approved by the Bureau of Internal Revenue. To aid in workforce planning, we review the roster of employees reaching the compulsory retirement age before the end of the applicable year. Appropriate notification is arranged, and deferential treatment is accorded to retired employees, ensuring that they receive the compensation for their loyal service within 30 days after their effective date of retirement.

In 2020, succession was among our focus areas. A more comprehensive Succession Planning Program was launched which consists of five stages: (1) identification of the successor, (2) assessment of the gap, (3) addressing of the gap, (4) evaluation, and (5) implementation. This instituted program helps ensure the continuity and viability of the business. Positions that are critical to the business have identified “Ready Now” and “Ready Later – Ready in 1-3 Years or Ready in 3-5 Years” replacements, which are reviewed periodically. Potential successors are subjected to Individual Development Plans, which are a combination of classroom training, cross-postings, immersions, and development assignments. Strategic workforce planning is also implemented annually to ensure that critical positions are filled up and that Talent Management is ready to provide external talents if deemed necessary.

Except for certain persons such as Filipino citizens with recognized stature, influence and reputation in the banking and business community, and whose business practices stand as testimonies to good corporate governance, we have adopted an age limit of 75 years old as a general rule for directors, patterned after that of our parent bank. Upon the recommendation of the Corporate Governance Committee, this age limit for directors may be waived by the Board if such a waiver is deemed to the best interest of the Bank. Our independent directors may only serve as such for a maximum cumulative term of nine years from 2012, after which the independent director shall be

perpetually barred from re-election, but may continue to qualify for nomination and election as a non-independent or regular director. If the Bank wants to retain an independent director who has already served for nine years, the Board should provide meritorious justification/s and seek prior BSP's approval as well as shareholders' approval during the Annual Shareholders' Meeting. Succession or filling up any vacancies in the Board of Directors shall be made by the vote of at least a majority of the remaining directors, if still constituting a quorum. Vacancies occurring by reason of removal by the stockholders, by expiration of term, or by an increase in the number of directors, however, shall be filled by the stockholders in a regular or special meeting called for this purpose.

**OUR DIVIDEND POLICY**

Dividends to be paid in cash are subject to the approval by a majority of the Board of Directors. Dividends to be paid in the form of stocks require the approval of a majority of the Board and the approval of shareholders representing no less than two-thirds of our outstanding capital stock.

Consistent with SEC rules, cash dividends declared by the Bank must have a record date of not less than 10 but not more than 30 business days from the date the cash dividends are declared/ approved by the Board. With respect to stock dividends, the record date should not be less than 10 but not more than 30 business days from the date of the stockholders' approval; provided, however, that the set record date should not be less than 10 business days after the PSE has received the notice of declaration of stock dividend. BSP regulations have since allowed banks to fix the record date and payment date on the date of dividend declaration, and pay such dividends without prior BSP approval, with the exception of banks with major supervisory concerns. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Unless approved by a majority vote of the Board at a different rate depending on our earnings/results of operations, cash flow, financial condition and other factors or otherwise restricted/ prohibited from declaring/paying dividends, the Bank regularly declares out of its unrestricted retained earnings and pays cash dividends at a payout ratio of Php3.00 per share per annum or Php0.75 per share per quarter, provided that these comply with the regulatory requirements of the SEC and the BSP. Circumstances which could restrict the payment of cash dividends include, but are not limited to, when the Bank undertakes major projects and developments requiring substantial cash expenditures or when it is restricted from paying cash dividends by its loan covenants.

Provided likewise that the Bank is not restricted/prohibited from declaring/paying dividends and that all such regulatory requirements are complied with, the Bank may also declare out of its unrestricted retained earnings and pay out special cash dividends (on top of its regular quarterly cash dividends) at such rate as may also be approved via majority vote of the Board of Directors.

The aggregate amount of quarterly cash dividends declared by the Bank in 2020 stood at PhP1.247 billion. Details are shown under Note 21 of the Audited Financial Statements section.

**OUR GOVERNANCE EVALUATION**

Every first quarter of each year, our Board, individual Directors, their respective oversight committees, and all other Board-level committees, as well as the President and all Management-level committees, conduct annual self-rating exercises on their performance during the immediately preceding calendar year. Using scorecards, this exercise aims to gauge their effectiveness and determines the areas of improvement vis-à-vis set performance standards that are consistent with our strategic objectives and business plans designed to continuously create value to all our stakeholders. Items subject to rating are the pertinent standards, as well as their duties and responsibilities, under a 3-point rating scale, to wit: "3"-Meets Standards (MS), "2"-Needs Improvement (NI), and "1"-Not Observed (NO), with an enjoiner to provide suggestions on how to address the deficiencies/improve performance on items rated either "1" or "2".

Our Corporate Governance Committee reviews the scorecard results, which are reported to our Board of Directors and, thereafter, regularly tracked in terms of the status of addressing the areas needing improvement. This annual performance rating exercises also include that of the Chairman of the Board, the Chief Risk Officer, the Chief Audit Executive, the Chief Compliance Officer, directors/officers with multiple/interlocking positions and of the entire Bank.

**CORPORATE SOCIAL RESPONSIBILITY**

PSBank continues to believe that corporate social responsibility awareness starts with small initiatives that produce a culture of concern when combined. These were the initiatives in 2020:

- **PSBayanihan.** PSBankers from around the country provided monetary donations, goods, and gave their time to fellow PSBankers and various communities. This employee initiative was launched in January 2020 after the Taal Volcano eruption. With a total of 10 donation dispatches that benefited 407 families or approximately 1,800 individuals from the towns of Balayan, Bauan, Calaca, Lemery, Padre Garcia, Ibaan, Santo Tomas, Agoncillo, and Batangas. Assistance was likewise given to 18 PSBankers, including security personnel and messenger-janitors, from the most severely hit towns of Taal, Calaca, and Lemery.

At the onset of the Enhanced Community Quarantine until the second half of the year, PSBayanihan benefited the Bank's more than 800 security guards and messenger-janitors and their families. In partnership with iVolunteer Philippines, Inc., PSBayanihan also assisted five organizations, namely: Bikes for the Philippines; Cribs Foundation, Inc.; Citizens' Disaster Response Center (CDRC); The Coalition of Services of the Elderly (COSE); and iVolunteer Philippines, Inc. It likewise helped Trails to Empower Kids (TREK), a regular partner for community outreach programs since 2015. In November 2020,

the initiative helped 69 PSBankers and their families in Cagayan Valley, Bicol Region, CALABARZON, and the National Capital Region (NCR) who were affected by Typhoons Quinta, Rolly, and Ulysses.

- **Educational Assistance Program for indigent students.** PSBank believes in the important role education plays in nation building. Thus, it established an Educational Assistance Program with partner institutions – Chiang Kai Shek College (CKSC) and the Association of Chinese-Filipino Schools (ACFS) – to provide quality educational opportunities to talented but financially challenged students. For academic year 2020-2021, PSBank supported 10 college students taking up Engineering, Computer Science, Accountancy, and Marketing from CKSC and 28 grades 2- 12 students from 16 schools under ACFS during the first semester.
- Regular partnerships were sustained in 2020 with cause-oriented groups Resources for the Blind, Inc., World Vision Philippines, and Chosen Children Village Foundation, Inc.
- **Financial Education and Awareness Programs.** This continuing commitment to PSBank customers and the banking public continued through such social media campaigns such as Be Aware!, PSBankabulary, and Simpleng Tanong, Simpleng Sagot.
- **Commitment to Environment Conservation.** Through the Eco-Warriors Club, PSBankers were able to have recycling initiatives and #GreeningPSBank efforts through the Plant-me-a-Future campaign in 2020.

**Health, Safety and Welfare of Employees**

PSBank believes that integrating a strong Occupational Safety and Health (OSH) management with its business operations is paramount to ensuring confidence in the health, safety, and well-being of its employees and customers. In turning this belief into actions, the Bank takes charge of its responsibilities of identifying workplace hazards, creating and promoting risk control strategies, and establishing top management commitment that comes with systematic planning and implementation of effective OSH programs and policies.

In 2020, the Bank focused on strengthening its OSH initiatives especially in the advent of the COVID-19 pandemic. A "Workplace Safety Culture" has been created where every PSBanker is trained to embrace that health is a personal responsibility and safety is always top of mind.

- Occupational Safety and Health (OSH) Program. The Bank launched its comprehensive Occupational Safety and Health (OSH) Program in 2020 to ensure Employee Well-being and Workplace Wellness. It likewise strengthened the OSH Committee (OSHC), with all members being certified as Safety Officers 2 for the first time in 2020.

- 24/7 Flu Management Team. The Bank formed this action team at the onset of the Enhanced Community Quarantine in March 2020. It helped the Bank greatly save on the cost of an external COVID-19 management service provider. The team registered a 100% recovery rate for all those who tested positive in 2020. Among the success elements of this team are the following:

- o 24/7 availability through Workplace/Workchat from Facebook, email, landline, or mobile.
- o COVID-19: Screening, Testing and Return to Work Clearance Procedures, which guide PSBankers on what to do every time they report to work from quarantine, travel, or leave.
- o Full visibility and digital access of employees on all COVID-19 announcements and advisories via Workplace/ Workchat from Facebook. A total of 60 Health Advisories were released in 2020.
- o Partnership with People Compliance team on implementing and monitoring adherence to PSBank's COVID-19 Health and Safety Protocols. Requests for Explanation Memos (REM) are being issued to violators. Sanctions are strictly implemented based on the established guidelines and the severity of the violation (e.g., non-wearing of mask, no physical distancing, non-submission of health declaration form).
- o Automation of the Health Declaration Form via QR code and linking it to the Daily Attendance Record. Those with time-in entries but without a Health Declaration Form get an automated SMS to remind them of the required submission. Failure to submit results to REM issuance.
- o Availability of online consultation for all PSBankers via TeleMed Hotline.
- o Full coordination with testing facilities for employees in Head Office and Branches, even those in provincial areas. Employees in the provinces are allowed to choose the nearest facility. Funds are transferred by the Flu Management team electronically to cover for the testing expenses.
- o Psychological First Aid is provided to those on quarantine and those who tested positive. This is done through virtual consultations and counseling.
- Mental Health Programs. Advocating for overall well-being, the Bank also places special focus on the mental health of PSBankers through the following:
  - o Mind Over Matter: The Bank's primary program to support Mental Health was in full force the entire year.
  - o For the very first time, the Bank sought the help of a resident psychologist to attend to employees' mental health concerns.

- o Regular call backs and counseling were given, not just to those who tested positive to COVID-19, but even to employees who lost loved ones or are experiencing increased anxiety and other mental health concerns.
- o Aside from webinars on well-being, a regular Mental Health Advisory is released through the #SelfcareSunday initiative. A total of 37 Mental Health Advisories were posted in 2020.
- PSBank Clinic. A bigger and better clinic was inaugurated in 2020 to serve as the Bank’s Wellness Center. Mandated to provide immediate healthcare, this serves as the first point of contact with a health professional and to address employees’ needs for outpatient medical, nursing, and other types of care services. It also features lactation areas and rest and recovery rooms. The clinic is open daily during office hours and houses a dedicated physician and two nurses.
- Emergency Preparedness. PSBank is committed to maintaining a safe and secure workplace environment for its employees and customers. Part of this is to offer effective resources on emergency preparedness with the following course of actions:
  - o Business Contingency Plan (BCP). The Bank implements an annual BCP exercise to ensure that the organization is able to create a strong system of prevention and recovery from any threats, which also covers current operations. In 2020, 100% of PSBankers took the BCP Refresher Course. Enterprisewide Testing was also conducted for selected systems to ensure that we can operate using our Business Recovery Center.
  - o Earthquake Drill. The Bank conducted an earthquake drill that aims to strengthen the awareness of PSBank employees on what to do during emergencies, and test individual and organizational response during the occurrence of an emergency. In December 2020, Head Office and Branch personnel performed the initial earthquake response of “duck-cover-hold.”
  - o Emergency Plan and Utility. The Bank ensures that emergency and evacuation plans, along with emergency contact numbers, are posted in conspicuous places. In 2020, the Bank likewise utilized e-mail, Infochannel, and Workplace from Facebook in cascading updated information or announcements to employees.

**Learning and Development**

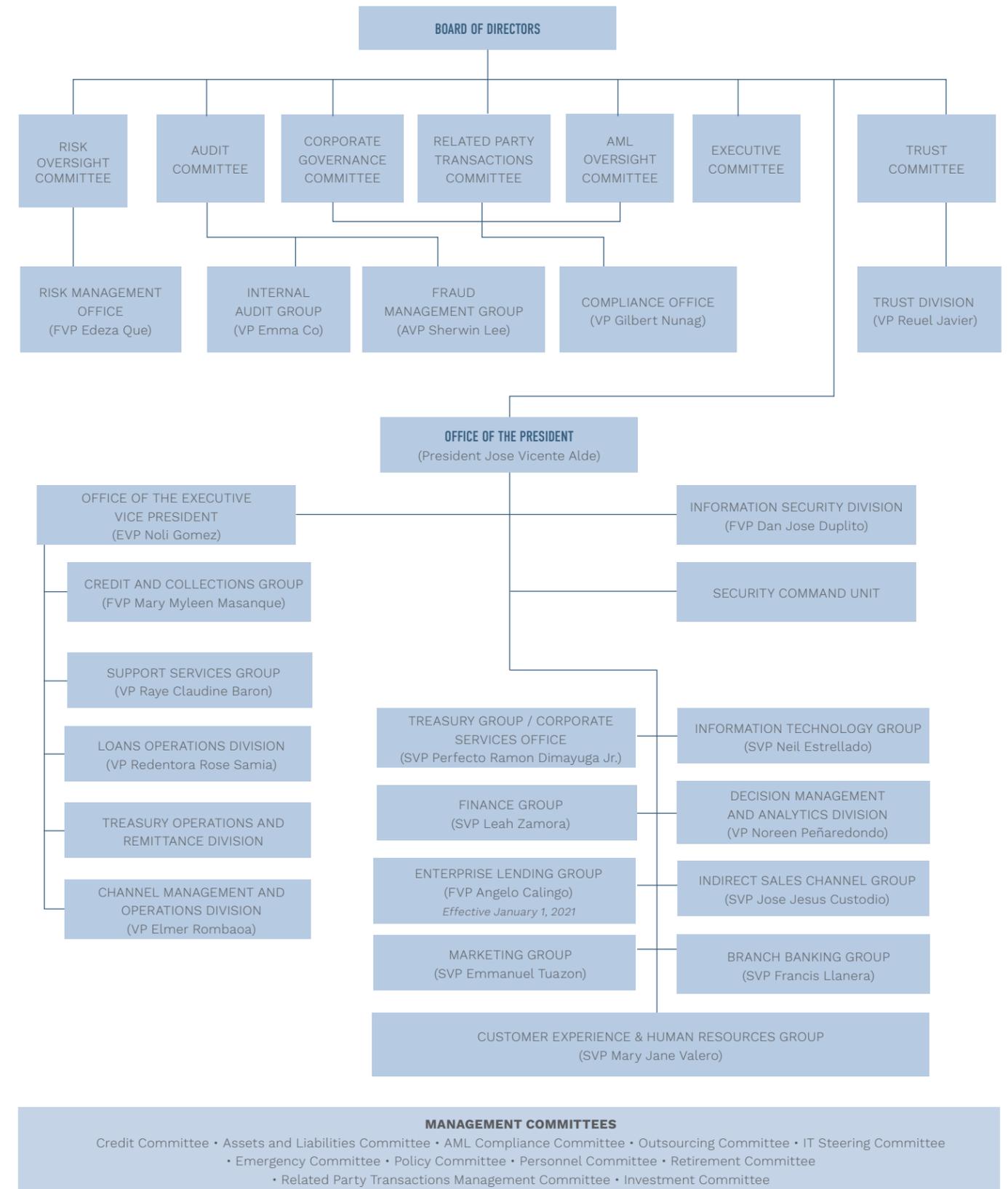
The Bank migrated its Learning and Development online through the e-PSBank Business Campus (e-PBC) which was anchored on the #NewNormalsDigital principle. The e-PBC was transformed into a strategic business hub through non-stop learning and accelerated, targeted, and immersive programs. Through the digitization of learning, the Bank was able to save 70.2% of its training cost versus the previous year. Despite this, 2020 had the most number of curricular programs on record at 189.

- The Bank’s Learning Management System (LMS) – Modular Object-Oriented Dynamic Learning Environment or MOODLE was launched in July 2020. PSBankers are now able to maximize self-paced and online learning through this system. MOODLE provides PSBankers an online educational learning platform designed to give administrators, faculty, and learners a single, robust, secure, and integrated system that allows the creation of personalized learning environments.
- Ladderized Programs were strengthened for various teams in 2020 – Finance, Decision Management and Analytics, Information Technology, Information Security, Operations, Credit and Collections, Customer Experience and Human Resources. High-potential and high-performing rank-and-file staff took customized programs based on their specific curriculum. A total of 26 employees completed their courses and were promoted to junior officer in 2020 – the most number of ladderized program graduates on record.
- Redefining Institutional Sales Efficiency (RISE) – The Bank’s flagship program on sales also continued despite the pandemic. 16 PSBankers graduated in 2020.
- Staff Professional Enhancement and Educational Development Accelerated Learning (SPEED AX-L) - This management training program, initially intended only for future Branch Service and Control Officers (BSCOs), evolved to also produce Head Office-based Officers. 19 graduated in 2020.
- New Accounts Clerk (NAC) Step Up - for Branch Banking’s Customer Service Associates (CSAs). 27 completed the program in 2020.
- For the first time, all the Bank’s regulatory training sessions registered 100% compliance. All of these were done virtually: Anti-Money Laundering Act, Related Party Transactions, Information Technology Risk Assessment, Foreign Account Tax Compliance Act for Branch Banking, Financial Consumer Protection, and Business Continuity Plan.
- Each PSBanker enrolled in at least three training programs in 2020. All these were done by the e-PSBank Business Campus, enabling the Bank to reduce its budget by 70.2% (vs 2019) through MOODLE and other digitization initiatives.

**Spiritual Needs**

PSBankers celebrate the Holy Eucharist every First Friday and during Holy Days of Obligation such as Ash Wednesday and Immaculate Conception. PSBank groups and divisions take turns in sponsoring each mass, while the PSBank Glee Club serves as the mass choir. In 2020, these were streamed online via Workplace from Facebook. Virtual Fellowships for other religious denominations also continued throughout the year.

**TABLE OF ORGANIZATION**



## BOARD OF DIRECTORS



**JOSE T. PARDO**  
CHAIRMAN / INDEPENDENT DIRECTOR

**ARTHUR V. TY**  
VICE-CHAIRMAN



**BENEDICTO JOSE R. ARCINAS**  
INDEPENDENT DIRECTOR

**MA. SOLEDAD D.S. DE LEON**  
DIRECTOR



**VICENTE R. CUNA JR.**  
VICE-CHAIRMAN



**JOSE VICENTE L. ALDE**  
PRESIDENT / DIRECTOR



**EDUARDO A. SAHAGUN**  
INDEPENDENT DIRECTOR

**ROSANNA F. DE VERA**  
DIRECTOR



**SAMSON C. LIM**  
INDEPENDENT DIRECTOR



**POCHOLO V. DELA PEÑA**  
CORPORATE SECRETARY

## DIRECTORS' PROFILES

**JOSE T. PARDO****Chairman/Independent Director**

Filipino, 81 • Chairman at PSBank\* since January 2003 • Independent Director since May 2007 • Chairman/Independent Director, Philippine Seven Corporation\*; Philippine Stock Exchange\*; Securities Clearing Corporation of the Philippines; Bank of Commerce • Chairman, ECOP Council of Business Leaders; PCCI Council of Business Leaders; • Independent Director, JG Summit Holdings, Inc.\* National Grid Corporation of the Philippines; ZNN Radio Veritas Foundation; Synergy Grid and Development Phils., Inc. (Non-operational); Monte Oro Grid Resources Corporation (Non-operational); Araneta Hotels, Inc.; League One Finance and Leasing Corporation and Del Monte Philippines, Inc. • Education: Honorary Doctorate, Academy of Multi-Skills, United Kingdom. Doctor of Science in Finance, Honoris Causa, De La Salle University, Manila Philippines. Doctor of Humanities, Honoris Causa, Gregorio Araneta University Foundation. Master's Degree in Business Administration. First Graduate of the Harvard-DLSU Advisory Program. BS Commerce-Accountancy, De La Salle University.

**ARTHUR V. TY****Vice Chairman**

Filipino, 54 • Vice Chairman since 2001 • Chairman, Metropolitan Bank and Trust Company\*; Metropolitan Bank (China) Ltd.; GT Metro Foundation Inc.; GT Capital Holdings Inc.\*; and Metrobank Foundation, Inc. • Vice Chairman, AXA Philippines • Director, Federal Land, Inc. • Adviser, First Metro Investment Corporation • Education: BS Economics, University of California - Los Angeles. MBA, Columbia University.

**VICENTE R. CUNA JR.****Vice Chairman**

Filipino, 59 • Vice Chairman since April 2018 • Director since 2013 • Director, Metropolitan Bank and Trust Company\* • Senior Executive Vice President, Enterprise Services Sector, Metropolitan Bank and Trust Company\* • Chairman, ORIX Metro Leasing & Finance Corporation; ORIX Auto Leasing Philippines Corporation; ORIX Rental Corporation; OMLF International Trading Development Corporation and OMLF Insurance Agency, Inc. • Education: A.B. Economics, De La Salle University.

**JOSE VICENTE L. ALDE****President/Director**

Filipino, 54 • President since April 2018 • Director since 2016 • Chairman, Sumisho Motor Finance Corporation • Trustee, Chamber of Thrift Banks • Education: Bachelor of Computer Science, Cum Laude, University of the Philippines (Diliman). Master in Business Management, Asian Institute of Management.

**SAMSON C. LIM****Independent Director**

Filipino, 72 • Independent Director since April 2008 • Chairman, Blims Lifestyle Group (BLG); Collins International Trading Corporation and Francorp Philippines • Chairman Emeritus/International Relation, Philippine Franchise Association • Chairman Emeritus, Philippine Retailers Association • Chairman for Tourism, Retail and Franchise, Philippine Chamber of Commerce and Industry • President, Canadian Tourism & Hospitality Institute • Education: BS Liberal Arts, Cum Laude, Ateneo de Manila University. Masters in Business Economics (MBE), University of Asia and the Pacific. Exchange Student, Sophia University Tokyo, Japan. Special Training on International Business, Institute of International Studies and Training, Fujinomia, Japan. Top Management Program, Asian Institute of Management.

**BENEDICTO JOSE R. ARCINAS****Independent Director**

Filipino, 64 • Independent Director since April 2012 • Director & General Manager, Arcinas Freres, Inc. Education: BS Business Economics, University of the Philippines, Diliman. Master of Science in Management, Arthur D. Little Management Education Institute, Cambridge, Massachusetts (now Hult International Business School). Certificate Courses in Small Enterprise Management, Operations Research, Economics, Basic+, COBOL Programming, Harvard University, Cambridge, Massachusetts.

**MA. SOLEDAD D.S. DE LEON****Director**

Filipino, 62 • Director since April 2016 • Chairman of the Board/ Treasurer, Casa Medica, Inc. and Sodel Milling Corp. • Director, Yaman Lahi – Foundation, Inc. (Emilio Aguinaldo College); University Physician Services Inc.; Property Holdings, Inc.; Hospital Management Services, Inc. (Medical Center Manila); The Pearl Manila; Pearl of the Orient & Seas Hotel & Recreational Resort, Inc.; St. Patrick College and Candelaria Rural Bank • President/Treasurer, Sodel Realty Inc. • Vice President/ Treasurer, Fil – Homes Realty Development Corp. • Vice President, Lipa Golden Land Development, Inc. • Education: BS in Business Administration Major in Business Management, St. Paul College of Manila. International Management Studies, University of California-Los Angeles, USA.

**EDUARDO A. SAHAGUN****Independent Director**

Filipino, 63 • Independent Director since April 2017 • Chairman, Edcommerce Corporation • Director, Union Galvasteel Corporation; Phinma Property Holdings Corporation; Phinma Renewable Energy Corporation; and T-O Insurance Brokers, Inc. • Board of Trustees, Phinma Foundation, Inc. • President & CEO, Phinma Solar Energy Corporation; Union Galvasteel Corporation and Philcement Corporation • Education: BS Commerce, Major in Accounting, Holy Angel University. Masters in Business Administration. Ateneo Graduate School of Business. Masters in Management Science, Arthur D. Little Management Education Institute (now Hult International Business School) Boston, USA. Senior Management Program, Senior Leadership Program, Managing Change Program, IMD, Switzerland.

**ROSANNA F. DE VERA****Director**

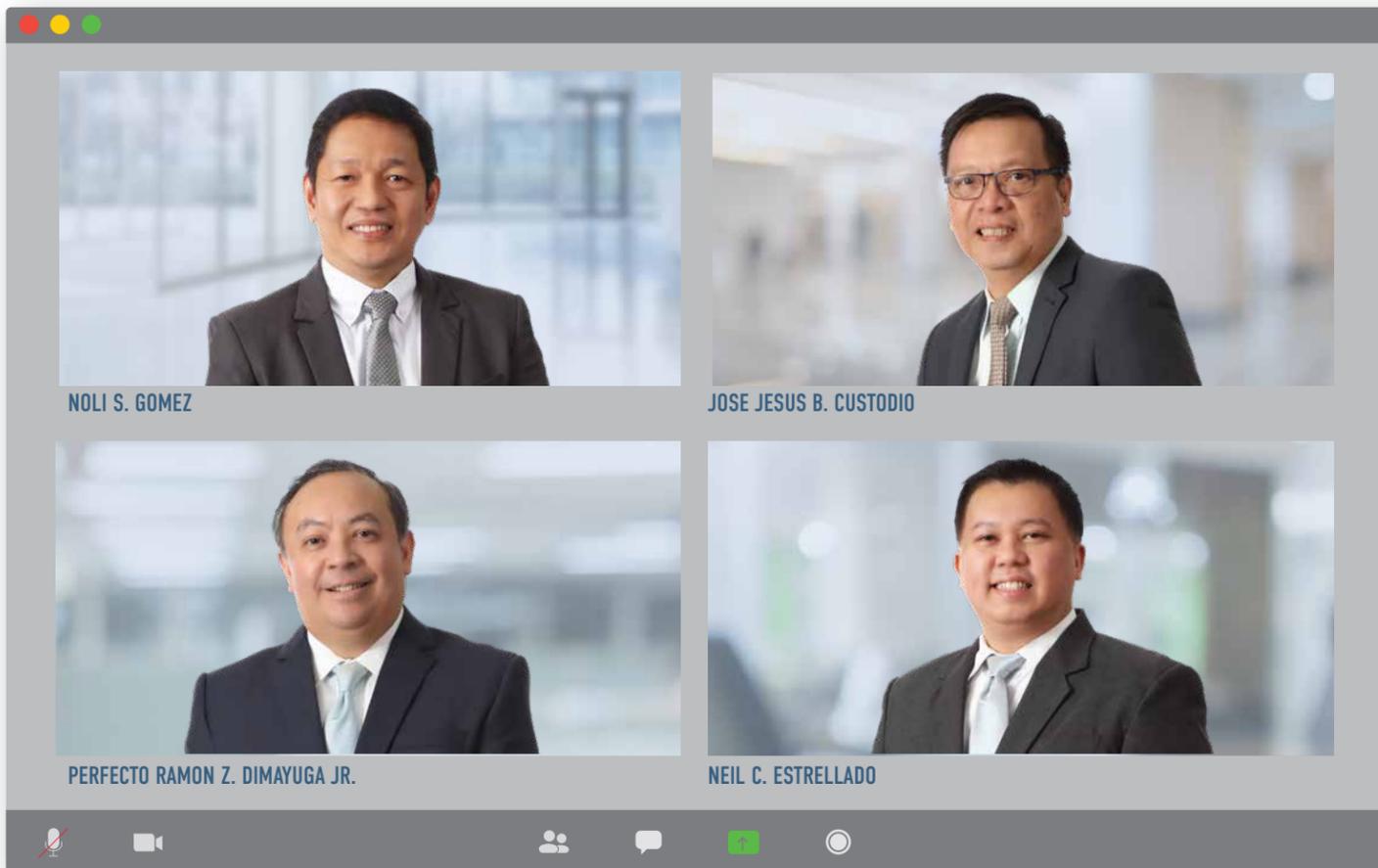
Filipino, 52 • Director since April 2018 • First Vice President and Credit Group Division Head, Metropolitan Bank and Trust Company\* • Education: BS Commerce Major in Accounting, University of Sto. Tomas. MBA, Ateneo Graduate School of Business.

**POCHOLO V. DELA PEÑA****Corporate Secretary**

Filipino, 54 • Corporate Secretary since July 2011 • Director, Sumisho Motor Finance Corporation • Senior Vice President and Business Banking Center Head, Metropolitan Bank and Trust Company\* • Education: BS Commerce Major in Accounting, University of Santo Tomas.

*\*Publicly listed companies*

## SENIOR OFFICERS



**NOLI S. GOMEZ**

**JOSE JESUS B. CUSTODIO**

**PERFECTO RAMON Z. DIMAYUGA JR.**

**NEIL C. ESTRELLADO**

**NOLI S. GOMEZ**

**Executive Vice President**

Filipino, 55 • Joined October 2001 • Operations Group Head • Member, Assets and Liabilities, Policy, Personnel, IT Steering, Anti-Money Laundering Compliance, Outsourcing Oversight, Emergency, and Retirement Committees • Director, Sumisho Motor Finance Corporation • Former Chief Risk Officer and Head of the Systems and Methods, DBS Bank Philippines • System Management Officer, Bank of the Philippine Islands • Education: BS Civil Engineering, Mapua Institute of Technology • Licensed Civil Engineer

**JOSE JESUS B. CUSTODIO**

**Senior Vice President**

Filipino, 60 • Joined December 2001 • Indirect Sales Channel Group Head • Former Head of Auto Loans-Retail Sales, Citytrust Banking Corp. • Former Head of Fleet and Floor Stock Department, BPI Family Savings Bank • Education: BS Business Management, Ateneo de Manila University

**PERFECTO RAMON Z. DIMAYUGA JR**

**Senior Vice President**

Filipino, 59 • Joined January 2006 • Treasurer • Former CFO and Head of Finance Group • Member, Assets and Liabilities, IT Steering, and Personnel Committees • Head of Investment Committee • Corporate Secretary, Sumisho Motor Finance Corporation • Held various Treasury positions in the Development Bank of Singapore Phils., Inc.; Bank of the Philippine Islands; Mindanao Development Bank; Citytrust Banking Corp.; and Rizal Commercial Banking Corp. • Education: AB Economics, Ateneo de Manila University. MBA, University of the Philippines

**NEIL C. ESTRELLADO**

**Senior Vice President**

Filipino, 49 • Joined March 2002 • Information Technology Group Head • Member, Outsourcing Oversight, IT Steering, Personnel, and Emergency Committees • Former Project Leader, Overseas Chinese Banking Corp. Ltd. • Former Lead IT Analyst, Development Bank of Singapore • Former Project Manager, DBS Philippines • Former Systems Analyst, Bank of the Philippine Islands • Education: BS Mathematics, Ateneo de Manila University



**FRANCIS C. LLANERA**

**EMMANUEL A. TUAZON**

**MARY JANE M. VALERO**

**LEAH M. ZAMORA**

**FRANCIS C. LLANERA**

**Senior Vice President**

Filipino, 49 • Joined December 2007 • Branch Banking Group Head • Member, Assets and Liabilities, Emergency, and Anti-Money Laundering Compliance Committees • Former Credit Card Collections Head, Union Bank of the Philippines • Formerly with American International Group's Credit Risk Management • Education: BS Commerce, University of Santo Tomas. MBA, Ateneo Graduate School of Business

**EMMANUEL A. TUAZON**

**Senior Vice President**

Filipino, 57 • Joined July 2014 • Marketing Group Head • Member, Assets and Liabilities, Emergency, and Personnel Committees • Director, Philippine Association of National Advertisers Foundation Inc. • Former Senior Vice President and Chief Marketing Officer, Philippine National Bank • Former Vice President for Marketing, ABN AMRO Bank • Former Vice President for Marketing and Sales, Jardine Pacific Finance • Education: BS Mathematics, University of the Philippines

**MARY JANE M. VALERO**

**Senior Vice President**

Filipino, 51 • Joined August 2002 • Customers Experience and Human Resources Group Head • Chairperson, Organizational Safety and Health Committee • Secretary, Personnel Committee • Member, Outsourcing Oversight and Retirement Committees • Co-Founder, CX Filipinas, Inc. • Former Front Office Manager, Mandarin Oriental Hotel Manila. • Former Duty Manager, Westin Philippine Plaza • Part time Professor St. Scholastica's College • Education: BS Psychology and BA Guidance and Counseling, St. Scholastica's College. MA in Industrial Psychology graduated Cum Laude, University of Santo Tomas. Ph D in Clinical Psychology graduated Magna Cum Laude, University of Santo Tomas

**LEAH M. ZAMORA**

**Senior Vice President**

Filipino, 47 • Joined April 2010 • Controller and Finance Group Head • Member, Assets and Liabilities, IT Steering, Retirement, Outsourcing Oversight, and Related Party Transactions Committees • Former Vice President for Financial Planning and Analysis, GE Money Bank Philippines • Education: BS Accountancy, De La Salle University • Certified Public Accountant

## SENIOR OFFICERS



**ANGELO L. CALINGO**

**DAN JOSE D. DUPLITO**

**MARY MYLEEN M. MASANQUE**

**EDEZA A. QUE**

**LEO ANTONIO V. ABE**

**ANDRE MANUEL L. ABELLANOSA**



**NOEL C. ANG**

**RAYE CLAUDINE Q. BARON**

**EMMA B. CO**

**ADLER D. FERRER**

**DENNIS O. GLORIOSO**

**ANTONELL S. INTERINO**

**ANGELO L. CALINGO**

**First Vice President**

Filipino, 40 • Joined October 2016 • Small and Medium Enterprise Division Head (effective Jan. 1, 2021 - Enterprise Lending Group Head) • Former Vice President of Commercial Banking, Citibank NA • Former Assistant Vice President, BDO Leasing and Finance, Inc. • Former Senior Manager, Bank of the Philippine Islands • Education: BSC Major in Management, De La Salle University. MBA, Asian Institute of Management. MS Business Analytics, Regent University

**DAN JOSE D. DUPLITO**

**First Vice President**

Filipino, 46 • Joined March 2005 • Information Security Division Head • 2013 ASEAN CISO of the Year Awardee • Former Consultant for Information Security, Web Development and Linux System Administration • Co-founder of BSP-recognized Information Security Officers Group (ISOG) • Co-Organizer of ROOTCON Hacking Conference (ROOTCON.ORG) • Education: BS Mechanical Engineering, University of the Philippines.

**MARY MYLEEN M. MASANQUE**

**First Vice President**

Filipino, 45 • Joined November 2011 • Credit and Collections Group Head • Member, Executive, Credit, and Emergency Committees • Former Assistant Vice President and Head of Recovery Unit, BDO Unibank, Inc. • Former Manager, AIG Credit Cards • Education: AB Communication Arts, Miriam College

**EDEZA A. QUE**

**First Vice President**

Filipino, 48 • Joined October 2005 • Chief Risk Officer, Risk Management Office (effective March 15, 2021 - Chief Risk and Sustainability Officer) • Member, Assets and Liabilities, Anti-Money Laundering Compliance, Investment, Outsourcing Oversight and Related Party Transactions Committees • Director, Bankers Institute of the Philippines, Inc. • Former Credit Risk Manager for Consumer Banking, Standard Chartered Bank • Former Risk Management Officer, American International Group Credit Card Co. • Education: BS Statistics with Honors and MS Statistics, University of the Philippines

**LEO ANTONIO V. ABE**

**Vice President**

Filipino, 38 • Joined November 2017 • Credit Risk Manager, Credit Risk Management Unit • Asia Pacific Region Retail Risk Manager, Hongkong Shanghai Banking Corporation (HSBC) Limited • Former Senior Risk Analyst, Standard Chartered Bank (Singapore) • Former Application Consultant to SCB, Optimum Solutions (Singapore) • Education: BS Mathematics and Masters of Science in Applied Mathematics, University of the Philippines

**ANDRE MANUEL L. ABELLANOSA**

**Vice President**

Filipino, 56 • Joined February 2003 • Asset and Liability Management Division Head, Treasury Group • Former Head of Treasury Sales and Marketing Division, Treasury Group • Member, Investment Committee • Former Manager of Securities Distribution Group, BPI Capital Corp. • Former Chief Dealer, DBS Forex Corp. • Education: BS Management, Colegio de San Juan de Letran. Certified Treasury Professional, Ateneo-BAP Institute of Banking • Registered Fixed Income Market Salesman, Securities and Exchange Commission

**NOEL C. ANG**

**Vice President**

Filipino, 43 • Joined April 2013 • Financial Accounting Services Division Head • Former Financial Information Division Head, Philippine Veterans Bank • Former Tax Accounting Unit Head, Ford Group Philippines • Former Subsidiaries Financial Accounting Unit Head, United Coconut Planters Bank • Former Tax Auditor, Diaz Murillo Dalupan & Company, CPAs • Education: BS Accountancy, Centro Escolar University - Manila. Bachelor of Laws, Arellano University School of Law. • Certified Public Accountant and Lawyer

**ADLER D. FERRER**

**Vice President**

Filipino, 47 • Joined December 2006 • Indirect Auto Loans Channel Division Head • Former Credit Services Head and Former Account Officer-Housing Loans and SME Loans, BPI Family Savings Bank, Inc. • Education: BS in Agriculture, graduated Cum Laude, Ateneo de Cagayan (Xavier University)

**RAYE CLAUDINE Q. BARON**

**Vice President**

Filipino, 51 • Joined August 2009 • Support Services Group Head • Member, Policy, Outsourcing Oversight, and Emergency Committees • Former Senior Assistant Vice President for Project Management and Operations Control Department, AIG Philam Savings Bank, Inc. • Education: BS Business Management, Ateneo de Manila University. MBA, University of the Philippines

**DENNIS O. GLORIOSO**

**Vice President**

Filipino, 43 • Joined June 2008 • Collections and Remedial Management Division Head • Former Asset Manager, Capmark Philippines Ltd. • Former Credit and Collections Supervisor, Avida Land Corporation • Education: BS in Applied Economics, BS in Commerce Major in Business Management, and MBA, De La Salle University

**EMMA B. CO**

**Vice President**

Filipino, 58 • Joined December 2001 • Chief Audit Executive and Head, Internal Audit Group • Secretary, Audit Committee • Resource person, Related Party Transactions Committee • Chairperson of the Membership Committee, Bankers Institute of the Philippines, Inc. • Former Senior Manager for Audit, Mercator Group • Former IT Audit Officer, Union Bank of the Philippines • Education: BS Commerce Major in Accounting, University of Santo Tomas. Bachelor of Laws, Lyceum of the Philippines. MS in Information Management, Ateneo de Manila University • Certified Public Accountant, Lawyer, and Accredited Quality Assessment Validator

**ANTONELL S. INTERINO**

**Vice President**

Filipino, 47 • Joined August 2010 • Head of Financial Planning Division under the Finance Group • Former Senior Financial Planning Analyst, GE Money Bank Philippines • Education: BS Accountancy, De La Salle University • Certified Public Accountant

## SENIOR OFFICERS



**MIRASOL B. GUIA**



**REUEL R. JAVIER**



**GILBERT L. NUNAG**



**JOHN EMMANUEL J. PALAFOX**



**NOREEN D. PEÑAREDONDO**



**ELMER B. ROMBOA**



**REDENTORA ROSE D. SAMIA**



**MARIA LILIBETH S. SANTOS**



**MIRASOL B. GUIA**

**Vice President**

Filipino, 50 • Joined October 2010 • Digital Application Development Division I Head (effective March 10, 2021 - Digital Technology Services Division Head) • Former Assistant Vice President in Systems Development and Support and Former Manager in Systems Maintenance and Development, Digital Telecommunication Phils., Inc. • Education: BS Computer Science, Pamantasan Ng Lungsod ng Maynila. Master of Technology Management, University of the Philippines

**REUEL R. JAVIER**

**Vice President**

Filipino, 49 • Joined December 2007 • Trust Division Head • Former Investments Head of Treasury Group • Member, Trust, Assets and Liabilities, and Retirement Committees • Held various Trust and Investment Management positions in the Bank of the Philippine Islands and BPI Capital Corporation • Education: AB Economics, De La Salle University • Certified Treasury Professional, Ateneo-Bankers Association of the Philippines. Registered Fixed Income Market Salesman, Services and Exchange Commission. TOAP UITF Certified Sale Person.

**GILBERT L. NUNAG**

**Vice President**

Filipino, 46 • Joined February 2008 • Chief Compliance Officer • Former Operational Risk Management Unit Head of Risk Management Office • Member, Anti-Money Laundering Compliance, and Outsourcing Oversight Committees • Former Assistant Vice President and Compliance Officer, UCPB Savings Bank • Former Assistant Vice President and Compliance and Risk Management Division Head and Senior Manager and Controllership Head, UCPB Rural Bank • Former Audit Team In-Charge SyCip, Gorres, Velayo & Co. • Education: BS Accountancy with Honors, Ateneo de Cagayan (Xavier University) • Certified Public Accountant

**JOHN EMMANUEL J. PALAFOX**

**Vice President**

Filipino, 44 • Joined April 2007 • Digital Innovations Architect (effective March 10, 2021 - Shared Application Division Head) • Former Head of the Technology Services Group, SQL\*Wizard, Inc. • Education: BS Management Information Systems, Ateneo de Manila University

**NOREEN D. PEÑAREDONDO**

**Vice President**

Filipino, 42 • Joined October 2015 • Decision Management and Analytics Division Head • Former Region Head for Data Science, Tiara • Former Business Head for Web and Mobile Solutions, Stratpoint Technologies • Education: BS Statistics, University of Philippines

**ELMER B. ROMBOA**

**Vice President**

Filipino, 52 • Joined January 2015 • Channel Management and Operations Division Head • Former Head of Electronic Banking Services Division, Philippines National Bank • Former Head of Card Business Solutions, Security Bank Corp. • Education: BSBA Accountancy, National College of Business and Arts • Certified Public Accountant

**REDENTORA ROSE D. SAMIA**

**Vice President**

Filipino, 58 • Joined October 2004 • Loans Operations Division Head • Former Branch Head, BDO Unibank Inc. • Former Operations/Marketing Officer, United Coconut Planters Bank • Education: BS Psychology, University of Santo Tomas. BS Business Administration Accounting, Holy Angel University

**MARIA LILIBETH S. SANTOS**

**Vice President**

Filipino, 36 • Joined August 2005 • Systems Operation and Infrastructure Division Head • Education: BS in Computer Science and Information Technology, Asia Pacific College



## PRODUCTS & SERVICES

### Savings Accounts

PSBank Kiddie & Teen Savings  
 PSBank Peso Personal ATM Savings  
 PSBank Peso Passbook Savings  
 PSBank Peso OFW ATM Savings

### Checking Accounts

PSBank Peso Regular Checking  
 PSBank Premium Peso Checking

### Time Deposit Accounts

PSBank Peso Prime Time Deposit  
 PSBank Peso Time Deposit

### Foreign Currency Accounts

PSBank USD Passbook Savings  
 PSBank Dollar Time Deposit

### Consumer Loans

PSBank Auto Loan with Prime Rebate  
 PSBank Flexi Personal Loan with Prime Rebate  
 PSBank Home Loan with Prime Rebate  
 PSBank Home Credit Line  
 PSBank Home Construction Loan  
 PSBank Multipurpose Loan

### Commercial Loans

PSBank SME Business Credit Line  
 PSBank Credit Line  
 PSBank SME Term Loan with Prime Rebate  
 PSBank Standby Credit Line Certification  
 PSBank Domestic Bills Purchase Line

### Trust Products and Services

e-Trust  
 PSBank Money Market Fund  
 Investment Management Account  
 Escrow Account  
 Personal Management Trust  
 Employee Benefit/Retirement Fund Management

### Other Products and Services

PSBank Debit Mastercard  
 PSBank Prepaid Mastercard  
 PSBank Credit Mastercard  
 PSBank Bills Payment Collection  
 PSBank Remittance Services  
 PSBank Business Online Buddy (Corporate Internet Banking)  
 PSBank e-Credit  
 PSBank Online  
 PSBank Mobile  
 PSBank LiveChat  
 PSBank & AXA Bancassurance Cross-selling Arrangement  
 PSBank Online Loan Application  
 PSBank PaSend Mobile Remittance  
 PSBank Mobile Check Deposit  
 PSBank ISSA Chatbot Service  
 PSBank Mobile Time Deposit Placement  
 PSBank QR Code

Scan to know how to register and use the various features in PSBank Online and PSBank Mobile App



## SHAREHOLDERS INFORMATION

### CORPORATE INFORMATION

Philippine Savings Bank  
 PSBank Center  
 777 Paseo de Roxas corner Sedeño Street  
 Makati City 1226 Philippines  
 Tel: (+632) 8845-8888  
 Website: www.psbank.com.ph

### Annual Shareholders' Meeting

Monday, 26 April 2021, 3:00 p.m. via CISCO WEBEX

### Stock Listing

Philippine Savings Bank (PSBank) common shares are listed and traded at the Philippine Stock Exchange under the ticker symbol "PSB."

### Shareholders

The number of common shareholders of record as of 05 March 2021 is 1,450.

### Major Shareholder

METROPOLITAN BANK & TRUST COMPANY  
 % of Stockholdings: 88.38%  
 Nationality: Filipino

### Market Information

Below are the high and low closing prices of PSB shares as reported on the Philippine Stock Exchange for each quarter of the years ending in 2020 and 2019:

Years	Quarters	Highest	Lowest
2020	1 <sup>st</sup>	54.60	34.20
	2 <sup>nd</sup>	52.00	40.10
	3 <sup>rd</sup>	52.00	47.00
	4 <sup>th</sup>	54.60	51.00
2019	1 <sup>st</sup>	61.00	57.50
	2 <sup>nd</sup>	58.95	57.00
	3 <sup>rd</sup>	60.70	57.00
	4 <sup>th</sup>	63.50	57.00

### Annual Report in SEC Form 17-A

The financial report included in this report follows the information contained in the SEC Form 17-A of PSBank, as required by and submitted to the Securities and Exchange Commission. Copies of this report may be obtained free of charge upon written request to the Office of the Finance Group Head.

### SHAREHOLDER ASSISTANCE AND SERVICES

#### Investor Relations

Corporate Affairs Division  
 9th Floor PSBank Center  
 777 Paseo de Roxas corner Sedeño Street  
 Makati City 1226  
 Tel: (+632) 8845-8888  
 Email: psbasm@psbank.com.ph

#### Media

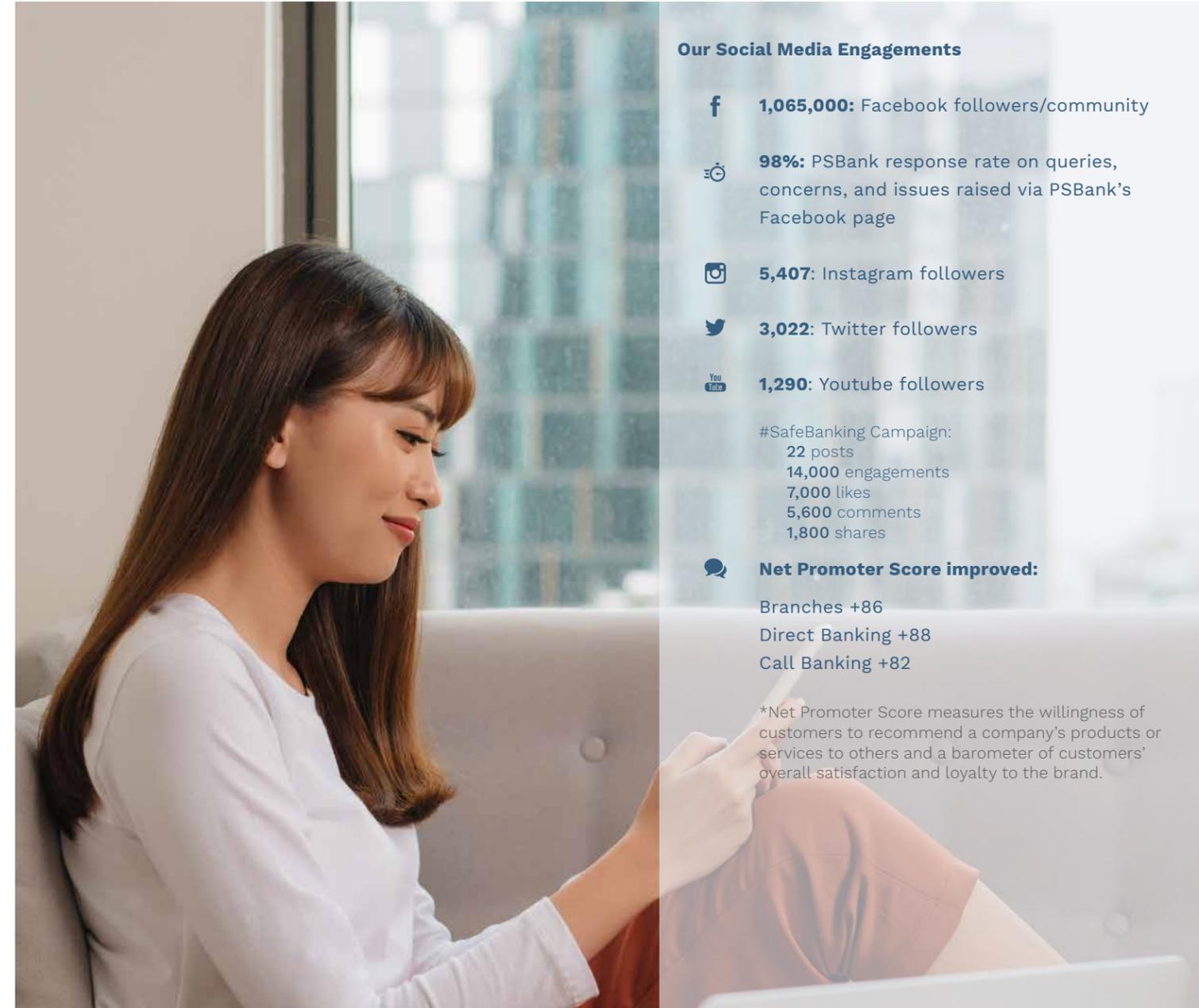
PR and Corporate Communications Department  
 8th Floor PSBank Center  
 777 Paseo de Roxas corner Sedeño Street  
 Makati City 1226  
 Tel: (+632) 8845-8888  
 Fax: (+632) 8845-0025

#### For inquiries or concerns:

Customer Experience Group  
 6th Floor PSBank Center  
 777 Paseo de Roxas corner Sedeño Street  
 Makati City 1226  
 Tel: (+632) 8845-8888  
 Fax: (+632) 8845-0048  
 SMS: (+63) 998-8458888  
 Email: customerexperience@psbank.com.ph  
 Chat: www.psbank.com.ph

#### Stockholder Services

For inquiries regarding dividend payments, change of address or account status:  
 Metrobank Trust Banking Group - Settlements Department  
 16th floor Metrobank Center  
 35th Street corner 7th Avenue  
 Bonifacio Global City  
 Taguig City 1634, Philippines  
 Tel: (+632) 8857-5694 to 95



### Our Social Media Engagements

**f 1,065,000:** Facebook followers/community

**98%:** PSBank response rate on queries, concerns, and issues raised via PSBank's Facebook page

**5,407:** Instagram followers

**3,022:** Twitter followers

**1,290:** Youtube followers

#SafeBanking Campaign:  
 22 posts  
 14,000 engagements  
 7,000 likes  
 5,600 comments  
 1,800 shares

### Net Promoter Score improved:

Branches +86

Direct Banking +88

Call Banking +82

\*Net Promoter Score measures the willingness of customers to recommend a company's products or services to others and a barometer of customers' overall satisfaction and loyalty to the brand.

Scan to access on your mobile device:



View Report

Audited Financial Statements



View Directory

PSBank Branch Directory



 PSBank Center, 777 Paseo de Roxas corner Sedeño Sts.  
Makati City 1226 Philippines

 [www.psbank.com.ph](http://www.psbank.com.ph)

 Customer Experience Hotline: (632) 8845-8888

 [customerexperience@psbank.com.ph](mailto:customerexperience@psbank.com.ph)

 PSBank LiveChat via [www.psbank.com.ph](http://www.psbank.com.ph)

 ISSA Chatbot: [Facebook.com/psbankofficial](https://www.facebook.com/psbankofficial)

#PSBankOfficial

