

DISCLOSURE REQUIREMENTS IN THE ANNUAL REPORT
(Appendix to Sec. 175 on Disclosure requirements in the annual report)

Introduction

This Appendix outlines the guidelines on the minimum disclosure requirements of the Bangko Sentral for the Annual Report of banks. The guidelines shall take effect for financial year 2017.

Basic Disclosure Requirements

All banks shall prepare an Annual Report which shall include a discussion and/or analysis of the following minimum information:

1. Corporate Policy - A brief discussion of the following information covering the first page of the Annual Report:
 - a. Brief discussion of bank's vision and mission statements
 - b. Introduction of the bank's brand that differentiates it from other banks
 - c. Business model of the bank

2. Financial Summary/Financial Highlights - A two (2)-year comparative presentation of selected profitability, capital, performance, and balance sheet data/ratios which will serve as a snapshot of the bank's financial condition to be presented after Item "1" above on Corporate Policy. The bank may use the template below:

| Minimum Required Data | Consolidated ¹ | | Parent Bank (Solo) | |
|------------------------------------|---------------------------|---------------|--------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Profitability | | | | |
| Total Net Interest Income | | | | |
| Total Non-Interest Income | | | | |
| Total Non-Interest Expenses | | | | |
| Pre-provision profit | | | | |
| Allowance for credit losses | | | | |
| Net Income | | | | |
| Selected Balance Sheet Data | | | | |
| Liquid Assets | | | | |

| | | | | |
|---|--|--|--|--|
| Gross Loans | | | | |
| Total Assets | | | | |
| Deposits | | | | |
| Total Equity | | | | |
| Selected Ratios | | | | |
| Return on equity | | | | |
| Return on assets | | | | |
| CET 1 capital ratio (for UBs/KBs) | | | | |
| Tier 1 capital ratio (for UBs/KBs) | | | | |
| Capital Adequacy Ratio | | | | |
| Per common share data (For UBs, KBs and publicly listed Banks) | | | | |
| Net Income per share: | | | | |
| Basic | | | | |
| Diluted | | | | |
| Book Value | | | | |
| Others | | | | |
| Cash dividends declared | | | | |
| Headcount | | | | |
| Officers | | | | |
| Staff | | | | |

For banks with subsidiaries, the Financial Summary/Financial Highlights should be presented side by side on a solo basis (parent) and on a consolidated basis (parent and subsidiaries) as provided under Sec. 174 (*Audited Financial Statements of Banks*) Financial Condition and Results of Operations.

3. Financial Condition and Results of Operation

A report from either the chairman or president/chief executive officer or officer of equivalent rank addressed to the stockholders and other stakeholders of the bank covering the following information:

- a. Review of bank's operations and result of operations for the financial year including details and explanations for any significant change during the year
- b. Highlight of major activities during the year that impact operations, if any

- c. Major strategic initiatives of the bank and the banking group, as applicable
- d. Challenges, opportunities, and responses during the year, if any

4. Risk Management Framework Adopted

This section highlights the bank's board-approved risk management framework and should include at a minimum the following information:

- a. Overall risk management culture and philosophy (discuss the general mission and goal of the bank's risk management practices and the corresponding risk management policy/principles adopted by the bank's board for the attainment of the said mission and goal)
- b. Risk appetite and strategy (describe the risk appetite of the bank and the factors considered in defining the said risk appetite; and discuss the significant risk areas/exposures of the bank)
- c. Bank-wide risk governance structure and risk management process (Define the roles and responsibilities and the reporting lines for the different business units that composed the risk management group/unit. For better appreciation, illustrate in a chart/ table form the risk management structure and organization of the relevant risk management function. Discuss also the scope and nature of risk reporting and/or measurement systems) AML governance and culture, and description of the overall ML/TF risk management framework to prevent the use of the bank for ML/TF activities

5. Corporate Governance

This section comprehensively discusses the bank's corporate governance framework and corporate culture adopted by the bank and the banking group, as applicable. The following minimum information should be disclosed in this section:

- a. Overall corporate governance structure and practices (describe the overall governance framework adopted by the bank)
- b. Selection process for the board and senior management (describe the bank's process/procedure for identifying, assessing and selecting board and senior management candidates to ensure application of fit and proper standards)
- c. Board's overall responsibility (describe the general responsibility of the board in the approval and oversight of management's implementation of bank's strategic objectives, risk strategy, corporate governance and corporate values, among others)

- d. Description of the major role and contribution of the chairman of the board
- e. Board composition (include the names of the members of the board). For each member, include the following:
- Type of directorship (executive, non-executive, or independent director);
 - The principal stockholder represented if nominee;
 - The number of years served as director;
 - Number of direct and indirect shares held; and
 - Percentage of shares held to total outstanding shares of the bank.
- f. Board qualification (provide details of the relevant qualifications and experiences of each member of the board of directors, including current directorship and officership in other companies, their age and nationality)
- g. List of board-level committees including membership and function
- h. Directors' attendance at board and committee meetings (include the total number of board and committee meetings for the election year and the number of board and committee meetings attended by each director²). A sample template is provided below:

| Name of Directors | Board Number of Meetings | | (Name of Board Committee) Number of Meetings | | (Name of Board Committee) Number of Meetings | | (Name of Board Committee) Number of Meetings | | (Name of Board Committee) Number of Meetings | |
|--|--------------------------|---|--|---|--|---|--|---|--|---|
| | Attended | % | Attended | % | Attended | % | Attended | % | Attended | % |
| 1 | | | | | | | | | | |
| 2 | | | | | | | | | | |
| 3 | | | | | | | | | | |
| 4 | | | | | | | | | | |
| 5 | | | | | | | | | | |
| Total Number of Meetings Held During the Year | | | | | | | | | | |

- i. Changes in the board of directors (*for complex banks only*) (indicate the changes in the composition of the board of directors that happened during the period including the reason

for said change, i.e., resignation, death, removal).

- j. List of executive officers/senior management (disclose the name, position, relevant qualifications/experience, age and nationality of the officer. *Senior management* refers to the president/CEO or officer of equivalent rank and other persons having authority and responsibility for planning, directing and controlling the activities of the bank).
- k. Performance Assessment Program (describe the process adopted by the bank in assessing the performance of the board and senior management based on established performance standards that are consistent with the bank's strategic objectives).
- l. Orientation and Education Program (disclose the in-house and external training program of the bank for its directors and senior management to ensure that they continuously possess the qualifications for the position).
- m. Retirement and Succession Policy (describe the retirement and succession policy of the bank including the retirement age for the board and senior management; and the term limit for the members of the board).
- n. Remuneration policy
 - i. Remuneration Policy and Structure for executive and non-executive directors (disclose the bank's remuneration policy and the structure of its remuneration package for the board).
 - ii. Remuneration Policy for senior management (disclose the process used for determining the remuneration of the president/CEO or officer of equivalent rank, and the four (4) most highly compensated management officers of the bank).
- o. Policies and procedures on related party transactions.
 - i. Describe the bank's overarching policies and procedures for managing related party transactions (RPT) as defined under Sec. 135 (*Profit sharing programs*), including managing of conflicts of interest or potential conflicts of interest; and responsibility of the RPT Committee³.
 - ii. Conglomerate structure (for UBs and KBs that are part of conglomerates under Sec. 135 (*Compensation and other benefits of directors and officers*)).
 - iii. Provide the details of material RPTs as defined under Sec. 135 (*Item e of Loans, advances,*

and other credit accommodations to officers), including the nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments.

p. Self-Assessment Function

- i. Describe the structure of the internal audit and compliance functions including its role, mandate/authority, and reporting process
- ii. Describe the review process adopted by the board to ensure effectiveness and adequacy of the internal control system

q. Dividend policy (discuss the bank's policies and procedures for declaring dividends and the amount of total dividends declared during the year, if any)

r. Corporate Social Responsibility Initiatives (discuss any initiative undertaken or proposed to be undertaken by the bank during the year)

s. Consumer Protection Practices⁴

- i. Describe the role and responsibility of the board and senior management for the development of consumer protection strategy and establishment of an effective oversight over the bank's consumer protection programs;
- ii. Describe the consumer protection risk management system of the bank, i.e., means by which a bank identify, measure, monitor, and control consumer protection risks inherent in its operations; and
- iii. Describe the consumer assistance management system of the bank which shall include the consumer assistance policies and procedures as well as the corporate structure for handling complaints.

6. Corporate Information

- a. Present the organizational structure, including the name and position of key officers
- b. List of major stockholders⁵ of the bank, including nationality, percentage of stockholdings and voting status
- c. List and description of products and services offered
- d. Bank website (as applicable)
- e. List of banking units (such as branches, extension offices, other banking offices, and

representative offices) domestic and abroad including address and contact details (optional for banks that disclose these information in their websites)

7. Audited Financial Statements (AFS) with Auditor's Opinion

The AFS for the calendar or fiscal year including the opinion of the external auditor of the bank should be presented in full in the Annual Report. For banks with subsidiaries, the AFS should be presented side by side on a solo basis (parent) and on a consolidated basis (parent and subsidiaries) as provided under Sec. 174 (*Audited Financial Statements of Banks*).

For complex banks⁶ with various business segments, it shall also submit Financial Results of Major Business Segments with a summary report from each business segment (such as corporate banking, consumer banking, treasury, trust, wealth management, among others) highlighting the following minimum information:

- a. Summary of financial performance of the business segment for the year
- b. Contribution of business segment to the total revenue of the bank during the year
- c. Significant developments during the year including major activities
- d. Future plans/targets/objectives

(Circular No. 956 dated 17 April 2017)

Footnotes

1. Consolidated amounts of Parent and Subsidiaries
2. Past and present directors during the year.
3. As required under Sec. 135 (Item a.7 of Loans, advances, and other credit accommodations to officers).
4. As required under Sec. 1001 (*Consumer Protection Oversight Function*).
5. Stockholders owning more than twenty percent (20%) of voting shares of stock of a bank or which enables such stockholder to elect, or be elected as, a director of such bank
6. As defined under Sec. 131 (*Policy Statement and Definition of Terms*)