

ANNEX G – CREDIT COUNTERPARTY LIMITS

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SECRETARY'S CERTIFICATE

I, MELISSA L. ADAJAR, of legal age, Filipino, and with business address at the 16th Floor, Unit L2L16-11 The PSE, One Bonifacio High Street, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City, after having been duly sworn in accordance with law, depose and state that:

1. I am the Assistant Corporate Secretary of the UCPB SAVINGS BANK, INC. (the "Bank"), a government financial institution duly organized and existing by virtue of and under the laws of the Republic of the Philippines, with main office address at the 2nd & 3rd Floors, OFBank Center, Liwasang Bonifacio, Manila;
2. At the meeting of the Board of Directors of the Bank validly held on December 9, 2022, during which a quorum was present and acting throughout, the following resolution was, upon motion duly made and seconded, passed and approved:

RESOLUTION NO. 279-2022
(Renewal of Guidance Line for Land Bank of the Philippines)

RESOLVED TO APPROVE the proposed renewal of Guidance Line for Land Bank of the Philippines in the amount of Three Hundred Million Pesos (P300,000,000.00) to expire on December 31, 2023, with the following terms and conditions, as presented in the Memorandum dated December 2, 2022:

Facility	Guidance Line
Amount	Php 300Mn
Limit	Limit shall not exceed recommended limit
Other	A) Risk Management Division shall furnish a report to Treasury on excess / breach in limits on a monthly basis, for reconciliation / monitoring / evaluation purposes; and B) This renewal shall cover all transactions made after December 31, 2022.
Expiry Date	December 31, 2023
Sub-Facility #1	Interbank Loan Line (IBL)
Purpose	For overnight lending
Amount	Php 300Mn
Sub-Limit	Limit may equal the guidance limit if outstanding exposure / usage under SSL is nil at the time of availment.
Term	Overnight
Sub-Facility #2	Securities Settlement Line (SSL)
Purpose	For purchase and sale of government securities and other corporate peso bonds
Amount	Php 200Mn
Sub-Limit	Traded securities in Philippine Peso Settlement is via delivery versus payment (DVP) For pre-settlement, line usage is based on 11% Pre-Settlement Risk-PSR multiplied by notional value of security traded The excess may be credited against unutilized portion of IBL, provided resulting aggregate exposure / usage does not exceed the prescribed guidance limit per counter party.
Term	1. Government Securities – not to exceed three (3) working days 2. Bonds – three (3) working days/good value

3. The foregoing has not been modified, repealed or otherwise superseded as of date.

IN WITNESS WHEREOF, this Certificate is executed this January 9, 2023 in the City of Makati.


MELISSA L. ADAJAR
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me on this JAN 12 2023 in the City of Makati, affiant exhibited her Professional Regulation Commission Registration No. 0158396 valid until December 20, 2025.

Doc. No. SSB ; 

ANNEX H – LIMITS STRUCTURE

TITLE OF LIMITS	Amount/Ceiling
A. Mandatory	
Single Borrower's Limit (SBL)	First 25% of the Bank's Net worth + 10% of the Net worth
Mandatory Credit Allocation a. Micro & Small Enterprises (MSE) b. Medium Enterprises (MEs)	8% of the total portfolio 2% of total portfolio
Utilization of Loanable Funds Generated set aside for: a. Agrarian Reform Credit b. Other Agricultural Credit	10% of Loanable Funds 15% of Loanable Funds
DOSRI Loans a. Total Loans b. Unsecured Loans	15% of Total Loan Portfolio or 100% of Net worth, whichever is lower 30% of outstanding DOSRI loans or 30% of aggregate limit on total DOSRI loans whichever is lower
Exposure to Real Estate Industry	20% of total loan portfolio 6% of CET 1 capital; 10% of risk-based CAR
Fringe Benefit Program	15% of the Total Loan Portfolio
B. Internal	
As to product:	
Government Universities, Colleges, and Schools - GUCS DepEd (formerly PSPL)	10% of bank-wide GUCS (formerly PSPL) portfolio per branch/lending office (can be raised to 15% provided the default rate is not over 6%)
Government Entities Salary Loan (GESL formerly PSND) GUCS TESDA and GUCS CHED	10% of bank-wide GESL and GUCS portfolio Per Agency/Entity (can be raised to 15% provided the default rate is not over 6%)
Auto loan (Consumer Auto)	15% of total loan portfolio
REL	35% of total loan portfolio
As to size:	
Single Borrower's Limit (SBL) (Both for single & group of counterparties).	80% of regulatory SBL if CRR is 1 - 3 60% of regulatory SBL if CRR is 4 - 5
As to Industry:	
Loan to Financial & Insurance (FIs)	15% of total loan portfolio
As to security:	
Unsecured loans to total loan portfolio	70% of total loan portfolio
Clean loan	P20MM per account

ANNEX I - INTERNAL RISK RATING MATRICES

OVERALL RISK RATING

RISK COMPONENTS	OLD	PROPOSED
CREDIT	35%	35%
MARKET	10%	15%
LIQUIDITY	25%	20%
OPERATIONAL	30%	15%
INFORAMATION SECURITY		10%
CYBER SECURITY		5%
TOTAL	100%	100%

Credit Risk Rating Matrix

		1	2	3	4	5	
Credit Risk KRIs	Risk Weight	Low	Medium-Low	Medium	Medium-High	High	Rationale
Asset Quality and Concentration	60%						
Non Performing Loans (NPL) Ratio	15%	< or = Industry Ratio	>1 to 2x of ind. ratio provided amt. is decreasing or maintained in the last 3 mos.	> 2x up to 5x of the Industry Ratio provided that the amount is increasing or maintained in the last 3 months	> 5x up to 6x of Industry Ratio provided amount is increasing or maintained in last 3 months	> 6x of the Industry Ratio provided amount is increasing or maintained in last 3 months	To show the trend in NPL percentage versus NPL ratio
Non Performing Loans (NPL) Amount	20%	< 50% of Qualified Capital	> 50% up to or < 80% of Qualified Capital	equal to 80% of Qualified Capital provided that percentage is decreasing/ maintained in last 3 mos.	> 80% up to Qualified Capital provided that percentage is decreasing/ maintained in last 3 mos.	> Qualified Capital & percentage is increasing more than 10% in the last 3 months	To align with Management Action Trigger (MAT) on market risk limits
Past Due Ratio Under Performing Loans (UPL) (1 - 30 days past due)	10%	< or = to 3% of the Total Loan Portfolio	> 3% up to 6% of the Total Loan Portfolio	> 6% up to 9% of the Total Loan Portfolio	> 9% up to 12% of the Total Loan Portfolio	> 12% of the Total Loan Portfolio	To avoid double count or inclusion of NPL accounts
Large Exposure (LE)	15%	No Non-Performing Loans	With Non-Performing Loans; 100% fully secured but with probable collection problems or issues	With Non-Performing Loans of up to 30% of QC; loan is at least 50% secured	With Non-Performing Loans of more than 30% up to 50% of QC; loan is less than 50% secured	exceeded Medium High threshold	To determine risk exposure of the Bank on large accounts as to QC and security.
Risk Mitigation (compliance w/	40%						
NPL Cover ratio	20%	= or > Industry Ratio	< 5% to 15% of Industry Ratio	< 15% to 25% of Industry Ratio	< 25% to 35% of Industry Ratio	exceeded Medium High threshold	To determine Bank's NPL cover vs Industry
Internal SBL (Commercial Loan accounts not included under Large Exposure)	5%	NPL amount is = or < 20% of Internal SBL	NPL amount is >20% up to 35% of Internal SBL	NPL amount is >35% up to 50% of Internal SBL, but <50% of Regulatory SBL	NPL amount is >50% up to 65% of Internal SBL, but >50% of Regulatory SBL	exceeded Medium High threshold	To determine risk of breach in internal SBL and to mitigate breach
Product limits	5%	all within product limits	with product/s exceeding the limit but product past due ratio is > industry past due ratio	with product/s exceeding the limit but product past due ratio is within industry past due ratio	not within Medium Low threshold but total portfolio of products exceeding the limit is up to 50% of total LP.	exceeded Medium High threshold	To determine risk of breach in terms of specific product limits and overall product limits
Unsecured Loans	10%	Total Unsecured loans is <20% of Total Loan Portfolio	Total Unsecured loan is >20% up to 40% of Total Loan Portfolio	Total Unsecured Loan is >40% up to 60% of Total Loan Portfolio	Total Unsecured Loan is >60% up to 75% of Total Loan Portfolio	exceeded Medium High threshold	To determine risk as to security for unsecured loans
	100%						

Market & Liquidity Risk Rating Matrix

Market Risk KRIs	Wt.	Low	Medium-low	Medium	Medium – high	High	Remarks
VaR limit	30%	≤ 50% of limit	>50- 75% of limit	>75- 100% of limit	>100 - 125% of limit	>125% of limit	Threshold was stretched:
EaR limit	40%						L – up to 50%
Stop loss limit	30%						ML – up to 75%
							M – up to 100%
							MH – up to 125%
							H – more than 125%
Liquidity Risk KRIs	Wt.						
Deposit Mix	15	CASA ≥ 70%	CASA 60 - <70%	CASA 50 - 60%	CASA 40 - <50%	CASA <40%	52:48 IFO CASA
LPF to Deposits	10	≤25%	25 - ≤ 30%	30 - ≤ 35%	>35% –40%	>40%	35% max. limit
Liquid Assets / Volatile Dep.	15	≥35%		>30 - 35%	>25% – 30%	≤25%	35% min. limit
LA to Deposits	15	≥ 25%	>20 - <25%	15 - 20%	10 - <15%	<10%	20% min. limit
Carry Cost	10	No negative carry in last 3 mos.	With 1 negative carry in the last 3 mos.	With 2 negative carry in the last 3 mos.	Last 3 mos. all in negative carry but mo. ave. <P1MM.	Last 3 mos. all negative & mo. ave. ≥P1MM.	Tolerance at 2 mos.
Loans: Deposits	20	>50 – 75%	>75 - 90%	>90 - 105%	>105 - 120%	>120%	Ind, average – 91.23 3% RR
MCO	15	≤ 75% of limit	>75 < 100% of limit	>100-150% of limit provided not in lower buckets (i.e., ante-6 days to >4-6 mos.)	>100-150% of limit in lower buckets; or >150-200% in >6-12 mos. bucket	>150% of limit if in lower buckets; or >200% in >6-12 mos. bucket.	o/n – 6 days to >4-6 mos – 1.6Bn
			Threshold was stretched i.e., from (low up to 75%, ML up to 100%, M up to 150%, MH to H up to 200% depending on the bucket slot)				

Operational Risk Rating Matrix

OpRisk KRIs	Sub KRI	Weight	Low	Medium-low	Medium	Medium-High	High	Rationale
IF (Internal Fraud)		20	None in reporting month & last 3 mos.	Potential or actual loss of incidence in reporting mo. or last 3 mos. up to P50k only.	Potential or actual loss of incidence in reporting mo. or last 3 mos. More than P50k up to P100k.	Potential or actual loss of incidence in reporting mo. or last 3 mos. >P500k - P500k ; or <P100k but out	Potential or actual loss of incidence in reporting mo. or last 3 mos. >P500k;	To value / push for the resolution of identified process gaps.
EF (External Fraud)		15	W/ incidence but a real Near Miss (NM) i.e. prevented by control, not out of necessity)	W/ incidence where potential/ actual loss up to P50k.	W/ incidence where potential/ actual loss >P50k up to P500k.	Incidence has potential/ actual loss >P100k - P500k.	Incidence has potential/ actual loss >P500k.	To value / push for the resolution of identified process gaps.
EPMS *Critical post refers to: Head of Office/ Unit / Functions manned by 1 personnel / post in under-staffed units	Training & Dev.	20	No training related concern in the last 3 mos.	With training related concern in the last 3 mos. but addressed/being addressed.	Training related concern enacted for 3 mos.	Training related concern enacted for 3 mos.	Noted concern enacted for >12 mos.	To focus on problem resolution (from amt. of loss)
	Manpower Adequacy / Succession planning		No critical post* vacant >2 mos.	W/ critical post >2 mos. vacant but w/ able (i.e. skilled & available)	W/ critical post >2 mos. vacant w/o able successor (up to 3 posts)	W/ critical post >2 mos. vacant w/o able successor (up to 5 posts only)	W/ critical post >2 mos. vacant w/o able successor (>5 posts)	To focus on problem resolution (from # of vacant critical posts)
	Disciplinary Action		No disciplinary action issue	With disciplinary action issue but corrective action/s taken/ being taken.	With unacted disciplinary action issue up to 3 mos. from date of knowledge, or acted but pending for 3 mos.	With unacted disciplinary action issue up to 6 mos. from date of knowledge, or acted but pending for 6 mos.	With >6 mos. unacted disciplinary action issue.	None
	Others (recruitment, selection & retention issues, attrition, etc)		No incidence	With reported incident but did not/ may not result in loss / disruption in operations	Reported incident resulted / may result in loss up to P200k, disruption in operations	Reported incident resulted / may result in loss >P200k up to P500k, disruption in operations	Reported incident resulted / may result in loss >P500k.	To focus on problem resolution (from disruption in operations and reputational)
CRIP * Any emphasis on growth at all		20						
	Aggressive sales; laws/ regulations/ exceeding exposure limits/ unlicensed activity		No incidence	With reported incidence but no actual/potential loss.	W/ actual/potential loss up to P200k.	W/ actual/potential loss >P200k up to P500k.	W/ actual or potential loss >P500k.	To focus on the breaches in policies and procedures, not de-necessity
	Endorsee violations		No incidence	With reported incidence but settled up to Mgmt. level. Cost/penalties, if any, up to P20k.	With reported incidence but settled up to Mgmt. level. Cost/penalties, if any, >P20k to P50k.	Incident reached external regulator (e.g. BSP); or cost/penalties >P50k to P100k is highly probable.	Incident made public (social media, etc); Cost/penalties >P200k highly probable.	To focus on the breaches in process, policies and procedures and the corresponding reputational damages
Fiduciary/ privacy breaches; Others (product defects, etc.)		No incidence	With reported incident but no actual or potential loss.	With actual or potential loss up to P50k.	With actual or potential loss >P50k to P100k.	W/ actual or potential loss >P100k.	Tolerance ignored (W/ no actual or potential loss)	
DVA		5	W/ occurrence but fully recovered & w/o incidental cost.	Unrecovered cost up to insurance or participation only & incidental cost up to P50k.	Unrecovered & incidental cost >P50k to P100k.	Unrecovered & incidental cost >P50k to 100k.	Unrecovered amount >P200k; or w/o insurance coverage.	Inc. in tolerance (from P50k - P50k for W)
BDF Hardware & software TELECOM failure UTILITY outages		5	W/ incidence but addressed w/in acceptable time & no complaint nor actual/potential	With incidence but no adverse effect i.e. Business as Usual w/ actual/ potential cost up to P20k.	Incidence addressed beyond acceptable time, or with actual/ potential cost >P20k to 50k.	Incidence addressed beyond acceptable time, or with actual/ potential cost >P50k to 100k.	Incidence addressed beyond acceptable time or with actual/ potential cost >200k.	To focus on the impact, not on duration of outage.
		25						
Transaction Processing Failure 25%								
	Incorrect client records Data entry/ booking/ ar/cle error		With incidence but a real NM	W/ incidence but fully recovered or recoverable.	Incidence resulted in loss up to P50k.	Incidence resulted in loss >P50k to P100k.	Loss >P100k.	Inc. in tolerance (M up to P50k)
	shortages/ overages		>P20k shortages & overages but none >P5k.	>P20k-30k total shortages & overages provided unlocated shortages up to P10k	>P50k-70k total shortages & overages provided unlocated shortages >P10k to P20k	>P70k-100k shortages & overages provided unlocated shortages >P20k to P40k only.	>P100k shortages & overages w/ unlocated shortages >P50k.	Inc. in tolerance (M up to P20 from P50k only)
	Unposited loan payments		None	up to 30 days only; provided total amt. does not exceed P50k.	>30-60 days	>60-90 days	>90 days	Inc. in tolerance (M up to 60 days)
	Untagged checks		No untagged checks.	1-3 untagged check numbers	3-6 untagged check numbers	>6 - 30 untagged check numbers	>10 untagged check nos.	tolerance tightened (1- no untagged check)
	Others (specify)		With incidence but a NM	W/ incidence but loss fully recovered or	Incidence resulted in loss up to P50k.	Incidence resulted in loss >P50k to P100k.	Loss >P100k.	tolerance tightened (W/ fully recovered)
Process Mgmt. Failure 20%								
	Reporting failures Missing/ incomplete/ incorrect docs Others (specify)		No incidence	W/ incidence but no penalty / loss	w/ penalty / loss up to P20k	w/ penalty / loss >P20k to P50k.	w/ penalty / loss >P50k	Adoption of single set of parameters for all 3 sub-KRIs.
Collateral report failure 40%								
	Unregistered mortgage 20%		No UM >5 mos. & none in RPO.	w/ >5-8 mos. UM but none in RPO.	w/ >8-10 mos. UM except accounts covered by DDU.	w/ >10-12 mos. UM except accounts covered by DDU.	w/ >1 yr. UM except accounts covered by DDU.	To determine risk as to severity as it affects the Capital Adequacy Ratio
	Unrenewed insurance (UI) 20%		none >5mos.	With >5-8 mos.	With >8-12 mos.	With >1 yr. but none in real past due.	With >1 yr. in real past due.	Based on age of UI (from % to loan portfolio)
	Outsourcing issues/ Vendor/contingency disputes 10%		No issue	With issue but within acceptable level i.e. not a cause for concern or resolution ongoing.	With issue that may cause an acceptable disruption in operations or loss up to P100k.	With issue that may cause unacceptable disruption in operations or loss >P100k to P500k.	W/ issue that may cause unacceptable disruption in operations or loss >P500k.	Acceptability of issue/ concerns taken into consideration.

IS and Cyber Risk Rating Matrix

Information Security and Technology Key Risk Indicators	Old Wt	New Wt	Low	Medium-low	Medium	Medium-high	High	Rationale		
1. IT Risk (CIA/HP) Based from IT Risk Assessment										
1.A System Development Life Cycle	3.00	3.50	Project delivered within determined timeline	<50% of the development is incomplete but on track	>50% of the development is incomplete / not on track	<85% of the development is incomplete / not on track	85% or more of development incomplete / not on track	To monitor the systematic lifecycle of system development without breach in SLA and ensuring quality output		
			or	<10% of the development is incomplete but within target completion schedule	Double mitigating strategies, action plans and constant monitoring for all identified risks of incomplete projects	Double mitigating strategies, action plans and constant monitoring for all identified risks of incomplete projects	Insertions of <10 requests that overrides priorities		Insertions of >10 requests that overrides priorities	
			with	Double mitigating strategies, action plans and constant monitoring for all identified risks	Insertions of <5 requests that overrides priorities	Insertions of <5 requests that overrides priorities				
			or	Insertions of <3 requests that overrides priorities	Double mitigating strategies, action plans and constant monitoring for all identified risks of inserted projects that override priorities	Double mitigating strategies, action plans and constant monitoring for 80% identified risks				
			with	Double mitigating strategies, action plans and constant monitoring for all identified risks						
1.B IT Service Management	4.00	4.70	No breach in SLAs for the month	<5 ticket breaches in SLAs for the month across ITD	<5 ticket breaches in SLAs for the month across ITD	<8 ticket breaches in SLAs for the month across ITD	8 or more ticket breaches in SLAs for the month across ITD	To ensure that ITD operations are functioning in harmony with existing SLAs - IT Security - Systems and DB - Network and TS - Application Development		
			or	<3 ticket breaches in SLAs for the month across ITD	due to user/s' non-confirmation of closure despite follow-ups from ITD	due to lack of follow-ups from ITD	due to user/s' non-confirmation of closure despite follow-ups from ITD		or	lack of follow-ups from ITD
			with	due to user/s' non-confirmation of closure despite follow-ups from ITD						
1.C Systems Reliability, Availability, and Recovery	3.50	4.11	<5 events of system down time, all fixed within agreed SLA	<5 events of system down time, fixed with at least one SLA breach	<5 events of system down time, fixed with at least two SLA breaches	<5 events of system down time, fixed with at least three SLA breaches	5 or more events of system down time, with or without SLA breach	To measure reliability, availability, and recovery capabilities of existing systems		
1.D Operational Infrastructure Security Management	4.00	4.70	All requests, execution, and logs are matched	-	-	-	Mismatch in at least one request, execution, and log	To monitor and analyze security management of operational IT infrastructure		
1.E Data Center Protection and Control	3.00	3.53	Data center has adequate security protection and controls in place: - People protection - Physical asset protection - Software protection - Network protection	<3 inefficient, ineffective, and malfunctioning data center (tagged as minor and/or moderate) security protection and controls is identified, as defined by ISRA with	<3 inefficient, ineffective, and malfunctioning data center (tagged as minor and/or moderate) security protection and controls is identified, as defined by ISRA and/or	<5 inefficient, ineffective, and malfunctioning data center (tagged as major and/or catastrophic) security protection and controls is identified, as defined by ISRA	<4 inefficient, ineffective, and malfunctioning data center (tagged as minor and/or moderate) security protection and controls is identified, as defined by ISRA	To ensure that Data Center has adequate security protection and control, both physically and virtually.		
			Double mitigating strategies, action plans and constant monitoring for all identified inefficiencies, ineffectiveness, and malfunctions	<1 inefficient, ineffective, and malfunctioning data center (tagged as major and/or catastrophic) security protection and controls is identified, as defined by ISRA with	<3 inefficient, ineffective, and malfunctioning data center (tagged as major and/or catastrophic) security protection and controls is identified, as defined by ISRA	without	Double mitigating strategies, action plans and constant monitoring for 80% of all identified inefficiencies, ineffectiveness, and malfunctions			
1.F Relevant Gap Analysis of Existing Circulars, Mandates, and other Regulatory requirements	2.50	2.94	>85% compliant, with remaining non-compliant and pending compliant items at P2 as determined by ITRA	>85% compliant, with remaining non-compliant and pending compliant items at P2 as determined by ITRA with	>85% compliant, with remaining non-compliant and pending compliant items at P2 as determined by ITRA with	>85% compliant, with remaining non-compliant and pending compliant items at P1 as determined by ITRA with	85% or less compliant only	To ensure compliance with prevailing circulars.		
			Double mitigating strategies, action plans and constant monitoring for all pending provisions	Double mitigating strategies, action plans and constant monitoring for 75% of all pending provisions	Double mitigating strategies, action plans and constant monitoring for 50% of all pending provisions	without	Double mitigating strategies, action plans and constant monitoring for 50% of all identified inefficiencies, ineffectiveness, and malfunctions			

II. Enterprise Security (23.5%): Based from IS Risk Assessment

II.A Information Security Policies & Organization of Information Security	2.50	4.11	Complete manpower with acceptable policies in place	Incomplete manpower with acceptable policies in place	Complete manpower with unacceptable policies in place	Complete manpower with unacceptable policies in place	Incomplete manpower with unacceptable policies	To ensure that policies, procedures, and manpower is in place to enforce information security
			or	where vacancy is less than 6 months	or	without		
			Incomplete manpower with acceptable policies in place		Incomplete manpower with acceptable policies in place for more than 6 months	Doable mitigating strategies, action plans and constant monitoring for all identified deficiencies due to lack of manpower		
			with	with	with			
			Doable mitigating strategies, action plans and constant monitoring for all identified inefficiencies, ineffectiveness, and malfunctions	Doable mitigating strategies, action plans and constant monitoring for all identified deficiencies due to lack of manpower	Doable mitigating strategies, action plans and constant monitoring for all identified deficiencies due to lack of manpower			
II.B Physical & Environmental Security	4.00	4.70	Appropriate controls (preventive, detective, and corrective) are in place across all (HQ and branches)	<5 minor or moderate (cumulative, in a month) exceptions, as defined by ISRA	<10 minor or moderate (cumulative, in a month) exceptions, as defined by ISRA	>9 minor or moderate (cumulative, in a month) exceptions, as defined by ISRA	>4 major or catastrophic (cumulative, in a month) exceptions, as defined by ISRA	To ensure bank-wide physical and environmental security by preventing unauthorized physical access, damage and interference to the organization's information and information processing facilities.
			or	<5 minor or moderate (cumulative, in a month) exceptions, as defined by ISRA	and/or <10 minor or moderate (cumulative, in a month) exceptions, as defined by ISRA	and/or <3 major or catastrophic (cumulative, in a month) exceptions, as defined by ISRA	and/or <5 major or catastrophic (cumulative, in a month) exceptions, as defined by ISRA	
II.C Information Technology Security	5.00	5.88	Adequate security appliances acquired by the bank, as defined by the Gap Analysis (with c982)	Adequate security appliances acquired by the bank, as defined by the Gap Analysis (with c982)	Incomplete security appliances acquired by the bank, as defined by the Gap Analysis (with c982)	Inadequate security appliances acquired by the bank, as defined by the Gap Analysis (with c982)	Inadequate security appliances acquired by the bank, as defined by the Gap Analysis (with c982)	To ensure that ITD operations are functioning in harmony with existing SLAs - Mail Trace - SSL VPN - Monitoring - Firewall - Antivirus
			or	or	with	and/or	and/or	
			Incomplete security appliances acquired by the bank, as defined by the Gap Analysis (with c982)	Incomplete security appliances acquired by the bank, as defined by the Gap Analysis (with c982)	Doable mitigating strategies, action plans and constant monitoring for 75% pending identified technologies	At least one security appliance is not functioning properly	>19 identified threats, addressed immediately	
			with	with	and/or	or	and	
			Doable mitigating strategies, action plans and constant monitoring for all pending identified technologies	Doable mitigating strategies, action plans and constant monitoring for 75% pending identified technologies	At least one security appliance is not functioning properly	<20 identified threats and addressed immediately	>4 identified threats that were not addressed immediately	
			while	while	and/or	or		
			All security appliances functioning properly	All security appliances functioning properly	<15 identified threats and addressed immediately	<3 identified threats that were not addressed immediately		
and	and							
10 or less identified threats and addressed immediately	<15 identified threats and addressed immediately							
II.D Compliance with Information Security	4.50	5.29	All employees received their information awareness training within 2 years	<10 employees have not received their information awareness training within 2 years	<20 employees have not received their information awareness training within 2 years	>19 employees have not received their information awareness training within 2 years	Conduct of information awareness training is not in the pipeline or schedule.	To ensure information security role-mentality to all employees
			or	or	or	or		
			5 or less observed information security lapses made (cumulative)	<10 observed information security lapses made (cumulative)	<20 observed information security lapses made (cumulative)	>19 observed information security lapses made (cumulative)		
II.E HR Compliance with Information Security	3.00	3.53	All employees have accomplished their AUP and is maintained by HRD	<5% of total employees have not accomplished their AUP	<10% of total employees have not accomplished their AUP	10% or more of total employees have not accomplished their AUP	Conduct of updating AUP is not in the pipeline or schedule.	To ensure human security prior, during, and after employment in the bank

IV. Incident Management (17.75%): Based from Review of Logged Incidents

IV.A Information Security Incident Management	8.00	9.47	Spot check of 10 tickets with <5 minor / moderate cumulative exceptions (as defined by ISRA) and no fatal error as defined by ITIL and ISO 20000	Spot check of 10 tickets with <7 minor / moderate cumulative exceptions (as defined by ISRA) and no fatal error as defined by ITIL and ISO 20000	Spot check of 10 tickets with <10 minor / moderate cumulative exceptions (as defined by ISRA) and no fatal error as defined by ITIL and ISO 20000	Spot check of 10 tickets with <15 minor / major cumulative exceptions (as defined by ISRA) and no fatal error as defined by ITIL and ISO 20000	Spot check of 10 tickets with >14 minor / major cumulative exceptions (as defined by ISRA) and no fatal error as defined by ITIL and ISO 20000	To ensure a consistent and effective approach to the management of information security incidents, including communication on security events and weakness
			and/or	and/or	or	or		
			Spot check of 10 tickets with <3 major / catastrophic cumulative exceptions (as defined by ISRA) and no fatal error as defined by ITIL and ISO 20000	Spot check of 10 tickets with <5 major / catastrophic cumulative exceptions (as defined by ISRA) and no fatal error as defined by ITIL and ISO 20000	Spot check of 10 tickets with <10 minor / major cumulative exceptions (as defined by ISRA) and no fatal error as defined by ITIL and ISO 20000	Spot check of 10 tickets with >9 minor / major cumulative exceptions (as defined by ISRA) and no fatal error as defined by ITIL and ISO 20000		
			and/or	and/or	or	or		
IV.B Security Risks, Issues, Weaknesses	7.00	8.28	3 or less <u>minor or moderate</u> (cumulative, in a month) exceptions, as defined by ISRA	<5 <u>minor or moderate</u> (cumulative, in a month) exceptions, as defined by ISRA	<7 <u>minor or moderate</u> (cumulative, in a month) exceptions, as defined by ISRA	<10 <u>minor or moderate</u> (cumulative, in a month) exceptions, as defined by ISRA	>9 <u>minor or moderate</u> (cumulative, in a month) exceptions, as defined by ISRA	To monitor any event that may raise a potential information security risk, including conduct of VAPT
			or	or	or	or		
			<3 <u>major or catastrophic</u> (cumulative, in a month) exceptions, as defined by ISRA	<4 <u>major or catastrophic</u> (cumulative, in a month) exceptions, as defined by ISRA	<5 <u>major or catastrophic</u> (cumulative, in a month) exceptions, as defined by ISRA	>4 <u>major or catastrophic</u> (cumulative, in a month) exceptions, as defined by ISRA		

V. Business Continuity Risk (17.50%): Based on Conduct of Business Continuity Exercises

V.A Conduct of Call Tree Test (HO and Branches)	1.00	1.17	All business units (branches and HO) have conducted their annual call tree test within the fiscal year	<3 divisions and/or <5 branches have not conducted their annual call tree test within the fiscal year	<4 divisions and/or <5 branches have not conducted their annual call tree test within the fiscal year	<5 divisions and/or <8 branches have not conducted their annual call tree test within the fiscal year	≥4 divisions or ≥7 branches have not conducted their annual call tree test within the fiscal year	To check correctness of personnel's contact number & readiness to respond to emergencies
V.B Conduct of Tabletop Test (HO and Branches)	1.00	1.17	All business units (branches and HO) have conducted their annual tabletop test within the fiscal year	<3 divisions and/or <5 branches have not conducted their annual tabletop test within the fiscal year	<4 divisions and/or <5 branches have not conducted their annual tabletop test within the fiscal year	<5 divisions and/or <8 branches have not conducted their annual tabletop test within the fiscal year	≥4 divisions or ≥7 branches have not conducted their annual tabletop test within the fiscal year	To ensure familiarity by all critical personnel with the plan specifically their roles & responsibilities.
V.C Conduct Walkthrough Drill (HO and Branches)	0.50	0.58	All business units (branches and HO) have conducted their annual walkthrough drill within the fiscal year	<3 divisions and/or <5 branches have not conducted their annual walkthrough drill within the fiscal year	<4 divisions and/or <5 branches have not conducted their annual walkthrough drill within the fiscal year	<5 divisions and/or <8 branches have not conducted their annual walkthrough drill within the fiscal year	≥4 divisions or ≥7 branches have not conducted their annual walkthrough drill within the fiscal year	Similar to tabletop test but focused on a specific scenario e.g. a high-risk business process / threat per BIA or BCRA.
V.D Conduct of Alternate Site Test	3.00	3.50	All business units (branches and HO) have conducted their annual alternate site test within the fiscal year	<3 divisions and/or <5 branches have not conducted their annual alternate site test within the fiscal year	<4 divisions and/or <5 branches have not conducted their annual alternate site test within the fiscal year	<5 divisions and/or <8 branches have not conducted their annual alternate site test within the fiscal year	≥4 divisions or ≥7 branches have not conducted their annual alternate site test within the fiscal year	To check the readiness of the alternate site facilities to process workloads threat.
V.E Conduct of Component Test (HO and Branches)	1.50	1.75	All determined critical business units have conducted their annual component test within the fiscal year	<3 divisions and/or <5 branches have not conducted their annual component test within the fiscal year	<4 divisions and/or <5 branches have not conducted their annual component test within the fiscal year	<5 divisions and/or <8 branches have not conducted their annual component test within the fiscal year	≥4 divisions or ≥7 branches have not conducted their annual component test within the fiscal year	To validate the continuity of individual systems, processes or functions.
V.F Conduct of Functional Drill (HO and Branches)	2.00	2.33	All business units (branches and HO) have conducted their functional drill at least once in two years, beginning 2019	<3 divisions and/or <5 branches have not conducted their functional drill at least once in two years, beginning 2019	<4 divisions and/or <5 branches have not conducted their functional drill at least once in two years, beginning 2019	<5 divisions and/or <8 branches have not conducted their functional drill at least once in two years, beginning 2019	≥4 divisions and/or ≥7 branches have not conducted their functional drill at least once in two years, beginning 2019	To test the capability of skeletal force to move & process transactions at the alternate site
V.G Conduct of Full-Scale Interruption Test	4.00	4.67	A bank-wide full-scale interruption test has been conducted within the fiscal year	-	-	-	No bank-wide full-scale interruption test has been conducted within the fiscal year	To simulate a real-life emergency and processing data and transactions using back-up media at the recovery site.
V.H Updating of BIA	1.00	1.17	All divisions have updated their BIA for the fiscal year	<3 divisions have not updated their BIA for the fiscal year	<4 divisions have not updated their BIA for the fiscal year	<5 divisions have not updated their BIA for the fiscal year	≥4 divisions have not updated their BIA for the fiscal year	To ensure that entries in respective BIAs are maintained, monitored, and updated.
V.I Updating of Branch BCP	0.50	0.58	All business units (branches and HO) have updated their BCP for the fiscal year	<3 divisions and/or <5 branches have not updated their BIA for the fiscal year	<4 divisions and/or <5 branches have not updated their BIA for the fiscal year	<5 divisions and/or <8 branches have not updated their BIA for the fiscal year	≥4 divisions or ≥7 branches have not updated their BIA for the fiscal year	To ensure BCP manual of the branches are maintained, monitored, and updated.
V.I Updating of Divisional Requirements	0.50	0.58	All business units (branches and HO) have updated their divisional requirements (in the annex of the BCP) for the fiscal year	<3 divisions and/or <5 branches have not updated their divisional requirements (in the annex of the BCP) for the fiscal year	<4 divisions and/or <5 branches have not updated their divisional requirements (in the annex of the BCP) for the fiscal year	<5 divisions and/or <8 branches have not updated their divisional requirements (in the annex of the BCP) for the fiscal year	≥4 divisions or ≥7 branches have not updated their divisional requirements (in the annex of the BCP) for the fiscal year	To ensure divisional requirements are maintained, monitored, and updated.

W. Cyber Risk (100%): Based from Cyber Risk Assessment

VIA Access Control	5.00	33.33	No exceptions spotted in the annual privilege/user access matrix review	<3 exceptions spotted in the annual privilege/user access matrix review	<5 exceptions spotted in the annual privilege/user access matrix review	>4 exceptions spotted in the annual privilege/user access matrix review	Conduct of privilege/user access matrix review is not in the pipeline or schedule.	To ensure that access control matrix is maintained and updated - CBS - In-house applications - AD - System Accounts (DB Admin, FW Admin)
			and	or	or	or		
			5 or less <u>minor or moderate</u> (cumulative, in a month) exceptions, as defined by ISRA	<10 <u>minor or moderate</u> (cumulative, in a month) exceptions, as defined by ISRA	<15 <u>minor or moderate</u> (cumulative, in a month) exceptions, as defined by ISRA	>14 <u>minor or moderate</u> (cumulative, in a month) exceptions, as defined by ISRA		
				<3 <u>major or catastrophic</u> (cumulative, in a month) exceptions, as defined by ISRA	<5 or less <u>major or catastrophic</u> (cumulative, in a month) exceptions, as defined by ISRA	>4 <u>major or catastrophic</u> (cumulative, in a month) exceptions, as defined by ISRA		
VIB Cryptography	3.00	20.00	Configuration of the encryptor tool is deemed sufficient as defined by a hardening checklist	Configuration of the encryptor tool is deemed defective or deficient as defined by a hardening checklist	Strategies for ensuring data protection security is deficient as defined by a hardening checklist	Strategies for ensuring data protection security is defective as defined by a hardening checklist	No established strategies ensuring data protection security as defined by a hardening checklist	To ensure proper and effective use of cryptography to protect the confidentiality, authenticity and/or integrity of information.
			and	and/or				
			Strategies for ensuring data protection security is in place	Strategies for ensuring data protection security is defective or deficient as defined by a hardening checklist				
VLC Operations Security	3.00	20.00	No critical / catastrophic issues determined, as defined in ISRA, in a month	<5 critical / catastrophic issues determined, as defined in ISRA, in a month	<7 critical / catastrophic issues determined, as defined in ISRA, in a month	<10 critical / catastrophic issues determined, as defined in ISRA, in a month	>9 critical / catastrophic issues determined, as defined in ISRA, in a month	To ensure correct and secure operations of information processing facilities (Change Management, Protection from Malware, Backup, Documentation)
VLD Communications Security	2.00	13.33	No critical / catastrophic exception determined in the review of Mail Trace and SSL-VPN logs as defined in ISRA	<5 critical / catastrophic exceptions determined in the review of Mail Trace and SSL-VPN logs as defined in ISRA	<7 critical / catastrophic exceptions determined in the review of Mail Trace and SSL-VPN logs as defined in ISRA	<10 critical / catastrophic exceptions determined in the review of Mail Trace and SSL-VPN logs as defined in ISRA	>9 critical / catastrophic exceptions determined in the review of Mail Trace and SSL-VPN logs as defined in ISRA	To ensure the protection of information in networks and its supporting information processing facilities, (Network Security, Information Transfer) - Mail Trace - SSL-VPN Monitoring
VLE Supplier Relationship	2.00	13.33	No exceptions spotted in the supplier relationship in a month, as defined by ISRA	<3 exceptions spotted in the supplier relationship in a month, as defined by ISRA	<4 exceptions spotted in the supplier relationship in a month, as defined by ISRA	<5 exceptions spotted in the supplier relationship in a month, as defined by ISRA	>4 exceptions spotted in the supplier relationship in a month, as defined by ISRA	Vendor Management Review

ANNEX J - CREDIT RISK RATING (CRR) SHEET

ANNEX K - MCO / EaR TEMPLATE

EAR

	Outstanding Balance	Approved Assumption	0% - 5 days	1-4 wks	> 1M up to 3M	> 3M up to 6M	> 6M up to 12M	> 12M up to 24M	> 24M up to 48M	> 48M up to 12M	> 1 to 3 yrs	Non Interest rate Sensitive
Assets												
Cash and Due From Banks												
Cash												
Checks and other Cash Items												
Due From BSP												
TGA												
ODF - Overnight Deposit Facility		Contractual maturity										
TDF - Term Deposit Facility		Based on maturity - once a week out to 7 days to 1 month										
POC-Counter												
Due from other Banks												
Banking Assets												
Interbank Loan Receivable		-										
Loans, Discounts and Advances (Loans)												
Commercial		Comm'l & REL - based on Reporting Date										
REL		Others - based on contractual maturity										
Auto PFPLND; P/MD; Cash Loan; GSE Loan; PAP (maturing within a year)												
Bills Purchased												
Restructured		Contractual maturity										
Real Estate Loans		Last Bucket										
Items Under Litigation		Last Bucket										
Allowance for prob. loss (loss)												
LAR Arising from RMCA/PRISB		wh - 6										
Unauthorized Discounts/Other Deferred Credits												
Investments												
NS Dep 28.301 480,000 (H70) liquidity floor		liquidity floor - 4 yrs										
held to maturity financial asset		Redemption date										
Unamortized Discount/Premium												
Available for Sale Securities		>6 - 12 mos. or disposal plans (if any), whichever comes first										
Available for Sale Securities - Corporate Bonds												
Unamortized Discount/Premium		>6 - 12 mos. or disposal plans (if any), whichever comes first										
Acc. Market Gain/Loss - AFS Debt Sec		>6 - 12 mos. or disposal plans (if any), whichever comes first										
held for Trading Securities		1-4 weeks (wh - 8 days if maturing within 5 days)										
Inquoted debt security (classified as loan)		Redemption date										
Unamortized Discount/Premium												
Investment in Non-marketable Equity Sec												
Allowance for CR losses - NME3												
AFS Equity Securities												
Allowance for Credit Losses - AFS Equ Sec												
Allowance for Credit Losses - HTM												
Bank Premises, Furn, Fixture and Equip (Net)												
ROFA												
Allowance for ROFA												
Accumulated depreciation												
Non-Current Assets Held For Sale - ROFA												
Allowance For Credit Losses - NCAFS												
SCA												

Capital																				
Capital Accounts																				
Capital Stocks																				
Paid - In Capital (P/C)																				
Additional Paid-in Capital																				
Other Equity Investments																				
TREASURY STOCK - OTHERS																				
Included Profit																				
Retained Earnings Reserve																				
Retained Earnings Fee																				
Other Comprehensive Income																				
NET UNREALIZED GAINS (LOSSES) ON AFS																				
CUMULATIVE ACTUARIAL GAIN (LOSS)																				
Revenue For Deriv. Loss Provision																				
Total Liability, Capital & Contingent																				
Net Inflow (Outflow)																				
Contingent Inflow (Outflow)																				

ANNEX L – BEHAVIORAL ASSUMPTIONS OF LIQUIDITY

Behavioral Assumptions of Liquidity (for MCO)			
BAU Scenario			
	FROM	TO	Rationale for the change / existing assumption
Cash & COCI	Overnight (o/n) – 0 days		
Due from BSP: DSA, FCHC, ODP			
Due from BSP: TDF	Contractual maturity		
Due from other Banks	o/n – 0 days		
Due from Branches & Agencies	>9 yrs.		
Interbank Call Loans Receivable	o/n – 0 days		
Loans & Receivables - others	No cash flow		
Loans & Receivables arising from Repurchase Agreement	o/n – 0 days		
Held to Maturity securities (HTM)	Redemption date / >9 yrs. for liquidity floor		
Unamortized Discount/Premium (HTM)	>9 yrs.		
Available for Sale Securities (AFS) + Acc. Market Gain(Loss) - AFS	>1 – 2 months or based on intent / Contractual maturity for odd lots & securities maturing in 1 month.		
Unamortized discount/premium (AFS)	>9 yrs.		
Held for Trading Securities (FVPL)	Average turnover period (generally >1 – 4 wks) / Contractual maturity for odd lots & securities maturing in 1 week.		
Unquoted Debt Securities (UDSCL)	Redemption date / Consider yearly maturity payment of FV at each payment date		
Unamortized discount/premium INMES + ACL	>9 yrs.		
Bank Premises, FFE	>9 years		
ROFA	Marketable: Title consolidated: >6- 12 mos. Not yet consolidated: >1-4 years Non-marketable / ltd. marketability: w/o impediments >1-4 years w/ impediments >9 years		
Allowance for ROFA + Accumulated depreciation	Distribute proportionately to marketable & non-marketable buckets		
NCAHS	>2-3 mos. for vehicles foreclosed within the last 3 mos. Others: >6-12 mos.		
Sales Contract Receivable + Allowance for SCR	Amort. schedule, if current >9 yrs., if PD		
Accrued Interest Receivable (AIR)			
Loans	>1-2 mos. for 90% of 9 mos. accrual >9 years for the balance (net of provisions)		
HFT	Coupon date		
AFS	Coupon date		
HTM	Coupon date		
UDSCL – LBP bonds	interest payment date		
Deposit on local banks	Interest payment date (Mar, June, Sept, Dec)		

Others (IBCL, TAS loan)	o/n – 6 days		
Other Intangible Assets	>9 yrs.		
Deferred Tax Assets	>9 yrs.		
Other Assets			
Deferred Charges	>9 yrs.		
Accounts Receivables			
Loans (LOD)	>1- 4 yrs.		Fr: < 90 days: >6-12 mos. > 90 days: >1- 4 yrs.
Advances to Officers & Emp.	>1 – 4 wks.		From: >1-2 mos.
Cocobank	amortization schedule		
Client (LOD)	>1-4 wks.		
Bills Purchased	> 9 yrs.		
ATM	o/n to 6 days		
Bancoet	o/n to 6 days		
Others	>1 – 2 mos.		
Prepaid Expenses	> 9 yrs.		
Shortages	estimated cash flow (up to P1k: >1 to 4 wks; >P1k to P2k: >1 to 2 mos; >P2-P3k: >2-3 mos; >P3-P4k: >3-4mos; >4k: >4-6mos)		
Sundry Debits	>9 yrs.		
Other Assets - others	> 9 yrs.		
RCOCI	>9 yrs.		
MCOCI	> 9 yrs.		
Doc. stamps	>9 yrs.		
Stationery & Supplies	> 9 yrs.		
Other Investments	>9 yrs.		
Miscellaneous Assets (all)	> 9 yrs.		
Bonds	apply AFS (EVOCI) bucketing		
Allowance for Probable Losses	> 9 yrs.		
Deferred Assets	amortization schedule of car lease		
CASA Deposits	Based on average % of last 3 years' deposit outflow each month except for "overnight - 6 days" time band which shall be based on actual data	Volatile: average % of last 3 years' deposit outflow each month except for "overnight - 6 days" time band which shall be based on actual data Non-volatile: >1 year (accounts that are dormant or no movement)	
Time Deposits		based on the residual or "remaining number of days" to maturity.	Due to the characteristic of the account To arrive at a realistic cash outflow
Bills Payable: IB Call loan	o/n – 6 days		

Bills Payable: IB Term loan ± accrued interest expense (BP)	contractual maturity or pay-off plan whichever is longer	
Manager's Checks Payment Orders Payable Supervision Fee	o/n – 8 days	
Due to BSP	Estimated payment date	
Income Tax Payable	April, May, Sept., Dec.	
Other Taxes & Licenses Payable	>1 – 4 wks.	
Accrued Other Exp. Payable:		
PDIC	April, May, Sept., Dec.	
Clerical, Janitorial/ Messengerial	50% >1 – 4 wks.; 50% >1-2 mos.	
Medical	o/n – 8 days	
Fuel & Lubricants; Light & Water; Stationery & Supplies; Travelling; Security; Rental; Litigation; Advertising; Seconded Employees; Repairs & Maintenance; Mgt & Other Prof Fees; Salaries & Wages Others (penalty) External Auditors	50% >1 – 4 wks.; 50% >1-2 mos.	
Telephone	>1 – 4 weeks	
Freight		
HRD Activities; Retirement Fund	Quarterly (divide by 4)	
Insurance	50% >1 – 4 wks.; 50% >1-2 mos.	
Bonus Accrual	May; Nov	
Staff Benefits	Est. EDR Priv. >1-4 wks.; SL/VL conversion: Jan	
Unearned Income & other deferred credits		
SDB Advance Rental Unearned Discount – loans Other Deferred Credits – SC Other Deferred Credits – VF Other Deferred Credits – MRI Other Deferred Credits – others	>9 years	
Capitalized Interest & Others	>9 years	
Other Liabilities		
Withholding Tax Payable SSS, Pag-ibig, Philhealth, ECC	>1 – 4 weeks	
Unclaimed balances (dormant)	>9 years	
Dividends Payable	Unclaimed within 1 yr.: >1 – 2 mos.; Unclaimed >1 year: >9 years Dividends due to UCPB: target payment date	
Accounts Payable:		
AP - ATM		
Bancnet	o/n – 8 days	
E-cash card		

PSPL Supplementary Collection		
AP – cash card		
Insurance (for remittance via CTA)	<u>Generally</u> o/n – 6 days except for the ff: outstanding for >3 mos. to 1 yr.: >6-12 mos. bucket outstanding for >1yr.: >9 years Note: exception is subject to quarterly update.	
Loans		
Doc Stamps	>9 years	
Appraisal Fees		
Supplies Procurement Dept.		
Anchor Insurance		
Cocolife	>1 – 4 wks.	
Cocobank		
Value shop		
Notarial Fees	>1 – 2 mos.	
Others ((MRI basket)	Spread equally to buckets >1-4 wks., >1-2 mos., & >2-3 mos.	
Incentive Fee (balance from ODC)		
Chattel Mortgage Fees -	Outstanding up to 30 days: >1 – 2 mos.	
REM Fees	>30 days: >6 - 12 mos.	
Unclaimed Salaries	w/o case: >1-2 mos.; w/ case: >9 yrs.	
Dealer's incentive	Unclaimed within 1 yr.: >1 – 2 mos.; Unclaimed >1 year: >9 years >6 -12 mos.	
Reserve Account	> 9 years	
Loan Payment	> 9 yrs.	
Oversages	>2 – 3 mos.	
Sundry Credits	> 9 years	
Misc. Liabs: Checkbook, PCHC Proc. fee	>1 – 2 mos.;	
others	> 9 years	
DTHO/Branches/Agencies	> 9 yrs.	
Capital Accounts	> 9 yrs.	

ANNEX M – LIQUIDITY CONTINGENCY PLAN (LCP)

Liquidity Contingency Plan UCPB Savings Bank

Creation/Revision History

Particulars	Approval Date
Version 1	January 2010
Version 2	November 8, 2010
Version 3	January 2013
Version 4	January 24, 2014
Version 5	March 2, 2015
Version 6	April 8, 2016
Version 7	March 2, 2017
Version 8	April 23, 2018
Version 9	April 30, 2019
Version 10	March 2020
Version 11	September 14, 2021

Private and Confidential – The information contained in this document is to be used solely by authorized UCPB Savings Bank (USB) employees and shall not be disclosed to third parties without the express written authorization from USB.

TABLE OF CONTENTS

I.	Definition.	2
II.	Objectives.	2
	III. Liquidity Crisis Early Warning Signals (LCEWS).	3
	External Factors	
	Internal Factors	
IV.	Regular Monitoring Activities.	2
V.	Funding Strategies.	3
VI.	Communication Plan.	4
	Escalation Process	
	Liquidity Contingency Plan (LCP) Team	
	Internal Communications	
	External Communications	
VII.	Emergency Action Plan.	5
VIII.	Stress Testing.	7
IX.	Post-Crisis Monitoring.	8
X.	Independent Appraisal.	9
XI.	Review of Plan.	9

I. DEFINITION

Liquidity Contingency Plan (LCP) is a valuable tool to assist the Bank in managing its liquidity risk. It incorporates events/scenarios that could rapidly affect liquidity (either short or long term liquidity crisis), early warning indicators, and the needed efforts to raise the necessary funds.

II. OBJECTIVES

- To formulate a strategy for handling liquidity crisis and procedure for covering cash flow shortfall in emergency situations.
- To meet funding requirements in a timely manner and at reasonable cost.
- To ensure adequate liquidity but avoid excessive liquidity.

III. LIQUIDITY CRISIS EARLY WARNING SIGNALS (LCEWS)

External Factors:

- Domestic political crisis / business disruption due to natural disasters / acts of terrorism
- Unexpected events, economic conditions and market fluctuations in the global economy.
- Liquidity crisis at other banks

Internal Factors:

- Funding ratios fall below internally set thresholds; and worse, below required ratios
- Significant decline in deposits (withdrawal by large funds providers)
- Unusual cash demands at branches excluding seasonal factors.
- Non-payment by borrowers

Specific conditions/situations under which these sources should be used are specified as follows:

Primary events

Primary events refer to situations/conditions where the occurrence of such combination shall initiate a move to invoke the Liquidity Contingency Plan (CFP). Although there is no automatic activation of the LCP, the primary triggers shall be the basis in convening the LCPT.

Whether the Bank can be regarded as having sufficient liquidity depends to a great extent on its ability to meet obligations under a funding crisis. Therefore, in addition to conducting cash-flow projections to monitor net funding requirements under normal business conditions, the Bank performs stress tests regularly by conducting projections based on “what if” scenarios on the liquidity positions to identify sources of potential liquidity strain; to ensure that current liquidity risk exposures remain in accordance with the established liquidity risk tolerance; and to analyze any possible impact of future liquidity stresses on their cash flows, liquidity position, profitability and solvency.

Premised on the fact that the liquidity planning and stress testing are interrelated, scenarios were identified to be the primary triggers for activating the LCP. Any funding requirements shall likewise be based on the amount of fund shortfall as a result of stress losses and additional cash outflows in case the stress scenarios materialize. Although there are multiple possible triggers to the LCP, the primary consideration in choosing the conditions below is their impact on key balance sheet accounts such as Investments, Loans, Deposit Liabilities, Loan Provisions and the impact on expected cash flow, funding requirement and liquidity.

The LCP, therefore, may be invoked subject to the procedures in the activation of the LCP, when one of the following scenarios exist:

Scenario	Scenario Name	Scenario Details and Assumptions
Moderate	Bank specific – Portfolio Quality Decline	<p><u>Outflows:</u> accelerated drawdown of committed credit lines; loan quality deteriorates and NPL gradually doubles in 4-6 months, additional provisions using average NPL cover ratio</p> <p><u>Inflows:</u> pre-termination of all placements in banks, if any; allow sale of unencumbered and in-the-money marketable securities in FVOCI; use unencumbered out-of-the-money marketable securities as collateral (OLF if using GS or REPO for corporates) at 5% haircut</p>
Severe	Bank Specific - Negative Public Perception	<p><u>Outflows:</u> increased volatility of CASA deposits for 3 months by 3 Standard Deviations; reduced net roll-over net of TD placements by 50%; accelerated drawdown from loan commitments</p> <p><u>Inflows:</u> pre-termination of all placements in banks, if any; allow sale of unencumbered and in-the-money marketable securities in FVOCI; use unencumbered out-of-the-money marketable securities as collateral (OLF if using GS or REPO for corporates) at 10% haircut</p>
Severe	Market Wide – Downgrade of Philippines	<p><u>Outflow:</u> increased volatility of CASA deposits for 3 months by 3 Standard Deviations; reduced net roll-over net of TD placements by 50%; 100% draw down of loan commitment</p> <p><u>Inflow:</u> 100% pre-termination of placement in banks, if any; market value of FVTPL debt and equity assets fall by 20%; market value of debt and equity assets fall by 20%; unencumbered OCI are used for OLF/repo at haircut of 10% for min of 3 months when payment</p>

Liquidity Contingency Plan
Version 11 – September 2021

		systems resume; loan quality deteriorates and gradually doubles in 4-6 months with additional loss provision as % of non-payments
Extreme	Bank Specific – Withdrawal from Top Fund Provide	<p><u>Outflows:</u> withdrawal of Top Provider CASA and CASA add on deposit at the rate of 20% per week</p> <p><u>Inflows:</u> Pre-termination of all placements in banks, if any; allow sale of unencumbered and in-the-money marketable securities in FVOCI; use unencumbered out-of-the-money marketable securities as collateral (OLF if using GS or REPO for corporates) at 5% haircut</p>
Extreme	Market Wide + Bank Specific – Natural Calamity	<p><u>Outflow:</u> massive withdrawal at unprecedented levels due to massive withdrawal from top depositor who may also be hit by such a market wide scenario (For CASA: 4SD for the first week followed by 3SD for 1-4 weeks and 2SD for 1-2 months; For TD pre-termination of 30% of TDs maturing after 1-2 month bucket for inclusion in the 1-4 week bucket); 100% draw down of loan commitments</p> <p><u>Inflows:</u> placement in banks settled only in 1-4 week bucket due to failure of payment systems; market value of debt and equity assets fall by 17% and cannot be transacted within a week due to failure of payment systems; unencumbered OCI are used for repo at haircut of 10% for minimum of 3 months when payment systems resume; overnight interbank loan settlements and RRP with BSP pushed to next bucket due to failure of payment systems; cash inflows from loan payments pushed by 2 months and normalizes after 1 year</p>

Note that the trigger events by themselves shall not immediately invoke the LCP. There are steps/measures to be followed, as outlined in the LCP, to confirm the existence of a liquidity crisis. A crisis must first be declared before the LCP will be officially activated.

The LCP may also be invoked subject to the procedures in the activation of the LCP, when the liquidity key risk indicator lights up:

Intraday – Shortage in Liquidity Funding Buffer

- Upon reaching 100% utilization of Overall Liquidity Key Risk Indicator (ex. utilization vs available line for the combined Swaps, Government, OLF GS, and IBCL facilities for RBU)

- Use of available line funding in the following prioritization:
 - 1.1 Meeting the cash requirements of the Bank's depositors/creditors;
 - 1.2 Complying with BSP's reserve requirements
 - 1.3 Meeting the cash requirements of the Bank's concluded transactions
 - 1.4 Meeting the cash requirements of the Bank's borrowing clients

Secondary events

Secondary events refer to situations/conditions where the occurrence of such does not immediately activate the LCP. These are like early warning indicators which signal a possible liquidity shortfall in the future and which can indirectly trigger possible changes in the Bank's financials. The indirect effects of these secondary events have been considered and have been incorporated in designing the LCP. Thus, the secondary events should be viewed as subordinated to the primary events mentioned above.

The purpose of early warning indicators is to alert management to the possibility of a liquidity problem so that action can be taken quickly and early enough to prevent the problem from turning into a crisis.

Secondary events include, but are not limited to the following:

1. Liquidity Coverage Ratio and Net Stable Funding Ratio dropping to 100% or below;
2. A substantial increase in the Bank's funding costs relative to peers as shown from surveys;
3. Adverse news/reports/rumors about the Bank with indicator of loss of depositor/client confidence through withdrawals;
4. Adverse events that may compromise the accuracy of internal and regulatory reports;
5. Unfavorable news about issuers of debt papers that the bank holds (these may greatly reduce probability of coupon and principal payments);
6. Acceleration of the Bank's obligations;
7. Unexpected departure of key senior officers that may have adverse impact on operations and marketing functions;
8. Major disaster in the Head Office (ex. terrorists' activities, fire, earthquake, flooding) that may compromise timely delivery of services and integrity of bank records;
9. Discovery of major anomaly that may materially affect the Bank's capitalization particularly with respect to CAR;
10. Adverse news on the Republic of the Philippines which might result in increased risk factor volatilities in financial markets.

IV. REGULAR MONITORING ACTIVITIES

- Daily Estimate of Reserve Position
- Daily calculation by Treasury Division of the following ratios:
 - Primary Reserve to Deposits
 - Liquid Assets to Deposits
 - Liquid Assets to Volatile Deposits
 - Liquid Assets to Total assets

The calculation is based on estimated data provided daily by BBD and the balances per books subject to availability.

- Daily monitoring by the Branch Banking Division (BBD) of the bank's deposit level (total & per branch) i.e. previous day beginning and ending balance, withdrawals, deposits, percentage of change vis a vis the year-to-date deposit ADB, and informing Treasury Division of the result, if warranted.
- Regular reporting to USB & UCPB ALCO by the Treasury Division of the following:
 - a. Liquidity ratios (USB ALCO only)
 - b. Deposit level and mix
 - c. Significant movements in large funds providers (deposits & withdrawals)
 - d. Investment in securities
 - e. Deposit interest rates
 - f. Transfer Pool Rates
 - g. Bank's reserves position and accumulation for the week
 - h. Weekly loan movements
 - i. Projected and actual Balance Sheet Spread Income
 - j. Projected and actual income for the month
- Daily Monitoring by the Regulatory & Management Reports Dept. (RMRD), Controllership Division of the Bank's compliance with the Liquidity Cover Ratio (LCR).
- Monthly monitoring by the RMRD, Controllership Division of the Bank's compliance with the Net Stable Funding Ratio (NSFR).
- Monthly reporting to the Risk Oversight Committee (ROC) of the following:
 - a. Potential Calls on Liquidity
 - b. Summary of Liquid Assets
 - c. Liquidity ratios
 - d. Maximum Cumulative Outflow (Liquidity Gap Report)
 - e. Large Funds Providers
 - f. Excess Funds Utilization
- Quarterly reporting to MANCOM by ARMD - SAMD of ROPAs P5MM & up
- Annual review of liquidity-related limits subject to Board approval.

V. FUNDING STRATEGIES

Source	Strategy	Responsible Units	Estimated Fund Size	Lead Time
Deposits	Offer more competitive time deposit rate to tap funds which are not normally targeted due to higher cost.	<ul style="list-style-type: none"> ▪ ALCO (<i>pricing</i>); ▪ BBD & Treasury Div. (<i>fund generation</i>) 	P1B	1 week

Liquidity Contingency Plan
Version 11 – September 2021

Liquid assets	Sell government securities on hand	<ul style="list-style-type: none"> Treasury Division 	P250MM	Immediate
Withdrawal from DFOB accounts (<i>maintaining balances</i>)	Withdraw whatever is available from DFOB accounts with UCPB. If insufficient, include accounts with other banks	<ul style="list-style-type: none"> Treasury Division (for UCPB accounts) BBD (for other banks) 	P50MM P25MM	Immediate
Sale/assignment of receivables	Sell salary loan portfolio to other FIs giving out salary loan to government employees.	<ul style="list-style-type: none"> ALCO (pricing) BBD (documentation) 	P1B	2 months
Loan Collection	Intensify collection efforts by offering incentives e.g. waiver of penalties / restructuring on condition that arrearages shall be settled / reduction in interest to past due & written-off accounts.	<ul style="list-style-type: none"> ARMD, Consumer Lending & BBD (recommendation & implementation) MANCOM (approval of % to be waived) 	P15MM	1 month
Interbank borrowing	BSP (overnight or term) Bank (not UCPB)	<ul style="list-style-type: none"> Treasury Division 	P100MM 50MM	Immediate
BSP Emergency Loan	Borrow from BSP vs loans secured by real estate mortgages with remaining term of less than 1 yr. and ROPAs \geq P5MM.	<ul style="list-style-type: none"> Commercial / Consumer Lending Div. & SAMT (identification of eligible accounts & its regular update) Custodianship Dept., OD (docs preparation). CAID (timely re-appraisal) Compliance Div (eligibility of accounts). Treasury Div (dealing w/ BSP) 	P200MM from loans P100MM from ROPA	2-4 wks.

Preference on source of funds shall be based on availability and urgency taking into consideration the lead time & cost with the last two sources as last resort.

VI. COMMUNICATION PLAN

A. Escalation Process

- Any employee who receives negative news from whatever source that may result in depositors' distrust on the Bank, shall immediately relay such to the Head of Office (i.e. BM for branches for reporting to BBD Head) who will in turn report the same to the Plan Administrator, for assessment.
- In the event that the Treasury Division Head has recognized an impending liquidity problem, he/she shall immediately report such to the President.
- In the event that the BBD Head has recognized a continuous decline in deposits exceeding 10% of the previous month's deposit level, he/she shall immediately report such to the Treasury Division Head and the President.

Liquidity Contingency Plan
Version 11 – September 2021

- In the event that the Commercial Lending Division Head recognize defaulting large exposures or a number of non-large exposure accounts where the Bank's total exposure exceeds 5% of the qualifying capital, he/she shall immediately report such to the President.

B. Liquidity Contingency Plan (LCP) Team

- The following MANCOM members shall comprise the CFP Team:
 - President
 - Treasury Head
 - CorPlan Head
 - BBD Head
 - Lending Division Heads (Commercial & Consumer)
 - Controller
 - Chief Risk Officer

Other MANCOM members may be added at the discretion of the President.

The President and the CEO is overall in charge of the Bank's Crisis Management Team consistent with the bank wide Crisis Management Plan (CMP). The Liquidity Contingency Plan Team (LCPT) shall be on top of the activities related to liquidity crisis. The LCPT is in charge of crisis assessment, communications and recovery as part of the liquidity contingency plan of the Bank. The President, as Team Head, shall convene the team based on his/her assessment of the situation/s reported in "A" above to assess the situation and decide on action/s to take including the activation of the emergency action plan, if deemed necessary. All information shall be kept on a "need to know" basis.

The Liquidity Contingency Plan Team (LCPT) shall have the following membership:

1. Sub-Leader: Head of Treasury Division – responsible for convening the LCPT in the event that a crisis situation is deemed imminent or has already developed. The sub-leader shall also recommend to the President if the LCP need to be invoked.
2. LCP Coordinator: Head of Market and Liquidity Unit – responsible for the documentation, monitoring, updating and testing the LCP.
3. Head of Commercial Banking Division and Head of Consumer Banking Division – responsible for mobilizing the business units under their groups according to the approved action, including the dissemination of clear, consistent, and necessary information to the employees and customers.
4. Head, Legal Services - responsible for coordinating with the Board of Directors and facilitating the flow of information and required documents to and from the Board. Also serves as legal advisor with respect to the official statements and strategies of the Bank on topics involving its capital structure.
5. Head of Controllershship Division – responsible for the generation of the bank's financial reports and analyses as well as the drafting of communications with auditors (in coordination with Corporate Planning and Marketing Division) during the crisis situation, and if deemed necessary, the Head is also in charge of securing the certification and other financial documents/report needed in relation to an Emergency Loan.

6. Head of Risk Management Division – responsible for coordinating with the Risk Oversight Committee (ROC) and ensuring that the ROC is able to provide the necessary support to the LCPT. The Head shall likewise be in charge of closely coordinating with the Sub-Leader from the inception of the crisis until its final outcome for support on quantitative and qualitative risk analyses.
7. Head of Branch Banking Division – responsible for implementing the approved action plan as it applies to the branch network, including the dissemination of clear, consistent, and necessary information to the branch employees and customers.
8. Head of Operations Division – responsible for providing the necessary operational support to all branch and head office units .
9. Head of Bank Compliance Division – responsible for coordinating with the different regulatory bodies and ensuring compliance to all regulatory requirements.
10. Head of Legal Services Division – responsible for ensuring that all legal issues are properly addressed and that the bank does not inadvertently place itself in an inferior legal position. For this purpose, the Legal Services Division shall also review all legal documents and official bank communications, especially to external agencies/stakeholders.
11. Head of Corporate Planning and Marketing Division – responsible for drafting all public/media communications strategy for approval of the President and is also responsible for the monitoring of news and/or media threat consistent with the Bank's PR Policy.
12. Head of Asset Recovery and Management Division – responsible for reporting the actual and potential proceeds/amount including the estimated timing from sale of ROPA.

All LCPT members may further delegate tasks for the effective execution of its roles and responsibilities especially during times of crisis.

Crisis Situation

When the LCP is invoked, the Contingency Funding Plan Team shall be mobilized. Below are the expected actions from the members.

In case of unavailability of the members, the secondary contact shall be notified. Please refer to Annex 1 for the names, locations and contact details of the CFP Team and the secondary contacts.

Moderate Phase (Initial Action Plan)

This stage involves the recognition of signs that a problem is likely to occur and the implementation of measures to contain or lessen the extent of the problem if it occurs. A substantial reduction in deposit level due to heavy withdrawals would manifest that a problem is likely to occur.

Communication

1. Notify the Board of Directors regarding the situation	President
2. Draft statement and communication plan	Head, Corporate Planning & Marketing Division subject to the approval of President
3. Relay statement to stakeholders	Head, Bank Compliance Division Head, Controllership Division Head, Legal Services Division
4. Notify BSP on the possibility of a stress liquidity situation and the steps that are taken to alleviate the situation	Head, Bank Compliance Division Head, Controllership Division

Information

1. Provide Maximum Cumulative Outflow (MCO) reports	Head, Risk Management Division
2. Provide Liquidity Position report	Head, Treasury Division
2. Provide details of statutory reserves	Head, Controllership Division

Funding sources or strategies

1. Check availability of funding sources	Head, Treasury in coordination with Head, Controllership Division Head, Branch Banking Division Head, Commercial Banking Division Head, Consumer Banking Division Head, Operations Division
2. Defend liquidity using approaches which include but are not limited to the following as applicable: • Create peso funding • Extend the tenor of short-term borrowings to defer local or foreign currency outflows	Head, Treasury Division
3. Sell available US Dollars for Philippine Pesos, preferably to the BSP to ensure immediate credit to our demand deposit account that will enable us to withdraw currency notes not only in Metro Manila but in key provincial centers if necessary.	Head, Treasury Division

Severe/Extreme Phase (Remedial Action Plan)

During this phase, a Remedial Action Plan should be implemented when the President considers that the Initial Action Plan has not prevented an escalation of the problem and the crisis is real and cannot be avoided or denied. In this case, the plan should focus on public statements of reassurance, as well as clear demonstrations of financial resources, with the

primary goal of showing that as far as the Bank is concerned, the crisis is unwarranted and that the Bank is keen to get back to business as usual.

Communication and information

1. Update BSP on potential funding requirement	Head, Controllership Division Head, Bank Compliance Division
2. Preparation of press materials to facilitate communication internally (heads of the Divisions) and externally (regulators, customers, investors, external auditors, and the media).	President Head, Controllership Division Head, Corporate Planning & Marketing Division Head, Legal Services Division
3. Conduct briefings for front office associates on how to respond to inquiries of clients and/or counterparties.	Head, Treasury Division Head, Branch Banking Division Head, Corporate Planning & Marketing Division Head, Commercial Banking Division Head, Consumer Banking Division
4. Strategize on high level contact with senior executives of clients and counterparties.	Head, Treasury Division Head, Branch Banking Division Head, Commercial Banking Division Head, Consumer Banking Division
5. Closely monitor withdrawal patterns for corporate and consumer bank deposits and substantial and unusual withdrawals in the branches. If possible, pre-terminations shall be discouraged.	Head, Treasury Division Head, Branch Banking Division Head, Commercial Banking Division Head, Consumer Banking Division
6. The Bank may expect funding assistance from the parent bank during exigencies, if conditions allow.	Head, Treasury Division
7. Assess Commercial/Consumer Banking loan demand.	Head, Commercial Banking Division Head, Consumer Banking Division
8. Revisit the Daily/Weekly Maturity Ladder.	Head, Treasury Division Head, Branch Banking Division Head, Corporate Planning & Marketing Division Head, Controllership Division
9. Provide the following critical reports to the LCPT: a. Maximum Cumulative Outflow (MCO) Report b. Liquidity Position/Reserve Reports c. Cash Flow Reports d. Detailed cash flow reports for the products that are most vulnerable during the crisis e. Details of statutory reserves and marketable assets f. Analysis of cost of funding g. Other relevant market information	Head, Risk Management Division Head, Treasury Division Head, Controllership Division

Funding sources or strategies

1. Ascertain the position for further USD/PHP swaps and establish the amounts that can be raised. Swaps could primarily be negotiated in the open market as the BSP will not enter into pre-arrangements for swap transactions.	Head, Treasury Division
2. Establish the amount and time scale of funds that can be raised through the interbank market. Evaluate approach to interbank market. Refrain from large-scale interbank borrowings to avoid alarming the market.	Head, Treasury Division
3. Ascertain liquidity reserve position. Currently, reserves are mainly held in the form of demand deposit account (DDA) with BSP.	Head, Treasury Division Head, Controllership Division
4. Determine how much can be obtained as term placements from corporate and financial institutions.	Head, Treasury Division Head, Branch Banking Division Head, Commercial Banking Division Head, Consumer Banking Division
5. Price our loans out of the market to discourage new draw downs and roll-overs and to encourage pre-terminations, if necessary	Head, Commercial Banking Division Head, Consumer Banking Division
6. Provide list and documents necessary for a possible emergency loan from the BSP as a last resource.	Head, Legal Services Division Head, Bank Compliance Division Head, Treasury Division
7. Assess market value of marketable securities and other liquid assets and evaluate market condition for possible sale of these assets.	Head, Treasury Division Head, Controllership Division

Cash Management

1. Establish the level of currency notes required on all branches for customer withdrawals and increase holdings of cash in vault.	Head, Branch Banking Division Head, Operations Division
2. Coordinate with the Treasury Division Head to ascertain sufficiency of BSP DDA balance to ensure prompt withdrawal of cash from our demand deposit account.	Head, Treasury Division Head, Controllership Division Head, Operations Division

Payment System

1. Highlight large timing mismatches.	Head, Branch Banking Division
---------------------------------------	-------------------------------

Liquidity Contingency Plan
Version 11 – September 2021

	Head, Operations Division
2. Continually advise the LCPT of the next clearing results and note debits/credits in our BSP Balance throughout the crisis.	Head, Controllership Division Head, Operations Division
3. Escalate to the LCPT any prior days' failed trades / settlement failures.	Head, Branch Banking Division Head, Operations Division
4. With support from the Board of Directors (as appropriate), manage the payment systems outflows by holding up payments, both intraday and overnight, taking into account reputational risk inherent in the action	Head of Treasury Division President in coordination with Head of Legal Services Department

In the event that an Emergency Loan from the BSP is necessary, the Controllership Division Head, Treasury Division Head and Compliance Division Head, in coordination with relevant units of the Bank, shall ensure that all necessary documents and certifications are prepared and completed in a timely manner.

Among the important sources are the assessment on the amount of potential funds that can be borrowed from the BSP by preparing a list of available eligible collaterals that can be presented and the updated documentation for loan contracts and ROPA (appraisal reports, insurance, tax declarations).

Refer to BSP Circular No. 517 (Series 2006) for the detailed guidelines governing the BSP's emergency loans and advances to banking institutions.

C. Communications

1. Notify the Board of Directors regarding the situation	President
2. Draft statement and communication plan	Head, Corporate Planning & Marketing Division subject to the approval of President
3. Relay statement to stakeholders	Head, Bank Compliance Division Head, Controllership Division Head, Legal Services Division
4. Notify BSP on the possibility of a stress liquidity situation and the steps that are taken to alleviate the situation	Head, Bank Compliance Division Head, Controllership Division

Communication Briefing

1. Statements should seek to progressively switch from reassurance to business-as-usual:

Liquidity Contingency Plan
Version 11 – September 2021

FOCUS	Crisis Management	Business-As-Usual
Pre-Crisis	0%	100%
Moderate Phase	20%	80%
Severe Phase	25%	75%
Immediate Post-Crisis	25%	75%
Business-As-Usual	0%	100%

2. Naturally, there is a need for a smooth transition of the messages between the different stages, but the consistent theme should be to draw attention away from any concerns about liquidity to focus on business-as-usual initiatives.

VII. EMERGENCY ACTION PLAN

Emergency/Disaster	Key Risk Indicators	Action Plan (either individually or collectively) (triggers not limited to the identified KRIs)
Deteriorating Liquidity/ Tight Liquidity (internal)	<ul style="list-style-type: none"> ▪ Decline in deposits due to withdrawal by rate-sensitive large funds providers equivalent to 10% of total deposits; ▪ Loans to deposits ratio at 115% ▪ Rising loan default i.e. >2x the industry that remains unaddressed. <p><i>(i.e. net of NPL accounts which have already fully updated their payment but are still under the observation period).</i></p>	<ol style="list-style-type: none"> a. Treasury Division: Secure ALCO approval to increase deposit rates to generate new/recapture deposits. b. Secure ALCO approval to increase lending rates to dissuade new loans. c. Refrain from investing in term placements. d. Report to ALCO the inventory of FVPL (HFT) and FVOCI (AFS) securities that can be sold and funds that can be generated from the sale and secure approval. e. Verify & report to ALCO reason/s for withdrawals as input in the development of strategies. <ol style="list-style-type: none"> 1. Lending Division: <ol style="list-style-type: none"> a. Slowdown on lending activities b. Report to MANCOM the accounts eligible as collateral for BSP Emergency Loan and the funds that can be generated. 2. Branch Banking Division: <ol style="list-style-type: none"> a. Generate deposits per funding strategy in Section V targeting UCPB subsidiaries & clients with large liquidity funds. b. Verify & report to MANCOM reason/s for withdrawals as input in the development of strategies. c. Do not allow salary loan re-availment unless account is fully paid. d. Implement Loan Collection strategy in Section V. 3. Asset Recovery Management Division: SAMD: <ol style="list-style-type: none"> a. Report to MANCOM ROPAs with prospective buyers and funds that can be generated, if sold.

		<p>b. Report to MANCOM ROPAs eligible as collateral to BSP Emergency loan i.e. those P5MM & up with complete documents.</p> <p>Collection Department:</p> <p>a. Implement Loan Collection strategy in Section V.</p> <p>4. Loan Custodianship Dept., CMD:</p> <p>a. Prepare documents for eligible collaterals under BSP rediscounting or emergency loan.</p> <p>5. CFP Team:</p> <p>a. Decide on funding strategy (see Section V) to apply taking note of the lead time and cost of funds.</p> <p>7. President:</p> <p>a. Enjoin MANCOM to execute further cost-cutting on controllable expenses.</p> <p>b. Promptly report all initiatives to the Chairman of the Board.</p>
<p>Heavy Withdrawals (internal)</p>	<ul style="list-style-type: none"> ▪ Withdrawals in various branches reaching 15% of deposits. 	<p>1. Branch Banking Division:</p> <p>a. Promptly report the situation to the President.</p> <p>b. Withdraw excess funds from DFOB (Due from Other Banks) – non UCPB accounts and report daily balances to Treasury Division at start of day following the reference date.</p> <p>c. Verify reason for withdrawals & implement a strategy to arrest the problem.</p> <p>d. Closely monitor, in coordination with ITD the daily withdrawals and report to the Treasury Division identifying those from the large funds providers.</p> <p>e. Instruct branches to build up CIV level to at least 5% of total deposit or depending on the volume of large fund providers.</p> <p>f. Monitor sufficiency of cash requirement of branches and coordinate for the timely delivery of cash.</p> <p>2. Treasury Division:</p> <p>a. Support the cash requirements of branches thru DFOB accounts with UCPB but ensures that check issuances are sufficiently funded.</p> <p>b. Coordinate with UCPB Treasury and Corporate banking for possible drawdown from the PHP500MM interbank or PN Line.</p> <p>c. Recommend temporary suspension of lending activity until the Bank has reached primary reserves to deposit ratio of 10%.</p> <p>3. CFP Team:</p> <p>a. Decide on funding strategy (see Section V) to apply taking note of the lead time and cost of funds.</p> <p>b. Assess possibility of increasing deposit rates to attract fresh funds.</p>

		<p>c. Instruct the Heads of the following divisions to prepare the documents on eligible collaterals for emergency loan with BSP.</p> <ul style="list-style-type: none"> i. Treasury Operations: Government Securities ii. Credit Administration Division : ROPAs PSMM & up iii. Lending Division: secured loans w/remaining term of less than 1 year. <p>d. Assess the situation and decide if fresh capital is needed to support the Bank.</p> <p>4. President: Promptly report the situation and initiatives taken to the Chairman of the Board for guidance.</p>
<p>External factors</p>	<ul style="list-style-type: none"> ▪ Public rumors / negative publicity / Call for boycott of the institution. (can be thru a text message). ▪ Sudden and steep increase in market interest rates and tightening of liquidity ▪ Failures or liquidity problems faced by counterparties – potential crisis at industry level. ▪ Run on other financial institution (contagion effect). 	<p>1. President:</p> <ul style="list-style-type: none"> a. Issue directive to continue to operate under a normal environment scenario, viz: <ul style="list-style-type: none"> ▪ Servicing of loans & deposits ▪ Lending in the Interbank Market (Onite) b. Update the Chairman of the Board on development/s. c. Confer/coordinate with BSP on the current crisis, if systemic in nature. <p>2. Branch Banking Division:</p> <ul style="list-style-type: none"> a. Monitor & report withdrawals of PSMM & up b. Ensure sufficiency of cash requirement of branches c. Coordinate for the timely build up and delivery of additional cash. d. Instruct branches to build up CIV level to at least 10% of total deposit or depending on the volume of their large fund providers. e. Instruct Branches to operate beyond the normal banking hours, if necessary. f. Closely monitor & report to Treasury Division funds available in the DFLB accounts. <p>3. Treasury Division:</p> <ul style="list-style-type: none"> a. Closely monitor available balances of accounts with parent bank to determine amount for transfer from DFLB accounts to the Bank’s BSP DDA or to fund cash requirement of branches. b. Closely monitor, thru BBD, balances on DFLB accounts maintained by branches. c. Prepare to borrow from BSP with GS & ROPA as collateral. <p>4. Treasury Operations Dept.: Prepare the Deed of Pledge of the Government Securities to be used as collateral.</p> <p>5. Asset Recovery Management Division (ARMD): Prepare documents of eligible ROPAs to be used as collateral with BSP.</p>

VIII. STRESS TESTING

To evaluate the potential impact of the identified KRIs on liquidity and capital, stress tests shall be undertaken on quarterly basis, viz:

1. Deteriorating / tight liquidity on account of heavy withdrawal:
 - a. Withdrawal of 10% of deposits
Identification of deposit accounts shall be based on clients' rate sensitivity to be determined in coordination with the Treasury Division. Such shall be slotted in accordance with its actual maturity date.
 - b. Withdrawal of 20% of deposits – identification & slotting process same with "a" above.
2. Deteriorating / tight liquidity due to loan default:
 - a. All underperforming loans will turn non-performing.
Impact on CAR (on account of the increase in credit risk weight) and MCO shall be measured. Procedures shall be reflected in the Market and Liquidity Risk Manual.
 - b. Default by each of the top borrowers in the top 4 industries
Impact on MCO shall be computed by deducting the expected inflows from the buckets where they are slotted and transferring them to >1 to 4 years bucket.
Impact on CAR shall be determined by deducting from the qualifying capital the additional allowance for probable losses that would result from the default and adding the additional credit risk weight arising from the default.
3. External Factors
The BSP's Stress Testing Framework for Market Risk shall be used to determine the impact on the following:
 - a. Value of securities booked under FVPL (HFT) and FVOCI (AFS) (i.e. trading books)
 - b. Interest income
 - c. Capital (i.e. qualifying capital (QC), risk weighted assets (RWA) & capital adequacy ratio (CAR)).

IX. POST-CRISIS MONITORING

1. The CFP Team shall determine if the Bank has properly addressed the crisis and direct SMRT's Administrative Support Team to develop clear, concise, and positive statements to be released to the following, if applicable:
 - Media : News print; radio/phone interview
 - Clients: e-mail; phone/text brigade
2. Treasury Division shall monitor and update the CFP Team of the daily reserve position of the Bank for at least 1 week or until such time management deems appropriate.
3. Branch Banking Division and Lending Division shall :
 - Inform the CFP Team of Post-Crisis feedbacks from clients.
 - Ensure lending activities has resumed
 - Assist branches in winning back former clients
4. The CFP Team shall assess the new strategies adopted during the crisis as well as lessons learned and incorporate such in the Bank's BCP and CFP.

5. The result of post-crisis evaluation shall be reported to the ROC and thereafter to BOD for notation / further instruction.

The LCPT should continue tracking progress through regular weekly meetings for at least a month after the crisis to ensure that any rumors or speculations have ceased. As such, it should not be too hasty at reducing its information requirements, as there is always a risk that a follow-up press article or rumor could re-ignite problems.

As time pass by, the LCPT should start focusing more on lessons learned from the crisis. These should be taken forward by:

- a) Providing input on the business heads' actual experience on asset and liability movements.
- b) Providing feedback on the market's response to crisis and how this change during the crisis, so that the liquidity contingency plan can be adapted and/or updated accordingly.

X. INDEPENDENT APPRAISAL

The Bank's Internal Audit Division (IAD) shall conduct a review of the CFP, at least annually, to assess the reasonableness and use of assumptions and identify gaps to be addressed.

XI. REVIEW OF THE PLAN

The Risk Management Division, in coordination with the Treasury Division, shall review and assess the adequacy of this plan annually and recommend proposed changes to the Board, through the ROC, for approval.

ANNEX N – OPERATIONAL LOSS EVENTS TEMPLATE

REPORT ON OPERATIONAL LOSS EVENTS

DIVISION/OFFICE/BRANCH
For the month of _____

Date Discovered	Incident Start	Amount						Event Type *	Description of loss ** (Indicate Method of Detection & name/position of personnel, if internal fraud)
		Gross	Recoveries (if any)			Net Loss			
			Amount	Date Recovered	Recovery Source	Amount	Type of Loss (ACTUAL, POTENTIAL, NEAR MISS)		

* Refer to Glossary of Risk Events in Exhibit 1

** Must be a full description of the event to allow any post-facto analysis of the event.

Prepared by:

Checked by:

Risk Officer - Designate

Head of Office

ANNEX O – GLOSSARY OF RISK EVENTS

CODE Activity Samples

IF (Internal Fraud)

- IF-01 Theft of cash accountability
- IF-02 Theft of supplies, utilities, etc.
- IF-03 Theft via padding of expenses / charging of personal expense to bank
- IF-04 Theft of loan payment (i.e., unremitted collection) / remittance proceeds / service fee.
- IF-05 Theft of deposit (unposted deposit)
- IF-06 Unauthorized withdrawal
- IF-07 Fictitious account opening
- IF-08 Fictitious loan
- IF-09 Lapping (deposit, remittance, etc.)
- IF-10 Non-disclosure of adverse findings on loan applicant
- IF-11 Unauthorized Cash Advance
- IF-12 Negotiated checks not sent for clearing
- IF-13 Check switching
- IF-14 Over appraisal of collateral
- IF-15 Under appraisal of ROPA
- IF-16 Manipulation of books e.g., float items, dormant accounts
- IF-17 Tampering of loan docs (as accomplice)
- IF-18 Bribery
- IF-19 Others (specify)

EF (External Fraud)

- EF-01 Theft / robbery
- EF-02 Theft of equipment, etc.
- EF-03 Forgery / falsification of documents to secure loan approval
- EF-04 Spurious check
- EF-05 Counterfeit bills & coins
- EF-06 Unauthorized withdrawal
- EF-07 Other cases of forgery/tampering (specify)
- EF-08 Fictitious account opening
- EF-09 Fictitious loan
- EF-10 Non-submission by dealers/agents of collateral documents
- EF-11 Other cases of account takeover/impersonation/misrepresentation/Identity Theft (specify)
- EF-12 System Hacking / Virus injection
- EF-13 Extortion / embezzlement
- EF-14 Unfunded check
- EF-15 Others (specify)

EPWS (Employment Practices & Workplace Safety)

- EPWS-01 Employee discrimination lawsuits
- EPWS-02 Termination claims/issues
- EPWS-03 Over reliance on particular personnel
- EPWS-04 Personnel performing incompatible function
- EPWS-05 Compensation for accidents caused by unsafe working environment
- EPWS-06 Damages/compensation for work-related illnesses/contracted from unsafe work environment
- EPWS-07 Non-implementation of corrective & disciplinary actions
- EPWS-08 Lost Court Case
- EPWS-09 Migration of employees

EPWS-10 Others (specify)

CPBP (Clients, Products & Business Practices)

CPBP-01 Inadequate security practices of customers
CPBP-02 Customer repudiation (rejection) of transaction
CPBP-03 Money Laundering
CPBP-04 Fiduciary breaches//Misuse of confidential customer information/Breach in customer privacy
CPBP-05 Unlicensed activity/Sale of unauthorized product
CPBP-06 Product defects
CPBP-07 Violation of disclosure laws and regulations
CPBP-08 Sale of bank product not suited to a particular client
CPBP-09 Failure to conduct required checking on customers
CPBP-10 Exceeding client exposure limits
CPBP-11 Product guidelines violation
CPBP-12 Others (specify)

DPA (Damage to Physical Assets)

DPA-01 Natural disasters (e.g., typhoon, earthquake, tsunami, floods)
DPA-02 Fire
DPA-03 Terrorism, vandalism, sabotage, hostage taking,
DPA-04 Nuclear disaster; toxic spills/contamination; chemical/explosive operations
DPA-05 Vehicular accidents
DPA-06 War/insurgency; intrusion; civil disorder
DPA-07 Others (specify)

BDSF (Business Disruption and System Failures)

BDSF-01 System /software failure
BDSF-02 Equipment/Hardware failure
BDSF-03 Power outages
BDSF-04 Significant breach in IT technology
BDSF-05 Virus contamination
BDSF-06 Problems at a linked internet site
BDSF-07 Telecommunications failure
BDSF-08 Public transport strike
BDSF-09 Personnel absences
BDSF-10 Vandalism, Terrorism, Hostage taking, Bomb threat
BDSF-11 War/insurgency, civil disorder, intrusion
BDSF-12 Others (specify)

EDPM (Execution, Delivery & Process Management)

EDPM-01 Unposted inward check
EDPM-02 Honored RCOCI
EDPM-03 Misposting, double posting, other booking errors
EDPM-04 Cash shortage
EDPM-05 Data entry / loading / processing error (e.g., untransmitted file to PCHC, AMLC)
EDPM-06 Incorrect / incomplete documentation
EDPM-07 Penalty on erroneous computation / reporting
EDPM-08 Model / system misoperation / maintenance error
EDPM-09 Penalty on late reporting
EDPM-10 System deficiencies
EDPM-11 Collateral management failure (e.g., non-renewal of insurance coverage)

- EDPM-12 Due diligence failure e.g., lost collateral docs, improper filing of docs, incorrect client records.
- EDPM-13 Inadequate credit evaluation
- EDPM-14 Bank-client disputes / client complaints
- EDPM-15 Vendor / counterparty / supplier disputes inc. outsourcing issues (e.g., service provider risk)
- EDPM 16 Unrestricted access to IT resources / Information assets /restricted areas
- EDPM-17 Password sharing
- EDPM 18 IT Resources not in conformity to specs & requirements
- EDPM 19 Non-reporting/recording of system performance incidents
- EDPM 20 Absence/inadequate maintenance program for equipment & IT resources
- EDPM 21 Critical software security patches not implemented
- EDPM 22 Unlicensed software installed in PCs
- EDPM 23 Unsuccessful log-in attempts not promptly checked & reported.
- EDPM 24 Non/delayed termination of access to system by separated personnel
- EDPM 25 Required data protection / security controls not implemented.
- EDPM 26 Non-destruction of documents/storage media for disposal.
- EDPM 27 Others (specify)