



BANGKO SENTRAL NG PILIPINAS

**OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR**

MEMORANDUM NO. M-2014-007

TO : ALL BANKS

Subject : Guidelines on the Submission of the Annual Report of Banks

The Monetary Board (MB), in its Resolution No. 2135 dated 19 December 2013, approved the issuance of the following additional guidelines on the submission of the Annual Reports of Banks pursuant to Subsection X190.5 and Appendix 63b and 63c of the Manual of Regulation for Banks (MORB):

1. All universal banks, commercial banks, and thrift banks with at least ₱1.0 billion resources shall continue to submit the hard copy of the Annual Report to the appropriate department of the SES 180 calendar days after the close of the calendar or fiscal year adopted by the bank.
2. Effective 01 January 2014, the covered banks shall submit the Annual Report Assessment Checklist (ARAC) together with the Annual Report. The ARAC identifies the pages and sections of the Annual Report corresponding to the disclosures as required in the MORB. The reportorial template for 2013 Annual Report is shown in Annex "A", while the reportorial template for 2014 Annual Report and onwards is shown in Annex "B" incorporating the changes in capital components prescribed under Circular No. 781 dated 15 January 2013 which took effect on 1 January 2014.
3. Annual Reports of covered banks shall be published in their websites.

For strict compliance.


NESTOR A. ESPENILLA, JR.
Deputy Governor

04 March 2014

2013 Annual Report Assessment Checklist			
Name of Bank			
Universal and Commercial Banks, and their Subsidiary Commercial Banks and Thrift Banks			
As of _____ Annual Report			
	Conditions	Page	Section
I.	<i>Compliance with Subsection X190.5-Disclosure Requirements in the Annual Report</i>		
1.	Financial performance;		
2.	Financial position and changes therein;		
3.	Overall risk management philosophy (i.e., general statement of the risk management policy adopted by the bank's board of directors which serves as the basis for the establishment of its risk management system), risk management system and structure;		
4.	Qualitative and quantitative information on risk exposures (credit, market, liquidity, operational, legal and other risks); and		
5.	Basic business management and corporate governance information such as the bank's organizational structure, incentive structure including its remuneration policies, nature and extent of transactions with affiliates and related parties.		
II.	<i>Compliance with Appendix 63b of the MORB-Disclosures in the Annual Reports and Published Statement of Condition</i>		
A.	<i>Capital structure and capital adequacy:</i>		
1.	Tier 1 capital and a breakdown of its components (including deductions solely from Tier 1);		
2.	Tier 2 capital and a breakdown of its components;		
3.	Deductions from Tier 1 (50%) and Tier 2 (50%) capital;		
4.	Total qualifying capital;		
5.	Capital requirements for credit risk (including securitization exposures);		
6.	Capital requirements for market risk;		
7.	Capital requirements for operational risk; and		
8.	Total and Tier 1 capital adequacy ratio on both solo and consolidated bases.		

2013 Annual Report Assessment Checklist			
Name of Bank			
Universal and Commercial Banks, and their Subsidiary Commercial Banks and Thrift Banks			
As of _____ Annual Report			
	Conditions	Reference	
		Page	Section
B.	<i>Risk Exposures and Assessments (for each separate risk area - credit, market, operational, interest rate risk in the banking book)</i>		
1.	Strategies and processes;		
2.	The structure and organization of the relevant risk management function;		
3.	The scope and nature of risk reporting and/or measurement systems; and		
4.	Policies for hedging and/or mitigating risk, and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants.		
C.	<i>Aside from the general disclosure requirements, the following information with regard to the following risk types have to be disclosed in bank's Annual Reports:</i>		
1.	<i>Credit Risk</i>		
a.	Total credit risk exposures (i.e., principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision) broken down by type of exposures;		
b.	Total credit risk exposure after risk mitigation, broken down by:		
	i) Type of exposures;		
	ii) Risk buckets, as well as those that are deducted from capital.		
c.	Total credit risk-weighted assets broken down by type of exposures;		
d.	Names of external credit assessment institutions used, and the types of exposures for which they were used;		
e.	Types of eligible credit risk mitigants used including credit derivatives;		
f.	For banks with exposures to securitization structures, the following information have to be disclosed:		
	i. Accounting policies for these activities;		
	ii. Total outstanding exposures securitized by the bank; and		

2013 Annual Report Assessment Checklist			
Name of Bank			
Universal and Commercial Banks, and their Subsidiary Commercial Banks and Thrift Banks			
As of _____ Annual Report			
		Reference	
	Conditions	Page	Section
	iii. Total amount of securitization exposures retained or purchased broken down by exposure type;		
	g. Total outstanding amount of credit protection given by the bank broken down by type of reference exposures (for banks that provide credit protection through credit derivatives); and		
	h. Total outstanding amount of other types of structured products issued or purchased by the bank broken down by type (for banks with investments in other types of structured products).		
	2. Market Risk		
	a. Total market risk-weighted assets broken down by type of exposures (interest rate, equity, foreign exchange and options); and		
	b. For banks using the internal models approach, the following information have to be disclosed:		
	i. The characteristics of the models used;		
	ii. A description of stress testing applied to the portfolio;		
	iii. A description of the approach used for backtesting/validating the accuracy and consistency of the internal models and modeling processes;		
	iv. The scope of acceptance by the BSP; and		
	v. A comparison of VaR estimates with actual gains/losses experienced by the bank, with analysis of important outliers in backtest results.		

2013 Annual Report Assessment Checklist			
Name of Bank			
Universal and Commercial Banks, and their Subsidiary Commercial Banks and Thrift Banks			
As of _____ Annual Report			
		Reference	
	Conditions	Page	Section
	3. Operational Risk		
	a. Operational risk-weighted assets.		
	4. Interest Rate in the Banking Book		
	a. Internal measurement of interest of interest rate risk in the banking book, including assumptions regarding loan payments and behavior of non-maturity deposits, and frequency of measurement; and		
	b. The increase (decrease) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to internal measurement of interest rate risk in the banking book.		

2013 Annual Report Assessment Checklist			
Name of Bank			
Stand-alone Thrift Banks			
As of _____ Annual Report			
		Reference	
	Conditions	Page	Section
I.	<i>Compliance with Subsection X190.5-Disclosure requirements</i>		
1.	Financial performance;		
2.	Financial position and changes therein;		
3.	Overall risk management philosophy (i.e. general statement of the risk management policy adopted by the bank's board of directors which serves as the basis for the establishment of its risk management system), risk management system and structure;		
4.	Qualitative and quantitative information on risk exposures (credit, market, liquidity, operational, legal and other risks); and		
5.	Basic business management and corporate governance information such as the bank's organizational structure, incentive structure including its remuneration policies, nature and extent of transactions with affiliates and related parties.		
II.	<i>Compliance with Appendix 63c of the MORB-Disclosures in the Annual Reports and Published Balance Sheet</i>		
1.	Tier 1 capital and a breakdown of its components (including deductions solely from Tier 1);		
2.	Tier 2 capital and a breakdown of its components;		
3.	Deductions from Tier 1 (50%) and Tier 2 (50%) capital;		
4.	Total qualifying capital;		
5.	Capital requirements for credit risk ;		
6.	Capital requirements for market risk;		
7.	Capital requirements for operational risk; and		
8.	Total and Tier 1 capital adequacy ratio on both solo and consolidated bases.		

2014 Annual Report Assessment Checklist			
Name of Bank			
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As of _____ Annual Report			
		Reference	
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1.	Financial performance;		
2.	Financial position and changes therein;		
3.	Overall risk management philosophy (i.e., general statement of the risk management policy adopted by the bank's board of directors which serves as the basis for the establishment of its risk management system), risk management system and structure;		
4.	Qualitative and quantitative information on risk exposures (credit, market, liquidity, operational, legal and other risks); and		
5.	Basic business management and corporate governance information such as the bank's organizational structure, incentive structure including its remuneration policies, nature and extent of transactions with affiliates and related parties.		
II.	Compliance with Appendix 63b of the MORB-Disclosures in the Annual Reports and Published Statement of Condition		
A.	Capital structure and capital adequacy:		
1.	CET 1 capital and a breakdown of its components;		
2.	Tier 1 capital and a breakdown of its components;		
3.	Tier 2 capital and a breakdown of its components;		
4.	Total qualifying capital;		
5.	Capital Conservation Buffer;		
6.	Capital requirements for credit risk (including securitization exposures);		
7.	Capital requirements for market risk;		
8.	Capital requirements for operational risk;		
9.	Total CAR, Tier 1 and CET1 ratios on both solo and consolidated bases;		
10.	Full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements;		

2014 Annual Report Assessment Checklist		
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		Section
11.	All regulatory adjustments/deductions, as applicable;	
12.	Description of the main features of capital instruments issued; and	
13.	Comprehensive explanations of how ratios involving components of regulatory capital are calculated.	
B. Risk Exposures and Assessments (for each separate risk area - credit, market, operational, interest rate risk in the banking book)		
1.	Strategies and processes;	
2.	The structure and organization of the relevant risk management function;	
3.	The scope and nature of risk reporting and/or measurement systems; and	
4.	Policies for hedging and/or mitigating risk, and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants.	
C. Aside from the general disclosure requirements, the following information with regard to the following risk types have to be disclosed in bank's Annual Reports:		
1. Credit Risk		
a.	Total credit risk exposures (i.e., principal amount for on-balance sheet and credit equivalent amount for off-balance sheet, net of specific provision) broken down by type of exposures;	
b.	Total credit risk exposure after risk mitigation, broken down by:	
	i) Type of exposures;	
	ii) Risk buckets, as well as those that are deducted from capital;	
c.	Total credit risk-weighted assets broken down by type of exposures;	
d.	Names of external credit assessment institutions used, and the types of exposures for which they were used;	

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e. Types of eligible credit risk mitigants used including credit derivatives;		
f. For banks with exposures to securitization structures, the following information have to be disclosed:		
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ii. Total outstanding exposures securitized by the bank; and		
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a. Internal measurement of interest of interest rate risk in the banking book, including assumptions regarding loan payments and behavior of non-maturity deposits, and frequency of measurement; and		
b. The increase (decrease) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to internal measurement of interest rate risk in the banking book.		

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4.	Total qualifying capital;		
5.	Capital requirements for credit risk ;		
6.	Capital requirements for market risk;		
7.	Capital requirements for operational risk; and		
8.	Total and Tier 1 capital adequacy ratio on both solo and consolidated bases.		