

UCPB Savings Risk Disclosure

(Section 43.3(h), Code of Corporate Governance for GOCCs)

Introduction

This disclosure is prepared in compliance with Section 43.3(h) of the Code of Corporate Governance for GOCCs, requiring GOCCs to publish material risk factors and measures taken to manage such risks. It is intended for both regulators and the general public, ensuring transparency and accountability in risk governance.

Material Risk Factors and Mitigation Measures

| Risk Category | Material Risk Factor | Potential Impact | Mitigation Measures |
|--------------------------|---|--|--|
| Credit Risk | High exposure to loan defaults, particularly in commercial, consumer, and SME lending | Increase in non-performing loans (NPLs), reduced profitability | <ul style="list-style-type: none"> - Enhanced credit scoring and borrower due diligence - Loan loss provisioning - Diversification of loan portfolio - Regular monitoring of borrower repayment behavior |
| Liquidity Risk | Reliance on deposits and limited funding sources | Inability to meet withdrawal demands or fund operations | <ul style="list-style-type: none"> - Maintain liquidity ratios above BSP minimum - Access standby credit lines - Liquidity contingency planning and stress testing |
| Market Risk | Interest rate fluctuations affecting loan yields and deposit costs | Reduced earnings gap, volatility in earnings | <ul style="list-style-type: none"> - Asset-Liability Mgt Committee (ALCO) oversight - Duration matching of assets and liabilities - Close monitoring of interest rate movements |
| Operational Risk | Fraud, cyber threats, or system downtime | Financial losses, reputational damage | <ul style="list-style-type: none"> - Strong internal controls and audit checks - Cybersecurity protocols - Business continuity and disaster recovery plans |
| Compliance Risk | Regulatory changes (BSP, GCG, AMLA, ARTA) | Penalties, reputational harm, suspension of operations | <ul style="list-style-type: none"> - Regular compliance reviews - Staff training on new regulations - Dedicated compliance unit |
| Reputational Risk | Customer complaints, governance lapses, or negative publicity | Loss of depositor trust, reduced market share | <ul style="list-style-type: none"> - Transparent grievance mechanisms - Citizen's Charter compliance - Public disclosure of governance practices |
| Strategic Risk | Misalignment with national financial inclusion goals | Reduced relevance, regulatory scrutiny | <ul style="list-style-type: none"> - Alignment with BSP and GCG directives - Expansion of microfinance and digital banking initiatives |