OFFICE OF THE CORPORATE SECRETARY
Direct Line: 8536-0540
Trunk Lines: 8891-6040 to 70
Local: 4582

March 18, 2021

PHILIPPINE DEALING & EXCHANGE CORPORATION
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas
Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head - Issuer Compliance and Disclosure Department (ICCD)

Dear Atty. Magallen-Lirio:

We are pleased to furnish the Philippine Dealing and Exchange Corporation (PDEx) a copy of our disclosure to the Philippine Stock Exchange regarding the Preliminary Information Statement of the Bank relative to its holding of Annual Stockholders' Meeting on April 27, 2021.

We trust you will take note accordingly. Thank you.

Very truly yours,

RUTH PAMELA E. TANGHAL
Corporate Secretary

Philippine National Bank
PNB Financial Center
Pres. Diosdado Macapagal Blvd.,
Pasay City, Metro Manila 1300, Philippines

T. (632) 8526-3131 to 70 / 8891-6040 to 70
P.O. Box 1884 (Manila)
P.O. Box 410 (Pasay City)
www.pnb.com.ph

CR01625-2021

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   - (selected) Preliminary Information Statement
   - Definitive Information Statement
2. Name of Registrant as specified in its charter
   Philippine National Bank
3. Province, country or other jurisdiction of incorporation or organization
   Philippines
4. SEC Identification Number
   ASO96-005555
5. BIR Tax Identification Code
   000-188-209-000
6. Address of principal office
   PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila
   Postal Code
   1300
7. Registrant's telephone number, including area code
   (632) 8526-3131 to 70/(632) 8891-6040 to 70
8. Date, time and place of the meeting of security holders
   April 27, 2021, 8:00 a.m., the meeting will be conducted through remote communication
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   Mar 30, 2021
10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor
    Not Applicable
    Address and Telephone No.
    Not Applicable

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	1,525,764,850

13. Are any or all of registrant's securities listed on a Stock Exchange?

(•) Yes ( ) No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

PNB

Philippine National Bank

PNB

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting

References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Apr 27, 2021
Type (Annual or Special)	Annual
Time	8:00 a.m.
Venue	the meeting will be conducted through remote communication
Record Date	Mar 29, 2021

Inclusive Dates of Closing of Stock Transfer Books

Start Date	Mar 23, 2021
End date	Mar 29, 2021

Other Relevant Information
None.

Filed on behalf by:

Name	Ruth Pamela Tanghal
Designation	Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [x] Preliminary Information Statement
   [ ] Definitive Information Statement

2.	Name of Registrant as specified in its charter	:	PHILIPPINE NATIONAL BANK
3.	Province, country or other jurisdiction of incorporation or organization	:	Metro Manila, Philippines
4.	SEC Identification Number	:	ASO96-005555
5.	BIR Tax Identification Number	:	000-188-209-000
6.	Address of principal office	:	PNB Financial Center President Diosdado Macapagal Blvd. Pasay City, Metro Manila, 1300
7.	Registrant's telephone number, including area code	:	(632) 8834-0780 (Office of the Corporate Secretary)
8.	Date of meeting	:	April 27, 2021
	Time of meeting	:	8:00 a.m.
	Place of meeting	:	The 2021 PNB Stockholders' Meeting will be conducted through remote communication. The livestreaming link will be provided via email to registered Stockholders.
9.	Approximate date on which the Information Statement is first to be sent or given to security holders	:	March 30, 2021

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate Registrant):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON SHARES	1,525,764,850

11. Are any or all Registrant's securities listed in a Stock Exchange?

Yes [√] No [ ]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein : **PHILIPPINE STOCK EXCHANGE/ COMMON STOCK**

PNB
You first.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Meeting of the Stockholders of the Philippine National Bank (the "Bank") will be conducted through remote communication on April 27, 2021, Tuesday, at 8:00 a.m..

The Agenda for the Meeting is as follows:

1. Call to Order
2. Secretary's Proof of Notice and Quorum
3. Approval of the Minutes of the 2020 Annual Stockholders' Meeting held on June 23, 2020
4. Report of the President on the Results of Operations for the Year 2020
5. Approval of the 2020 Annual Report
6. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2020 Annual Stockholders' Meeting
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The details and rationale of each item of the Agenda is attached as Annex "A" of the Information Statement.

Stockholders of record as of March 29, 2021 shall be entitled to attend, and to vote at, the meeting.

In light of the COVID-19 pandemic, and to safeguard the health and ensure the safety of our stockholders and stakeholders, the Bank will conduct its Annual Stockholders' Meeting through remote communication. Stockholders who wish to attend the meeting or vote through remote communication should register using the PNB ASM Registration Portal provided at www.pnb.com.ph/asm2021 on or before April 20, 2021. The requirements and procedure for registration, participation and voting through remote communication are set out in the Information Statement and published in PNB's website at www.pnb.com.ph/asm2021. There will be an audio and visual recording of the meeting.

Stockholders who are unable to attend the meeting may designate their authorized representative by submitting a signed proxy form via email to pnb_asm@pnb.com.ph no later than 5:00 p.m. on April 22, 2021. A sample proxy form may be downloaded at www.pnb.com.ph/asm2021. Validation of proxies will be on April 22, 2021 at 5:30 p.m.

Stockholders of record may send their queries and comments to pnb_asm@pnb.com.ph on or before April 23, 2021.

Copies of the Notice of the Meeting, Definitive Information Statement, Management Report and Financial Statements ("Documents") may be viewed and downloaded from the Bank's website at https://www.pnb.com.ph/2021DIS. Alternatively, the Documents may also be viewed at, and downloaded from its PSE EDGE profile at https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139.

RUTH PAMELA E. TANGHAL
Corporate Secretary

2021 ANNUAL STOCKHOLDERS' MEETING

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

A. Registration for the 2021 ASM and Voting through Remote Communication

1. Stockholders of record as of March 29, 2021, who wish to attend the Annual Stockholders' Meeting (the "ASM") and vote in absentia should register through the PNB ASM Registration Portal at www.pnb.com.ph/asm2021 on or before April 20, 2021 ("Registration Period").

2. Stockholders are required to provide the following for validation and verification:

a. For individual Stockholders

- Scanned copy of the front and back portions of the Stockholder's valid government-issued **photo ID**. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, and Senior Citizen ID;
- Valid and active e-mail address;
- Valid and active contact number (landline or mobile number).

b. For Stockholders with Joint accounts

In addition to the above requirements, a scanned copy of an authorization letter signed by all Stockholders jointly owning the shares designating who among them is authorized to cast the vote for the account. The authorization letter must also be in a digital, JPG format with a file size no larger than 2MB.

c. For Corporate Stockholders

- Scanned copy of a Secretary's Certificate or a board resolution under oath regarding the authority of the representative to attend the meeting and vote for and on behalf of the Corporation. This must be in a digital, JPG format with a file size no larger than 2MB;
- Scanned copy of the front and back portions of the valid government-issued **photo ID** of the Stockholder's representative. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, and Senior Citizen ID;
- Valid and active email address of the Stockholder's representative;
- Valid and active contact number of the Stockholder's representative (landline or mobile number).

d. For Stockholders represented by Proxy

- In addition to the above requirements for the Stockholder, the same requirements shall be submitted by the Proxy or authorized representative;
- Scanned copy of the Proxy Form or an authorization letter signed by the Stockholder, authorizing the Proxy to attend the meeting and cast the vote for the account. This must also be in a digital, JPG format with a file size no larger than 2MB.

e. For Stockholders under Broker accounts

- Scanned copy of the broker's certificate signed by the authorized signatory/ies on the Stockholder's number of shares. This must be in a digital, JPG format with a file size no larger than 2MB;
- In case of a corporate stockholder, also submit a scanned copy of the certification signed by a duly authorized officer of such corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial stockholder. This must be in a digital, JPG format with a file size no larger than 2MB;
- Scanned copy of the front and back portions of the Stockholder's valid government-issued **photo ID**. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID and Senior Citizen ID;
- Valid and active email address;
- Valid and active contact number (landline or mobile number).

3. Upon completion of the verification procedure, the Stockholder will receive an email confirmation which includes the link which the Stockholder may use to access the PNB 2021 ASM livestream. Stockholders who opted during the online registration to vote in absentia will likewise receive a link to PNB's secure online voting portal ("Voting Portal") with the Stockholder's default username and password.

4. The validation and verification procedure may take up to three (3) days upon submission of the required documents. Stockholders are encouraged to register early within the Registration Period.

5. The Voting Portal contains the agenda items reflected on the Notice of the 2021 PNB ASM. Registered Stockholders may vote as follows:

   (a) For items other than the election of directors, registered Stockholders have the option to vote "For", "Against", or "Abstain";
   (b) For election of Directors, the system of cumulative voting shall be followed. Each Stockholder is entitled to such number of votes equal to the number of shares he/she/it owns multiplied by the number of directors to be elected. Under this voting system, the Stockholder has the option to (i) cast all his/her/its votes in favor of one (1) nominee, or (ii) distribute his/her/its votes among as many nominees as he/she/it may deem fit;
   (c) Once the registered Stockholder has completed voting, he/she/it can submit his/her/its votes by clicking the "Submit" button. Upon submission, the registered Stockholder may no longer change his/her/its votes.

6. The Office of the Corporate Secretary shall tabulate all valid votes cast in absentia and votes cast through proxies. An independent party will validate the voting results, which will be reported by the Corporate Secretary at the meeting. All votes should be submitted no later than 5:00 p.m. on April 22, 2021.

B. Other Information Regarding the 2021 PNB ASM

1. Only those Stockholders who have completed the registration and verification procedure within the Registration Period shall be considered in determining the existence of a quorum.

2. The conduct of the ASM will be streamed live. Votes and queries cannot be submitted through the livestreaming link. Registered Stockholders may send their queries or comments to pnb_asm@pnb.com.ph on or before April 23, 2021. Queries sent but not addressed during the ASM due to time constraints shall be addressed separately and responded to through email.

3. The proceedings will be recorded in video and audio format. The Minutes of the ASM will be uploaded to the PNB website within twenty-four (24) hours upon the adjournment of the ASM.

SEC FORM 20-IS

AMENDED DEFINITIVE INFORMATION STATEMENT
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

A. GENERAL INFORMATION

Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

(a) In light of the COVID 19 pandemic, and to safeguard the health and ensure the safety of the stockholders and stakeholders, the Annual Stockholders' Meeting of the Philippine National Bank (hereafter "PNB" or the "Bank") will be conducted through remote communication on April 27, 2021, Tuesday, at 8:00 a.m.

The Bank's complete address is PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.

(b) The Notice of Meeting and the Definitive Information Statement may be accessed by qualified stockholders not later than March 30, 2021.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT BEING REQUESTED TO SEND US A PROXY AT THIS TIME.

Item 2. DISSENTER'S RIGHT OF APPRAISAL

(a) Title X – Section 80 of the Revised Corporation Code of the Philippines allows a stockholder to exercise his right to dissent and demand payment of the fair value of his shares in certain instances, to wit: (1) in case an amendment to the Articles of Incorporation will change or restrict the rights of such stockholder or class of shares, or authorize preferences in any respect superior to those of outstanding shares of any class or otherwise extend or shorten the term of the company; (2) in case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the company's properties and assets; or (3) in cases of merger or consolidation; or (4) in case of investment of corporate funds for any purpose other than the primary purpose of the company.

(b) None of the proposed corporate actions to be submitted to the stockholders for approval constitutes a ground for the exercise of the stockholder's appraisal right.

Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

(a) No person who has been a director of the Bank from the beginning of fiscal year 2020, or any associate of the foregoing, has any interest in any matter to be acted upon in the meeting other than election to office.

(b) The Bank has not received any information from a director that he/she intends to oppose any matter to be acted upon in the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

(a) The total number of common shares outstanding as of February 28, 2021 is 1,525,764,850 with a par value of ₱40.00 per share. Total foreign equity ownership is 91,046,801 common shares or 5.97%.

Pursuant to Article IV, Section 4.9 of the Bank's By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank as of March 29, 2021 (the "Record Date").

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit, provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

Pursuant to Sections 23 and 57 of the Revised Corporation Code, the PNB Board of Directors approved on February 26, 2021 the participation and voting at the 2021 Annual Stockholders' Meeting through remote communication. The requirements and procedure for registration, participation and voting through remote communication are provided in this Information Statement and published in PNB's website at www.pnb.com.ph/asm2021.

(b) Stockholders of the Bank as of the Record Date shall be entitled to notice of, and to vote at, the Annual Stockholders' Meeting.

(c) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (*more than 5% of any class of voting securities as of February 28, 2021)*

<table>
<tr><th>Name & Address of Record Owner and Relationship with Issuer</th><th>Name of Beneficial Owner and Relationship with Record Owner</th><th>Citizenship</th><th>No. of Common Shares Held</th><th>Percentage of Ownership</th></tr>
<tr><td>All Seasons Realty Corp.
- Makati City -
10,005,866 shares

Stockholder</td><td rowspan="3">Majority-Owned and Controlled by LT Group, Inc.</td><td>Filipino</td><td rowspan="3">912,811,179</td><td rowspan="3">59.8264653298</td></tr>
<tr><td>Allmark Holdings Corporation
- Quezon City –
20,724,567 shares

Stockholder</td><td>Filipino</td></tr>
<tr><td>Caravan Holdings Corporation
- Marikina City -
82,017,184 shares

Stockholder</td><td>Filipino</td></tr>
</table>

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Donfar Management Limited - Makati City - 30,747,898 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Dunmore Development Corporation (X-496) - Pasig City - 15,140,723 shares Stockholder		Filipino		
Dynaworld Holdings, Incorporated - Pasig City - 11,387,569 shares Stockholder		Filipino		
Fast Return Enterprises, Limited - Makati City - 18,157,183 shares Stockholder		Filipino		
Fil-Care Holdings, Incorporated - Quezon City - 25,450,962 shares Stockholder		Filipino		
Fragile Touch Investment Limited - Makati City - 22,696,137 shares Stockholder		Filipino		
Ivory Holdings, Inc. - Makati City - 20,761,731 shares Stockholder		Filipino		
Kenrock Holdings Corporation - Quezon City - 26,018,279 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Kentwood Development Corp. - Quezon City - 17,237,017 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Key Landmark Investments, Limited - British Virgin Islands - 133,277,924 shares Stockholder		Filipino		
La Vida Development Corporation - Quezon City - 19,607,334 shares Stockholder		Filipino		
Leadway Holdings, Incorporated - Quezon City - 65,310,444 shares Stockholder		Filipino		
Mavelstone International Limited - Makati City - 29,575,168 shares Stockholder		Filipino		
Merit Holdings and Equities Corp. - Quezon City - 17,385,520 shares Stockholder		Filipino		
Multiple Star Holdings Corp. - Quezon City - 30,798,151 shares Stockholder		Filipino		
Pioneer Holdings Equities, Inc. - Pasig City - 34,254,212 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Profound Holdings, Inc. - Marikina City - 18,242,251 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Purple Crystal Holdings, Inc. - Manila City - 24,404,724 shares Stockholder		Filipino		
Safeway Holdings & Equities, Inc. - Quezon City - 12,048,843 shares Stockholder		Filipino		
Society Holdings Corporation - Quezon City - 17,298,825 shares Stockholder		Filipino		
Solar Holdings Corp. - Pasig City - 82,017,184 shares Stockholder		Filipino		
Total Holdings Corp. - Quezon City - 15,995,011 shares Stockholder		Filipino		
True Success Profits, Limited - British Virgin Islands - 82,017,184 shares Stockholder		Filipino		
Uttermost Success, Limited - Makati City – 30,233,288 shares Stockholder		Filipino		

The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Boards of Directors. The Bank expects to receive the proxy to vote the shares held by the foregoing stockholders on or before April 22, 2021.

(2) Security Ownership of Management (Individual Directors and Executive Officers as of February 28, 2021)

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Florencia G. Tarriela Chairperson Independent Director	2 shares ₱80.00 (R)	Filipino	0.0000001311
Felix Enrico R. Alfiler Vice Chairman Independent Director	8,324 shares ₱332,960.00 (R)	Filipino	0.0005455624
Florido P. Casuela Director	162 shares ₱6,480.00 (R)	Filipino	0.0000106176
Leonilo G. Coronel Director	1 share ₱40.00 (R)	Filipino	0.0000000655
Edgar A. Cua Independent Director	100 shares ₱4,000.00 (R)	Filipino	0.0000065541
Estelito P. Mendoza Director	1,150 shares ₱46,000.00 (R)	Filipino	0.0000753720
Christopher J. Nelson Director	100 shares ₱4,000.00 (R)	Filipino	0.0000065541
Federico C. Pascual Independent Director	39 shares ₱1,560.00 (R)	Filipino	0.0000025561
Carmen K. Tan Director	5,000 shares ₱200,000.00 (R)	Filipino	0.0003277045
Lucio C. Tan Director	14,843,119 shares ₱593,724,760.00 (R)	Filipino	0.9728313639
Michael G. Tan Director	62,250 shares ₱2,490,000.00 (R)	Filipino	0.0040799210
Sheila T. Pascual Director	110 shares ₱4,400.00 (R)	Filipino	0.0000072095
Vivienne K. Tan Director	10 shares ₱400.00 (R)	Filipino	0.0000006554

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Jose Arnulfo A. Veloso Director/President	418,395 shares ₱16,735,800.00 (R)	Filipino	0.0274219845
Domingo H. Yap Independent Director	1 share ₱40.00 (R)	Filipino	0.0000000655
Subtotal	15,338,763 shares ₱613,550,520.00 (R)	-	1.0053163173
All Executive Officers & Directors as a Group	15,463,813 shares ₱618,552,520.00 (R)	-	1.0135122067

(3) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more of the Bank's shares.

(4) Changes in Control

There has been no change in control of the Bank during the fiscal year 2020.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) <u>Directors and Executive Officers</u>

On June 23, 2020, the Bank reported to the Bangko Sentral ng Pilipinas (BSP) the election of fifteen (15) members of the Board of Directors at the 2020 Annual Stockholders' Meeting. Ms. Florencia G. Tarriela, Mr. Felix Enrico R. Alfiler, Mr. Edgar A. Cua, Mr. Federico C. Pascual and Mr. Domingo H. Yap were re-elected as independent directors.

As defined in Section 38.2 of the 2015 Implementing Rules and Regulations of the Securities and Regulation Code (Republic Act No. 8799) (IRR of the SRC), an independent director refers to a person who, apart from his fees and shareholdings, is independent of Management and free from any business or other relationship which could or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company.

The re-election of the following directors of PNB for the year 2020-2021 was exempted from confirmation by the Monetary Board (MB):

Florencia G. Tarriela
Felix Enrico R. Alfiler
Florido P. Casuela
Leonilo G. Coronel
Edgar A. Cua
Estelito P. Mendoza
Christopher J. Nelson
Federico C. Pascual
Sheila T. Pascual
Lucio C. Tan
Carmen K. Tan
Michael G. Tan
Vivienne K. Tan
Jose Arnulfo A. Veloso
Domingo H. Yap

The Bank's Corporate Governance and Sustainability Committee, acting as the Nomination and Remuneration Committee, considered the shortlist of candidates nominated to sit as members of the Board of Directors for 2021-2022 according to the prescribed qualifications and disqualifications. A total of fifteen (15) nominees were considered. On March 10, 2021, the Board of Directors confirmed the nomination of the following individuals for election to the Board of Directors for the year 2021–2022:

1. Florencia G. Tarriela
2. Felix Enrico R. Alfiler
3. Florido P. Casuela
4. Leonilo G. Coronel
5. Edgar A. Cua
6. Estelito P. Mendoza
7. Federico C. Pascual
8. Sheila T. Pascual
9. Carmen K. Tan
10. Lucio C. Tan
11. Lucio C. Tan III
12. Michael G. Tan
13. Vivienne K. Tan
14. Jose Arnulfo A. Veloso
15. Domingo H. Yap

(Please refer to pages 14 to 29 of this Information Statement for the profiles of the nominees and incumbent directors.)

The aforementioned nominees were approved and confirmed by the Corporate Governance and Sustainability Committee, in compliance with the Manual of Regulations for Banks (MORB) of the BSP on the qualifications of a director and in accordance with the procedure for the nomination and election of independent directors set forth in Rule 38 of the IRR of the SRC and Securities and Exchange Commission (SEC) Memorandum Circular (MC) No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies ("SEC MC No. 19, Series of 2016").

Mr. Felix Enrico R. Alfiler, Mr. Edgar A. Cua, Mr. Federico C. Pascual, Ms. Florencia G. Tarriela, and Mr. Domingo H. Yap are nominated as independent directors. After due evaluation, the Corporate Governance and Sustainability Committee certified that said nominees are qualified in accordance with the MORB and Rule 38 of the IRR of the SRC. All of the nominees for independent director were nominated by Ms. Ruth Pamela E. Tanghal to comply with the requirements on independent directors. None of the nominees are related to Ms. Tanghal.

Except for the nominations of Mr. Alfiler and Ms. Tarriela, all nominations are compliant with SEC MC No. 4, Series of 2017 and Recommendation 5.3 of SEC MC No. 19, Series of 2016 on the term limits of independent directors. On February 17, 2021, the Bank sent a letter to the BSP requesting for the temporary exemption from the nine (9) year cumulative term limit rule for Mr. Alfiler and Ms. Tarriela whose terms have already lapsed based on Section 3 of BSP Circular 969, SEC MC No. 4, Series of 2017 and Recommendation 5.3 of SEC MC No. 19, Series of 2016, for an additional period of two (2) years.

In justifying the re-nomination of Ms. Tarriela and Mr. Alfiler as independent directors despite having served as independent directors for the maximum cumulative term of nine (9) years, the Corporate Governance and Sustainability Committee, acting as the Nomination and Remuneration Committee, and the members of the Board considered Ms. Tarriela's and Mr. Alfiler's in-depth knowledge of the Bank's business as well as that of the Bank's affiliates and subsidiaries due to their length of service as independent directors of the Bank. Furthermore, Ms. Tarriela's and Mr. Alfiler's accomplishments and expertise in the banking industry and their experience as past officers and directors of various institutions in the field of finance and banking have greatly contributed, and will continue to contribute, to the improvement and growth of the Bank's business and the Bank's continuous compliance with regulatory requirements. The Corporate Governance and Sustainability Committee and the members of the Board believe that it is in the best interest of the Bank to retain

Ms. Tarriela and Mr. Alfiler as independent directors as they will help the Bank reach its goals in the ensuing year and improve the Bank's over-all performance. Considering that Ms. Tarriela and Mr. Alfiler are well versed with the operations and requirements of the Bank, they are in a better position compared to new independent directors to help the Bank maneuver through the new normal of doing business under the pandemic scenario.

The Certificates of Qualification of the independent directors pursuant to SEC MC No. 5, Series of 2017 will be submitted by the Bank to the SEC before the election of the independent directors.

Below are the profiles of the incumbent directors and officers of the Bank and the nominees for directorship as of March 10, 2021. The information below addresses the requirements of Section 49 of the Revised Corporation Code.

Profile of Directors and Executive Officers together with their Business Experience covering at least the Past Five (5) Years

Name	**FLORENCIA G. TARRIELA**
Age	74
Nationality	Filipino
Education	* Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines * Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination
Current Position in the Bank	* Chairman of the Board/Independent Director
Date of First Appointment	* May 29, 2001 (as Director) * May 24, 2005 (as Chairman of the Board) * May 30, 2006 (as Independent Director)
Directorship in Other Listed Companies	* Independent Director of LT Group, Inc.
Other Current Positions	* Chairman/Independent Director of PNB Capital and Investment Corporation, PNB-Mizuho Leasing and Finance Corporation, and PNB-Mizuho Equipment Rentals Corporation * Independent Director of PNB International Investments Corp. * Director of Eton Properties Philippines Inc. * Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World * Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation * Life Sustaining Member of the Bankers Institute of the Philippines * Trustee of Tulay sa Pag-unlad, Inc. (TSPI) Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc. * Director of Financial Executive Institute of the Philippines (FINEX) Foundation
Other Previous Positions	* Independent Director of PNB Life Insurance, Inc. * Director of Bankers Association of the Philippines * Undersecretary of Finance * Alternate Monetary Board Member of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation * Deputy Country Head, Managing Partner and first Filipina Vice President of Citibank N. A. * Country Financial Controller of Citibank N.A. Philippines for 10 years * President, Bank Administration Institute of the Philippines
Awards/Citations	* 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement * 2018 Go Negosyo Woman Intrapreneur Awardee

Name	**FELIX ENRICO R. ALFILER**
Age	71
Nationality	Filipino
Education	* Bachelor of Science and Masters in Statistics from the University of the Philippines
Current Position in the Bank	* Vice Chairman/Independent Director
Date of First Appointment	* January 1, 2012
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman/Independent Director of PNB General Insurers Co., Inc., PNB RCI Holdings Co., Ltd. and PNB International Investments Corp.
Other Previous Positions	* Independent Director of PNB-IBJL Leasing and Finance Corporation and PNB Savings Bank * Senior Advisor to the World Bank Group Executive Board in Washington, D.C. * Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization * Director of the BSP * Assistant to the Governor of the Central Bank of the Philippines * Senior Advisor to the Executive Director at the International Monetary Fund * Associate Director at the Central Bank * Head of the Technical Group of the CB Open Market Committee * Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts * Advisor at Lazaro Bernardo Tiu and Associates, Inc. * President of Pilgrims (Asia Pacific) Advisors, Ltd. * President of the Cement Manufacturers Association of the Philippines (CeMAP) * Board Member of the Federation of Philippine Industries (FPI) * Vice President of the Philippine Product Safety and Quality Foundation, Inc. * Convenor for Fair Trade Alliance.

Name	**FLORIDO P. CASUELA**
Age	79
Nationality	Filipino
Education	* Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines * Masters in Business Administration from the University of the Philippines * Advanced Management Program for Overseas Bankers from the Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania * Study Tour (Micro Finance Program and Cooperatives), under the Auspices of the United States Agency for International Development
Government Civil Service Eligibilities	* Certified Public Accountant, Economist, Commercial Attaché
Current Position in the Bank	* Director
Date of First Appointment	* May 30, 2006
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman of PNB Securities, Inc. * Chairman of Casuela Equity Ventures, Inc. * Director of PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation * Senior Consultant of the Bank of Makati (a Savings Bank), Inc.
Other Previous Positions	* President of Land Bank of the Philippines, Maybank Philippines, Inc., and Surigao Micro Credit Corporation * Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc. * Director of PNB Life Insurance, Inc. * Director, Meralco * Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc. * Director of Sagittarius Mines, Inc. * Senior Adviser in the Bangko Sentral ng Pilipinas * Senior Executive Vice President of United Overseas Bank (Westmont Bank) * Executive Vice President of PDCP (Producers Bank) * Senior Vice President of Philippine National Bank * Special Assistant to the Chairman of the National Power Corporation * First Vice President of Bank of Commerce * Vice President of Metropolitan Bank & Trust Co. * Staff Officer, BSP * Audit Staff of Joaquin Cunanan, CPAs (Isla Lipana & Co.)
Awards/Citations	* One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration * Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter

Name		**LEONILO G. CORONEL**
Age		74
Nationality		Filipino
Education	*	Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University
	*	Advance Management Program of the University of Hawaii
Current Position in the Bank	*	Director
Date of First Appointment	*	May 28, 2013
Directorship in Other Listed Companies	*	Independent Director of Megawide Construction Corporation
Other Current Positions	*	Independent Director of DBP-Daiwa Capital Markets Phil.
	*	Director of Software Ventures International
Other Previous Positions	*	Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation
	*	Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation
	*	Director/Treasurer of Philippine Depository and Trust Corporation
	*	Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council
	*	Managing Director of BAP-Credit Bureau
	*	President of Cebu Bankers Association
	*	Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation
	*	Worked with Citibank, Manila for twenty (20) years, occupying various positions
Awards/Citations	*	Fellow of the Australian Institute of Company Directors in 2002

Name	**EDGAR A. CUA**
Age	65
Nationality	Filipino
Education	* Bachelor of Arts in Economics degree (Honors Program) from the Ateneo de Manila University * Masters of Arts in Economics degree from the University of Southern California * Masters of Planning Urban and Regional Environment degree from the University of Southern California * Advanced Chinese from the Beijing Language and Culture University * Sustainable Development Training Program, Cambridge University
Current Position in the Bank	* Independent Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* None
Other Current Positions	* Vice-Chairman and Director of Allied Integrated Holdings Inc. (Formerly: PNB Savings Bank) * Independent Director of PNB Capital and Investment Corporation, Allied Commercial Bank, Xiamen, and PNB-Mizuho Leasing and Finance Corp. * Director of Davao Unicar Corporation
Previous Positions	* Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career * Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC. * Staff Consultant, SGV & Co.

Name	**ESTELITO P. MENDOZA**
Age	91
Nationality	Filipino
Education	* Bachelor of Laws (cum laude) from the University of the Philippines * Master of Laws from Harvard University
Current Position in the Bank	* Director
Date of First Appointment	* January 1, 2009
Directorship in Other Listed Companies	* Director of San Miguel Corporation and Petron Corporation
Other Current Positions	* Chairman of Prestige Travel, Inc. * Practicing lawyer for more than sixty (60) years
Other Previous Positions	* Professorial Lecturer of law at the University of the Philippines * Undersecretary of Justice, Solicitor General and Minister of Justice * Member of the Batasang Pambansa and Provincial Governor of Pampanga * Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.
Awards/Citations	* Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University (Seoul, Korea), University of Manila, Angeles University Foundation and the University of the East * Doctor of Humane Letters degree by the Misamis University * Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns * University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"

Name	**CHRISTOPHER J. NELSON**
Age	62
Nationality	British
Education	* Bachelor of Arts and Masters of Arts in History from Emmanuel College, Cambridge University, U.K. * Diploma in Marketing from the Institute of Marketing, Cranfield, U.K.
Current Position in the Bank	* Director
Date of First Appointment	* March 21, 2013 (Director) * May 27, 2014 (Board Advisor) * May 26, 2015 (Director)
Directorship in Other Listed Companies	* None
Other Current Positions	* Director of the Philippine Band of Mercy and the Federation of Philippine Industries * Chairman/Trustee of the British Chamber of Commerce * Trustee of the American Chamber Foundation Philippines, Inc., and Dualtech Training Center * Member of the Society of Fellows of the Institute of Corporate Directors * Trustee of Dualtech Training Foundation as of March 2017
Other Previous Positions	* Director of PNB Holdings Corporation * Trustee of Tan Yan Kee Foundation * Director of the American Chamber of Commerce of the Philippines, Inc. * President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years * Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa

Name	**FEDERICO C. PASCUAL**
Age	78
Nationality	Filipino
Education	* Bachelor of Arts, Ateneo de Manila University * Bachelor of Laws (Member, Law Honors Society), University of the Philippines * Master of Laws, Columbia University
Current Position in the Bank	* Independent Director
Date of First Appointment	* May 27, 2014
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of Allianz PNB Life Insurance, Inc., PNB-Mizuho Leasing and Finance Corporation, PNB-Mizuho Equipment Rentals Corporation, PNB International Investments Corporation, and PNB Holdings Corporation * Chairman of Bataan Peninsula Educational Institution, Inc * President/Director of Tala Properties, Inc. and Woldingham Realty, Inc. * Chairman/Director of Apo Reef World Resort * Director of Sarco Land Resources Ventures Corporation, SCTEX Development and Franchisers Corporation, and Hermosa Golden Rainbow Corporation * Proprietor of Green Grower Farm * Partner of the University of Nueva Caceres Bataan Branch * Member, Multi Sectoral Governing Council of Bureau of Customs
Other Previous Positions	* Chairman/Independent Director of PNB General Insurers Co., Inc. * President and General Manager of Government Service Insurance System * President and CEO of Allied Banking Corporation and PNOC Alternative Fuels Corporation * Director of Global Energy Growth System * Various positions with PNB for twenty (20) years, including Acting President, CEO and Vice Chairman * President and Director of Philippine Chamber of Commerce and Industry * Chairman of National Reinsurance Corporation * Co-Chairman of the Industry Development Council of the Department of Trade and Industry * Treasurer of BAP-Credit Guarantee * Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, Philippine National Oil Corporation, and PNB Savings Bank * Chairman and President of Alabang Country Club

Name	**SHEILA T. PASCUAL**	
Age	58	
Nationality	Filipino	
Education	*	Bachelor of Science in Business Management from the Ateneo de Manila University
Current Position in the Bank	*	Director
Date of First Appointment	*	November 22, 2019
Directorship in Other Listed Companies	*	None
Other Current Position/s	*	Business Development Manager of Allied Banking Corporation Hong Kong
Other Previous Position/s	*	Marketing Development Officer of Asia Brewery Incorporated

Name	**CARMEN K. TAN**
Age	79
Nationality	Filipino
Current Position in the Bank	* Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* Vice Chairman of LT Group, Inc. * Director of MacroAsia Corporation and PAL Holdings, Inc.
Other Current Positions	* Director: Philippine Airlines, Inc., Air Philippines Corporation, Asia Brewery, Inc., Buona Sorte Holdings, Inc., Cosmic Holdings Corporation, The Charter House, Inc., Dominium Realty and Construction Corporation, Eton City, Inc., Foremost Farms, Inc., Fortune Tobacco Corporation, Himmel Industries, Inc., Lucky Travel Corporation, Manufacturing Services & Trade Corp., Progressive Farms, Inc., PMFTC, Inc., Shareholdings Inc., Sipalay Trading Corp., Tanduay Distillers, Inc., Tangent Holdings Corporation, Trustmark Holdings Corp., Alliedbankers Insurance Corporation, Zuma Holdings and Management Corp., Grandspan Development Corp., Basic Holdings Corp., Saturn Holdings, Inc., Paramount Land Equities, Inc., Interbev Philippines, Inc., Waterich Resources Corp., and REM Development Corp.
Major Affiliations	* Director of Tan Yan Kee Foundation * Member of Tzu Chi Foundation

Name	**LUCIO C. TAN**
Age	86
Nationality	Filipino
Education	* Bachelor of Science in Chemical Engineering degree from Far Eastern University * Doctor of Philosophy, Major in Commerce, from University of Sto. Tomas
Current Position in the Bank	* Director
Date of First Appointment	* December 8, 1999
Directorship in Other Listed Companies	* Chairman and CEO of LT Group, Inc., PAL Holdings, Inc. and MacroAsia Corporation
Other Current Positions	* Chairman and CEO of Philippine Airlines, Inc. Lucky Travel Corporation, and Tangent Holdings Corporation * Chairman: Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Allianz PNB Life Insurance, Eton Properties Philippines, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, Asia Brewery, Inc., Tanduay Distillers, Inc., Alliedbankers Insurance Corporation, and PMFTC Inc. * President of Basic Holdings Corporation, Himmel Industries, Inc., and Grandspan Development Corporation * Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. * Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. * Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President
Other Previous Positions	* Chairman of Allied Banking Corporation, PNB Life Insurance, Inc. and Allied Leasing and Finance Corporation * Director of PNB Savings Bank
Awards/Citations	* Honorary degrees from various universities * Lifetime Achievement Awardee by the Dr. Jose P. Rizal Awards for Excellence * Adopted to the Ancient Order of the Chamorri and designated Ambassador-at-Large of the U.S. Island-territory of Guam * Diploma of Merit by the Socialist Republic of Vietnam * Outstanding Manilan for the year 2000 * UST Medal of Excellence in 1999 * Most Distinguished Bicolano Business Icon in 2005 * 2003 Most Outstanding Member Award by the Philippine Chamber of Commerce and Industry (PCCI) * Award of Distinction by the Cebu Chamber of Commerce and Industry * Award for Exemplary Civilian Service of the Philippine Medical Association * Honorary Mayor and Adopted Son of Bacolod City; Adopted Son of Cauayan City, Isabela and Entrepreneurial Son of Zamboanga * Distinguished Fellow during the 25^{th} Conference of the ASEAN Federation of Engineering Association * 2008 Achievement Award for service to the chemistry profession during the 10^{th} Eurasia Conference on Chemical Sciences

Name	**MICHAEL G. TAN**
Age	55
Nationality	Filipino
Education	* Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada
Current Position in the Bank	* Director
Date of First Appointment	* February 9, 2013
Directorship in Other Listed Companies	* Director, President and Chief Operating Officer of LT Group, Inc. * Director of Victorias Milling Company, Inc. and MacroAsia Corporation
Other Current Positions	* Director of Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited * Director, President and Chief Operating Officer of Asia Brewery, Inc. * Director and Treasurer of Zuma Holdings and Management Corporation * Director of the following companies: Philippine Airlines Foundation, Air Philippines Corp., Absolut Distillers, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Eton Properties Philippines, Inc., Shareholdings, Inc., Lucky Travel Corporation, PMFTC, Inc., Maranaw Hotel (Century Park Hotel), Pan Asia Securities, Inc., ALI-Eton Development Corporation, Asia's Emerging Dragon Corporation, Paramount Land Equities, Inc., Sabre Travel Network (Philippines), Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, MacroAsia Corp. and Trustmark Holdings Corporation
Other Previous Positions	* Chairman of PNB Holdings Corporation * Director of Philippine Airlines Inc., Bulawan Mining Corporation, PNB Management and Development Corporation, Alliedbankers Insurance Corporation, PNB Forex, Inc. and PNB Savings Bank * Director and Treasurer of PAL Holdings, Inc. * Director of Allied Banking Corporation (ABC) from January 30, 2008 until ABC's merger with PNB on February 9, 2013

Name	**VIVIENNE K. TAN**
Age	52
Nationality	Filipino
Education	* Bachelor of Science - Double Degree in Mathematics and Computer Science from the University of San Francisco, U.S.A * Diploma in Fashion Design and Manufacturing Management from the Fashion Institute of Design and Merchandising, Los Angeles, U.S.A.
Current Position in the Bank	* Director
Date of First Appointment	* December 15, 2017
Directorship in Other Listed Companies	* Director of LT Group, Inc. and MacroAsia Corporation
Other Current Positions	* Director of Eton Properties Philippines, Inc., * Executive Director of Dynamic Holdings Limited * Trustee of University of the East, University of the East Ramon Magsaysay Memorial Medical Center and College of Saint Benilde * Founding Chairperson of the Entrepreneurs School of Asia (ESA) * Founding Trustee of the Philippine Center for Entrepreneurship (Go Negosyo)
Other Previous Positions	* Board Advisor of LT Group, Inc. * Director of PAL Holdings, Inc. * Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines, Inc. * Executive Vice President, Commercial Group and Manager, Corporate Development, of Philippine Airlines, Inc. * Director of Bulawan Mining Corporation and PNB Management and Development Corporation * Founder and President of Thames International Business School * Owner of Vaju, Inc. (Los Angeles, U.S.A.) * Systems Analyst/Programmer of Fallon Bixby & Cheng Law Office (San Francisco, U.S.A.) * Proponent/Partner of various NGO/social work projects like Gawad Kalinga's GK-Batya sa Bagong Simula, livelihood programs thru Teenpreneur Challenge spearheaded by ESA, Conserve and Protect Foundation's artificial reef project in Calatagan, Batangas, Quezon City, Sikap-Buhay Project's training and mentorship program for micro-entrepreneurs, and as Chairman of Ten Inspirational Entrepreneur Students Award
Awards/Citations	* Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Excellence in Education and Social Entrepreneurship Award (2007), Leading Women of the World Award (2007), and "People of the Year", People Asia Award (2008)

Name	**JOSE ARNULFO A. VELOSO**
Age	54
Nationality	Filipino
Education	* Bachelor of Science in Commerce – Marketing Management from De La Salle University
Current Position in the Bank	* President and Chief Executive Officer
Date of First Appointment	* November 16, 2018
Directorship in Other Listed Companies	* None
Other Current Positions	* Director of Allianz PNB Life Insurance, Inc. * Director of Bankers Association of the Philippines and Chairman of the BAP Capital Markets Development Committee * Director of European Chamber of Commerce of the Philippines * Director of Phil. Payments Management Inc. * Member of the Asian Banker's Association * Member of the CIBI Foundation Inc.
Other Previous Positions	* Chairman and Director of HSBC Insurance Brokers (Philippines), Inc. and HSBC Savings Bank (Philippines), Inc. * Director of PNB Global Remittance & Financial Co. (HK) Ltd. * Director and Chairperson of the Open Market Committee of Banker's Association of the Philippines * Director of the Philippine Dealing and Exchange Corporation * Director of the Philippine Securities Settlement Corporation * Director of the British Chamber of Commerce Philippines * President and Chief Executive Officer of HSBC Philippines * President of the Money Market Association of the Philippines * Managing Director, Treasurer and Head of Global Banking and Markets of HSBC Global Markets * Treasurer and Head of Global Markets of HSBC Treasury * Head of Domestic Treasury of PCI Bank/ PCI-Capital * Fixed Income Portfolio Head of Citibank * Fixed Income Trader of Asia Trust * Supervisor of Urban Bank * Chairman of the Council of Trustees of the British School Manila * Member of Assocacion Cambiste Internationale

Name	**DOMINGO H. YAP**
Age	87
Nationality	Filipino
Education	* Bachelor of Science in Business Administration major in Business Management from San Sebastian College Recoletos
Current Position in the Bank	* Independent Director
Date of First Appointment	* August 23, 2019
Directorship in Other Listed Companies	* None
Other Current Positions	* President of H-Chem Industries, Inc., DHY Realty and Development Inc., Colorado Chemical Sales Corporation, Universal Paint & Coating Philippines, Inc., and AllianceLand Development Corporation
Other Previous Positions	* President of the Federation of Filipino-Chinese Chamber of Commerce and Industries, Inc. * Governor of Y's Men Club Philippines * President of Y's Men Club Downtown of Manila * President of Rotary Club of Pasay City

Name	**LUCIO C. TAN III**
Age	28
Nationality	Filipino
Education	* Bachelor of Science in Electrical Engineering, Stanford University * Master of Science, Major in Computer Science, Stanford University
Directorship in Other Listed Companies	* Director of LT Group, Inc. * Director of PAL Holdings, Inc. * Director of MacroAsia Corporation * Director of Victorias Milling Corporation
Other Current Positions	* Director of PNB Holdings Corporation * Director of Philippine Airlines, Inc. * Director of Luftansa Technik Philippines * Director of Air Philippines Corporation * Director/President and Chief Operating Officer of Tanduay Distillers, Inc. * Member of Stanford Tau Beta Phi Engineering Honor Society * Executive Board Member/Financial Officer for Stanford Asian Student Entrepreneur Society
Awards/Citations	* Stanford University Frederick E. Terman Award (2015), award given to engineering seniors who are at the top 5% of their class * Stanford University Tau Beta Pi Honors Society (2013), honor given to engineering juniors/seniors who are at the top 1/8 of their class * Stanford University President's Award for Academic Excellence Freshmen Year (2012), award given to freshmen who are at the top 3% of their class

Name	**RUTH PAMELA E. TANGHAL**
Age	52
Nationality	Filipino
Education	* Bachelor of Science in Mathematics from the Notre Dame University, Cotabato City * Bachelor of Laws from the Notre Dame University, Cotabato City
Current Position in the Bank	* Corporate Secretary
Date of First Appointment	* September 25, 2020
Directorship in Other Listed Companies	* None
Other Current Positions	* Corporate Secretary of PNB Management and Development Corporation (MADECOR), and Allied Integrated Holdings Inc. (Formerly: PNB Savings Bank) * Director of E.C. Tanghal & Co., Inc. and Palm Tree Bank, Inc. * Corporate Secretary of Genbancor Condominium Corporation
Other Previous Positions	* Assistant Corporate Secretary of PNB * Corporate Secretary of Bulawan Mining Corporation and PNB Holdings Corporation * Documentation Lawyer, PNB Legal Group * Director/Corporate Secretary, Rural Bank of Cotabato, Inc. * Director, Rural Bankers Association of the Philippines, Inc.

Name	**MICHELLE A. PAHATI-MANUEL**
Age	48
Nationality	Filipino
Education	* AB Political Science, University of Sto. Tomas, graduated 1993 * Bachelor of Laws, Saint Louis University, graduated 1998
Current Position in the Bank	* Assistant Corporate Secretary
Date of First Appointment	* September 25, 2020
Directorship in Other Listed Companies	* None
Other Current Positions	* Corporate Secretary, PNB Capital and Investments Corporation * Corporate Secretary, PNB Securities, Inc.
Other Previous Positions	* Department Head, PNB Legal Group * Corporate Secretary, Bulawan Mining Corporation and PNB Management and Development Corporation (MADECOR) * Court Attorney, Supreme Court * Court Attorney, Court of Appeals

Board of Advisors:

Name	**MARK M. CHEN**
Age	46
Nationality	American
Education	* Bachelor of Arts in Economics (with Honors), Harvard University – Dean's List and a Harvard College Scholar * Executive Masters in Business Administration from the Northwestern Kellogg – Hong Kong University of Science & Technology (HKUST), graduated top of the class
Current Position in the Bank	* Board Advisor
Date of First Appointment	* January 24, 2020
Other Current Positions	* Director – Philippine Airlines, Inc. * Chief Executive Officer of Cobalt Equity Partners * Adjunct Professor of finance/investment at Kellogg Hong Kong University of Science & Technology (HKUST) Business School
Other Previous Positions	* Chief Executive Officer of General Electric (GE) Equity Asia Pacific, 2006 to 2015 * Senior Vice President of General Electric (GE) Equity Asia Pacific, 2000 to 2005 * Associate – Bankers Trust, 1996 to 1999
Awards/Citations	* United States Presidential Scholar * United States Byrd Congressional Award

Name	**WILLIAM T. LIM**
Age	80
Nationality	Filipino
Education	* Bachelor of Science in Chemistry from Adamson University
Current Position in the Bank	* Board Advisor
Date of First Appointment	* January 25, 2013
Directorship in Other Listed Companies	* None
Other Current Positions	* President of Jas Lordan, Inc. * Director of PNB Holdings Corporation, Allied Commercial Bank - Xiamen, General BH Fashion Retailers, Inc., and Concept Clothing, Co., Inc. * Advisor to the Chairman of the Board of Directors of Allianz PNB Life Insurance, Inc.
Other Previous Positions	* Director of PNB Life Insurance, Inc. * Consultant of Allied Banking Corporation * Board Advisor/Director of PNB Savings Bank * Director of Corporate Apparel, Inc. * Director of Concept Clothing * Director of Freeman Management and Development Corporation * Worked with Equitable Banking Corporation for 30 years, occupying various positions, including VP & Head of the Foreign Department

Name	**CHESTER Y. LUY**
Age	51
Nationality	Filipino
Education	* Bachelor of Science in Business Administration (Magna Cum Laude), University of the Philippines * Masters in Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University * Chartered Financial Analyst (CFA)
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 11, 2020
Other Current Positions	* Director of PNB-Mizuho Leasing and Finance Corporation, PNB Europe and PNB Global Remittance and Financial Corporation (Hong Kong)
Other Previous Positions	* EVP and Head of Strategy Sector and Wealth Management Group * Senior Executive Vice President, Treasurer and Head for the Financial Advisory and Markets Group of Rizal Commercial Banking Corporation * He served in leadership roles as Managing Director across a variety of businesses with several international banks and was based in New York, Singapore and Manila. He worked with JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore and RCBC. * Member of the Singapore Institute of Directors * Served on the Board of a Singapore-based Real Estate and Hospitality Entity
Awards/Citations	* Men Who Matter Award (2017) by People Asia Magazine Survey * Top Senior Analyst in the U.S by Institutional Investor Magazine Polls for several years * Most Outstanding Business Administration Student for the Class of 1990 of University of the Philippines

Name	**HARRY C. TAN**
Age	74
Nationality	Filipino
Education	* Bachelor of Science in Chemical Engineering from the Mapua Institute of Technology
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* Director of LT Group, Inc.
Other Current Positions	* Chairman of PNB Management Development Corporation, and PNB Global Remittance and Financial Company (HK) Limited * Chairman of the Tobacco Board of Fortune Tobacco Corporation * President of Landcom Realty Corporation * Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City, Inc. * Managing Director/Vice Chairman of The Charter House Inc. * Director of various private firms which include Asia Brewery, Inc., Dominium Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Basic Holdings Corporation, Asian Alcohol Corporation, Pan Asia Securities Inc., Tanduay Distillers, Inc., Manufacturing Services and Trade Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Absolut Distillers, Inc., Tanduay Brands International Inc., Allied Bankers Insurance Corp., Allied Banking Corporation (Hong Kong) Limited, PMFTC, Inc., Allied Commercial Bank, and Fortune Landequities and Resources Inc.
Other Previous Positions	* Chairman of Bulawan Mining Corporation * Director of Philippine National Bank * Director of Allied Banking Corporation * Director of Philippine Airlines, Inc. * Director of MacroAsia Corporation * President of Century Park Hotel * Director of Eton Properties Philippines, Inc. * Director of PAL Holdings, Inc.

The following constitute the Bank's Corporate Governance and Sustainability Committee for the year 2020-2021:

Florencia G. Tarriela*	-	Chairman
Felix Enrico R. Alfiler*	-	Member
Federico C. Pascual*	-	Member
Domingo H. Yap*	-	Member

* *Independent Director*

The following constitute the Bank's Board Audit and Compliance Committee (BACC) for the year 2020-2021:

Edgar A. Cua*	-	Chairman
Felix Enrico R. Alfiler*	-	Member
Florencia G. Tarriela*	-	Member

* *Independent Director*

The following are the Executive Officers of the Bank:

JOSE ARNULFO A. VELOSO
(Please refer to page 27 of this Information Statement)

CENON C. AUDENCIAL, JR., 62, Filipino, Executive Vice President, is the Head of the Institutional Banking Sector. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as a Vice President and Unit Head of Standard Chartered Bank's Relationship Management Group, and was a Relationship Manager in Citytrust Banking Corporation. Before his 25-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Mr. Audencial obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

ROBERTO D. BALTAZAR, 57, Filipino, Executive Vice President, Head of Global Banking and Markets Sector. Mr. Baltazar brings with him over 30 years of banking experience both in the Financial Markets and Corporate Banking Sector. He spent 4 years in Citibank as a foreign exchange trader then moved to HSBC in 1994 as head of FX Trading then eventually became Head of Global Markets, Debt Capital Markets and Securities Services in 2014. He sustained Debt Capital Markets and HSS position as the number one Debt Capital Markets and Global Custodianship Business during his tenure. During this time, HSBC was likewise one of the top FX and Bond Trading houses. He was ACI President in 2013. He was an active member of the BAP OMC, specifically in the FX subcommittee. He obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University and Masters in Business Administration Degree from the University of North Carolina at Chapel Hill, USA.

ISAGANI A. CORTES, 53, Filipino, Executive Vice President, was appointed the Chief Compliance Officer (CCO) of the Bank effective April 8, 2019. He obtained his Bachelor of Arts degree in English from the University of the East and his Bachelor of Laws degree from the University of the Philippines in Diliman. Prior to joining the Bank, Atty. Cortes was the Senior Vice President and Deputy Head of the Regulatory Affairs Group of RCBC. Prior to RCBC, he spent 14 years in The Hongkong Shanghai Banking Corporation (HSBC) handling legal and compliance. As SVP and Country Head of Financial Crime Compliance of HSBC from 2014 to 2019, he was the subject matter expert in and risk steward of financial crime risk. He also worked for East West Bank as its Chief Compliance Officer and ABN AMRO Philippines handling Legal, Remedial Management and Acquired Assets.

AIDA M. PADILLA, 71, Filipino, Executive Vice President and Head of the Enterprise Services Sector. She is the chief strategist for problematic and distressed accounts. As a seasoned professional, she rose from the branch banking ranks at the Philippine Banking Corporation to become Vice President for Marketing of its Corporate Banking Group. She obtained her Bachelor of Science degree in Commerce, Major in Accounting, from St. Theresa's College.

NELSON C. REYES, 56, Filipino, Executive Vice President, joined the Bank on January 1, 2015 as the Chief Financial Officer. In 2018, he became a member of the Board of PNB (Europe) PLC and was appointed Chairman in 2019. Prior to joining the Bank, he was the Chief Financial Officer of the Hongkong and Shanghai Banking Corporation (HSBC), Ltd., Philippine Branch, a position he held for over ten (10) years. He was also a Director for HSBC Savings Bank Philippines, Inc. and HSBC Insurance Brokers Philippines, Inc. His banking career with HSBC spanned twenty eight (28) years and covered the areas of Credit Operations, Corporate Banking, Treasury Operations and Finance. He gained international banking exposure working in HSBC offices in Australia, Thailand and Hong Kong. Mr. Reyes graduated from De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting, and is a Certified Public Accountant.

MARIA PAZ D. LIM, 60, Filipino, First Senior Vice President, is the Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

MANUEL C. BAHENA, JR., 59, Filipino, Senior Vice President, is the Chief Legal Counsel of the Bank. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of the Legal Group in 2009. Before joining PNB, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He also formerly served as Corporate Secretary and Legal Counsel of various corporations, among which are the Corporate Partnership for Management in Business, Inc.; Orioxy Investment Corporation; Philippine Islands Corporation for Tourism and Development; Cencorp (Trade, Travel and Tours), Inc.; and Central Bancorporation General Merchants, Inc.

EMELINE C. CENTENO, 62, Filipino, Senior Vice President, is the Head of the Corporate Planning and Analysis Division. She obtained her Bachelor of Science degree in Statistics (Dean's Lister) and completed her Masters of Arts in Economics degree (on scholarship) from the University of the Philippines. She joined PNB in 1983, rose from the ranks and held various positions at the Department of Economics and Research, Product Development, Monitoring and Implementation Division, and the Corporate Planning Division before assuming her present position as Head of the merged Corporate Planning and Analysis Division. Ms. Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

MARIA ADELIA A. JOSON, 67, Filipino, Senior Vice President, is the Head of the Retail Banking Sector. Daday, as fondly called by her peers, has over 40 years of vast experience in the banking industry. She started her stint as a research analyst in Economic Research Department of Commercial Bank and Trust Company (Comtrust) in 1974. After 4 years, she took the exams and qualified for the Officers Training Program conducted in 1978 and was promoted to Branch Cashier of Comtrust- Taft Avenue Branch thereafter. In 1980, she joined Allied Banking Corporation (ABC) as Cashier of Roosevelt Branch. Throughout her stint at ABC, she has developed high proficiency in all facets of branch banking thru the various key positions she held in the bank as Branch Head, Area Head and Region Head prior to her designation as the Head of Branch Banking Group in 2014. In 2017, she was assigned to head a newly created group in the Retail Banking Sector Sales and Support Group. Because of consistent commendable performance, she merited promotions not only in positions but also in rank which is currently at SVP. Daday was designated as the Officer-in-Charge for Retail Banking Sector (RBS) in February 2020 before she was officially appointed as the Head of RBS in November 2020. She obtained her degree in A.B. Economics at La Salle College.

MARIE FE LIZA S. JAYME, 58, Filipino, Senior Vice President, is Head of the Operations Group. She graduated with a degree in Bachelor of Arts, Major in Communication Arts and Business Administration from the Assumption College and completed academic units in Master in Business Administration from the Ateneo de Manila University. She joined PNB in 2007 as Head of Cash Product Management Division to establish the bank's cash management services. Ms. Jayme began her career in banking in 1990 as an account officer with Land Bank of the Philippines. From then on, she assumed expanded and multiple roles and responsibilities in account management as Senior

Manager with United Coconut Planters Bank; risk management, cash and trades sales, cash products as Assistant Vice President in Citibank, N.A.'s Global Transaction Services/E-business; and marketing and product management as Vice President and Head of Marketing and Product Management Group of Export and Industry Bank. Prior to banking, Ms. Jayme held senior staff positions with the Office of the Secretary of Finance, Department of Trade and Industry and former Office of the Prime Minister.

MICHAEL MORALLOS, 52 years old, Filipino, Senior Vice President, is the Head of the Information Technology Group. He obtained his Bachelor of Arts degree major in Philosophy and Political Science from the University of the Philippines and completed advanced computer studies at the National Computer Institute of the Philippines. His company trainings include Wharton Senior Executive Program, IBM Project Management, Ateneo Banking Principles and extensive systems training at the FIS Training Center, LR, Arkansas. He brings with him over twenty-seven (27) years of work experience and was a Senior FIS Systematics Consultant. Prior to joining PNB, he was First Senior Vice President and Head of Technology Platform at the Siam Commercial Bank, the largest Thai bank with over 28 million Customer Accounts and 1,200 domestic branches. As Chief Technology Officer of PNB, Mr. Morallos introduced significant improvements in the IT service operations as well as innovative changes in the technology support structure to dynamically adapt to the bank's digital transformation roadmap. He leads the bank's technology strategy and supports the delivery of technology services and key strategic projects to both domestic and overseas branches.

ROLAND V. OSCURO, 57, Filipino, Senior Vice President, is the Chief Information Security Officer and, in concurrent capacity, the Chief Security Officer and Head of Enterprise Security Group. He obtained his Bachelor of Science in Electronics and Communications Engineering degree from Mapua Institute of Technology and took up units in Master in Business Administration for Middle Managers at the Ateneo de Manila Graduate School. He is an Electronic and Communications Engineering Board passer. He is also an Information Systems Audit and Control Association's (ISACA) Certified Information Security Manager (CISM). Prior to his present position, Mr. Oscuro was hired as IT Consultant of the Bank on November 2, 2003. In May 2004, he was appointed as the Head of Network Management Division of Information Technology Group with the rank of First Vice President. He was the Operational Support System Group Manager of Multi-Media Telephony, Inc. (Broadband Philippines) prior to joining PNB. He was also connected with various corporations such as Ediserve Corp. (Global Sources), Sterling Tobacco Corporation, Zero Datasoft (Al Bassam), Metal Industry Research and Development Center, and Pacific Office Machines, Inc.

NANETTE O. VERGARA, 60, Filipino, First Senior Vice President, is the Chief Credit Officer and Head of Credit Management Group. She obtained her degree in Bachelor of Science in Statistics (Cum Laude) in 1981 from the University of the Philippines in Diliman. She joined PNB in 2006 and was appointed as First Vice President & Head of Credit Management Division. She started her banking career with Bank of Commerce in 1981. She moved to the Credit Rating Services Department of the Credit Information Bureau in 1983 and went back to banking in 1992 when she joined the Union Bank of the Philippines. She later transferred to Solidbank Corporation in 1993 to head various credit-related units. Prior to joining PNB, she worked with United Overseas Bank from 2000-2006 as VP/Head of Credit Risk Management.

SOCORRO D. CORPUS, 69, Filipino, is the Officer in Charge of Human Resources Group of Philippine National Bank. "Cora" retired from the Bank in 2017 as First Senior Vice President and Head of the Human Resources Group. Thereafter, she joined Assessment Analytics Inc. (AAI), a company that provides assessment solutions and measurements of talent as a Consultant. She is a graduate of Assumption College with a Bachelor of Arts degree, Major in Psychology and an Associate in Commercial Science Degree. She has been an HR practitioner for more than 35 years. She started her career with China Banking Corporation in 1973 prior to joining the Allied Banking Corporation in 1977. Her professional affiliations include the following: Founding Member and a Board Member of the Organization Development Professional Network, past President and member of the Bankers' Council for People Management, member of the Personnel Management Association of the Philippines and the regular Bank representative to the Banking Industry Tripartite Council.

JOY JASMIN R. SANTOS, 47, Filipino, First Vice-President, is the Chief Trust Officer and Head of Trust Banking Group. She has served as Vice-President and Corporate Trust Division Head from 2013 to 2018 and Business Development Division Head of the Trust Banking Group from 2010 to

2012. Prior to joining PNB, she was the International Business Development Head for Asia of Globe Telecom. She was also the Vice-President for Retail Banking of Citibank Savings Inc. from 2005 to 2009. She held key managerial positions in Keppel Bank, American Express Bank and Bank of Philippine Islands. Ms. Santos graduated as Cum Laude in 1994 from the Ateneo de Manila University with a degree of Bachelor of Arts, Major in Management Economics and obtained her Masters in Business Administration from the Australian National University, Canberra, Australia in 2002. She has completed the One-Year Course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines in 2015 and graduated with Distinction.

SIMEON T. YAP, 59, Filipino, First Vice President, is the Bank's Chief Risk Officer and Head of the Risk Management Group. He is an economics graduate from the University of the Philippines' School of Economics. Prior to joining PNB, he was the Market Risk Officer of Security Bank from 2009 to 2018. He was also the Associate Director for Product Development of PDEx in 2008. He was also with Citibank where he was a trader, Money Market Head of Citibank Shanghai and Market Risk Officer.

SAMUEL G. LAZARO, 49, Filipino, Vice President, is the Deputy Chief Audit Executive and concurrently the Officer-in-Charge (OIC) of Internal Audit Group (IAG) of the Bank. A Certified Anti-Money Laundering Specialist (CAMS) and Certified Internal Control Auditor (CICA), he holds a Bachelor of Science in Business Administration degree Major in Accounting from the Philippine School of Business Administration. He started his career as a Junior Auditor when he joined Allied Banking Corporation in August 1993. He rose from the ranks to become an Audit Officer in 1998 and in August 2013, was designated Deputy Chief Audit Executive and concurrently Division Head of IAG-Head Office, Subsidiaries and Overseas Audit Division (HOSOAD). He was appointed as OIC of IAG in June 2020. He is an active member of Institute of Internal Auditors (IIA)- Philippines, Association of Certified Anti-Money Laundering Specialist (ACAMS) and Association of Certified Fraud Examiners (ACFE).

(b) Identify Significant Employees

The Bank values all its employees for their contribution to the business. No employee who is not an executive officer is expected to make any significant contribution to the business of the Bank.

(c) Family Relationships

Directors Lucio C. Tan and Carmen K. Tan are spouses. Directors Michael G. Tan, Sheila T. Pascual and Vivienne K. Tan are children of Director Lucio C. Tan, while Mr. Lucio C. Tan III is his grandson. Board Advisor Harry C. Tan is the brother of Director Lucio C. Tan.

(d) Involvement in Certain Legal Proceedings

None of the directors nor any of the executive officers have, for a period covering the past five (5) years, reported:

i. any petition for bankruptcy filed by or against a business with which they are related as a general partner or executive officer;

ii. any criminal conviction by final judgment or being subject to a pending criminal proceeding, domestic or foreign, other than cases which arose out of the ordinary course of business in which they may have been impleaded in their official capacity;

iii. being subject to any order, judgment, or decree of a competent court, domestic or foreign, permanently or temporarily enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities; or

iv. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(e) Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Bank's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank.

In the aggregate, DOSRI loans generally should not exceed the Bank's equity or 15% of the Bank's total loan portfolio, whichever is lower. As of December 31, 2020 and 2019, the Bank and its subsidiaries (hereinafter collectively referred to as the "Group") were in compliance with such regulations.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and stockholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which should consist of three (3) independent directors and two (2) non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the BORC is an independent director and appointed by the Board.

Information related to transactions with related parties and with certain DOSRI is shown under Note 33 of the Audited Financial Statements of the Bank and Subsidiaries and Exhibit IV of the Supplementary Schedules Required by the Revised Securities Regulation Code Rule 68 Annex J.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to disclose the directors' self-dealings and related party transactions with the Bank.

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

(a) Executive Compensation

1) General

The annual compensation of executive officers consists of a 16-month guaranteed cash emolument. Directors, on the other hand, are entitled to a reasonable per diem for each Board or Board committee meeting attended. The total per diem paid to the Board of Directors of the Bank for the years 2019 and 2020 amounted to ₱45.460 million and ₱53.025 million, respectively.

Other than as abovestated, there are no other arrangements concerning compensation for services rendered by directors or executive officers to the Group.

2) **Summary Compensation Table**

Below is a summary compensation table of the top 4 executive officers, directors and other officers of the Bank.

Annual Compensation (In Pesos)					
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Others (per diem)**	**Total**
Mr. Jose Arnulfo A. Veloso President & CEO Four most highly compensated executive officers other than the CEO: 1. Cenon C. Audencial, Jr. Executive Vice President 2. Roberto D. Baltazar Executive Vice President 3. Isagani A. Cortes Executive Vice President 4. Nelson C. Reyes Executive Vice President					
CEO and Four (4) Most Highly Compensated Executive Officers	Actual 2019	79,069,694	25,160,854	-	104,230,548
	Actual 2020	76,538,169	25,512,723	-	102,050,892
	Projected 2021	83,427,000	27,809,000	-	111,236,000
Directors	Actual 2019	-	-	45,460,000	45,460,000
	Actual 2020	-	-	53,025,000	53,025,000
	Projected 2021	-	-	57,797,000	57,797,000
All other officers (unnamed)	Actual 2019	3,581,953,255	1,157,568,874	-	4,739,522,129
	Actual 2020	3,862,056,697	1,235,361,383	-	5,097,418,080
	Projected 2021	4,209,642,000	1,346,544,000	-	5,556,186,000

The information above addresses the requirements of Section 49 of the Revised Corporation Code.

3) **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

All executive officers are covered by the Bank's standard employment contract which guarantees annual compensation on a 16-month schedule of payment. In accordance with Sec. 6.1, Article VI of the Bank's Amended By-Laws, all officers with the rank of Vice President and up hold office and serve at the pleasure of the Board of Directors.

4) **Warrants and Options Outstanding**

No warrants or options on the Bank's shares of stock have been issued or given to the directors or executive officers as a form of compensation for services rendered.

Item 7. INDEPENDENT PUBLIC ACCOUNTANTS

SyCip Gorres Velayo & Co., CPAs (SGV) is engaged as the external auditor of the Bank and its domestic subsidiaries for the calendar year 2020. Representatives of SGV will be present at the stockholders meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. Ms. Vicky B. Lee-Salas is the engagement partner of the Bank for the year 2020.

The Board Audit and Compliance Committee (BACC) has primary authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the

Board of Directors and ratification of stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports.

After careful reevaluation, Management has decided to recommend SGV for reappointment as external auditor of the Bank and its domestic subsidiaries for the year 2021. The BACC has thereafter endorsed the reappointment of SGV to the Board of Directors. The reappointment of SGV as external auditor of the Bank was approved by the Board of Directors on March 10, 2021 and will be presented for ratification of the stockholders at the Bank's Annual Stockholders' Meeting to be held on April 27, 2021.

For the years reported, there were no changes in, nor disagreements with, the Bank's external auditors on accounting and financial disclosures.

OTHER MATTERS

Item 8. ACTION WITH RESPECT TO REPORTS

The following matters will be submitted to a vote at the Annual Stockholders' Meeting:

1. Approval of the Minutes of the 2020 Annual Stockholders' Meeting held on June 23, 2020

   Hereunder is a summary of the salient matters discussed at the Annual Stockholders' Meeting of the Bank in 2020:

   a. The Minutes of the 2019 Annual Stockholders' Meeting held on April 30, 2019 was approved;

   b. A Report of the President on the Results of Operations for the Year 2019 was presented;

   c. The 2019 Annual Report was approved;

   d. Amendment of Sections 4.6 and 4.7 of Article IV and Section 5.9 of Article V of the Bank's Amended By-Laws;

   e. All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2019 Annual Stockholders' Meeting were confirmed and ratified;

   f. Fifteen (15) Directors were elected to serve for the term 2020-2021; and

   g. SGV was appointed as External Auditor of the Bank for 2020 - 2021.

   A copy of the Minutes of the 2020 Annual Stockholders' Meeting was uploaded in the Bank's website on June 23, 2020. The Minutes were prepared in accordance with the requirements of Section 49 of the Revised Corporation Code[1].

2. Approval of the 2020 Annual Report

   The 2020 Annual Report of the Bank may be viewed and downloaded from the Bank's website at www.pnb.com.ph/asm2021. The President will likewise render his report on the Bank's performance

[1] The Minutes of the Annual Stockholders' Meeting held on June 23, 2020 include, among others, the following:
a. A description of the voting and vote tabulation procedures used in the previous meeting;
b. A description of the opportunity given to stockholders to ask questions and a record of the questions asked;
c. The matters discussed and resolutions reached;
d. A record of the voting results for each agenda item; and
e. A list of the directors and stockholders who attended the meeting.

for the year 2020 during the stockholders' meeting in compliance with Section 49 of the Revised Corporation Code which requires a presentation to the stockholders of a descriptive, balance and comprehensible assessment of the Bank's performance and a financial report for the preceding year.

3. Ratification of all legal acts and proceedings of the Board of Directors and corporate officers since the 2020 Annual Stockholders' Meeting

   A list of all legal acts, resolutions and proceedings taken by the directors and corporate officers will be too voluminous to be included in this report. Most relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon. It includes, among others, approval of loans, investments, new products and services, amendment of bank policies and manuals, matters related to various bank-acquired assets and related party transactions. These actions are subjected to the annual review of the BSP and the Bank's external auditor.

Item 9. OTHER ACTIONS

(a) Election of Directors

Fifteen (15) directors will be elected for the year 2021 – 2022.

(b) Appointment of External Auditor

The BACC has sole authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the Board of Directors and ratification of the stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports. The BACC has endorsed the reappointment of SGV as its external auditor for the year 2021 to the Board of Directors. The reappointment of SGV as external auditor of the Bank was approved by the Board of Directors on March 10, 2021 and will be presented for ratification of the stockholders at the Bank's Annual Stockholders' Meeting to be held on April 27, 2021.

SGV has the advantage of having historical knowledge of the business of the Bank and its subsidiaries and affiliates, having been the appointed external auditor of the Bank in 2020 and prior years.

Item 10. VOTING PROCEDURE

The affirmative vote of the stockholders present in person or by proxy representing at least a majority of the stockholders present at the meeting shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting, except for Item 7 of the Agenda on the election of directors.

For the election of directors, the fifteen (15) nominees garnering the highest number of votes from the stockholders present or represented by proxy shall be elected directors for the ensuing year.

The manner of voting and counting of votes will be as follows:

a) Every stockholder entitled to vote shall have the right to vote the number of shares registered in his name on record as of the close of business hours on March 29, 2021. Only duly signed proxies and electronic votes submitted on or before 5:00 p.m. on April 22, 2021 shall be honored for purposes of voting.

   The requirements and procedure for voting through remote communication are reflected below.

b) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder is entitled to such number of votes equal to the number of shares he owns multiplied by the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his votes in favor of one (1) nominee, or (ii) distribute those votes under the same principle among as many nominees as he shall see fit. Only candidates duly nominated shall be voted upon by the stockholders entitled to vote or by their proxies.

c) The manner of election and the counting of the votes to be cast shall be under the supervision of the Corporate Secretary.

The foregoing addresses the requirement of Section 49 of the Revised Corporation Code to disclose to the stockholders material information on the current stockholders and their voting rights.

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

A. Registration for the 2021 ASM and Voting through Remote Communication

1. Stockholders of record as of March 29, 2021, who wish to attend the Annual Stockholders' Meeting (the "ASM") and vote in absentia should register through the PNB ASM Registration Portal at www.pnb.com.ph/asm2021 on or before April 20, 2021 ("Registration Period").

2. Stockholders are required to provide the following for validation and verification:

a. For individual Stockholders

- Scanned copy of the front and back portions of the Stockholder's valid government-issued **photo ID**. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, and Senior Citizen ID;
- Valid and active e-mail address;
- Valid and active contact number (landline or mobile number).

b. For Stockholders with Joint accounts

In addition to the above requirements, a scanned copy of an authorization letter signed by all Stockholders jointly owning the shares designating who among them is authorized to cast the vote for the account. The authorization letter must also be in a digital, JPG format with a file size no larger than 2MB.

c. For Corporate Stockholders

- Scanned copy of a Secretary's Certificate or a board resolution under oath regarding the authority of the representative to attend the meeting and vote for and on behalf of the Corporation. This must be in a digital, JPG format with a file size no larger than 2MB;
- Scanned copy of the front and back portions of the valid government-issued **photo ID** of the Stockholder's representative. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, and Senior Citizen ID;
- Valid and active email address of the Stockholder's representative;
- Valid and active contact number of the Stockholder's representative (landline or mobile number).

d. For Stockholders represented by Proxy

- In addition to the above requirements for the Stockholder, the same requirements shall be submitted by the Proxy or authorized representative;

- Scanned copy of the Proxy Form or an authorization letter signed by the Stockholder, authorizing the Proxy to attend the meeting and cast the vote for the account. This must also be in a digital, JPG format with a file size no larger than 2MB.

e. For Stockholders under Broker accounts

- Scanned copy of the broker's certificate signed by the authorized signatory/ies on the Stockholder's number of shares. This must be in a digital, JPG format with a file size no larger than 2MB;
- In case of a corporate stockholder, also submit a scanned copy of the certification signed by a duly authorized officer of such corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial stockholder. This must be in a digital, JPG format with a file size no larger than 2MB;
- Scanned copy of the front and back portions of the Stockholder's valid government-issued **photo ID**. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID and Senior Citizen ID;
- Valid and active email address;
- Valid and active contact number (landline or mobile number).

3. Upon completion of the verification procedure, the Stockholder will receive an email confirmation which includes the link which the Stockholder may use to access the PNB 2021 ASM livestream. Stockholders who opted during the online registration to vote in absentia will likewise receive a link to PNB's secure online voting portal ("Voting Portal") with the Stockholder's default username and password.

4. The validation and verification procedure may take up to three (3) days upon submission of the required documents. Stockholders are encouraged to register early within the Registration Period.

5. The Voting Portal contains the agenda items reflected on the Notice of the 2021 PNB ASM. Registered Stockholders may vote as follows:

   (a) For items other than the election of directors, registered Stockholders have the option to vote "For", "Against", or "Abstain";
   (b) For election of Directors, the system of cumulative voting shall be followed. Each Stockholder is entitled to such number of votes equal to the number of shares he/she/it owns multiplied by the number of directors to be elected. Under this voting system, the Stockholder has the option to (i) cast all his/her/its votes in favor of one (1) nominee, or (ii) distribute his/her/its votes among as many nominees as he/she/it may deem fit;
   (c) Once the registered Stockholder has completed voting, he/she/it can submit his/her/its votes by clicking the "Submit" button. Upon submission, the registered Stockholder may no longer change his/her/its votes.

6. The Office of the Corporate Secretary shall tabulate all valid votes cast in absentia and votes cast through proxies. An independent party will validate the voting results, which will be reported by the Corporate Secretary at the meeting. All votes should be submitted no later than 5:00 p.m. on April 22, 2021.

B. Other Information Regarding the 2021 PNB ASM

1. Only those Stockholders who have completed the registration and verification procedure within the Registration Period shall be considered in determining the existence of a quorum.

2. The conduct of the ASM will be streamed live. Votes and queries cannot be submitted through the livestreaming link. Registered Stockholders may send their queries or comments to pnb_asm@pnb.com.ph on or before April 23, 2021. Queries sent but not addressed during the ASM due to time constraints shall be addressed separately and responded to through email.

3. The proceedings will be recorded in video and audio format. The Minutes of the ASM will be uploaded to the PNB website within twenty-four (24) hours upon the adjournment of the ASM.

Item 12. CORPORATE GOVERNANCE

PNB subscribes to the highest standards of corporate governance as the Bank believes that good governance supports long-term value creation for the Bank and all its stakeholders. The following pages provide a narrative of the Bank's corporate governance framework and its implementation. This report has been prepared in accordance with the BSP Manual of Regulations for Banks (MORB), the SEC Code of Corporate Governance, and the ASEAN Corporate Governance Scorecard (ACGS).

Board of Directors

The Board of Directors serves as the governing body elected by the stockholders to exercise the corporate powers of the Bank and conduct all its business. The Board is vested with the focal responsibility of promoting a culture of strong governance in the organization through adopted policies and displayed practices. It approves and oversees the implementation of our governance framework.

Board Committees

The Board of Directors has created eight committees to increase its efficiency and allow deeper focus in specific areas of the Bank's operations. The scope of authority, duties, and responsibilities of each Board committee are adequately defined, documented, and clearly communicated in their respective charters. The extent to which authorities are delegated and the corresponding accountabilities are regularly reviewed and approved by the Board.

The Chairperson, Vice Chairman, and President and CEO

The positions of Chairperson of the Board and President and Chief Executive Officer are held by separate individuals to achieve an appropriate balance of power, increase accountability, and improve the capacity of the Board for decision-making independent of Management. The separation of the roles ensures the fair division of powers, increased accountability, and enhanced governance.

The Chairperson of the Board is Florencia G. Tarriela, who has held the position since 2005. She ensures the effective functioning of the Board, including maintaining a relationship of trust with individual directors. She makes certain that the meeting agenda focuses on strategic matters, including discussions on risk appetite and key governance concerns.

The Vice Chairman is Felix Enrico R. Alfiler. He has served as a director of the Bank since 2012. He acts as the Chairman of the Board, either in the absence of the Chairperson or as required by the Chairperson, and carries out additional leadership duties.

The President and Chief Executive Officer (CEO) is Jose Arnulfo A. Veloso. He assumed the position in 2018. As President and CEO, he is the overall-in-charge for the management of the business and affairs of the Bank as governed by the strategic direction and risk appetite approved by the Board. He communicates and implements the Bank's vision, mission, values, and overall strategy.

The complete background and qualifications of the Chairperson, Vice Chairman, and President and CEO can be found on the Profiles of the Board of Directors.

Board Advisors

As provided for under the Corporate Governance Manual, the Bank may appoint Board Advisors with qualities that complement the existing competencies and skillsets of the Board which enable them to provide advisory support. PNB has four Board Advisors: Mark M. Chen, William T. Lim, Harry C. Tan, and Chester Y. Luy.

Board Advisors are expected to provide advice on strategic direction, governance matters, risk management, and other relevant issues that the Board is confronted with. As such, they may attend meetings of the Board and the eight Board committees.

Unlike the Board members, Board Advisors do not have the authority to vote on corporate matters.

Corporate Secretary

The Corporate Secretary assists the Board of Directors and the Board committees in the conduct of their meetings. She plays a significant role in supporting the Board in discharging its responsibilities. Functions include safekeeping of and the preservation of the integrity of the minutes of the meetings and ensuring that the Board members have accurate information that will enable them to form sound decisions on matters that require their approval.

Board members are given separate and independent access to the Corporate Secretary at all times.

The Corporate Secretary of the Bank is Atty. Ruth Pamela E. Tanghal, a Filipino and a resident of the Philippines. She assumed the position in 2020. She is legally trained, with experience in legal matters, and company secretarial practices.

Chief Compliance Officer

The Chief Compliance Officer (CCO) implements and manages the enterprise-wide compliance program covering domestic and foreign branches, offices, subsidiaries, and affiliates. The Bank's CCO is Atty. Isagani A. Cortes who assumed the position in 2019. He is also the Head of Global Compliance Group and the designated Corporate Governance Executive, tasked to assist the Board of Directors in performing its corporate governance oversight functions.

Chief Risk Officer

The Chief Risk Officer (CRO) supervises the enterprise risk management (ERM) process and communicates the top risks and the status of implementation of risk management strategies and action plans to the Board. The CRO is Simeon T. Yap who assumed the position in 2019. He is concurrently the Bank's Data Protection Officer (DPO) and Head of Risk Management Group.

Chief Audit Executive

The Chief Audit Executive (CAE) is responsible for developing and managing a broad, comprehensive program of internal auditing covering the Bank, its subsidiaries, and overseas businesses to provide the Board with independent assessment that key organizational and procedural controls and risk management systems are adequate, effective, and complied with. The Officer-in-Charge (OIC) of the Internal Audit Group is Samuel G. Lazaro, who has held the position since 2020.

Management Committee

PNB's Management Committee is composed of top-tier professionals who are well-accomplished in their respective fields. The Management Committee executes the Bank's strategy and drives business performance. It is headed by the President and CEO, supported by the Chief of Staff.

Legal Vehicles, Business, and Support Groups

As a large, diversified banking group, PNB has two classifications of business vehicles: domestic subsidiaries, and foreign branches, subsidiaries, and offices.

Within the Bank, there are different business and support groups that work in unison to achieve the Bank's shared mission of becoming a leading provider of financial solutions. Each of the major groups is led by a Sector or Group Head who reports directly to the President and CEO.

BOARD MATTERS

Board Composition

The Bank has fifteen (15) Board members with a broad range of experience and deep industry expertise. They are elected by the stockholders during the Annual Stockholders' Meeting (ASM) and hold office for the ensuing year until their successors are elected and qualified. The Bank's directors possess all the qualifications and none of the disqualifications under existing laws and BSP regulations.

The President and CEO, who has executive responsibility of day-to-day operations, is elected as the sole executive director while the other members are non-executive directors (NEDs) who do not perform any work related to the operations of the Bank.

Among the Board members are five (5) independent directors: Florencia G. Tarriela, Felix Enrico R. Alfiler, Edgar A. Cua, Federico C. Pascual, and Domingo H. Yap. They are independent of Management and free from any business or other relationship which could materially interfere with the exercise of independent judgment in fulfilling their responsibilities as directors.

The Corporate Governance and Sustainability Committee reviewed the composition and membership of the Board and Board committees and identified the quality, existing competencies, and skillsets of directors aligned with the Bank's strategic direction.

Following the ASM held in 2020, the Board of Directors conducted an organizational meeting to review the membership of the Board committees. The review resulted to the following changes:

- Sheila T. Pascual was appointed as member of the Executive Committee, Trust Committee, and Board Strategy and Policy Committee.
- Florencia G. Tarriela and Felix Enrico R. Alfiler were appointed as non-voting members of the Executive Committee.

The composition of the eight (8) Board committees remained compliant with the applicable BSP and SEC regulations, as well as the standards of the ASEAN Corporate Governance Scorecard (the "ACGS").

Skills, Competency, and Diversity

The composition of PNB's Board reflects diversity in gender, nationality, age, knowledge, and skills. Both social (e.g., gender, race/ethnicity, and age diversity) and professional diversity are considered in identifying, assessing, and selecting the members of the Board and their appointment in various Board committees.

Consistent with the Bank's implementation of the ACGS, the Bank continuously strives to meet the following:

- At least 50% of the members of the Board have educational background in banking and finance, accounting, economics, or law;
- At least 50% of the members of the Board have relevant skills and experience in the areas of banking and finance, accounting, economics, or law; and
- At least one (1) female director.

By December 31, 2020, the Bank met the above–mentioned diversity targets. PNB has four (4) female directors in the Board, one of whom is independent. The Board members also have diverse educational background, expertise, corporate qualifications, and professional experience including accounting, auditing, aviation and travel, banking and finance, business acumen, consumer goods, economics, general management expertise, legal expertise, manufacturing, real estate, and tobacco. Apart from Filipinos, the Bank has one (1) director who is a British citizen.

In relation to age diversity, an optimal mix of young and well–seasoned Board members is in place. Forty percent (40%) of the Board are below sixty (60) years old, who bring fresh ideas and perspectives into the table. Meanwhile, the age range of the remaining Board members is in a fairly productive and mature ages, with 20% and 13% of the Board belonging to the 70–79 and 80–90 age range, respectively.

Lastly, periodic review of the composition, representation, and diversity in the Board and Board committees is being performed with the goal of having a balanced and diversified membership.

Nomination and Election of Directors

The criteria for the nomination and election of Board members comprise of knowledge, skills, experience, and particularly in the case of NEDs, independence of mind given their responsibilities to the Board and in light of the Bank's business and risk profile; a record of integrity and good reputation; and the ability to promote smooth interaction between Board members.

External sources were consulted in sourcing potential and qualified directors, including the Institute of Corporate Directors (ICD) and annual reports of other listed companies. As a matter of practice, all stockholders, including minority stockholders, are also invited to recommend nominees for election as a director of the Bank.

The Corporate Secretary presents all nominations to the Corporate Governance and Sustainability Committee together with profiles of each nominee that include, among others, their qualifications and experiences, academic and professional backgrounds, and expertise relevant and beneficial to the business of the Bank.

Prior to the ASM, the Corporate Governance and Sustainability Committee pre-screens the qualifications of the nominees, conducts the nomination procedure, and prepares the final list of all candidates.

Meetings and Attendance

Board meetings are held monthly and the schedule is set before the start of the financial year. The Corporate Secretary issues the annual Board calendar every December for the ensuing year.

The Corporate Secretary informs the Board members of the agenda of the Board meetings and distributes materials at least five (5) business days prior to the scheduled meeting. She likewise ensures that the members possess accurate information that enables them to make sound decisions on matters that require Board approval.

Two-thirds (2/3) of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business. In the absence of a quorum at any regular or special meeting, the Board shall adjourn to a later date and shall not transact any business until a quorum is secured.

In 2020, the Board held a total of twenty-one meetings: twelve regular meetings, eight special meetings, and one organizational meeting. Each Board member complied with the SEC's minimum attendance requirement of 50% and the ACGS' recommended attendance of 75%.

	21 meetings held for the year ended December 31, 2020	
Name	No. of Meetings Attended	% Present
Florencia G. Tarriela	21	100.00
Felix Enrico R. Alfiler	21	100.00
Florido P. Casuela	21	100.00
Leonilo G. Coronel	21	100.00
Edgar A. Cua	21	100.00
Estelito P. Mendoza	18	85.71
Christopher J. Nelson	21	100.00
Federico C. Pascual	21	100.00
Carmen K. Tan	17	80.95
Lucio C. Tan	16	76.19
Michael G. Tan	21	100.00

Sheila T. Pascual	20	95.24
Vivienne K. Tan	21	100.00
Jose Arnulfo A. Veloso	21	100.00
Domingo H. Yap	21	100.00

On December 14, 2020, the independent directors met without the presence of any executives to discuss the performance of Management, emerging and top risks faced by the Bank, and corresponding strategies or action plans to effectively manage and mitigate those risks.

The NEDs are also required to meet separately at least once a year, without the presence of any executive or anyone from Management to ensure that they will be able to better evaluate the effectiveness of the internal controls and assess key issues and relevant matters at hand. The NED's meeting was held last December 21, 2020 to discuss the abovementioned items.

Remuneration

The remuneration and fringe benefits of Board members consist of per diem for every Board and Board committee meeting and non-cash benefits like healthcare plan, group life insurance, and group accident insurance.

The total per diem given to the Board, as well as the total compensation of the President and CEO and the four (4) most highly compensated executive officers, is disclosed in page 40 of this Information Statement.

There has been no proposal on remuneration for directors presented to the stockholders for approval in the 2020 ASM.

Board Performance Evaluation

Good corporate governance improves Board performance. As such, the Board continuously seeks ways to assess its performance as individual directors and as a collegial body, identifying strengths and areas for improvement, and establishing mechanisms for addressing the results thereof.

The Board of Directors participates in an annual self-assessment exercise to assess their individual and collective performance. This exercise is also designed to determine and measure the adherence of the Management to corporate governance practices.

The questionnaire covers comprehensive evaluation criteria focused on matters such as the director's time commitment and independence, governance landscape, ethical culture in the organization, risk governance, fitness and propriety of Board and Management, and internal controls.

The Board performance evaluation is facilitated by the CCO. He consolidates and reviews the responses and presents the summary of results and significant findings to the Corporate Governance and Sustainability Committee.

In 2020, the Bank engaged the ICD to assess the structure, processes, dynamics, roles, and overall performance of the Board and further align our governance framework with best practices, in compliance with the SEC's Code of Corporate Governance for Publicly Listed Companies.

Orientation and Continuing Education

The Board of Directors values ongoing professional development and actively participates in training programs annually to keep abreast of key issues and developments in the industry. Corporate governance best practices, changes in the regulatory and business environment, and the duties and responsibilities of the Board and Board committees, including risk oversight, audit, RPTs, and corporate governance are discussed during the annual training session.

As of December 31, 2020, all fifteen (15) directors and the Corporate Secretary of the Bank complied with the four (4)–hour annual continuing training requirement.

Name	Program	Date	Host / Training Institution
Florencia G. Tarriela	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Felix Enrico R. Alfiler	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Florido P. Casuela	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Leonilo G. Coronel	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Edgar A. Cua	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Estelito P. Mendoza	Corporate Governance Seminar	September 9, 2020	SGV & Co.
Christopher J. Nelson	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Federico C. Pascual	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Carmen K. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Lucio C. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Michael G. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Sheila T. Pascual	Corporate Governance Orientation Program	September 8 – 9, 2020	Institute of Corporate Directors
Vivienne K. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Jose Arnulfo A. Veloso	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Domingo H. Yap	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Ruth Pamela E. Tanghal	Corporate Governance Seminar	October 20, 2020	SGV & Co.

Shareholdings

A director is required to advise the Corporate Secretary of his or her shareholdings in the Bank within three (3) business days after his or her appointment or any acquisition, disposal, or change in his or shareholdings. In this regard, all directors shall disclose and report to the Bank any dealings in the Bank's shares within three (3) business days of such dealings in order for the Bank to make the necessary disclosures with the Philippine Stock Exchange and the SEC by filing the requisite SEC Form 23-B.

Directors, Management, and employees considered as "insiders" are prohibited from selling or buying a security of PNB or another company while in possession of material information with respect to the issuer or the security that is not generally available to the public.

Name	Shareholdings as of January 1, 2020	% of Shares Held to Total Outstanding Shares of Bank	Shareholdings as of December 31, 2020	% of Shares Held to Total Outstanding Shares of Bank
Florencia G. Tarriela	2	0.0000001311	2	0.0000001311
Felix Enrico R. Alfiler	8,324	0.0005455624	8,324	0.0005455624
Florido P. Casuela	162	0.0000106176	162	0.0000106176
Leonilo G. Coronel	1	0.0000000655	1	0.0000000655
Edgar A. Cua	100	0.0000065541	100	0.0000065541
Estelito P. Mendoza	1,150	0.0000753720	1,150	0.0000753720

Christopher J. Nelson	100	0.0000065541	100	0.0000065541
Federico C. Pascual	39	0.0000025561	39	0.0000025561
Carmen K. Tan	5,000	0.0003277045	5,000	0.0003277045
Lucio C. Tan	14,843,119	0.9728313639	14,843,119	0.9728313639
Michael G. Tan	250	0.0000163852	62,250	0.0040799210
Sheila T. Pascual	110	0.0000072095	110	0.0000072095
Vivienne K. Tan	10	0.0000006554	10	0.0000006554
Jose Arnulfo A. Veloso	418,395	0.0274219845	418,395	0.0274219845
Domingo H. Yap	1	0.0000000655	1	0.0000000655

Concurrent Directorships

A NED may concurrently serve as director of a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within the conglomerate, each entity where the NED is concurrently serving as a director shall be separately considered in assessing compliance to this requirement. As of December 31, 2020, all fifteen (15) directors complied with the prescribed limit on concurrent directorships.

A director of the Bank must notify the Board of Directors before accepting a directorship in another company.

BOARD COMMITTEES

The Board of Directors has delegated certain functions to eight (8) committees to enable a more focused and specialized attention on specific areas. These are the Board Audit and Compliance Committee (BACC), Board IT Governance Committee (BITGC), Board Oversight RPT Committee (BORC), Board Strategy and Policy Committee (BSPC), Corporate Governance and Sustainability Committee, Executive Committee (EXCOM), Risk Oversight Committee (ROC), and Trust Committee.

Name	Board Audit & Compliance	Board IT Governance	Board Oversight RPT	Board Strategy & Policy	Corporate Governance & Sustainability	Executive	Risk Oversight	Trust
Florencia G. Tarriela	M	M		M	C	M (Non-voting)		
Felix Enrico R. Alfiler	M			C	M	M (Non-voting)	M	
Florido P. Casuela		M		M		C	M	
Leonilo G. Coronel		M		M		M	M	
Edgar A. Cua	C		M	M			M	
Estelito P. Mendoza								
Christopher J. Nelson		M		M		M		C
Federico C. Pascual			M	M	M		C	M
Carmen K. Tan								

Lucio C. Tan								
Michael G. Tan				M		M		
Sheila T. Pascual				M		M		M
Vivienne K. Tan		C		M		M	M	M
Jose Arnulfo A. Veloso		M		M		M		M
Domingo H. Yap			C		M			

Legend: C is Chairperson. M is Member.

Board Audit and Compliance Committee (BACC)

Mandate:

- Assists the Board in the performance of its oversight responsibility relating to financial reporting process, systems of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.

Structure and membership:

- Chaired by an independent director.
- Composed entirely of independent directors.
- The members of the BACC possess relevant background, knowledge, skills, and experience in the areas of accounting, auditing, and finance. Edgar A. Cua has held other previous positions in international organizations and auditing firms. Florencia G. Tarriela has been a country financial controller of a multinational bank for ten (10) years. Felix Enrico R. Alfiler holds a broad range of expertise and related banking experience in various international organizations and regulatory bodies.
- The membership, composition, and independence of the BACC meets the requirements under existing laws, BSP and SEC regulations, and the ACGS.

Meetings and Attendance:

- In 2020, BACC held a total of fourteen meetings.

The committee charter stipulates that meetings shall be held at least four times a year. Special meetings may be convened, as necessary.

Fourteen meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Edgar A. Cua	Chairman, Independent Director	14	100.00
Florencia G. Tarriela	Member, Independent Director	14	100.00
Felix Enrico R. Alfiler	Member, Independent Director	14	100.00

Board IT Governance Committee (BITGC)

Mandate:

- Reviews and endorses for approval of the Board the enterprise IT strategic plans of PNB, its subsidiaries, and affiliates.
- Reviews and monitors significant IT concerns including disruption, cyber security, and disaster recovery to ensure that all key risks are identified, managed and reported to the Board.

Structure and membership:

- BITGC consists of six members: four (4) NEDs, one (1) independent director, and one (1) executive director.

Meetings and Attendance:

- In 2020, BITGC held a total of eleven (11) meetings.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members less one (1) member; but the vote of the majority of the

quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the committee.

Eleven meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Vivienne K. Tan	Chairman, NED	11	100.00
Florido P. Casuela	Member, NED	11	100.00
Leonilo G. Coronel	Member, NED	11	100.00
Christopher J. Nelson	Member, NED	11	100.00
Florencia G. Tarriela	Member, Independent Director	11	100.00
Jose Arnulfo A. Veloso	Member, Executive Director	11	100.00

Board Oversight RPT Committee (BORC)
Mandate:

- Oversees the evaluation of RPTs that present the risk of potential abuse and evaluates all material RPTs to ensure that these are conducted in the normal course of business.

Structure and membership:

- Composed entirely of independent directors.
- Chaired by an independent director.
- Chairman of the BORC is not the Chairperson of the Board or of any other Board committee.
- The CCO and the CAE also sit as non-voting members of the committee.

Meetings and Attendance:

- In 2020, BORC held a total of seventeen (17) meetings.

The committee charter stipulates that BORC shall conduct monthly meetings or as necessary. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the committee.

Seventeen meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Domingo H. Yap	Chairman, Independent Director	15	88.24
Edgar A. Cua	Member, Independent Director	17	100.00
Federico C. Pascual	Member, Independent Director	17	100.00
Isagani A. Cortes	Non-voting member	15	88.24
Martin G. Tengco (1)	Non-voting member	5	71.43
Samuel G. Lazaro (2)	Non-voting member	9	90.00

(1) Martin G. Tengco stepped down as CAE effective May 31, 2020.
(2) Samuel G. Lazaro was appointed as OIC of Internal Audit Group effective June 1, 2020.

Board Strategy and Policy Committee (BSPC)
Mandate:

- Serves as the governing Board committee in exercising authority and delegating to Management the implementation of the Board-approved strategic plans and policies.

Structure and membership:

- BSPC consists of eleven (11) members: four (4) independent directors, six (6) NEDs and one (1) executive director.

Meetings and Attendance:

- In 2020, BSPC held a total of thirty-nine (39) meetings.
- The committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members.

Thirty-nine meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Felix Enrico R. Alfiler	Chairman, Independent Director	39	100.00
Florido P. Casuela	Member, NED	39	100.00
Leonilo G. Coronel	Member, NED	39	100.00
Edgar A. Cua	Member, Independent Director	39	100.00
Christopher J. Nelson	Member, NED	37	94.87
Federico C. Pascual	Member, Independent Director	39	100.00
Sheila T. Pascual (1)	Member, NED	25	100.00
Michael G. Tan	Member, NED	38	97.44
Vivienne K. Tan	Member, NED	38	97.44
Florencia G. Tarriela	Member, Independent Director	39	100.00
Jose Arnulfo A. Veloso	Member, Executive Director	39	100.00

(1) Shiela T. Pascual was elected as member of the BSPC effective June 23, 2020.

Corporate Governance and Sustainability Committee
Mandate:

- Assists the Board in the performance of its governance responsibilities, including the functions of the Nomination and Remuneration Committee, ensuring compliance with and proper observance of good corporate governance.
- Oversees the consistent implementation of the Bank's sustainability framework.

Structure and membership:

- Chaired by the Chairperson of the Board who is an independent director.
- Composed entirely of independent directors.

Meetings and Attendance:

- In 2020, the committee held a total of fourteen (14) meetings.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the committee.

Fourteen meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Florencia G. Tarriela	Chairman, Independent Director	14	100.00
Felix Enrico R. Alfiler	Member, Independent Director	14	100.00
Federico C. Pascual	Member, Independent Director	14	100.00
Domingo H. Yap	Member, Independent Director	13	92.86

Executive Committee
Mandate:

- Assists the Board in the review of proposals regarding credit facilities, investments in financial assets, borrowings, and other credit or transactional matters in line with the Bank's strategic goals.

Structure and membership:

- The membership and composition of the committee complies with the requirements of the Revised Corporation Code and other applicable laws.
- The committee consists of nine (9) members: six (6) NEDs, two (2) independent directors, and one (1) executive director.
- Independent directors may be appointed as non-voting members and may assume an advisory capacity to the committee. Non-voting members shall not vote with respect to any determination and proposal requiring the approval or notation of the committee and shall not count towards a quorum at any meeting.

Meetings and Attendance:

- In 2020, the EXCOM held a total of fifty-one (51) meetings.
- The presence of a majority of the members of the committee shall constitute a quorum. The unanimous vote of all the members present at the meeting shall be required to approve any act in all the meetings

of the committee, otherwise the proposal under consideration shall be elevated to the Board for approval.

Fifty-one meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Florido P. Casuela	Chairman, Non-executive Director	51	100.00
Leonilo G. Coronel	Member, NED	51	100.00
Christopher J. Nelson	Member, NED	51	100.00
Sheila T. Pascual (1)	Member, NED	27	96.43
Felix Enrico R. Alfiler (2)	Non-voting member, Independent Director	28	100.00
Michael G. Tan	Member, NED	46	90.20
Vivienne K. Tan	Member, NED	51	100.00
Florencia G. Tarriela (2)	Non-voting member, Independent Director	28	100.00
Jose Arnulfo A. Veloso	Member, Executive Director	49	96.08

(1) Shiela T. Pascual was elected as member of the Executive Committee effective June 23, 2020.
(2) Felix Enrico R. Alfiler and Florencia G. Tarriela were elected as non-voting members of the Executive Committee effective June 23, 2020.

Risk Oversight Committee (ROC)
Mandate:

- Assists the Board of Directors in overseeing the risk profile and approving the risk management framework of the Bank, its subsidiaries, and affiliates.

Structure and membership:

- Consists of six (6) members: three (3) independent and three (3) NEDs.
- Chaired by an independent director.
- Chairman of ROC is not the Chairperson of the Board or of any other Board committee.

Meetings and Attendance:

- In 2020, ROC held a total of thirty-one (31) meetings.
- The committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum is required to approve any act in all the meetings of the committee.

Thirty-one meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Federico C. Pascual	Chairman, Independent Director	31	100.00
Felix Enrico R. Alfiler	Member, Independent Director	31	100.00
Florido P. Casuela	Member, NED	31	100.00
Edgar A. Cua	Member, Independent Director	31	100.00
Leonilo G. Coronel	Member, NED	31	100.00
Vivienne K. Tan	Member, NED	31	100.00

Trust Committee
Mandate:

- Oversees the fiduciary activities of the Bank and ensures that these are conducted in accordance with applicable laws, rules and regulations, and prudent practices

Structure and membership:

- The committee consists of six (6) members: one (1) independent director, three (3) non-executive directors, one (1) executive director, and the Chief Trust Officer.
- No member of the BACC is concurrently designated as a member of the Trust Committee.

Meetings and Attendance:

- In 2020, the Trust Committee held a total of twelve (12) meetings.

As stipulated in its charter, the committee shall meet at least once every quarter. The presence of a majority of the members of the committee less one member shall constitute a quorum; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the committee.

		Twelve meetings held for the year ended December 31, 2020	
Name	Role	No. of meetings attended	% Present
Christopher J. Nelson	Chairman, NED	12	100.00
Federico C. Pascual	Member, Independent Director	12	100.00
Sheila T. Pascual [(1)]	Member, NED	5	83.33
Vivienne K. Tan	Member, NED	11	91.67
Jose Arnulfo A. Veloso	Ex–officio, Executive Director	12	100.00
Joy Jasmin R. Santos	Ex–officio, Chief Trust Officer	12	100.00

[(1)] Shiela T. Pascual was elected as member of the Trust Committee effective June 23, 2020.

MANAGEMENT COMMITTEE

As the highest-ranking officer in the organization, the President and CEO is primarily accountable to the Board of Directors in championing the desired conduct and behavior and promoting the long-term interests of the Bank. He is supported by the Chief of Staff.

The Management Committee (MANCOM) assists the President and CEO in the implementation of the overall strategy and oversees the management and affairs of the Bank. MANCOM ensures that the activities and operations are consistent with the defined strategic objectives, risk strategy, and policies as approved by the Board.

The Chief Legal Counsel handles all legal matters and cases filed for or against the Bank and renders opinions and advice on questions of law. He plays a significant and indispensable role in the management of legal risk. The Chief Compliance Officer (CCO), on the other hand, oversees the design of an appropriate compliance system, promotes its effective implementation, and addresses breaches that may arise. He liaises with government regulatory bodies regarding relevant compliance matters.

Meanwhile, the Chief Risk Officer (CRO) oversees the risk management function and proposes enhancements to internal processes to ensure that the Bank’s infrastructure, systems, and processes are robust and effective to fully support strategic objectives and risk-taking activities. He is also the Bank’s Data Protection Officer (DPO) tasked to monitor compliance with the Data Privacy Act or Republic Act No. 10173, its implementing rules and regulations, issuances by the National Privacy Commission, and other applicable laws and policies.

The Chief Audit Executive (CAE) develops and manages a broad and comprehensive program of internal auditing covering the Bank, its subsidiaries, and overseas businesses to provide the Board with independent assessment on key organizational and procedural controls. The CAE also ensures that risk management systems are adequate, effective, and complied with.

The Chief Information Security Officer (CISO), who reports directly to the ROC, plays a key role in providing leadership and support for information security as well as balancing business and security requirements. The CISO is also responsible for ensuring that information security risks are within acceptable levels.

The complete background and qualifications of the members of the MANCOM can be found on the Profiles of the Management Committee.

COMPLIANCE

The Bank believes that a sound and effective compliance regime is the cornerstone of PNB’s strength and market presence, backed by over a century of stability and excellence. PNB adheres to the values of integrity, ethics, and good governance in the conduct of our business and affairs, exercising prudence in arriving at decisions, and upholding transparency and accountability to our regulators.

The Global Compliance Group (GCG) is responsible for the timely identification and mitigation of risks that may erode the franchise value of PNB, such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to PNB's operations. Compliance risk management is an integral part of the Bank's culture and risk governance framework.

GCG is headed by the CCO, who functionally reports to the BACC and administratively, to the President and CEO. GCG is independent from the line of business and is composed of six (6) divisions: Financial Crime Risk, Regulatory Compliance Risk, Compliance International, Compliance Assurance, Compliance Operations, and Corporate Governance.

GCG, through the CCO, oversees the overall design and effective implementation of the Compliance Program, which serves as the authoritative codification of GCG's powers, mandate, authority, and formal status within the organization. The program likewise fosters adherence to banking laws, rules and regulations and is ultimately aimed to promote the safety and soundness of PNB's operations.

Financial Crime Risk

In an age when money laundering, bribery, and corruption have become rampant, mitigation of financial crime risks is crucial in preserving the integrity of the financial system.

The Financial Crime Risk Division encompasses five (5) key areas: anti-money laundering, counter terrorist financing, sanctions, anti-bribery and corruption, and tax transparency. Previously named "Global AML Compliance", the Division's mandate was expanded to cover not only money laundering, but also other forms of financial crime. The Division ensures that all operating units of the Bank comply with the requirements and obligations set out in legislation, rules, regulations, banking guidance, global best practices; and that adequate systems and controls are in place to mitigate the risk of the Bank being used as a conduit to facilitate financial crime.

Regulatory Compliance Risk

The Regulatory Compliance Risk Division ensures adherence to banking laws, rules, regulations, and guidelines issued and mandated by the Bank's various regulators. The Division observes ongoing dissemination of regulatory issuances to various units through the appointed Compliance Officer Designates.

Compliance Assurance

The Compliance Assurance Division reviews and assesses the level of compliance on applicable rules and regulations of the business and examines the appropriateness and reliability of existing processes and adequacy of controls to mitigate risks that may erode the franchise value of PNB.

Compliance Operations

The Compliance Operations Division is responsible for data governance to ensure the accuracy and authenticity of data handled by the GCG and its data analytics to develop compliance risk insights and intelligence on our clients and their transactions.

Compliance International

PNB boasts of having the most extensive international footprint among Philippine banks with seventy (70) overseas branches and offices across Asia, Europe, Middle East, and North America. The Compliance International Division performs oversight and management of overseas branches, offices, and subsidiaries to ensure consistent compliance to local and host country relevant laws, rules, and regulations and alignment with the corporate standards established by the Bank.

INTERNAL AND EXTERNAL AUDIT

The Internal Audit Group (IAG), headed by the CAE, performs the internal audit activities for the Bank which is strictly guided by its conformance with the International Standards for the Professional Practice of Internal

Auditing (ISPPIA). IAG provides independent, objective assurance and consulting services to evaluate and improve the effectiveness of risk management, control, and governance processes of the organization.

IAG reports directly to the BACC on a monthly basis. The BACC is responsible for the establishment of IAG and the appointment, re-appointment, and replacement of the CAE and the Deputy Chief Audit Executive (DCAE). The responsibility of the BACC shall include the annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process. It also reviews, evaluates and approves the Annual Audit Plan as well as the audit reports to the extent that the BACC Chairman may issue directives to the Senior Management to develop and implement necessary corrective actions in a timely manner.

Likewise, the BACC has the sole authority to select, evaluate, appoint, dismiss, and re-appoint the external auditor (subject to shareholder ratification) and shall approve in advance all audit engagement fees and terms and all audit-related, and tax compliance engagements with the external auditor.

The external auditor undertakes an independent audit of the Bank and provides an objective assurance regarding the manner under which the financial statements are prepared and presented to the shareholders. The external auditor also ensures the establishment and maintenance of an environment of good corporate governance as reflected in the financial records and reports of the Bank.

The external auditor is expected to charge only reasonable audit fees. In determining reasonable fees, the following factors may be considered: (a) expected hours needed to complete the scope of work envisioned in the audit plan; (b) complexity of the activities and structure of the Bank; (c) level of internal audit assistance; (d) level of fees being charged by other audit firms; and (e) quality of audit services.

RIGHTS OF STOCKHOLDERS

PNB’s stockholders have the following rights and privileges: (a) right to inspect corporate books and records; (b) right to information; (c) right to dividends; (d) opportunity to place agenda items prior to and raise questions during the stockholders’ meeting; and (e) right to vote on all matters that require their consent or approval.

All stockholders, including minority stockholders, have the right to nominate and elect candidates for the Board of Directors. They also have the right to remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code, including, but not limited to: amendment in the Bank’s articles of incorporation and by-laws, authorization of additional shares, and transfer of all or substantially all assets.

The rights and responsibilities of stockholders are discussed in detail in the Corporate Governance Manual and by-laws, accessible through PNB’s website.

Stockholders’ Meeting

PNB’s stockholders are the highest authority in the Bank’s governance structure. The stockholders’ meeting serves as an avenue to make decisions based on the interests of the Bank in a fair and transparent manner.

The stockholders’ meeting consists of the annual stockholders’ meeting held once a year and special meetings may be held as needed.

Pursuant to the Bank’s by-laws, the annual meeting of the stockholders shall be held at the principal office of the Bank or any other place within Metro Manila as may be determined by the majority of the Board, on the last Tuesday of April of each year unless such day is a legal holiday, in which case, the meeting shall be held on the following business day.

Special meetings may be called by the Chairperson of the Board, by the President and CEO, by majority of the Board, or on the demand, in writing, of the stockholders who own majority of the voting stock.

In view of the COVID-19 pandemic and the implementation of Enhanced Community Quarantine (ECQ), the Annual Stockholders' Meeting was held virtually on June 23, 2020.

Before the Annual Stockholders' Meeting

On January 24, 2020, the Board of Directors approved the holding of the Annual Stockholders' Meeting on April 28, 2020. The Notice of the Annual Stockholders' Meeting was disclosed to the PSE Edge on the same day. Due, however, to COVID-19 and the quarantine restrictions put in place by the Philippine government, on March 27, 2020, the Board of Directors approved the postponement of the Annual Stockholders' Meeting to June 23, 2020. The Notice of the postponed Annual Stockholders' Meeting was disclosed to the PSE Edge on March 27, 2020, approximately three (3) months prior to the date of the meeting. The Notice was also published, in print and online format, from June 1, 2020 to June 2, 2020 in The Philippine Star and in BusinessWorld, and from June 7, 2020 to June 13, 2020 in The Manila Bulletin, The Philippine Star, and BusinessWorld.

The Notice of the Annual Stockholders' Meeting and the Information Statement distributed to the Bank's stockholders states the date, time, and place of meeting, the rationale and explanation for each item on the agenda that requires shareholders' approval, voting procedures, the profiles of the directors seeking re-election, and the external auditor seeking reappointment. Proxy documents were made easily available on the written notice.

During the Annual Stockholders' Meeting

The Bank conducted its last Annual Stockholders' Meeting (ASM) via remote communication and implemented electronic voting in absentia to provide the Directors, Senior Management, stockholders, and other stakeholders a safer mode of attendance and participation in the ASM and to comply with the Revised Corporation Code of the Philippines and SEC Memorandum Circular No. 6, Series of 2020.

All members of the Board, the Chairperson of the Board, the President and CEO, the Chairman of the BACC, the CCO, the Investor Relations Officer, representatives of the external auditors, and other key officers attended the virtual ASM.

The Chairperson of the Board formally opened the 2020 ASM. The Corporate Secretary certified the existence of a quorum for a valid transaction of business at the meeting.

Stockholders voting in absentia and through proxy voted on the following matters: (a) approval of the minutes of stockholders' meetings held in the previous year; (b) approval of the Annual Report and the Audited Financial Statements; (c) approval of the amended by-laws; (d) election of directors; and (e) appointment of the external auditor. All legal acts, resolutions and proceedings of the Board, including approvals on RPTs endorsed by the BORC, were also ratified by the stockholders at last year's ASM.

A number of questions of stockholders sent prior to the ASM were addressed and answered during last year's ASM. Questions that were sent prior to last year's ASM but were not addressed during the meeting were answered by way of electronic mail in reply to the asking stockholder.

The Bank has likewise engaged Roxas delos Reyes Laurel Rosario & Gonzales Law Offices, the Bank's external counsel, to assist in the validation of proxies and votes cast for the matters presented for approval of the stockholders at last year's ASM.

After the Annual Stockholders' Meeting

The minutes of last year's ASM was uploaded on the Bank's website on the same day as the ASM by the next calendar day. The minutes contain the voting results including approving, dissenting, and abstaining votes for all resolutions/each agenda item, questions raised by shareholders, responses from the Board and officers, and attendance of the Board members and key officers.

DISCLOSURE AND TRANSPARENCY

PNB Website

The official website of PNB serves as an avenue to reach out to clients, investors, shareholders, and various stakeholder groups. As such, the Bank aspires to promote transparency and open communication to the public by ensuring timely and accurate disclosure of relevant and material information including financial statements and reports, materials provided in briefings to analysts and media (i.e., investor presentation materials and briefing notes), downloadable Annual Report, Notice and Minutes of the ASM, and the company's constitution (Articles of Incorporation and By-laws).

Annual and Quarterly Reports

The Bank provides complete and accurate information on its operations and affairs regularly. The annual and quarterly reports are the primary disclosure mechanisms used by the Bank to convey its financial performance in a comprehensive, accurate, reliable, and timely manner. The reports provide a fair and complete picture of PNB's financial condition and results of business operations. Management's statement of responsibility regarding the company's financial statements and the fair and truthful preparation thereof is included in the Bank's Annual Report.

The reports disclosed are likewise in accordance with the reportorial requirements of the SEC and PSE.

Press Releases and Media Briefings

PNB embraces print, broadcast and online media as relevant communication channels due to its extensive reach and accessibility. The Management regularly engages with various journalists and media outlets to discuss the Bank's views, programs and efforts. Since the pandemic, the press engagements were done through teleconferences and online discussions. The conversation likewise focused on how COVID-19 is changing the business of banking and how bankers are preparing and pivoting towards new opportunities.

Investor Relations

Investor relations enables the Bank to maintain its foothold in the financial market, while we stand to obtain capital for the effective conduct of our business. The Bank has made a conscious effort in deepening its engagement with stockholders, investors, analysts, and the media.

PNB has implemented its Investor Relations Program with the objective of promoting investors' and stockholders' awareness and name recognition through participation in domestic and international conferences sponsored by fund managers. This program is also designed to effectively address concerns/ issues of stockholders and investors that could materially affect the Bank's reputation, operations, and viability.

The Investor Relations Program is anchored on three (3) main principles:

- *Accuracy and Timeliness*: The Bank is committed to provide analysts, credit rating agencies, investors, and shareholders with correct and up-to-date information on developments in the Bank;
- *Transparency*: The Bank is committed to disclose relevant information to investors and stockholders in accordance with the prescribed standard of disclosure by regulatory agencies; and
- *Consistency and Impartiality*: The Bank is committed to prepare the same, unbiased information and to make said information accessible to all interested analysts, credit rating agencies, investors, and existing shareholders through various modes of communication.

The contact information of the Investor Relations Officer is available at the PNB website.

Date of Analysts' and Investors' Briefing	Key Discussion Points / Subject
November 13, 2020	Virtual Analysts' Briefing on the Companies' Nine-Month Financial Results

In 2020, PNB also actively participated in various virtual investor events and conferences sponsored by investment bank and financial services companies with discussions focused on banking amid COVID-19 pandemic, PNB's outlook on growth and asset quality, overall strategy amid the developing economic environment, PNB's first half 2020 operating results, second half 2020 outlook and strategy heading into 2021.

GOVERNANCE POLICIES AND PRACTICES

Corporate Governance Manual

The Corporate Governance Manual institutionalizes the principles of good corporate governance in PNB. The Corporate Governance Division regularly conducts review and evaluation of the Manual to ensure its continuing suitability, adequacy, and effectiveness.

The Manual clearly defines the roles, responsibilities, and accountabilities of the Board of Directors, together with the types of decisions requiring its approval. The Manual is publicly disclosed and accessible through the Bank's website.

Corporate Governance Confirmation Statement

The Bank adopts a policy of full compliance with the Code of Corporate Governance. As of December 31, 2020, the Bank has substantially complied with the recommendations of the Code of Corporate Governance for Publicly Listed Companies, except for the following:

1) Thirty percent (30%) public float requirement to increase liquidity in the market; and
2) Disclosure of director remuneration and executive compensation on an individual basis.

The details of the Bank's compliance with the Code of Corporate Governance and the explanation for the abovementioned items can be found in its Integrated Annual Corporate Governance Report, published on the PNB website.

Moreover, the Bank has substantially complied with the provision and requirements set forth in the Corporate Governance Manual and there were no reported significant deviations from what is expected from its Directors, Board Advisors, officers, and employees.

Code of Ethics for Directors

The Code of Ethics for Directors serves as a guide of principles designed to enable the Board in exercising its powers, duties, and responsibilities in accordance with fit and proper standards. This establishes the minimum standards of conduct expected of all directors. As such, the Code shall be read in conjunction with the Bank's Corporate Governance Manual, articles of incorporation, bylaws, and internal policies and procedures.

The provisions of the Code shall apply to all members of the Board, whether executive, non-executive or independent, of PNB. All members of the Board are expected to observe and uphold the principles set out in the Code.

Code of Conduct for Employees

The Code of Conduct for Employees is designed to prescribe a moral code for employees which would not only instill discipline but also yield higher productivity at the workplace and enhance and safeguard the corporate image of the Bank. The provisions of the Code apply to all employees including its overseas branches and offices and PNB's domestic and foreign subsidiaries.

Each employee, senior officer, or director is furnished with a copy of the Bank's Code of Conduct and/or Code of Ethics. Moreover, they can access the Code through the Bank's intranet.

Each individual accomplishes an Acknowledgement Receipt certifying therein that he has been furnished with a copy of the Code; that he has fully read and understood the provisions embodied in the Code; and that he promises to abide with the rules and regulations of the Code.

Any failure to abide with the provisions of the Code is reported by the immediate supervisor and/or Head of Office concerned to the Human Resource Group and/or Corporate Governance and Sustainability Committee. A designated committee may subsequently evaluate the report to determine if any sanction or disciplinary action should be taken against the erring employee or director.

Whistleblowing Mechanism

It is the responsibility of all directors, senior officers, and employees to report suspected or actual occurrence of fraud and/or violation of any law, rule, policy, and misconduct, in accordance with the Bank's Whistleblower Policy.

PNB encourages all Philnabankers to speak up. Under the new Whistleblower policy adopted in September 2020, a whistleblower may be an employee of the Bank or a third party who discloses, in good faith, any illegal, unethical, or improper behaviors or practices, and misconduct in the Bank. He/she can report any suspected or actual commission of theft, fraud, corruption, among others to any of the members of the Ethical Standards Committee (ESC), President and CEO, CCO, CAE or CLC; or via the dedicated whistleblower hotline and electronic mail which are managed by the ESC Secretariat.

Whistleblowers are protected from retaliation by ensuring that his or her identity is kept in strict confidence. Anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination or dismissal from the Bank service.

The whistleblower may report verbally or in written form any act of harassment, bullying, or adverse personnel action experienced to any of the members of the ESC and the senior officers, as stated above.

Anti-Bribery and Anti-Corruption

In line with the Bank's commitment to ensure that business dealings are conducted with the highest level of integrity and professionalism, employees are prohibited from engaging in any form of bribery such as the following:

- Giving/offering pecuniary benefits to external parties with the intention to influence the other party to commit a violation for personal and/or business advantage; and
- Acceptance/receiving of pecuniary benefits from clients, suppliers, service providers in order to facilitate the processing or approval of transactions or service agreements with the Bank despite deficiency and/or non-compliance with the standard requirements and procedures.

Employees who have knowledge of any form of irregular transactions or corrupt practices being entered into by an office or an employee under the name of the Bank must report the same through the offices identified in the Bank's Whistleblower Policy.

Consumer Welfare

Embedding consumer protection practices across the organization is at the forefront of the Bank's corporate responsibility–from the Board of Directors who approves the policies and conducts oversight in the implementation of Bank's Consumer Protection Risk Management System (CPRMS) to the Management Committee who ensures that all consumer protection practices are aligned with the approved policies and risk management system and is consistently adhered to by relevant units.

Consumers have the right to be informed of the benefits as well as the risks involved regarding the products and services they availed from the Bank. Throughout the banking relationship, the following standards of conduct are observed: (a) disclosure and transparency, (b) protection of client information, (c) fair treatment, (d) effective recourse, and (e) financial awareness and education.

Consumer assistance mechanisms are made available in various forms: face-to-face support from PNB Branch personnel; account officers and relationship managers; customer care hotlines; and electronic or digital channels. Each inquiry, request and/or complaint is acknowledged and processed within the standard turnaround time. Complaint management process is also available, a cross-functional activity involving multiple offices, which provide priority assistance in resolving customer concerns.

In 2020, the Bank strengthened the implementation of consumer protection policies with the revised Consumer Protection Policy and Implementing Guidelines and of the Enhanced Customer Relationship Management System (ECRM) (i.e., workflow manager and logging tool for customer concerns) with the revised Guidelines on the Recording, Monitoring, and Addressing Customer Concerns using the ECRM System and the submission of the BSP-Supervised Financial Institutions Consolidated Complaints Report (BCCR) to BSP.

PNB aims to be the financial partner of consumers in their journey to financial health and wealth. The Bank is committed to equip consumers with the information and tools they need to make wise financial decisions towards achieving their goals.

Creditors' Rights

PNB takes pride in taking an active role in safeguarding the rights of its creditors. The Bank is committed to honoring its contractual financial obligations as evidenced by good credit standing. Since deposit-taking is one of the Bank's principal banking activities, special premium is placed on the protection of depositors who serve as our main creditors. The Bank recognizes that creditors have the right to safeguard their transactions with the Bank and be heard though appropriate channels when they escalate feedback and concerns.

The Bank provides its depositors with ready access to information that accurately represents the fundamental benefits and risks, as well as the terms and conditions of a financial product or service. Moreover, PNB is one with the Philippine Deposit Insurance Corporation (PDIC) in promoting public confidence and stability in the economy. As such, the Bank advertises PDIC's deposit insurance protection in appropriate and accurate manner by including the official PDIC Insurance Statement (Deposits are insured by PDIC up to ₱500,000 per depositor) in general advertisements of the Bank and advertisements relating to deposit products and services appearing in print ads, TV, official website, and other forms of marketing communications.

As a matter of practice, PNB respects and upholds the rights of its creditors by observing fair and truthful disclosure of financial and operating results which enable them to evaluate and assess the Bank's performance and credit standing. The annual and quarterly reports are the primary disclosure mechanisms used by the Bank to convey its financial performance in a comprehensive, accurate, reliable, and timely manner. The reports provide a fair and complete picture of the Bank's financial condition and results of business operations.

Vendor and Supplier Selection

PNB works for the steadfast development and enrichment of its partnership with a broad spectrum of stakeholders. The Bank's reputation as a leading financial institution cannot be sustained without the unwavering support of its partners: suppliers, vendors, and third-party service providers.

The Bank has developed its Outsourcing and Vendor Management Policy consistent with existing statutory, regulatory, and supervisory requirements. This policy sets out the framework for engaging with suppliers, along with the responsibilities of the Board of Directors and Management Committee in the review and evaluation of all new and existing outsourcing arrangement and vendor relationships.

A dedicated vendor relationship manager, who actively builds and maintains commercial relationship with vendors and service providers, has been appointed in each business unit. PNB employs a comprehensive onboarding process which encompasses risk assessment, elaborate due diligence procedures, contract structuring and review, and continuous monitoring and oversight. Moreover, appropriate committees have been organized for the effective management of relationships with third parties.

As part of continuous improvement, the roles, responsibilities and output of dedicated vendor relationship managers (VRM) appointed in each business unit are monitored and assessed regularly. New VRMs were also appointed, trainings and walkthrough were also conducted for Bank-wide awareness when it comes to vendor and supplier selection and management.

As with any aspect of the Bank's business, PNB believes that continuous monitoring and appraisal of performance is of paramount importance to evaluate the overall effectiveness of the vendor relationship and the consistency of the relationship with the Bank's strategic goals. Mechanisms are in place for the development of relevant performance metrics, vendor performance management, and competency evaluation.

Selection Process for Senior Management

Employees are PNB's key asset and we are consistent in our efforts to ensure a steady pool of qualified and competent talents who will sustain our leadership in the industry. Our Management team is composed of top-tier professionals who are well-accomplished in their respective fields.

Before a senior officer (with rank of Vice President and up) is appointed, suitable candidates are identified from various sources. Interviews will then be conducted by the recommending Group/Sector Head, Human Resource Group Head, President and CEO, and a Director of the Bank to determine the overall qualification of the candidates based on the factors for selection presented.

Once a candidate is selected, the approval of the Board of Directors, as endorsed by the President and the Corporate Governance and Sustainability Committee will be sought.

Succession Management

The Succession Management Program is an evolving process of strategically and systematically identifying, assessing, and developing talents for future critical roles to ensure consistent and effective organizational performance. This program ensures the availability of talents who have the potential and required competencies and are ready to assume vacant positions as the need arises, due to organizational exigencies, particularly for key management positions.

A Talent Board consisting of senior officers has been created to monitor and review the success and progress of the program. It renders decisions on nominations and acceptance of talents in the Talent Pool. The process involves the following steps:

(a) Identification of key management positions;
(b) Nomination of Candidates – based on results and past performance, competencies, and potential, subject to the initial evaluation of the Talent Board. The respective Sector or Group Head nominates possible candidates who may be from within or outside of their respective Group/Sector subject to the acceptance of the concerned officer-candidate prior to processing;
(c) Conduct of Talent Screening – the process of evaluating and assessing the shortlisted nominees' competencies through online assessment, 360-degree feedback survey, and interviews with the members of the Talent Board, if necessary. Those who qualify based on the evaluation of the Talent Board shall be recommended for inclusion in the Executive Talent Pool, subject to the approval of the President and CEO;
(d) Learning and Development – to address the development needs of each talent, an Individual Development Plan (IDP) consisting of on-the-job training, interactional development programs, and classroom training shall be created by the Sector or Group Head and/or designated mentor. For a more objective and in-depth assessment of the talent's competencies, he/she may be required to train in the Assessment and Development Center. The training result is made an integral part of the IDP.
(e) Talent's Progress Review – the progress of the talent is monitored and evaluated.
(f) Engagement – strategies are employed to sustain the desired level of performance as well as the employee's commitment to the program.
(g) Placement – the talent review process and the learning and development programs continue until the need or opportunity arises for the talent to assume a key/critical position within the organization.

In–House and External Training Program for Senior Management

People development remains a priority of PNB. The Human Resource Group, through its Institute for Banking Excellence (IBE), sees to it that employees are upskilled to sustain the Bank's overall competitiveness in a rapidly changing financial environment. The past year may have posed a challenge to the learning and development of employees, with face-to-face and classroom sessions put to a halt. However, this did not deter IBE as it shifted its gears and went online in the conduct of its year-round training programs.

Much of what were introduced in 2020 were Virtual Instructor–Led Trainings (VILT), which focused on topics that will enable senior management to cope with and thrive in the daily business requirements amid the new normal.

A roster of internal training programs offered included mental health awareness and various topics intrinsic to adapting to the new normal such as telecommuting, managing virtual teams and meetings, digital selling and customer care. Training programs on information security, anti–money laundering and internal controls were also delivered.

External trainings covered remote audit, accounting considerations and financial crime compliance amid the pandemic, among others. Since the shift to digitization has been accelerated this year, courses that were related to information technology were also at the forefront, such as cloud security, information security, and several software solutions.

Remuneration Policy

PNB aims to sustain a strong, performance-conducive environment that would attract, motivate, and retain the best talents. For this purpose, the Bank maintains a Remuneration Policy that commensurately compensates its officers for high levels of performance. Such policy complements the Bank's efforts to hire and develop the best talents through its competitive recruitment program and continuing learning programs.

The PNB Remuneration Policy provides a sustainable compensation structure and fringe benefits program for directors and officers. The policy allows the Bank to be competitive with industry counterparts. It identifies basic compensation, incentives, recognition, and rewards for those who meet their performance targets and goals.

Officers' Compensation and Benefits

The compensation package for officers consists of monetary and non-monetary benefits, fringe benefits, and long-term schemes such as the following:

(a) Monetary emoluments consist of monthly compensation, guaranteed bonuses equivalent to four monthly basic salary, allowances for business-related expenses, official travel, annual clothing allowance, annual rice subsidy and other monetary allowances, and award upon reaching service milestones of at least ten (10) years and every five (5) years thereafter; and
(b) Non-monetary benefits consist of healthcare plan for the officer and two of his or her qualified primary dependents, group life insurance, group accident insurance, leave privileges, car plan, and loan facilities such as general- purpose loan, motor vehicle loan, and housing loan.

Performance-based Remuneration

PNB designed its compensation and benefits package as a competitive tool to attract and retain highly qualified individuals who will support the Bank's implementation of its business directions and to achieve business goals. Hence, provisions of the compensation and benefits policies show the clear linkage with employee contributions which are measured through a balanced scorecard approach in its performance management system. Senior executives and executive director who are unable to meet their targets become ineligible to certain benefits and/or incentive programs such as the Car Plan benefit, Employee Loans, and performance bonus to name a few. The same is true for those who get involved in administrative cases where certain benefits are temporarily withheld in case an administrative sanction is imposed. In case of dismissal, benefits are forfeited and taken back including but not limited to the Car Plan benefit, the guaranteed bonuses equivalent to a three–month salary and the Centennial PNB shares for the remaining years.

Retirement

PNB has a retirement plan for its employees that provides funds for the payment of separation benefits to employees who are eligible under the Bank's Retirement Plan, including cases of disability or death while on service.

There are three modes of retirement:

(a) *Normal Retirement*: an employee shall be compulsorily retired from service and shall be entitled to receive the benefits under the Plan upon reaching sixty (60) years of age or upon completing thirty five (35) years of service, whichever comes first;

(b) *Early Retirement*: with the consent of the Bank, an employee who has not yet reached the normal retirement requirement may opt to avail of the early or optional retirement benefits under the Plan upon reaching (i) fifty five (55) years of age and rendering at least ten (10) years of continuous service; or (ii) completing at least eleven (11) years of service; and

(c) *Late Retirement*: Any employee may offer his or her service to the Bank beyond the normal retirement date, but not beyond sixty five (65) years of age. Such retirement, however, shall be subject to the approval of the Bank on a case-to-case basis. Employees who intend to resign from service but do not meet the prescribed eligibility requirements are not entitled to any separation pay.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The Registrant undertakes to provide without charge to each stockholder a copy of the Bank's Annual Report or SEC Form 17-A upon written request to the Bank addressed to:

The Corporate Secretary
Philippine National Bank
9/F, PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasay City on March 16, 2021.

PHILIPPINE NATIONAL BANK

By:

RUTH PAMELA E. TANGHAL
Corporate Secretary

Annex "A"

AGENDA

DETAILS AND RATIONALE

1. **Call to Order**. The Chairman, Ms. Florencia G. Tarriela, will formally open the 2021 Annual Stockholders' Meeting of the Philippine National Bank ("PNB", the "Bank").

2. **Secretary's Proof of Notice and Quorum**. The Corporate Secretary, Atty. Ruth Pamela E. Tanghal, will certify that the Notice has been duly published and made available to stockholders of record as of March 29, 2021 pursuant to the existing regulations of the Securities and Exchange Commission. Thereafter, Atty. Tanghal will certify as to the existence of a quorum for the valid transaction of business at the Annual Stockholders' Meeting.

3. **Approval of the Minutes of the 2020 Annual Stockholders' Meeting held on June 23, 2020.** The Minutes of the 2020 Annual Stockholders' Meeting of the Bank will be presented to the stockholders for approval. Copies of the said Minutes was uploaded on the Bank's website on June 23, 2020 and may be accessed at https://pnb-website.s3-ap-southeast-1.amazonaws.com/uploads/docs/2020_ASM_Minutes.pdf

4. **Report of the President on the Results of Operations for the Year 2020.** The President, Mr. Jose Arnulfo A. Veloso, will present to the stockholders the highlights of the Bank's performance for the year 2020.

5. **Approval of the 2020 Annual Report.** The 2020 PNB Annual Report, as well as the Audited Financial Statements (AFS) as of December 31, 2020, will be presented to the stockholders for approval. A copy of the AFS is incorporated in the Definitive Information Statement.

6. **Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2020 Annual Stockholders' Meeting.** The acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2020 Annual Stockholders' Meeting, most of which relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon, will be presented to the stockholders for approval and ratification.

7. **Election of Directors.** The Corporate Secretary will present to the stockholders the nominees for election as members of the PNB Board of Directors. The profiles of the nominees are included in the Information Statement.

8. **Appointment of External Auditor.** The appointment of SGV & Co. as the Bank's external auditor for the year 2021 will be presented to the stockholders for confirmation and ratification.

9. **Other Matters.** Other matters arising subsequent to the sending out of the Notice of the Meeting and the Agenda, and as may be relevant to the Annual Stockholders' Meeting, may be presented to the stockholders for consideration.

10. **Adjournment.** Upon consideration of all matters included in the Agenda, the Chairman shall declare the meeting adjourned.

PHILIPPINE NATIONAL BANK is **not soliciting proxies** and a stockholder is NOT required to submit a proxy to PNB. This Proxy form is being provided only for the convenience, and upon request, of a stockholder.

P R O X Y

The undersigned stockholder of **PHILIPPINE NATIONAL BANK** ("PNB") does hereby nominate, constitute and appoint ______________________________ with email address ___________________________ as my/our/its proxy, to represent me/us/it and vote all shares registered in my/our/its name in the books of PNB at the Annual Stockholders' Meeting scheduled on April 27, 2021. I/we hereby confirm and ratify any and all acts lawfully done by my/our/its proxy pursuant hereto.

Any other proxy or proxies issued by me/us/it on or before this date is/are hereby considered revoked and declared null and void and will have no effect whatsoever.

	For	Against	Abstain
1. Approval of the Minutes of the 2020 Annual Stockholders' Meeting held on June 23, 2020	☐	☐	☐
2. Approval of the 2020 Annual Report	☐	☐	☐
3. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2020 Annual Stockholders' Meeting	☐	☐	☐
4. Appointment of External Auditor (SGV & Co.)	☐	☐	☐
	VOTE FOR	NUMBER OF VOTES	
5. Election of Directors			
Florencia G. Tarriela (Independent)	☐		
Felix Enrico R. Alfiler (Independent)	☐		
Florido P. Casuela	☐		
Leonilo G. Coronel	☐		
Edgar A. Cua (Independent)	☐		
Estelito P. Mendoza	☐		
Federico C. Pascual (Independent)	☐		
Sheila T. Pascual	☐		
Carmen K. Tan	☐		
Lucio C. Tan	☐		
Lucio C. Tan III	☐		
Michael G. Tan	☐		
Vivienne K. Tan	☐		
Jose Arnulfo A. Veloso	☐		
Domingo H. Yap (Independent)	☐		

Name of Stockholder : ______________________________   Email Address : _________________________
Signature : _____________________   Date : __________________________________
Contact Number : _________________________________

MANAGEMENT REPORT

Item 1. Business

A. Business Development

The Philippine National Bank ("PNB" or the "Bank"), the country's first universal bank, is one of the largest local private commercial banks in terms of assets, net loans and receivables, capital and deposits. As of December 31, 2020, the Bank has a distribution network of 716 domestic branches and offices and 1,710 automated teller machines (ATM) in the Philippines. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

In July 2016, PNB celebrated its Centennial Year with the theme, "A Century of Excellence", signifying a meaningful milestone for an institution that has served generations of Filipinos here and abroad. For over 100 years, PNB stands proud as an institution of stability and security for many Filipinos. With its century of banking history and experience, PNB is poised to move forward to becoming a more dynamic, innovative and service-focused bank, providing service excellence to Filipinos all over the world.

The Bank was established as a government-owned banking institution on July 22, 1916. As an instrument of economic development, the Bank led the industry through the years with its agricultural modernization program and trade finance support for the country's agricultural exports, pioneering efforts in the Overseas Filipino Workers' (OFW) remittance business, as well as the introduction of many innovations such as "Bank-on-Wheels", computerized banking, ATM banking, mobile money changing, domestic traveler's checks, and electronic filing and payment system for large taxpayers. PNB has the widest overseas office network and one of the largest domestic branch networks among local banks.

On February 9, 2013, the Bank concluded its merger with Allied Banking Corporation (ABC) as approved and confirmed by the Board of Directors (BOD) of PNB and ABC on January 22 and January 23, 2013, respectively. The respective stockholders of PNB and ABC, representing at least two-thirds of the outstanding capital stock of both banks, approved the terms of the Plan of Merger of the two banks on March 6, 2012.

To support the Bank's efforts to diversify its funding sources to meet the financial needs of its clients, PNB offered Long-Term Negotiable Certificates of Time Deposit (LTNCDs), which extend the maturity profile of the Bank's liabilities as part of overall liability management and to raise long-term funds for general corporate purposes. In October 2018, PNB received the approval from the Bangko Sentral ng Pilipinas (BSP) to issue up to P20.0 billion worth of LTNCDs. In this regard, PNB issued the first tranche of 5.5-year LTNCDs totaling P8.2 billion at 5.75% per annum in February 2019. The original P3.0 billion offering was upsized to meet the 2.7x oversubscription arising from the strong demand from both retail and institutional investors. On October 11, 2019, PNB listed the second tranche of LTNCDs totaling P4.6 billion which was double the announced issue size of P2.0 billion.

As part of the Bank's efforts to diversify its funding sources and support its strategy on safe, aggressive growth, PNB also tapped the capital markets. In April 2018, PNB successfully issued in Singapore and Hong Kong its 5-year Fixed Rate Senior Notes worth United States Dollars (USD) 300 million out of its USD1 billion Medium Term Note (MTN) Program. This marked the first time that PNB tapped the international bond market for medium term dollar funding. Orders for the offering reached approximately USD1.2 billion at its peak, equivalent to 4x oversubscription. The high demand for the initial issue underscored the international investors' strong confidence in PNB. In May 2019, the PNB BOD approved the increase in the amount of the Bank's MTN Program to USD2 billion. The following month, PNB issued USD750 million in 5.25-year Fixed Rate Senior Notes priced at 99.47% and carried a yield of 3.39% and a coupon of 3.28%. The transaction was oversubscribed with an orderbook of over USD3.25 billion. The proceeds of the Notes were used to support PNB's loan expansion as the Bank took advantage of the country's sustained economic growth.

In April 2019, PNB acting through its Tokyo branch successfully closed and signed a USD250 million 3-year syndicated term loan facility with a group of international and regional Japanese banks. The facility was launched originally at USD200 million and attracted total commitments of USD370 million at close of syndication, representing an oversubscription of about 2.7x with lending commitments received from 14 Japanese and international banks with operations in Japan. The last syndicated loan availed by PNB was in 2015. The diversity of the syndicate of lenders is an affirmation of the growing international market's appetite for assets from the Philippines. The success of the transaction is a strong acknowledgment of the capital market's confidence in the credit strength of the Bank.

In May 2019, PNB listed on the Philippine Dealing and Exchange Corp. its maiden offering for fixed rate Philippine Peso bonds, which reached P13.87 billion, equivalent to an oversubscription of almost 3x the announced issue size of P5 billion.

In July 2019, the Bank successfully issued and listed 276,625,172 common shares priced at P43.38 per share from its stock rights offering. The net proceeds from the offering amounted to P11.7 billion. Proceeds from the offering were expected to enhance PNB's presence in emerging growth areas.

PNB fully integrated its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB), into the Parent Bank through acquisition of its assets and assumption of its liabilities in exchange for cash on March 1, 2020. The BODs of PNB and PNBSB approved the integration on September 28 and October 10, 2018, respectively. PNB secured the Monetary Board approval for the integration last August 29, 2019. Consequently, the 68 PNBSB branches were converted into PNB branches while the systems integration was completed last June 7, 2020. With the integration, PNB would be able to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNBSB would have access to PNB's diverse portfolio of financial solutions. The consumer lending business, previously operated through PNBSB, would also benefit from PNB's ability to efficiently raise low cost of funds. In February 23, 2021, the Philippine Securities and Exchange Commission (SEC) approved, among others, the change in name of PNBSB to Allied Integrated Holdings Inc. and the change in PNBSB's purpose from banking to a holding company.

Amidst the challenging COVID-19 pandemic and varying degree of community lockdowns in 2020, the Bank set up a Command Center to oversee its operations and ensure that PNB continues to run business-as-usual providing uninterrupted financial services to its customers as it adjusted to the new business environment. The Bank had a dedicated skeletal workforce to make sure that critical support functions were not disrupted, and at the same time implemented a work-from-home arrangement for its employees with non-critical functions, supported by a robust digital infrastructure that allowed telecommuting.

To provide easy and convenient access to cash for its clients, PNB deployed its "Bank on Wheels" in Metro Manila and some provinces where travel was restricted. Bank on Wheels are mobile ATMs that allow customers to conveniently perform transactions such as cash withdrawal, cash deposit, bills payment, and fund transfer. Furthermore, the Bank provided its customers more options for cash withdrawal through its partnership with RD Pawnshop, one of the leading pawnshop chains in the country. PNB is the provider of the point of sale (POS) network that allows bank customers to conveniently withdraw cash from 100 select RD Pawnshop branches nationwide. In addition, the Bank partnered with Ninja Van Philippines to make it easier and safer for small and medium businesses across the country to receive payments and manage cash flow during COVID-19 and beyond.

Even with the pandemic, PNB was still able to introduce new products for its customers. In January 2020, PNB launched the Ze-Lo Mastercard that allows cardholders to enjoy the perks of a normal Mastercard credit card but with zero annual fees and low interest. Ze-Lo stands for "Zero Annual Fees and Low Interest" representing the two main features of the card. In April 2020, PNB branches started offering the new product of Allied Bankers Insurance Corp., Home Protect 2000, a home insurance that covers PNB depositors against loss of residence and contents due to fire, lightning, earthquake, smoke, explosion, vehicle impact, and falling aircraft for a premium of only P2,000 a year or P5.50 daily. The Bank also introduced an online remittance system, Xchanged USA for overseas Filipino workers.

PNB Capital and Investment Corp. was also active in capital market transactions despite the pandemic. The subsidiary was appointed as lead underwriter, issue manager, and bookrunner for the initial public offering of MerryMart Consumer Corp., a wholly-owned subsidiary of Injap Investments, Inc. It also acted as the joint lead underwriter for Ayala Land's AREIT Inc.'s initial public offering. Ayala Land's AREIT, Inc. is the first real estate investment trust in the Philippines.

In affirmation of the Bank's well-managed operations, PNB received awards from various organizations and other international award-giving bodies. On July 31, 2018, PNB was recognized by the Institute of Corporate Directors (ICD) as among the top performing publicly-listed companies that ranked high under the ASEAN Corporate Governance Scorecard (ACGS). Out of the 245 companies assessed, PNB is among the 21 publicly-listed companies that scored 90 points and above. PNB was also among the top 5 in the financial sector recognized for exemplary corporate governance practices. In June 2019, PNB was recognized for the second straight year by the ICD for being one of the awardees of its ACGS Arrow for 2018.

As a clear demonstration of the Bank's commitment in offering competitive financing structures to clients while contributing to economic development and nation building, PNB and its subsidiaries were recognized internationally in January 2019 by The Asset Triple A Country Awards 2018 with three distinctions, viz: a) Best Syndicated Loan awarded to PNB and PNBSB for the Bloomberry Resorts and Hotels' P73.5 billion syndicated term loan facility, b) Best Acquisition Financing awarded to PNB and PNB Capital and Investment Corp. (PNB Capital) as lender and lead arranger, respectively, for the Clark Global Corporation's USD690 million acquisition project, and c) Most Innovative Deal awarded to PNB Capital for being one of the lead underwriters and bookrunners for Ayala Land's P10.0 billion retail bonds.

PNB received two awards from the Asian Banking & Finance Retail Banking Awards 2017 i.e. "Digital Banking Initiative of the Year" for the PNB Mobile Banking App and "New Consumer Lending Product of the Year" for the PNBSB Smart Salary Loan Program. Last July 12, 2018 PNBSB received again two awards from the Asian Banking & Finance Retail Banking Awards, these are "Consumer Finance Product of the Year - Philippines" for its Smart Personal Loan with Double Coverage product and "Service Innovation of the Year - Philippines" for its Smart Auto Loan and Home Loan Plus (Value-added Services). Last October 5, 2018, PNBSB's Smart Personal Loan once again won the Consumer Finance Product of the Year, this time from the Asian Banker Philippine Country Awards 2018.

In December 2019, PNB was awarded by the Bureau of Local Government Finance of the Department of Finance for its timely and complete submission of the quarterly report on LGU indebtedness for the fiscal year 2018-2019. The Bank was cited for being a strong partner of the government in ensuring the efficient and responsible borrowing of local government units.

With its proactive response amidst the Covid-19 pandemic, The Asian Banker awarded PNB with Best Managed Bank and Best CEO during its annual Leadership Achievement Awards held last 15 October 2020. PNB was also named Best Bank for Corporate Social Responsibility (CSR) in Asiamoney Best Bank Award for 2020. The Bank bested other domestic and international banks in the CSR category for pioneering a number of initiatives focused on financial literacy, sustainable environment and employee engagement. In addition, PNB was recognized in Asiamoney's Leader for Women Survey 2020. Among 60 banks in Asia, PNB was one of the banks with the highest percentage of women in the overall workforce, reflecting the Bank's culture of providing equal access to career advancement regardless of gender. Likewise, PNB became the first universal bank in the Philippines to be certified as gender-equal after receiving its Economic Dividends for Gender Equality (EDGE) Certification from DOLE in June 2020.

B. Business Description

1. Product and Services

PNB, through its Head Office and 716 domestic branches/offices and 70 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to large corporate, middle-market, small and medium enterprises (SMEs) and retail customers, including OFWs, as well as to the Philippine National Government, national government agencies

(NGAs), local government units (LGUs) and Government Owned and Controlled Corporations (GOCCs) in the Philippines. PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers, remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and other related financial services. The Bank and its subsidiaries (the "Group") offer a wide range of financial services predominantly in the Philippines.

PNB's banking activities are undertaken through the following groups within its organization, namely:

Retail Banking Sector
The Retail Banking Sector (RBS) principally focuses on the Bank's deposit-taking activities by offering a wide array of deposit products such as peso accounts and its variants like current accounts, interest-bearing savings and time deposit accounts, and US dollar and other foreign currency accounts. The sector also provides its broad customer base with other retail products like credit cards, consumer loans, cash management solutions, remittance services, and other bank services. While the main purpose is the generation of lower cost funding for the Bank's operations, RBS also concentrates on the cross-selling of trust, fixed income and bancassurance products to existing customers, and referrals of customers by transforming its domestic and overseas branch distribution channels into a sales-driven organization.

Cards Banking Solutions Group
The Cards Banking Solutions Group (CBSG) under RBS provides convenient, safe, and secure cashless payment solutions in the form of credit, debit, and prepaid card products catering to the Bank's diverse retail and corporate/business clients with varying payment needs. CBSG is also responsible in establishing partnerships with merchants for in-store and online promotions as well as installment programs to ensure that the cardholders get the maximum benefits in using PNB cards.

Retail Lending Group
The Retail Lending Group (RLG) was created under RBS in mid-2019 to be the consumer lending arm of the Bank upon the full integration of its wholly-owned thrift bank subsidiary, PNBSB, into the Bank in March 2020. RLG is tasked to provide the Bank's retail clients with home mortgage loans and car financing through PNB's domestic branch network as well as wholesale channels covering accredited car dealers and real estate developers.

International Banking & Remittance Group
The International Banking & Remittance Group (IBRG) covers the Bank's overseas offices across Asia, Middle East, North America and Europe. As part of the RBS, the group is responsible in providing convenient and safe remittance services to OFWs as well as full banking services in selected jurisdictions, including overseas bills payment, deposit account opening, corporate, credit and trade facilities. Through IBRG, the Bank offers Own a Philippine Home Loan (OPHL), a financing facility for overseas Filipinos and non-Filipinos for their real estate investments in the Philippines. IBRG is also in charge of forging and maintaining partnerships with remittance agents to further extend the Bank's scope and reach to the OFW market beyond its brick and mortar overseas offices.

Institutional Banking Sector
The Institutional Banking Sector (IBS) is responsible for the establishment, expansion and overall management of banking relationships with large corporate clients and government entities under its Corporate Banking Group (CBG) as well as middle market and SME customers through its Commercial Banking Group (COMBG). In 2020, the Bank's Ecosystem Division and the Cash Management Solutions Division were consolidated to form the Institutional Transaction Banking Group (ITBG) under IBS aimed at capturing the entire value chains of anchor clients by offering them a comprehensive network of tailor fit, end-to-end financial solutions. Through ITBG, clients are provided with cash management, innovative solutions, credit programs and trade products.

Global Banking and Markets Sector
The Global Banking and Markets Sector (GBMS) oversees the management of the Bank's liquidity and regulatory reserves as well as the risk positions on interest rates and foreign exchange arising from the daily inherent operations in deposit-taking and lending, and from proprietary trading. Likewise, GBMS provides a wide range of banking products and services to corporates, governments, financial institutions and high net worth individuals. Its functions also include carrying forward the Bank's wealth management proposition, providing corporate and middle market clients with access to the financial

markets, and building partnerships with multinationals, financial institutions and non-bank financial institutions by offering them banking solutions to address their needs and help attain their objectives.

Trust Banking Group

The Trust Banking Group (TBG) provides a full range of trust, agency, and fiduciary products and services designed to serve a broad spectrum of market segments. Its personal trust products and services include personal management trust, investment management, estate planning, guardianship, life insurance trust, and escrow. Corporate trust services and products include corporate trusteeship, securitization, portfolio management, administration of employee benefit plans, pension and retirement plans, and trust indenture services. Other fiduciary services include such roles as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank. PNB TBG manages ten Philippine Peso- and US dollar-denominated Unit Investment Trust Funds ("UITFs"). These include money market funds, bond funds, balanced funds, and equity funds.

2. Competition

In the Philippines, the Bank faces competition in all its principal areas of business, from both Philippine (private and government-owned) and foreign banks, as well as finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry with the entry of foreign banks under Republic Act (R.A.) 7721 in 1994 and R.A. 10641 in 2014, as well as, the recent mergers and consolidations in the banking industry. As of the latest available data from the BSP, there were 46 universal and commercial banks, of which 17 are private domestic banks, 3 are government banks and 26 are branches or subsidiaries of foreign banks. Some competitor banks have greater financial resources, wider networks and greater market share than PNB. Said banks also offer a wider range of commercial banking services and products; have larger lending limits; and stronger balance sheets than PNB. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the Lucio Tan Group of Companies and with its government customers, as well as builds on relationships with the Bank's other key customers. The Bank also faces competition in its operations overseas. In particular, the Bank's stronghold in the remittance business in 17 countries in North America, Europe, the Middle East and Asia is being challenged by competitor banks and non-banks. As of December 30, 2020, the Bank has a distribution network of 716 domestic branches and offices and 1,710 ATMs nationwide. The Bank is one of the largest local private commercial banks in the Philippines in terms of consolidated total assets, net loans and receivables, capital and deposits as well as with regard to branch network. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

3. Revenue Derived from Foreign Operations

The percentage contributions of the Group's offices in Asia, Canada and USA, United Kingdom and Other European Union Countries to the Group's revenue, for the years 2020, 2019, 2018 are as follows:

	2020	2019	2018
Asia (excluding the Philippines)/ Middle East	4%	4%	3%
Canada and USA	2%	2%	1%
United Kingdom & Other European Union Countries	0.4%	0.5%	0.3%

Please refer to Note 6 of the Audited Financial Statements.

4. New Products and Services

The Bank launched the following products and services in 2020:

a. **Auto Loan Calculator**

The Auto Loan Calculator is a powerful tool that gives the potential auto loan borrower the information needed to assess their financial capacity before applying for a loan and submitting the required documents. Accessible via the PNB website, it computes for the amount to borrow and the estimated monthly payments.

b. **Appraisal Fee Payment via Mobile/Internet Banking**

An online payment channel for potential PNB Home Loan borrowers registered in PNB Mobile Banking to pay the Home Loan Appraisal Fee online instead of personally visiting a PNB branch to make payments

c. **PNBayani**

PNBayani is a centralized platform where PNB provides solutions to our OFWs banking needs as well as their families and beneficiaries. A sub-section of the PNB website, it was redesigned with the customer experience in mind. Thus, this new Global Filipino hub comes with an intuitive user interface, seamless navigation and personalized content based on location. PNB goes beyond just showcasing its products and services as the hub aims to also promote financial literacy by providing helpful tips and other engaging content to its visitors.

d. **PNB Ze-Lo Mastercard**

The PNB Ze-Lo Mastercard, a credit card with zero annual fee, zero overlimit fee, and low finance charge, was launched last February 2020. This card aims to capture customers who want a basic credit card that offers flexibility for their daily finances.

e. **Mastercard Airport Experiences**

The Mastercard Airport Experiences (MCAE) program is a seamless, integrated solution that drives card usage and influence brand preference by connecting affluent customers to the largest network of airport lounges and collection of curated retail, dining, and spa offers. This program offers 1 free access to over 1,000 airport lounges per year to all principal PNB-PAL Mabuhay Miles World Mastercard cardholders.

f. **PNB Cart Mastercard**

The PNB Cart Mastercard was launched in January 2021. It is a virtual credit card which enables the cardholders to transact online immediately as their card details are sent securely via email.

5. Related Party Transactions

Please refer to Item 5(e) of the Information Statement.

6. Patents, Trademarks, Licenses, Franchises, Concessions and Royalty Agreements

The Bank's operations are not dependent on any patents, trademarks, copyrights, franchises, concessions, and royalty agreements.

7. Government Approval of Principal Products or Services

Generally, electronic banking (e-banking) products and services require BSP approval. New deposit products require notification to the BSP. The Bank has complied with the aforementioned BSP requirements.

8. Estimate of Amount Spent for Research and Development Activities

The Bank provides adequate budget for the development of new products and services which includes hardware and system development, continuous education and market research. Estimated amount spent for 2020, 2019 and 2018 totaled P862.4 million, P622.3 million and P582.2 million, respectively.

9. Number of Employees

The total employees of the Bank as of December 31, 2020 is 9,071, of which 4,691 are classified as Bank officers and 4,380 as rank and file employees, broken down as follows:

	Total
Officers:	
Vice President and up	128
Assistant Manager up to Senior Assistant Vice President	4,563
Rank and File	4,380
Total	9,071

The Bank shall continue to pursue selective and purposive hiring strictly based on business requirements. The Bank has embarked on a number of initiatives to improve operational efficiency.

With regard to the Collective Bargaining Agreement (CBA), the Bank's regular rank and file employees are represented by a Union. Total union membership is 3,463 out of 4,380 rank and file employees or approximately 79% of the total rank and file population. The CBA has been renewed for a two (2)- year period from July 1, 2020 to June 30, 2022.

The Bank has not suffered any strikes, and the Management of the Bank considers its relations with its employees and the Union as harmonious and mutually beneficial. Industrial Peace is continuously being enjoyed by both Management and Organized Union.

10. Risk Management

As a financial institution with various allied undertakings with an international footprint, PNB continues to comply with an evolving and regulatory and legislative framework in each of the jurisdictions in which the Bank operates. The nature and the impact of future changes in laws and regulations are not always predictable. These changes have implications on the way business is conducted and corresponding potential impact to capital and liquidity.

Effective risk management is essential to consistent and sustainable performance for all of the Bank's stakeholders and is therefore a central part of the financial and operational management of the PNB Group. PNB adds value to clients and therefore the communities in which it operates, generating returns for stockholders by taking and managing risk.

Through its Risk Management Framework, the Bank manages enterprise-wide risks, with the objective of maximizing risk-adjusted returns while remaining within its risk appetite. The BOD of the Bank plays a pivotal role and has the ultimate responsibility in bank governance through their focus on two factors that will ultimately determine the success of the Bank, viz: (1) responsibility for the Bank's strategic objectives; and (2) assurance that such will be executed by choice of talents.

Strong independent oversight has been established at all levels within the Bank. The Bank's BOD has delegated specific responsibilities to various Board Committees, which are integral to PNB's risk governance framework and allow executive management, through management committees, to evaluate the risks inherent in the business and to manage them effectively.

There are eight (8) Board Committees:
1. Board Audit & Compliance Committee (BACC)
2. Board Information Technology Governance Committee (BITGC)
3. Board Oversight Related Party Transaction Committee (BORC)
4. Board Strategy & Policy Committee (BSPC)
5. Corporate Governance and Sustainability Committee (CorGov)
6. Executive Committee (EXCOM)
7. Risk Oversight Committee (ROC)
8. Trust Committee (TrustCom)

A sound, robust and effective Enterprise Risk Management (ERM) coupled with global best practices were recognized as a necessity and are the prime responsibility of the BOD and senior management. The approach to risk is founded on strong corporate governance practices that are intended to strengthen the enterprise risk management of PNB, while positioning the Group to manage the changing regulatory environment in an effective and efficient manner.

Approved by the Board in 2020, the Management Risk Committee (MRC) was created as a forum ensuring that the Bank's Enterprise Risk Management Framework (ERMF) is operationalized and that Senior Management has an enterprise-level view of all material risks and that risk-mitigating actions properly determined and effectively executed.

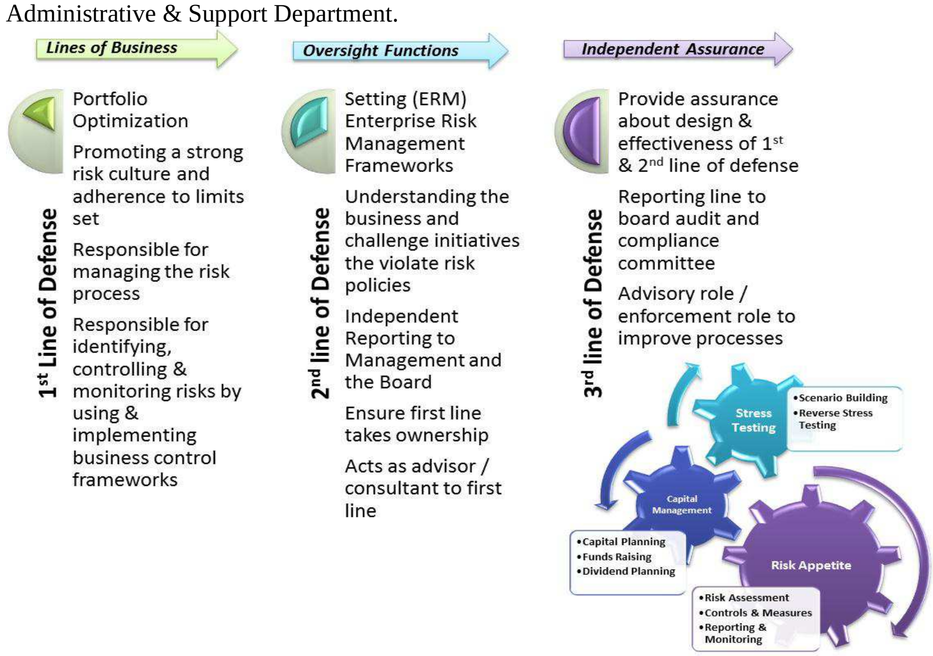
Mainly composed of the Bank's Sector and Group heads, the MRC will be responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The committee shall periodically assess that the Bank's risk appetite statements are aligned with the business strategy and the overall objectives.

The approach to managing risk is outlined in the Bank's ERMF which creates the context for setting policies, standards, and establishing the right practices throughout the Group. It defines the risk management processes and sets out the activities, tools, and organizational structure to ensure material risks are identified, measured, monitored and managed.

PNB's ERMF, with regular reviews and updates, has served the Bank well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework and the three lines-of-defense model, which are fundamental to PNB's aspiration to be world-class at managing risk.

While the first line of defense in risk management lies primarily on the Bank's risk taking units as well as the Bank's support units, the Risk Management Group is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained.

The risk management framework of the Bank is under the direct oversight of the Chief Risk Officer (CRO) who reports directly to the ROC. The CRO is supported by Division Heads with specialized risk management functions to ensure that a robust organization is maintained. The Risk Management Group is independent from the business lines and organized into the following divisions: Credit Risk Division, BASEL/ICAAP/Operational Risk Management Division, Market & ALM Division, Business Continuity Management and Vendor Risk Monitoring Division, Data Privacy & Technology Risk Management Division, Trust Risk Division, Business Intelligence & Warehouse Division, Model Validation Division and Administrative & Support Department.



Each division monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These board approved policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks.

The Bank's governance policies also provide for the validation, audits & compliance testing, to measure the effectiveness and suitability of the risk management structure. The Risk Management Group also functions as the Secretariat to both the ROC and the MRC which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the Bank in its internal capital adequacy assessment process (ICAAP) document.

Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at the moment of origination.

The risk management system and the directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the business units and presented to the ROC for endorsement for final BOD Approval.

In line with the integration of the BSP required ICAAP and risk management processes, PNB currently monitors 10 Material Risks (3 for Pillar 1 and 7 for Pillar 2). These material risks are as follows:

Pillar 1 Risks:
1. Credit Risk (includes Counterparty and Country Risks);
2. Market Risk; and
3. Operational Risk.

Pillar 2 Risks:
1. Credit Concentration Risk;
2. Interest Rate Risk in Banking Book (IRRBB);
3. Liquidity Risk;
4. Reputational / Customer Franchise Risk (including Social Media and AML Risks);
5. Strategic Business Risk;
6. Cyber Security / Information Security / Data Privacy Risk; and
7. Information Technology (including Core Banking Implementation).

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP Circular No. 538, Series of 2006 using the Standard Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risks. Discussions that follow below are for Pillar 1 Risks with specific discussions relating to Pillar 2 risks mentioned above:

Risk Categories and Definitions

We broadly classify and define risks into the following categories and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2020 program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract. Credit Concentration Risk is part of credit risk that measures the risk concentration to any single customer or group of closely-related customers with the potential threat of losses which are substantial enough to affect the financial soundness of a financial institution	▪ Loan Portfolio Analysis ▪ Credit Dashboards ▪ Credit Review ▪ Credit Model Validation	▪ Trend Analysis (Portfolio / Past Due and NPL Levels ▪ Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ CRR Migration ▪ Movement of Portfolio ▪ Concentrations and Demographics Review ▪ Large Exposure Report ▪ Counterparty Limits Monitoring ▪ Adequacy of Loan Loss

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	(*BSP Circular 414, dated 13 January 2004)*		Reserves Review ▪ Specialized Credit Monitoring (Power, Real Estate)
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market.	▪ Value at Risk Utilization ▪ Results of Marking to Market ▪ Risks Sensitivity/ Duration Report ▪ Exposure to Derivative/ Structured Products	▪ VAR Limits ▪ Stop Loss Limits ▪ Management Triggers ▪ Duration Report ▪ ROP Exposure Limit ▪ Limit to Structured Products ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance ▪ Stress Testing ▪ BSP Uniform Stress Testing
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from a financial institution's inability to meet its obligations when they come due.	▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ Maximum Cumulative Outflow (MCO) ▪ Liquid Gap Analysis	▪ MCO Limits ▪ Liquid Assets Monitoring ▪ Stress testing ▪ Large Fund Provider Analysis ▪ Contingency Planning
Interest Rate Risk in the Banking Books (IRRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (*BSP Circular 510, dated 03 February 2006*)	▪ Interest Rate Gap Analysis ▪ Earnings at Risk (EaR) Measurement ▪ Duration based Economic Value of Equity	▪ EAR Limits ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis ▪ Duration based Economic Value of Equity ▪ Stress testing ▪ BSP Uniform Stress Testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs. *(BSP Circular 900, dated 18 January 2016)*	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment	▪ Internal Control ▪ Board Approved Operating Policies and Procedures Manuals ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Business Continuity Management (BCM) ▪ Statistical Analysis

<table>
<tr><th>Risk Category</th><th>Risk Definition</th><th>Risk Monitoring Process</th><th>Risk Management Tools</th></tr>
<tr><td colspan="4">Included in the Operational Risks:</td></tr>
<tr><td>Reputational Risk (Customer Franchise Risk) Including Social Media Risk and AML Risk</td><td>Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion.

Customer franchise risk is defined as the failure to find, attract, and win new clients, nurture and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services.

Risks in social media include susceptibility to account takeover, malware distribution, brand bashing, inadvertent disclosure of sensitive information and privacy violation, among other possible threats

Risks relating to Money Laundering refers to transfers or movement of funds that falls into the following (but not limited to) categories:
1. Terrorist financing;
2. Unlawful purposes; and
3. Transactions over certain amounts as defined by AMLC – Ant-Money Laundering Council.</td><td rowspan="3">▪ Risk Identification
▪ Risk Measurement
▪ Risk Evaluation (i.e. Analysis of Risk)
▪ Risk Management (i.e. Monitor, Control or Mitigate Risk)

Monitoring of Pillar II Risks fall under the purview of Operational Risk Management:
▪ Risk Identification – Risk Maps
▪ Risk Measurement and Analysis – ICAAP Risk Assessment

Major Factors considered:
▪ Products
▪ Technology
▪ People
▪ Policies and Processes
▪ Stakeholders (including customer and regulators)</td><td>▪ Account Closures Report
▪ Service Desk Customer Issues Report/Customer Complaints Monitoring Report
▪ Mystery Caller/Shopper
▪ Evaluation/ Risk Mitigation of negative media coverage
▪ Public Relations Campaign
▪ Review of Stock Price performance
▪ Fraud Management Program
▪ Social Media Management Framework
▪ Social Media Risk Management
▪ AML Compliance Review / Monitoring
▪ Enhanced Due Diligence Program for Customers</td></tr>
<tr><td>Strategic Business Risks</td><td>Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.</td><td>▪ Management Profitability Reports – Budgets vs Actuals
▪ Benchmarking vis-a-vis Industry, Peers
▪ Economic Forecasting
▪ Annual Strategic Planning Exercise</td></tr>
<tr><td>Cyber Security Risk</td><td>Cyber Security Risk is the current and prospective impact on earnings, reputation, customer franchise, and/or capital arising from information security threats of attack on the Bank's digital footprint through (not limited to) the following:
• Breaches in data security;
• Sabotage on online (web-based) activities (Ransomware, DDOS, etc.);
• Common threats (spam, phishing, malware, spoofing viruses, spoofing, etc.); and
• Scams and Frauds (Social engineering, identify thefts,</td><td>▪ Incident Reporting Management
▪ Information Security Policy Formulation
▪ Risk Assessment
▪ Information Security Management System Implementation
▪ Continuous InfoSec / cyber risk awareness campaigns
▪ Network Security Protection
▪ Limits on Access Privileges
▪ Scanning of outbound and inbound digital traffic</td></tr>
</table>

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	email scams, etc.).		
Information Security / Data Privacy	Information Security Risk is the risk to organizational operations due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA). Social Engineering can result in various key risk indicators – phishing, spamming, dumpster diving, direct approach, baiting, spying & eaves dropping, among others. Data Privacy Risk refers to the risk of misuse of personal data that could lead to individual harm which may take the form of loss of income, other financial loss, reputational damage, discrimination, and other harms.		• Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). • Enterprise–wide Implementation of the Information Security Management Systems • Education / InfoSec Awareness is also constantly conducted • Conduct of internal and 3rd party vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks • Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements • Institutionalization of data protection culture within the group through regular awareness programs
Information Technology (including Core Banking Implementation)	Technology Risk results from human error, malicious intent, or even compliance regulations. It threatens assets and processes vital to the Bank's business and may prevent compliance with regulations, impact profitability, and damage the Bank's reputation in the marketplace. Risks in the smooth operation of the newly implemented core banking application may also threaten the delivery of service to clients and customer.	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk)	▪ Risk Asset Register ▪ Risk Awareness Campaigns ▪ IT Risk Assessments ▪ Formal Project Management Program adoption ▪ Vulnerability Assessment and Penetration Testing ▪ Maintenance and upgrades of disaster recovery sites ▪ Business Users / IT joint engagement for problem resolution ▪ Technology Operations Management Policies & Guidelines ▪ Vendor Management Process Monitoring

Regulatory Capital Requirements under BASEL III – PILLAR 1 Capital Adequacy Ratio

The Bank's Capital Adequacy Ratio as of December 31, 2020 stood at 15.54% on a consolidated basis while the Risk Weighted Assets (RWA) as of the end of 2020 amounted to P801.989 billion composed of P677.322

billion (Credit Risk Weighted Assets – CRWA), P60.469 billion (Market Risk Weighted Assets – MRWA) and P64.199 billion (Operations Risk Weighted Assets – ORWA).

The Bank's total regulatory requirements for the four (4) quarters for 2020 are as follows:

Consolidated	Weighted Exposures (as of End of Every Quarter of 2020)			
(*Amounts in P millions*)	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**
CRWA	677,322	668,983	706,847	771,000
MRWA	60,468	57,566	44,038	36,572
ORWA	64,199	64,199	64,199	64,199
Total Risk-Weighted Asset	**801,989**	**790,748**	**815,084**	**871,771**
Common Equity Tier 1 Ratio	14.87%	15.67%	15.00%	13.81%
Capital Conservation Buffer	8.87%	9.67%	9.00%	7.81%
Total Capital Adequacy Ratio	**15.54%**	**16.40%**	**15.87%**	**14.73%**

Presented below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements as at December 31, 2020 attributable to the Bank (amounts in P thousands):

Accounts	Balance in FRP	Accounting differences and other adjustments	Balance in audited financial statements
Capital stock	61,030,594	–	61,030,594
Additional paid-in capital	32,106,560	–	32,106,560
Surplus reserves	5,032,515	(418)	5,032,097
Surplus	51,228,040	3,615,548	54,843,588
Net unrealized loss on Available-for-Sale investments	3,093,627	(39,224)	3,054,403
Remeasurement losses on retirement plan	(2,935,589)	(73,863)	(3,009,452)
Accumulated translation adjustment	867,846	(149,974)	717,872
Other equity reserves	–	419,542	419,542
Share in aggregate reserves on life insurance policies	–	(1,038,838)	(1,038,838)
Reserves of Disposal Group Classified as Held for Sale		88,616	88,616
Appraisal increment reserve	–	–	–
TOTAL	150,423,593	2,821,389	153,244,982

Credit Risk-Weighted Assets as of December 31, 2020

The Bank adopts the standardized approach in quantifying the risk-weighted assets. Credit risk exposures are risk weighted based on third party credit assessments of Fitch, Moody's, Standard & Poor's and PhilRatings agencies. The ratings of these agencies are mapped in accordance with the BSP's standards. The following are the consolidated credit exposures of the Bank and the corresponding risk weights:

In P Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	25,084	-	25,084	25,084	0.35	-	-	-	-
Due from BSP	202,162	-	202,162	202,162	-	-	-	-	-
Due from Other Banks	21,357	-	21,357	-	11,949	7,708	-	1,701	-

In P Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Financial Asset at FVPL	-	-	-	-	-	-	-	-	-
Available for Sale	1,374	-	1,374	-	-	-	-	1,374	-
Held to Maturity (HTM)	96,338	4,427	91,911	29,045	5,824	42,592	-	14,450	-
Unquoted Debt Securities	-	-	-	-	-	-	-	-	-
Loans & Receivables	633,142	13,147	619,995	1,121	67,031	57,994	-	476,017	17,832
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	15,822	-	15,822	15,822	-	-	-	-	-
Sales Contracts Receivable	5,007	-	5,007	-	-	-	-	4,510	496
Real & Other Properties Acquired	8,400	-	8,400	-	-	-	-	-	8,400
Other Assets	36,625	-	36,625	-	-	-	-	36,625	-
Total On-Balance Sheet Asset	1,045,311	17,573	1,027,738	273,234	84,804	108,295	-	534,677	26,728
Total Risk Weighted Asset - On-Balance Sheet	-	-	-	-	16,961	54,147	-	534,677	40,093
Total Risk Weighted Asset - Off-Balance Sheet Asset	-	-	-	-	-	783	-	27,826	-
Counterparty Risk Weighted Asset in Banking Book	-	-	-	-	-	1,697	-	-	-
Counterparty Risk Weighted Asset in Trading Book				-	1	901	-	236	-

* Credit Risk Mitigants used are cash, guarantees and warrants.

Market Risk-Weighted Assets as of December 31, 2020

The Bank's regulatory capital requirements for market risks of the trading portfolio are determined using the standardized approach ("TSA"). Under this approach, interest rate exposures are charged both for specific risks and general market risk. The general market risk charge for trading and Fair Value through Other Comprehensive Income (FVOCI) portfolio is calculated based on the instrument's coupon and remaining maturity with risk weights ranging from 0% for items with very low market risk (i.e., tenor of less than 30 days) to a high of 12.5% for high risk-items (i.e., tenor greater than 20 years) while capital requirements for specific risk are also calculated for exposures with risk weights ranging from 0% to 8% depending on the issuer's credit rating. On the other hand, equities portfolio is charged 8% for both specific and general market risk while foreign exchange (FX) exposures are charged 8% for general market risks only.

Capital Requirements by Market Risk Type under the Standardized Approach

(Amounts in P Million)	Capital Charge (a)	Adjusted Capital Charge (b) b= a*125% 1/	Market Risk Weighted Exposures (c) c= b*10 2/
Interest Rate Exposures	4,152.32	5,190.40	51,903.97
Specific Risk	1,256.84	1,571.04	15,710.45
General Market Risk	2,895.48	3,619.35	36,193.52
Equity Exposures	163.61	204.51	2,045.13
Foreign Exchange Exposures	521.56	651.94	6,519.45
Total	4,837.48	6,046.85	60,468.55

Notes:

1/ Capital charge is multiplied by 125% to be consistent with BSP required minimum Capital Adequacy Ratio (CAR) of 10%, which is 25% higher than the Basel minimum of 8%.

2/ Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%)

The following are the Bank's exposure with assigned market risk capital charge.

Interest Rate Exposures consist of specific risk and general market risk.

Specific Risk

Specific Risk which reflects the type of issuer of the combined portfolio of financial assets designated at Fair Value through Profit or Loss (FVTPL) and FVOCI is P1,256.836 billion and is composed of securities with various tenors that are subjected to risk weight ranging from 0% to 8%. Sixty-nine percent (69%) of these securities are issued by Republic of the Philippines (ROP) while 10% is attributable to debt securities rated AAA to BBB- issued by other entities. The remaining portfolio consists of all other debt securities that are issued by other entities. Six percent (6%) of this combined portfolio is composed of USD-denominated debt securities issued by the Philippines with applicable risk weight of 0.25% to 1.6%. On the other hand, the Bank's holding in peso denominated securities which are estimated at sixty three percent (63%) of the portfolio have zero risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in P million)							
		Risk Weight					
	Positions	**0.00%**	**0.25%**	**1.00%**	**1.60%**	**8.00%**	**Total**
P-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	97,810.214					
	Short	-					
FCY-denominated debt securities issued by the Philippine NG/BSP	Long		2,143.671	137.795	6,571.818		
	Short						
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long		18,149.121	3,410.099	692.099		
	Short						
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long		2,793.201	7,010.873	5,799.606		
	Short						
All other debt securities/derivatives that are below BBB- and unrated	Long					11,056.459	
	Short						

Subtotal	Long	97,810.214	23,085.993	10,558.767	13,063.523	11,056.459	-
	Short	-	-	-	-	-	-
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		-	57.715	105.588	209.016	884.517	1,256.836
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products							
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps							
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES		-	57.715	105.588	209.016	884.517	1,256.836

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is P2,213.457 million. In terms of weighted positions, the greater portion (51%) of the Bank's capital charge comes from the Over 5 years to 7 years bucket at P1,138.538 million as well as Over 7 years to 10 years bucket (21%) at P477.729 million or a combined capital charge of P1,616.267 million. The remaining weighted positions (28%) are distributed over the remaining buckets.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in P million)							
	Time Bands		**Debt Securities & Debt Derivatives/Interest Rate Derivatives** Total Individual Positions		**Risk Weight**	**Weighted Positions**	
Zone	**Coupon 3% or more**	**Coupon less than 3%**	**Long**	**Short**		**Long**	**Short**
1	1 month or less	1 month or less	52,503.177	20,956.379	0.00%	-	-
	Over 1M to 3M	Over 1M to 3M	10,255.307	11,605.242	0.20%	20.511	23.210
	Over 3M to 6M	Over 3M to 6M	331.406	11,376.879	0.40%	1.326	45.508
	Over 6M to 12M	Over 6M to 12M	3,311.708	1,490.300	0.70%	23.182	10.432
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	4,011.546	-	1.25%	50.144	-
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	10,196.941	-	1.75%	178.446	-
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	1,189.947	-	2.25%	26.774	-
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	10,568.202	-	2.75%	290.626	-
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	35,031.936	-	3.25%	1,138.538	-
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	12,739.427	-	3.75%	477.729	-
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	641.647	-	4.50%	28.874	-
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	6.602	-	5.25%	0.347	-
	Over 20Y	Over 10.6Y to 12Y	-	-	6.00%	-	-
		Over 12Y to 20Y	-	-	8.00%	-	-
		Over 20Y	-	-	12.50%	-	-
Total			140,787.844	45,428.800		2,236.495	79.150
Overall Net Open Position							2,157.345
Vertical Disallowance							3.227
Horizontal Disallowance							52.885
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							2,213.457

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is P673.313 million. The exposure is concentrated under the Over 7 years to 10 years' time bucket with risk weight of 3.75% resulting in a capital charge of P217.007 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from P0.244 million to P178.974 million.

Currency: USD							
PART IV.1d GENERAL MARKET RISK (Amounts in P0.000 million)							
	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives Total Individual Positions		Risk Weight	Weighted Positions	
Zone	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	41,116.741	24,739.789	0.00%	-	-
	Over 1M to 3M	Over 1M to 3M	19,856.302	13,073.622	0.20%	39.713	26.147
	Over 3M to 6M	Over 3M to 6M	13,951.533	240.115	0.40%	55.806	0.960
	Over 6M to 12M	Over 6M to 12M	6,906.295	-	0.70%	48.344	-
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	3,869.508	-	1.25%	48.369	-
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	4,949.274	-	1.75%	86.612	-
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	676.527	-	2.25%	15.222	-
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	6,508.156	4,114.560	2.75%	178.974	113.150
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	2,016.505	-	3.25%	65.536	-
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	5,786.854	-	3.75%	217.007	-
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	5.427	-	4.50%	0.244	-
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	795.091	-	5.25%	41.742	-
	Over 20Y	Over 10.6Y to 12Y	13.155	-	6.00%	0.789	-
		Over 12Y to 20Y	-	-	8.00%	-	-
		Over 20Y	9.491	-	12.50%	1.186	-
Total			106,460.859	42,168.086		799.546	140.258
Overall Net Open Position							659.288
Vertical Disallowance							14.026
Horizontal Disallowance							-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							673.313

General Market Risk – Third currencies

The Bank is likewise exposed to various third currencies contracts most of them are in less than 30 days thus carries a 0% risk weight. The combined general market risk charge for contracts in Australian Dollar (AUD), Hong Kong Dollar (HKD), Euro (EUR), and Canadian Dollar (CAD) is P8.712 million with risk weight ranging from 0.20% and 0.40%.

PART IV.1d GENERAL MARKET RISK (Amounts in P million)										
		Total Debt Securities & Debt Derivatives/Interest Rate Derivatives			Weighted Positions					
Currency	Time Bands	Long	Short	Risk Weight	Long	Short	Overall Net Open Position	Vertical dis allowance	Horizontal dis allowance within	Total General Market Risk Capital Charge
AUD	1 month or less	-	14.565	0.00%	-	-				
	Over 1M to 3M	68.029	-	0.20%	0.136	-				
TOTAL		68.029	14.565		0.136	-	0.136	-	-	0.136
SGD	1 month or less	-	434.364	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	434.364		-	-	-	-	-	-
JPY	1 month or less	-	509.364	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	509.364		-	-	-	-	-	-
HKD	1 month or less	-	424.660	0.00%	-	-				
	Over 1M to 3M	-	432.256	0.20%	-	0.865				
	Over 3M to 6M	-	1,488.564	0.40%	-	5.954				
TOTAL		-	2,345.480		-	6.819	6.819	-	-	6.819

EUR	1 month or less	7.963	133.941	0.00%	-	-				
	Over 1M to 3M	-	862.515	0.20%	-	1.725				
TOTAL		7.963	996.456		-	1.725	1.725	-	-	1.725
GBP	1 month or less	-	161.621	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	161.621		-	-	-	-	-	-
CAD	1 month or less	-	56.117	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
	Over 3M to 6M	-	7.963	0.40%	-	0.032				
TOTAL		-	64.080		-	0.032	0.032	-	-	0.032
NZD	1 month or less	-	11.938	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	11.938		-	-	-	-	-	-
TOTAL THIRD CURRENCIES										8.712

Equity Exposures

The Bank's holdings are in the form of common stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is P163.610 million or total risk-weighted equity exposures of P2,045.128 million.

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	0.630
		Short	-
A.9	Others	Long	1,021.935
		Short	-
A.10	TOTAL	Long	1,022.564
		Short	-
B.	Gross (long plus short) positions (A.10)		1,022.564
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		81.805
E.	Net long or short positions		1,022.564
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		81.805
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		163.610
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		204.513
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		2,045.128

Foreign Exchange Exposures

The Bank's exposure to FX Risk carries a capital charge of P6,519.450 million. This includes P3,961.898 million arising from exposure in Non-Deliverable Forwards (NDFs) which carries a 4% risk weight while P2,557.552 million is from FX Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to Japanese Yen (JPY), Swiss Franc (CHF), Pound Sterling (GBP), EUR, CAD, AUD, Singapore Dollar (SGD) and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2020)						
	Closing Rate USD/P:					48.023
		In Million USD Equivalent				In Million Pesos
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
		Banks	Subsidiaries /Affiliates			
Nature of Item	Currency	1	2	3	4=1+2+3	5
Currency						
A.1 U.S. Dollar	USD	(54.998)	2.160		(52.839)	(2,537.469)
A.2 Japanese Yen	JPY	1.081	0.000		1.081	51.891
A.3 Swiss Franc	CHF	0.640	0.000		0.640	30.749
A.4 Pound Sterling	GBP	1.274	0.000		1.274	61.183
A.5 Euro	EUR	2.000	0.000		2.000	96.049
A.6 Canadian Dollar	CAD	0.262	0.000		0.262	12.589
A.7 Australian Dollar	AUD	0.052	0.000		0.052	2.478
A.8 Singapore Dollar	SGD	(0.052)	0.000		(0.052)	(2.508)
A.9 Foreign currencies not separately specified above		11.502			11.502	76.060
Arab Emirates Dirham	AED	0.015			0.015	0.731
Bahrain Dinar	BHD	0.002			0.002	0.080
Brunei Dollar	BND	0.001			0.001	0.026
Yuan Renminbi	CNY	(0.325)			(0.325)	(15.603)
Hongkong Dollar	HKD	(0.032)			(0.032)	(1.525)
Korean Won	KRW	0.019			0.019	0.918
Malaysian Ringgit	MYR	0.003			0.003	0.157
Norwegian Krone	NOK	0.000			0.000	0.000
New Zealand Dollar	NZD	(0.009)			(0.009)	(0.447)
Saudi Riyal	SAR	0.273			0.273	13.101
Thai Baht	THB	0.028			0.028	1.361
Taiwan Dollar	TWD	0.037			0.037	1.755
A.10 Sum of net long positions						273.068
A.11 Sum of net short positions						(2,557.552)
B. Overall net open positions 1/						2,557.552
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						204.604
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						255.755
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						2,557.552
G. INCREMENTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES ARISING FROM NDF TRANSACTIONS (Part IV.3A, Item F.)						3,961.898
H. TOTAL RISK WEIGHTED FOREIGN EXCHANGE EXPOSURES (Sum of F. and G.)						6,519.450

Operational Risk – Weighted Assets

The Bank uses the Basic Indicator Approach in quantifying the risk-weighted assets for Operational Risk. Under the Basic Indicator Approach, the Bank is required to hold capital for operational risk equal to the average over the previous three years of a fixed percentage (15% for this approach) of positive annual gross income (figures in respect of any year in which annual gross income was negative or zero are excluded).

(Amounts in P Million) Consolidated as of December 31, 2020	Gross Income	Capital Requirement (15% x Gross Income)
2017 (Year 3)	28,419	4,263
2018 (Year 2)	32,473	4,871
2019 (Last Year)	41,827	6,274
Average for 3 Years		5,136
Adjusted Capital Charge	Average x 125%	6,420
Total Operational Risk Weighted Asset		64,200

C. Subsidiaries

The following represent the Bank's significant subsidiaries:

Domestic Subsidiaries:

PNB Savings Bank (PNBSB) is a wholly-owned subsidiary of PNB as a result of the merger of PNB and ABC. PNBSB traces its roots from First Malayan Development Bank which ABC bought in 1986 to reinforce its presence in the countryside. In January 17, 1996, it was renamed First Allied Savings Bank following the grant of license to operate as a savings bank. It was in the same year that the Monetary Board of the BSP granted a foreign currency deposit license. In 1998, First Allied Savings Bank changed its name to Allied Savings Bank to further establish its association with the parent ABC. With the merger of PNB and ABC in 2013, Allied Savings Bank became a wholly owned subsidiary of PNB. In November 2014, the SEC approved the change of name of Allied Savings Bank to PNB Savings Bank.

On September 3, 2019 the integration of PNBSB and PNB was approved by the BSP. On February 29, 2020, PNB purchased substantially all of the assets and assumed all the liabilities of PNB Savings Bank. Effective March 1, 2020, all employees and branches of PNBSB were absorbed by PNB. On March 5, 2020, PNBSB surrendered its thrift bank license to the BSP. On October 28, 2020, the Stockholders and Board of Directors of PNBSB approved the end of the corporate life PNBSB on December 31, 2022 and its conversion into a holding company under the name Allied Integrated Holdings Inc. This conversion into a holding company was endorsed by the BSP last December 9, 2020. This, together with the other amendments to the Articles of Incorporation and By-Laws of PNBSB, was approved by the SEC last February 23, 2021.

Allied Integrated Holdings Inc. (Formerly: PNBSB) ended the year 2020 with total assets of P9.8 billion consisting of P9.3 billion in Cash, Real Estate ROPA of P263.0 million and Other Assets of P251.6 million. Unaudited balance sheet showed an Amount Payable to PNB under the Net Asset Integration Account of P686.0 million. Paid Capital Stock was P10.5 billion with a Negative Retained Earnings of P1.4 billion and a Net Loss of P14.0 million in 2020.

PNB General Insurers Co., Inc. (PNBGen) is a subsidiary of the Bank established in 1991. It is a non-life insurance company that offers coverage for Fire and Allied Perils, Marine, Motor Car, Aviation, Surety, Engineering, Accident Insurance and other specialized lines. PNBGen is a dynamic company providing and continuously developing a complete range of highly innovative products that will provide total protection to its customers at competitive terms. It started operations with an initial paid-up capital of P13 million. As of December 31, 2020, PNBGen's paid-up capital was P912.6 million, one of the highest in the industry. Unaudited total assets reached P7.7 billion with a total net worth of P1.5 billion.

For the year ended December 31, 2020, the company recorded unaudited net income of P83.9 million from a net income of P101.4 million in 2019.

PNB Capital and Investment Corporation (PNB Capital), a wholly-owned subsidiary of the Bank, is licensed by the SEC to operate as an investment house with a non-quasi-banking license. It was incorporated on July 30, 1997 and commenced operations on October 8, 1997.

As of December 31, 2020, PNB Capital had an authorized capital of P2.0 billion or 20,000,000 shares with a par value of P100.00 per share and a paid-up capital of P1.5 billion equivalent to 15,000,000 shares. Its principal business is to provide investment banking services which include debt and equity underwriting, private placement, loan arrangement, loan syndication, project financing and general financial advisory services, among others. The company is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. PNB Capital distributes its structured and packaged debt and equity securities by tapping banks, trust companies, insurance companies, retail investors, brokerage houses, funds and other entities that invest in such securities.

Investment banking is a highly regulated industry. Regulatory agencies overseeing PNB Capital include the BSP, the SEC, the Bureau of Internal Revenue, as well as several affiliates, support units and regulatory commissions of these entities.

The primary risks of the company include underwriting, reputational and liability risks. First, underwriting risk pertains to the risk of market's non-acceptance of securities being offered and underwritten by PNB Capital. In such scenario, the company would have to purchase the offered for its own account. Second, reputational risk arises from the possibility that the company may not be able to close mandated deals as committed. Third, liability risk refers to the risk from possible lawsuits filed by the client due to nonperformance of committed duties or gross negligence by the company. These primary risks are addressed by:

- ensuring that the staff is well-trained and capable, at the functional and technical level, to provide the services offered;
- understanding the clients' specific needs and goals;
- clarifying and documenting all goals, methodologies, deliverables, timetables and fees before commencing on a project or engagement and including several indemnity clauses to protect PNB Capital from being held liable for actions and situations beyond its control. These indemnity clauses are revised and improved upon after each engagement, as and when new protection clauses are identified;
- having clients fill-up client suitability forms for their investments in instruments underwritten/arranged by PNB Capital; and
- all transactions are properly documented and approved by the Investment Committee and/or Board of Directors.

As of December 31, 2020, PNB Capital's unaudited total assets and total equity stood at P2.4 billion and P2.2 billion, respectively. Its unaudited net income for the year ended December 31, 2020 was P34.0 million.

PNB-Mizuho Leasing and Finance Corporation (formerly PNB-IBJL Leasing and Finance Corporation), was incorporated on April 24, 1996 under the auspices of the Provident Fund of the Bank as PF Leasing and Finance Corporation. It was largely inactive until it was used as the vehicle for the joint venture between the Bank (60%), Mizuho Leasing Co Ltd., Tokyo (35%), and Industrial Bank of Japan, now called Mizuho Corporate Bank (5%). The corporate name was changed to Japan-PNB Leasing and Finance Corporation and the joint venture company commenced operations as such in February 1998.

On January 31, 2011, PNB increased its equity interest in JPNB Leasing from 60% to 90%. The Bank's additional holdings were acquired from minority partners, IBJ Leasing Co., Ltd. (IBJL) and Mizuho Corporate Bank, which divested their 25% and 5% equity interests, respectively. IBJL remains as an active joint venture partner with a 10% equity interest.

PNB-Mizuho Leasing and Finance Corporation operates as a financing company under Republic Act No. 8556 (the Financing Company Act of 1998, as amended). Its major activities are financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, PNB-Mizuho Equipment Rentals Corporation*)*, term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade receivables and installment papers) and Floor Stock Financing (short-term loan against assignment of inventories, e.g., motor vehicles).

Majority of the principal products or services are in peso leases and loans. Foreign currency (USD and JPY) leases and loans are mostly funded by IBJL.

On April 3, 2014, the PNB-IBJL Leasing and Finance Corporation's Board and stockholders approved the increase of the company's authorized capital from P150 million to P1.0 billion, representing 10,000,000 shares with a par value of P100.00 per share, in preparation for the declaration of stock dividends. On June 27, 2014, PNB-IBJL Leasing and Finance Corporation's Board approved the declaration of 2 shares to 1 share stock dividends to stockholders of record as of June 30, 2014.

On November 28, 2014, PNB and IBJL entered into a Share Sale and Purchase Agreement covering the buy back by IBJL from PNB of 15% equity ownership in Japan-PNB Leasing with a closing date of January 30, 2015.

On January 13, 2015, the SEC approved the increase in its authorized capital stock from P150.0 million consisting of 1.5 million shares with a par value of P100.00 per share to P1.0 billion consisting of 10 million shares with a par value of P100.00 per share. Subsequently, the stock dividends declaration was implemented with the issuance of 300,000 new shares on January 23, 2015.

On January 30, 2015, the buyback of the 15% equity of Japan-PNB Leasing by IBJL from PNB was consummated, resulting to an equity ownership as follows: PNB - 75% and IBJL - 25%.

On March 27, 2015, the SEC approved the change of name of Japan-PNB Leasing and Finance Corporation to PNB-IBJL Leasing and Finance Corporation.

On December 15, 2017, the Bank's BOD approved an additional capital infusion of up to P400 million to PNB-IBJL Leasing and Finance Corporation. The BSP approved on February 26, 2018 the additional capital infusion of P400 million to PNB-IBJL Leasing and Finance Corporation. PNB paid the P400 million additional capital infusion on April 6, 2018.

On August 29, 2018, PNB and IBJL entered into a Share Sale and Purchase Agreement covering the buyback by IBJL from PNB of the 25% share or P100 million on the additional capital infusion of P400 million.

On March 2019, Mizuho Bank Ltd increased its shareholdings in IBJ Leasing Co., Ltd. And as a result, IBJL changed its corporate name to Mizuho Leasing Company, Limited effective October 1, 2019.

On March 3, 2020, the Securities and Exchange Commission approved the change of name from PNB-IBJL Leasing and Finance Corporation to PNB-Mizuho Leasing and Finance Corporation.

As of December 31, 2020, PNB-Mizuho Leasing and Finance Corporation's consolidated unaudited total assets and total equity stood at P5.4 billion and P371.7 million, respectively. Its consolidated unaudited net loss for the year ended December 31, 2019 was P270.2 million.

PNB-Mizuho Equipment Rentals Corporation (formerly PNB-IBJL Equipment Rentals Corporation**)** is a wholly-owned subsidiary of PNB-Mizuho Leasing and Finance Corporation. It was incorporated in the Philippines on July 3, 2008 as a rental company and started commercial operations on the same date. It is engaged in the business of renting all kinds of real and personal properties.

On March 11, 2015, the SEC approved the change of name from Japan-PNB Equipment Rentals Corporation to PNB-IBJL Equipment Rentals Corporation.

On March 2019, Mizuho Bank Ltd increased its shareholdings in IBJ Leasing Co., Ltd. and as a result, IBJL changed its corporate name to Mizuho Leasing Company, Limited effective October 1, 2019.

On March 4, 2020, the SEC approved the change of name from PNB-IBJL Equipment Rentals Corporation to PNB-Mizuho Equipment Rentals Corporation.

As of December 31, 2020, it had a paid-up capital of P40.0 million and a total capital of P20.6 million. Its unaudited total assets and net loss for the year ended December 31, 2020 were P1.1 billion and P61.1 million, respectively.

PNB Holdings Corporation (PHC), a wholly-owned subsidiary of the Bank, was established on May 20, 1920 as Philippine Exchange Co., Inc. The SEC approved the extension of the corporate life of PHC for another fifty (50) years effective May 20, 1970. In 1991, it was converted into a holding company and was used as a vehicle for the Bank to engage into the insurance business where it owns 34% of PNBGen. On December 29, 2020, PHC sold its shares in PNBGen to Alliedbankers Insurance Corp. (ABIC).

As of December 31, 2020, PHC had an authorized capital of P500.0 million consisting of 5,000,000 shares with a par value of P100 per share. PHC has a total paid-up capital of P255.1 million and additional paid-in capital of P3.6 million, while total assets and total capital were P750.5 million and P551.2 million, respectively. PHC realized a net income of P143.1 million in 2020.

The SEC approved on January 13, 2021 the increase in PHC's authorized capital stock by P50 billion. PHC acquired ownership over three (3) major properties of PNB which were transferred as capital contribution in exchange for PHC shares.

PNB Securities, Inc. (PNBSec) was incorporated in January 18, 1991 and is a member of the Philippine Stock Exchange, Inc. (PSE) As a securities dealer, it is engaged in the buying and selling of securities listed in the PSE either for its own account as Dealer or for account of its customers as Broker. It is a wholly-owned subsidiary of PNB and ranked 32nd among 129 active members in the PSE with 0.48% market share in terms of value turn-over as of December 31, 2020.

a. As of December 31, 2020, it has a total paid-up capital of P100.0 million with unaudited total assets and total capital of P346.0 million and P174.2 million, respectively.
b. PNBSec had no bankruptcy, receivership, or similar proceedings in the past three (3) years.
c. There are no material reclassification, merger, consolidation, or purchase/sale of a significant asset not in the ordinary course of business.

Relative to its competitors, the company's strength lies in the fact that it is backed up by PNB, a universal bank and considered one of the top commercial banks in the country today.

Inherent to all engaged in the stockbrokerage business, the company is exposed to risks like Operational Risk, Position Risk, Counterparty Risk and Large Exposure Risk. To address, identify, assess and manage the risks involved, the company submits semi-monthly to the SEC and the Capital Markets Integrity Corporation (CMIC) of the PSE the required Risk Based Capital Adequacy (RBCA) Report which essentially measures the broker's net liquid capital considering said risks. Further, PNB's Risk Management Group is overseeing/ monitoring the company's risk management / exposures.

Foreign Subsidiaries:

Allied Commercial Bank (ACB), a 99.04% owned subsidiary of the Bank and formerly known as Xiamen Commercial Bank, ACB was established in Xiamen, Fujian Province, China in September 1993 as a foreign-owned bank. It obtained its commercial banking license in July 1993 and opened for business in October 1993. In 2003, ACB opened a branch in the southwestern city of Chongqing.

In December 2015, China's banking regulator, the China Banking Regulatory Commission (CBRC), Xiamen Office approved ACB's application to engaged in CNY-denominated business for all clients except citizens within the territory of China.

In April 2016, ACB completed the preparatory work for its CNY business and the CBRC Xiamen Office issued the opinions on passing the inspection on ACB's application for its CNY business.

On January 16, 2017, the Fujian Administration for Industry and Commerce (FAIC) issued a business license to ACB to engage in foreign currency-denominated business servicing all types of clients and in CNY-denominated business servicing all clients except Chinese resident citizens.

The ACB formally launched its CNY business on April 12, 2017.

In May 2020, China's banking regulator, the China Banking and Insurance Regulatory Commission (CBIRC, formerly CBRC), Xiamen Office allowed ACB to conduct CNY-denominated business serving all clients including Chinese resident citizens.

On December 15, 2020, the Market and Quality Supervision Commission of Xiamen Municipality issued a business license to ACB to engage in foreign currency-denominated and CNY-denominated business servicing all types of clients.

The ACB formally launched CNY business servicing all types of clients on December 25, 2020.

Allied Banking Corporation (Hong Kong) Limited (ABCHKL) is a private limited company incorporated in Hong Kong in 1978 and is licensed as a restricted license bank under the Hong Kong Banking Ordinance. By virtue of the merger between PNB and ABC in February 2013, PNB now owns 51% of ABCHKL.

It provides a full range of commercial banking services predominantly in Hong Kong, which include lending and trade financing, documentary credits, participation in loans syndications and other risks, deposit-taking, money market and foreign exchange operations, money exchange, investment and general corporate services.

ABCHKL has one branch license and a wholly owned subsidiary incorporated also in Hong Kong, ACR Nominees Limited, which provides non-banking general services to its customers. It is a Trust or Company Service Provider ("TCSP") licensee in Hong Kong.

Philippine National Bank (Europe) Plc (PNB Europe) was originally set up as a PNB London Branch in 1976. In 1997, it was converted as a wholly owned subsidiary bank of PNB, incorporated in the United Kingdom with a full banking license. In 2007, PNB Europe opened its branch in Paris, France, where it engaged in remittance services and ceased its operations after August 31, 2017. PNB Europe is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In April 2014, Allied Bank Phils (UK) was merged with PNB Europe Plc.

PNB Global Remittance & Financial Company (HK) Limited (PNB Global) is a wholly-owned subsidiary of the Bank and is registered with the Registrar of Companies in Hong Kong.

On July 1, 2010, PNB Global assumed the remittance business of PNB Remittance Center, Ltd. with the former as the surviving entity. It now operates as a lending and remittance company. As of December 31, 2020, it maintains 7 offices in Hong Kong. Its remittance business is regulated by the Customs and Excise Department of Hong Kong.

PNB International Investment Corporation (PNBIIC), formerly known as Century Holding Corporation, PNBIIC is a wholly-owned subsidiary of the Bank. It is a non-bank holding company incorporated in California, USA on December 21, 1979. It changed its name to PNB International Investments Corporation on November 16, 1999. Being only a holding company, PNBIIC does not conduct business operations.

PNBIIC owns PNB Remittance Centers, Inc. (PNBRCI) which was incorporated in California, USA on October 19, 1990. PNBRCI is a company engaged in the business of transmitting money to the Philippines. As of December 31, 2020, PNBRCI has 16 branches in six states in the USA. PNBRCI owns PNBRCI Holding Company, Ltd. which was also incorporated in California, USA on August 18, 1999. PNBRCI Holding Company, Ltd. is the holding company of PNB Remittance Company Canada (PNBRCC). PNBRCC is also a money transfer company incorporated in Canada on April 26, 2000. PNBRCC has 6 branches and 1 sub-branch as of year-end 2020.

PNBRCI is regulated by the U.S. Internal Revenue Service and the Department of Business Oversight of the State of California and other state regulators of licensed money transmitters. PNBRCC is regulated by the Office of the Superintendent of Financial Institutions of Canada and Financial Transactions and Reports Analysis Centre of Canada.

Item 2. Directors and Executive Officers

Please refer to pages 14 to 38 of the Information Statement.

Item 3. Audited Consolidated Financial Statements

The Audited Financial Statements (AFS) of the Bank and its Subsidiaries, which comprise the Statements of Financial Position as of December 31, 2020 and 2019, and the Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for each of the three (3) years in the period ended December 31, 2020, and Notes to the Financial Statements, including a Summary of Significant Accounting Policies and other explanatory information, Independent Auditor's Report and the Statement of Management's Responsibility are filed as part of the Bank's SEC 17-A report for the year ended December 31, 2020.

Item 4. Information on Independent Accountant, Changes in Accounting Principles and Other Related Matters

A. Audit and Other Related Fees

The following are the engagement fees billed and paid for each of the last two fiscal years for the professional services rendered by the Bank's external auditor, SyCip Gorres Velayo and Co. (inclusive of out-of-pocket expenses and value-added tax):

		Professional fees (in P millions)	
Nature of Service	**Description**	**2020**	**2019**
Audit and Audit-Related Services	Audit of the consolidated and separate financial statements of the Bank; audit of the combined financial statements of the trust and managed funds of the Trust Banking Group; limited reviews of interim condensed consolidated financial statements; agreed-upon procedures on issuance of comfort letters relative to issuances of debt and capital securities	25.459	33.109
All Other Services	Accounting advisory and business tax advisory services	2.482	4.544
TOTAL		**27.941**	**37.653**

There are no fees billed and paid for the last three (3) years for tax accounting performed by the Bank's external auditor.

The approval of audit engagement fees is based on the Bank's existing Manual of Signing Authority.

The BACC has primary authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the BOD and ratification of stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports.

B. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the amendments and improvements to Philippine Financial Reporting Standards (PFRS) which are effective beginning on or after January 1, 2020. The changes in the accounting policies that have or did not have any significant impact on the financial position or performance of the Group are discussed under Note 2 (Summary of Significant Accounting Principles) of the audited financial statements of the Group.

C. Disagreements with Accountants

The Bank and its subsidiaries had no disagreement with its auditors on any matter of accounting principles or practices, financial statements disclosure, or auditing scope procedure.

After careful reevaluation, Management has decided to recommend SGV & Co. for reappointment as external auditor of the Bank and its domestic subsidiaries for the year 2021. The BACC has thereafter endorsed the reappointment of SGV & Co. to the Board of Directors. The reappointment of SGV & Co. as external auditor of the Bank was approved by the Board of Directors on March 10, 2021 and will be presented for ratification of the stockholders at the Bank's Annual Stockholders' Meeting to be held on April 27, 2021. Ms. Vicky B. Lee-Salas, one of the more experienced audit partners in the banking industry in the Philippines, was the lead audit partner for the year 2020.

Item 5. Management's Discussion and Analysis of Financial Condition and Results of Operations

The financial statements have been prepared in accordance with PFRS.

2020 vs 2019

The Group's consolidated total assets stood at P1,231.1 billion as of December 31, 2020, 7.8% or P88.8 billion higher compared to P1,142.3 billion reported as of December 31, 2019. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items as of December 31, 2020 decreased by P5.4 billion from P30.5 billion as of December 31, 2019. Due from Bangko Sentral ng Pilipinas, Due from Other Banks, Interbank Loans Receivables and Securities Held Under Agreements to Resell as of December 31, 2020 at P202.1 billion, P19.7 billion, P39.7 billion and P15.8 billion, respectively, increased by P96.1 billion, P2.0 billion, P14.9 billion and P13.3 billion compared to P106.0 billion, P17.8 billion, P24.8 billion and P2.5 billion, respectively, as of December 31, 2019.

Please refer to the interim consolidated statements of cash flows of the Audited Financial Statements of the Bank for more information relating to cash and cash equivalents.

- Trading and investment securities which consist of Financial Assets at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) and Investment Securities at Amortized Cost, representing 20.5% and 20.8% of the Group's total assets as of December 31, 2020 and 2019, respectively, increased by P15.7 billion or 6.6%, mainly due to purchases of various investment securities, net of maturities and disposals.

- Loans and Receivables represent 48.7% and 57.6% of the Group's total assets as of December 31, 2020 and 2019, respectively. Loans and Receivables decreased by P57.9 billion or 8.8%, at P600.0 billion as of December 31, 2020 from P657.9 billion as of December 31, 2019, mainly due to P41.0 billion net paydowns of loans and receivables and additional provision for impairment, credit and other losses of P16.9 billion.

- Investment in an Associate decreased by P0.3 billion or 11.3%, at P2.3 billion as of December 31, 2020 from P2.6 billion as of December 31, 2019, mainly due to additional share in net comprehensive losses of the associate.

- Deferred Tax Assets increased by P6.5 billion or 250.2%, at P9.0 billion as of December 31, 2020 from P2.6 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for expected credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.

- Intangible Assets decreased by P0.3 billion or 11.6%, at P2.5 billion as of December 31, 2020 from P2.8 billion as of December 31, 2019 due to amortization.

- On December 11 and October 9, 2020, the Group approved the sale of all its shareholdings in PNB General Insurers Co., Inc. (PNB Gen) to Alliedbankers Insurance Corporation, an affiliate. As a result, the Group reclassified all the assets and liabilities of PNB Gen to' Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position.

- Other Assets amounted to P6.3 billion as of December 31, 2020 or a decrease of P1.7 billion or 21.6% from P8.1 billion as of December 31, 2019.

The Group's consolidated total liabilities stood at P1,075.2 billion as of December 31, 2020 which increased by 8.9% or P87.8 billion from P987.3 billion as of December 31, 2019. Major changes in liabilities were registered in the following accounts:

- Deposit Liabilities totaling P890.3 billion and P826.0 billion which represent 82.8% and 83.7% of the Group's total liabilities as of December 31, 2020 and 2019, respectively, increased by P64.2 billion or

7.8%. Demand, Savings and Time Deposits went up by P27.5 billion or 16.0%, P33.8 billion or 8.6%, P9.8 billion or 4.3%, respectively. The increase in total deposits was partially offset by the decline in Long-Term Negotiable Certificates of Deposits (LTNCD) by P6.9 billion or 19.7% mainly due to maturities in June 2020.

- Financial Liabilities at FVTPL increased by P455.6 million or 185.5% from 2019 year-end balance of P245.6 million mainly from the increase in the volume of transactions for the period.

- Lease Liabilities decreased by P0.4 million or 24.4% at P1.4 billion as of December 31, 2020 mainly due to lease payments.

- Accrued Taxes, Interest and Other Expenses decreased by P0.5 billion, from P6.9 billion as of December 31, 2019 to P6.4 billion as of December 31, 2020, mainly due to lower accrual of expenses.

- Bills and Acceptances Payable increased by P31.2 billion or 55.7% from P56.0 billion to P87.2 billion as of December 31, 2019 and 2020, respectively, brought by the increase in the level of interbank borrowing and repurchase agreements.

- Income Tax Payable increased by P326.9 million from P576.2 million as of December 31, 2019 to P903.0 million as of December 31, 2020.

- Other Liabilities amounted to P17.9 billion as of December 31, 2020 or a decrease of P11.2 billion or 38.6% from P29.1 billion as of December 31, 2019, mainly from the decrease in reclassification of insurance contract liabilities to 'Liabilities of disposal group classified as held for sale' as discussed above.

The Group's consolidated total equity stood at P156.0 billion as of December 31, 2020 from P155.0 billion as of December 31, 2019, or an increase of P1.0 billion attributed mainly to the consolidated net income for the year ended December 31, 2020 amounting to P2.6 billion and P0.2 increase in Other Equity Reserves, offset by the following:

- decline in Net Unrealized Gains on Financial Assets at FVOCI from P3.3 billion as of December 31, 2019 to P3.1 billion as of December 31, 2020;
- decrease in share in Aggregate Reserves on Life Insurance Policies of P1.1 billion;
- decreases in Remeasurement Losses on Retirement Plan and Accumulated Translation Adjustment of P0.8 billion and P0.2 billion, respectively.

Further, transfer to surplus reserves in 2020 includes the appropriation of surplus amounting to P4.4 billion for the excess of 1% general loan loss provision over the computed expected credit losses for Stage 1 accounts in accordance with BSP Circular 1011.

2019 vs 2018

The Group's consolidated total assets stood at P1.1 trillion as of December 31, 2019, 16.1% or P158.6 billion higher compared to P983.6 billion reported as of December 31, 2018. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items, Due from Bangko Sentral ng Pilipinas (BSP) and Interbank Loans Receivable registered increased by P13.7 billion, P3.3 billion and by P13.6 billion, respectively from P16.8 billion, P102.7 billion and P11.2 billion, respectively as of December 31, 2018.

- Due from Other Banks and Securities Held Under Agreements to Resell as of December 31, 2019 at P17.8 billion and P2.5 billion, respectively, decreased by P3.2 billion and P18.2 billion compared to P21.0 billion and P20.7 billion, respectively, as of December 31, 2018.

Please refer to the statements of cash flow for more information relating to cash and cash equivalents.

- Financial Assets at Fair Value Through Profit or Loss (FVTPL) at P13.5 billion was higher by 34.7% or P3.5 billion from P10.0 billion as of December 31, 2018 attributed mainly to higher purchases over securities sold.

- Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) was higher at P123.1 billion as of December 31, 2019, an increase of P71.0 billion or by 136.2% from the P52.1 billion level as of December 31, 2018 due to acquisitions of various investment securities net of securities sold.

- Investment Securities at Amortized Cost amounted to P100.5 billion as of December 31, 2019, a decline of P0.3 billion from the P100.8 billion level as of December 31, 2018 due to sale and maturities of investment securities.

- Loans and Receivables is at P657.9 billion or P71.3 billion higher than the P586.7 billion as of December 31, 2018 level due mainly from increase in corporate loans.

- Property and Equipment went up by P1.5 billion from P19.7 billion as of December 31, 2018 to P21.2 billion as of December 31, 2019, mainly due to the P1.5 billion recognition of the right to use asset (ROU) as a result of the adoption of Philippine Financial Reporting Standard (PFRS) 16 – Leases. The transition adjustment at January 1, 2019 resulted in the recognition of ROU and lease liability amounting to P1.8 billion and P1.9 billion, respectively.

- Investment Properties increased by P1.6 billion from P13.5 billion as of December 31, 2018 to P15.1 billion as of December 31, 2019 due mainly to foreclosures during the year.

- Intangible Assets decreased by P0.2 billion from P3.0 billion as of December 31, 2018 mainly due to the amortization of core banking integration costs and other IT assets and Software.

- Deferred Tax Assets was higher by P0.4 billion from P2.1 billion to P2.5 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.

- Other Assets amounted to P8.1 billion as of December 31, 2019 or an increase of P0.7 billion from P7.4 billion as of December 31, 2018.

Consolidated liabilities increased by 15.5% or P132.2 billion from P855.1 billion as of December 31, 2018 to P987.3 billion as of December 31, 2019. Major changes in liability accounts were as follows:

- Deposit Liabilities totaled P826.0 billion, P92.74 billion or 12.6% higher compared to its year-end 2018 level of P733.3 billion. Demand deposits, Time deposits and Long-Term Negotiable Certificate of Deposits (LTNCD) went up by P19.2 billion or 12.5%, P79.7 billion or 54.1% and P3.7 billion or 11.9%, respectively, partially offset by the decrease in Savings deposits by P9.9 billion or 2.5%.

- Financial liabilities at FVTPL decreased by P0.2 billion from 2018 year-end balance of P0.5 billion mainly from the decrease in negative fair value balance of interest rate swaps and forwards.

- Bonds Payable increased by P51.0 billion, from P15.6 billion as of December 31, 2018 to P66.6 billion as of December 31, 2019, mainly accounted for by the Parent Company's issuance of P13.7 billion fixed-rate bonds on May 8, 2019 due 2021 and additional issuance of US$750 million fixed-rate senior notes from its Euro Medium Term Note (EMTN) Program on June 27, 2019 maturing on September 27, 2024.

- Bills and Acceptances Payable decreased by P14.1 billion or 20.1% from P70.1 billion to P56.0 billion as of December 31, 2018 and December 31, 2019, respectively, due to settlement of interbank loans from the BSP and local banks.

- Lease liability of P1.8 billion pertains to the lease liability of the Group as a result of the adoption of PFRS 16 – Leases. Refer to the Property and Equipment discussion above.

- Accrued Taxes, Interest and Other Expenses was higher by P0.5 billion, from P6.4 billion as of December 31, 2018 to P6.9 billion as of December 31, 2019, mainly due to the increase in accrued interest from deposits and bonds.

- Income Tax Payable decreased by P0.3 billion from P0.9 billion to P0.6 billion as of December 31, 2018 and December 31, 2019, respectively.

Total equity accounts stood at P155.0 billion from P128.6 billion as of December 31, 2018, or an improvement of P26.4 billion attributed mainly to the following:

- Capital Stock and Additional Paid-In Capital increased by P11.8 billion from the net proceeds from the 2019 Stock Rights Offering.
- current period's net income attributable to Equity Holders of the Parent Company of P9.7 billion.
- decrease in Accumulated Translation Gain of P0.8 billion.
- Remeasurement loss P0.7 billion
- improvement in Net unrealized gains/(losses) on Financial Assets at FVOCI from a P3.2 billion loss as of December 31, 2018 to a gain amounting to P3.2 billion as of December 31, 2019, resulting in an unrealized gain of P6.4 billion for the period.

<u>2018 vs. 2017</u>

The Group's consolidated total assets stood at P983.7 billion as of December 31, 2018, 17.6% or P147.5 billion higher compared to P836.2 billion reported as of December 31, 2017. Changes (more than 5%) in assets were registered in the following accounts:

- Securities Held Under Agreements to Resell as of December 31, 2018 at P20.7 billion, which represents lending transactions of the Bank with the BSP, was higher by P6.1 billion compared to P14.6 billion as of December 31, 2017.

- Financial Assets at Fair Value Through Profit or Loss at P10.0 billion went up by 246.9% or P7.1 billion from P2.9 billion attributed mainly to the purchases of various investment securities, net of sold and matured securities.

- Investment Securities at Amortized Cost was higher at P100.8 billion while Financial Assets at Fair Value Through Other Comprehensive Income was lower at P52.1 billion as of December 31, 2018, an increase of P74.0 billion or by 276.1% and a decline of P17.7 billion or by 25.4% from the P26.8 billion and P69.8 billion level, respectively, as of December 31, 2017 due to purchases of various investment securities, net of disposals and maturities.

- Loans and Receivables registered an increase at P586.7 billion or P84.6 billion higher than the P502.1 billion as of December 31, 2017 level mainly due to loan releases, net of pay downs, mainly to various corporate and retail borrowers.

- Investment Properties decreased by P2.1 billion from P15.6 billion as of December 31, 2017 to P13.5 billion as of December 31, 2018, mainly due to disposal of foreclosed properties.

- Intangible Assets decreased by P0.3 billion from P3.3 billion in December 31, 2017 mainly due to the decline in capitalization of core banking integration costs and other software acquisitions.

- Deferred Tax Assets were higher by P0.4 billion from P1.7 billion to P2.1 billion and a decrease in Other Assets of P1.5 billion from P8.9 billion to P7.4 billion. Decline in Other Assets was due to decreases in creditable withholding taxes, deferred charges and outstanding clearing items received as of year-end.

Consolidated liabilities went up by 19.4% or P138.7 billion from P716.4 billion as of December 31, 2017 to P855.1 billion as of December 31, 2018. Major changes in liability accounts were as follows:

- Deposit liabilities totaled P733.3 billion, P95.4 billion higher compared to its year-end 2017 level of P637.9 billion due to increases in Demand deposits by P27.5 billion, Savings deposits by P50.2 billion, Time deposits by P17.6 and LTNCD by P0.1 billion.

- Bills and Acceptances Payable increased by P26.2 billion, from P43.9 billion to P70.1 billion, mainly accounted for by borrowings from other banks.

- Accrued Expenses increased by P1.1 billion from P5.3 billion as of December 31, 2017 to P6.4 billion as of December 31, 2018.

- Financial liabilities at Fair value through profit or loss was higher by P0.1 billion from 2017 year-end balance of P0.4 billion.

- Income Tax Payable decreased by P0.1 billion from P1.0 billion to P0.9 billion, due to the decline in the income tax provisions for the year.

- Other Liabilities increased by P0.4 billion, from P27.9 billion in December 31, 2017 to P28.3 billion as of December 31, 2018.

Total equity accounts stood at P128.5 billion from P119.7 billion as of December 31, 2017, or an improvement of P8.8 billion attributed to current period's net income of P8.2 billion, improvement/increase in Net Unrealized Loss on Available-for-Sale Investments, Accumulated Translation Adjustments and Remeasurement Losses on Retirement Plan.

Results of Operations

2020 vs 2019

- For the year ended December 31, 2020, the Group recorded net income of P2.6 billion, P7.1 billion or 73.1% lower than the P9.8 billion net income last year. The Group recognized significant provisions for impairment, credit and other losses of P16.9 billion which resulted in lower net income compared to last year. However, the Group's core income comprising primarily of net interest income recorded substantial improvements in the current period. The results for the current period also included significant increase in net gains from trading and investment securities.

- Net interest income amounted to P35.8 billion, higher by 10.7% or P3.5 billion compared to the same period last year, mainly driven by lower funding costs due to the reduction in levels of high-cost deposits during the year. Total gross interest income decreased by 7.1% or P3.6 billion to P47.0 billion from P50.5 billion last year due to aggregate decreases in interest income from loans and receivables, trading and investment securities, and interbank receivables of P4.2 billion, offset by increase in interest income from deposits with banks of P0.7 billion. Total gross interest expense decreased to P11.1 billion or by P7.0 billion from P18.2 billion last year primarily due to decline in interest expense from deposit liabilities, bills payable and other borrowings, partially offset by increase in interest expense from bonds payable of 49.3% or P1.0 billion from P1.9 billion last year to P2.9 billion. Net interest margin remained at 3.31% in both periods.

- Net service fees and commission income decreased by P0.5 billion or 11.5% at P3.7 billion for the year ended December 31, 2020 from P4.2 billion last year due to lower transactional volumes and waivers of fees on interbank transfers and overseas remittances.

- Other income increased to P6.0 billion compared to P4.2 billion last year mainly due to improvement in net gains on trading and investment securities by P2.3 billion.

- Administrative and other operating expenses amounted to P44.8 billion for the year ended December 31, 2020, P16.1 billion or 56.3% higher compared to the same period last year, mainly due to additional provisions for impairment, credit and other losses amounting to P16.9 billion in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio.

- Total comprehensive income for the year ended December 31, 2020 amounted to P0.4 billion which is P14.2 billion lower than the same period last year mainly due to decrease in net unrealized gains on financial assets at FVOCI and additional loan loss provisions for the period.

2019 vs 2018

- For the year ended December 31, 2019, the Group registered a net income of P9.8 billion, P0.2 billion or

2.1% higher than the P9.6 billion net income for the same period last year. The Group's core income comprising primarily of net interest income and net service fees and commissions recorded substantial improvements in the current period. Net income for the current period also included increase in net gains from trading and investment securities.

- Net interest income totaled P32.4 billion, higher by 19.8% or P5.4 billion compared to the same period last year mainly due to the expansion in loan, interbank loans, and trading and investment securities portfolios which accounted for the P9.7 billion, P0.3 billion, P0.5 billion and P4.2 billion increase in interest income, respectively, partly offset by the increase of P9.1 billion in deposits with banks and others. Total interest income increased by 40.3% or P14.5 billion from P36.0 billion to P50.5 billion. Total interest expense also increased to P18.1 billion or by P9.1 billion from P9.0 billion for the same period last year primarily due to growth in deposit liabilities and other borrowings.

- Other income decreased to P4.2 billion compared to P8.4 billion for the same period last year mainly due to decline in net gains on sale or exchange of assets of P5.1 billion, partly offset by higher net gains in trading and investment securities by P0.9 billion.

- Net service fees and commission income stood at P4.2 billion, 20.2% or P0.7 billion higher compared the same period last year driven by growth in deposit and credit card related fees.

- Administrative and other operating expenses amounted to P28.7 billion for the year ended December 31, 2019, or 12.6% higher compared to the same period last year as strong revenue growth, particularly in interest income and trading gains, translated to higher business-related taxes.

- Total Comprehensive Income for the year ended December 31, 2019 amounted to P14.6 billion which is P6.5 billion higher than the same period last year due mainly to increase in net unrealized gains on financial assets at FVOCI.

2018 vs 2017

- For the year ended December 31, 2018, the Bank registered a net income of P9.6 billion, P1.4 billion or 17.2% higher than the P8.2 billion net income for the same period last year on account of substantial improvements in core income primarily net interest income and gains from the sale of foreclosed assets.

- Net interest income totaled P27.1 billion, higher by 22.6% or P5.0 billion compared to the same period last year mainly due to the expansion in the loan and investment securities portfolio which accounted for the P7.5 billion and P1.5 billion increase in interest income, respectively. This was partly offset by the decrease in interest income of deposits with banks and others by P0.6 billion. Total interest income increased by 30.6% or P8.5 billion from P27.6 billion to P36.1 billion. Total interest expense however, was also higher at P9.0 billion or by 62.6% or by P3.5 billion from P5.5 billion last year.

- Other income increased significantly to P8.4 billion compared to P7.1 billion for the same period last year mainly due to higher net gain on sale or exchange of assets by P1.9 billion and improvement in miscellaneous income by P0.5 billion partly offset by P0.7 billion decrease in foreign exchange gain and P0.4 billion decline in trading and investment securities gains.

- Net service fees and commission income stood at P3.5 billion, 12.7% or P0.4 billion higher compared the same period last year. The minimal growth was attributed to lower levels of underwriting and investment banking fees.

- Administrative and other operating expenses amounted to P25.7 billion for the year ended December 31, 2018.

- Total Comprehensive Income for the year ended December 31, 2018 amounted to P8.1 billion.

Key Performance Indicators

- **Capital Adequacy/Capital Management**

The Bank's Capital Management (Sub-Committee of the Asset/Liability Committee) has been created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The Sub-Committee shall be responsible for the following:

- Determine the appropriate level of capital that will support the attainment of the Bank's strategic objectives, meet the minimum regulatory requirements and cover all material risks that the Bank may encounter in the course of its business;

- Periodically monitor and assess the capital ratios of the Bank. Monitoring shall include capital ratios with and without the regulatory stress test prescribed by the regulators, based on both the consolidated and solo financial statements of the Bank;

- Report to the Asset/Liability Committee (ALCO) the Bank's capital ratio and position based on the consolidated and solo financial statements on a monthly basis and to the Board ICAAP Steering Committee on a quarterly basis;

- Inform the ALCO/ Board ICAAP Steering Committee on possible breach of ICAAP capital thresholds, particularly during period of stress and activating the Bank's capital contingency plan, if needed;
  - The Sub-Committee will evaluate and endorse to the Board the options to improve the Bank's capital adequacy as provided for in the Capital Contingency Plan;
  - In case of capital sourcing, the Sub-Committee shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising;

- Ensure that the capital ratios resulting from the three-year strategic business plan under the Bank's ICAAP shall meet the minimum regulatory requirement as well as the Bank's internal thresholds;
  - The Sub-Committee shall determine the Bank's internal thresholds and shall endorse the same to the Board ICAAP Steering Committee / Board;

- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others;

The Bank and its individual regulatory operations have complied with all externally imposed capital requirements throughout the period.

<u>Regulatory Qualifying Capital</u>

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects.

As required under BSP Circular 781, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Other minimum ratios include Common Equity Tier (CET) 1 ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A conservation buffer of 2.5%, comprised of CET 1 capital is likewise imposed.

Banks and their subsidiaries are subject to the following risk-based CARs:
a. Common Equity Tier 1 – must be at least 6.0% of risk weighted assets at all times;
b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

Qualifying capital consists of the sum of the following elements, net of required deductions:

a. Common equity Tier 1 capital consists of 1) paid up common stock that meet the eligibility criteria, 2) common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, 3) deposits for common stock subscription, 4) retained earnings, 5) undivided profits, 6) other comprehensive income (net unrealized gains or losses on AFS and cumulative foreign currency translation) and minority interest on subsidiary banks which are less than wholly-owned;
b. Additional Tier 1 capital consists of instruments issued by the Bank that are not included in CET 1 capital that meet the criteria for inclusion in additional tier 1 capital, meet the required loss absorbency features for instrument classified as liabilities and loss absorbency feature at point of non-viability as defined in the BSP guidelines;
c. Tier 2 capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet the criteria for inclusion in Tier 2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) deposits for subscription of T2 capital, 3) appraisal increment reserves on Bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

A capital conservation buffer of 2.5% of risk weighted assets, comprised of CET 1 capital, shall be required. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down to absorb losses during period of financial and economic stress.

The Group's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 15.54%, 14.80%, and 14.35% as of December 31, 2020, 2019 and 2018, respectively, above the minimum 10% required by BSP. For the detailed calculation and discussion kindly refer to Item 1, no. 10 – Risk Management.

- **Asset Quality**

The Parent Company's non-performing loans (gross of unearned and other deferred income and allowance for credit losses) increased to P39.0 billion as of December 31, 2020 compared to P12.0 billion as of December 31, 2019. NPL ratios of the Parent Company based on BSP guidelines, net of valuation reserves is at 3.28% as at December 31, 2020, compared to 0.68% at end of 2019. Gross NPL ratio is at 5.95% at end of 2020 and 1.99% at end of 2019.

- **Profitability**

	Years Ended	
	12/31/20	12/31/19
Return on equity (ROE)[1/]	1.69%	6.89%
Return on assets (ROA)[2/]	0.22%	0.92%
Net interest margin (NIM)[3/]	3.35%	3.31%

[1/]*Net income divided by average total equity for the period indicated*
[2/]*Net income divided by average total assets for the period indicated*
[3/]*Net interest income divided by average interest-earning assets*

- **Liquidity**

The ratio of liquid assets to total assets as of December 31, 2020 was 37.37% compared to 27.86% as of December 31, 2019. Ratio of current assets to current liabilities was at 68.01% as of December 31, 2020 compared to 59.04% as of December 31, 2019.

- **Cost Efficiency**

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 61.27% for the year ended December 2020 compared to 63.17% last year.

Known trends, demands, commitments, events, and uncertainties

The Bank presently has more than adequate liquid assets to meet known funding requirements and there are no known trends, demands, commitments, events, or uncertainties that will have a material impact on the Bank's liquidity.

Events that will trigger direct or contingent financial obligation

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements, including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, Provisions, Contingent Liabilities and Contingent Assets. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

Material off-balance sheet transactions, arrangement or obligation

The summary of material off-balance sheet transactions, arrangement or obligations (including contingent obligations) is discussed in Note 35 (Provisions, Contingent Liabilities and Other Commitments) of the accompanying audited financial statements of the Group as attached under Exhibit III.

Capital Expenditures

In line with the Bank's digital transformation initiatives and enhancing customer banking experience strategy, technology upgrades and branch physical infrastructure will account for the bulk of the Bank's capital expenditures for 2019. Capital expenditures will be funded from the proceeds of the sale of acquired assets and funds generated from the Bank's operations.

Significant Elements of Income or Loss

Significant elements of the Bank's revenues consist mainly of net interest margin, service fees, net trading gains and gains from disposal of reacquired properties while the Bank's expenses consist mainly of staff cost, depreciation and amortization of assets and provisions for probable losses. Please refer to the discussions on the results of operations for further details.

Seasonal Aspects

There was no seasonal aspect that had material effect on the Bank's financial condition or results of operations.

Item 6. Market Price, Holders and Dividends

A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholders

1. Market Price

PNB's common shares are listed and traded at the PSE. The high and low sales prices of PNB shares for each quarter for the last three fiscal years are as follows:

	2018		2019		2020	
	High	Low	High	Low	High	Low
Jan – Mar	59.15	53.80	60.42	40.98	36.70	18.50
Apr – Jun	56.00	47.95	58.82	47.54	25.60	18.80
Jul – Sep	49.90	43.00	57.35	43.60	25.20	19.52
Oct – Dec	44.60	38.95	45.90	34.00	32.50	23.10

The trading price of each PNB common share as of February 28, 2021 was P24.95.

2. Holders

There are 36,374 stockholders as of February 28, 2021. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

No.	Stockholders	Common Shares	Percentage To Total Outstanding Capital Stock
1	PCD Nominee Corporation (Filipino)	181,573,926	11.9005183531
2	Key Landmark Investments, Ltd.	133,277,924	8.7351549618
3	PCD Nominee Corporation (Non-Filipino)	90,879,110	5.9562985738
4	Caravan Holdings Corporation	82,017,184	5.3754799765
5	Solar Holdings Corporation	82,017,184	5.3754799765
6	True Success Profits Ltd.	82,017,184	5.3754799765
7	Prima Equities & Investments Corporation	71,765,036	4.7035449794
8	Leadway Holdings, Inc.	65,310,444	4.2805052168
9	Infinity Equities, Inc.	61,512,888	4.0316099824
10	Pioneer Holdings Equities, Inc.	34,254,212	2.2450518506
11	Pan Asia Securities Corporation	33,126,782	2.1711590747
12	Multiple Star Holdings Corporation	30,798,151	2.0185385055
13	Donfar Management Ltd.	30,747,898	2.0152448787
14	Uttermost Success, Ltd.	30,233,288	1.9815168766
15	Mavelstone Int'l Ltd.	29,575,168	1.9383831001
16	Kenrock Holdings Corporation	26,018,279	1.7052613973
17	Fil-Care Holdings, Inc.	25,450,962	1.6680789310
18	Fairlink Holdings Corporation	25,207,795	1.6521415472
19	Purple Crystal Holdings, Inc.	24,404,724	1.5995075519
20	Kentron Holdings & Equities Corporation	24,361,225	1.5966565883

3. Dividends

The Bank's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, the Bank's declaration of dividends, including computation of unrestricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the BSP as provided under the Manual of Regulations for Banks (MORB) and subject to compliance with such financial regulatory requirements as may be applicable to the Bank at the time of such declaration.

PNB has adopted the following general policy on the declaration of dividends:

> *"Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank."*

The Bank did not declare cash dividends on its common shares for the fiscal years 2019 and 2020.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to present to the stockholders the dividend policy of the Bank.

4. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

On August 4, 2015, the SEC issued the Certificate of Permit to Offer Securities for Sale authorizing the sale of 423,962,500 common shares of the Bank with a par value of P40.00 per share. The Certificate covers the shares to be issued to the stockholders of ABC pursuant to the merger of the Bank and ABC which was approved by the SEC on January 17, 2013. The shares were listed with the PSE on July 22, 2019.

5. Computation of Public Ownership

As of February 28, 2021, PNB's public ownership level is 21.22%, which more than complies with the minimum percentage of 10% for listed companies, in compliance with the public ownership requirement of the PSE.

B. Description of PNB's Securities

- As of February 28, 2021, PNB's authorized capital stock amounted to P70,000,000,040.00 divided into 1,750,000,001 common shares having a par value of P40.00 per share.

- The total number of common shares outstanding as of February 28, 2021 is 1,525,764,850. This includes the 423,962,500 common shares issued relative to the merger of PNB and ABC.

- As of February 28, 2021, a total of 1,434,718,049 common shares (or 94.03%) are held by Filipino-Private Stockholders while the remaining 91,046,801 common shares (or 5.97%) are held by Foreign-Private Stockholders. PNB has an outstanding capital of P61,030,594,000.00.

- The Bank's stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, whether the same are issued from the Bank's unissued capital stock or in support of an increase in capital (*Article Seven of PNB's Amended Articles of Incorporation*).

- At each meeting of the stockholders, every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the Board of Directors (*Section 4.9 of PNB's Amended By-Laws*).

- Section 23 of the Revised Corporation Code of the Philippines provides that " *x x x stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or distribute them on the same principle among as many candidates as may be seen fit x x x*"

Item 7. Discussion on Compliance with Leading Practices on Corporate Governance

Please refer to pages 45 to 66 of the Information Statement.

Item 8. Undertaking

The Bank shall, on written request and without charge, provide stockholders a copy of the Annual Report on SEC Form 17-A. Such requests should be directed to the Office of the Corporate Secretary, Philippine National Bank, 9/F PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	6	-	0	0	5	5	5	5

C O M P A N Y   N A M E

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
gregorioar@pnb.com.ph		

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
36,394	04/29	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Aidell Amor R. Gregorio		891-6040 to 70	

CONTACT PERSON's ADDRESS

__NOTE 1 :__ In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

__2 :__ All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine National Bank
PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine National Bank and Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2020 and 2019 and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2020 and 2019, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Applicable to the audit of the consolidated and parent company financial statements

Adequacy of Allowance for Credit Losses on Loans and Receivables
The Group's and the Parent Company's application of the expected credit losses (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2020 amounted to ₱32.7 billion and ₱31.5 billion for the Group and the Parent Company, respectively. Provision for credit losses in 2020 amounted to ₱15.9 billion and ₱15.5 billion for the Group and the Parent Company, respectively.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 16 of the financial statements.

Audit response
We obtained an understanding of the board approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Company's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the forward-looking information used through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We involved our internal specialists in the performance of the above procedures.

We reviewed the completeness of the disclosures made in the financial statements.

Recognition of Deferred Tax Assets
As of December 31, 2020, the deferred tax assets of the Group and the Parent Company amounted to ₱9.1 billion and ₱8.5 billion, respectively. The recognition of deferred tax assets is significant to our audit because the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company. The estimation uncertainty on the Group's and the Parent Company's expected performance has increased as a result of uncertainties brought about by the coronavirus pandemic.

The disclosures in relation to deferred income taxes are included in Note 30 to the financial statements.

Audit Response
We reviewed the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of the Group and the Parent Company and the industry, including future market circumstances and taking into consideration the impact associated with the coronavirus pandemic. We also reviewed the timing of the reversal of future taxable and deductible temporary differences.

Impairment Testing of Goodwill
As at December 31, 2020, the goodwill of the Group and the Parent Company amounted to ₱13.4 billion and ₱13.5 billion, respectively, as a result of the acquisition of Allied Banking Corporation in 2013. Under PFRS, the Group and the Parent Company is required to test the amount of goodwill for impairment annually. Goodwill has been allocated to three cash generating units (CGUs) namely Retail Banking, Corporate Banking, and Global Banking and Market. The Group and the Parent Company performed the impairment testing using the value in use calculation. The annual impairment test is significant to our audit because it involves significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically estimates of loan and deposit growth rates, interest margin, discount rate, long-term gross domestic product and long-term growth rate.

The disclosures related to goodwill impairment are included in Note 14 to the financial statements.

Audit response
We involved our internal specialist in evaluating the methodology and assumptions used by the Group and the Parent Company. These assumptions include loan and deposit growth rates, interest margin, discount rate and long-term growth rate. We compared loan and deposit growth rates, interest margin and long-term growth rate to the historical performance of the CGUs and to economic and industry forecasts, taking into consideration the impact associated with coronavirus pandemic. We tested the long-term gross domestic product and parameters used in the derivation of the discount rate against market data. We also reviewed the disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Parent Company to express an opinion on the consolidated and parent company financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Building a better working world

Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and Bangko Sentral ng Pilipinas Circular No. 1074

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 40 and the Bangko Sentral ng Pilipinas Circular No. 1074 in Note 41 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and Bangko Sentral ng Pilipinas, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-5 (Group A),
April 16, 2019 valid until April 15, 2022
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-053-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534310, January 4, 2021, Makati City

March 15, 2021

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2020	2019	**2020**	2019
ASSETS				
Cash and Other Cash Items	**₱25,135,724**	₱30,500,927	**₱25,038,434**	₱29,642,159
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**202,129,356**	105,981,801	**202,129,356**	101,801,597
Due from Other Banks (Note 33)	**19,733,300**	17,758,143	**12,131,726**	10,835,106
Interbank Loans Receivable (Notes 8 and 33)	**39,700,981**	24,831,816	**37,858,670**	23,803,019
Securities Held Under Agreements to Resell (Notes 8 and 35)	**15,819,273**	2,517,764	**15,819,273**	1,149,984
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**23,825,708**	13,468,985	**21,947,640**	11,169,656
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**133,715,352**	123,140,840	**133,263,758**	118,896,564
Investment Securities at Amortized Cost (Note 9)	**95,235,993**	100,464,757	**95,115,642**	99,203,909
Loans and Receivables (Notes 10 and 33)	**599,994,748**	657,923,757	**586,901,861**	587,245,896
Property and Equipment (Note 11)	**19,878,715**	21,168,794	**18,406,981**	18,797,308
Investments in Subsidiaries and an Associate (Note 12)	**2,310,410**	2,605,473	**27,105,550**	28,430,358
Investment Properties (Note 13)	**14,445,756**	15,043,826	**13,921,798**	14,676,387
Deferred Tax Assets (Note 30)	**9,036,908**	2,580,809	**8,522,411**	1,985,597
Intangible Assets (Note 14)	**2,512,013**	2,841,989	**2,438,660**	2,699,154
Goodwill (Note 14)	**13,375,407**	13,375,407	**13,515,765**	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 36)	**7,945,945**	–	**1,136,418**	–
Other Assets (Note 15)	**6,338,210**	8,085,523	**4,947,734**	5,352,763
TOTAL ASSETS	**₱1,231,133,799**	₱1,142,290,611	**₱1,220,201,677**	₱1,069,205,222
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱199,770,048**	₱172,228,956	**₱200,113,465**	₱168,628,123
Savings	**425,611,765**	391,769,777	**424,637,944**	384,773,630
Time	**236,694,042**	226,894,643	**240,584,601**	187,288,142
Long Term Negotiable Certificates	**28,212,034**	35,152,104	**28,212,034**	35,152,104
	890,287,889	826,045,480	**893,548,044**	775,841,999
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**701,239**	245,619	**700,802**	231,992
Bills and Acceptances Payable (Notes 19, 33 and 35)	**87,159,450**	55,963,290	**84,817,360**	48,424,017
Lease Liabilities (Note 29)	**1,366,016**	1,806,409	**1,370,206**	1,633,083
Accrued Taxes, Interest and Other Expenses (Note 20)	**6,449,026**	6,939,726	**6,075,016**	6,058,094
Bonds Payable (Note 21)	**64,056,335**	66,615,078	**64,056,335**	66,615,078
Income Tax Payable	**903,044**	576,156	**842,038**	472,378
Liabilities of Disposal Group Classified as Held for Sale (Note 36)	**6,353,964**	–	**–**	–
Other Liabilities (Note 22)	**17,873,828**	29,123,453	**15,546,894**	17,858,935
	1,075,150,791	987,315,211	**1,066,956,695**	917,135,576
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	**61,030,594**	61,030,594	**61,030,594**	61,030,594
Capital Paid in Excess of Par Value (Note 25)	**32,116,560**	32,116,560	**32,106,560**	32,106,560
Surplus Reserves (Notes 25 and 32)	**5,032,097**	642,018	**5,032,097**	642,018
Surplus (Note 25)	**54,498,066**	56,273,492	**54,843,588**	56,273,735
Net Unrealized Gain on Financial Assets at FVOCI (Note 9)	**3,054,403**	3,250,651	**3,054,403**	3,250,651
Remeasurement Losses on Retirement Plan (Note 28)	**(3,009,452)**	(2,229,220)	**(3,009,452)**	(2,229,220)
Accumulated Translation Adjustment (Note 25)	**717,872**	947,562	**717,872**	947,562
Other Equity Reserves (Notes 12 and 25)	**277,855**	35,466	**419,542**	35,466
Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	**(1,038,838)**	12,280	**(1,038,838)**	12,280
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	**88,616**	–	**88,616**	–
Other Equity Adjustment	**13,959**	13,959	**–**	–
	152,781,732	152,093,362	**153,244,982**	152,069,646
NON-CONTROLLING INTERESTS (Note 12)	**3,201,276**	2,882,038	**–**	–
	155,983,008	154,975,400	**153,244,982**	152,069,646
TOTAL LIABILITIES AND EQUITY	**₱1,231,133,799**	₱1,142,290,611	**₱1,220,201,677**	₱1,069,205,222

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF INCOME
(In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019 (As Restated – Note 36)	2018 (As Restated – Note 36)	**2020**	2019	2018
INTEREST INCOME ON						
Loans and receivables (Notes 10, 27 and 33)	**₱38,254,122**	₱39,852,726	₱30,202,480	**₱37,067,285**	₱35,164,556	₱25,504,159
Investment securities at amortized cost and FVOCI (Note 9)	**6,496,772**	8,737,577	4,534,297	**6,448,100**	8,549,063	4,502,331
Deposits with banks and others (Notes 7 and 33)	**1,290,302**	635,087	775,820	**1,173,981**	432,874	524,723
Financial assets at FVTPL (Note 9)	**665,751**	619,979	120,667	**542,512**	619,979	120,667
Interbank loans receivable and securities held under agreements to resell (Note 8)	**244,007**	668,211	379,378	**186,211**	568,061	350,808
	46,950,954	50,513,580	36,012,642	**45,418,089**	45,334,533	31,002,688
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**7,379,018**	14,024,899	7,871,173	**7,227,056**	12,201,776	6,591,288
Bonds payable (Note 21)	**2,904,528**	1,945,497	477,405	**2,904,528**	1,945,497	477,405
Bills payable and other borrowings (Notes 19, 29 and 33)	**846,642**	2,184,918	662,340	**637,478**	1,740,622	472,111
	11,130,188	18,155,314	9,010,918	**10,769,062**	15,887,895	7,540,804
NET INTEREST INCOME	**35,820,766**	32,358,266	27,001,724	**34,649,027**	29,446,638	23,461,884
Service fees and commission income (Notes 26 and 33)	**4,684,572**	5,169,040	4,251,692	**4,134,519**	3,677,689	3,524,263
Service fees and commission expense (Note 33)	**983,246**	988,164	773,082	**858,182**	800,376	616,207
NET SERVICE FEES AND COMMISSION INCOME	**3,701,326**	4,180,876	3,478,610	**3,276,337**	2,877,313	2,908,056
OTHER INCOME						
Trading and investment securities gains - net (Notes 9 and 33)	**3,337,640**	1,074,384	150,691	**3,456,521**	1,017,155	157,678
Foreign exchange gains - net (Note 23)	**919,555**	1,105,903	942,372	**929,890**	861,143	578,180
Net gains on sale or exchange of assets (Note 26)	**195,842**	690,625	5,861,143	**130,493**	686,441	5,841,136
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	**88,476**	(97,608)	43,847	**95,939**	(345,599)	530,885
Miscellaneous (Note 27)	**1,488,558**	1,464,482	1,425,439	**906,752**	976,822	1,101,875
TOTAL OPERATING INCOME	**45,552,163**	40,776,928	38,903,826	**43,444,959**	35,519,913	34,579,694
OPERATING EXPENSES						
Provision for impairment, credit and other losses (Note 16)	**16,882,621**	2,910,182	1,740,177	**16,534,335**	1,593,219	1,401,528
Compensation and fringe benefits (Notes 25, 28 and 33)	**10,167,273**	9,442,021	9,380,199	**9,313,371**	8,024,694	7,943,135
Taxes and licenses (Note 30)	**4,581,382**	4,812,796	3,729,016	**4,394,703**	4,217,996	3,343,899
Depreciation and amortization (Note 11)	**3,155,279**	2,795,222	1,944,808	**2,607,269**	2,207,071	1,542,712
Occupancy and equipment-related costs (Note 29)	**991,030**	1,022,167	1,716,315	**942,896**	854,334	1,453,341
Miscellaneous (Note 27)	**9,014,911**	7,682,620	6,953,525	**8,637,974**	6,854,659	6,125,334
TOTAL OPERATING EXPENSES	**44,792,496**	28,665,008	25,464,040	**42,430,548**	23,751,973	21,809,949
INCOME BEFORE INCOME TAX	**759,667**	12,111,920	13,439,786	**1,014,411**	11,767,940	12,769,745
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)	**(1,798,238)**	2,452,307	3,663,744	**(1,945,521)**	2,086,464	3,304,670
NET INCOME FROM CONTINUING OPERATIONS	**2,557,905**	9,659,613	9,776,042	**2,959,932**	9,681,476	9,465,075
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**67,583**	101,593	(219,972)	**–**	–	–
NET INCOME	**₱2,625,488**	₱9,761,206	₱9,556,070	**₱2,959,932**	₱9,681,476	₱9,465,075
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱2,614,653**	₱9,681,480	₱9,465,022			
Non-controlling Interests	**10,835**	79,726	91,048			
	₱2,625,488	₱9,761,206	₱9,556,070			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱1.71**	₱7.05	₱7.58			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱1.67**	₱6.98	₱7.75			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
NET INCOME	**₱2,625,488**	₱9,761,206	₱9,556,070	**₱2,959,932**	₱9,681,476	₱9,465,075
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on debt securities at FVOCI, net of tax (Note 9)	**(578,919)**	5,417,132	(2,133,032)	**(639,403)**	5,507,470	(2,317,417)
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	**662,951**	447,169	(375,390)	**556,246**	590,236	(284,117)
	84,032	5,864,301	(2,508,422)	**(83,157)**	6,097,706	(2,601,534)
Accumulated translation adjustment	**(257,238)**	(924,441)	484,126	**(81,646)**	(264,289)	154,076
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**(148,044)**	(565,072)	204,963
	(173,206)	4,939,860	(2,024,296)	**(312,847)**	5,268,345	(2,242,495)
Items that do not recycle to profit or loss in subsequent periods:						
Share in aggregate losses on life insurance policies (Note 12)	**(1,051,118)**	–	–	**(1,051,118)**	–	–
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**(251,071)**	583,286	–	**(83,882)**	349,881	93,112
Remeasurement gains (losses) on retirement plan (Note 28)	**(725,968)**	(466,926)	193,128	**(710,795)**	(596,589)	109,596
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**4,632**	(234,815)	386,628	**(10,030)**	(105,801)	470,160
	(2,023,525)	(118,455)	579,756	**(1,855,825)**	(352,509)	672,868
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(2,196,731)**	4,821,405	(1,444,540)	**(2,168,672)**	4,915,836	(1,569,627)
TOTAL COMPREHENSIVE INCOME	**₱428,757**	₱14,582,611	₱8,111,530	**₱791,260**	₱14,597,312	₱7,895,448
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱445,981**	₱14,597,316	₱7,895,395			
Non-controlling interests	**(17,224)**	(14,705)	216,135			
	₱428,757	₱14,582,611	₱8,111,530			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Consolidated													
	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 25)	**Capital Paid in Excess of Par Value** (Note 25)	**Surplus Reserves** (Notes 25 and 32)	**Surplus** (Note 25)	**Net Unrealized Gain (Loss) on Financial Assets at FVOCI** (Note 9)	**Remeasurement Losses on Retirement Plan** (Note 28)	**Accumulated Translation Adjustment** (Note 25)	**Other Equity Reserves** (Notes 12 and 25)	**Share in Aggregate Reserves (Losses) on Life Insurance Policies** (Note 12)	**Reserves of a Disposal Group Classified as Held for Sale** (Note 36)	**Other Equity Adjustment**	**Total**	**Non-controlling Interests** (Note 12)	**Total Equity**
Balance at January 1, 2020	**₱61,030,594**	**₱32,116,560**	**₱642,018**	**₱56,273,492**	**₱3,250,651**	**(₱2,229,220)**	**₱947,562**	**₱35,466**	**₱12,280**	**₱–**	**₱13,959**	**₱152,093,362**	**₱2,882,038**	**₱154,975,400**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**2,614,653**	**(167,039)**	**(720,825)**	**(229,690)**	**–**	**(1,051,118)**	**–**	**–**	**445,981**	**(17,224)**	**428,757**
Transfer to surplus reserves (Note 25 and 32)	**–**	**–**	**4,390,079**	**(4,390,079)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sale of interest in a subsidiary (Note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**248,830**	**–**	**–**	**–**	**248,830**	**95,900**	**344,730**
Settlement of share-based payments (Note 25)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,441)**	**–**	**–**	**–**	**(6,441)**	**–**	**(6,441)**
Reserves of disposal group classified as held for sale (Note 36)	**–**	**–**	**–**	**–**	**(29,209)**	**(59,407)**	**–**	**–**	**–**	**88,616**	**–**	**–**	**259,722**	**259,722**
Declaration of dividends by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,160)**	**(19,160)**
Balance at December 31, 2020	**₱61,030,594**	**₱32,116,560**	**₱5,032,097**	**₱54,498,066**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱277,855**	**(₱1,038,838)**	**₱88,616**	**₱13,959**	**₱152,781,732**	**₱3,201,276**	**₱155,983,008**
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱13,959	₱125,664,159	₱2,894,853	₱128,559,012
Total comprehensive income (loss) for the year	–	–	–	9,681,480	6,447,587	(702,390)	(829,361)	–	–	–	–	14,597,316	(14,705)	14,582,611
Issuance of stock (Note 25)	11,065,007	785,309	–	–	–	–	–	–	–	–	–	11,850,316	–	11,850,316
Transfer to surplus reserves (Note 25 and 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	–	(18,429)	5,262	(13,167)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,372)	(3,372)
Balance at December 31, 2019	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400
Balance at January 1, 2018	₱49,965,587	₱31,331,251	₱597,605	₱37,171,403	(₱688,514)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱–	₱13,959	₱117,785,084	₱2,644,739	₱120,429,823
Total comprehensive income (loss) for the year	–	–	–	9,465,022	(2,508,422)	579,756	359,039	–	–	–	–	7,895,395	216,135	8,111,530
Transfer to surplus reserves (Note 25 and 32)	–	–	22,968	(22,968)	–	–	–	–	–	–	–	–	–	–
Settlement of share-based payments (Note 32)	–	–	–	–	–	–	–	(16,320)	–	–	–	(16,320)	–	(16,320)
Sale of investment in a subsidiary (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	100,000	100,000
Dissolution of a subsidiary (Note 12)	–	–	–	–	–	–	–	–	–	–	–	–	(62,655)	(62,655)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,366)	(3,366)
Balance at December 31, 2018	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱13,959	₱125,664,159	₱2,894,853	₱128,559,012

See accompanying Notes to Financial Statements.

Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 32)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Note 36)	Total Equity
Balance at January 1, 2020	**₱61,030,594**	**₱32,106,560**	**₱642,018**	**₱56,273,735**	**₱3,250,651**	**(₱2,229,220)**	**₱947,562**	**₱35,466**	**₱12,280**	**₱–**	**₱152,069,646**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**2,959,932**	**(167,039)**	**(720,825)**	**(229,690)**	**–**	**(1,051,118)**	**–**	**791,260**
Transfer to surplus reserves (Note 32)	**–**	**–**	**4,390,079**	**(4,390,079)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Business combination with a subsidiary (Note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**390,517**	**–**	**–**	**390,517**
Settlement of share-based payments (Note 25)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,441)**	**–**	**–**	**(6,441)**
Reserves of disposal group classified as held for sale (Note 36)	**–**	**–**	**–**	**–**	**(29,209)**	**(59,407)**	**–**	**–**	**–**	**88,616**	**–**
Balance at December 31, 2020	**₱61,030,594**	**₱32,106,560**	**₱5,032,097**	**₱54,843,588**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱419,542**	**(₱1,038,838)**	**₱88,616**	**₱153,244,982**
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,704	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱125,650,447
Total comprehensive income (loss) for the year	–	–	–	9,681,476	6,447,587	(702,390)	(829,361)	–	–	–	14,597,312
Issuance of stock (Note 25)	11,065,007	775,309	–	–	–	–	–	–	–	–	11,840,316
Transfer to surplus reserves (Note 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	(18,429)
Balance at December 31, 2019	₱61,030,594	₱32,106,560	₱642,018	₱56,273,735	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱152,069,646
Balance at January 1, 2018	₱49,965,587	₱31,331,251	₱597,605	₱37,171,597	(₱688,514)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱–	₱117,771,319
Total comprehensive income (loss) for the year	–	–	–	9,465,075	(2,508,422)	579,756	359,039	–	–	–	7,895,448
Transfer to surplus reserves (Note 32)	–	–	22,968	(22,968)	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(16,320)	–	–	(16,320)
Balance at December 31, 2018	₱49,965,587	₱31,331,251	₱620,573	₱46,613,704	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱125,650,447

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱759,667**	₱12,111,920	₱13,439,786	**₱1,014,411**	₱11,767,940	₱12,769,745
Income (loss) before income tax from discontinued operations (Note 36)	**88,001**	120,272	(196,611)	**–**	–	–
Income before income tax	**847,668**	12,232,192	13,243,175	**1,014,411**	11,767,940	12,769,745
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	**16,912,402**	2,909,858	1,752,812	**16,534,335**	1,593,219	1,401,528
Depreciation and amortization (Note 11)	**3,184,141**	2,804,123	1,950,977	**2,607,269**	2,207,071	1,542,712
Unrealized foreign exchange gain on bonds payable	**(2,728,233)**	(1,029,880)	–	**(2,728,233)**	(1,029,880)	–
Gains on financial assets at FVOCI (Note 9)	**(2,455,264)**	(281,340)	(167,902)	**(2,454,697)**	(317,609)	(160,403)
Loss on loan modifications (Note 27)	**1,587,605**	–	–	**1,587,605**	–	–
Unrealized foreign exchange loss (gain) on bills and acceptances payable	**(1,059,619)**	(2,771,182)	1,298,559	**(1,059,379)**	(2,771,182)	1,292,591
Accretion to interest income of loss on loan modifications (Note 27)	**(901,748)**	–	–	**(901,748)**	–	–
Losses (gains) on financial assets at FVTPL (Note 9)	**(882,375)**	(1,355,606)	21,548	**(1,001,823)**	(1,334,550)	10,386
Loss (gain) on mark-to-market of derivatives (Note 23)	**462,496**	666,851	899,614	**480,098**	666,851	899,614
Amortization of transaction costs on borrowings (Notes 17 and 21)	**229,420**	125,596	51,502	**229,420**	125,596	51,502
Net gain on sale or exchange of assets (Note 13)	**(195,842)**	(690,625)	(5,861,143)	**(130,493)**	(686,441)	(5,841,136)
Loss (gain) on disposal of property and equipment (Note 11)	**(7,777)**	8,961	(28,402)	**(1,297)**	(1,023)	(28,402)
Amortization of premium (discount) on investment securities	**(182,716)**	95,849	789,981	**(176,196)**	78,880	1,034,142
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	**(88,476)**	97,608	(43,847)	**(95,939)**	345,599	(530,885)
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**1,126,878**	(1,220,264)	678,014	**1,134,547**	(421,675)	274,268
Financial assets at FVTPL	**(9,938,231)**	(2,769,454)	(8,039,543)	**(10,256,258)**	(518,321)	(8,063,759)
Loans and receivables	**36,534,525**	(75,034,482)	(88,550,600)	**(16,207,664)**	(78,630,395)	(73,115,194)
Other assets	**(366,467)**	(1,679,271)	1,785,717	**(961,959)**	300,791	2,071,977
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**455,620**	(225,029)	127,126	**468,810**	(236,287)	124,863
Deposit liabilities	**64,182,479**	92,702,273	95,341,952	**117,646,115**	92,402,864	86,953,099
Accrued taxes, interest and other expenses	**(2,376,061)**	561,268	1,083,584	**(1,903,084)**	516,800	886,415
Other liabilities	**(5,509,215)**	346,335	825,976	**(2,764,403)**	(301,401)	804,897
Net cash generated from operations	**98,831,210**	25,493,781	17,159,100	**101,059,437**	23,756,847	22,377,960
Income taxes paid	**(1,648,621)**	(3,369,421)	(4,060,889)	**(1,461,890)**	(3,043,713)	(3,314,639)
Net cash provided by operating activities	**97,182,589**	22,124,360	13,098,211	**99,597,547**	20,713,134	19,063,321
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	**159,923,104**	36,239,398	41,459,104	**157,339,946**	34,213,584	41,652,990
Maturities of investment securities at amortized cost (Note 9)	**61,359,649**	81,709,960	19,356,795	**61,359,649**	81,530,081	37,699,516
Disposal of investment properties	**210,936**	712,650	8,456,263	**161,736**	717,677	8,493,918
Disposal of property and equipment (Note 11)	**36,750**	153,182	152,169	**1,322**	4,554	612,103
Acquisitions of:						
Financial assets at FVOCI	**(169,859,472)**	(100,962,284)	(23,729,263)	**(169,859,472)**	(96,281,851)	(25,122,624)
Investment securities at amortized cost	**(56,875,400)**	(81,365,299)	(93,782,890)	**(57,227,468)**	(81,150,541)	(111,057,852)
Property and equipment (Note 11)	**(1,231,247)**	(2,299,285)	(3,026,508)	**(1,027,671)**	(1,634,668)	(2,263,064)
Software cost (Note 14)	**(283,472)**	(334,548)	(169,231)	**(268,768)**	(331,543)	(160,857)
Additional investments in subsidiaries (Note 12)	**–**	–	–	**–**	(180,000)	(266,000)
Net cash used in investing activities	**(6,719,152)**	(66,146,226)	(51,283,561)	**(9,520,726)**	(63,112,707)	(50,411,870)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019	2018 (As restated – Note 36)	**2020**	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of bills and acceptances payable	**₱168,973,402**	₱1,465,130,227	₱187,599,609	**₱155,926,201**	₱1,445,941,174	₱178,534,210
Settlement of bills and acceptances payable	**(136,717,622)**	(1,476,478,591)	(162,732,019)	**(118,473,479)**	(1,457,452,771)	(158,520,810)
Payment of principal portion of lease liabilities (Note 29)	**(664,156)**	(509,952)	–	**(649,402)**	(436,331)	–
Proceeds from issuance of bonds payable (Note 21)	**–**	51,899,720	15,398,696	–	51,899,720	15,398,696
Proceeds from issuance of stocks (Note 25)	–	11,850,316	–	–	11,840,316	–
Net cash provided by financing activities	**31,591,624**	51,891,720	40,266,286	**36,803,320**	51,792,108	35,412,096
NET INCREASE IN CASH AND CASH EQUIVALENTS	**122,055,061**	7,869,854	2,080,936	**126,880,141**	9,392,535	4,063,547
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**30,500,927**	16,825,487	12,391,139	**29,642,159**	15,904,663	11,671,952
Due from Bangko Sentral ng Pilipinas	**105,981,801**	102,723,312	108,743,985	**101,801,597**	98,665,375	105,497,459
Due from other banks	**17,758,143**	21,003,079	22,025,322	**10,835,106**	10,459,496	10,755,260
Interbank loans receivable	**22,943,529**	10,580,432	11,491,684	**22,274,306**	10,581,083	9,700,916
Securities held under agreements to resell	**2,517,764**	20,700,000	14,621,483	**1,149,984**	20,700,000	14,621,483
	179,702,164	171,832,310	169,273,613	**165,703,152**	156,310,617	152,247,070
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**25,135,724**	30,500,927	16,825,487	**25,038,434**	29,642,159	15,904,663
Due from Bangko Sentral ng Pilipinas	**202,129,356**	105,981,801	102,723,312	**202,129,356**	101,801,597	98,665,375
Due from other banks	**19,733,300**	17,758,143	20,525,318	**12,131,726**	10,835,106	10,459,496
Interbank loans receivable (Note 8)	**38,939,572**	22,943,529	10,580,432	**37,464,504**	22,274,306	10,581,083
Securities held under agreements to resell	**15,819,273**	2,517,764	20,700,000	**15,819,273**	1,149,984	20,700,000
	₱301,757,225	₱179,702,164	₱171,354,549	**₱292,583,293**	₱165,703,152	₱156,310,617
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱11,936,540**	₱17,522,121	₱8,151,979	**₱11,494,829**	₱15,188,304	₱6,768,648
Interest received	**47,391,100**	49,063,648	32,969,308	**44,519,365**	43,948,726	28,399,766
Dividends received	–	–	3,366	–	–	3,366

See accompanying Notes to Financial Statements.

(Amounts in Thousand Pesos except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of December 31, 2020 and 2019, the shares of PNB are held by the following:

LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	**59.83%**
PCD Nominee Corporation *	**17.86%**
Other stockholders owning less than 10% each	**22.31%**
	100.00%

** Acts as a trustee-nominee for PNB shares lodged under the PCD system*

PNB's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are also incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, investment banking, treasury operations, fund transfers, remittance and trust services, through its 716 and 715 domestic branches as of December 31, 2020 and 2019, respectively. As of the same dates, the Parent Company has 70 overseas branches, representative offices, remittance centers and subsidiaries in 17 locations in Asia, North America and Europe.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, nonlife insurance, banking, leasing, stock brokerage, foreign exchange trading and/or related services. The Parent Company and the subsidiaries are collectively referred hereinto as the Group.

The principal place of business of the Parent Company is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies

Basis of Preparation of the Financial Statements

The Group prepared the accompanying financial statements on a historical cost basis, except for the following accounts which are measured at fair value:
- financial assets and liabilities at fair value through profit or loss (FVTPL); and
- financial assets at fair value through other comprehensive income (FVOCI).

The financial statements of the Parent Company reflect the accounts maintained in its Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine pesos (₱ or PHP) and United States Dollar (USD), respectively. The individual financial statements of these units are combined and any inter-unit accounts and transactions are eliminated.

The Group presents the amounts in the financial statements to the nearest thousand pesos (₱000), unless otherwise stated.

Statement of Compliance
The Group prepared these financial statements in accordance with Philippine Financial Reporting Standards (PFRS) adopted by the Philippine Securities and Exchange Commission (SEC).

Presentation of the Financial Statements
The Group presents the statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

The Group generally presents financial assets and financial liabilities at their gross amounts in the statement of financial position, unless the offsetting criteria under PFRS are met. The Group does not also set off items of income and expenses, unless offsetting is required or permitted by PFRS, or is specifically disclosed in the Group's accounting policies.

The Group presents its consolidated financial statements and parent company financial statements side-by-side to comply with the requirements of the Bangko Sentral ng Pilipinas (BSP).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. In the consolidation, the Group eliminates in full all significant intra-group balances, transactions, and results of intra-group transactions.

The Group consolidates its subsidiaries from the date on which the Group obtains control over the subsidiary. The Group controls an investee if, and only if, the Group has:
- power over the investee (i.e., those existing rights that give the Group the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, such as contractual arrangements with other voting shareholders of the investee, rights arising from other contractual arrangements, or any potential voting rights of the Group.

For partially-owned subsidiaries, the Group attributes the subsidiary's income, expenses and components of other comprehensive income (OCI) to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in deficit balances of the NCI. NCI represents the portion of profit or loss and the net assets not held by the Group, which are presented separately in the consolidated financial statements. NCI consists of the amount attributed to such interest from the date of business combination and its share in any changes in equity of the subsidiary.

When the Group's ownership interest in a subsidiary changed but it did not result in a loss of control, the Group adjusts the carrying amounts of the controlling interests and the NCI to their new relative interests in the subsidiary. The Group recognizes any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received directly in equity as 'Other equity reserves', which is attributed to the owners of the Parent Company.

Consolidation of a subsidiary ceases when the Group loses control over the subsidiary. In such circumstances, the Group derecognizes the assets (including goodwill), liabilities, NCI, and other components of equity of the subsidiary, and recognizes the consideration received and any investment retained at their fair values. The Group records any resulting difference in the statement of income.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations: Definition of a Business*
  The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, the amendments clarify that a business can exist without including all of the inputs and processes needed to create outputs.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and *PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*
  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*
  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018
  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19 Related Rent Concessions*
  The amendments provide relief to lessees from applying PFRS 16, *Leases*, guidance on lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (COVID-19) pandemic. As a practical expedient, a lessee may elect not to assess

whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification. The amendments had no significant impact on the consolidated financial statements of the Group.

Future Changes in Accounting Standards

Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the 'separately identifiable' requirement when an RFR instrument is designated as a hedge of a risk component

  The amendments also require to disclose information about the nature and extent of risks to which an entity is exposed arising from financial instruments subject to IBOR reform, how the entity manages those risks, their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3*, Business Combinations: Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was also added to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. The amendments apply prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*
  The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, entities should recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*
  The amendments apply a "directly related cost approach" to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Under this approach, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments apply to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- Annual Improvements to PFRS Standards 2018-2020 Cycle
  - Amendments to PFRS 1, *Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PFRS 16, *Lease incentives*
  - Amendments to PAS 41, *Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- PFRS 17*, Insurance Contracts*
  PFRS 17 is comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted but only if the entity also applies PFRS 9, *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers*.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify: (a) what is meant by a right to defer settlement; (b) that a right to defer must exist at the end of the reporting period; (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and (d) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are applied retrospectively.

Deferred effectivity

- PFRS 10, *Consolidated Financial Statements*, and PAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Significant Accounting Policies

Business Combinations and Goodwill
The Group accounts for business combinations using the acquisition method. Under this method, the Group measures the acquisition cost as the aggregate of the fair value of the consideration transferred and any amount of NCI in the acquiree. The Group then allocates that cost to the acquired identifiable assets and liabilities based on their respective fair values. Any excess acquisition cost over the fair value of the net assets acquired is allocated to goodwill. If the fair value of the net assets acquired exceeds the acquisition cost, the gain is recognized in the statement of income.

The Group recognizes any acquisition-related costs as administrative expenses as they are incurred. The Group also recognizes any contingent consideration to be transferred by the acquirer at its fair value at the acquisition date.

After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. For the purpose of impairment testing, the Group allocates the goodwill acquired in a business combination to each of its cash-generating units (CGUs) that are expected to benefit from the business combination.

In business combinations involving entities under common control, the Group determines whether or not the business combination has commercial substance. When there is commercial substance, the Group accounts for the transaction using the acquisition method as discussed above. Otherwise, the Group accounts for the transaction similar to a pooling of interests (i.e., the assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values, and any resulting difference with the fair value of the consideration given is accounted for as an equity transaction).

Non-current Assets and Disposal Group Held for Sale and Discontinued Operations
The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. As such, non-current assets and disposal groups are measured at the lower of their carrying amounts and fair value less costs to sell (i.e., the incremental costs directly attributable to the sale, excluding finance costs and income taxes).

The Group regards the criteria for held for sale classification as met only when:
- the Group has initiated an active program to locate a buyer;
- the Group is committed to the plan to sell the asset or disposal group, which should be available for immediate sale in its present condition;
- the sale is highly probable (i.e, expected to happen within one year from the date of the classification); and
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The Group presents separately the assets and liabilities of disposal group classified as held for sale in the statement of financial position.

The Group classifies a disposal group as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:
- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group excludes discontinued operations from the results of continuing operations and presents them as a single amount as profit or loss after tax from discontinued operations in the statement of income.

If the above criteria are no longer met, the Group ceases to classify the asset or disposal group as held for sale. In such cases, the Group measures such asset or disposal group at the lower of its:

- carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had it not been classified as such; and
- recoverable amount at the date of the subsequent decision not to sell.

The Group also amends financial statements for the periods since classification as held for sale if the asset or disposal group that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. Accordingly, for all periods presented, the Group reclassifies and includes in income from continuing operations the results of operations of the asset or disposal group previously presented in discontinued operations.

Foreign Currency Translation

For financial reporting purposes, the Group translates all accounts in the FCDU books and foreign currency-denominated accounts in the RBU books into their equivalents in Philippine pesos. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency.

Transactions and balances

As at reporting date, the Group translates the following foreign currency-denominated accounts in the RBU in Philippine peso using:

Financial statement accounts in RBU	Exchange rate
Monetary assets and liabilities	Bankers Association of the Philippines (BAP) closing rate at end of year
Income and expenses	Rate prevailing at transaction date
Non-monetary items measured at historical cost in a foreign currency	Rate at the date of initial transaction
Non-monetary items measured at fair value in a foreign currency	Rate at the date when fair value is determined

The Group recognizes in the statement of income any foreign exchange differences arising from revaluation of monetary assets and liabilities. For non-monetary items measured at fair values, the Group recognizes any foreign exchange differences arising from revaluation in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

FCDU and overseas branches and subsidiaries

As at the reporting date, the Group translates the assets and liabilities of the FCDU and overseas branches and subsidiaries in Philippine peso at the BAP closing rate prevailing at the reporting date, and their income and expenses at the average exchange rate for the year. Foreign exchange differences arising on translation are taken directly to OCI under ‘Accumulated Translation Adjustment’. Upon disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of income.

Insurance Product Classification
Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk, which is the risk of a possible future change in one or more of a specified interest rate, security or commodity price, foreign exchange rate, a credit rating or credit index, or other variables. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts, however, can be reclassified to insurance contracts after inception if the insurance risk becomes significant.
All non-life insurance products issued by the Group meet the definitions of insurance contract.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

Fair Value Measurement
Fair value is the price that the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that these transactions take place either:
- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The Group measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Group uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Group measures their fair value considering a market participant’s ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

Financial Instruments – Initial Recognition

Date of recognition

The Group recognizes purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace on settlement date (i.e., the date that an asset is delivered to or by the Group), while derivatives are recognized on trade date (i.e., the date that the Group commits to purchase or sell). The Group recognizes deposits, amounts due to banks and customers and loans when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

Financial Instruments – Classification and Subsequent Measurement

The Group classifies and measures financial assets at FVTPL unless these are measured at FVOCI or at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing those financial assets.

The Group first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test ('solely payments of principal and interest' or SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than insignificant exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL. Only financial assets that pass the SPPI test are eligible to be measured at FVOCI or at amortized cost.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

For financial liabilities, the Group classifies them as either financial liabilities at FVTPL or financial liabilities at amortized cost.

Financial assets at FVTPL

Financial assets at FVTPL include the following:

- Financial assets held for trading – those acquired for the purpose of selling or repurchasing in the near term;
- Derivative instruments – contracts entered into by the Group (such as currency forwards, currency swaps, interest rate swaps and warrants) as a service to customers and as a means of reducing or managing their respective financial risk exposures, as well as for trading purposes;
- Financial assets that are not SPPI, irrespective of the business model; or

- Debt financial assets designated upon initial recognition at FVTPL – those assets where the Group applied the fair value option at initial recognition if doing so eliminates or significantly reduces an accounting mismatch

The Group carries financial assets at FVTPL in the statement of financial position at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group recognizes any gains or losses arising from changes in fair values of financial assets at FVTPL directly in the statement of income under 'Trading and investment securities gains - net', except for currency forwards and currency swaps, where fair value changes are included under 'Foreign exchange gains - net'.

Financial assets at FVOCI
Financial assets at FVOCI include debt and equity securities, which are subsequently measured at fair value. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the statement of comprehensive income as 'Net change in unrealized gain (loss) on financial assets at FVOCI, net of tax'.

Debt securities at FVOCI are those that meet both of the following conditions:
- the asset is held within a business model whose objective is to hold the financial asset in order to both collect contractual cash flows and sell the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

The Group reports the effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, in the statement of income. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and securities gain (loss) - net' in the statement of income. The Group recognizes the expected credit losses (ECL) arising from impairment of such financial assets in OCI with a corresponding charge to 'Provision for impairment, credit and other losses' in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. The Group recognizes the dividends earned on holding the equity securities at FVOCI in the statement of income when the right to payment has been established. Gains and losses on disposal of these equity securities at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Surplus' or any other appropriate equity account upon disposal. The Group does not subject equity securities at FVOCI to impairment assessment.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions:
- the asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

This accounting policy relates to the statement of financial position captions 'Due from Bangko Sentral ng Pilipinas', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Investment securities at amortized cost', and 'Loans and receivables'.

The Group subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Group includes the amortization in 'Interest income', and the ECL arising from impairment of such financial assets in 'Provision for impairment, credit and other losses' in the statement of income.

Financial liabilities at amortized cost
The Group classifies issued financial instruments or their components which are not designated at FVTPL, as financial liabilities at amortized cost under 'Deposit liabilities', 'Bills and acceptances payable', 'Bonds payable' or other appropriate financial liability accounts. The substance of the contractual arrangement for these instruments results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Group subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Repurchase and reverse repurchase agreements
The Group does not derecognize from the statement of financial position securities sold under agreements to repurchase at a specified future date ('repos'). Instead, the Group recognizes the corresponding cash received, including accrued interest, as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, the Group does not recognize securities purchased under agreements to resell at a specified future date ('reverse repos'). The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The Group recognizes the corresponding cash paid, including accrued interest, as a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Reclassification of financial instruments
Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

<u>Financial Instruments – Derecognition</u>
Financial assets
The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Group recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous Income' in the statements of income.

Financial liabilities
The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the Group treats such an exchange or modification as a derecognition of the original liability and recognition of a new liability, and Group recognizes the difference in the respective carrying amounts in the statement of income.

<u>Financial Instruments – Impairment</u>
ECL methodology
The Group's loss impairment method on financial instruments applies a forward-looking ECL approach, which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial instrument since origination (12-month ECL). Otherwise, if an SICR is observed, then the Group extends its ECL estimation until the end of the life of the financial instrument (Lifetime ECL). Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Staging assessment
The Group categorizes financial instruments subject to the ECL methodology into three stages:
- Stage 1 – comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Group recognizes 12-month ECL for Stage 1 financial instruments.
- Stage 2 – comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Group recognizes Lifetime ECL for Stage 2 financial instruments.
- Stage 3 – comprised of financial instruments which have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on their estimated future cash flows. The Group recognizes Lifetime ECL for Stage 3 (credit-impaired) financial instruments.

Definition of "default" and "cure"
The Group considers default to have occurred when:
- the obligor is past due for more than 90 days on any material credit obligation to the Group; or
- the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral, as applicable.

The Group no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Determining SICR
At each reporting date, the Group assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Group's assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 30 days ("backstop").

The Group assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management's close attention. Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

The Group looks at the quantitative element through statistical models or credit ratings process or scoring process that captures certain information, which the Group considers as relevant in assessing changes in credit risk. The Group also looks at the number of notches downgrade of credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

Transfer between stages
The Group transfers credit exposures from Stage 1 to Stage 2 if there is an SICR from initial recognition date. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, then the Group reverts them to Stage 1.

The Group transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:
- quantitative – characterized by payments made within an observation period; and
- qualitative – pertain to the results of assessment of the borrower's financial capacity.

Generally, the Group considers that full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or restructured loans and other credit exposures
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule, which may be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If modifications are considered by the Group as substantial based on qualitative factors, the loan is derecognized as discussed under Financial Instruments – Derecognition.

If a loan or credit exposure has been renegotiated or modified without this resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Purchased or originated credit-impaired loans
The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL
ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) – an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) – an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) – an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate – represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

<u>Financial Guarantees and Undrawn Loan Commitments</u>
The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under 'Bills and acceptances payable' or 'Other liabilities' in the statement of financial position. Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

Investments in Subsidiaries, Associates and Joint Ventures

The Group's associate pertains to the entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's joint venture pertains to joint arrangements whereby the Group and other parties have joint control of the arrangement and have rights to the net assets of the arrangement.

The Group accounts for its investments in subsidiaries, associates and joint venture under the equity method of accounting. Under this method, the Group carries the investment in an associate in the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the associate. The Group reflects its share in the results of operations of the associate in the statement of income. When there has been a change recognized in the associate's OCI, the Group recognizes its share in any changes and discloses this in the statement of comprehensive income. The Group eliminates any profits or losses arising from transactions between the Group and the associate to the extent of the interest of the Group in the associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any resulting difference between the aggregate of the associate's carrying amount upon disposal and the fair value of the retained investment, and proceeds from disposal is recognized in the statement of income.

For transactions where ownership interest in a subsidiary that did not result in a loss of control, the Parent Company recognizes the gain or loss in the profit and loss representing the difference between the proceeds from sale and the carrying value of the investee account. The profit and loss treatment of such gains or losses is on the basis that the non-controlling interest is not reflected in the separate financial statements.

Property and Equipment
The Group carries its land at cost less any impairment in value, and its depreciable properties such as buildings, right-of-use assets, furniture, fixtures and equipment, long-term leasehold land, and leasehold improvements at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. See accounting policy on Leases for the recognition and measurement of right-of-use assets included under 'Property and equipment'.

The Group derecognizes an item of property and equipment upon disposal or when no future economic benefits are expected from its use or disposal. The Group includes any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the statement of income in the period the asset is derecognized.

Investment Properties and Chattel Mortgage Properties
The Group initially measures investment properties and chattel mortgage properties initially at cost, including transaction costs. When the investment property or chattel mortgage property is acquired through an exchange transaction, the Group measures the asset at its fair value, unless the fair value of such an asset cannot be reliably measured in which case the asset acquired is measured at the carrying amount of asset given up. The Group recognizes any gain or loss on exchange in the statement of income under 'Net gains on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment properties' upon:
- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, the Group carries the investment properties and chattel mortgage properties at cost less accumulated depreciation (for depreciable properties) and any impairment in value.

The Group derecognizes investment properties and chattel mortgage properties when they have either been disposed of or when the asset is permanently withdrawn from use and no future benefit is expected from its disposal. The Group recognizes any gains or losses on the retirement or disposal of an investment property in the statement of income under 'Net gain on sale or exchange of assets' in the period of retirement or disposal.

The Group transfers assets to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Conversely, the Group transfers out of investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Intangible Assets
The Group initially measures separately acquired intangible assets at cost, and the intangible assets acquired in a business combination at their fair values at the date of acquisition. Following initial recognition, the Group carries intangible assets at cost less any accumulated amortization and accumulated impairment losses. The Group does not capitalize internally generated intangibles,

excluding capitalized development costs, and reflects in profit or loss the related expenditures in the period in which the expenditure is incurred.

The Group measures any gains or losses arising from derecognition of an intangible asset as the difference between the net disposal proceeds and the carrying amount of the asset. The Group recognizes these gains or losses in the statement of income in the period when the intangible asset is disposed of.

Intangibles with finite lives
The Group capitalizes software costs, included in 'Intangible assets', on the basis of the cost incurred to acquire and bring to use the specific software.

Customer relationship intangibles (CRI) and core deposits intangibles (CDI) are the intangible assets acquired by the Group through business combination. The Group initially measures these intangible assets at their fair values at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, intangibles with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Goodwill
The Group initially measures goodwill acquired in a business combination at cost. With respect to investments in an associate, the Group includes goodwill in the carrying amount of the investments. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances that the carrying value may be impaired.

<u>Impairment of Nonfinancial Assets</u>
Property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate
At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate may be impaired. When an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the Group considers the asset as impaired and writes the asset down to its recoverable amount. In assessing value in use, the Group discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group charges the impairment loss against current operations. At each reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount and reverses a previously recognized impairment loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal recognized in the statement of income cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. After such reversal, the Group adjusts the depreciation and amortization in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group determines impairment for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), the Group recognizes an impairment loss immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

<u>Nonlife Insurance Contract Liabilities</u>
The Group recognizes insurance contract liabilities when contracts are entered into and premiums are charged.

Claims provisions and incurred but not reported (IBNR) losses
The Group estimates outstanding claims provisions based on the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The Group does not discount the liability for the time value of money and includes any provision for IBNR claims. The Group does not also recognize provision for equalization or catastrophic reserves. The Group derecognizes the liability when the contract is discharged or cancelled, and has expired.

Provision for unearned premiums
The Group defers as provision for unearned premiums the proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired. The Group accounts for the portion of the premiums written that relate to the unexpired periods of the policies at the reporting date as provision for unearned premiums and presented under 'Insurance contract liabilities' as part of 'Other liabilities' in the consolidated statement of financial position. Any change in the provision for unearned premiums is taken to the statement of income in the order that revenue is recognized over the period of risk. The Group makes further provisions to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Liability adequacy test
At each reporting date, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related deferred acquisition costs. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Reinsurance
The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. When claims are paid, such reinsurance assets are reclassified to 'Loans and receivables'.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to ceding companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

When the Group enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Group initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability will be withheld and included as part of 'Other liabilities' in the consolidated statement of financial position. The amount withheld is generally released after a year.

Deferred Acquisition Costs (DAC)
Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, these costs are amortized using the 24th method, except for marine cargo where the DAC pertains to the commissions for the last two months of the year. Amortization is charged to 'Service fees and commission expense' in the consolidated statement of income.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount and the impairment loss is charged to the consolidated statement of income. The DAC is also considered in the liability adequacy test for each reporting period.

Equity
The Group measures capital stock at par value for all shares issued and outstanding. When the shares are sold at a premium, the Group credits the difference between the proceeds and the par value to 'Capital paid in excess of par value'. 'Surplus' represents accumulated earnings (losses) of the Group less dividends declared.

The reserves recorded in equity in the statement of financial position include:
- Remeasurement losses on retirement plan – pertains to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets
- Accumulated translation adjustment – used to record exchange differences arising from the translation of the FCDU accounts and foreign operations (i.e., overseas branches and subsidiaries) to Philippine peso

- Net unrealized gain (loss) on financial assets at FVOCI – comprises changes in fair value of financial assets at FVOCI

Dividends

The Group recognizes dividends on common shares as a liability and deduction against 'Surplus' when approved by the Board of Directors (BOD) of the Parent Company. For dividends that are approved after the reporting date, the Group discloses them in the financial statements as an event after the reporting date.

Securities Issuance Costs

The Group capitalizes the issuance, underwriting and other related expenses incurred in connection with the issuance of debt securities (other than debt securities designated at FVTPL) and amortizes over the terms of the instruments using the effective interest method. The Group includes any unamortized debt issuance costs in the carrying value of the related debt instruments in the statement of financial position.

For underwriting, share registration, and other share issuance costs and taxes incurred in connection with the issuance of equity securities, the Group accounts for these costs as reduction of equity against 'Capital paid in excess of par value'. If the 'Capital paid in excess of par value' is not sufficient, the share issuance costs are charged against the 'Surplus'. For transaction costs that relate jointly to the offering and listing of the shares, the Group allocates the costs to those transactions (i.e., reduction against equity for those allocated to offering of shares, and expensed for those allocated to listing of shares) using a basis of allocation that is rational and consistent with similar transactions.

Revenue Recognition

Revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Service fees and commission income

The Group earns fee and commission income from diverse range of services it provides to its customers:

- Fees from services that are provided over a certain period of time
  The Group accrues fees earned for the provision of services over a period of time. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.

- Bancassurance fees
  The Group recognizes non-refundable access fees on a straight-line basis over the term of the period of the provision of the access. Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.

- Fee income from providing transaction services
  The Group recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the Group

recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

The Group recognizes loan syndication fees as revenue when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as the other participants.

Interchange fees and revenue from rewards redeemed
The Group takes up as income the interchange fees under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The Group allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The Group defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points becomes remote. The Group includes the deferred balance under 'Other liabilities' in the statement of financial position.

Commissions on credit cards
The Group recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Other income
The Group recognizes income from sale of properties upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

The following are revenue streams of the Group, which are covered by accounting standards other than PFRS 15:

Interest income
Interest on interest-bearing financial assets at FVTPL and held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVOCI are recognized based on effective interest method of accounting to calculates the amortized cost of a financial asset or a financial liability and allocate the interest income or interest exense.

The Group records interest income using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. In calculating EIR, the Group considers all contractual terms of the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The Group adjusts the carrying amount of the financial instrument through 'Interest income' in the statement of income based on the original EIR.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Commitment fees
The Group defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as revenue over the expected life of the loan.

Commissions on installment credit sales
The Group records the purchases by the credit cardholders, collectible on installment basis, at the cost of the items purchased plus certain percentage of cost. The Group recognizes the excess over cost as ‘Unearned and other deferred income’, which is shown as a deduction from ‘Loans and receivables’ in the statement of financial position. The Group amortizes and recognizes as revenue the unearned and other deferred income over the installment terms using the effective interest method.

Insurance premiums and commissions on reinsurance
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. The Group recognizes premiums from short-duration insurance contracts and reinsurance commissions as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The Group recognizes in the statement of income for the period the net changes in provisions for unearned premiums and deferred reinsurance premiums.

Dividend income
The Group recognizes dividend income when the Group’s right to receive payment is established.

Trading and investment securities gains - net
The Group recognizes in ‘Trading and investment securities gains - net’ the results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, and gains and losses from disposal of debt securities at FVOCI.

Rental income
The Group accounts for rental income arising on leased properties on a straight-line basis over the lease terms of ongoing leases, which is recorded in the statement of income under ‘Miscellaneous income’.

Income on direct financing leases and receivables financed
The Group recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against ‘Loans and receivables’ . Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Expenditures

Borrowing costs
The Group recognizes borrowing costs as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method that the Group incurs in connection with borrowing of funds.

Operating expenses
This encompasses those expenses that arise in the course of the ordinary activities of the Group, as well as any losses incurred. These are recognized in the statement of income as they are incurred.

Taxes and licenses
This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

Depreciation and amortization
The Group computes for depreciation and amortization of depreciable assets using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the depreciable assets follow:

	Years
Property and equipment:	
Buildings	25 - 50
Right-of-use assets	1 - 25 or the lease term, whichever is shorter (provided that lease term is more than one year)
Furniture, fixtures and equipment	5
Long-term leasehold land	46 - 50
Leasehold improvements	10 or the lease term, whichever is shorter
Investment properties	10 - 25
Chattel mortgage properties	5
Intangible assets with finite lives:	
Software costs	5
CDI	10
CRI	3

The Group reviews periodically the useful life and the depreciation and amortization method to ensure that these are consistent with the expected pattern of economic benefits from the depreciable assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Expenditures on nonfinancial assets
The Group charges against current operations the expenditures incurred after the nonfinancial assets (i.e., property and equipment, investment properties, software costs, and chattel mortgage properties) have been put into operation, such as repairs and maintenance. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of these nonfinancial assets beyond their originally assessed standard of performance, the Group capitalizes such expenditures as additional cost.

Retirement Benefits

Defined benefit plan

At the end of the reporting period, the Group determines its net defined benefit liability (or asset) as the difference between the present value of the defined benefit obligation and the fair value of plan assets, adjusted for any effect of asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs recognized in the statement of income consist of the following:

- service costs – include current service costs, past service costs (recognized when plan amendment or curtailment occurs) and gains or losses on non-routine settlements; and
- net interest on the net defined benefit liability or asset – pertains to the change during the period in the net defined benefit liability (or asset) that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Changes in the net defined benefit liability (or asset) also include remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding net interest on defined benefit liability (or asset). The Group recognizes these remeasurements immediately in OCI in the period in which they arise. The Group does not reclassify these remeasurements to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies, and are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group recognizes its right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement

The Group recognizes entitlements of employees to annual leave as a liability when they are accrued to the employees. The Group recognizes the undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period for services rendered by employees up to the end of the reporting period. For leave entitlements expected to be settled for more than 12 months after the reporting date, the Group engages an actuary to estimate the long-term liability, which is reported in 'Accrued taxes, interest and other expenses' in the statement of financial position.

Share-based Payment

Employees of the Parent Company receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments. The Parent Company determines the cost of equity-settled transactions at fair value at the date when the grant is made, and recognizes as 'Compensation and fringe benefits', together with a corresponding increase in equity ('Other equity reserves'), over the period in which the service is fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects to the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in the cumulative expense recognized as at the beginning and end of the period.

Leases

Policies applicable effective January 1, 2019

The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

- Right-of-use assets

  At the commencement date of the lease (i.e, the date the underlying asset is available for use), the Group recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Group measures the right-of-use assets at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

  The Group presents the right-of-use assets in 'Property and equipment' and subjects it to impairment in line with the Group's policy on impairment of nonfinancial assets.

- Lease liabilities

  At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Group's incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

  After the commencement date of the lease, the Group measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on bills payable and other borrowings'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets

  The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of ATM offsite locations and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under ‘Occupancy and equipment-related costs’ on a straight-line basis over the lease term.

Group as a lessor
For finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item, the Group recognizes a lease receivable in the statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Group includes all income resulting from the receivable in ‘Interest income on loans and receivables’ in the statement of income.

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

In operating leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Group recognizes rental income on a straight-line basis over the lease terms. The Group adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Group recognizes contingent rents as revenue in the period in which they are earned.

Policies applicable prior to January 1, 2019
In determining whether an arrangement was, or contained a lease, the Group assessed the substance of the arrangement whether the fulfillment of the arrangement was dependent on the use of a specific asset or assets, and the arrangement conveyed a right to use the asset. After inception of the lease, the Group reassesed the above basis only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- there is a change in the determination of whether fulfillment is dependent on a specified asset;
- there is a substantial change to the asset; or
- a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term.

Where a reassessment was made, the Group commenced or ceased its lease accounting from the date when the change in circumstances gave rise to the reassessment for first three scenarios above, and at the date of renewal or extension period for last scenario above.

Group as lessee
At the inception of the lease, the Group capitalized finance leases, which are lease arrangements that transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The Group included the amounts capitalized in ‘Property and equipment’ with the corresponding liability to the lessor included in ‘Other liabilities’. The Group apportioned the lease payments between the finance charges (recorded in ‘Interest expense on bills payable and other borrowings’) and reduction of the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability.

The Group depreciated the leased assets over the shorter of the estimated useful lives of the assets or the respective lease terms, if there was no reasonable certainty that the Group will obtain ownership by the end of the lease term.

For operating leases where the lessor retained substantially all the risks and rewards of ownership of the asset, the Group recognized the lease payments as expense in the statement of income on a straight-line basis over the lease term.

Group as lessor
Policies for lessor accounting under PAS 17 are substantially similar with those under PFRS 16, as described above.

Provisions
The Group recognizes provisions when:
- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the Group recognizes the reimbursement as a separate asset but only when the reimbursement is virtually certain. The Group presents the expense relating to any provision in the statement of income, net of any reimbursement.

If the effect of the time value of money is material, the Group determines provisions by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the Group recognizes the increase in the provision due to the passage as 'Interest expense on bills payable and other borrowings'.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes
Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax
The Group measures current tax assets and liabilities for the current periods at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that are enacted or substantively enacted at the reporting date.

Deferred tax
The Group provides for deferred tax using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The Group recognizes deferred tax liabilities for all taxable temporary differences, including asset revaluations. The Group recognizes deferred tax assets for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

The Group, however, does not recognize deferred tax on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The Group does not also provide deferred tax liabilities on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate. With respect to investments in foreign subsidiaries, the Group does not recognize deferred tax liabilities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the recognized amount to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. The Group reassesses unrecognized deferred tax assets at each reporting date and recognizes amounts to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The Group measures deferred tax assets and liabilities at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

For current and deferred tax relating to items recognized directly in OCI, the Group recognizes them also in OCI and not in the statement of income.

In the consolidated financial statements, the Group offsets deferred tax assets and liabilities if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

When tax treatments involve uncertainty, the Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty for each uncertain tax treatment using the method the Group expects to better predict the resolution of the uncertainty.

Earnings per Share

The Group computes for the basic earnings per share (EPS) by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any bonus issue, share split or reverse share split during the period.

The Group computes for the diluted EPS by dividing the aggregate of net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the effects of any dilutive shares.

Events after the Reporting Date

The Group reflects in the financial statements any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event). The Group discloses post-year-end events that are not adjusting events, if any, when material to the financial statements.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Refer to Note 6 for the detailed disclosure on segment information.

Fiduciary Activities
The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts and disclosures. The Group continually evaluates judgments and estimates and uses as basis its historical experience and other factors, including expectations of future events. The Group reflects the effects of any changes in estimates in the financial statements as they become reasonably determinable.

Judgments
(a) Classification of financial assets
The Group classifies its financial assets depending on the results of the SPPI test and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:
- business objectives and strategies for holding the financial assets;
- performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets;
- risks associated to the financial assets and the tools applied in managing those risks;
- compensation structure of business units, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions; and
- frequency and timing of disposals.

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP, particularly the guidelines contained in Circular No. 1011.

(b) Fair valuation of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models (Note 5). The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing

fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives.

(c) *Determination of lease term for lease contracts with renewal and termination options (applicable effective January 1, 2019)*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

(d) *Classification of leases (applicable prior to January 1, 2019)*
In arrangements that are, or contain, leases, the Group determines based on an evaluation of the terms and conditions of the arrangements whether or not the lessor retains all the significant risks and rewards of ownership of the properties which are leased out.

In classifying such arrangements as operating leases, the Group considers the following:

- the lease does not transfer ownership of the asset to the lessee by the end of the lease term;
- the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable;
- the present value of the minimum lease payments is substantially lower than the fair value of the leased asset;
- the losses associated with any cancellation of the lease are borne by the lessor; and
- the lease term is not for the major part of the asset's economic useful life.

When the above terms and provisions do not apply, the Group classifies the lease arrangements as finance leases.

(e) *Assessment of control over entities for consolidation*
Where the Parent Company does not have majority of the voting interest over an investee, it considers all relevant facts and circumstances in assessing whether it has control over the investee. This may include a contractual arrangement with the other voting shareholders of the investee or rights arising from other contractual arrangements which give power to the Parent Company over the investee to affect its returns.

(f) *Contingencies*
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 34).

(g) *Determination of functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the Group to use its judgment to determine the functional currency of the Group, including its foreign operations, such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to each entity or reporting unit.

In making this judgment, the Group considers the following:
- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

<u>Estimates</u>
(a) *Credit losses on financial assets*
The Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:
- segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively;
- quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages;
- determination of expected life of the financial asset and expected recoveries from defaulted accounts;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs; and
- selection of forward-looking information and determination of probability-weightings to derive the ECL.

The ongoing COVID-19 outbreak is widely expected to adversely affect the global economy and financial markets for the foreseeable future. The economic impact of COVID-19 depends on the mutation of the virus and the response of the authorities and the global community. The situation continues to evolve and the impact on the global and Philippine economy and the related government responses and measures depend on future developments that are highly uncertain. In light of the COVID-19 pandemic, the Group reviewed the conduct of its impairment assessment and ECL methodologies. The Group revisited the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations. In assessing forecast conditions to estimate the PDs and LGDs, the Group also considered the significant government measures and plans to support affected and/or vulnerable entities, as well as the impact on the collateral values.

Refer to Note 16 for the details of the carrying value of financial assets subject to ECL and for the details of the ECL.

(b) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates. As the COVID-19 pandemic affected the Group's normal operations, the Group reassessed its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

(c) *Present value of lease liabilities (applicable effective January 1, 2019)*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease). The carrying amount of lease liabilities as of December 31, 2020 and 2019 is disclosed in Note 29.

(d) *Present value of retirement obligation*
The Group determines the cost of defined benefit pension plan and other post-employment benefits using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The Group reviews all assumptions at each reporting date.

The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases are based on the Group's policy considering the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets.

The present value of retirement obligation and fair value of plan assets are disclosed in Note 28.

(e) *Impairment of nonfinancial assets*
The Parent Company assesses impairment on its investments in subsidiaries and an associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the Parent Company considers the following triggers for an impairment review on its investments in subsidiaries and an associate:

- deteriorating or poor financial condition;

- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its property and equipment, investment properties and chattel properties, and intangibles with finite useful lives and considers the following impairment indicators:
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Except for investment properties and land and building where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value-in-use (VIU), which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The VIU calculation is most sensitive to the following assumptions: production volume, price, exchange rates, capital expenditures, and long-term growth-rates.

The carrying values of the Group's property and equipment, investments in subsidiaries and an associate, investment properties, intangible assets, and other nonfinancial assets are disclosed in Notes 11, 12, 13, 14 and 15, respectively.

(f) Impairment of goodwill
The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The recoverable amount of the CGU is determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management and BOD of the Parent Company covering a three-year period. The assumptions used in the calculation of VIU are sensitive to estimates of future cash flows from business, interest margin, discount rate, long-term growth rate (derived based on the forecast local gross domestic product) used to project cash flows.

Estimating future earnings involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment. With the outbreak of COVID-19, the Group revisited its business plan and applied judgment to reassess the projections of future cash flows as of December 31, 2020, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

The carrying values of the Group's goodwill and key assumptions used in determining VIU are disclosed in Note 14.

(g) Valuation of insurance contracts
For insurance contracts, the Group estimates both for the expected ultimate cost of claims reported and the expected ultimate cost of IBNR at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty. In estimating the cost of notified and IBNR claims, the Group uses past claims settlement trends as primary

technique to predict future claims settlement trends. At each reporting date, the Group assesses the estimates for adequacy and charges to provision any changes made to the estimates.

The carrying values of total provisions for claims reported and claims IBNR are included in the 'Insurance contract liabilities' disclosed in Note 22.

4. Financial Risk Management Objectives and Policies

Introduction

The Parent Company's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by senior management. Details of the Parent Company's risk framework are discussed under the Risk Management Disclosure Section of the Parent Company's annual report.

The Group's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Company's capital position to drop below its desired level resulting in either a ₱13.3 billion increase in risk weighted assets or a ₱1.7 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

Resulting from the assessments based on the premise identified above, the Parent Company agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2020-2022, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the Internal Capital Adequacy Assessment Process (ICAAP) document and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:

1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:

4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Cyber Security Risk

The Risk Management Group (RMG) provides the legwork for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Assets and Liabilities Committee (ALCO) on capital management and the Board Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;

- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.

Credit Risk

Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial sector and credit management sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management (if needed).

Among the tools used by the Group in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the CAR report;
- Monitoring of breaches in regulatory and internal limits;
- Credit Risk Management Dashboard;
- Diversification;
- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify: portfolio growth, movement of loan portfolio, adequacy of loan loss reserves, trend of nonperforming loans (NPLs), and concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Group follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward looking conditions.

Credit-related commitments
The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company. To mitigate this risk the Parent Company requires hard collaterals for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Collateral and other credit enhancement
As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); generally, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Asset Management Group which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2020			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱15,819,273	₱16,499,434	₱–	₱15,819,273
Loans and receivables:				
Receivables from customers*:				
Corporates	505,179,722	193,780,977	412,861,814	92,317,908
Local government units (LGU)	6,371,695	–	6,371,695	–
Credit Cards	9,942,901	–	9,942,901	–
Retail small and medium enterprises (SME)	10,630,717	9,884,496	6,122,742	4,507,975
Housing Loans	22,738,418	5,585,969	19,267,060	3,471,358
Auto Loans	10,054,907	4,906,734	7,118,837	2,936,070
Others	19,871,454	17,973,895	14,025,920	5,845,534
Other receivables	14,506,955	–	14,506,955	–
	₱615,116,042	₱248,631,505	₱490,217,924	₱124,898,118

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Consolidated			
	2019			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱2,517,764	₱2,517,745	₱396	₱2,517,368
Loans and receivables:				
Receivables from customers*:				
Corporates	540,584,483	287,490,436	378,128,173	162,456,310
Local government units (LGU)	6,728,852	130,000	6,694,295	34,557
Credit Cards	14,264,195	–	14,264,195	–
Retail small and medium enterprises (SME)	18,942,720	28,248,029	5,493,593	13,449,127
Housing Loans	32,017,146	28,804,731	12,632,623	19,384,523
Auto Loans	12,861,345	13,687,982	9,681,175	3,180,170
Others	10,897,481	18,435,894	2,778,469	8,119,012
Other receivables	20,973,257	5,515,162	18,278,171	2,695,086
	₱659,787,243	₱384,829,979	₱447,951,090	₱211,836,153

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Parent Company			
	2020			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱15,819,273**	**₱16,499,434**	**₱–**	**₱15,819,273**
Loans and receivables:				
Receivables from customers:				
Corporates	**497,632,975**	**177,319,514**	**411,483,722**	**86,149,253**
LGU	**6,371,695**	**–**	**6,371,695**	**–**
Credit Cards	**9,942,901**	**–**	**9,942,901**	**–**
Retail SME	**7,917,077**	**6,268,900**	**5,591,610**	**2,325,467**
Housing Loans	**22,119,575**	**4,475,206**	**19,267,059**	**2,852,516**
Auto Loans	**10,054,907**	**4,906,734**	**7,118,837**	**2,936,070**
Others	**18,200,510**	**13,309,752**	**14,025,873**	**4,174,637**
Other receivables	**14,662,221**	**–**	**14,662,221**	**–**
	₱602,721,134	**₱222,779,540**	**₱488,463,918**	**₱114,257,216**

	Parent Company			
	2019			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱1,149,984	₱1,149,588	₱396	₱1,149,588
Loans and receivables:				
Receivables from customers:				
Corporates	528,998,204	265,980,283	377,651,021	151,347,183
LGU	6,728,852	130,000	6,694,295	34,557
Credit Cards	14,264,195	–	14,264,195	–
Retail SME	12,028,359	13,133,414	4,955,295	7,073,064
Housing Loans	3,772,739	2,090,860	2,511,743	1,260,996
Auto Loans	2,710,244	2,743,755	1,079,259	1,630,985
Others	3,910,134	13,656,194	1,079,543	2,830,591
Other receivables	14,833,169	5,515,162	12,138,083	2,695,086
	₱588,395,880	₱304,399,256	₱420,373,830	₱168,022,050

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others.

Excessive risk concentration
Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Group analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Group constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty
For each CRR, the Parent Company sets limits per client or counterparty based on the regulatory Single Borrowers Limit.

For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Geographic Concentration
The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	Consolidated			
	2020			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Philippines	**₱552,879,878**	**₱172,370,408**	**₱219,274,507**	**₱944,524,793**
Asia (excluding the Philippines)	**24,258,857**	**48,309,476**	**23,964,841**	**96,533,174**
United Kingdom	**5,654,986**	**4,645,583**	**13,500,252**	**23,800,821**
USA and Canada	**6,869,301**	**25,055,603**	**9,126,132**	**41,051,036**
Other European Union Countries	**8,077,246**	**3**	**11,605,874**	**19,683,123**
Oceania	**613,813**	**–**	**–**	**613,813**
Middle East	**942,688**	**2,395,980**	**11,213**	**3,349,881**
	₱599,296,769	**₱252,777,053**	**₱277,482,819**	**₱1,129,556,641**

* *Loans and receivables exclude residual value of the leased asset (Note 10)*
** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Consolidated			
	2019			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱613,350,648	₱180,163,688	₱106,987,378	₱900,501,714
Asia (excluding the Philippines)	27,803,805	48,121,090	19,830,279	95,755,174
United Kingdom	14,086,115	626,474	9,041,330	23,753,919
USA and Canada	1,180,327	6,326,757	9,047,586	16,554,670
Other European Union Countries	467	237,953	6,282,610	6,521,030
Middle East	848,117	1,598,620	21,028	2,467,765
Philippines	₱657,269,479	₱237,074,582	₱151,210,211	₱1,045,554,272

* *Loans and receivables exclude residual value of the leased asset. (Note 10)*
** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company			
	2020			
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	**₱552,079,005**	**₱170,119,011**	**₱220,774,417**	**₱942,972,433**
Asia (excluding the Philippines)	**12,760,255**	**48,304,380**	**15,509,753**	**76,574,388**
United Kingdom	**5,628,921**	**4,572,413**	**12,618,977**	**22,820,311**
USA and Canada	**6,799,933**	**24,935,253**	**7,558,596**	**39,293,782**
Other European Union Countries	**8,077,246**	**3**	**11,552,342**	**19,629,591**
Oceania	**613,813**	**–**	**–**	**613,813**
Middle East	**942,688**	**2,395,980**	**11,213**	**3,349,881**
Philippines	**₱586,901,861**	**₱250,327,040**	**₱268,025,298**	**₱1,105,254,199**

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company			
	2019			
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱555,861,081	₱172,558,374	₱104,106,965	₱832,526,420
Asia (excluding the Philippines)	15,315,885	48,121,056	12,920,104	76,357,045
United Kingdom	14,077,779	626,474	9,041,330	23,745,583
USA and Canada	1,142,567	6,326,757	9,044,290	16,513,614
Other European Union Countries	467	38,848	2,529,297	2,568,612
Middle East	848,117	1,598,620	21,028	2,467,765
Philippines	₱587,245,896	₱229,270,129	₱137,663,014	₱954,179,039

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

c. Concentration by Industry
The tables below show the industry sector analysis of the Group's and Parent Company's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	Consolidated			
	2020			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	**₱91,848,379**	**₱41,345,803**	**₱60,169,125**	**₱193,363,307**
Wholesale and retail	**82,953,090**	**–**	**–**	**82,953,090**
Electricity, gas and water	**72,565,910**	**4,080,777**	**–**	**76,646,687**
Transport, storage and communication	**54,836,228**	**50,862**	**–**	**54,887,090**
Manufacturing	**46,796,772**	**1,578,584**	**–**	**48,375,356**
Public administration and defense	**12,463,250**	**–**	**–**	**12,463,250**
Agriculture, hunting and forestry	**9,055,935**	**–**	**–**	**9,055,935**
Secondary target industry:				
Government	**5,713,730**	**170,983,272**	**217,088,611**	**393,785,613**
Real estate, renting and business activities	**96,309,149**	**14,857,795**	**–**	**111,166,944**
Construction	**34,184,356**	**–**	**–**	**34,184,356**
Others**	**92,569,970**	**19,879,960**	**225,083**	**112,675,013**
	₱599,296,769	**₱252,777,053**	**₱277,482,819**	**₱1,129,556,641**

	Consolidated			
	2019			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱106,952,236	₱23,768,955	₱42,589,959	₱173,311,150
Wholesale and retail	88,528,876	–	–	88,528,876
Electricity, gas and water	73,286,882	4,618,076	–	77,904,958
Manufacturing	45,365,433	352,344	–	45,717,777
Transport, storage and communication	31,625,156	144,343	–	31,769,499
Public administration and defense	15,627,272	–	–	15,627,272
Agriculture, hunting and forestry	9,715,700	–	–	9,715,700
Secondary target industry:				
Government	–	155,871,181	108,499,565	264,370,746
Real estate, renting and business activities	88,849,358	22,825,652	–	111,675,010
Construction	41,520,498	–	–	41,520,498
Others**	155,798,068	29,494,031	120,687	185,412,786
	₱657,269,479	₱237,074,582	₱151,210,211	₱1,045,554,272

* *Loans and receivables exclude residual value of the leased asset (Note 10)*

** *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*

*** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company			
	2020			
	Loans and receivables	**Trading and investment securities**	**Other financial assets****	**Total**
Primary target industry:				
Financial intermediaries	**₱93,716,924**	**₱41,336,164**	**₱50,724,641**	**₱185,777,729**
Wholesale and retail	**79,221,782**	–	–	**79,221,782**
Electricity, gas and water	**72,516,314**	**4,080,724**	–	**76,597,038**
Manufacturing	**43,183,396**	**1,623,974**	–	**44,807,370**
Transport, storage and communication	**54,449,387**			**54,449,387**
Public administration and defense	**12,463,250**	–	–	**12,463,250**
Agriculture, hunting and forestry	**8,866,767**	–	–	**8,866,767**
Secondary target industry:				
Government	**5,713,730**	**170,951,180**	**217,088,611**	**393,753,521**
Real estate, renting and business activities	**93,341,177**	**12,540,208**	**–**	**105,881,385**
Construction	**33,160,413**	–	–	**33,160,413**
Others*	**90,268,721**	**19,794,790**	**212,046**	**110,275,557**
	₱586,901,861	**₱250,327,040**	**₱268,025,298**	**₱1,105,254,199**

* *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*

** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

	Parent Company			
	2019			
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	₱109,404,035	₱23,767,548	₱34,638,125	₱167,809,708
Wholesale and retail	82,650,251	–	–	82,650,251
Electricity, gas and water	73,286,882	4,608,032	–	77,894,914
Manufacturing	38,014,828	352,344	–	38,367,172
Transport, storage and communication	29,873,394	–	–	29,873,394
Public administration and defense	15,535,998	–	–	15,535,998
Agriculture, hunting and forestry	9,439,477	–	–	9,439,477
Secondary target industry:				
Government	1,901,507	154,209,813	102,951,581	259,062,901
Real estate, renting and business activities	88,849,358	17,653,676	–	106,503,034
Construction	39,795,803	–	–	39,795,803
Others*	98,494,363	28,678,716	73,308	127,246,387
	₱587,245,896	₱229,270,129	₱137,663,014	₱954,179,039

* *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*

** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

The internal limit of the Parent Company based on the Philippine Standard Industry Classification sub-industry is 12.00% for priority industry, 8.00% for regular industry, 30.00% for power industry and 25% for activities of holding companies versus total loan portfolio.

Credit quality per class of financial assets

The segmentation of the Group's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

Generally, the Group's exposures can be categorized as either Non-Retail and Retail. Non-Retail portfolio of the Group consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the Group's Non-retail portfolio segments are as follows: Sovereigns, Financial Institutions, Specialised Lending (e.g. Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs. Retail exposures are exposures to individual person or persons or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

<u>Loans and Receivables</u>

The credit quality of Non-Retail portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The Parent Company maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

Specific borrower rating models were developed by the Group to capture specific and unique risk characteristics of each of the Non-Retail segment. The borrower risk rating is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well.

The Group uses a single scale with 26 risk grades for all its borrower risk rating models. The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the Group in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9-grades, i.e. FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g. CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the Group in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the Group's receivables from customers are defined below:

Credit quality	26-grade CRR system
High S&P Equivalent Global Rating: AAA to BBB-	*BRR 1 Excellent* Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low. *BRR 2 Very Strong* Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low. *BRR 3 Strong* Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low. *BRR 4-6 Good* Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low. *BRR 7-9 Satisfactory* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low. *BRR 10-12 Adequate* Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.
Standard S&P Equivalent Global Rating: BB+ to BB-	*BRR 13-15 Average* Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility. *BRR 16-18 Acceptable* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility. *BRR 19-20 Vulnerable* Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility

Credit quality	26-grade CRR system
Substandard S&P Equivalent Global Rating: B+ to CCC-	*BRR 21-22 Weak* Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility. *BRR 23-25 Watchlist* Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.
Impaired S&P Equivalent Global Rating: D	*BRR 26 Default* Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.

For the Retail segment of the portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the Group's and the Parent Company's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31, 2020 and 2019:

	Consolidated			
	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Subject to CRR				
Non-Retail - Corporate				
High	**₱147,515,062**	**₱82,461**	**₱–**	**₱147,597,523**
Standard	**248,026,670**	**11,039,396**	**–**	**259,066,066**
Substandard	**46,768,223**	**19,014,224**	**–**	**65,782,447**
Impaired	**–**	**–**	**50,830,167**	**50,830,167**
	442,309,955	**30,136,081**	**50,830,167**	**523,276,203**
Subject to Scoring and Unrated				
Non-Retail	**8,125,501**	**7,450**	**24,916**	**8,157,867**
Corporate	**1,735,479**	**–**	**–**	**1,735,479**
LGU	**6,390,022**	**7,450**	**24,916**	**6,422,388**
Retail	**44,241,440**	**2,175,219**	**15,328,568**	**61,745,227**
Auto Loans	**7,900,760**	**603,828**	**2,694,913**	**11,199,501**
Housing Loans	**16,221,255**	**1,049,729**	**8,073,186**	**25,344,170**
Retail SME	**10,920,558**	**322,035**	**1,428,394**	**12,670,987**
Credit Card	**9,198,867**	**199,627**	**3,132,075**	**12,530,569**
Others	**15,286,939**	**1,537,544**	**5,359,160**	**22,183,643**
	67,653,880	**3,720,213**	**20,712,644**	**92,086,737**
	₱509,963,835	**₱33,856,294**	**₱71,542,811**	**₱615,362,940**

	Consolidated			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱1,568,009	₱–	₱–	₱1,568,009
Standard	450,193,955	2,476,621	19,409	452,689,985
Substandard	65,136,403	13,318,336	310,902	78,765,641
Impaired	–	–	10,654,905	10,654,905
	516,898,367	15,794,957	10,985,216	543,678,540
Subject to Scoring and Unrated				
Non-Retail	11,193,873	357,973	450,150	12,001,996
Corporate	4,490,031	288,929	423,164	5,202,124
LGU	6,703,842	69,044	26,986	6,799,872

(Forward)

	Consolidated			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Retail	₱69,064,486	₱2,795,458	₱11,261,073	₱83,121,017
Auto Loans	11,443,236	458,841	1,066,607	12,968,684
Housing Loans	26,601,243	1,571,291	5,396,497	33,569,031
Retail SME	17,437,236	345,217	2,930,903	20,713,356
Credit Card	13,582,771	420,109	1,867,066	15,869,946
Others	10,698,610	736,977	579,016	12,014,603
	90,956,969	3,890,408	12,290,239	107,137,616
	₱607,855,336	₱19,685,365	₱23,275,455	₱650,816,156

	Parent Company			
	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Subject to CRR				
Non-Retail - Corporate				
High	**₱144,259,859**	**₱82,461**	**₱–**	**₱144,342,320**
Standard	**243,880,794**	**11,039,396**	**–**	**254,920,190**
Substandard	**46,412,887**	**18,941,600**	**–**	**65,354,487**
Impaired	**–**	**–**	**50,825,100**	**50,825,100**
	434,553,540	**30,063,457**	**50,825,100**	**515,442,097**
Subject to Scoring and Unrated				
Non-Retail	**8,125,501**	**7,450**	**24,916**	**8,157,867**
Corporate	**1,735,479**	**–**	**–**	**1,735,479**
LGU	**6,390,022**	**7,450**	**24,916**	**6,422,388**
Retail	**40,039,914**	**2,169,652**	**15,076,051**	**57,285,617**
Auto Loans	**7,900,760**	**603,828**	**2,694,911**	**11,199,499**
Housing Loans	**15,596,141**	**1,049,729**	**8,073,186**	**24,719,056**
Retail SME	**7,344,146**	**316,468**	**1,175,879**	**8,836,493**
Credit Card	**9,198,867**	**199,627**	**3,132,075**	**12,530,569**
Others	**13,615,979**	**1,536,610**	**5,347,939**	**20,500,528**
	61,781,394	**3,713,712**	**20,448,906**	**85,944,012**
	₱496,334,934	**₱33,777,169**	**₱71,274,006**	**₱601,386,109**

	Parent Company			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱–	₱–	₱–	₱–
Standard	437,200,615	2,384,412	–	439,585,027
Substandard	73,375,571	13,624,058	–	86,999,629
Impaired	–	–	7,867,316	7,867,316
	510,576,186	16,008,470	7,867,316	534,451,972
Subject to Scoring and Unrated				
Non-Retail	9,373,707	69,044	26,986	9,469,737
Corporate	2,669,865	–	–	2,669,865
LGU	6,703,842	69,044	26,986	6,799,872
Retail	31,529,302	601,067	2,690,108	34,820,477
Auto Loans	2,550,623	41,958	43,247	2,635,828
Housing Loans	3,698,821	37,740	111,671	3,848,232
Retail SME	11,697,087	101,260	668,124	12,466,471
Credit Card	13,582,771	420,109	1,867,066	15,869,946
Others	3,457,501	421,904	1,462,618	5,342,023
	44,360,510	1,092,015	4,179,712	49,632,237
	₱554,936,696	₱17,100,485	₱12,047,028	₱584,084,209

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	Consolidated				
	2020				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
LGU	**₱24,916**	**₱–**	**₱–**	**₱–**	**₱ 24,916**
Credit Card	**5,772**	**102,605**	**1,149,930**	**1,929,958**	**3,188,265**
Retail SME	**1,017,410**	**57,348**	**117,735**	**472,398**	**1,664,891**
Housing Loans	**171,132**	**24,241**	**49,569**	**8,755,260**	**9,000,202**
Auto Loans	**252,304**	**64,849**	**103,069**	**2,862,922**	**3,283,144**
Others	**1,913,966**	**57,888**	**67,406**	**3,746,974**	**5,786,234**
Total	**₱3,385,500**	**₱306,931**	**₱1,487,709**	**₱17,767,512**	**₱22,947,652**

	Consolidated				
	2019				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
LGU	₱–	₱69,044	₱–	₱26,986	₱96,030
Credit Card	–	420,109	–	1,867,066	2,287,175
Retail SME	365,556	345,217	902,794	2,028,109	3,641,676
Housing Loans	422,236	1,571,291	1,339,385	4,057,112	7,390,024
Auto Loans	156,989	458,841	273,445	793,162	1,682,437
Others	66,105	736,977	184,223	394,793	1,382,098
Total	₱1,010,886	₱3,601,479	₱2,699,847	₱9,167,228	₱16,479,440

	Parent Company				
	2020				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Credit Card	**₱5,772**	**₱102,605**	**₱1,149,930**	**₱1,929,958**	**₱ 3,188,265**
Retail SME	**698,518**	**28,183**	**104,005**	**301,617**	**1,132,323**
Housing Loans	**171,132**	**24,241**	**49,569**	**8,755,260**	**9,000,202**
Auto Loans	**252,304**	**64,849**	**103,069**	**2,862,922**	**3,283,144**
LGU	**24,916**	–	–	–	**24,916**
Others	**1,904,039**	**57,829**	**35,756**	**3,614,926**	**5,612,550**
Total	**₱3,056,681**	**₱277,707**	**₱1,442,329**	**₱17,464,683**	**₱22,241,400**

	Parent Company				
	2019				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Credit Card	₱–	₱420,109	₱–	₱1,867,066	₱2,287,175
Retail SME	–	101,260	173,634	494,490	769,384
Housing Loans	–	37,740	41,862	69,809	149,411
Auto Loans	–	41,958	12,215	31,032	85,205
LGU	–	69,044	–	26,986	96,030
Others	800	417,564	25,377	1,441,581	1,885,322
Total	₱800	₱1,087,675	₱253,088	₱3,930,964	₱5,272,527

Trading and Investment Securities and Other Financial Assets

In ensuring quality investment portfolio, the Group uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e. Moody's Investors Service) as follows:

Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.

Baa1 and below - represents those investments which fall under any of the following grade:

- Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
- Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
- B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
- Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
- Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the Group and the Parent Company, gross of allowances, excluding receivables from customers, which are monitored using external ratings.

	Consolidated					
	2020					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱202,129,356**	**₱202,129,356**
Due from other banks	**5,813,831**	**10,123,881**	**1,802,421**	**17,740,133**	**2,003,065**	**19,743,198**
Interbank loans receivables	**13,867,302**	**24,308,309**	**1,528,253**	**39,703,864**	**–**	**39,703,864**
Securities held under agreements to resell	**–**	**–**	**–**	**–**	**15,819,273**	**15,819,273**
Financial assets at FVOCI						
Government securities	**85,207**	**–**	**90,319,428**	**90,404,635**	**20,442,131**	**110,846,766**
Private debt securities	**405,322**	**3,231,687**	**1,975,897**	**5,612,906**	**15,805,628**	**21,418,534**
Quoted equity securities	**–**	**–**	**119,170**	**119,170**	**588,188**	**707,358**
Unquoted equity securities	**–**	**–**	**420,683**	**420,683**	**322,011**	**742,694**
Investment securities at amortized cost:						
Government securities	**120,351**	**188,146**	**42,540,628**	**42,849,125**	**226,650**	**43,075,775**
Private debt securities	**1,113,697**	**25,550,637**	**7,650,120**	**34,314,454**	**21,828,162**	**56,142,616**
Financial assets at amortized cost:						
Others [2/]	**–**	**–**	**–**	**–**	**17,813,208**	**17,813,208**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Consolidated					
	2019					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱105,981,801	₱105,981,801
Due from other banks	5,038,372	3,090,447	7,990,152	16,118,971	1,642,531	17,761,502
Interbank loans receivables	9,594,780	13,182,252	434,761	23,211,793	1,626,742	24,838,535
Securities held under agreements to resell	–	–	–	–	2,519,676	2,519,676
Financial assets at FVOCI						
Government securities	460,363	2,124,737	88,335,353	90,920,453	129,262	91,049,715
Private debt securities	3,443,245	3,329,819	6,366,568	13,139,632	17,250,370	30,390,002
Quoted equity securities	–	–	159,725	159,725	911,809	1,071,534
Unquoted equity securities	–	–	–	–	629,589	629,589
Investment securities at amortized cost:						
Government securities	–	–	55,304,814	55,304,814	290,046	55,594,860
Private debt securities	1,407,543	22,281,474	9,288,335	32,977,352	15,677,741	48,655,093
Financial assets at amortized cost:						
Others [2/]	–	–	5,964,656	5,964,656	19,353,086	25,317,742

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Parent Company					
	2020					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱202,129,356**	**₱202,129,356**
Due from other banks	**887,022**	**9,737,045**	**45,577**	**10,669,644**	**1,471,955**	**12,141,599**
Interbank loans receivables	**12,005,750**	**24,308,309**	**1,528,253**	**37,842,312**	**19,240**	**37,861,552**
Securities held under agreements to resell	**–**	**–**	**–**	**–**	**15,819,273**	**15,819,273**
Financial assets at FVOCI						
Government securities	**–**	**–**	**90,319,428**	**90,319,428**	**20,615,597**	**110,935,025**
Private debt securities	**405,322**	**3,231,687**	**1,975,897**	**5,612,906**	**15,805,628**	**21,418,534**
Quoted equity securities	**–**	**–**	**–**	**–**	**588,188**	**588,188**
Unquoted equity securities	**–**	**–**	**–**	**–**	**321,011**	**321,011**
Investment securities at amortized cost						
Government securities	**–**	**188,146**	**42,540,628**	**42,728,774**	**226,650**	**42,955,424**
Private securities	**1,113,697**	**25,550,637**	**7,650,120**	**34,314,454**	**21,828,162**	**56,142,616**
Financial assets at amortized cost:						
Others [2/]	**–**	**–**	**–**	**–**	**18,148,561**	**18,148,561**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Parent Company					
	2019					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱101,801,597	₱101,801,597
Due from other banks	5,038,372	3,090,447	2,319,497	10,448,316	390,149	10,838,465
Interbank loans receivables	9,594,780	13,182,252	434,761	23,211,793	592,962	23,804,755
Securities held under agreements to resell	–	–	–	–	1,149,984	1,149,984
Financial assets at FVOCI						
Government securities	–	2,124,737	87,992,726	90,117,463	302,728	90,420,191
Private debt securities	580,068	3,329,819	6,323,662	10,233,549	17,248,743	27,482,292
Quoted equity securities	–	–	–	–	596,148	596,148
Unquoted equity securities	–	–	–	–	397,933	397,933
Investment securities at amortized cost						
Government securities	–	–	54,275,608	54,275,608	234,160	54,509,768
Private securities	1,178,170	22,281,474	9,288,335	32,747,979	15,674,405	48,422,384
Financial assets at amortized cost:						
Others [2/]	–	–	5,964,656	5,964,656	11,856,286	17,820,942

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Group's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the Parent Company on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	Consolidated					
	2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	**₱25,135,724**	**₱–**	**₱–**	**₱–**	**₱–**	**₱25,135,724**
Due from BSP and other banks	**227,071,689**	**–**	**–**	**–**	**–**	**227,071,689**
Interbank loans receivable	**34,340,204**	**4,405,439**	**9,989**	**747,959**	**–**	**39,503,591**
Securities held under agreements to resell	**15,824,546**	–	–	–	–	**15,824,546**
Financial assets at FVTPL:						
Government securities	**76,701**	**179,570**	**219,267**	**365,452**	**21,495,821**	**22,336,811**
Private debt securities	**–**	**19,488**	**78,583**	**98,072**	**5,098,443**	**5,294,586**
Equity securities	**7,974**	**16,568**	**4,774**	**21,580**	**1,155,708**	**1,206,604**
Investment in UITFs	**2,938**	**–**	**–**	**–**	**–**	**2,938**
Derivative assets:						
Gross contractual receivable	**44,836,230**	**9,157,896**	**354,321**	**28,133**	**143,294**	**54,519,874**
Gross contractual payable	**(44,728,121)**	**(9,045,098)**	**(347,351)**	**(35,742)**	**(165,268)**	**(54,321,580)**
Financial assets at FVOCI:						
Government securities	**46,309,951**	**4,117,305**	**499,154**	**4,497,227**	**66,559,391**	**121,983,028**
Private debt securities	**506,753**	**424,064**	**1,485,767**	**3,327,820**	**18,901,182**	**24,645,586**
Equity securities	**–**	**7,542**	**8,062**	**15,605**	**1,008,477**	**1,039,686**
Investment securities at amortized cost						
Government securities	**4,876,875**	**743,418**	**5,577,997**	**2,249,380**	**32,108,514**	**45,556,184**
Private debt securities	**132,997**	**3,995,388**	**4,245,417**	**16,980,507**	**43,692,410**	**69,046,719**
Financial assets at amortized cost:						
Receivables from customers	**95,694,816**	**77,647,882**	**33,398,312**	**23,273,429**	**484,754,727**	**714,769,166**
Other receivables	**9,815,467**	**185,556**	**703,382**	**187,629**	**7,507,310**	**18,399,344**
Other assets	**83,840**	**–**	**74**	**1,775**	**14,220**	**99,909**
Total financial assets	**₱459,988,584**	**₱91,855,018**	**₱46,237,748**	**₱51,758,826**	**₱682,274,229**	**₱1,332,114,405**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱203,249,771**	**₱–**	**₱–**	**₱–**	**₱–**	**₱203,249,771**
Savings	**291,773,202**	**–**	**–**	**–**	**–**	**291,773,202**
Time and LTNCDs	**218,590,031**	**93,745,837**	**15,129,795**	**17,667,067**	**60,032,618**	**405,165,348**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	**35,770,287**	**12,482,054**	**11,301,481**	**1,516,703**	**122,084**	**61,192,609**
Gross contractual receivable	**(35,497,003)**	**(12,425,675)**	**(11,063,446)**	**(1,476,432)**	**(165,268)**	**(60,627,824)**
Bills and acceptances payable	**45,293,030**	**25,985,275**	**237,141**	**1,552,830**	**14,242,031**	**87,310,307**
Bonds Payable	**–**	**218,453**	**15,147,938**	**1,057,058**	**58,700,049**	**75,123,498**
Accrued interest payable and accrued other expenses payable	**222,243**	**668,159**	**415,940**	**501,250**	**775,241**	**2,582,833**
Other liabilities	**9,341,792**	**207,577**	**509,323**	**460,831**	**1,877,917**	**12,397,440**
Total financial liabilities	**₱768,743,353**	**₱120,881,680**	**₱31,678,172**	**₱21,279,307**	**₱135,584,672**	**₱1,078,167,184**

	Consolidated					
	2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱30,500,927	₱–	₱–	₱–	₱–	₱30,500,927
Due from BSP and other banks	123,754,500	–	–	–	–	123,754,500
Interbank loans receivable	19,538,847	2,294,811	1,516,690	–	1,920,879	25,271,227
Securities held under agreements to resell	2,519,956	–	–	–	–	2,519,956
Financial assets at FVTPL:						
Government securities	1,527	–	965,353	–	9,874,107	10,840,987
Private debt securities	–	404,805	8,689	–	3,604,610	4,018,104
Equity securities	–	–	–	–	1,455,435	1,455,435
Investment in UITFs	6,532	–	–	–	–	6,532
Derivative assets:						
Gross contractual receivable	50,516,358	15,144,703	1,050,642	1,089,190	265,690	68,066,583
Gross contractual payable	(50,247,501)	(15,048,665)	(1,034,114)	(1,067,234)	(204,142)	(67,601,656)
Financial assets at FVOCI:						
Government securities	99,825	9,247,044	7,100,100	6,787,541	103,866,790	127,101,300
Private debt securities	289,360	1,254,865	475,396	2,764,029	29,550,648	34,334,298
Equity securities	1,701,123	–	–	–	–	1,701,123
Investment securities at amortized cost						
Government securities	759,187	10,030	2,204,668	1,002,409	67,026,127	71,002,421
Private debt securities	11,016,157	11,617,383	1,275,970	1,149,809	28,510,111	53,569,430
Financial assets at amortized cost:						
Receivables from customers	106,846,648	77,393,306	34,687,983	27,024,646	420,935,000	666,887,583
Other receivables	12,718,210	697,105	2,786,644	201,091	10,698,267	27,101,317
Other assets	420,846	–	–	–	54,930	475,776
Total financial assets	₱310,442,502	₱103,015,387	₱51,038,021	₱38,951,481	₱677,558,452	₱1,181,005,843
Financial Liabilities						
Deposit liabilities:						
Demand	₱172,228,956	₱–	₱–	₱–	₱–	₱172,228,956
Savings	391,769,777	–	–	–	–	391,769,777
Time and LTNCDs	154,612,024	48,316,708	17,170,359	9,753,174	49,383,102	279,235,367
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	34,974,301	15,819,971	840,580	1,069,063	216,301	52,920,216
Gross contractual receivable	(35,113,963)	(15,896,387)	(865,139)	(1,089,099)	(209,867)	(53,174,455)
Bills and acceptances payable	18,063,404	17,835,510	3,221,186	32,778	16,857,628	56,010,506
Bonds Payable	–	–	–	–	75,600,929	75,600,929
Accrued interest payable and accrued other expenses payable	1,254,102	708,438	473,154	403,528	274,852	3,114,074
Other liabilities	11,914,442	–	–	–	1,075,209	12,989,651
Total financial liabilities	₱749,703,043	₱66,784,240	₱20,840,140	₱10,169,444	₱143,198,154	₱990,695,021

	Parent Company					
	2020					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1year**	**Total**
Financial Assets						
COCI	**₱25,038,434**	**₱–**	**₱–**	**₱–**	**₱–**	**₱25,038,434**
Due from BSP and other banks	**215,736,563**	**–**	**–**	**–**	**–**	**215,736,563**
Interbank loans receivable	**32,985,081**	**4,260,745**	**9,989**	**386,223**	**–**	**37,642,038**
Securities held under agreements to resell	**15,824,546**	**–**	**–**	**–**	**–**	**15,824,546**
Financial assets at FVTPL:						
Government securities	**76,701**	**179,570**	**219,267**	**365,452**	**21,495,821**	**22,336,811**
Private debt securities	**–**	**–**	**53,099**	**53,099**	**2,813,834**	**2,920,032**
Equity securities	**186**	**16,568**	**4,774**	**21,529**	**1,155,708**	**1,198,765**
Derivative assets:						
Gross contractual receivable	**44,836,134**	**9,153,035**	**354,183**	**28,133**	**143,294**	**54,514,779**
Gross contractual payable	**(44,728,121)**	**(9,045,098)**	**(347,351)**	**(35,742)**	**(165,268)**	**(54,321,580)**

(Forward)

	Parent Company 2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial assets at FVOCI:						
Government securities	₱46,236,478	₱4,117,205	₱499,054	₱4,497,027	₱66,545,692	₱121,895,456
Private debt securities	506,752	424,064	1,485,767	3,327,820	18,901,182	24,645,585
Equity securities	–	–	–	–	440,899	440,899
Investment securities at amortized cost:						
Government securities	4,876,830	743,372	5,577,997	2,239,307	31,997,363	45,434,869
Private debt securities	132,997	3,995,388	4,245,417	16,980,507	43,692,410	69,046,719
Financial assets at amortized cost:						
Receivables from customers	90,855,723	75,469,612	31,519,717	21,543,002	478,960,310	698,348,364
Other receivables	9,715,666	173,800	696,113	124,133	7,438,848	18,148,560
Other assets	85,672	–	74	–	527	86,273
Total financial assets	₱442,179,642	₱89,488,261	₱44,318,100	₱49,530,490	₱673,420,620	₱1,298,937,113
Financial Liabilities						
Deposit liabilities:						
Demand	₱202,489,354	₱–	₱–	₱–	₱–	₱202,489,354
Savings	290,560,463	–	–	–	–	290,560,463
Time and LTNCDs	226,707,265	91,019,585	12,065,239	17,198,950	59,980,452	406,971,491
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	35,770,120	12,482,054	11,301,212	1,516,703	122,084	61,192,173
Gross contractual payable	(35,497,003)	(12,425,675)	(11,063,446)	(1,476,432)	(165,268)	(60,627,824)
Bills and acceptances payable	45,191,980	24,161,984	10,337	914	13,636,850	83,002,065
Bonds payable	–	218,453	15,147,938	1,057,058	58,700,049	75,123,498
Accrued interest payable and accrued other expenses payable	253,983	628,398	400,089	471,966	772,420	2,526,856
Other liabilities	8,588,232	145,192	87,867	418,972	1,485,536	10,725,799
Total financial liabilities	₱774,064,394	₱116,229,991	₱27,949,236	₱19,188,131	₱134,532,123	₱1,071,963,875

	Parent Company 2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial Assets						
COCI	₱29,642,159	₱–	₱–	₱–	₱–	₱29,642,159
Due from BSP and other banks	112,649,396	–	–	–	–	112,649,396
Interbank loans receivable	18,504,624	2,294,811	1,516,690	–	1,920,879	24,237,004
Securities held under agreements to resell	1,150,112	–	–	–	–	1,150,112
Financial assets at FVTPL:						
Government securities	1,527	–	965,353	–	9,874,107	10,840,987
Private debt securities		404,805	8,689		568,015	981,509
Equity securities	–	–	–	–	1,409,187	1,409,187
Derivative assets:						
Gross contractual receivable	50,488,626	15,144,703	1,043,814	1,089,190	265,690	68,032,023
Gross contractual payable	(50,247,501)	(15,048,665)	(1,034,114)	(1,067,234)	(204,142)	(67,601,656)
Financial Assets at FVOCI:						
Government securities	₱–	₱9,246,968	₱7,000,000	₱6,713,537	₱103,447,269	₱126,407,774
Private debt securities	238,331	1,254,543	366,742	2,615,908	26,353,954	30,829,478
Equity securities	–	–	–	–	994,081	994,081
Investment securities at amortized cost:						
Government securities	759,187	–	2,199,847	679,130	66,163,936	69,802,100
Private debt securities	11,016,157	11,617,383	1,275,970	1,044,553	28,364,719	53,318,782
Financial assets at amortized cost:						
Receivables from customers	101,007,042	74,680,573	30,731,382	23,442,870	366,996,961	596,858,828
Other receivables	6,024,061	528,119	2,701,399	148,302	10,202,633	19,604,514
Other assets	65,729	–	–	–	500	66,229
Total financial assets	₱281,299,450	₱100,123,240	₱46,775,772	₱34,666,256	₱616,357,789	₱1,079,222,507

	Parent Company					
	2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial Liabilities						
Deposit liabilities:						
Demand	₱168,628,123	₱–	₱–	₱–	₱–	₱168,628,123
Savings	384,773,630	–	–	–	–	384,773,630
Time and LTNCDs	137,087,076	31,516,650	14,106,500	9,269,240	44,734,752	236,714,218
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	34,975,698	15,822,860	849,922	1,069,063	216,301	52,933,844
Gross contractual receivable	(35,113,963)	(15,896,387)	(865,139)	(1,089,099)	(209,867)	(53,174,455)
Bills and acceptances payable	7,153,273	11,859,566	8,857,321	14,325,787	3,538,962	45,734,909
Bonds Payable	–	–	–	–	75,600,929	75,600,929
Accrued interest payable and accrued other expenses payable	1,116,173	701,408	394,596	384,322	273,149	2,869,648
Other liabilities	11,914,442	–	–	–	1,075,209	12,989,651
Total financial liabilities	₱710,534,452	₱44,004,097	₱23,343,200	₱23,959,313	₱125,229,435	₱927,070,497

BSP reporting for liquidity positions and leverage
To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the Group computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2020, LCR reported to the BSP is shown in the table below:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
LCR	**174.72%**	131.93%	**167.92%**	127.48%

The Group also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2020 and 2019, NSFR reported to the BSP is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Available stable funding	**₱845,749**	₱794,378	**₱838,677**	₱760,737
Required stable funding	**617,061**	641,399	**623,071**	603,804
NSFR	**137.06%**	123.85%	**134.60%**	125.99%

Market Risk
Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.

Trading market risk

Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation Methodology (with 99% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 261-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.

Objectives and limitations of the VaR methodology

The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market movements may be under-estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR assumptions/parameters

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

Backtesting

The validity of the assumptions underlying the Parent Company's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The Parent Company adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results. For the years 2020 and 2019, the number of observations which fell outside the VaR is within the allowable number of exceptions in the green and yellow zones to conclude that there is no problem with the quality and accuracy of the VaR models at 99.00% confidence level. Nonetheless, closer monitoring and regular review of the model's parameters and assumptions are being conducted.

Stress Testing
To complement the VaR approximations, the Parent Company conducts stress testing on a quarterly basis, the results of which are being reported to the BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

VaR limits
Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the Parent Company. VaR is computed on an undiversified basis; hence, the Parent Company does not consider the correlation effects of the three trading portfolios.

The tables below show the trading VaR (in millions):

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 29, 2020	**₱9.85**	**₱491.44**	**₱22.92**	**₱524.22**
Average Daily	**9.92**	**245.63**	**28.16**	**346.53**
Highest	**26.22**	**608.54**	**36.81**	**746.44**
Lowest	**1.40**	**46.64**	**22.92**	**141.28**

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2019	₱13.13	₱278.29	₱26.39	₱317.81
Average Daily	8.98	472.54	17.44	498.95
Highest	27.50	1160.34	34.89	1,222.73
Lowest	0.54	89.02	2.32	91.89

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Structural Market Risk

<u>Non-trading Market Risk</u>
Interest rate risk
The Group seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Group to interest rate risk. The Group measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Group BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company:

	Consolidated					
	2020					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱138,408,279**	**₱1,393,036**	**₱440,735**	**₱461,478**	**₱81,169,026**	**₱221,872,554**
Interbank loans receivable and securities held under agreements to resell	**49,388,997**	**4,272,415**	**1,107,414**	**754,311**	**–**	**55,523,137**
Receivables from customers and other receivables - gross**	**118,843,373**	**79,871,415**	**18,556,843**	**15,140,373**	**129,523,589**	**361,935,593**
Total financial assets	**306,640,649**	**85,536,866**	**20,104,992**	**16,356,162**	**210,692,615**	**639,331,284**
Financial Liabilities*						
Deposit liabilities:						
Savings	**79,342,400**	**46,276,884**	**13,997,944**	**20,351,168**	**265,643,369**	**425,611,765**
Time***	**158,208,607**	**60,633,884**	**5,073,362**	**4,599,658**	**8,178,530**	**236,694,041**
Bonds payable	**–**	**–**	**13,852,539**	**–**	**50,203,796**	**64,056,335**
Bills and acceptances payable	**53,199,286**	**32,133,862**	**353,740**	**224,989**	**1,247,573**	**87,159,450**
Total financial liabilities	**₱290,750,293**	**₱139,044,630**	**₱33,277,585**	**₱25,175,815**	**₱325,273,268**	**₱813,521,591**
Repricing gap	**₱15,890,356**	**(₱53,507,764)**	**(₱13,172,593)**	**(₱8,819,653)**	**(₱114,580,653)**	**(₱174,190,307)**
Cumulative gap	**15,890,356**	**(37,617,408)**	**(50,790,001)**	**(59,609,654)**	**(174,190,307)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	Consolidated					
	2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱27,272,787	₱1,575,228	₱563,759	₱127,798	₱94,139,826	₱123,679,398
Interbank loans receivable and securities held under agreements to resell	22,441,750	3,469,416	1,279,275	–	159,139	27,349,580
Receivables from customers and other receivables - gross**	148,095,239	58,597,849	26,796,208	8,019,438	98,959,095	340,467,829
Total financial assets	197,809,776	63,642,493	28,639,242	8,147,236	193,258,060	491,496,807
Financial Liabilities*						
Deposit liabilities:						
Savings	107,428,796	38,894,466	20,765,903	13,055,019	211,625,593	391,769,777
Time***	149,496,035	34,112,039	9,859,180	9,963,553	26,463,836	229,894,643
Bonds payable	–	–	–	–	66,615,078	66,615,078
Bills and acceptances payable	33,717,809	17,038,035	1,837,689	732,345	2,637,412	55,963,290
Total financial liabilities	₱290,642,640	₱90,044,540	₱32,462,772	₱23,750,917	₱307,341,919	₱744,242,788
Repricing gap	(₱92,832,864)	(₱26,402,047)	(₱3,823,530)	(₱15,603,681)	(₱114,083,859)	(₱252,745,981)
Cumulative gap	(92,832,864)	(119,234,911)	(123,058,441)	(138,662,122)	(252,745,981)	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	Parent Company					
	2020					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱134,231,726**	**₱–**	**₱–**	**₱–**	**₱80,039,230**	**₱214,270,956**
Interbank loans receivable and securities held under repurchase agreement	**48,028,366**	**4,157,978**	**1,107,414**	**387,068**	**–**	**53,680,826**
Receivable from customers and other receivables - gross**	**118,343,373**	**79,871,415**	**18,556,843**	**15,140,373**	**129,523,589**	**361,435,593**
Total financial assets	**₱300,603,465**	**₱84,029,393**	**₱19,664,257**	**₱15,527,441**	**₱209,562,819**	**₱629,387,375**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱78,109,443**	**₱46,276,885**	**₱13,997,944**	**₱20,351,168**	**₱265,902,504**	**₱424,637,944**
Time***	**157,099,835**	**57,907,631**	**7,664,018**	**9,786,753**	**8,126,364**	**240,584,601**
Bonds payable	**–**	**–**	**13,852,539**	**–**	**50,203,796**	**64,056,335**
Bills and acceptances payable	**52,786,239**	**32,021,244**	**9,877**	**–**	**–**	**84,817,360**
Total financial liabilities	**₱287,995,517**	**₱136,205,760**	**₱35,524,378**	**₱30,137,921**	**₱324,232,664**	**₱814,096,240**
Repricing gap	**₱12,607,948**	**(₱52,176,367)**	**(₱15,860,121)**	**(₱14,610,480)**	**(₱114,669,845)**	**(₱184,708,865)**
Cumulative gap	**12,607,948**	**(39,568,419)**	**(55,428,540)**	**(70,039,020)**	**(184,708,865)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	Parent Company					
	2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱20,537,356	₱–	₱–	₱–	₱92,038,801	₱112,576,157
Interbank loans receivable and securities held under repurchase agreement	19,568,861	4,127,027	1,257,115	–	–	24,953,003
Receivable from customers and other receivables - gross**	148,095,239	58,597,849	26,796,208	8,019,438	98,959,095	340,467,829
Total financial assets	₱188,201,456	₱62,724,876	₱28,053,323	₱8,019,438	₱190,997,896	₱477,996,989

(Forward)

	Parent Company 2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Liabilities*						
Deposit liabilities:						
Savings	₱106,264,604	₱38,894,466	₱20,765,903	₱13,055,019	₱205,793,638	₱384,773,630
Time***	136,719,939	23,423,637	6,292,260	9,596,231	11,256,075	187,288,142
Bonds payable	–	–	–	–	66,615,078	66,615,078
Bills and acceptances payable	33,426,883	14,260,535	22,229	714,370	–	48,424,017
Total financial liabilities	₱276,411,426	₱76,578,638	₱27,080,392	₱23,365,620	₱283,664,791	₱687,100,867
Repricing gap	(₱88,209,970)	(₱13,853,762)	₱972,931	(₱15,346,182)	(₱92,666,895)	(₱209,103,878)
Cumulative gap	(88,209,970)	(102,063,732)	(101,090,801)	(116,436,983)	(209,103,878)	–

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2020 and 2019:

	Consolidated			
	2020		2019	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱189,181)**	**(₱189,181)**	₱573,536	₱573,536
-50bps	**189,181**	**189,181**	(573,536)	(573,536)
+100bps	**(378,363)**	**(378,363)**	1,147,073	1,147,073
-100bps	**378,363**	**378,363**	(1,147,073)	(1,147,073)

	Parent Company			
	2020		2019	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱209,911)**	**(₱209,911)**	₱492,130	₱492,130
-50bps	**209,911**	**209,911**	(492,130)	(492,130)
+100bps	**(419,823)**	**(419,823)**	984,261	984,261
-100bps	**419,823**	**419,823**	(984,261)	(984,261)

As one of the long-term goals in the risk management process, the Group has also implemented the adoption of the economic value approach in measuring the impact of the interest rate risk in the banking books to complement the earnings at risk approach using the modified duration approach. Cognizant of this requirement, the Group has undertaken the initial activities such as identification of the business requirement and design of templates for each account and the inclusion of this requirement in the Asset Liability Management business requirement definition.

Foreign currency risk
Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.

The table below summarizes the exposure to foreign exchange rate risk. Included in the table are the financial assets and liabilities at carrying amounts, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2020			2019		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱150,688**	**₱467,319**	**₱618,007**	₱149,147	₱334,702	₱483,849
Due from other banks	**10,191,235**	**5,295,532**	**15,486,767**	9,638,368	6,083,847	15,722,215
Interbank loans receivable and securities held under agreements to resell	**4,134,791**	**429,804**	**4,564,595**	4,880,250	2,094,530	6,974,780
Loans and receivables	**24,025,901**	**11,426,030**	**35,451,931**	22,726,294	11,046,642	33,772,936
Financial Assets at FVTPL	**176,502**	**–**	**176,502**	352,344	148	352,492
Financial Assets at FVOCI	**1,948,155**	**1,302,355**	**3,250,510**	1,434,080	502,664	1,936,744
Investment securities at amortized cost	**125,883**	**1,085,208**	**1,211,091**	10,060,514	–	10,060,514
Other assets	**11,341,675**	**1,175,289**	**12,516,964**	5,402,127	2,685,523	8,087,650
Total assets	**52,094,830**	**21,181,537**	**73,276,367**	54,643,124	22,748,056	77,391,180
Liabilities						
Deposit liabilities	**7,198,330**	**7,474,422**	**14,672,752**	7,363,816	5,194,075	12,557,891
Derivative liabilities	**7,031**	**6,814**	**13,845**	6,814	6,814	13,628
Bills and acceptances payable	**62,015,195**	**285,734**	**62,300,929**	27,941,957	13,297,756	41,239,713
Accrued interest payable	**95,373**	**10,284**	**105,657**	154,037	31,771	185,808
Other liabilities	**3,952,102**	**2,011,291**	**5,963,393**	1,217,428	945,273	2,162,701
Total liabilities	**73,268,031**	**9,788,545**	**83,056,576**	36,684,052	19,475,689	56,159,741
Net Exposure	**(₱21,173,201)**	**₱11,392,992**	**(₱9,780,209)**	₱17,959,072	₱3,272,367	₱21,231,439

* *Other currencies include UAE Dirham (AED,) Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).*

	Parent Company					
	2020			2019		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱46,609**	**₱180,870**	**₱227,479**	₱47,384	₱19,219	₱66,603
Due from other banks	**6,818,795**	**899,761**	**7,718,556**	6,259,259	1,557,174	7,816,433
Interbank loans receivable and securities held under agreements to resell	**3,428,109**	**73,449**	**3,501,558**	4,173,568	1,738,175	5,911,743
Loans and receivables	**19,816,024**	**929,981**	**20,746,005**	19,616,324	554,114	20,170,438
Financial assets at FVTPL	**176,502**	**–**	**176,502**	352,344	148	352,492
Financial assets at FVOCI	**1,948,155**	**1,229,185**	**3,177,340**	1,434,080	429,335	1,863,415
Investment securities at amortized cost	**5,532**	**1,085,208**	**1,090,740**	9,934,738	–	9,934,738
Other assets	**11,341,675**	**–**	**11,341,675**	5,402,127	1,589,228	6,991,355
Total assets	**43,581,401**	**4,398,454**	**47,979,855**	47,219,824	5,887,393	53,107,217

(Forward)

	Parent Company					
	2020			2019		
	USD	**Others***	**Total**	USD	Others*	Total
Liabilities						
Deposit liabilities	**₱2,030,840**	**₱3,407,186**	**₱5,438,026**	₱2,187,075	₱1,136,796	₱3,323,871
Derivative liabilities	**217**	**–**	**217**	–	–	–
Bills and acceptances payable	**61,697,679**	**–**	**61,697,679**	27,657,599	12,905,241	40,562,840
Accrued interest payable	**80,607**	**226**	**80,833**	141,059	22,201	163,260
Other liabilities	**2,658,432**	**1,142,058**	**3,800,490**	770,102	79,891	849,993
Total liabilities	**66,467,775**	**4,549,470**	**71,017,245**	30,755,835	14,144,129	44,899,964
Net Exposure	**(₱22,886,374)**	**(₱151,016)**	**(₱23,037,390)**	₱16,463,989	(₱8,256,736)	₱8,207,253

* *Other currencies include AED, AUD, BHD, BND, CAD, CHF, CNY, DKK, EUR, GBP, HKD, IDR, JPY, NZD, PHP, SAR, SEK, SGD, SKW, THB and TWD.*

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2020 and 2019 follow:

	2020	2019
US dollar - Philippine peso exchange rate	**₱48.02 to USD1.00**	₱50.63 to USD1.00

The following tables set forth the impact of the range of reasonably possible changes in the US dollar-Philippine peso exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2019 and 2018:

	2020			
	Consolidated		**Parent Company**	
	Statement of Income	**Equity**	**Statement of Income**	**Equity**
+1.00%	**(₱233,394)**	**₱213,913**	**(₱248,345)**	**₱228,864**
-1.00%	**233,394**	**(213,913)**	**248,345**	**(228,864)**

	2019			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱78,985	₱133,329	₱79,252	₱2,821
-1.00%	(78,985)	(133,329)	(79,252)	(2,821)

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

5. Fair Value Measurement

The Group used the following methods and assumptions in estimating the fair value of its assets and liabilities:

Assets and Liabilities	Fair value methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Derivatives	Based on either: • quoted market prices; • prices provided by independent parties; or • prices derived using acceptable valuation models
Debt securities	For quoted securities – based on market prices from debt exchanges For unquoted securities [1] – estimated using either: • quoted market prices of comparable investments; or • discounted cash flow methodology
Equity securities	For quoted securities – based on market prices from stock exchanges For unquoted securities – estimated using quoted market prices of comparable investments [2]
Investments in UITFs	Based on their published net asset value per share
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology [3] For loans with floating interest rates – at their carrying amounts
Investment properties	Appraisal by independent external and in-house appraisers based on highest and best use of the property (i.e., current use of the properties) [4] using either: • market data approach [5]; or • replacement cost approach [6]
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity
Long-term financial liabilities	For quoted debt issuances – based on market prices from debt exchanges For unquoted debt issuances – estimated using the discounted cash flow methodology [7]

Notes:

1. *using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation (for government securities) and PHP BVAL rates plus additional credit spread (for corporate/private securities)*
2. *using the most relevant multiples (e.g., earnings, book value)*
3. *using the current incremental lending rates for similar loans*
4. *considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others*
5. *using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold*
6. *estimating the investment required to duplicate the property in its present condition*
7. *using the current incremental borrowing rates for similar borrowings*

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	Consolidated				
	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱18,136,391**	**₱17,657,777**	**₱478,614**	**₱–**	**₱18,136,391**
Private debt securities	**4,296,100**	**3,198,949**	**1,097,151**	**–**	**4,296,100**
Equity securities	**1,019,626**	**1,019,626**	**–**	**–**	**1,019,626**
Derivative assets	**370,653**	**–**	**370,653**	**–**	**370,653**
Investment in UITFs	**2,938**	**–**	**2,938**	**–**	**2,938**
Financial assets at FVOCI:					
Government securities	**110,846,766**	**67,513,412**	**43,333,354**	**–**	**110,846,766**
Private debt securities	**21,418,534**	**9,773,253**	**11,645,281**	**–**	**21,418,534**
Equity securities	**1,450,052**	**302,340**	**540,109**	**607,603**	**1,450,052**
	₱157,541,060	**₱99,465,357**	**₱57,468,100**	**₱607,603**	**₱157,541,060**
Financial Liabilities					
Financial Liabilities at FVTPL:					
Derivative liabilities	**₱701,239**	**₱–**	**₱701,239**	**₱–**	**₱701,239**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱95,235,993**	**₱12,712,144**	**₱86,656,274**	**₱–**	**₱99,368,418**
Receivables from customers**	**585,855,937**	**–**	**–**	**622,821,007**	**622,821,007**
	₱681,091,930	**₱12,712,144**	**₱86,656,274**	**₱622,821,007**	**₱722,189,425**
Nonfinancial Assets					
Investment property:					
Land***	**₱12,488,869**	**₱–**	**₱–**	**₱26,970,597**	**₱26,970,597**
Buildings and improvements***	**1,956,887**	**–**	**–**	**3,947,077**	**3,947,077**
	₱14,445,756	**₱–**	**₱–**	**₱30,917,674**	**₱30,917,674**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱236,694,042**	**₱–**	**₱–**	**₱236,694,042**	**₱236,694,042**
LTNCDs	**28,212,034**	**–**	**28,541,261**	**–**	**28,541,261**
Bonds payable	**64,056,335**	**38,225,468**	**29,503,486**	**–**	**67,728,954**
Bills payable	**83,598,532**	**–**	**–**	**83,600,018**	**83,600,018**
	₱412,560,943	**₱38,225,468**	**₱58,044,747**	**₱320,294,060**	**₱416,564,275**

	Consolidated				
	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,503,822	₱4,258,245	₱4,245,577	₱–	₱8,503,822
Private debt securities	3,130,156	2,246,515	883,641	–	3,130,156
Equity securities	1,455,435	1,455,435	–	–	1,455,435
Derivative assets	373,040	–	373,040	–	373,040
Investment in UITFs	6,532	1,373	5,159	–	6,532
Financial assets at FVOCI:					
Government securities	91,049,715	66,204,545	24,845,170	–	91,049,715
Private debt securities	30,390,002	9,130,230	18,496,386	2,763,386	30,390,002
Equity securities	1,701,123	428,706	790,013	482,404	1,701,123
	₱136,609,825	₱83,725,049	₱49,638,986	₱3,245,790	₱136,609,825
Financial Liabilities					
Financial Liabilities at FVTPL:					
Derivative liabilities	₱245,619	₱–	₱245,619	₱–	₱245,619
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱100,464,757	₱30,455,373	₱70,924,643	₱200,801	₱101,580,817
Receivables from customers**	636,950,500	–	–	695,304,130	695,304,130
	₱737,415,257	₱30,455,373	₱70,924,643	₱695,504,931	₱796,884,947
Nonfinancial Assets					
Investment property:					
Land***	₱12,917,821	₱–	₱–	₱23,894,410	₱23,894,410
Buildings and improvements***	2,126,005	–	–	4,844,980	4,844,980
	₱15,043,826	₱–	₱–	₱28,739,390	₱28,739,390
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱226,894,643	₱–	₱–	₱226,525,853	₱226,525,853
LTNCDs	35,152,104	–	35,311,473	–	35,311,473
Bonds payable	66,615,078	39,517,123	30,123,807	–	69,640,930
Bills payable	53,270,956	–	–	56,049,095	56,049,095
	₱381,932,781	₱39,517,123	₱65,435,280	₱282,574,948	₱387,527,351

	Parent Company				
	2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱18,136,391**	**₱17,657,777**	**₱478,614**	**₱–**	**₱18,136,391**
Equity securities	**2,433,904**	**1,336,753**	**1,097,151**	**–**	**2,433,904**
Private debt securities	**1,011,787**	**1,011,787**	**–**	**–**	**1,011,787**
Derivative assets	**365,558**	**–**	**365,558**	**–**	**365,558**
Financial assets at FVOCI:					
Government securities	**110,935,025**	**67,428,205**	**43,506,820**	**–**	**110,935,025**
Private debt securities	**21,418,534**	**9,773,253**	**11,645,281**	**–**	**21,418,534**
Equity securities	**910,199**	**302,170**	**421,109**	**186,920**	**910,199**
	₱155,211,398	**₱97,509,945**	**₱57,514,533**	**₱186,920**	**₱155,211,398**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱700,802**	**₱–**	**₱700,802**	**₱–**	**₱700,802**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	**₱95,115,642**	**₱12,591,794**	**₱86,656,274**	**₱–**	**₱99,248,068**
Receivables from customers**	**572,237,603**	**–**	**–**	**609,202,673**	**609,202,673**
	₱667,353,245	**₱12,591,794**	**₱86,656,274**	**₱609,202,673**	**₱708,450,741**

	Parent Company 2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Nonfinancial Assets					
Investment property:					
Land***	**₱11,971,463**	**₱–**	**₱–**	**₱26,430,230**	**₱26,430,230**
Buildings and improvements***	**1,950,335**	**–**	**–**	**3,642,298**	**3,642,298**
	₱ 13,921,798	**₱–**	**₱–**	**₱30,072,528**	**₱30,072,528**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱240,584,601**	**₱–**	**₱–**	**₱240,584,601**	**₱240,584,601**
LTNCDs	**28,212,034**	**–**	**28,541,261**	**–**	**28,541,261**
Bonds payable	**64,056,335**	**38,225,468**	**29,503,485**	**–**	**67,728,953**
Bills payable	**81,256,442**	**–**	**–**	**81,257,927**	**81,257,927**
	₱414,109,412	**₱38,225,468**	**₱58,044,746**	**₱321,842,528**	**₱418,112,742**

	Parent Company 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,503,822	₱4,258,244	₱4,245,578	₱–	₱8,503,822
Derivative assets	1,409,187	1,409,187	–	–	1,409,187
Private debt securities	883,641	–	883,641	–	883,641
Equity securities	373,006	–	373,006	–	373,006
Financial assets at FVOCI:					
Government securities*	90,420,191	65,753,164	24,667,027	–	90,420,191
Private debt securities*	27,482,292	8,985,905	18,496,387	–	27,482,292
Equity securities	994,081	357,863	385,469	250,749	994,081
	₱130,066,220	₱80,764,363	₱49,051,108	₱250,749	₱130,066,220
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱231,992	₱–	₱231,992	₱–	₱231,992
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱99,203,909	₱29,247,604	₱70,871,451	₱200,801	₱100,319,856
Receivables from customers**	572,412,727	–	–	630,739,252	630,739,252
	₱671,616,636	₱29,247,604	₱70,871,451	₱630,940,053	₱731,059,108
Nonfinancial Assets					
Investment property:					
Land***	₱12,549,288	₱–	₱–	₱23,659,779	₱23,659,779
Buildings and improvements	2,127,099	–	–	4,524,061	4,524,061
	₱14,676,387	₱–	₱–	₱28,183,840	₱28,183,840
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱187,288,142	₱–	₱–	₱187,681,683	₱187,681,683
LTNCDs	35,152,104	–	35,311,473	–	35,311,473
Bonds payable	66,615,078	39,517,123	30,123,807	–	69,640,930
Bills payable	45,731,683	–	–	46,078,492	46,078,492
	₱334,787,007	₱39,517,123	₱65,435,280	₱233,760,175	₱338,712,578

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

As of December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid.

The following table summarizes the significant unobservable inputs used to calculate the fair value of Level 3 financial assets at FVOCI of the Group and the Parent Company as of December 31, 2020 and the range of values indicating the highest and lowest level input used in the valuation techniques.

		Consolidated		Parent Company	
	Significant Unobservable Input	Low	High	Low	High
Private debt securities	Credit spread	₱2,897,178	₱2,994,907	₱–	₱–
Equity securities	Price-to-book multiple	819,591	907,551	417,891	498,126

Credit spreads
The Group differentiates between credit spreads and discount margins/spreads (more widely used to any discounted cash flow type modes). Credit spreads reflect the credit quality of the underlying instrument, by reference to the applicable benchmark reference rates (i.e., PHP BVAL). Credit spreads can be implied from market prices and are usually unobservable for illiquid or complex instruments.

Price-to-book multiples
The price-to-book ratio measures an equity price in relation to its book value. The Group uses price-to-book multiples of comparable instruments as benchmark references.

6. Segment Information

Business Segments
The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group's business segments follow:

- Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;
- Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers;
- Global Banking and Market - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury-bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking; and
- Other Segments - include, but not limited to, insurance, leasing, remittances and other support services. Other support services of the Group comprise of the operations and financial control groups.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, the chief operating decision maker (CODM), is based on the reportorial requirements under the Regulatory Accounting Principles (RAP) of the BSP, which differ from PFRS due to the manner of provisioning for impairment and credit losses, measurement of investment properties, and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

	2020					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱103,187	₱30,817,596	₱4,802,612	₱140,494	(₱43,123)	₱35,820,766
Inter-segment	17,402,385	(17,307,550)	(94,835)	–	–	–
Net interest margin after inter-segment transactions	17,505,572	13,510,046	4,707,777	140,494	(43,123)	35,820,766
Other income	3,431,422	2,194,121	3,976,885	1,495,997	(383,782)	10,714,643
Segment revenue	20,936,994	15,704,167	8,684,662	1,636,491	(426,905)	46,535,409
Other expenses	14,579,502	18,655,970	1,152,761	772,203	(426,905)	34,733,531
Segment result	₱6,357,492	(₱2,951,803)	₱7,531,901	₱864,288	₱–	11,801,878
Unallocated expenses						11,042,211
Income before income tax						759,667
Income tax						(1,798,238)
Net income from continuing operations						2,557,905
Net income from discontinued operations						67,583
Net income						2,625,488
Non-controlling interests						10,835
Net income for the year attributable to equity holders of the Parent Company						₱2,614,653
Other segment information						
Capital expenditures	₱631,935	₱3,521	₱12,986	₱202,179	₱–	₱850,621
Unallocated capital expenditure						664,098
Total capital expenditure						₱1,514,719
Depreciation and amortization	₱949,266	₱102,145	₱3,281	₱504,392	₱–	₱1,559,084
Unallocated depreciation and amortization						1,596,195
Total depreciation and amortization						₱3,155,279
Provision for impairment, credit and other losses	₱3,054,829	₱13,223,352	₱269,915	₱334,525	₱–	₱16,882,621

** The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	2019 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(₱5,844,018)	₱31,918,140	₱5,733,291	₱425,713	₱125,140	₱32,358,266
Inter-segment	23,647,539	(23,030,539)	(617,000)	–	–	–
Net interest margin after inter-segment transactions	17,803,521	8,887,601	5,116,291	425,713	125,140	32,358,266
Other income	3,211,234	2,685,445	1,772,206	1,133,860	604,081	9,406,826
Segment revenue	21,014,755	11,573,046	6,888,497	1,559,573	729,221	41,765,092
Other expenses	11,881,474	5,636,497	472,000	910,370	729,221	19,629,562
Segment result	₱9,133,281	₱5,936,549	₱6,416,497	₱649,203	₱–	22,135,530
Unallocated expenses						10,023,610
Income before income tax						12,111,920
Income tax						2,452,307
Net income from continuing operations						9,659,613
Net income from discontinued operations						101,593
Net income						9,761,206
Non-controlling interests						79,726
Net income for the year attributable to equity holders of the Parent Company						₱9,681,480
Other segment information						
Capital expenditures	₱1,134,511	₱2,327	₱35,242	₱421,317	₱–	₱1,593,397
Unallocated capital expenditure						1,040,436
Total capital expenditure						₱2,633,833
Depreciation and amortization	₱1,201,558	₱138,114	₱1,850	₱586,515	₱–	₱1,928,037
Unallocated depreciation and amortization						867,185
Total depreciation and amortization						₱2,795,222
Provision for (reversal of) impairment, credit and other losses	₱1,671,154	₱1,289,340	₱–	(₱50,312)	₱–	₱2,910,182

	2018 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,287,627	₱21,844,985	₱3,583,152	₱870,455	(₱584,495)	₱27,001,724
Inter-segment	14,775,986	(14,652,247)	(123,739)	–	–	–
Net interest margin after inter-segment transactions	16,063,613	7,192,738	3,459,413	870,455	(584,495)	27,001,724
Other income	2,538,607	8,377,408	485,407	1,535,362	(261,602)	12,675,182
Segment revenue	18,602,220	15,570,146	3,944,820	2,405,817	(846,097)	39,676,906
Other expenses	12,726,476	2,343,403	375,651	1,836,701	(925,897)	16,356,334
Segment result	₱5,875,744	₱13,226,743	₱3,569,169	₱569,116	₱79,800	23,320,572
Unallocated expenses						9,880,786
Income before income tax						13,439,786
Income tax						3,663,744
Net income from continuing operations						9,776,042
Net loss from discontinued operations						(219,972)
Net income						9,556,070
Non-controlling interests						91,048
Net income for the year attributable to equity holders of the Parent Company						₱9,465,022
Other segment information						
Capital expenditures	₱1,241,242	₱2,180	₱268	₱495,658	₱–	₱1,739,348
Unallocated capital expenditure						1,824,707
Total capital expenditure						₱3,564,055
Depreciation and amortization	₱599,118	₱33,299	₱1,192	₱230,306	₱44,873	₱908,788
Unallocated depreciation and amortization						1,042,189
Total depreciation and amortization						₱1,950,977
Provision for (reversal of) impairment, credit and other losses	₱854,341	₱800,926	₱–	₱2,579	₱94,966	₱1,752,812

	As of December 31, 2020					
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱710,168,556**	**₱245,602,089**	**₱188,310,761**	**₱95,801,439**	**(₱16,089,256)**	**₱1,223,793,589**
Unallocated assets						**7,340,210**
Total assets						**₱1,231,133,799**
Segment liabilities	**₱695,809,767**	**₱180,732,406**	**₱125,848,434**	**₱78,210,224**	**(₱12,440,292)**	**₱1,068,160,539**
Unallocated liabilities						**6,990,252**
Total liabilities						**₱1,075,150,791**

** The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	As of December 31, 2019					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	₱700,967,750	₱230,221,786	₱195,813,132	₱81,111,908	(₱71,364,992)	₱1,136,749,584
Unallocated assets						5,541,027
Total assets						₱1,142,290,611
Segment liabilities	₱694,547,248	₱140,490,040	₱190,729,000	₱17,804,392	(₱62,345,117)	₱981,225,563
Unallocated liabilities						6,089,648
Total liabilities						₱987,315,211

**The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in four principal geographical areas of the world. The distribution of assets, liabilities, credit commitments items and revenues by geographic region of the Group follows:

	Non-current Assets*		**Liabilities**		**Capital Expenditures**	
	2020	2019	**2020**	2019	**2020**	2019
Philippines	**₱510,574,534**	₱540,234,814	**₱1,037,677,448**	₱950,248,431	**₱1,511,914**	₱2,625,086
Asia (excluding Philippines)	**11,632,923**	13,031,999	**35,588,190**	34,243,417	**1,726**	2,634
USA and Canada	**107,862,854**	120,835,377	**1,793,735**	2,349,279	**1,079**	3,721
United Kingdom	**1,096,326**	1,228,180	**91,418**	474,084	**–**	2,392
	₱631,166,637	₱675,330,370	**₱1,075,150,791**	₱987,315,211	**₱1,514,719**	₱2,633,833

** Gross of allowance for impairment and credit losses (Note 16), unearned and other deferred income (Note 10), and accumulated amortization and depreciation (Notes 11, 13, and 14)*

	Credit Commitments		**External Revenues**		
	2020	2019	**2020**	2019 (As restated – Note 36)	2018 (As restated – Note 36)
Philippines	**₱44,036,152**	**₱39,456,355**	**₱56,246,850**	₱57,459,013	₱46,588,071
Asia (excluding Philippines)	**90,715**	–	**867,185**	1,614,370	1,290,100
USA and Canada	**–**	–	**348,775**	717,489	684,794
United Kingdom	**–**	–	**202,787**	129,534	124,861
	₱44,126,867	**₱39,456,355**	**₱57,665,597**	₱59,920,406	₱48,687,826

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

The areas of operations include all the primary business segments.

7. Due from Bangko Sentral ng Pilipinas

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Demand deposit (Note 17)	**₱80,029,356**	₱92,181,801	**₱80,029,356**	₱90,394,597
Term deposit facility (TDF)	**122,100,000**	13,800,000	**122,100,000**	11,407,000
	₱202,129,356	₱105,981,801	**₱202,129,356**	₱101,801,597

TDFs bear annual interest rates ranging from to 1.62% to 3.80% in 2020, from 3.50% to 5.23% in 2019 and 3.22% to 5.24% in 2018.

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

Interbank Loans Receivables

Interbank loans receivables of the Group and the Parent Company bear interest ranging from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Peso-denominated	**0.0% - 3.7%**	N/A	3.0% - 3.1%	**0.0% - 3.7%**	N/A	3.0% - 3.1%
Foreign currency-denominated	**0.0% - 2.2%**	0.0% - 5.0%	0.0% - 5.0%	**0.0% - 2.2%**	0.0% - 5.0%	0.0% - 5.0%

The amount of the Group's and the Parent Company's interbank loans receivable considered as cash and cash equivalents follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Interbank loans receivable	**₱39,703,864**	₱24,838,535	**₱37,861,553**	₱23,804,312
Less: Allowance for credit losses (Note 16)	**2,883**	6,719	**2,883**	1,293
	39,700,981	24,831,816	**37,858,670**	23,803,019
Less: Interbank loans receivable not considered as cash and cash equivalents	**761,409**	1,888,287	**394,166**	1,528,713
	₱38,939,572	₱22,943,529	**₱37,464,504**	₱22,274,306

Securities Held under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 2.00% to 3.25%, from 4.00% to 4.75%, and from 3.00% to 4.75% in 2020, 2019 and 2018, respectively. As of December 31, 2020 and 2019, allowance for credit losses on securities held under agreements to resell amounted to nil and ₱1.9 million, respectively.

The fair value of the treasury bills pledged under these agreements as of December 31, 2020 and 2019 amounted to ₱16.5 billion and ₱2.5 billion, respectively, for the Group, and ₱16.5 billion and ₱1.1 billion, respectively, for the Parent Company (Note 35).

In 2020, 2019 and 2018, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱244.0 million, ₱668.2 million, and ₱379.4 million, respectively, for the Group and ₱186.2 million, ₱568.1 million, and ₱350.8 million, respectively, for the Parent Company.

9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial assets at FVTPL	**₱23,825,708**	₱13,468,985	**₱21,947,640**	₱11,169,656
Financial assets at FVOCI	**133,715,352**	123,140,840	**133,263,758**	118,896,564
Investment securities at amortized cost	**95,235,993**	100,464,757	**95,115,642**	99,203,909
	₱252,777,053	₱237,074,582	**₱250,327,040**	₱229,270,129

Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Government securities	**₱18,136,391**	₱8,503,822	**₱18,136,391**	₱8,503,822
Private debt securities	**4,296,100**	3,130,156	**2,433,904**	883,641
Equity securities	**1,019,626**	1,455,435	**1,011,787**	1,409,187
Derivative assets (Notes 23 and 35)	**370,653**	373,040	**365,558**	373,006
Investment in UITFs	**2,938**	6,532	**–**	–
	₱23,825,708	₱13,468,985	**₱21,947,640**	₱11,169,656

The effective interest rates of debt securities at FVTPL range from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Government securities	**2.6% - 8.0%**	2.8% - 9.5%	2.8% - 8.4%	2.6% - 8.0%	2.8% - 9.5%	2.8% - 8.4%
Private debt securities	**4.9% - 7.0%**	5.5% - 7.4%	3.0% - 7.5%	4.9% - 7.0%	5.5% - 7.4%	3.0% - 7.5%

Financial Assets at FVOCI

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Government securities (Note 19)	**₱110,846,766**	₱91,049,715	**₱110,935,025**	₱90,420,191
Private debt securities (Note 19)	**21,418,534**	30,390,002	**21,418,534**	27,482,292
Equity securities				
Quoted	**707,358**	1,071,534	**588,188**	596,148
Unquoted	**742,694**	629,589	**322,011**	397,933
	₱133,715,352	₱123,140,840	**₱133,263,758**	₱118,896,564

The nominal interest rates of debt securities at FVOCI range from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Government securities	**0.2% - 18.3%**	0.2% - 18.3%	1.8% - 18.3%	**0.2% - 18.3%**	0.2% - 18.3%	1.8% - 18.3%
Private debt securities	**2.0% - 6.9%**	3.5% - 6.9%	2.6% - 7.4%	**2.0% - 6.9%**	3.5% - 6.9%	2.6% - 7.4%

As of December 31, 2020 and 2019, the fair value of financial assets at FVOCI in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions amounted to ₱44.6 billion and ₱8.2 billion, respectively (Note 19). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the foreign banks have the right to hold the securities and sell them as settlement of the repurchase agreement.

The movements in 'Net unrealized gain (loss) on financial assets at FVOCI' of the Group and the Parent Company are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at the beginning of the year	**₱3,250,651**	(₱3,196,936)	**₱3,250,651**	(₱3,196,936)
Changes in fair values:				
Debt securities	**1,872,952**	5,202,946	**1,815,304**	5,257,015
Equity securities	**(251,071)**	583,286	**(83,882)**	349,881
Expected credit losses (Note 16)	**19,163**	5,290	**15,760**	5,290
Realized losses (gains)	**(2,455,264)**	281,340	**(2,454,697)**	317,609
Share in net unrealized gains of subsidiaries and an associate (Note 12)	**662,951**	447,169	**556,246**	590,236
Effect of disposal group classified as held-for-sale (Note 36)	**(29,209)**	–	**(29,209)**	–
	3,070,173	3,323,095	**3,070,173**	3,323,095
Income tax effect (Note 30)	**(15,770)**	(72,444)	**(15,770)**	(72,444)
	₱3,054,403	₱3,250,651	**₱3,054,403**	₱3,250,651

As of December 31, 2020 and 2019, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on financial assets at FVOCI') amounted to ₱67.4 million and ₱51.6 million, respectively, for the Group and the Parent Company (Note 16). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.

Investment Securities at Amortized Cost

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Government securities (Notes 19 and 32)	**₱42,713,634**	₱55,594,860	**₱42,593,283**	₱54,509,768
Private debt securities	**56,504,757**	48,655,093	**56,504,757**	48,422,384
	99,218,391	104,249,953	**99,098,040**	102,932,152
Less allowance for credit losses (Note 16)	**3,982,398**	3,785,196	**3,982,398**	3,728,243
	₱95,235,993	₱100,464,757	**₱95,115,642**	₱99,203,909

The effective interest rates of investment securities at amortized cost range from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Government securities	**0.1% - 7.8%**	0.5% - 7.6%	1.1% - 7.5%	**0.1% - 7.8%**	0.5% - 7.6%	1.1% - 7.5%
Private debt securities	**0.3% - 8.3%**	0.3% - 8.3%	0.6% - 8.3%	**0.3% - 8.3%**	0.3% - 8.3%	0.6% - 8.3%

In 2020 and 2019, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which remained in Stage 1.

On various dates in April 2019, the Parent Company sold a portion of its investment securities at amortized cost with a carrying value of ₱29.5 million and corresponding gain of ₱0.2 million as part of its risk management policies.

As of December 31, 2020 and 2019, the carrying value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱26.1 billion and ₱21.0 billion, respectively (Note 19).

Interest Income on Investment Securities at Amortized Cost and FVOCI
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Financial assets at FVOCI	**₱2,746,517**	₱4,221,698	₱2,219,013	**₱2,699,477**	₱4,076,597	₱2,189,159
Investment securities at amortized cost	**3,750,255**	4,515,879	2,315,284	**3,748,623**	4,472,466	2,313,172
	6,496,772	8,737,577	4,534,297	**6,448,100**	8,549,063	4,502,331
Discontinued operations (Note 36):						
Financial assets at FVOCI	**38,256**	67,708	60,477	–	–	–
Investment securities at amortized cost	**43,478**	–	–	–	–	–
	81,734	67,708	60,477	–	–	–
	₱6,578,506	₱8,805,285	₱4,594,774	**₱6,448,100**	₱8,549,063	₱4,502,331

Trading and Investment Securities Gains - net
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Financial assets at FVTPL						
Government securities	**₱395,156**	₱1,199,840	(₱7,668)	**₱395,156**	₱1,199,934	(₱7,616)
Private debt securities	**561,385**	122,502	(13,732)	**673,706**	102,524	(13,782)
Equity securities	**(71,677)**	36,694	4,028	**(64,507)**	35,827	11,013
Derivatives (Note 23)	**(2,532)**	(3,733)	161	**(2,532)**	(3,733)	161
Investment in UITFs	**43**	209	–	–	–	–
Financial assets at FVOCI						
Government securities	**2,031,425**	(317,244)	132,670	**2,031,425**	(317,609)	132,670
Private debt securities	**423,839**	35,904	35,232	**423,272**	–	35,232
Investment securities at amortized cost	**1**	212	–	**1**	212	–
	3,337,640	1,074,384	150,691	**3,456,521**	1,017,155	157,678
Discontinued operations (Note 36):						
Financial assets at FVTPL						
Government securities	–	94	(4,228)	–	–	–
Investment in UITFs	–	–	52	–	–	–
Financial assets at FVOCI						
Government securities	**8,829**	–	–	–	–	–
Investment securities at amortized cost	**294**	–	–	–	–	–
	9,123	94	(4,176)	–	–	–
	₱3,346,763	₱1,074,478	₱146,515	**₱3,456,521**	₱1,017,155	₱157,678

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Receivables from customers:				
Loans and discounts	**₱587,478,355**	₱620,389,633	**₱576,156,244**	₱556,791,901
Credit card receivables	**12,530,569**	15,869,946	**12,530,569**	15,869,946
Customers' liabilities on letters of credit and trust receipts	**7,675,028**	7,492,970	**7,548,855**	7,345,029
Customers' liabilities on acceptances (Note 19)	**3,560,917**	2,692,334	**3,560,917**	2,692,334
Lease contracts receivable (Note 29)	**3,000,395**	3,079,713	**5,876**	7,150
Bills purchased (Note 22)	**1,815,653**	1,945,838	**1,583,648**	1,377,849
	616,060,917	651,470,434	**601,386,109**	584,084,209

(Forward)

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Less unearned and other deferred income	**₱1,464,726**	₱451,191	**₱1,132,928**	₱366,471
	614,596,191	651,019,243	**600,253,181**	583,717,738
Other receivables:				
Accrued interest receivable	**6,636,538**	7,814,819	**6,546,063**	6,372,891
Sales contract receivables (Note 33)	**6,548,300**	7,173,039	**6,497,901**	7,129,811
Accounts receivable	**4,196,666**	9,932,499	**3,835,436**	3,994,064
Miscellaneous	**431,704**	397,385	**1,269,161**	324,176
	17,813,208	25,317,742	**18,148,561**	17,820,942
	632,409,399	676,336,985	**618,401,742**	601,538,680
Less allowance for credit losses (Note 16)	**32,414,651**	18,413,228	**31,499,881**	14,292,784
	₱599,994,748	₱657,923,757	**₱586,901,861**	₱587,245,896

Below is the reconciliation of loans and receivables as to classes:

	Consolidated								
	2020								
	Corporate Loans	**LGU**	**Credit Cards**	**Retail SMEs**	**Housing Loans**	**Auto Loans**	**Other Loans**	**Other Receivables**	**Total**
Receivables from customers:									
Loans and discounts	**₱513,285,506**	**₱6,422,388**	**₱–**	**₱10,396,965**	**₱25,344,170**	**₱11,199,499**	**₱20,829,827**	**₱–**	**₱587,478,355**
Credit card receivables	**–**	**–**	**12,530,569**	**–**	**–**	**–**	**–**	**–**	**12,530,569**
Customers' liabilities on letters of credit and trust receipts	**6,806,450**	**–**	**–**	**192,544**	**–**	**–**	**676,034**	**–**	**7,675,028**
Customers' liabilities on acceptances (Note 19)	**3,560,917**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,560,917**
Lease contracts receivable (Note 29)	**950,542**	**–**	**–**	**2,043,976**	**–**	**–**	**5,877**	**–**	**3,000,395**
Bills purchased (Note 22)	**1,106,246**	**–**	**–**	**37,502**	**–**	**–**	**671,905**	**–**	**1,815,653**
	525,709,661	**6,422,388**	**12,530,569**	**12,670,987**	**25,344,170**	**11,199,499**	**22,183,643**	**–**	**616,060,917**
Other receivables:									
Accrued interest receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,636,538**	**6,636,538**
Sales contract receivables (Note 33)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,548,300**	**6,548,300**
Accounts receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,196,666**	**4,196,666**
Miscellaneous	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**431,704**	**431,704**
	525,709,661	**6,422,388**	**12,530,569**	**12,670,987**	**25,344,170**	**11,199,499**	**22,183,643**	**17,813,208**	**633,874,125**
Less: Unearned and other deferred income	**611,704**	**–**	**–**	**232,078**	**231,866**	**111,788**	**257,424**	**19,866**	**1,464,726**
Allowance for credit losses (Note 16)	**19,220,256**	**50,693**	**2,587,668**	**1,808,192**	**2,373,886**	**1,032,804**	**2,054,765**	**3,286,387**	**32,414,651**
	₱505,877,701	**₱6,371,695**	**₱9,942,901**	**₱10,630,717**	**₱22,738,418**	**₱10,054,907**	**₱19,871,454**	**₱14,506,955**	**₱599,994,748**

	Consolidated								
	2019								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱537,313,169	₱6,799,872	₱–	₱18,585,473	₱33,569,031	₱12,968,684	₱11,153,404	₱–	₱620,389,633
Credit card receivables	–	–	15,869,946	–	–	–	–	–	15,869,946
Customers' liabilities on letters of credit and trust receipts	6,778,112	–	–	176,144	–	–	538,714	–	7,492,970
Lease contracts receivable (Note 29)	553,114	–	–	2,519,449	–	–	7,150	–	3,079,713
Customers' liabilities on acceptances (Note 19)	2,692,334	–	–	–	–	–	–	–	2,692,334
Bills purchased (Note 22)	1,543,935	–	–	86,568	–	–	315,335	–	1,945,838
	548,880,664	6,799,872	15,869,946	21,367,634	33,569,031	12,968,684	12,014,603	–	651,470,434
Other receivables:									
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	7,173,039	7,173,039
Accounts receivable	–	–	–	–	–	–	–	9,932,499	9,932,499
Accrued interest receivable	–	–	–	–	–	–	–	7,814,819	7,814,819
Miscellaneous	–	–	–	–	–	–	–	397,385	397,385
	548,880,664	6,799,872	15,869,946	21,367,634	33,569,031	12,968,684	12,014,603	25,317,742	676,788,176
Less: Unearned and other deferred income	243,249	3,370	–	288,184	464	(136,504)	47,935	4,493	451,191
Allowance for credit losses (Note 16)	8,052,932	67,650	1,605,751	1,482,452	1,551,421	243,843	1,069,187	4,339,992	18,413,228
	₱540,584,483	₱6,728,852	₱14,264,195	₱19,596,998	₱32,017,146	₱12,861,345	₱10,897,481	₱20,973,257	₱657,923,757

	Parent Company								
	2020								
	Corporate Loans	**LGU**	**Credit Cards**	**Retail SMEs**	**Housing Loans**	**Auto Loans**	**Other Loans**	**Other Receivables**	**Total**
Receivables from customers:									
Loans and discounts	**₱506,062,142**	**₱6,422,388**	**₱–**	**₱8,606,447**	**₱24,719,056**	**₱11,199,499**	**₱19,146,712**	**₱–**	**₱576,156,244**
Credit card receivables	–	–	**12,530,569**	–	–	–	–	–	**12,530,569**
Customers' liabilities on letters of credit and trust receipts	**6,680,277**	–	–	**192,544**	–	–	**676,034**	–	**7,548,855**
Customers' liabilities on acceptances (Note 19)	**3,560,917**	–	–	–	–	–	–	–	**3,560,917**
Bills purchased (Note 22)	**874,240**	–	–	**37,502**	–	–	**671,906**	–	**1,583,648**
Lease contracts receivable (Note 29)	–	–	–	–	–	–	**5,876**	–	**5,876**
	517,177,576	**6,422,388**	**12,530,569**	**8,836,493**	**24,719,056**	**11,199,499**	**20,500,528**	–	**601,386,109**
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	**6,546,063**	**6,546,063**
Sales contract receivables	–	–	–	–	–	–	–	**6,497,901**	**6,497,901**
Accounts receivable	–	–	–	–	–	–	–	**3,835,436**	**3,835,436**
Miscellaneous	–	–	–	–	–	–	–	**1,269,161**	**1,269,161**
	517,177,576	**6,422,388**	**12,530,569**	**8,836,493**	**24,719,056**	**11,199,499**	**20,500,528**	**18,148,561**	**619,534,670**
Less: Unearned and other deferred income	**516,988**	–	–	**12,826**	**231,866**	**111,788**	**257,424**	**2,036**	**1,132,928**
Allowance for credit losses (Note 16)	**19,027,613**	**50,693**	**2,587,668**	**906,590**	**2,367,615**	**1,032,804**	**2,042,594**	**3,484,304**	**31,499,881**
	₱497,632,975	**₱6,371,695**	**₱9,942,901**	**₱7,917,077**	**₱22,119,575**	**₱10,054,907**	**₱18,200,510**	**₱14,662,221**	**₱586,901,861**

	Parent Company								
	2019								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱526,781,899	₱6,799,872	₱–	₱12,245,247	₱3,848,232	₱2,635,828	₱4,480,823	₱–	₱556,791,901
Credit card receivables	–	–	15,869,946	–	–	–	–	–	15,869,946
Customers' liabilities on letters of credit and trust receipts	6,630,171	–	–	176,144	–	–	538,714	–	7,345,029
Lease contracts receivable (Note 29)	–	–	–	–	–	–	7,150	–	7,150
Customers' liabilities on acceptances (Note 19)	2,692,334	–	–	–	–	–	–	–	2,692,334
Bills purchased (Note 22)	1,017,433	–	–	45,080	–	–	315,336	–	1,377,849
	537,121,837	6,799,872	15,869,946	12,466,471	3,848,232	2,635,828	5,342,023	–	584,084,209
Other receivables:									
Sales contract receivables	–	–	–	–	–	–	–	7,129,811	7,129,811
Accrued interest receivable	–	–	–	–	–	–	–	6,372,891	6,372,891
Accounts receivable	–	–	–	–	–	–	–	3,994,064	3,994,064
Miscellaneous	–	–	–	–	–	–	–	324,176	324,176
	537,121,837	6,799,872	15,869,946	12,466,471	3,848,232	2,635,828	5,342,023	17,820,942	601,905,151
Less: Unearned and other deferred income	450,530	3,370	–	15,723	464	(136,504)	30,554	2,334	366,471
Allowance for credit losses (Note 16)	7,673,103	67,650	1,605,751	422,389	75,029	62,088	1,401,335	2,985,439	14,292,784
	₱528,998,204	₱6,728,852	₱14,264,195	₱12,028,359	₱3,772,739	₱2,710,244	₱3,910,134	₱14,833,169	₱587,245,896

Lease contract receivables

An analysis of the Group's and the Parent Company's lease contract receivables follows:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Minimum lease payments				
Due within one year	**₱1,364,058**	₱1,260,542	**₱3,926**	₱3,250
Due beyond one year but not over five years	**906,513**	1,164,893	**1,950**	3,900
Due beyond five years	**31,845**	–	–	–
	2,302,416	2,425,435	**5,876**	7,150
Residual value of leased equipment				
Due within one year	**374,959**	304,898	–	–
Due beyond one year but not over five years	**323,020**	349,380	–	–
	697,979	654,278	–	–
Gross investment in lease contract receivables (Note 29)	**₱3,000,395**	₱3,079,713	**₱5,876**	₱7,150

Interest income

As of December 31, 2020 and 2019, 68.8% and 71.1%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2020 and 2019, 68.7% and 70.2%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% in 2020, from 1.0% to 9.0% in 2019 and from 1.8% to 9.0% in 2018 for foreign currency-denominated receivables, and from 1.1% to 21.0% in 2020, from 2.5% to 19.4% in 2019 and from 1.5% to 13.0% in 2018 for peso-denominated receivables. Sales contract receivables bear fixed interest rates per annum ranging from 3.3% to 21.0% in 2020, 2019 and 2018.

11. **Property and Equipment**

The composition of and movements in property and equipment follow:

	Consolidated							
	2020							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost								
Balance at beginning of year	₱11,677,104	₱7,026,901	₱7,801,970	₱570,456	₱793,698	₱1,510,890	₱2,279,267	₱31,660,286
Additions	–	228,386	839,396	–	–	163,465	122,420	1,353,667
Disposals	–	–	(306,808)	–	–	(2,143)	–	(308,951)
Transfers/others	4,436	50,777	(267,198)	(12,250)	(343,245)	165,412	67,053	(335,015)
Effect of disposal group classified as held for sale (Note 36)	–	–	(46,270)	–	–	(6,238)	(65,833)	(118,341)
Balance at end of year	11,681,540	7,306,064	8,021,090	558,206	450,453	1,831,386	2,402,907	32,251,646
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	3,210,442	4,257,395	51,093	–	1,289,338	568,067	9,376,335
Depreciation and amortization	–	339,006	586,637	5,561	–	231,862	1,159,449	2,322,515
Disposals	–	–	(278,069)	–	–	(1,909)	–	(279,978)
Transfers/others	–	(10,036)	203,287	(5,199)	–	194,362	(527,337)	(144,923)
Effect of disposal group classified as held for sale (Note 36)	–	–	(40,212)	–	–	(5,817)	(23,876)	(69,905)
Balance at end of year	–	3,539,412	4,729,038	51,455	–	1,707,836	1,176,303	11,204,044
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	–	1,168,887
Net Book Value at End of Year	₱11,138,365	₱3,140,940	₱3,292,052	₱506,751	₱450,453	₱123,550	₱1,226,604	₱19,878,715

	Consolidated							
	2019							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost								
Balance at beginning of year	₱11,467,244	₱6,464,316	₱6,628,516	₱579,324	₱1,206,057	₱1,557,767	₱1,817,349	₱29,720,573
Additions	–	246,704	1,346,830	–	590,403	115,348	461,918	2,761,203
Disposals	(2)	(72,114)	(304,506)	(8,868)	–	(401,390)	–	(786,880)
Transfers/others	209,862	387,995	131,130	–	(1,002,762)	239,165	–	(34,610)
Balance at end of year	11,677,104	7,026,901	7,801,970	570,456	793,698	1,510,890	2,279,267	31,660,286
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,996,722	3,904,873	48,908	–	999,596	–	7,950,099
Depreciation and amortization	–	293,543	1,032,834	5,697	–	219,182	568,067	2,119,323
Disposals	–	(25,373)	(199,214)	(3,512)	–	(387,677)	–	(615,776)
Transfers/others	–	(54,450)	(481,098)	–	–	458,237	–	(77,311)
Balance at end of year	–	3,210,442	4,257,395	51,093	–	1,289,338	568,067	9,376,335
Allowance for Impairment Losses (Note 16)	543,175	571,982	–	–	–	–	–	1,115,157
Net Book Value at End of Year	₱11,133,929	₱3,244,477	₱3,544,575	₱519,363	₱793,698	₱221,552	₱1,711,200	₱21,168,794

	Parent Company						
	2020						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost							
Balance at beginning of year	₱11,473,905	₱6,795,026	₱5,637,147	₱793,697	₱1,498,124	₱2,032,318	₱ 28,230,217
Additions	–	228,386	636,785	–	162,500	122,420	1,150,091
Disposals	–	–	(210,854)	–	–	–	(210,854)
Transfers/others	207,635	210,877	154,121	(343,245)	72,695	180,751	482,834
Balance at end of year	11,681,540	7,234,289	6,217,199	450,452	1,733,319	2,335,489	29,652,288
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	3,152,505	3,686,338	–	990,738	488,171	8,317,752
Depreciation and amortization	–	337,780	277,477	–	216,061	1,066,601	1,897,919
Disposals	–	–	(210,829)	–	–	–	(210,829)
Transfers/others	–	38,996	44,900	–	439,055	(451,373)	71,578
Balance at end of year	–	3,529,281	3,797,886	–	1,645,854	1,103,399	10,076,420
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	1,168,887
Net Book Value at End of Year	₱11,138,365	₱3,079,296	₱ 2,419,313	₱450,452	₱87,465	₱1,232,090	₱18,406,981

	Parent Company 2019						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost							
Balance at beginning of year	₱11,264,043	₱6,216,294	₱4,865,627	₱1,206,056	₱1,206,373	₱1,600,161	₱26,358,554
Additions	–	203,869	789,601	590,403	50,795	432,157	2,066,825
Disposals	–	(13,124)	(140,985)	–	(21)	–	(154,130)
Transfers/others	209,862	387,987	122,904	(1,002,762)	240,977	–	(41,032)
Balance at end of year	11,473,905	6,795,026	5,637,147	793,697	1,498,124	2,032,318	28,230,217
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,929,042	3,158,729	–	836,445	–	6,924,216
Depreciation and amortization	–	291,779	675,761	–	161,217	488,171	1,616,928
Disposals	–	(11,408)	(142,459)	–	(21)	–	(153,888)
Transfers/others	–	(56,908)	(5,693)	–	(6,903)	–	(69,504)
Balance at end of year	–	3,152,505	3,686,338	–	990,738	488,171	8,317,752
Allowance for Impairment Losses (Note 16)	543,175	571,982	–	–	–	–	1,115,157
Net Book Value at End of Year	₱10,930,730	₱3,070,539	₱1,950,809	₱793,697	₱507,386	₱1,544,147	₱18,797,308

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱1.5 billion and ₱1.7 billion as of December 31, 2020 and 2019, respectively.

Gain (loss) on disposal of property and equipment in 2020, 2019 and 2018 amounted to ₱7.8 million, (₱9.0 million), and ₱28.4 million, respectively, for the Group and ₱1.3 million, ₱1.0 million and ₱28.4 million, respectively, for the Parent Company (Note 26).

Depreciation and amortization consists of:

	Consolidated			**Parent Company**		
	2020	2019 (As restated – Note 36	2018 (As restated – Note 36	**2020**	2019	2018
Continuing operations:						
Depreciation						
Property and equipment	**₱2,322,515**	₱2,112,689	₱1,279,116	**₱1,897,919**	₱1,616,928	₱967,456
Investment properties (Note 13)	**259,839**	179,619	177,611	**167,536**	120,604	129,615
Chattel mortgage properties	**14,188**	17,024	27,276	–	–	1,330
Amortization of intangible assets (Note 14)	**558,737**	485,890	460,805	**541,814**	469,539	444,311
	3,155,279	2,795,222	1,944,808	**2,607,269**	2,207,071	1,542,712
Discontinued operations (Note 36):						
Property and equipment	**26,761**	6,634	5,569	–	–	–
Intangible assets	**2,101**	2,267	600	–	–	–
	28,862	8,901	6,169	–	–	–
	₱3,184,141	₱2,804,123	₱1,950,977	**₱2,607,269**	₱2,207,071	₱1,542,712

Certain property and equipment of the Parent Company with carrying amount of ₱92.6 million are temporarily idle as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, property and equipment of the Parent Company with gross carrying amount of ₱8.3 billion and ₱5.1 billion are fully depreciated but are still being used.

On September 10, 2020, the Parent Company's BOD approved the plan to realize the market value of certain real estate properties of the Parent Company with a total carrying value of ₱12.6 billion. The Plan aims to reduce its low-earning assets to strengthen its financial position. As part of a series of transactions which will be carried out to meet the objectives of the said plan, on September 25, 2020, the Parent Company's BOD approved the subscription of additional 466,770,000 shares of PNB Holdings Corporation (PNB Holdings) with a par value of ₱100 per share, to be issued out of an increase in the authorized capital stock of PNB Holdings, at a subscription price of ₱100 per share in exchange for the above real estate properties, subject to regulatory approvals.

In relation to the Parent Company's additional equity investment in PNB Holdings, on December 28, 2020, the Monetary Board of the BSP approved the request of the Parent Company for temporary exemption from prudential limits on its equity investments in PNB Holdings, subject to certain conditions. As of December 31, 2020, PNB Holdings has yet to receive regulatory approvals for the increase in authorized capital stock (Note 37).

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership Direct	Indirect
Subsidiaries					
PNB Savings Bank (PNBSB) [(a)]	Banking	Philippines	Php	**100.00**	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	**100.00**	–
PNB Holdings	Holding Company	- do -	Php	**100.00**	–
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	**100.00**	–
PNB General Insurers, Inc. (PNB Gen) [(b)]	Insurance	- do -	Php	**65.75**	–
PNB Corporation – Guam [(c)]	Remittance	USA	USD	**100.00**	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–
PNB Remittance Centers, Inc. (PNB RCI) [(d)]	Remittance	- do -	USD	–	**100.00**
PNB Remittance Co. (Nevada) [(e)]	Remittance	-do-	USD	–	**100.00**
PNB RCI Holding Co. Ltd. (PNB RHCL) [(e)]	Holding Company	- do -	USD	–	**100.00**
PNB Remittance Co. (Canada) [(f)]	Remittance	Canada	CAD	–	**100.00**
PNB Europe PLC	Banking	United Kingdom	GBP	**100.00**	–
Allied Commercial Bank (ACB)	Banking	China	CNY	**99.04**	–
PNB-Mizuho Leasing and Finance Corporation (PMLFC) (formerly PNB-IBJL Leasing and Finance Corporation)	Leasing/Financing	Philippines	Php	**75.00**	–
PNB-Mizuho Equipment Rentals Corporation (formerly PNB-IBJL Equipment Rentals Corporation [(g)]	Rental	- do -	Php	–	**75.00**
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	**100.00**	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	**51.00**	–
ACR Nominees Limited [(h)]	Banking	- do -	HKD	–	**51.00**
Oceanic Holding (BVI) Ltd.	Holding Company	British Virgin Islands	USD	**27.78**	–
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	- do -	Php	**44.00**	–

[(a)] *Pending SEC approval of change in name and conversion to a holding company as of December 31, 2020 (see further discussion below and Note 37)*
[(b)] *34.25% indirect ownership by the Group as of December 31, 2019 through PNB Holdings was disposed in 2020 (see further discussion below); remaining 65.75% direct ownership was reclassified to 'Assets of disposal group classified as held for sale' (see Note 36).*
[(c)] *Ceased operations on June 30, 2012 and license status became dormant thereafter*
[(d)] *Owned through PNB IIC*
[(e)] *Owned through PNB RCI*
[(f)] *Owned through PNB RHCL*
[(g)] *Owned through PMLFC*
[(h)] *Owned through ABCHKL*

The details of this account follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Investment in Subsidiaries				
PNBSB	**₱–**	₱–	**₱10,935,041**	₱10,935,041
ACB	**–**	–	**6,087,520**	6,087,520
PNB IIC	**–**	–	**2,028,202**	2,028,202
PNB Europe PLC	**–**	–	**1,327,393**	1,327,393
ABCHKL	**–**	–	**947,586**	947,586
PNB Capital	**–**	–	**850,000**	850,000
PNB GRF	**–**	–	**753,061**	753,061
PMLFC	**–**	–	**481,943**	481,943
PNB Holdings	**–**	–	**377,876**	377,876
OHBVI	**–**	–	**291,841**	291,841
PNB Securities	**–**	–	**62,351**	62,351
PNB Corporation – Guam	**–**	–	**7,672**	7,672
PNB Gen (Note 36)	**–**	–	**–**	980,000
	–	–	**24,150,486**	25,130,486
Investment in an Associate – APLII	**2,728,089**	2,728,089	**2,728,089**	2,728,089

(Forward)

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	**₱75,674**	₱173,282	**(₱155,888)**	₱189,711
Equity in net earnings (losses) for the year	**88,476**	(97,608)	**95,939**	(345,599)
Effect of disposal group classified as held for sale (Note 36)	**–**	–	**123,582**	–
	164,150	75,674	**63,633**	(155,888)
Accumulated share in:				
Aggregate reserves (losses) on life insurance policies	**(1,038,838)**	12,280	**(1,038,838)**	12,280
Net unrealized gains (losses) on financial assets at FVOCI (Note 9)	**464,105**	(198,846)	**561,453**	5,207
Accumulated translation adjustments	**–**	–	**478,711**	626,755
Remeasurement gain (loss) on retirement plan	**(7,096)**	(11,724)	**73,400**	83,429
Reserves of a disposal group classified as held for sale (Note 36)	**–**	–	**88,616**	–
	(581,829)	(198,290)	**163,342**	727,671
	₱2,310,410	₱2,605,473	**₱27,105,550**	₱28,430,358

As of December 31, 2020 and 2019, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and are not available for dividend declaration.

Investment in PNBSB

On August 29, 2019, the Monetary Board of BSP approved the integration of PNBSB with the Parent Company. The integration is seen to deliver a more efficient banking experience and serve a wider customer base, while granting the customers of PNBSB access to the Parent Company's diverse portfolio of financial solutions. The consumer lending business, previously operated through PNBSB, will also benefit from the Parent Company's ability to efficiently raise low cost of funds.

On March 1, 2020, the integration of PNBSB to the Parent Company took effect through acquisition of the former's assets and assumption of its liabilities in exchange for cash, equivalent to the fair values of the net assets acquired. The integration was accounted for using the pooling of interests method since it involves business combination between entities under common control. Accordingly, the Parent Company recognized the net assets of PNBSB at their carrying values, and the excess of the carrying values of the net assets acquired over the settlement price amounting to ₱390.5 million is accounted for as 'Other equity reserves' in the parent company financial statements.

On March 5, 2020, PNBSB surrendered its banking license to the BSP.

On October 28, 2020, the BOD of PNBSB approved the following amendments to its Amended Articles of Incorporation and Amended By-Laws:

1. Change in the name of the corporation from "PNB Savings Bank" to "Allied Integrated Holdings, Inc." (Note 37)
2. Change in the primary purpose of the corporation from banking to a holding company
3. Change in all references to, and use of, the word "bank" in the Articles of Incorporation and By-Laws to "corporation"
4. Removal of provisions that are related to banking, unless such provision has already been previously amended and approved by the BOD and stockholders of PNBSB
5. Shortening of the corporation's term to December 31, 2022

On December 3, 2020, the Monetary Board of the BSP approved the conversion of PNBSB to a holding company, a non-bank corporation, under the new name as discussed above.

<u>Investment in PNB Gen</u>
On October 9, 2020 and December 11, the respective BODs of PNB Holdings and the Parent Company approved the sale of all their respective shareholdings in PNB Gen to Alliedbankers Insurance Corporation (ABIC), an affiliate, for a total purchase price of ₱1.5 billion (the Purchase Price), subject to regulatory and other necessary approvals.

Under the Sale and Purchase Agreement (SPA), the Purchase Price shall be payable as follows:
- PNB Holdings Purchase Price (₱521.8 million) – payable in full on PNB Holdings Closing Date (i.e., the completion of the purchase of PNB Holdings Shares by ABIC, which shall be December 28, 2020, or such other date subsequently agreed upon by the parties)
- PNB Purchase Price (₱1.0 billion) – payable in three tranches (10%, 45% and 45%) on January 21, March 21, and June 21, 2021, respectively

The SPA also provides for a grant of an exclusive bancassurance arrangement for the non-life insurance business of the Group to ABIC with a minimum guaranteed term of 15 years. As an additional consideration, ABIC shall pay the Group ₱50.0 million on PNB Closing Date (i.e., the completion of the purchase of PNB Shares by ABIC to coincide with the payment of PNB Tranche 3 or such final installment of the PNB Purchase Price), subject to regulatory approvals.

On December 29, 2020, the Insurance Commission approved the above acquisition of ABIC. Accordingly, PNB Holdings closed and completed the sale of its 34.25% shareholdings in PNB Gen, recognizing gain on sale of ₱344.7 million, which is included under 'Equity in net earnings of subsidiaries' in the parent company financial statements, but treated as an equity transaction in the consolidated financial statements as 'Other equity reserves'. The Group also reclassified the assets and liabilities of PNB Gen to 'Assets and liabilities of disposal group classified as held for sale' in the consolidated statement of financial position as of December 31, 2020 (Note 36).

<u>Investments in PMLFC</u>
On March 3 and March 4, 2020, the SEC approved the change in names of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation (collectively, the PNB-Mizuho Group) to PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation, respectively.

<u>Material Non-controlling Interests</u>
Proportion of equity interest held by material NCI follows:

		Equity interest of NCI		**Accumulated balances of material NCI**		**Profit allocated to material NCI**	
	Principal Activities	**2020**	2019	**2020**	2019	**2020**	2019
ABCHKL	Banking	**49.00%**	49.00%	**₱1,760,176**	₱1,777,670	**₱81,187**	₱97,409
OHBVI	Holding Company	**72.22%**	72.22%	**928,071**	973,846	**4,667**	2,909
PNB Gen	Insurance	**34.25%**	–	**519,278**	–	**–**	–

The following table presents financial information of ABCHKL as of December 31, 2020 and 2019:

	2020	2019
Statement of Financial Position		
Current assets	**₱7,162,167**	₱10,391,232
Non-current assets	**3,180,314**	1,001,907
Current liabilities	**5,924,195**	7,607,263
Non-current liabilities	**826,090**	157,978

	2020	2019
Statement of Comprehensive Income		
Revenues	**₱406,294**	₱467,860
Expenses	**240,606**	269,067
Net income	**165,688**	198,793
Total comprehensive income	**3,915**	89,669
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**(142,489)**	222,734
Net cash used in investing activities	**(782)**	(245)
Net cash used in financing activities	**(6,411)**	(6,730)

The following table presents financial information of OHBVI as of December 31, 2020 and 2019:

	2020	2019
Statement of Financial Position		
Current assets	**₱1,285,061**	₱1,348,444
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive	**6,463**	4,028
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**(63,383)**	(47,717)

The Parent Company determined that it controls OHBVI through its combined voting rights of 70.56% which arises from its direct ownership of 27.78% and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement.

Investment in APLII

On June 6, 2016, the Parent Company entered into agreements with Allianz SE (Allianz), a German company engaged in insurance and asset management, for the sale of the 51.00% interest in PNB Life Insurance, Inc. (PNB Life) for a total consideration of USD66.0 million to form a new joint venture company named "Allianz-PNB Life Insurance, Inc."; and a 15-year exclusive distribution access to the branch network of the Parent Company and PNBSB (Exclusive Distribution Rights or EDR).

The purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in PNB Life and the EDR amounting to USD44.9 million (₱2.1 billion) and USD21.1 million (₱1.0 billion), respectively. The consideration allocated to the EDR was recognized as 'Deferred revenue - Bancassurance' (Note 22) and is amortized to income over 15 years from date of sale. The Parent Company also receives variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

Summarized financial information of APLII as of December 31, 2020 and 2019 follows:

	2020	2019
Current assets	**₱1,697,490**	₱1,691,686
Noncurrent assets	**50,584,277**	35,405,488
Total assets	**52,281,767**	37,097,174
Current liabilities	**2,636,733**	1,551,241
Noncurrent liabilities	**47,905,927**	33,753,969
Total liabilities	**50,542,660**	35,305,210

(Forward)

	2020	2019
Net assets	**₱1,739,107**	₱2,257,365
Percentage of ownership of the Group	**44%**	44%
Share in the net assets of the associate	**₱765,207**	₱993,241

The difference between the share in the net assets of APLII and the carrying value of the investments represents premium on acquisition/retained interest.

Summarized statement of comprehensive income of APLII in 2020 and 2019 follows:

	2020	2019
Revenues	**₱3,132,745**	₱3,721,320
Costs and expenses	**2,846,825**	3,881,720
Net income (loss)	**285,920**	(160,400)
Other comprehensive income	**297,095**	297,095
Total comprehensive income	**₱583,015**	₱136,695
Group's share in comprehensive income for the year	**₱256,527**	₱60,145

Dissolved Subsidiaries
On April 3, 2018, the Parent Company received liquidating dividends amounting to ₱84.0 million from the dissolution of Allied Leasing and Finance Corporation, a 57.21% owned subsidiary. On January 16, 2019, the State of Nevada approved the dissolution of PNB Remittance Co. (Nevada), a wholly-owned indirect subsidiary.

Significant Restrictions
The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

13. Investment Properties

This account consists of real properties as follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Foreclosed or acquired in settlement of loans	**₱10,046,604**	₱10,591,598	**₱9,522,646**	₱9,925,490
Held for lease	**4,399,152**	4,452,228	**4,399,152**	4,750,897
Total	**₱14,445,756**	₱15,043,826	**₱13,921,798**	₱14,676,387

The composition of and movements in this account follow:

	Consolidated		
	2020		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱14,849,087**	**₱4,377,277**	**₱19,226,364**
Additions	**44,736**	**41,957**	**86,693**
Disposals	**(10,827)**	**(12,341)**	**(23,168)**
Transfers/others	**(42,628)**	**(52,155)**	**(94,783)**
Balance at end of year	**14,840,368**	**4,354,738**	**19,195,106**

(Forward)

	Consolidated 2020 Land	Buildings and Improvements	Total
Accumulated Depreciation			
Balance at beginning of year	**₱–**	**₱2,033,630**	**₱2,033,630**
Depreciation (Note 11)	**–**	**259,839**	**259,839**
Disposals	**–**	**(8,075)**	**(8,075)**
Transfers/others	**–**	**(119,714)**	**(119,714)**
Balance at end of year	**–**	**2,165,680**	**2,165,680**
Allowance for Impairment Losses (Note 16)	**2,351,499**	**232,171**	**2,583,670**
Net Book Value at End of Year	**₱12,488,869**	**₱1,956,887**	**₱14,445,756**

	Consolidated 2019 Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,326,994	₱4,278,472	₱18,605,466
Additions	841,422	126,189	967,611
Disposals	(30,663)	(41,195)	(71,858)
Transfers/others	(288,666)	13,811	(274,855)
Balance at end of year	14,849,087	4,377,277	19,226,364
Accumulated Depreciation			
Balance at beginning of year	–	1,833,237	1,833,237
Depreciation (Note 11)	–	179,619	179,619
Disposals	–	(49,833)	(49,833)
Transfers/others	–	70,607	70,607
Balance at end of year	–	2,033,630	2,033,630
Allowance for Impairment Losses (Note 16)	1,931,266	217,642	2,148,908
Net Book Value at End of Year	₱12,917,821	₱2,126,005	₱15,043,826

	Parent Company 2020 Land	Buildings and Improvements	Total
Cost			
Beginning balance	**₱14,478,418**	**₱4,344,378**	**₱18,822,796**
Additions	**51,053**	**26,973**	**78,026**
Disposals	**(10,827)**	**(12,341)**	**(23,168)**
Transfers/others	**(196,394)**	**(143,239)**	**(339,633)**
Balance at end of year	**14,322,250**	**4,215,771**	**18,538,021**
Accumulated Depreciation			
Balance at beginning of year	–	**1,992,096**	**1,992,096**
Depreciation (Note 11)	–	**167,536**	**167,536**
Disposals	–	**(8,075)**	**(8,075)**
Transfers/others	–	**(108,866)**	**(108,866)**
Balance at end of year	–	**2,042,691**	**2,042,691**
Allowance for Impairment Losses (Note 16)	**2,350,787**	**222,745**	**2,573,532**
Net Book Value at End of Year	**₱11,971,463**	**₱1,950,335**	**₱13,921,798**

	Parent Company		
	2019		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱13,992,505	₱4,242,719	₱18,235,224
Additions	795,390	90,282	885,672
Disposals	(30,663)	(3,936)	(34,599)
Transfers/others	(278,814)	15,313	(263,501)
Balance at end of year	14,478,418	4,344,378	18,822,796
Accumulated Depreciation			
Balance at beginning of year	–	1,801,399	1,801,399
Depreciation (Note 11)	–	120,604	120,604
Disposals	–	(3,080)	(3,080)
Transfers/others	–	73,173	73,173
Balance at end of year	–	1,992,096	1,992,096
Allowance for Impairment Losses (Note 16)	1,929,130	225,183	2,154,313
Net Book Value at End of Year	₱12,549,288	₱2,127,099	₱14,676,387

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱181.2 million and ₱455.6 million, as of December 31, 2020 and 2019, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties.

The total recoverable value of certain investment properties of the Group that were impaired amounted to ₱4.2 billion and ₱4.7 billion as of December 31, 2020 and 2019, respectively. For the Parent Company, the total recoverable value of certain investment properties that were impaired amounted to ₱4.2 billion and ₱4.6 billion as of December 31, 2020 and 2019, respectively.

For the Group, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses', amounted to ₱6.0 million, ₱12.3 million and ₱58.6 million in 2020, 2019, and 2018, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses', amounted to ₱204.6 million, ₱190.7 million and ₱271.4 million in 2020, 2019, and 2018, respectively.

For the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses', amounted to ₱6.0 million, ₱12.3 million and ₱58.6 million in 2020, 2019 and 2018, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses ', amounted to ₱204.6 million, ₱190.7 million and ₱271.4 million in 2020, 2019, and 2018, respectively.

14. Goodwill and Intangible Assets

These accounts consist of:

	Consolidated 2020				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱3,918,769**	**₱6,208,501**	**₱13,375,407**
Additions	**–**	**–**	**283,472**	**283,472**	**–**
Others	**–**	**–**	**(47,517)**	**(47,517)**	**–**
Effect of disposal group classified as held for sale (Note 36)	**–**	**–**	**(20,321)**	**(20,321)**	**–**
Balance at end of year	**1,897,789**	**391,943**	**4,134,403**	**6,424,135**	**13,375,407**
Accumulated Amortization					
Balance at beginning of year	**1,308,420**	**391,943**	**1,666,149**	**3,366,512**	**–**
Amortization (Note 11)	**189,779**	**–**	**368,958**	**558,737**	**–**
Others	**–**	**–**	**2,060**	**2,060**	**–**
Effect of disposal group classified as held for sale (Note 36)	**–**	**–**	**(15,187)**	**(15,187)**	**–**
Balance at end of year	**1,498,199**	**391,943**	**2,021,980**	**3,912,122**	**–**
Net Book Value at End of Year	**₱399,590**	**₱–**	**₱2,112,423**	**₱2,512,013**	**₱13,375,407**

	Consolidated 2019				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱3,581,616	₱5,871,348	₱13,375,407
Additions	–	–	334,548	334,548	–
Others	–	–	2,605	2,605	–
Balance at end of year	1,897,789	391,943	3,918,769	6,208,501	13,375,407
Accumulated Amortization					
Balance at beginning of year	1,118,641	391,943	1,327,401	2,837,985	–
Amortization (Note 11)	189,779	–	298,378	488,157	–
Others	–	–	40,370	40,370	–
Balance at end of year	1,308,420	391,943	1,666,149	3,366,512	–
Net Book Value at End of Year	₱589,369	₱–	₱2,252,620	₱2,841,989	₱13,375,407

	Parent Company 2020				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱4,886,120**	**₱7,175,852**	**₱13,515,765**
Additions	**–**	**–**	**268,768**	**268,768**	**–**
Others	**–**	**–**	**12,643**	**12,643**	**–**
Balance at end of year	**1,897,789**	**391,943**	**5,167,531**	**7,457,263**	**13,515,765**
Accumulated Amortization					
Balance at beginning of year	**1,308,420**	**391,943**	**2,776,335**	**4,476,698**	**–**
Amortization (Note 11)	**189,779**	**–**	**352,035**	**541,814**	**–**
Others	**–**	**–**	**91**	**91**	**–**
Balance at end of year	**1,498,199**	**391,943**	**3,128,461**	**5,018,603**	**–**
Net Book Value at End of Year	**₱399,590**	**₱–**	**₱2,039,070**	**₱2,438,660**	**₱13,515,765**

	Parent Company				
	2019				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,556,717	₱6,846,449	₱13,515,765
Additions	–	–	331,543	331,543	–
Others	–	–	(2,140)	(2,140)	–
Balance at end of year	1,897,789	391,943	4,886,120	7,175,852	13,515,765
Accumulated Amortization					
Balance at beginning of year	1,118,641	391,943	2,456,012	3,966,596	–
Amortization (Note 11)	189,779	–	279,760	469,539	–
Others	–	–	40,563	40,563	–
Balance at end of year	1,308,420	391,943	2,776,335	4,476,698	–
Net Book Value at End of Year	₱589,369	₱–	₱2,109,785	₱2,699,154	₱13,515,765

CDI and CRI

CDI and CRI are the intangible assets acquired through the merger of the Parent Company with Allied Banking Corporation (ABC). CDI includes the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertains to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments. CDI is allocated to Retail Banking CGU while CRI is allocated to Corporate Banking CGU. CDI and CRI are assessed for impairment where indicator(s) of objective evidence of impairment has been identified.

Software cost

Software cost as of December 31, 2020 and 2019 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's new core banking system.

Goodwill

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the NCI in the acquiree at proportionate share of identifiable assets and liabilities. The business combination resulted in the recognition of goodwill amounting to ₱13.4 billion, allocated to the three CGUs which are also reportable segments:

Retail Banking	**₱6,110,312**
Corporate Banking	**4,190,365**
Global Banking and Market	**3,074,730**
	₱13,375,407

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment test is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount allocated to the CGU. The recoverable amount is the higher of a CGU's fair value less costs to sell and its value in use. As of December 31, 2020, the goodwill impairment test did not result in an impairment loss of goodwill of the CGUs as the recoverable amount for these CGUs were higher than their respective carrying amount.

The recoverable amounts of the CGUs have been determined on the basis of value in use calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2020			2019		
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	Retail Banking	Corporate Banking	Global Banking and Market
Pre-tax discount rate	**10.83%**	**10.83%**	**6.95%**	10.29%	10.29%	6.37%
Projected growth rate	**5.00%**	**5.00%**	**5.00%**	4.32%	4.32%	4.32%

The calculation of value in use is most sensitive to interest margin, discount rates, projected growth rates used to extrapolate cash flows beyond the budget period, and projected local gross domestic product applied as long-term growth rate.

The discount rate applied have been determined based on cost of equity for Retail and Corporate Banking segments and weighted average cost of capital for Global Banking and Market segment. The cost of equity was derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor, all of which were obtained from external sources of information.

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial				
Return checks and other cash items	**₱78,589**	₱58,678	**₱78,589**	₱56,469
Security deposits	**13,080**	44,132	**–**	–
Checks for clearing	**4,904**	7,079	**4,904**	7,079
Receivable from special purpose vehicle (SPV)	**500**	500	**500**	500
Miscellaneous	**2,836**	10,298	**2,280**	9,260
	99,909	120,687	**86,273**	73,308
Non-financial				
Creditable withholding taxes	**2,397,473**	4,103,986	**2,144,781**	3,660,735
Deferred charges	**1,095,022**	743,727	**989,748**	639,625
Documentary stamps on hand	**988,610**	464,616	**986,410**	464,616
Real estate inventories held under development (Note 33)	**638,875**	728,752	**638,875**	728,752
Prepaid expenses	**491,796**	567,137	**431,722**	430,805
Chattel mortgage properties - net of depreciation	**115,356**	168,661	**111,817**	32,401
Input value added tax	**104,096**	101,138	**–**	–
Stationeries and supplies	**81,337**	86,843	**80,924**	85,997
Other investments	**28,617**	21,033	**25,397**	17,652
Deferred reinsurance premiums (Note 36)	**–**	1,135,113	**–**	–
Miscellaneous (Note 28)	**1,337,715**	901,953	**492,000**	247,224
	7,278,897	9,022,959	**5,901,674**	6,307,807
	7,378,806	9,143,646	**5,987,947**	6,381,115
Less allowance for credit and impairment losses (Note 16)	**1,040,596**	1,058,123	**1,040,213**	1,028,352
	₱6,338,210	₱8,085,523	**₱4,947,734**	₱5,352,763

Deferred charges
This account includes the share of the Group in the cost of transportation equipment acquired under the Group's car plan which shall be amortized monthly.

Real estate inventories held under development
This represents parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

Prepaid expenses
This represents expense prepayments expected to benefit the Group for a future period not exceeding one year, such as insurance premiums and taxes.

Chattel mortgage properties
As of December 31, 2020 and 2019, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱140.1 million and ₱94.5 million, respectively. As of December 31, 2020 and 2019, accumulated depreciation on chattel mortgage properties acquired by the Parent Company in settlement of loans amounted to ₱130.3 million and ₱57.9 million, respectively. As of December 31, 2020 and 2019, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱0.9 million .

Deferred reinsurance premiums
The deferred reinsurance premiums of the Group refer to portion of reinsurance premiums ceded that are unexpired as of December 31, 2020 and 2019.

Receivable from SPV
This represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, Opal Portfolio Investing, Inc. (an SPV), relative to the sale of certain non-performing assets of the Group.

Miscellaneous
Other financial assets include revolving fund, petty cash fund and miscellaneous cash and other cash items. Other nonfinancial assets include postages, refundable deposits, notes taken for interest and sundry debits.

16. Allowance for Impairment and Credit Losses

Provision for Impairment, Credit and Other Losses
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36	**2020**	2019	2018
Continuing operations:						
Provision for credit losses	**₱16,054,991**	₱2,481,965	₱1,811,312	**₱15,723,927**	₱1,648,491	₱1,472,663
Provision for (reversal of) impairment	**827,630**	500,253	(71,135)	**810,408**	(55,272)	(71,135)
Reversal of other losses	**–**	(72,036)	–	**–**	–	–
	16,882,621	2,910,182	1,740,177	**16,534,335**	1,593,219	1,401,528
Discontinued operations (Note 36):						
Provision for (reversal of) credit losses	**29,781**	(324)	12,635	**–**	–	–
	₱16,912,402	₱2,909,858	₱1,752,812	**₱16,534,335**	₱1,593,219	₱1,401,528

Changes in the allowance for impairment and credit losses on financial assets follow:

	Consolidated							
	2020							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱1,912	₱3,359	₱6,719	₱51,639	₱3,785,196	₱18,413,228	₱500	₱22,262,553
Provisions:								
Continuing operations	–	6,338	1,610	19,163	197,405	15,830,475	–	16,054,991
Discontinued operation	–	–	–	–	28	30,280	–	30,308
Accounts charged-off	–	–	–	–	–	(749,829)	–	(749,829)
Transfers and others	(1,912)	201	(5,446)	(3,403)	(203)	(849,334)	–	(860,097)
Effect of discontinued operations	–	–	–	–	(28)	(260,168)	–	(260,196)
Balance at end of year	₱–	₱9,898	₱2,883	₱67,399	₱3,982,398	₱32,414,652	₱500	₱36,477,730

	Consolidated							
	2019							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱–	₱–	₱–	₱46,349	₱3,769,264	₱15,267,577	₱500	₱19,083,690
Provisions	1,912	3,359	6,719	5,290	15,932	2,448,429	–	2,481,641
Accounts charged-off	–	–	–	–	–	(577,613)	–	(577,613)
Transfers and others	–	–	–	–	–	1,274,835	–	1,274,835
Balance at end of year	₱1,912	₱3,359	₱6,719	₱51,639	₱3,785,196	₱18,413,228	₱500	₱22,262,553

	Parent Company						
	2020						
	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱3,359	₱1,293	₱51,639	₱3,728,243	₱14,292,784	₱500	₱18,077,818
Provisions	6,334	1,610	15,760	197,405	15,502,818	–	15,723,927
Accounts charged-off	–	–	–	–	(749,829)	–	(749,829)
Transfers and others	180	(20)	–	56,750	2,454,108	–	2,511,018
Balance at end of year	₱9,873	₱2,883	₱67,399	₱3,982,398	₱31,499,881	₱500	₱35,562,934

	Parent Company						
	2019						
	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱–	₱–	₱46,349	₱3,769,264	₱12,625,582	₱500	₱16,441,695
Provisions (reversals)	3,359	1,293	5,290	(41,021)	1,679,570	–	1,648,491
Accounts charged-off	–	–	–	–	(479,032)	–	(479,032)
Transfers and others	–	–	–	–	466,664	–	466,664
Balance at end of year	₱3,359	₱1,293	₱51,639	₱3,728,243	₱14,292,784	₱500	₱18,077,818

Movements in the allowance for impairment losses on nonfinancial assets follow:

	Consolidated							
	2020				2019			
	Property and Equipment	Investment Properties	Other Assets	Total	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	₱1,115,157	₱2,148,908	₱1,057,623	₱4,321,688	₱228,486	₱3,283,363	₱1,178,105	₱4,689,954
Provisions:								
Continuing operations	–	423,952	403,678	827,630	–	500,253	–	500,253
Discontinued operation	–	–	(527)	(527)				
Disposals	–	–	–	–	–	(1,924)	(333)	(2,257)
Transfers and others	53,730	10,810	(391,085)	(326,545)	886,671	(1,632,784)	(120,149)	(866,262)
Effect of discontinued operations	–	–	(29,593)	(29,593)	–	–	–	–
Balance at end of year	₱1,168,887	₱2,583,670	₱1,040,096	₱4,792,653	₱1,115,157	₱2,148,908	₱1,057,623	₱4,321,688

	Parent Company							
	2020				2019			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,115,157**	**₱2,154,313**	**₱1,027,852**	**₱4,297,322**	₱228,034	₱3,284,467	₱1,178,055	₱4,690,556
Provisions (reversals)	**–**	**419,219**	**391,189**	**810,408**	–	(55,272)	–	(55,272)
Disposals	**–**	**–**	**–**	**–**	–	(1,924)	(9)	(1,933)
Transfers and others	**53,730**	**–**	**(379,328)**	**(325,598)**	887,123	(1,072,958)	(150,194)	(336,029)
Balance at end of year	**₱1,168,887**	**₱2,573,532**	**₱1,039,713**	**₱4,782,132**	₱1,115,157	₱2,154,313	₱1,027,852	₱4,297,322

The reconciliation of allowance for the receivables from customers are shown below.

	Consolidated							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱1,351,699**	**₱862,403**	**₱5,838,830**	**₱8,052,932**	₱1,295,286	₱36,592	₱3,828,372	₱5,160,250
Newly originated assets which remained in Stage 1 at yearend	**248,412**	**–**	**–**	**248,412**	858,446	–	–	858,446
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**311,136**	**255,094**	**566,230**	–	602,760	2,185,515	2,788,275
Transfers to Stage 1	**127,422**	**(104,193)**	**(23,229)**	**–**	6,465	(5,342)	(1,123)	–
Transfers to Stage 2	**(49,891)**	**74,188**	**(24,297)**	**–**	(18,613)	45,272	(26,659)	–
Transfers to Stage 3	**(201,545)**	**(65,790)**	**267,335**	**–**	(8,691)	(2,070)	10,761	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(97,153)	(97,153)
Provisions (reversals)	**(741,893)**	**(77,013)**	**12,041,160**	**11,222,254**	(12,038)	30,755	101,466	120,183
Effect of collections and other movements	**(296,571)**	**(310,249)**	**(262,752)**	**(869,572)**	(769,156)	154,436	(162,349)	(777,069)
Ending Balance	**437,633**	**690,482**	**18,092,141**	**19,220,256**	1,351,699	862,403	5,838,830	8,052,932
LGU								
Beginning Balance	**30,089**	**11,092**	**26,469**	**67,650**	41,515	4,190	24,915	70,620
Newly originated assets which remained in Stage 1 at yearend	**2,399**	**–**	**–**	**2,399**	4,480	–	–	4,480
Reversals	**(1,196)**	**(1,226)**	**–**	**(2,422)**	–	–	–	–
Effect of collections and other movements	**(7,252)**	**(8,129)**	**(1,553)**	**(16,934)**	(15,906)	6,902	1,554	(7,450)
Ending Balance	**24,040**	**1,737**	**24,916**	**50,693**	30,089	11,092	26,469	67,650
Credit Cards								
Beginning Balance	**37,867**	**41,397**	**1,526,487**	**1,605,751**	47,670	58,667	969,239	1,075,576
Newly originated assets which remained in Stage 1 at yearend	**4,272**	**–**	**–**	**4,272**	5,432	–	–	5,432
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**3,017**	**33,363**	**36,380**	–	3,930	33,824	37,754
Transfers to Stage 1	**14,459**	**(8,245)**	**(6,214)**	**–**	15,147	(6,325)	(8,822)	–
Transfers to Stage 2	**(631)**	**701**	**(70)**	**–**	(1,004)	1,100	(96)	–
Transfers to Stage 3	**(5,473)**	**(28,914)**	**34,387**	**–**	(2,350)	(19,524)	21,874	–
Accounts charged off	**(1,077)**	**(4,023)**	**(603,693)**	**(608,793)**		–	(328,919)	(328,919)
Provisions	**61,271**	**21,095**	**1,495,684**	**1,578,050**	16,519	19,561	692,661	728,741
Effect of collections and other movements	**(72,464)**	**1,218**	**43,254**	**(27,992)**	(43,547)	(16,012)	146,726	87,167
Ending Balance	**38,224**	**26,246**	**2,523,198**	**2,587,668**	37,867	41,397	1,526,487	1,605,751
Retail SMEs								
Beginning Balance	**377,435**	**73,581**	**1,031,436**	**1,482,452**	199,401	64,134	600,598	864,133
Newly originated assets which remained in Stage 1 at yearend	**2,609**	**–**	**–**	**2,609**	212,530	–	–	212,530
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**1,482**	**171**	**1,653**	–	13,307	55,459	68,766
Transfers to Stage 1	**13,826**	**(706)**	**(13,120)**	**–**	23,983	(2,039)	(21,944)	–
Transfers to Stage 2	**(20,257)**	**31,634**	**(11,377)**	**–**	(178)	2,472	(2,294)	–
Transfers to Stage 3	**(3,530)**	**(3,036)**	**6,566**	**–**	(2,412)	(1,881)	4,293	–
Accounts charged off	**–**	**–**	**(2,477)**	**(2,477)**	–	–	(12,750)	(12,750)
Provisions (reversals)	**249,043**	**(7,814)**	**305,381**	**546,610**	15,170	4,015	236,637	255,822
Effect of collections and other movements	**(257,852)**	**(74,355)**	**109,552**	**(222,655)**	(71,059)	(6,427)	171,437	93,951
Ending Balance	**361,274**	**20,786**	**1,426,132**	**1,808,192**	377,435	73,581	1,031,436	1,482,452

(Forward)

	Consolidated							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Housing Loans								
Beginning Balance	**₱889,425**	**₱547,589**	**₱114,407**	**₱1,551,421**	₱498,036	₱643,926	₱131,523	₱1,273,485
Newly originated assets which remained in Stage 1 at yearend	**1,048**	**–**	**–**	**1,048**	501,707	–	–	501,707
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**7,586**	**42,555**	**50,141**	–	16,462	59,779	76,241
Transfers to Stage 1	**24,929**	**(6,896)**	**(18,033)**		173,452	(121,482)	(51,970)	
Transfers to Stage 2	**(1,780)**	**5,252**	**(3,472)**	**–**	(14,155)	27,900	(13,745)	–
Transfers to Stage 3	**(5,524)**	**(12,767)**	**18,291**	**–**	(20,109)	(296,405)	316,514	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(39,865)	(39,865)
Provisions (reversals)	**(66,831)**	**83,538**	**1,109,858**	**1,126,565**	–	51,681	542,813	594,494
Effect of collections and other movements	**(741,371)**	**(516,516)**	**902,598**	**(355,289)**	(249,506)	225,507	(830,642)	(854,641)
Ending Balance	**99,896**	**107,786**	**2,166,204**	**2,373,886**	889,425	547,589	114,407	1,551,421
Auto Loans								
Beginning Balance	**154,130**	**45,312**	**44,401**	**243,843**	114,151	67,820	49,384	231,355
Newly originated assets which remained in Stage 1 at yearend	**540**	**–**	**–**	**540**	67,305		–	67,305
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**872**	**13,885**	**14,757**	–	4,522	16,728	21,250
Transfers to Stage 1	**4,234**	**(800)**	**(3,434)**	**–**	28,932	(12,239)	(16,693)	–
Transfers to Stage 2	**(1,876)**	**2,199**	**(323)**	**–**	(1,063)	4,433	(3,370)	–
Transfers to Stage 3	**(4,139)**	**(3,506)**	**7,645**	**–**	(1,029)	(12,351)	13,380	–
Accounts charged off	**–**	**–**	**(1,488)**	**(1,488)**	–	–	–	–
Provisions (reversals)	**(6,271)**	**2,916**	**770,300**	**766,945**			101,941	101,941
Effect of collections and other movements	**(453)**	**(3,841)**	**12,501**	**8,207**	(54,166)	(6,873)	(116,969)	(178,008)
Ending Balance	**146,165**	**43,152**	**843,487**	**1,032,804**	154,130	45,312	44,401	243,843
Other Loans								
Beginning Balance	**8,924**	**62,189**	**998,074**	**1,069,187**	508,416	119,909	956,201	1,584,526
Newly originated assets which remained in Stage 1 at yearend	**7,017**	**–**	**–**	**7,017**	214,087	–	–	214,087
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**7,649**	**101,603**	**109,252**	–	1,656	16,845	18,501
Transfers to Stage 1	**10,769**	**(2,287)**	**(8,482)**	**–**	7,501	(780)	(6,721)	–
Transfers to Stage 2	**(958)**	**15,050**	**(14,092)**	**–**	(23)	220	(197)	–
Transfers to Stage 3	**(1,817)**	**(7,764)**	**9,581**	**–**	(97)	(7,184)	7,281	–
Accounts charged off	**–**	**–**	**(136,732)**	**(136,732)**	–	(33,294)	(16,236)	(49,530)
Provisions (reversals)	**(26,947)**	**29,844**	**(141,644)**	**(138,747)**	(5,581)	8	23,520	17,947
Effect of collections and other movements	**75,439**	**(45,238)**	**1,114,587**	**1,144,788**	(715,379)	(18,346)	17,381	(716,344)
Ending Balance	**72,427**	**59,443**	**1,922,895**	**2,054,765**	8,924	62,189	998,074	1,069,187
Other Receivables								
Beginning Balance	**77,497**	**21,915**	**4,240,580**	**4,339,992**	1,084,900	2,723,474	1,199,258	5,007,632
Newly originated assets which remained in Stage 1 at yearend	**2,449**	**–**	**–**	**2,449**	76,724	–	–	76,724
Newly originated assets which moved toStages 2 and 3 at yearend	**–**	**922**	**20,632**	**21,554**	–	32,200	499,646	531,846
Transfers to Stage 1	**186**	**(23)**	**(163)**	**–**	16,734	(7,198)	(9,536)	–
Transfers to Stage 2	**(1,739)**	**1,741**	**(2)**	**–**	(880)	3,599	(2,719)	–
Transfers to Stage 3	**(51,149)**	**(2,811)**	**53,960**	**–**	(2,227)	(21,054)	23,281	–
Accounts charged off	**–**	**–**	**336**	**336**	–	–	(49,396)	(49,396)
Provisions	**44,946**	**12,167**	**674,108**	**731,221**	123,479	21,901	572,768	718,148
Effect of collections and other movements	**(2,864)**	**(14,425)**	**(1,791,877)**	**(1,809,166)**	(1,221,233)	(2,731,007)	2,007,278	(1,944,962)
Ending Balance	**69,326**	**19,486**	**3,197,574**	**3,286,386**	77,497	21,915	4,240,580	4,339,992
Total Loans and Receivables								
Beginning Balance	**2,927,066**	**1,665,478**	**13,820,684**	**18,413,228**	3,789,375	3,718,712	7,759,490	15,267,577
Newly originated assets which remained in Stage 1 at yearend	**268,746**	**–**	**–**	**268,746**	1,940,711	–	–	1,940,711
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**332,664**	**467,303**	**799,967**	–	674,837	2,867,796	3,542,633
Transfers to Stage 1	**195,825**	**(123,150)**	**(72,675)**	**–**	272,214	(155,405)	(116,809)	–
Transfers to Stage 2	**(77,132)**	**130,765**	**(53,633)**	**–**	(35,916)	84,996	(49,080)	–
Transfers to Stage 3	**(273,177)**	**(124,588)**	**397,765**	**–**	(36,915)	(360,469)	397,384	–
Accounts charged off	**(1,077)**	**(4,023)**	**(744,054)**	**(749,154)**	–	(33,294)	(544,319)	(577,613)
Provisions (reversals)	**(487,878)**	**63,507**	**16,254,847**	**15,830,476**	137,549	127,921	2,271,806	2,537,276
Effect of collections and other movements	**(1,303,388)**	**(971,535)**	**126,310**	**(2,148,613)**	(3,139,952)	(2,391,820)	1,234,416	(4,297,356)
Ending Balance	**₱1,248,985**	**₱969,118**	**₱30,196,547**	**₱32,414,650**	₱2,927,066	₱1,665,478	₱13,820,684	₱18,413,228

	Parent Company							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱1,223,420**	**₱814,289**	**₱5,635,394**	**₱7,673,103**	₱1,143,785	₱25,894	₱3,814,554	₱4,984,233
Transferred loans	**327**	**37,685**	**102,927**	**140,939**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**247,606**	**–**	**–**	**247,606**	819,483	–	–	819,483
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**311,136**	**255,094**	**566,230**	–	599,413	2,122,244	2,721,657
Transfers to Stage 1	**127,731**	**(104,327)**	**(23,404)**	**–**	5,316	(5,316)		–
Transfers to Stage 2	**(49,902)**	**74,199**	**(24,297)**	**–**	(14,958)	41,617	(26,659)	–
Transfers to Stage 3	**(201,545)**	**(65,790)**	**267,335**	**–**	(2,914)	(2,070)	4,984	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(29,922)	(29,922)
Provisions (reversals)	**(741,930)**	**(77,013)**	**12,083,198**	**11,264,255**	18,372	50	47	18,469
Effect of collections and other movements	**(291,583)**	**(310,092)**	**(262,845)**	**(864,520)**	(745,664)	154,701	(249,854)	(840,817)
Ending Balance	**314,124**	**680,087**	**18,033,402**	**19,027,613**	1,223,420	814,289	5,635,394	7,673,103
LGU								
Beginning Balance	**25,236**	**15,945**	**26,469**	**67,650**	41,515	4,190	24,915	70,620
Newly originated assets which remained in Stage 1 at yearend	**2,399**	**–**	**–**	**2,399**	4,480	–	–	4,480
Reversals	**(1,196)**	**(1,226)**	**–**	**(2,422)**	–	11,755	–	11,755
Effect of collections and other movements	**(2,399)**	**(12,982)**	**(1,553)**	**(16,934)**	(20,759)	–	1,554	(19,205)
Ending Balance	**24,040**	**1,737**	**24,916**	**50,693**	25,236	15,945	26,469	67,650
Credit Cards								
Beginning Balance	**37,867**	**41,397**	**1,526,487**	**1,605,751**	47,670	58,667	969,239	1,075,576
Newly originated assets which remained in Stage 1 at yearend	**4,272**	**–**	**–**	**4,272**	5,432	–	–	5,432
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**3,017**	**33,363**	**36,380**	–	3,930	33,824	37,754
Transfers to Stage 1	**14,459**	**(8,245)**	**(6,214)**	**–**	15,147	(6,325)	(8,822)	–
Transfers to Stage 2	**(631)**	**701**	**(70)**	**–**	(1,004)	1,100	(96)	–
Transfers to Stage 3	**(5,473)**	**(28,914)**	**34,387**	**–**	(2,350)	(19,524)	21,874	–
Accounts charged off	**(1,077)**	**(4,023)**	**(603,693)**	**(608,793)**	–	–	(328,919)	(328,919)
Provisions	**61,271**	**21,095**	**1,495,684**	**1,578,050**	16,519	19,561	692,661	728,741
Effect of collections and other movements	**(72,464)**	**1,218**	**43,254**	**(27,992)**	(43,547)	(16,012)	146,726	87,167
Ending Balance	**38,224**	**26,246**	**2,523,198**	**2,587,668**	37,867	41,397	1,526,487	1,605,751
Retail SMEs								
Beginning Balance	**85,709**	**14,016**	**322,664**	**422,389**	51,113	7,789	519,467	578,369
Transferred loans	**22,197**	**83**	**336,854**	**359,134**				
Newly originated assets which remained in Stage 1 at yearend	**–**	**–**	**–**	**–**	81,916	–	–	81,916
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**–**	**–**	**–**	–	9,291	2,750	12,041
Transfers to Stage 1	**5,025**	**–**	**(5,025)**	**–**	668	(135)	(533)	–
Transfers to Stage 2	**(19,823)**	**27,019**	**(7,196)**	**–**	(115)	328	(213)	–
Transfers to Stage 3	**(2,290)**	**(3,036)**	**5,326**	**–**	(863)	(1,712)	2,575	–
Accounts charged off	**–**	**–**	**(2,477)**	**(2,477)**	–	–	(12,750)	(12,750)
Provisions (reversals)	**249,043**	**(7,814)**	**48,875**	**290,104**	330	–	1	331
Effect of collections and other movements	**(2,949)**	**(19,979)**	**(139,632)**	**(162,560)**	(47,340)	(1,545)	(188,633)	(237,518)
Ending Balance	**336,912**	**10,289**	**559,389**	**906,590**	85,709	14,016	322,664	422,389
Housing Loans								
Beginning Balance	**28,924**	**3,684**	**42,421**	**75,029**	21,672	876	35,676	58,224
Transferred loans	**115,826**	**98,765**	**952,480**	**1,167,071**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**–**	**–**	**–**	**–**	14,421	–	–	14,421
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**7,586**	**42,555**	**50,141**	–	1,989	382	2,371
Transfers to Stage 1	**24,744**	**(6,711)**	**(18,033)**	**–**	8,102	(134)	(7,968)	–
Transfers to Stage 2	**(1,780)**	**3,851**	**(2,071)**	**–**	(273)	273	–	–
Transfers to Stage 3	**(5,450)**	**(12,767)**	**18,217**	**–**	(71)	(223)	294	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	–	–
Provisions (reversals)	**(67,773)**	**83,538**	**1,117,975**	**1,133,740**	32	–	1	33
Effect of collections and other movements	**(3,677)**	**(72,962)**	**18,273**	**(58,366)**	(14,959)	903	14,036	(20)
Ending Balance	**90,814**	**104,984**	**2,171,817**	**2,367,615**	28,924	3,684	42,421	75,029

(Forward)

	Parent Company							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	**₱23,108**	**₱3,558**	**₱35,422**	**₱62,088**	₱3	₱–	₱39,589	₱39,592
Transferred loans	**7,382**	**5,545**	**168,829**	**181,756**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**540**	**–**	**–**	**540**	23,108	–	–	23,108
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**872**	**13,885**	**14,757**	–	3,558	4,391	7,949
Transfers to Stage 1	**4,234**	**(800)**	**(3,434)**	**–**			–	–
Transfers to Stage 2	**(1,876)**	**2,199**	**(323)**	**–**	–	–	–	–
Transfers to Stage 3	**(4,139)**	**(3,506)**	**7,645**	**–**	–	–	–	–
Accounts charged off	**–**	**–**	**(1,488)**	**(1,488)**	–	–	(8,515)	(8,515)
Provisions (reversals)	**(6,271)**	**2,916**	**770,300**	**766,945**	–	–	–	–
Effect of collections and other movements	**(453)**	**(3,841)**	**12,500**	**8,206**	(3)	–	(43)	(46)
Ending Balance	**22,525**	**6,943**	**1,003,336**	**1,032,804**	23,108	3,558	35,422	62,088
Other Loans								
Beginning Balance	**4,565**	**11,318**	**1,385,452**	**1,401,335**	202	57,572	973,358	1,031,132
Transferred loans	**42,188**	**34,499**	**486,804**	**563,491**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**7,017**	**–**	**–**	**7,017**	3,093	–	–	3,093
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**7,649**	**101,603**	**109,252**	–	1,656	16,845	18,501
Transfers to Stage 1	**10,769**	**(2,287)**	**(8,482)**	**–**	960	(170)	(790)	–
Transfers to Stage 2	**(958)**	**15,050**	**(14,092)**	**–**	–	–	–	–
Transfers to Stage 3	**(1,817)**	**(7,764)**	**9,581**	**–**	–	(6,293)	6,293	–
Accounts charged off	**–**	**–**	**(136,736)**	**(136,736)**	–	(33,296)	(16,234)	(49,530)
Provisions (reversals)	**(26,949)**	**29,844**	**(141,570)**	**(138,675)**	–	12	–	12
Effect of collections and other movements	**37,608**	**(28,866)**	**228,168**	**236,910**	310	(8,163)	405,980	398,127
Ending Balance	**72,423**	**59,443**	**1,910,728**	**2,042,594**	4,565	11,318	1,385,452	1,401,335
Other Receivables								
Beginning Balance	**59,453**	**9,761**	**2,916,225**	**2,985,439**	1,104,095	2,644,819	1,038,922	4,787,836
Transferred receivables	**6,614**	**2,152**	**641,639**	**650,405**				
Newly originated assets which remained in Stage 1 at yearend	**1,495**	**–**	**–**	**1,495**	8,279	–	–	8,279
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**922**	**15,546**	**16,468**	–	1,647	14,551	16,198
Transfers to Stage 1	**186**	**(23)**	**(163)**	**–**	594	(142)	(452)	–
Transfers to Stage 2	**(1,739)**	**1,741**	**(2)**	**–**	(750)	1,225	(475)	–
Transfers to Stage 3	**(51,149)**	**(2,811)**	**53,960**	**–**	(1,962)	(349)	2,311	–
Accounts charged off	**–**	**–**	**336**	**336**	–	–	(49,396)	(49,396)
Provisions	**26,685**	**12,167**	**571,969**	**610,821**	321	–	29,778	30,099
Effect of collections and other movements	**32,697**	**(4,516)**	**(808,841)**	**(780,660)**	(1,051,124)	(2,637,439)	1,880,986	(1,807,577)
Ending Balance	**74,242**	**19,393**	**3,390,669**	**3,484,304**	59,453	9,761	2,916,225	2,985,439
Total Loans and Receivables								
Beginning Balance	**1,488,282**	**913,968**	**11,890,534**	**14,292,784**	2,410,055	2,799,807	7,415,720	12,625,582
Transferred Loans	**194,534**	**178,729**	**2,689,533**	**3,062,796**				
Newly originated assets which remained in Stage 1 at yearend	**263,329**	**–**	**–**	**263,329**	960,212	–	–	960,212
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**331,182**	**462,046**	**793,228**	–	621,484	2,194,987	2,816,471
Transfers to Stage 1	**187,148**	**(122,393)**	**(64,755)**	**–**	30,787	(12,222)	(18,565)	–
Transfers to Stage 2	**(76,709)**	**124,760**	**(48,051)**	**–**	(17,100)	44,543	(27,443)	–
Transfers to Stage 3	**(271,863)**	**(124,588)**	**396,451**	**–**	(8,160)	(30,171)	38,331	
Accounts charged off	**(1,077)**	**(4,023)**	**(744,058)**	**(749,158)**	–	(33,296)	(437,221)	(470,517)
Provisions (reversals)	**(507,120)**	**63,507**	**15,946,431**	**15,502,818**	35,574	31,378	722,488	789,440
Effect of collections and other movements	**(303,220)**	**(452,020)**	**(910,676)**	**(1,665,916)**	(1,923,086)	(2,507,555)	2,002,237	(2,428,404)
Ending Balance	**₱973,304**	**₱909,122**	**₱29,617,455**	**₱31,499,881**	₱1,488,282	₱913,968	₱11,890,534	₱14,292,784

Movements of the gross carrying amounts of receivables from customers are shown below:

	Consolidated							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱521,841,837**	**₱16,083,886**	**₱10,711,692**	**₱548,637,415**	₱463,867,001	₱5,792,259	₱6,755,750	₱476,415,010
Newly originated assets which remained in Stage 1 at yearend	**224,883,356**	**–**	**–**	**224,883,356**	303,638,405	–	–	303,638,405
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**11,908,018**	**7,094,061**	**19,002,079**	–	10,959,867	3,700,995	14,660,862
Transfers to Stage 1	**1,769,771**	**(1,711,336)**	**(58,435)**	**–**	1,008,052	(1,012,278)	4,226	–
Transfers to Stage 2	**(16,869,294)**	**16,926,407**	**(57,113)**	**–**	(5,720,152)	5,781,921	(61,769)	–
Transfers to Stage 3	**(32,541,294)**	**(974,321)**	**33,515,615**	**–**	(1,701,453)	(356,342)	2,057,795	–
Accounts charged off	**–**	**–**	**(3)**	**(3)**	–	–	(97,157)	(97,157)
Effect of collections and other movements	**(254,952,984)**	**(12,015,600)**	**(456,306)**	**(267,424,890)**	(239,250,016)	(5,081,541)	(1,648,148)	(245,979,705)
Ending Balance	**444,131,392**	**30,217,054**	**50,749,511**	**525,097,957**	521,841,837	16,083,886	10,711,692	548,637,415
LGU								
Beginning Balance	**6,703,842**	**65,674**	**26,986**	**6,796,502**	6,877,331	17,968	24,916	6,920,215
Newly originated assets which remained in Stage 1 at yearend	**759,563**	**–**	**–**	**759,563**	1,223,390	–	–	1,223,390
Effect of collections and other movements	**(1,073,383)**	**(58,224)**	**(2,070)**	**(1,133,677)**	(1,396,879)	47,706	2,070	(1,347,103)
Ending Balance	**6,390,022**	**7,450**	**24,916**	**6,422,388**	6,703,842	65,674	26,986	6,796,502
Credit Cards								
Beginning Balance	**13,641,354**	**420,109**	**1,808,483**	**15,869,946**	11,802,517	393,493	1,216,053	13,412,063
Newly originated assets which remained in Stage 1 at yearend	**749,939**	**–**	**–**	**749,939**	1,550,335	–	–	1,550,335
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**21,356**	**40,779**	**62,135**	–	54,662	44,797	99,459
Transfers to Stage 1	**96,163**	**(87,508)**	**(8,655)**	**–**	114,740	(104,028)	(10,712)	–
Transfers to Stage 2	**(184,734)**	**184,821**	**(87)**	**–**	(334,322)	334,463	(141)	–
Transfers to Stage 3	**(1,464,762)**	**(291,121)**	**1,755,883**	**–**	(831,146)	(234,001)	1,065,147	–
Accounts charged off	**(209,128)**	**(38,141)**	**(778,559)**	**(1,025,828)**			(328,919)	(328,919)
Effect of collections and other movements	**(3,429,965)**	**(9,889)**	**314,231**	**(3,125,623)**	1,339,230	(24,480)	(177,742)	1,137,008
Ending Balance	**9,198,867**	**199,627**	**3,132,075**	**12,530,569**	13,641,354	420,109	1,808,483	15,869,946
Retail SMEs								
Beginning Balance	**18,808,671**	**207,750**	**2,063,029**	**21,079,450**	10,270,353	200,847	1,472,412	11,943,612
Newly originated assets which remained in Stage 1 at yearend	**5,714,334**	**–**	**–**	**5,714,334**	14,272,023	–	–	14,272,023
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**15,702**	**2,311**	**18,013**	–	315,726	113,566	429,292
Transfers to Stage 1	**850,597**	**(69,149)**	**(781,448)**	**–**	237,154	(181,422)	(55,732)	–
Transfers to Stage 2	**(2,663,688)**	**2,964,354**	**(300,666)**	**–**	(30,160)	35,566	(5,406)	–
Transfers to Stage 3	**(201,733)**	**(13,065)**	**214,798**	**–**	(417,838)	(46,032)	463,870	–
Accounts charged off	**–**	**–**	**(2,477)**	**(2,477)**	–	–	(12,750)	(12,750)
Effect of collections and other movements	**(11,818,411)**	**(2,223,866)**	**(328,134)**	**(14,370,411)**	(5,522,861)	(116,935)	87,069	(5,552,727)
Ending Balance	**10,689,770**	**881,726**	**867,413**	**12,438,909**	18,808,671	207,750	2,063,029	21,079,450
Housing Loans								
Beginning Balance	**26,601,243**	**1,571,291**	**5,396,033**	**33,568,567**	22,772,350	7,737,946	3,333,099	33,843,395
Newly originated assets which remained in Stage 1 as at yearend	**1,729,048**	**–**	**–**	**1,729,048**	11,545,147	–	–	11,545,147
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**77,373**	**177,191**	**254,564**	-	188,203	264,961	453,164
Transfers to Stage 1	**164,876**	**(95,262)**	**(69,614)**	**–**	82,895	(2,382)	(80,513)	–
Transfers to Stage 2	**(285,503)**	**401,919**	**(116,416)**	**–**	(17,456)	17,456	-	–
Transfers to Stage 3	**(819,124)**	**(143,488)**	**962,612**	**–**	(4,068,415)	(513,704)	4,582,119	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(51,500)	(51,500)
Effect of collections and other movements	**(11,506,589)**	**(554,788)**	**1,621,502**	**(10,439,875)**	(3,713,278)	(5,856,228)	(2,652,133)	(12,221,639)
Ending Balance	**15,883,951**	**1,257,045**	**7,971,308**	**25,112,304**	26,601,243	1,571,291	5,396,033	33,568,567
Auto Loans								
Beginning Balance	**11,578,913**	**458,841**	**1,067,434**	**13,105,188**	9,418,556	2,165,913	158,776	11,743,245
Newly originated assets which remained in Stage 1 at yearend	**1,336,675**	**–**	**–**	**1,336,675**	5,884,421	–	–	5,884,421
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**90,892**	**128,170**	**219,062**	–	125,425	127,089	252,514
Transfers to Stage 1	**40,194**	**(25,262)**	**(14,932)**	**–**	582,409	(482,925)	(99,484)	–
Transfers to Stage 2	**(269,948)**	**271,949**	**(2,001)**	**–**	(349,085)	369,715	(20,630)	–
Transfers to Stage 3	**(537,277)**	**(95,211)**	**632,488**	**–**	(368,300)	(507,136)	875,436	–

(Forward)

	Consolidated							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Accounts charged off	**₱–**	**₱–**	**(₱1,488)**	**(₱1,488)**	₱–	₱–	(₱8,515)	(₱8,515)
Effect of collections and other movements	**(4,354,547)**	**(100,568)**	**883,389**	**(3,571,726)**	(3,589,088)	(1,212,151)	34,762	(4,766,477)
Ending Balance	**7,794,010**	**600,641**	**2,693,060**	**11,087,711**	11,578,913	458,841	1,067,434	13,105,188
Other Loans								
Beginning Balance	**9,065,874**	**705,435**	**2,195,359**	**11,966,668**	11,870,519	5,891,187	1,467,505	19,229,211
Newly originated assets which remained in Stage 1 at yearend	**4,833,867**	**–**	**–**	**4,833,867**	11,803,126	–	–	11,803,126
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**609,450**	**286,341**	**895,791**	–	575,765	458,343	1,034,108
Transfers to Stage 1	**54,147**	**(25,406)**	**(28,741)**	**–**	65,648	(23,718)	(41,930)	–
Transfers to Stage 2	**(109,736)**	**127,678**	**(17,942)**	**–**	(26,435)	27,565	(1,130)	–
Transfers to Stage 3	**(292,916)**	**(83,055)**	**375,971**	**–**	(225,836)	(463,651)	689,487	–
Accounts charged off	**–**	**–**	**(136,736)**	**(136,736)**	–	(33,296)	(16,234)	(49,530)
Effect of collections and other movements	**1,503,757**	**196,982**	**2,665,890**	**4,366,629**	(14,421,148)	(5,268,417)	(360,682)	(20,050,247)
Ending Balance	**15,054,993**	**1,531,084**	**5,340,142**	**21,926,219**	9,065,874	705,435	2,195,359	11,966,668
Other Receivables								
Beginning Balance	**16,365,625**	**5,351,013**	**3,596,611**	**25,313,249**	22,949,168	4,644,141	833,992	28,427,301
Newly originated assets which remained in Stage 1 at yearend	**644,270**	**–**	**–**	**644,270**	6,522,346	–	–	6,522,346
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**41,154**	**31,577**	**72,731**	–	449,753	818,513	1,268,266
Transfers to Stage 1	**6,091**	**(5,383)**	**(708)**	**–**	213,018	(105,355)	(107,663)	–
Transfers to Stage 2	**(174,011)**	**174,390**	**(379)**	**–**	(59,769)	84,113	(24,344)	–
Transfers to Stage 3	**(197,680)**	**(6,228)**	**203,908**	**–**	(867,921)	(2,495,196)	3,363,117	–
Accounts charged off	**–**	**–**	**336**	**336**	–	–	(49,396)	(49,396)
Effect of collections and other movements	**(1,797,543)**	**(6,972,226)**	**532,525**	**(8,237,244)**	(12,391,217)	2,773,557	(1,237,608)	(10,855,268)
Ending Balance	**14,846,752**	**(1,417,280)**	**4,363,870**	**17,793,342**	16,365,625	5,351,013	3,596,611	25,313,249
Total Loans and Receivables								
Beginning Balance	**624,607,359**	**24,863,999**	**26,865,627**	**676,336,985**	559,827,795	26,843,754	15,262,503	601,934,052
Newly originated assets which remained in Stage 1 at yearend	**240,651,052**	**–**	**–**	**240,651,052**	356,439,193	–	–	356,439,193
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**12,763,945**	**7,760,430**	**20,524,375**	–	12,669,401	5,528,264	18,197,665
Transfers to Stage 1	**2,981,839**	**(2,019,306)**	**(962,533)**	**–**	2,303,916	(1,912,108)	(391,808)	–
Transfers to Stage 2	**(20,556,914)**	**21,051,518**	**(494,604)**	**–**	(6,537,379)	6,650,799	(113,420)	–
Transfers to Stage 3	**(36,054,786)**	**(1,606,489)**	**37,661,275**	**–**	(8,480,909)	(4,616,062)	13,096,971	–
Accounts charged off	**(209,128)**	**(38,141)**	**(918,927)**	**(1,166,196)**	–	(33,296)	(564,471)	(597,767)
Effect of collections and other movements	**(287,429,665)**	**(21,738,179)**	**5,231,027**	**(303,936,817)**	(278,945,257)	(14,738,489)	(5,952,412)	(299,636,158)
Ending Balance	**₱523,989,757**	**₱33,277,347**	**₱75,142,295**	**₱632,409,399**	₱624,607,359	₱24,863,999	₱26,865,627	₱676,336,985

	Parent Company							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱512,864,358**	**₱16,005,670**	**₱7,801,279**	**₱536,671,307**	₱446,682,503	₱5,137,582	₱6,218,960	₱458,039,045
Transferred loans	**745,960**	**269,729**	**220,192**	**1,235,881**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**219,584,230**	**–**	**–**	**219,584,230**	296,460,743	–	–	296,460,743
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**11,908,018**	**7,093,943**	**19,001,961**	–	10,920,510	3,499,281	14,419,791
Transfers to Stage 1	**1,743,067**	**(1,699,147)**	**(43,920)**	**–**	1,014,922	(1,014,922)	–	–
Transfers to Stage 2	**(16,856,122)**	**16,913,235**	**(57,113)**	**–**	(5,479,370)	5,541,139	(61,769)	–
Transfers to Stage 3	**(32,384,828)**	**(974,321)**	**33,359,149**	**–**	(1,316,130)	(356,342)	1,672,472	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(29,922)	(29,922)
Effect of collections and other movements	**(249,761,771)**	**(12,208,745)**	**2,137,725**	**(259,832,791)**	(224,498,310)	(4,222,297)	(3,497,743)	(232,218,350)
Ending Balance	**435,934,894**	**30,214,439**	**50,511,255**	**516,660,588**	512,864,358	16,005,670	7,801,279	536,671,307
LGU								
Beginning Balance	**6,703,842**	**65,674**	**26,986**	**6,796,502**	6,877,331	17,968	24,916	6,920,215
Newly originated assets which remained in Stage 1 at yearend	**759,563**	**–**	**–**	**759,563**	1,223,390	–	–	1,223,390
Effect of collections and other movements	**(1,073,383)**	**(58,224)**	**(2,070)**	**(1,133,677)**	(1,396,879)	47,706	2,070	(1,347,103)
Ending Balance	**6,390,022**	**7,450**	**24,916**	**6,422,388**	6,703,842	65,674	26,986	6,796,502

(Forward)

	Parent Company							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Credit Cards								
Beginning Balance	**₱13,582,771**	**₱420,109**	**₱1,867,066**	**₱15,869,946**	₱11,743,934	₱393,493	₱1,274,636	₱13,412,063
Newly originated assets which remained in Stage 1 at yearend	**749,939**	**–**	**–**	**749,939**	1,550,335	–	–	1,550,335
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**21,356**	**40,779**	**62,135**	–	54,662	44,797	99,459
Transfers to Stage 1	**96,163**	**(87,508)**	**(8,655)**	**–**	114,740	(104,028)	(10,712)	–
Transfers to Stage 2	**(184,734)**	**184,821**	**(87)**	**–**	(334,322)	334,463	(141)	–
Transfers to Stage 3	**(1,464,762)**	**(291,121)**	**1,755,883**	**–**	(831,146)	(234,001)	1,065,147	–
Accounts charged off	**(209,128)**	**(38,141)**	**(778,559)**	**(1,025,828)**	–	–	(328,919)	(328,919)
Effect of collections and other movements	**(3,371,382)**	**(9,889)**	**255,648**	**(3,125,623)**	1,339,230	(24,480)	(177,742)	1,137,008
Ending Balance	**9,198,867**	**199,627**	**3,132,075**	**12,530,569**	13,582,771	420,109	1,867,066	15,869,946
Retail SMEs								
Beginning Balance	**11,681,560**	**101,084**	**668,104**	**12,450,748**	6,483,477	125,965	1,209,176	7,818,618
Newly originated assets which remained in Stage 1 at yearend	**3,834,534**	**3,063**	**366,384**	**4,203,981**	10,985,586	–	–	10,985,586
Newly originated assets which moved to Stages 2 and 3 at yearend	**5,407,150**	**–**	**–**	**5,407,150**	–	68,845	34,775	103,620
Transfers to Stage 1	**5,046**	**–**	**(5,046)**	**–**	18,549	(9,693)	(8,856)	–
Transfers to Stage 2	**(2,623,980)**	**2,629,989**	**(6,009)**	**–**	(21,726)	22,576	(850)	–
Transfers to Stage 3	**(195,976)**	**(13,065)**	**209,041**	**–**	(133,014)	(31,245)	164,259	–
Accounts charged off		**–**	**(2,477)**	**(2,477)**	–	–	(12,750)	(12,750)
Effect of collections and other movements	**(10,774,138)**	**(2,407,241)**	**(54,356)**	**(13,235,735)**	(5,651,312)	(75,364)	(717,650)	(6,444,326)
Ending Balance	**7,334,196**	**313,830**	**1,175,641**	**8,823,667**	11,681,560	101,084	668,104	12,450,748
Housing Loans								
Beginning Balance	**3,698,821**	**37,277**	**111,670**	**3,847,768**	1,397,681	15,850	213,791	1,627,322
Transferred loans	**17,204,340**	**1,118,420**	**4,063,136**	**22,385,896**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**1,574,071**	**–**	**–**	**1,574,071**	2,516,320	–	–	2,516,320
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**77,373**	**177,191**	**254,564**	–	19,951	1,396	21,347
Transfers to Stage 1	**149,616**	**(80,001)**	**(69,615)**	**–**	82,895	(2,382)	(80,513)	–
Transfers to Stage 2	**(285,503)**	**294,225**	**(8,722)**	**–**	(17,456)	17,456	–	–
Transfers to Stage 3	**(811,796)**	**(143,488)**	**955,284**	**–**	(14,487)	(4,198)	18,685	–
Effect of collections and other movements	**(6,156,968)**	**(262,148)**	**2,844,007**	**(3,575,109)**	(266,132)	(9,400)	(41,689)	(317,221)
Ending Balance	**15,372,581**	**1,041,658**	**8,072,951**	**24,487,190**	3,698,821	37,277	111,670	3,847,768
Auto Loans								
Beginning Balance	**2,687,127**	**41,958**	**43,247**	**2,772,332**	417	–	39,608	40,025
Transferred loans	**8,254,512**	**393,457**	**943,922**	**9,591,891**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**1,336,675**	**–**	**–**	**1,336,675**	2,550,623	–	–	2,550,623
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**90,892**	**128,170**	**219,062**	–	41,958	12,215	54,173
Transfers to Stage 1	**40,195**	**(25,262)**	**(14,933)**	**–**				–
Transfers to Stage 2	**(269,948)**	**271,949**	**(2,001)**	**–**				–
Transfers to Stage 3	**(537,277)**	**(95,211)**	**632,488**	**–**				–
Accounts charged off	**–**	**–**	**(1,488)**	**(1,488)**	–	–	(8,515)	(8,515)
Effect of collections and other movements	**(3,717,274)**	**(77,142)**	**963,655**	**(2,830,761)**	136,087	–	(61)	136,026
Ending Balance	**7,794,010**	**600,641**	**2,693,060**	**11,087,711**	2,687,127	41,958	43,247	2,772,332
Other Loans								
Beginning Balance	**3,447,590**	**420,820**	**1,443,059**	**5,311,469**	7,434,165	5,735,761	1,348,266	14,518,192
Transferred loans	**10,223,071**	**397,388**	**1,869,871**	**12,490,330**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**4,833,867**	**–**	**–**	**4,833,867**	2,990,921	–	–	2,990,921
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**609,450**	**286,341**	**895,791**	–	352,576	18,049	370,625
Transfers to Stage 1	**54,147**	**(25,406)**	**(28,741)**	**–**	5,892	(2,937)	(2,955)	–
Transfers to Stage 2	**(109,736)**	**127,678**	**(17,942)**	**–**	(2,161)	2,161	–	–
Transfers to Stage 3	**(292,916)**	**(83,055)**	**375,971**	**–**	(241)	(436,558)	436,799	–
Accounts charged off	**–**	**–**	**(136,736)**	**(136,736)**	–	(33,296)	(16,234)	(49,530)
Effect of collections and other movements	**(4,770,701)**	**84,209**	**1,534,875**	**(3,151,617)**	(6,980,986)	(5,196,887)	(340,866)	(12,518,739)
Ending Balance	**13,385,322**	**1,531,084**	**5,326,698**	**20,243,104**	3,447,590	420,820	1,443,059	5,311,469

(Forward)

	Parent Company							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Other Receivables								
Beginning Balance	**₱14,046,122**	**₱1,210,740**	**₱2,561,746**	**₱17,818,608**	₱15,771,243	₱4,644,141	₱833,992	₱21,249,376
Transferred receivables	**882,153**	**64,670**	**985,295**	**1,932,118**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**576,857**	**–**	**–**	**576,857**	1,406,430	–	–	1,406,430
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**41,154**	**31,577**	**72,731**	–	28,572	25,570	54,142
Transfers to Stage 1	**6,092**	**(5,383)**	**(709)**	**–**	90,494	(21,345)	(69,149)	–
Transfers to Stage 2	**(174,011)**	**174,390**	**(379)**	**–**	(42,700)	57,821	(15,121)	–
Transfers to Stage 3	**(197,680)**	**(6,228)**	**203,908**	**–**	(32,081)	(2,287,963)	2,320,044	–
Accounts charged off	**–**	**–**	**336**	**336**	–	–	(49,396)	(49,396)
Effect of collections and other movements	**(1,528,799)**	**(1,174,710)**	**449,384**	**(2,254,125)**	(3,147,264)	(1,210,486)	(484,194)	(4,841,944)
Ending Balance	**13,610,734**	**304,633**	**4,231,158**	**18,146,525**	14,046,122	1,210,740	2,561,746	17,818,608
Total Loans and Receivables								
Beginning Balance	**568,712,191**	**18,303,332**	**14,523,157**	**601,538,680**	496,390,751	16,070,760	11,163,345	523,624,856
Transferred Loans	**37,310,036**	**2,243,664**	**8,082,416**	**47,636,116**				
Newly originated assets which remained in Stage 1 at yearend	**233,249,736**	**3,063**	**366,384**	**233,619,183**	319,684,348	–	–	319,684,348
Newly originated assets which moved to Stages 2 and 3 as at year-end	**5,407,150**	**12,748,243**	**7,758,001**	**25,913,394**	–	11,487,074	3,636,083	15,123,157
Transfers to Stage 1	**2,094,326**	**(1,922,707)**	**(171,619)**	**–**	1,327,492	(1,155,307)	(172,185)	–
Transfers to Stage 2	**(20,504,034)**	**20,596,287**	**(92,253)**	**–**	(5,897,735)	5,975,616	(77,881)	–
Transfers to Stage 3	**(35,885,235)**	**(1,606,489)**	**37,491,724**	**–**	(2,327,099)	(3,350,307)	5,677,406	–
Accounts charged off	**(209,128)**	**(38,141)**	**(918,924)**	**(1,166,193)**	–	(33,296)	(445,736)	(479,032)
Effect of collections and other movements	**(281,154,416)**	**(16,113,890)**	**8,128,868**	**(289,139,438)**	(240,465,566)	(10,691,208)	(5,257,875)	(256,414,649)
Ending Balance	**₱509,020,626**	**₱34,213,362**	**₱75,167,754**	**₱618,401,742**	₱568,712,191	₱18,303,332	₱14,523,157	₱601,538,680

17. Deposit Liabilities

As of December 31, 2020 and 2019, noninterest-bearing deposit liabilities amounted to ₱30.0 billion and ₱37.5 billion, respectively, for the Group, and ₱29.3 billion and ₱25.5 billion, respectively, for the Parent Company.

The remaining deposit liabilities of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Peso-denominated	**0.10% - 10.00%**	0.10% - 10.00%	0.01% - 10.00%	**0.10% - 10.00%**	0.10% - 10.00%	0.01% - 10.00%
Foreign currency-denominated	**0.01% - 4.75%**	0.01% - 8.00%	0.01% - 8.00%	**0.01% - 4.75%**	0.01% - 8.00%	0.01% - 8.00%

As of December 31, 2020, non-FCDU deposit liabilities of the Parent Company is subject to reserves equivalent to 12.00% reduced from 14.00% as of December 31, 2019.

Available reserves booked under 'Due from BSP' are as follows:

	2020	2019
Parent Company	**₱80,029,356**	₱90,394,597
PNBSB	**–**	1,787,204
	₱80,029,356	₱92,181,801

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2020	Carrying Value 2019
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,573,124**	₱4,563,212
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	**8,176,616**	8,155,043
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	**6,332,653**	6,323,898
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	**3,756,911**	3,751,954
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	**5,372,730**	5,362,599
December 12, 2014	June 12, 2020	7,000,000	4.13%	Quarterly	–	6,995,398
		₱35,315,000			**₱28,212,034**	₱35,152,104

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Time	**₱2,852,325**	₱5,870,981	₱3,338,531	**₱2,852,325**	₱4,127,553	₱2,079,674
Savings	**2,930,115**	6,706,938	3,240,636	**2,778,153**	6,639,928	3,236,424
LTNCDs	**1,429,301**	1,386,082	1,170,378	**1,429,301**	1,386,082	1,170,378
Demand	**167,277**	60,898	121,628	**167,277**	48,213	104,812
	₱7,379,018	₱14,024,899	₱7,871,173	**₱7,227,056**	₱12,201,776	₱6,591,288

In 2020, 2019 and 2018, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱59.9 million, ₱40.5 million and ₱39.3 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱103.0 million and ₱162.9 million as of December 31, 2020 and 2019, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2020 and 2019, this account consists of derivative liabilities amounting to ₱701.2 million and ₱245.6 million, respectively, for the Group, and ₱700.8 million and ₱232.0 million, respectively, for the Parent Company (Notes 23 and 35).

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Bills payable to:				
Foreign banks	**₱50,482,387**	₱606,585	**₱49,874,309**	₱2,073
BSP and local banks (Note 33)	**33,116,145**	52,664,371	**31,382,133**	45,729,610
	83,598,532	53,270,956	**81,256,442**	45,731,683
Acceptances outstanding (Note 10)	**3,560,918**	2,692,334	**3,560,918**	2,692,334
	₱87,159,450	₱55,963,290	**₱84,817,360**	₱48,424,017

Bills payable of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Peso-denominated	**4.0% - 6.5%**	4.0% - 5.4%	0.6% - 5.4%	**4.0% - 6.5%**	4.0% - 5.4%	0.6% - 5.4%
Foreign currency-denominated	**0.1% - 4.4%**	0.2% - 4.4%	0.0% - 4.4%	**0.1% - 4.4%**	0.2% - 4.4%	0.0% - 4.4%

As of December 31, 2020 and 2019, bills payable with a carrying amount of ₱69.9 billion and ₱29.4 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱44.6 billion and ₱8.2 billion, respectively, and investment securities at amortized cost with carrying values of ₱26.1 billion and ₱21.0 billion, respectively, and fair values of ₱27.6 billion and ₱21.6 billion, respectively (Note 9).

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018	**2020**	2019	2018
Continuing operations:						
Bills payable	**₱663,769**	₱2,034,690	₱600,354	**₱482,810**	₱1,578,614	₱434,650
Lease liabilities (Note 29)	**120,675**	131,661	–	**120,181**	118,365	–
Others	**62,198**	18,567	61,986	**34,487**	43,643	37,461
	846,642	2,184,918	662,340	**637,478**	1,740,622	472,111
Discontinued operations (Note 36):						
Lease liabilities	**2,698**	128	–	**–**	–	–
	₱849,340	₱2,185,046	₱662,340	**₱637,478**	₱1,740,622	₱472,111

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Accrued taxes and other expenses	**₱5,540,591**	₱4,995,519	**₱5,191,696**	₱4,219,587
Accrued interest	**908,435**	1,944,207	**883,320**	1,838,507
	₱6,449,026	₱6,939,726	**₱6,075,016**	₱6,058,094

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial liabilities:				
Promotional expenses	**₱905,470**	₱673,648	**₱905,470**	₱657,373
Information technology-related expenses	**331,627**	182,057	**331,627**	180,952
Rent and utilities payable	**267,559**	127,165	**264,193**	119,128
Management, directors and other professional fees	**88,652**	36,021	**61,831**	11,242
Repairs and maintenance	**81,090**	64,806	**80,415**	62,446
	1,674,398	1,083,697	**1,643,536**	1,031,141
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	**1,859,275**	1,436,248	**1,829,251**	1,376,105
PDIC insurance premiums	**832,069**	843,677	**816,591**	776,578
Other taxes and licenses	**662,446**	894,001	**544,533**	544,137
Employee benefits	**155,450**	139,850	**128,113**	128,218
Other expenses	**356,953**	598,046	**229,672**	363,408
	3,866,193	3,911,822	**3,548,160**	3,188,446
	₱5,540,591	₱4,995,519	**₱5,191,696**	₱4,219,587

‘Other expenses’ include janitorial, representation and entertainment, communication and other operating expenses.

21. Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2020	2019
Fixed rate medium term senior notes						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	**₱35,851,428**	₱37,718,077
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	**14,352,368**	15,108,746
		USD1,050,000			**50,203,796**	52,826,823
Fixed rate bonds						
May 8, 2019	May 8, 2021	₱13,870,000	6.30%	Quarterly	**13,852,539**	13,788,255
					₱64,056,335	₱66,615,078

The fixed rate medium term senior notes are drawdowns from the Parent Company's Medium Term Note Programme (the MTN Programme), which was established on April 13, 2018 with an initial nominal size of US$1.0 billion. On June 14, 2019, the Parent Company increased the size of its MTN Programme to US$2.0 billion. Both issued fixed rate medium term senior notes are listed in the Singapore Exchange Securities Trading Limited.

The fixed rate bonds represent the Parent Company's maiden issuance of Philippine peso-denominated bonds in Philippine Dealing & Exchange Corp.

As of December 31, 2020 and 2019, the unamortized transaction costs of bonds payable amounted to ₱252.2 million and ₱421.7 million, respectively. In 2020 and 2019, amortization of transaction costs amounting to ₱169.5 million and ₱98.5 million, were charged to 'Interest expense on bonds payable' in the statements of income.

22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial				
Accounts payable	**₱5,789,144**	₱9,526,347	**₱5,472,811**	₱8,125,229
Bills purchased - contra (Note 10)	**1,548,226**	1,348,148	**1,548,226**	1,348,148
Manager's checks and demand drafts outstanding	**1,302,745**	1,393,535	**1,302,745**	1,332,285
Dormant credits	**1,258,502**	1,100,311	**1,230,991**	972,082
Deposits on lease contracts	**878,193**	833,853	**104,363**	103,127
Due to other banks (Note 33)	**537,116**	538,612	**69,484**	99,776
Accounts payable - electronic money	**448,794**	454,833	**448,794**	454,833
Margin deposits and cash letters of credit	**329,432**	224,873	**267,564**	208,027
Payment order payable	**263,959**	333,909	**263,959**	329,699
Transmission liability	**24,468**	19,225	–	–
Deposit for keys on safety deposit boxes	**16,861**	16,473	**16,861**	16,445
Insurance contract liabilities	–	5,745,820	–	–
Commission payable	–	75,467	–	–
	12,397,440	21,611,406	**10,725,798**	12,989,651

(Forward)

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Nonfinancial				
Retirement benefit liability (Note 28)	**₱1,213,888**	₱804,733	**₱1,205,212**	₱803,653
Due to Treasurer of the Philippines	**675,835**	681,835	**675,835**	681,343
Deferred revenue - Bancassurance (Note 12)	**646,874**	720,074	**646,874**	720,074
Deferred revenue - Credit card-related	**489,711**	468,238	**489,711**	468,238
Withholding tax payable	**265,884**	385,294	**262,793**	350,389
Provisions (Note 34)	**979,067**	969,106	**979,067**	969,106
Deferred tax liabilities (Note 30)	**161,152**	165,851	**–**	–
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	**37,627**	35,939	**37,359**	35,129
Reserve for unearned premiums	**–**	1,470,274	**–**	–
Miscellaneous	**1,006,350**	1,810,703	**524,245**	841,352
	5,476,388	7,512,047	**4,821,096**	4,869,284
	₱17,873,828	₱29,123,453	**₱15,546,894**	₱17,858,935

'Deferred revenue - Bancassurance' pertains to the allocated portion of the consideration received for the disposal of APLII related to the EDR (Note 12). In 2020 and 2019, amortization of other deferred revenue amounting to ₱73.2 million were recognized under 'Service fees and commission income' (Note 26).

'Deferred revenue - Credit card-related' includes portion of fee allocated to the loyalty points, deferred by the Group and recognized as revenue when the points are redeemed or have expired.

'Miscellaneous' include interoffice floats, remittance-related payables, overages, advance rentals and sundry credits.

23. Derivative Financial Instruments

The tables below show the fair values of the derivative financial instruments entered into by the Group and the Parent Company, recorded as 'Financial assets at FVTPL' (Note 9) or 'Financial liabilities at FVTPL' (Note 18), together with the notional amounts.

The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2020 and 2019 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	2020			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	**₱3,819**	**₱556,154**	**48.02**	**3,088,554**
AUD	**2,373**	–	**0.76**	**68,028**
EUR	**11**	**30**	**1.22**	**8,216**
GBP	–	**186**	**1.35**	**800**
HKD	**163**	–	**0.13**	**1,584,875**
PHP	**123**	–	**1.00**	**2,401,273**
SELL:				
USD	**212,405**	**120**	**48.02**	**877,320**
AUD	**–**	**200**	**0.76**	**400**
CAD	**91**	**84**	**0.78**	**9,461**
EUR	**–**	**3,823**	**1.22**	**16,700**
GBP	**1,163**	–	**1.35**	**2,500**

(Forward)

	Consolidated			
	2020			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
HKD	**₱19**	**₱51**	**0.13**	**726,829**
JPY	**12**	**665**	**0.01**	**1,170,000**
NZD	**63**	**–**	**0.71**	**350**
PHP	**3**	**23**	**1.00**	**7,023**
SGD	**–**	**440**	**0.75**	**708**
Interest rate swaps	**150,408**	**139,463**		
	₱370,653	**₱701,239**		

	Consolidated			
	2019			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱23,951	₱179,106	50.64	1,042,766
CNY	39	–	0.14	2,000
EUR	39	2,114	1.11	11,173
GBP	278	–	1.31	1,700
JPY	2	–	0.01	666
SGD	3	–	0.74	23,394
SELL:				
USD	280,652	8,432	50.64	1,677,221
AUD	–	27	0.70	100
CAD	–	809	0.77	1,500
EUR	4,613	51	1.11	28,691
GBP	176	211	1.31	5,150
HKD	–	7,010	0.13	399,627
JPY	2,869	66	0.01	1,152,909
PHP	–	106	1.00	30,000
Interest rate swaps	60,418	47,687		
	₱373,040	₱245,619		

	Parent Company			
	2020			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
USD	**₱1,272**	**₱556,153**	**48.02**	**1,433,304**
EUR	**–**	**30**	**1.22**	**254**
GBP	**–**	**186**	**1.35**	**800**
PHP	**123**	**–**	**1.00**	**2,401,273**
Currency forwards and spots:				
SELL:				
USD	**212,405**	**37**	**48.02**	**860,806**
AUD	**–**	**200**	**0.76**	**400**
CAD	**91**	**–**	**0.78**	**1,500**
EUR	**–**	**3,823**	**1.22**	**16,700**
GBP	**1,163**	**–**	**1.35**	**2,500**
HKD	**19**	**–**	**0.13**	**6,500**
JPY	**12**	**665**	**0.01**	**1,170,000**
NZD	**63**	**–**	**0.71**	**350**
PHP	**3**	**23**	**1.00**	**7,023**
SGD	**–**	**440**	**0.75**	**708**
Interest rate swaps	**150,407**	**139,245**		
	₱365,558	**₱700,802**		

	Parent Company			
	2019			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱23,934	₱179,105	50.64	1,018,425
CNY	39	–	0.14	2,000
EUR	27	2,114	1.11	10,850
GBP	278	–	1.31	1,700

(Forward)

	Parent Company			
	2019			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
SELL:				
USD	₱280,652	₱1,619	50.64	1,283,875
AUD	–	27	0.70	100
CAD	–	809	0.77	1,500
EUR	4,613	36	1.11	27,500
GBP	176	211	1.31	5,150
HKD	–	278	0.13	8,000
JPY	2,869	–	0.01	1,150,000
PHP	–	106	1.00	30,000
Interest rate swaps	60,418	47,687		
	₱373,006	₱231,992		

**The notional amounts and average forward rates pertain to original currencies.*

The rollforward analysis of net derivative assets in 2020 and 2019 follows:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Balance at the beginning of the year:				
Derivative assets	**₱373,040**	₱574,629	**₱373,006**	₱572,864
Derivative liabilities	**245,619**	470,649	**231,992**	468,279
	127,421	103,980	**141,014**	104,585
Changes in fair value				
Currency forwards and spots*	**(459,964)**	(663,118)	**(477,566)**	(663,118)
Interest rate swaps and warrants**	**(2,532)**	(3,733)	**(2,532)**	(3,733)
	(462,496)	(666,851)	**(480,098)**	(666,851)
Net availments (settlements)	**4,489**	690,292	**3,840**	703,280
Balance at end of year:				
Derivative assets	**370,653**	373,040	**365,558**	373,006
Derivative liabilities	**701,239**	245,619	**700,802**	231,992
	(₱330,586)	₱127,421	**(₱335,244)**	₱141,014

* *Presented as part of 'Foreign exchange gains - net'*
** *Recorded under 'Trading and investment securities gains - net' (Note 9)*

24. **Maturity Analysis of Assets and Liabilities**

The following tables show an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2020			2019		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱25,135,724**	**₱–**	**₱25,135,724**	₱30,500,927	₱–	₱30,500,927
Due from BSP	**202,129,356**	**–**	**202,129,356**	105,981,801	–	105,981,801
Due from other banks	**19,743,198**	**–**	**19,743,198**	17,761,502	–	17,761,502
Interbank loans receivable (Note 8)	**39,703,864**	**–**	**39,703,864**	23,344,062	1,494,473	24,838,535
Securities held under agreements to resell (Note 8)	**15,819,273**	**–**	**15,819,273**	2,519,676	–	2,519,676
Financial assets at FVTPL (Note 9)	**23,825,708**	**–**	**23,825,708**	13,468,985	–	13,468,985
Financial assets at FVOCI (Note 9)	**57,356,398**	**76,358,954**	**133,715,352**	16,448,728	106,692,112	123,140,840
Investment securities at amortized cost (Note 9)	**39,947,435**	**59,270,956**	**99,218,391**	28,981,027	75,268,926	104,249,953
Loans and receivables (Note 10)	**222,441,041**	**410,735,105**	**633,176,146**	263,166,643	412,967,255	676,133,898
Other assets (Note 15)	**85,689**	**14,220**	**99,909**	420,846	54,930	475,776
	646,187,686	**546,379,235**	**1,192,566,921**	502,594,197	596,477,696	1,099,071,893

(Forward)

	Consolidated					
	2020			2019		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Nonfinancial Assets						
Property and equipment (Note 11)	₱–	₱32,251,646	₱32,251,646	₱–	₱31,660,286	₱31,660,286
Investment in an associate (Note 12)	–	2,310,410	2,310,410	–	2,605,473	2,605,473
Investment properties (Note 13)	–	19,195,106	19,195,106	–	19,226,364	19,226,364
Deferred tax assets (Note 30)	–	9,036,908	9,036,908	–	2,580,809	2,580,809
Goodwill (Note 14)	–	13,375,407	13,375,407	–	13,375,407	13,375,407
Intangible assets (Note 14)	–	6,424,135	6,424,135	–	6,208,501	6,208,501
Residual value of leased assets (Note 10)	374,959	323,020	697,979	304,898	349,380	654,278
Other assets (Note 15)	5,408,127	1,870,770	7,278,897	5,821,416	2,846,454	8,667,870
	5,783,086	84,787,402	90,570,488	6,126,314	78,852,674	84,978,988
Assets of a disposal group classified as held for sale (Note 36)	7,945,945	–	7,945,945	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			41,202,984			26,538,007
Unearned and other deferred income (Note 10)			1,464,726			451,191
Accumulated depreciation and amortization (Notes 11, 13 and 14)			17,281,845			14,771,072
			₱1,231,133,799			₱1,142,290,611
Financial Liabilities						
Deposit liabilities (Note 17)	₱831,907,680	₱58,380,209	₱890,287,889	₱779,949,597	₱46,095,883	₱826,045,480
Financial liabilities at FVTPL (Note 18)	561,995	139,244	701,239	210,265	35,354	245,619
Bills and acceptances payable (Note 19)	84,924,978	2,234,472	87,159,450	51,821,601	4,141,689	55,963,290
Accrued interest payable (Note 20)	778,428	130,007	908,435	1,803,453	140,754	1,944,207
Accrued other expenses payable (Note 20)	1,030,988	643,410	1,674,398	1,035,769	134,098	1,169,867
Bonds payable (Note 31)	13,852,538	50,203,797	64,056,335	–	66,615,078	66,615,078
Other liabilities (Note 22)	10,519,523	1,877,917	12,397,440	19,940,541	1,608,024	21,548,565
	943,576,130	113,609,056	1,057,185,186	854,761,226	118,770,880	973,532,106
Nonfinancial Liabilities						
Lease liabilities (Note 29)	552,617	813,399	1,366,016	559,960	1,246,449	1,806,409
Accrued taxes and other expenses (Note 20)	593,042	3,273,151	3,866,193	596,279	3,229,373	3,825,652
Income tax payable	903,044	–	903,044	576,156	–	576,156
Other liabilities (Note 22)	1,827,690	3,648,698	5,476,388	5,201,424	2,373,464	7,574,888
	3,876,393	7,735,248	11,611,641	6,933,819	6,849,286	13,783,105
Liabilities of a disposal group classified as held for sale (Note 36)	6,353,964	–	6,353,964	–	–	–
	₱953,806,487	₱121,344,304	₱1,075,150,791	₱861,695,045	₱125,620,166	₱987,315,211

	Parent Company					
	2020			2019		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱25,038,434	₱–	₱25,038,434	₱29,642,159	₱–	₱29,642,159
Due from BSP	202,129,356	–	202,129,356	101,801,597	–	101,801,597
Due from other banks	12,141,599	–	12,141,599	10,838,465	–	10,838,465
Interbank loans receivable (Note 8)	37,861,553	–	37,861,553	22,309,839	1,494,473	23,804,312
Securities held under agreements to resell (Note 8)	15,819,273	–	15,819,273	1,149,984	–	1,149,984
Financial assets at FVTPL (Note 9)	21,947,640	–	21,947,640	11,169,656	–	11,169,656
Financial assets at FVOCI (Note 9)	58,640,049	74,623,709	133,263,758	16,018,940	102,877,624	118,896,564
Investment securities at amortized cost (Note 9)	40,524,889	58,573,151	99,098,040	24,830,301	78,101,851	102,932,152
Loans and receivables (Note 10)	217,224,095	402,310,575	619,534,670	257,541,945	344,363,206	601,905,151
Other assets (Note 15)	85,746	527	86,273	72,808	500	73,308
	631,412,634	535,507,962	1,166,920,596	475,375,694	526,837,654	1,002,213,348
Nonfinancial Assets						
Property and equipment (Note 11)	–	29,652,288	29,652,288	–	28,230,217	28,230,217
Investment in subsidiaries and an associate (Note 12)	–	27,105,550	27,105,550	–	28,430,358	28,430,358
Investment properties (Note 13)	–	18,538,021	18,538,021	–	18,822,796	18,822,796
Deferred tax assets (Note 30)	–	8,522,411	8,522,411	–	1,985,597	1,985,597

(Forward)

	Parent Company					
	2020			2019		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Goodwill (Note 14)	**₱–**	**₱13,515,765**	**₱13,515,765**	₱–	₱13,515,765	₱13,515,765
Intangible assets (Note 14)	**–**	**7,457,263**	**7,457,263**	–	7,175,852	7,175,852
Other assets (Note 15)	**4,199,440**	**1,702,234**	**5,901,674**	4,071,106	2,236,701	6,307,807
	4,199,440	**106,493,532**	**110,692,972**	4,071,106	100,397,286	104,468,392
Assets of a disposal group classified as held for sale (Note 36)	**1,136,418**	**–**	**1,136,418**	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			**40,277,667**			22,323,501
Unearned and other deferred income (Note 10)			**1,132,928**			366,471
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**17,137,714**			14,786,546
			₱1,220,201,677			₱1,069,205,222
Financial Liabilities						
Deposit liabilities (Note 17)	**₱835,750,531**	**₱57,797,513**	**₱893,548,044**	₱736,882,795	₱ 38,959,204	₱775,841,999
Financial liabilities at FVTPL (Note 18)	**561,558**	**139,244**	**700,802**	196,638	35,354	231,992
Bills and acceptances payable (Note 19)	**83,135,081**	**1,682,279**	**84,817,360**	44,886,841	3,537,176	48,424,017
Accrued interest payable (Note 20)	**754,310**	**129,010**	**883,320**	1,699,457	139,050	1,838,507
Accrued other expenses payable (Note 20)	**1,000,126**	**643,410**	**1,643,536**	897,043	134,098	1,031,141
Bonds payable (Note 31)	**13,852,538**	**50,203,797**	**64,056,335**	–	66,615,078	66,615,078
Other liabilities (Note 22)	**9,240,263**	**1,485,536**	**10,725,799**	11,914,442	1,075,209	12,989,651
	944,294,407	**112,080,789**	**1,056,375,196**	796,477,216	110,495,169	906,972,385
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**478,204**	**892,002**	**1,370,206**	492,749	1,140,334	1,633,083
Accrued taxes and other expenses (Note 20)	**286,989**	**3,261,171**	**3,548,160**	380,712	2,807,734	3,188,446
Income tax payable	**842,038**	**–**	**842,038**	472,378	–	472,378
Other liabilities (Note 22)	**1,314,107**	**3,506,989**	**4,821,096**	2,663,244	2,206,040	4,869,284
	2,921,338	**7,660,162**	**10,581,500**	4,009,083	6,154,108	10,163,191
	₱947,215,745	**₱119,740,951**	**₱1,066,956,696**	₱800,486,299	₱116,649,277	₱917,135,576

25. Equity

Capital Stock

This account consists of (amounts in thousands, except for par value and number of shares):

	2020		2019	
	Shares	**Amount**	Shares	Amount
Common - ₱40 par value				
Authorized	**1,750,000,001**	**₱70,000,000**	1,750,000,001	₱70,000,000
Issued and outstanding				
Balance at beginning of the year	**1,525,764,850**	**₱61,030,594**	1,249,139,678	₱49,965,587
Issuance of stock	**–**	**–**	276,625,172	11,065,007
Balance at end of the year	**1,525,764,850**	**₱61,030,594**	1,525,764,850	₱61,030,594

The history of share issuances of the Parent Company since its initial public offering follows:

Date	Type of issuance	Number of common shares	Par value	Offer price
July 2019	Stock rights	276,625,172	₱40.00	₱43.38
February 2014	Stock rights	162,931,262	40.00	71.00
February 2013	Share-for-share swap with ABC common and preferred shares *	423,962,500	40.00	97.90
September 2000	Pre-emptive stock rights	71,850,215	100.00	60.00
September 1999	Stock rights	68,740,086	100.00	137.80
December 1995	Third public offering	7,200,000	100.00	260.00
April 1992	Second public offering	8,033,140	100.00	265.00
June 1989	Initial public offering	10,800,000	100.00	100.00

In January 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001

The Parent Company's shares are listed in the PSE. As of December 31, 2020 and 2019, the Parent Company had 36,394 and 36,471 stockholders, respectively.

On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (the Offer) of 276,625,172 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. The Rights Shares were offered to all eligible shareholders of the Parent Company from July 3 to 12, 2019 at the proportion of one Rights Share for every 4.516 existing common shares as of the record date of June 21, 2019. The Parent Company incurred transaction costs of ₱312.5 million, of which ₱159.7 million was deducted against 'Capital paid in excess of par value'. Out of the ₱159.7 million transaction costs, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers of the Offer, was eliminated in the consolidated financial statements.

Surplus
The computation of surplus available for dividend declaration in accordance with the Philippine Securities and Exchange Commission (SEC) Memorandum Circular No. 11-2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2020 and 2019, surplus amounting to ₱9.6 billion, representing the balances of the following equity items that have been applied to eliminate the Parent Company's deficit through quasi-reorganizations in 2002 and 2000, is not available for dividend declaration without prior approval from the Philippine SEC and the BSP:

Revaluation increment on land and buildings	₱7,691,808
Accumulated translation adjustment	1,315,685
Accumulated equity in net earnings of investees	563,048
	₱9,570,541

Surplus Reserves
This account consists of:

	2020	2019
Reserves under BSP Circular 1011	**₱4,369,668**	₱–
Reserves for trust business (Note 32)	**582,429**	562,018
Reserves for self-insurance	**80,000**	80,000
	₱5,032,097	₱642,018

'Reserves under BSP Circular 1011' represents the appropriation for the excess of 1% general loan loss provisions over the computed ECL for Stage 1 accounts in accordance with BSP Circular 1011, *Guidelines on the Adoption of PFRS 9.*

'Reserves for self-insurance' represents the amount set aside to cover losses due to fire or defalcation by, and other unlawful acts of, the Parent Company's personnel or third parties.

Accumulated Translation Adjustment
As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent

Company's remaining deficit of ₱1.3 billion, including ₱0.6 billion accumulated equity in net earnings as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion.

The SEC approval is subject to the following conditions:

- remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC;
- for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

Other Equity Reserves
On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock. The acquisition and distribution of the estimated 3.0 million shares shall be done over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. Grant date is April 27, 2017 when the fair value of the centennial bonus shares is ₱65.20. In 2020, 2019 and 2018, the Parent Company awarded 316 thousand, 277 thousand and 343 million, respectively, centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱6.4 million, ₱18.4 million and ₱16.3 million, respectively.

Capital Management
The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Parent Company and its financial allied subsidiaries are subject to the regulatory requirements of the BSP. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods.

The Group has a nonlife insurance business, through PNB Gen, which is subject to the regulatory requirements of the Insurance Commission (IC).

The Group has complied with all externally imposed capital requirements throughout the year.

BSP reporting for capital management
Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on RAP, which differ from PFRS in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR), expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% at all times for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment

of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2020 and 2019, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2020		2019	
Consolidated	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱144,298**		₱146,808	
Less: Regulatory Adjustments to CET 1	**28,838**		22,303	
CET1 Capital (Net)	**115,460**		124,505	
Add: Additional Tier 1 Capital (AT1)	**–**		–	
Tier 1 Capital	**115,460**		124,505	
Add: Tier 2 Capital	**5,377**		6,183	
Total qualifying capital	**₱120,837**	**₱80,581**	₱130,688	₱88,306
Total risk-weighted assets	**₱798,170**		₱883,055	
Tier 1 capital ratio	**14.47%**		14.10%	
Total capital ratio	**15.14%**		14.80%	

	2020		2019	
Parent Company	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱142,235**		₱144,654	
Less: Regulatory Adjustments to CET 1	**42,732**		47,960	
CET1 Capital (Net)	**99,503**		96,694	
Add: AT1	**–**		–	
Tier 1 Capital	**99,503**		96,694	
Add: Tier 2 Capital	**5,236**		5,564	
Total qualifying capital	**₱104,739**	**₱78,674**	₱102,258	₱79,695
Total risk-weighted assets	**₱779,103**		₱796,949	
Tier 1 capital ratio	**12.77%**		12.13%	
Total capital ratio	**13.44%**		12.83%	

The Group considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital.

In line with its ICAAP document, the Parent Company maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

As of December 31, 2020 and 2019, BLR reported to the BSP is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Tier 1 capital	**₱119,279**	₱124,505	**₱103,321**	₱96,694
Total exposure measure	**1,244,747**	1,161,264	**1,226,577**	1,070,585
BLR	**9.58%**	10.72%	**8.42%**	9.03%

BLR is computed based on RAP.

IC reporting for capital management
Under the requirements of the IC and the Insurance Code, PNB Gen should meet the minimum levels set for the following capital requirements:
- minimum statutory net worth of ₱900.0 million by December 31, 2019 and ₱1.3 billion by December 31, 2022;
- risk-based capital (RBC) ratio of 100.00%.

The RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC shall include the aggregate of Tier 1 capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis and additional Tier 2 less certain deductions, subject to applicable limits and determinations. The RBC requirement is the required capital to cover the insurance risks computed using the IC-prescribed regulations.

As of December 31, 2020 and 2019, PNB Gen has an estimated statutory net worth amounting to ₱1,036.2 million and ₱960.6 million, respectively. PNB Gen's RBC ratio as of December 31, 2020 and 2019 is 307.0% and 248.4%, respectively.

26. Other Operating Income

Service Fees and Commission Income
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Loan-related	**₱1,072,459**	₱1,042,011	₱612,058	**₱1,124,608**	₱647,215	₱604,790
Deposit-related	**1,058,033**	1,120,069	1,075,496	**1,054,359**	1,101,249	930,563
Remittance	**646,494**	714,330	766,652	**340,364**	373,330	401,223
Credit card-related	**622,302**	456,176	407,013	**622,302**	456,176	407,013
Interchange fees	**329,059**	506,521	625,059	**329,059**	506,521	625,059
Trust fees (Note 32)	**314,851**	281,228	279,131	**314,851**	281,228	279,131
Underwriting fees	**227,494**	655,450	140,660	–	–	–
Bancassurance (Note 22)	**206,686**	188,263	208,653	**206,686**	188,263	208,653
Miscellaneous	**207,194**	204,992	136,970	**142,290**	123,707	67,831
	4,684,572	5,169,040	4,251,692	**4,134,519**	3,677,689	3,524,263
Discontinued operations:						
Miscellaneous (Note 36)	**19,718**	7,460	7,592	–	–	–
	₱4,704,290	₱5,176,500	₱4,259,284	**₱4,134,519**	₱3,677,689	₱3,524,263

'Interchange fees' and 'Credit card-related fees' were generated from the credit card business of the Parent Company.

‘Miscellaneous’ includes income from securities brokering activities and other fees and commission.

Net Gains on Sale or Exchange of Assets
This account consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Net gains from sale of receivables	**₱104,181**	₱165,310	₱–	**₱104,181**	₱165,310	₱–
Net gains from foreclosure and repossession of investment properties	**72,109**	482,661	129,218	**13,209**	505,137	129,218
Net gains from sale of investment properties (Note 33)	**11,775**	48,599	5,703,523	**11,806**	6,218	5,683,516
Net gains (losses) from sale of property and equipment (Note 11)	**7,777**	(8,961)	28,402	**1,297**	1,023	28,402
Net gains from sale of other assets	**–**	3,016	–	**–**	8,753	–
	₱195,842	₱690,625	₱5,861,143	**₱130,493**	₱686,441	₱5,841,136

27. **Miscellaneous Income and Expenses**

Miscellaneous Income
This account consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Rental income (Note 29)	**₱680,332**	₱731,817	₱541,822	**₱383,733**	₱466,451	₱357,953
Income from assets acquired	**258,708**	100,214	225,683	**253,128**	100,214	225,683
Recoveries	**203,750**	76,362	58,584	**24,685**	66,694	57,767
Dividends	**46,136**	89,528	55,906	**45,811**	60,046	54,520
Miscellaneous - Loan-related	**29,224**	79,409	114,063	**29,224**	79,409	114,063
Miscellaneous - Trade-related	**17,055**	23,588	30,110	**17,055**	23,588	30,110
Miscellaneous - Credit card-related	**8,812**	16,958	12,571	**8,812**	16,958	12,571
Referral fees	**3,188**	2,516	3,011	**–**	–	–
Others	**241,353**	344,090	383,689	**144,304**	163,462	249,208
	₱1,488,558	₱1,464,482	₱1,425,439	**₱906,752**	₱976,822	₱1,101,875

‘Others’ consist of income from wire transfers, tellers’ overages, and penalty payments received by the Group which are related to loan accounts.

Miscellaneous Expenses
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Insurance	**₱1,833,763**	₱1,851,847	₱1,601,771	**₱1,787,331**	₱1,632,028	₱1,397,590
Secretarial, janitorial and messengerial	**1,631,137**	1,636,755	1,472,872	**1,605,223**	1,521,042	1,379,306
Loss on loan modifications	**1,587,605**	–	–	**1,587,605**	–	–
Information technology	**1,448,623**	811,574	561,597	**1,431,600**	796,016	542,478
Marketing expenses	**738,387**	1,137,757	1,170,997	**732,788**	1,117,113	1,032,695
Management and other professional fees	**363,791**	487,197	413,040	**291,457**	432,425	346,398
Travelling	**289,766**	373,145	324,220	**282,758**	345,626	297,506
Litigation and assets acquired expenses	**248,302**	326,588	490,732	**243,489**	290,775	473,660
Postage, telephone and cable	**163,160**	228,066	215,362	**125,244**	165,533	156,160
Entertainment, amusement and recreation (EAR) (Note 30)	**147,421**	166,089	131,260	**137,152**	153,999	119,713
Repairs and maintenance	**62,161**	73,601	75,235	**62,161**	73,601	75,235
Freight	**30,973**	41,811	28,093	**29,428**	38,003	25,350
Fuel and lubricants	**14,157**	18,671	19,425	**10,931**	12,677	11,541
Others (Notes 13 and 33)	**455,665**	529,519	448,921	**310,807**	275,821	267,702
	9,014,911	7,682,620	6,953,525	**8,637,974**	6,854,659	6,125,334

(Forward)

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Discontinued operations (Note 36):						
Marketing expenses	**₱7,237**	₱3,486	₱7,343	**₱–**	₱–	₱–
Information technology	**6,918**	7,322	6,544	**–**	–	–
Secretarial, janitorial and messengerial	**6,015**	11,467	7,633	**–**	–	–
Postage, telephone and cable	**3,232**	3,108	2,936	**–**	–	–
EAR	**2,575**	888	853	**–**	–	–
Travelling	**2,389**	4,234	4,763	**–**	–	–
Fuel and lubricants	**2,327**	–	–	**–**	–	–
Management and other professional fees	**1,763**	1,298	2,231	**–**	–	–
Insurance	**380**	147	139	**–**	–	–
Others	**10,703**	17,960	13,506	**–**	–	–
	43,539	49,910	45,948	**–**	–	–
	₱9,058,450	₱7,732,530	₱6,999,473	**₱8,637,974**	₱6,854,659	₱6,125,334

'Loss on loan modifications' pertains to the adjustment for the changes in expected cash flows of credit exposures, as a result of modifications in the original terms and conditions of the loan which include, but not limited to, changes in interest rates, principal amount, maturity date, and payment terms. In 2020, the Group accommodated modifications in the terms and conditions of certain loans of borrowers, which have been directly impacted by the COVID-19 pandemic. The loss is computed as the difference between the gross carrying amount of the loan and the present value of the modified contractual cash flows, discounted at the original effective interest rate of the loan. Subsequent accretion to interest income in 2020 amounted to the ₱901.7 million.

'Others' include stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

28. Retirement Plan

The Parent Company and certain subsidiaries of the Group, have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Retirement benefit liability (included in 'Other liabilities')	**₱1,213,888**	₱804,733	**₱1,205,212**	₱803,653
Net plan assets (included in 'Other assets - miscellaneous')	**7,538**	5,003	**–**	–
	₱1,206,350	₱799,730	**₱1,205,212**	₱803,653

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability. The retirement plan provides each eligible employer with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

As of December 31, 2020 and 2019, the Parent Company has two separate regular retirement plans for its employees. In addition, the Parent Company provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).

The changes in the present value obligation and fair value of plan assets are as follows:

Consolidated

2020

		Net benefit costs *					Remeasurements in other comprehensive income							
	January 1, 2020	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from experience adjustments	Actuarial changes changes in financial assumptions	Subtotal	Contributions by employer	Effect of disposal group classified as held for sale (Note 36)	December 31, 2020
Present value of pension obligation	**₱8,165,350**	**₱535,165**	**₱25,454**	**₱369,524**	**₱930,143**	**(₱486,637)**	**₱–**	**₱–**	**(₱20,328)**	**₱612,674**	**₱592,346**	**₱–**	**(₱62,899)**	**₱9,138,303**
Fair value of plan assets	**7,365,620**	**–**	**–**	**317,891**	**317,891**	**(486,637)**	**(110,671)**	**–**	**–**	**–**	**(110,671)**	**894,487**	**(48,737)**	**7,931,953**
	₱799,730	**₱535,165**	**₱25,454**	**₱51,633**	**₱612,252**	**₱–**	**₱110,671**	**₱–**	**(₱20,328)**	**₱612,674**	**₱703,017**	**(₱894,487)**	**(₱14,162)**	**₱1,206,350**

**Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income*

Consolidated

2019

		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2019	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes Arising from demographic assumptions	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2019
Present value of pension obligation	₱6,685,101	₱476,653	₱3,774	₱482,414	₱962,841	(₱369,733)	₱–	₱–	₱71,802	₱815,339	₱887,141	₱–	₱8,165,350
Fair value of plan assets	5,537,780	–	–	400,507	400,507	(369,733)	124,228	–	–	–	124,228	1,672,838	7,365,620
	₱1,147,321	₱476,653	₱3,774	₱81,907	₱562,334	₱–	(₱124,228)	₱–	₱71,802	₱815,339	₱762,913	(₱1,672,838)	₱799,730

**Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income*

Parent Company

2020

		Net benefit costs *					Remeasurements in other comprehensive income							
	January 1, 2020	**Current service cost**	**Past Service Cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan asset excluding amount included in net interest)**	**Actuarial changes arising from demographic assumptions**	**Actuarial changes arising from experience adjustments**	**Actuarial changes changes in financial assumptions**	**Subtotal**	**Contributions by employer**	**Transfer of retirement obligation from PNBSB** (Note 12)	**December 31, 2020**
Present value of pension obligation	**₱7,925,817**	**₱520,600**	**₱25,454**	**₱367,429**	**₱913,483**	**(₱475,059)**	**₱–**	**₱–**	**(₱16,388)**	**₱600,958**	**₱584,570**	**₱–**	**₱136,262**	**₱9,085,073**
Fair value of plan assets	**7,122,164**	**–**	**–**	**331,181**	**331,181**	**(475,059)**	**(109,109)**	**–**	**–**	**–**	**(109,109)**	**867,916**	**142,768**	**7,879,861**
	₱803,653	**₱520,600**	**₱25,454**	**₱36,248**	**₱582,302**	**₱–**	**₱109,109**	**₱–**	**(₱16,388)**	**₱600,958**	**₱693,679**	**(₱867,916)**	**(₱6,506)**	**₱1,205,212**

**Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income*

Parent Company

2019

		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2019	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2019
Present value of pension obligation	₱6,542,733	₱448,582	₱–	₱471,434	₱920,016	(₱360,119)	₱–	₱–	₱62,180	₱761,007	₱823,187	₱–	₱7,925,817
Fair value of plan assets	5,321,028	–	–	384,710	384,710	(360,119)	112,791	–	–	–	112,791	1,663,754	7,122,164
	₱1,221,705	₱448,582	₱–	₱86,724	₱535,306	₱–	(₱112,791)	₱–	₱62,180	₱761,007	₱710,396	(₱1,663,754)	₱803,653

**Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income*

The latest actuarial valuations for these retirement plans were made as of December 31, 2020. The following table shows the actuarial assumptions as of December 31, 2020 and 2019 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
			Regular Plans		EIP	
	2020	2019	**2020**	2019	**2020**	2019
Discount rate	**3.40% - 3.75%**	4.65% - 5.09%	**3.40%**	4.65%	**3.40%**	4.65%
Salary rate increase	**3.00% - 10.00%**	4.00% - 8.00%	**5.00%**	5.00%	–	–

The Group and the Parent Company expect to contribute ₱1,411.4 million and ₱1,396.2 million, respectively, to the defined benefit plans in 2021. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2020 is 16 years and 13 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Less than one year	**₱1,549,180**	₱1,334,360	**₱1,546,110**	₱1,325,247
More than one year to five years	**4,637,731**	4,948,248	**4,634,889**	4,888,126
More than five years to 10 years	**4,152,389**	4,103,971	**4,108,665**	3,927,916
More than 10 years to 15 years	**3,169,138**	2,426,245	**3,080,995**	2,092,890
More than 15 years	**7,635,988**	7,030,900	**7,391,744**	4,974,489

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Cash and cash equivalents	**₱3,875,381**	₱2,137,666	**₱3,858,067**	₱2,100,971
Equity investments				
Financial institutions (Note 33)	**256,337**	311,446	**250,215**	305,036
Electricity, gas and water	**287,045**	550,964	**287,045**	550,964
Real estate, renting and business activities	**382,376**	377,240	**382,376**	377,240
Others	**175,535**	76,032	**157,938**	59,245
Debt investment				
Private debt securities	**780,316**	1,513,726	**774,499**	1,505,272
Government securities	**1,306,438**	1,344,608	**1,302,813**	1,329,390
Investment in UITFs	**584,193**	699,511	**582,674**	556,816
Loans and receivables	**208,084**	313,024	**208,084**	313,024
Interest and other receivables	**86,070**	45,974	**85,881**	28,643
	7,941,775	7,370,191	**7,889,592**	7,126,601
Accrued expenses	**(9,822)**	(4,571)	**(9,731)**	(4,437)
	₱7,931,953	₱7,365,620	**₱7,879,861**	₱7,122,164

All equity and debt investments held including investments in UITF have quoted prices in active markets. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2020 and 2019 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱250.2 million and ₱305.0 million, respectively.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2020			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱576,279)**	**+1.00%**	**(₱570,999)**
	-1.00%	**637,229**	**-1.00%**	**630,928**
Salary increase rate	**+1.00%**	**589,766**	**+1.00%**	**583,649**
	-1.00%	**(527,654)**	**-1.00%**	**(522,381)**
Employee turnover rate	**+10.00%**	**(181,668)**	**+10.00%**	**(182,321)**
	-10.00%	**181,668**	**-10.00%**	**182,321**

	2019			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate*	+1.00%	(₱343,444)	+1.00%	(₱318,742)
	-1.00%	574,947	-1.00%	544,780
Salary increase rate*	+1.00%	518,885	+1.00%	489,098
	-1.00%	(472,861)	-1.00%	(447,910)
Employee turnover rate*	+10.00%	(51,084)	+10.00%	(54,224)
	-10.00%	51,084	-10.00%	54,224

Restated to exclude PNB Gen

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

The Group and the Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

29. Leases

Group as Lessee

The Group has entered into commercial leases for its branch sites, ATM offsite location and other equipment. These non-canceleable leases have lease terms of 1 to 25 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group ROU asset is composed of the Parent Company's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱580.6 million, ₱581.1 million and ₱844.6 million in 2020, 2019 and 2018, respectively, for the Group, of which ₱532.9 million, ₱454.1 million and ₱808.3 million in 2020, 2019, and 2018, respectively, pertain to the Parent Company. Rent expenses in 2020 and 2019 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2020 and 2019, the Group has no contingent rent payable.

As of December 31, 2020 and 2019, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Balance at beginning of year	**₱1,806,409**	₱1,859,717	**₱1,633,083**	₱1,642,529
Additions	**104,330**	456,644	**127,578**	426,885
Transfers	**–**	–	**138,766**	–
Interest expense (Note 19)	**120,675**	131,661	**120,181**	118,365
Payments	**(664,156)**	(641,613)	**(649,402)**	(554,696)
Effects of discontinued operations (Note 36)	**(1,242)**	–	**–**	
	₱1,366,016	₱1,806,409	**₱1,370,206**	₱1,633,083

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Within one year	**₱725,804**	₱777,971	**₱616,688**	₱615,874
Beyond one year but not more than five years	**1,215,693**	1,492,322	**1,065,827**	1,245,792
More than five years	**434,137**	231,550	**334,695**	229,398
	₱2,375,634	₱2,501,843	**₱2,017,210**	₱2,091,064

Group as Lessor

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5% per year). In 2020, 2019 and 2018, total rent income (included under 'Miscellaneous income') amounted to ₱680.3 million, ₱731.8 million and ₱541.8 million, respectively, for the Group and ₱383.7 million, ₱466.5 million and ₱358.0 million, respectively, for the Parent Company (Note 27).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Within one year	**₱164,223**	₱511,055	**₱162,021**	₱171,630
Beyond one year but not more than five years	**583,780**	1,009,932	**583,780**	654,515
More than five years	**156,770**	248,374	**156,770**	248,374
	₱904,773	₱1,769,361	**₱902,571**	₱1,074,519

Finance Lease

Group as Lessor

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease (effective interest method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

The future minimum lease receivables under finance leases are disclosed under 'Loans and Receivables' in Note 10.

30. **Income and Other Taxes**

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for (benefit from) income tax' in the statements of income.

RCIT rate is 30.00% and interest allowed as a deductible expenses is reduced by 33.00% of interest income subjected to final tax. MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the Parent Company and certain subsidiaries are allowed to deduct NOLCO from taxable income for the next three years from the period of incurrence. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation No. 25-2020. FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for (benefit from) income tax consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	2020	2019	2018
Continuing operations:						
Current						
Regular	**₱3,283,241**	₱1,653,473	₱2,888,800	**₱3,186,427**	₱1,367,233	₱2,610,768
Final	**1,460,027**	1,372,514	720,504	**1,388,839**	1,325,119	692,984
	4,743,268	3,025,987	3,609,304	**4,575,266**	2,692,352	3,303,752
Deferred	**(6,541,506)**	(573,680)	54,440	**(6,520,787)**	(605,888)	918
	(1,798,238)	2,452,307	3,663,744	**(1,945,521)**	2,086,464	3,304,670
Discontinued operations (Note 36):						
Current						
Regular	**768**	–	–	**–**	–	–
Final	**20,418**	18,897	14,298	**–**	–	–
	21,186	18,897	14,298	**–**	–	–
Deferred	**(768)**	(218)	9,063	**–**	–	–
	20,418	18,679	23,361	**–**	–	–
	(₱1,777,820)	₱2,470,986	₱3,687,105	**(₱1,945,521)**	₱2,086,464	₱3,304,670

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Deferred tax assets on:				
Allowance for impairment, credit and other losses	**₱11,148,074**	₱5,761,259	**₱10,898,555**	₱5,234,231
Retirement liability	**838,990**	514,936	**798,947**	514,901
Accumulated depreciation on investment properties and appraisal increment	**729,869**	745,362	**726,928**	709,277
Accrued expenses	**580,572**	484,529	**580,572**	484,529
Unearned interest and discount	**152,211**	–	**152,211**	
Deferred revenues	**130,213**	234,397	**130,213**	234,397
Unrealized losses on financial assets at FVTPL and FVOCI	**–**	694	**–**	694
Others	**311,540**	82,596	**–**	–
	13,891,469	7,823,773	**13,287,426**	7,178,029
Deferred tax liabilities on:				
Revaluation increment on land and buildings [1/]	**3,133,453**	3,133,453	**3,133,453**	3,133,453
Fair value adjustment on investment properties	**1,043,165**	1,077,752	**894,827**	1,048,107
Fair value adjustments due to business combination	**329,723**	405,545	**329,723**	405,545
Gain on remeasurement of previously held interest	**246,651**	164,429	**246,651**	164,429
Unrealized foreign exchange gains	**97,033**	328,812	**97,033**	328,811
Unrealized gains on financial assets at FVTPL and FVOCI	**56,931**	78,637	**56,931**	78,637
Others	**108,757**	220,187	**6,397**	33,450
	5,015,713	5,408,815	**4,765,015**	5,192,432
	₱8,875,756	₱2,414,958	**₱8,522,411**	₱1,985,597

[1/] *Balance includes deferred tax liability amounting to ₱736.4 million acquired from business combination*

As of December 31, 2020 and 2019, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million.

Benefit from deferred tax credited to OCI pertains to deferred tax on remeasurement losses on retirement plan amounting to nil and ₱4.4 million in 2020 and 2019, respectively, for the Group. Provision for deferred tax charged directly to OCI pertains to deferred tax on net unrealized gains on financial assets at FVOCI amounting to ₱15.8 million for the Group and the Parent Company in 2020, and ₱73.1 million for the Group and ₱72.4 million for the Parent Company in 2019.

Unrecognized deferred tax assets
The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Retirement liability	**₱1,205,212**	₱803,653	**₱1,205,212**	₱803,653
Derivative liabilities	**558,220**	180,759	**558,220**	180,759
Unamortized past service cost	**332,523**	1,901,476	**332,523**	1,901,476
Lease liabilities	**143,156**	95,209	**138,114**	88,935
NOLCO	**54,823**	196,251	**–**	–
Allowance for impairment and credit losses	**–**	6,998,404	**–**	3,699,850
Provision for IBNR	**–**	111,097	**–**	–
Accrued expenses	**–**	58,711	**–**	–
Others	**–**	14,087	**–**	–
	₱2,293,934	₱10,359,647	**₱2,234,069**	₱6,674,673

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2014	₱108,799	₱60,636	₱48,163	Not applicable
2017	–	–	–	2020
2018	13,259	9,139	4,120	2021
2019	2,540	–	2,540	2022
	₱124,598	₱69,775	₱54,823	

The Group has net operating loss carryforwards for US federal tax purposes of USD8.5 million and USD8.8 million as of December 31, 2020 and 2019, respectively, and net operating loss carryforwards for California state tax purposes of USD5.4 million and USD5.7 million as of December 31, 2020 and 2019, respectively.

Unrecognized deferred tax liabilities
As of December 31, 2020, there was a deferred tax liability of ₱834.6 million (₱756.0 million in 2019) for temporary differences of ₱2.8 billion (₱2.5 billion in 2019) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effects of:						
Net unrecognized deferred tax assets	**(844.28)**	(7.68)	0.21	**(635.63)**	(8.98)	(1.06)
Non-deductible expenses	**766.51**	13.52	8.00	**559.12**	12.05	6.27
Tax-exempt income	**(83.86)**	(6.43)	(3.56)	**(65.28)**	(4.94)	(3.69)
Tax-paid income	**(61.90)**	(7.05)	(2.61)	**(47.66)**	(7.23)	(2.36)
FCDU income before tax	**(43.18)**	(1.74)	(4.20)	**(32.34)**	(3.17)	(3.28)
Optional standard deduction	**–**	(0.42)	–	**–**	–	–
Effective income tax rate	**(236.71%)**	20.20%	27.84%	**(191.79%)**	17.73%	25.88%

The amount of EAR expenses deductible for tax purposes is limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in ‘Miscellaneous expenses’ in the statements of income) amounted to ₱147.4 million in 2020, ₱166.1 million in 2019, and ₱131.3 million in 2018 for the Group, and ₱137.2 million in 2020, ₱154.0 million in 2019, and ₱119.7 million in 2018 for the Parent Company (Note 27).

31. **Earnings Per Share**

Earnings per share attributable to equity holders of the Parent Company is computed as follows:

	2020	2019	2018
a) Net income attributable to equity holders of the Parent Company	**₱2,614,653**	₱9,681,480	₱9,465,022
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,372,674	1,249,140
c) Basic/Diluted earnings per share (a/b)	**₱1.71**	₱7.05	₱7.58

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2020	2019	2018
a) Net income attributable to equity holders of the Parent Company from continuing operations	**₱2,547,070**	₱9,579,887	₱9,684,994
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,372,674	1,249,140
c) Basic/Diluted earnings per share (a/b)	**₱1.67**	₱6.98	₱7.75

As of December 31, 2020 and 2019 and 2018, there are no potential common shares with dilutive effect on the basic earnings per share.

32. **Trust Operations**

Securities and other properties held by the Parent Company through its Trust Banking Group (TBG) in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱154.4 billion and ₱95.9 billion as of December 31, 2020 and 2019, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.9 billion and ₱1.0 billion (included under ‘Investment securities at amortized cost’) as of December 31, 2020 and 2019, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2020, 2019 and 2018 amounting to ₱314.9 million, ₱281.2 million and ₱279.1 million, respectively, is included under ‘Service fees and commission income’ (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱20.4 million, ₱21.4 million and ₱23.0 million in 2020, 2019 and 2018, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital (Note 25).

33. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors and their subsidiaries and associates called affiliates;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

	2020		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investors			
Deposit liabilities		**₱132,001**	Peso-denominated savings deposits with annual rates ranging from 0.10 % to 0.125%
Interest expense	**₱854**		Interest expense on deposits
Net withdrawals	**138,543**		Net withdrawals during the period
Subsidiaries			
Receivables from customers		**1,900,695**	Term Loan maturing in 2021 with nominal interest rates ranging from 2.6% to 4.0%; includes domestic bills purchased.
Loan releases	**5,504,833**		
Loan collections	**5,726,814**		
Loan commitments		**14,317,968**	Omnibus line; credit line
Interbank loans receivable		**19,240**	Foreign currency-denominated interbank term loans with interest rates ranging from 0.57% to 1.00% and maturity terms ranging from 33 to 138 days with Allied Commercial Bank Xiamen
Availments	**97,069**		
Settlements	**112,069**		
Due from other banks		**301,782**	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		**1,579**	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		**25,836**	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		**12,664,981**	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.01% to 1.10% and maturities from 8 to 297 days

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2020		
Net deposits	**₱12,610,166**		Net withdrawals during the period
Bills payable		**₱18,827**	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates ranging from 0.5% and 0.8% and maturity terms ranging from 30 to 137 days.
Availments	**95,968**		
Settlements	**111,199**		
Due to other banks			Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		**16,445**	Accrued interest on deposit liabilities and bills payable
Rental deposit		**8,799**	Advance rental deposit received for 2 years and 3 months
Interest income	**51,737**		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	**30,006**		Interest expense on deposit liabilities and bills payable
Rental income	**25,386**		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	**1,295**		Management and other professional fees
Securities transactions			
Purchases	**1,324,331**		Outright purchase of securities
Sales	**1,100,178**		Outright sale of securities
Trading gain	**19,792**		Gain from sale of investment securities
Affiliates			
Receivables from customers		**41,772,870**	Partly secured by real estate and aircraft; With interest rates ranging from 2.2% to 9.7% with maturity terms ranging from 60 days to 12 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱9.6 billion
Loan releases	**10,861,306**		
Loan collections	**20,348,918**		
Loan commitments		**42,236,141**	Omnibus line; credit line
Financial assets at FVOCI		**73,040**	Common shares with acquisition cost of ₱100.00 per share
Sales contract receivable		–	Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	**323,758**		
Accrued interest receivable		**69,040**	Accrued interest on receivables from customers
Rental deposits		**30,535**	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		**21,056,712**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.50% and maturity terms ranging from 30 days to 365 days
Net deposits	**5,918,653**		Net withdrawals during the period
Bonds payable		**72,035**	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		**5,565**	Accrued interest payable from various deposits
Other liabilities		–	Various manager's check related to EISP and premium insurance
Accrued other expenses		**81,410**	Accruals in relation to promotional expenses
Interest income	**1,895,183**		Interest income on receivables from customers
Interest expense	**99,403**		Interest expense on deposit liabilities
Miscellaneous expenses	**67,743**		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	**2,100**		Outright purchase of securities
Sales	**37,500**		Outright sale of securities

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2020		
Associate			
Loan commitments		**₱60,000**	Pre-settlement risk line
Deposit liabilities		**327,680**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Net withdrawals	**₱739,178**		
Accrued interest payable		–	Accrued interest payable from various deposits
Rental deposits		**27**	Advance rental and security deposits received for three months
Deferred revenue		**768,590**	Unamortized portion of income related to the sale of APLII
Interest expense	**372**		Interest expense on deposit liabilities
Service fees and commission income	**73,199**		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		**4,161**	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	**2,339**		Settlement of loans and interest
Other equity reserves	**435**		Other employee benefit expense in relation to the grant of centennial bonus based on ₱20.30 per share

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2019		
Significant Investors			
Deposit liabilities		₱270,544	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125%
Interest expense	₱13,976		Interest expense on deposits
Net withdrawals	222,636		Net withdrawals during the period
Subsidiaries			
Receivables from customers		2,122,676	Term Loan maturing in 2020 with nominal interest rates ranging from 3.87% to 5.75%. Domestic Bills Purchased.
Loan releases	16,205,901		
Loan collections	14,341,029		
Loan commitments		6,270,640	Omnibus line; credit line
Interbank loans receivable		34,240	Foreign currency-denominated interbank term loans with interest rates ranging from 0.57% to 1.00% and maturity terms ranging from 33 to 138 days with Allied Commercial Bank Xiamen
Availments	216,849		
Settlements	623,568		
Due from other banks		336,879	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		1,886	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		222,770	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		54,815	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.01% to 1.10% and maturities from 8 to 297 days
Net withdrawals	1,641,715		Net withdrawals during the period

(Forward)

Category	2019 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Bills payable		₱34,058	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates ranging from 0.5% and 0.8% and maturity terms ranging from 30 to 137 days.
Availments	₱216,490		
Settlements	220,277		
Due to other banks		31,385	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		212	Accrued interest on deposit liabilities and bills payable
Rental deposit		8,412	Advance rental deposit received for 2 years and 3 months
Interest income	135,383		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	53,653		Interest expense on deposit liabilities and bills payable
Rental income	53,653		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	1,970		Management and other professional fees
Securities transactions			
Purchases	7,221,360		Outright purchase of securities
Sales	383,472		Outright sale of securities
Trading gain	7,356		Gain from sale of investment securities
Affiliates			
Receivables from customers		51,260,482	Secured by real estate; With interest rates ranging from 2.75% to 9.72% with maturity terms ranging from 30 days to 10 years and payment terms of ranging from monthly to quarterly payments.
Loan releases	9,617,440		
Loan collections	6,662,009		
Loan commitments		25,235,370	Omnibus line; credit line
Financial assets at FVOCI		73,140	Common shares with acquisition cost of ₱100.00/share
Sales contract receivable		323,758	Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	4,495,927		
Accrued interest receivable		95,191	Accrued interest on receivables from customers
Rental deposits		30,535	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		15,138,059	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.75% and maturity terms ranging from 30 days to 365 days
Net withdrawals	916,094		Net withdrawals during the period
Bonds payable		75,953	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		25,989	Accrued interest payable from various deposits
Other liabilities		5	Various manager's check related to EISP and premium insurance
Accrued other expenses		318,155	Accruals in relation to promotional expenses
Interest income	1,255,819		Interest income on receivables from customers
Interest expense	246,104		Interest expense on deposit liabilities
Miscellaneous expenses	233,385		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	89,300		Outright purchase of securities
Sales	2,100		Outright sale of securities
Associate			
Deposit liabilities		1,066,858	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Accrued interest payable		31	Accrued interest payable from various deposits

(Forward)

Category	2019 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Rental deposits		₱27	Advance rental and security deposits received for three months
Deferred revenue		841,789	Unamortized portion of income related to the sale of APLII
Interest expense	₱1,523		Interest expense on deposit liabilities
Service fees and commission income	73,199		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		6,499	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	1,209		Settlement of loans and interest
Other equity reserves	77,652		Other employee benefit expense in relation to the grant of centennial bonus based on ₱70.0 per share

The related party transactions shall be settled in cash.

Outsourcing Agreement between the Parent Company and PNB GRF
The 'Pangarap Loans', which are all-purpose credit facilities fully secured by customer's deposits pledged with either PNB Hong Kong Branch or other PNB overseas branches, mainly comprise the consumer lending activity of PNB GRF. PNB GRF calls on the deposits when a Pangarap loan is in default and requests the Parent Bank to credit the peso collateral deposit to their settlement account maintained with the Parent Bank.

Financial Assets at FVTPL Traded through PNB Securities
As of December 31, 2020 and 2019, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱835.3 million and ₱404.8 million, respectively. The Parent Company recognized trading losses amounting to ₱61.5 million in 2020, ₱7.2 million in 2019 and ₱8.4 million in 2018 from the trading transactions facilitated by PNB Securities.

Compensation of Key Management Personnel
The compensation of the key management personnel for the Group and Parent Company follows:

	2020	2019	2018
Short-term employee benefits	**₱481,184**	₱541,386	₱481,011
Post-employment benefits	**55,308**	45,996	60,554
	₱536,492	₱587,382	₱541,565

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2020 and 2019, total per diem given to the BOD amounted to ₱53.0 million and ₱45.5 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all BOD activities and membership of committees and subsidiary companies. In 2020 and 2019, key management personnel received Parent Company shares in relation to the centennial bonus distribution of 21,474 and 29,951, respectively.

Joint Arrangements

The Parent Company and Eton Properties Philippines, Inc. (EPPI) signed two joint venture Agreements (JVAs) for the development of two real estate properties of the Parent Company included under 'Other assets' and with carrying values of ₱1.2 billion at the time of signing. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the joint venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs.

In July 2016, the Parent Company executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

Outsourcing Agreement between the Parent Company and PNBSB

Prior to integration, the Parent Company and PNBSB entered into a servicing agreement pertaining to the purchased loan portfolio. The agreement was valid and binding until terminated by the either party if so required by the BSP or upon a 60-day prior written notice to the other party. The Parent Company charged PNBSB with the amount it charged to its customers. Service charges pertain to outsourced services rendered by the Parent Company, including legal and information technology services. These were payable on a monthly basis.

Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by its TBG. The fair values and carrying values of the funds of the Group amounted to ₱7.9 billion and ₱7.4 billion as of December 31, 2020 and 2019, respectively and the fair values of the funds of the Parent Company amounted to ₱7.9 billion and ₱7.1 billion as of December 31, 2020 and 2019, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Deposits with PNB	**₱828,287**	₱563,314	**₱824,334**	₱563,314
Investment in UITFs	**760,818**	556,816	**582,674**	556,816
Investment in PNB Shares	**250,215**	305,036	**250,215**	305,036
Investment in PNB Bonds	**141,020**	142,724	**–**	142,724
Total Fund Assets	**₱1,980,340**	₱1,567,890	**₱1,657,223**	₱1,567,890
Unrealized gain on PNB shares	**₱72,941**	(₱73,992)	**₱72,941**	(₱73,992)
Unrealized loss on PNB Bonds	**(1,704)**	–	**–**	–
Interest income	**15,403**	7,454	**15,401**	7,454
	86,640	(66,538)	**88,342**	(66,538)
Trust fees	**(8,518)**	(7,468)	**(8,473)**	(7,468)
Fund gain/(loss)	**₱78,122**	(₱74,006)	**₱79,869**	(₱74,006)

As of December 31, 2020 and 2019, the retirement fund of the Group and the Parent Company includes 8,525,218 and 8,841,622 PNB shares, respectively, classified as financial assets FVTPL. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's EIP.

34. Provisions, Contingent Liabilities and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

In 2020, the Group and the Parent Company's outstanding provisions for legal claims amounted to ₱0.6 billion as of December 31, 2020 and 2019.

There were no significant settlements made in 2020 and 2019.

Tax Assessment

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

35. Offsetting of Financial Assets and Liabilities

The Group is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

Consolidated

2020

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	**₱58,317,718**	**(₱57,947,065)**	**₱370,653**	**(₱58,699)**	**₱–**	**₱311,954**
Securities held under agreements to resell (Note 8)	**15,819,273**	–	**15,819,273**	–	**(16,499,434)**	–
Total	**₱74,136,991**	**(₱57,947,065)**	**₱16,189,926**	**(₱58,699)**	**(₱16,499,434)**	**₱311,954**

2019

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱74,965,186	(₱74,592,146)	₱373,040	(₱45,891)	₱–	₱327,149
Securities held under agreements to resell (Note 8)	2,517,764	–	2,517,764	–	(2,517,745)	19
Total	₱77,482,950	(₱74,592,146)	₱2,890,804	(₱45,891)	(₱2,517,745)	₱327,168

2020

Financial liabilities recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱65,641,080**	**(₱64,939,841)**	**₱701,239**	**(₱85,540)**	**₱–**	**₱615,699**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**69,906,979**	–	**69,906,979**	–	**(72,585,497)**	**–**
Total	**₱ 135,548,059**	**(₱64,939,841)**	**₱70,608,218**	**(₱85,540)**	**(₱72,585,497)**	**₱615,699**

2019

Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱60,131,350	(₱59,885,731)	₱245,619	(₱155,245)	₱–	₱90,374
Securities sold under agreements to repurchase (Notes 9 and 19)*	29,042,805	–	29,042,805	–	(29,655,404)	–
Total	₱89,174,155	(₱59,885,731)	₱29,288,424	(₱155,245)	(₱29,655,404)	₱90,374

** Included in bills and acceptances payable in the statements of financial position*

Parent Company

2020

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets	**₱58,312,623**	**(₱57,947,065)**	**₱365,558**	**(₱59,136)**	**₱–**	**₱306,422**
Securities held under agreements to resell (Notes 8 and 19)	**15,819,273**	–	**15,819,273**	–	**(16,499,434)**	**–**
Total	**₱74,131,896**	**(₱57,947,065)**	**₱16,184,831**	**(₱59,136)**	**(₱16,499,434)**	**₱306,422**

2019

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱74,965,136	(₱74,592,130)	₱373,006	(₱45,571)	₱–	₱327,435
Securities held under agreements to resell (Notes 8 and 19)	1,149,984	–	1,149,984	–	(1,149,588)	396
Total	₱76,115,120	(₱74,592,130)	₱1,522,990	(₱45,571)	(₱1,149,588)	₱327,831

2020						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial liabilities recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Financial instruments**	**Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱65,640,643**	**(₱64,939,841)**	**₱700,802**	**(₱85,977)**	**₱**	**₱614,825**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**69,906,979**	**–**	**69,906,979**	**–**	**(72,585,497)**	**–**
Total	**₱135,547,622**	**(₱64,939,841)**	**₱70,607,781**	**(₱85,977)**	**(₱72,585,497)**	**₱614,825**

2019						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱60,117,063	(₱59,885,071)	₱231,992	(₱144,586)	₱	₱87,406
Securities sold under agreements to repurchase (Notes 9 and 19)*	29,042,805	–	29,042,805	–	(29,655,404)	–
Total	₱89,159,868	(₱59,885,071)	₱29,274,797	(₱144,586)	(₱29,655,404)	₱87,406

** Included in bills and acceptances payable in the statements of financial position*

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

36. Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations

As discussed in Note 12, on various dates in 2020, the respective BODs of the Parent Company and PNB Holdings approved the sale of all their holdings in PNB Gen for cash. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position.

The business of PNB Gen represented the entirety of the Group's non-life insurance business. PNB Gen was previously presented in the 'Others' section of the business segment disclosure. With PNB Gen being classified as a discontinued operation in 2020, the comparative consolidated statements of incomes and comprehensive income and cash flows in 2019 and 2018 have been re-presented to show the discontinued operations separately from the continuing operations.

The results of operation of PNB Gen are presented below:

	2020	2019	2018
Interest Income on			
Loans and receivables	**₱202**	₱275	₱355
Investment securities at amortized cost and FVOCI (Note 9)	**81,734**	67,708	60,477
Deposits with banks and others	**5,087**	17,453	1,994
	87,023	85,436	62,826
Interest Expense on			
Lease liabilities (Note 19)	**2,698**	128	–
Net Interest Income	**84,325**	85,308	62,826
Net Service Fees and Commission Income (Note 26)	**19,718**	7,460	7,592
Net insurance premium	**955,640**	1,151,704	1,228,794
Net insurance benefits and claims	**716,820**	909,974	1,292,949
Net Insurance Premium (Benefits and Claims)	**238,820**	241,730	(64,155)
Other Income			
Trading and investment securities gains (losses) - net (Note 9)	**9,123**	94	(4,176)
Foreign exchange gains (losses) - net	**(2,878)**	15	15,921
Total Operating Income	**349,108**	334,607	18,008
Operating Expenses			
Compensation and fringe benefits	**152,265**	133,896	130,241
Provision for (reversal of) credit losses (Note 16)	**29,781**	(324)	12,635
Depreciation and amortization (Note 11)	**28,862**	8,901	6,169
Taxes and licenses	**4,750**	4,878	931
Occupancy and equipment-related costs	**1,910**	17,074	18,695
Miscellaneous (Note 27)	**43,539**	49,910	45,948
Total Operating Expenses	**261,107**	214,335	214,619
Income (Loss) Before Income Tax	**88,001**	120,272	(196,611)
Provision for Income Tax (Note 30)	**20,418**	18,679	23,361
Net Income (Loss) from Discontinued Operations	**₱67,583**	₱101,593	(₱219,972)

Net Insurance Premium (Benefits and Claims)
This account consists of:

	2020	2019	2018
Net insurance premiums			
Gross earned premium	**₱2,385,857**	₱2,764,108	₱2,501,725
Reinsurer's share of gross earned premiums	**(1,430,217)**	(1,612,404)	(1,272,931)
	955,640	1,151,704	1,228,794
Less net insurance benefits and claims			
Gross insurance contract benefits and claims paid	**2,241,488**	1,598,129	1,711,759
Reinsurer's share of gross insurance contract benefits and claims paid	**(1,983,736)**	(1,262,884)	(606,275)
Gross change in insurance contract liabilities	**1,410,172**	(65,571)	109,703
Reinsurer's share of change in insurance contract liabilities	**(951,104)**	640,300	77,762
	716,820	909,974	1,292,949
	₱238,820	₱241,730	(₱64,155)

The major classes of assets and liabilities of PNB Gen classified as disposal group as follows as of December 31, 2020 follow:

Assets	
Due from other banks	₱164,894
Financial assets at FVTPL	1,387
Financial assets at FVOCI	1,183,355
Investment securities at amortized cost	788,430
Loans and other receivables - net	4,232,047
Deferred reinsurance premium	901,623
Property and equipment - net	48,436
Deferred tax assets	36,475
Intangible assets - net	5,134
Other assets	584,164
	₱7,945,945
Liabilities	
Accrued taxes, interest and other expenses	₱269,100
Insurance contract liabilities	4,360,733
Reserved for unearned reinsurance premium	1,196,273
Accounts payable	142,513
Other liabilities	385,345
	₱6,353,964
Net assets of disposal group held for sale	₱1,591,981
Amounts included in accumulated OCI:	
Remeasurement gain on retirement plan	₱59,407
Net unrealized gain on financial assets at FVOCI	29,209
	₱88,616

Net cash flows of the discontinued operations follow:

	2020	2019	2018
Net cash flows from operating activities	**(₱27,016)**	(₱298,984)	(₱4,227)
Net cash flows from investing activities	**(242,063)**	(8,619)	(51,552)
Net cash flows from financing activities	**(22,648)**	292,789	266,000
	(₱291,727)	(₱14,814)	₱210,221

37. Events After the Reporting Date

On January 13, 2021, the SEC approved the increase in the authorized capital stock of PNB Holdings from ₱500.0 million divided into 5,000,000 shares with par value of ₱100 per share, to ₱50.5 billion divided into 505,000,000 shares with the same par value. On the same date, the Parent Company proceeded with the subscription of additional 466,770,000 shares of PNB Holdings shares in exchange for certain real estate properties with fair values of ₱46.7 billion.

On February 19, 2021, the Parent Company BOD approved the infusion of additional capital of up to ₱515.0 million to PMLFC, subject to regulatory and other necessary approvals. The infusion of additional capital will increase the Parent Company shareholdings in PMLFC from 75.0% to 83.5%.

On February 23, 2021, the SEC approved the change of the corporate name of PNBSB to Allied Integrated Holdings Inc.

38. **Notes to Statements of Cash Flows**

Cash Flows from Financing Activities
The changes in liabilities arising from financing activities in 2020 and 2019 follow:

	Consolidated			
	2020			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱55,963,290**	**₱32,255,780**	**(₱1,059,619)**	**₱87,159,451**
Bonds payable	**66,615,078**	**–**	**(2,558,743)**	**64,056,335**
Lease liabilities	**1,806,409**	**(664,156)**	**223,763**	**1,366,016**
	₱124,384,777	**₱31,591,624**	**(3,394,599)**	**₱152,581,802**

	Consolidated			
	2019			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱70,082,835	(₱11,348,364)	(₱2,771,181)	₱55,963,290
Bonds payable	15,661,372	51,899,720	(946,014)	66,615,078
Lease liabilities	1,859,717	(641,613)	588,305	1,806,409
	₱87,603,924	₱39,909,743	(₱3,128,890)	₱124,384,777

	Parent Company			
	2020			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱48,424,017**	**₱37,452,722**	**(₱1,059,379)**	**₱84,817,360**
Bonds payable	**66,615,078**	**–**	**(2,558,743)**	**64,056,335**
Lease liabilities	**1,633,083**	**(649,402)**	**386,525**	**1,370,206**
	₱116,672,178	**₱36,803,320**	**(₱3,231,597)**	**₱150,243,901**

	Parent Company			
	2019			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱62,706,795	(₱11,511,597)	(₱2,771,181)	₱48,424,017
Bonds payable	15,661,372	51,899,720	(946,014)	66,615,078
Lease liabilities	1,642,529	(554,696)	545,250	1,633,083
	₱80,010,696	₱39,833,427	(₱3,171,945)	₱116,672,178

Others include the effects of foreign exchange revaluations, amortization of transaction costs, and accretion of interest.

Non-cash Transactions
Effective January 1, 2019, the Group and the Parent Company adopted PFRS 16, in which the Group and the Parent Company recognized right-of-use asset and the corresponding lease liabilities, adjusted for previously recognized prepaid and accrued lease payments. The following are non-cash transactions of the Group and the Parent Company in 2020 and 2019 relating to its long-term leases:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Additions to right-of-use assets (Note 11)	**₱122,420**	₱461,918	**₱122,420**	₱432,157
Additional lease liabilities (Note 29)	**104,330**	456,644	**127,578**	426,885

The Group applied creditable withholding taxes against its income tax payable amounting to ₱2.8 billion, ₱1.3 billion and ₱2.6 billion in 2020, 2019 and 2018, respectively. The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱2.7 billion, ₱1.3 billion and ₱2.6 billion in 2020, 2019, and 2018, respectively.

The Group acquired investment properties through foreclosure and rescission amounting to ₱86.7 million, ₱967.6 million, and ₱833.9 million in 2020, 2019 and 2018, respectively. The Parent Company acquired investment properties acquired through foreclosure and rescission amounted to ₱78.0 million, ₱885.7 million and ₱780.0 million in 2020, 2019 and 2018, respectively.

39. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on March 15, 2021.

40. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010, which provides that the notes to the financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company paid or accrued the following types of taxes for the tax period January to December 2020 (in absolute amounts):

1. Taxes and licenses

	Amount
Gross receipts tax	₱2,053,090,056
Documentary stamp taxes	3,600,000,000
Real estate tax	183,448,761
Local taxes	158,789,950
Others	52,672,125
	₱6,048,000,892

2. Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱923,274,387	₱179,048,072
Final income taxes withheld on interest on deposits and yield on deposit substitutes	1,276,212,607	59,588,881
Expanded withholding taxes	164,046,546	19,377,346
VAT withholding taxes	9,936,947	268,887
Other Final Taxes	89,385,326	5,703,817
	₱2,462,855,813	₱263,987,003

Tax Cases and Assessments

As of December 31, 2020 and 2019, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.

41. Report on the Supplementary Information Required Under BSP Circular No. 1074

Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Return on average equity (a/b)	**1.69%**	6.89%	7.70%	**1.94%**	6.97%	7.80%
a) Net income	**₱2,625,488**	₱9,761,206	₱9,556,070	**₱2,959,932**	₱9,681,476	₱9,465,075
b) Average total equity	**155,479,204**	141,767,206	124,148,481	**152,657,314**	138,860,047	121,364,946
Return on average assets (c/d)	**0.22%**	0.92%	1.05%	**0.26%**	0.98%	1.12%
c) Net income	**₱2,625,488**	₱9,761,206	₱9,556,070	**₱ 2,959,932**	₱9,681,476	₱9,465,076
d) Average total assets	**1,186,712,205**	1,062,969,399	910,002,446	**1,144,703,450**	990,502,904	845,386,554
Net interest margin on average earning assets (e/f)	**3.31%**	3.31%	3.24%	**3.37%**	3.29%	3.12%
e) Net interest income	**₱35,820,766**	₱32,443,573	₱27,064,550	**₱34,649,027**	₱29,446,638	₱23,461,884
f) Average interest earning assets	**1,081,770,414**	979,672,558	836,422,422	**1,028,955,579**	893,991,058	752,841,931

Note: Average balances are the sum of beginning and ending balances of the respective statement of financial position accounts divided by two (2)

Description of Capital Instruments Issued

As of December 31, 2020 and 2019, the Parent Company has only one class of capital stock, which are common shares.

Significant Credit Exposures as to Industry Sector

An industry sector analysis of the Group's and the Parent Company's receivables from customers before taking into account allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2020		2019		**2020**		2019	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Financial intermediaries	**₱87,326,717**	**14.21**	₱76,954,393	11.82	**₱89,172,974**	**14.86**	₱77,603,235	13.29
Wholesale and retail	**81,092,791**	**13.19**	88,235,702	13.55	**80,881,369**	**13.47**	83,493,048	14.30
Electricity, gas and water	**67,426,509**	**10.97**	74,542,878	11.45	**67,378,423**	**11.22**	72,558,014	12.43
Manufacturing	**46,334,941**	**7.54**	46,563,933	7.15	**45,428,186**	**7.57**	43,165,171	7.40
Transport, storage and communication	**56,286,930**	**9.16**	56,547,999	8.69	**54,935,380**	**9.15**	50,721,683	8.69
Public administration and defense	**10,957,664**	**1.78**	15,363,946	2.36	**10,957,664**	**1.83**	15,363,946	2.63
Agriculture, hunting and forestry	**8,454,141**	**1.38**	10,223,465	1.57	**8,416,224**	**1.40**	9,609,274	1.65
Secondary target industry:								
Real estate, renting and business activities	**85,855,979**	**13.97**	92,425,225	14.20	**85,168,995**	**14.19**	85,511,386	14.65
Construction	**35,794,281**	**5.82**	42,793,188	6.57	**34,852,145**	**5.81**	40,831,711	7.00
Others	**135,066,238**	**21.98**	147,368,514	22.64	**123,061,821**	**20.50**	104,860,270	17.96
	₱614,596,191	**100.00**	₱651,019,243	100.00	**₱600,253,181**	**100.00**	₱583,717,738	100.00

Breakdown of Total Loans as to Security
The information (gross of allowance for credit losses) relating to receivables from customers as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2020		2019		**2020**		2019	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱72,167,070**	**11.74**	₱93,532,178	14.37	**₱62,586,685**	**10.43**	₱55,931,416	9.58
Chattel mortgage	**26,396,722**	**4.30**	28,529,391	4.38	**26,148,386**	**4.35**	17,742,678	3.04
Bank deposit hold-out	**4,937,167**	**0.80**	13,769,941	2.12	**4,271,930**	**0.71**	13,631,552	2.34
Shares of stocks	**–**	**–**	1,703,980	0.26	**–**	**–**	–	–
Others	**7,887,301**	**1.28**	12,502,005	1.92	**7,201,434**	**1.20**	9,096,233	1.56
	111,388,260	**18.12**	150,037,495	23.05	**100,208,435**	**16.69**	96,401,879	16.52
Unsecured	**503,207,931**	**81.88**	500,981,748	76.95	**500,044,746**	**83.31**	487,315,859	83.48
	₱614,596,191	**100.00**	₱651,019,243	100.00	**₱600,253,181**	**100.00**	₱583,717,738	100.00

Breakdown of Total Loans as to Status
The table below shows the status of the Group and the Parent Company's loans (gross allowance for credit losses) as to performing and non-performing loans (NPL) per product line:

	Consolidated			
	2020		2019	
	Performing	**NPL**	Performing	NPL
Corporate	**₱472,989,149**	**₱45,775,849**	₱533,714,074	₱9,091,302
Commercial	**12,745,770**	**3,973,178**	18,920,004	2,149,149
Credit cards	**9,342,221**	**3,188,348**	13,278,161	2,041,041
Consumer	**10,638,588**	**2,556,858**	11,839,785	916,359
Others	**40,444,893**	**12,941,337**	52,654,832	6,414,536
	₱546,160,621	**₱68,435,570**	₱630,406,856	₱20,612,387

	Parent Company			
	2020		2019	
	Performing	**NPL**	Performing	NPL
Corporate	**₱464,804,820**	**₱45,542,903**	₱518,280,657	₱8,430,499
Commercial	**11,418,775**	**1,861,659**	15,188,039	834,481
Credit cards	**9,342,221**	**3,188,348**	13,278,161	2,041,041
Consumer	**10,013,474**	**2,556,858**	6,883,386	266,175
Others	**38,629,820**	**12,894,303**	18,063,334	451,965
	₱534,209,110	**₱66,044,071**	₱571,693,577	₱12,024,161

Loans and receivables are considered NPL, even without any missed contractual payments, when considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, are considered NPL if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics are considered NPL after contractual due date or after they have become past due. Restructured loans are considered NPL. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

NPLs remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

As of December 31, 2020, gross and net NPL ratios of the Group and the Parent Company were 10.20% and 6.99%, and 10.09% and 6.93%, respectively. As of December 31, 2019, gross and net NPL ratios of the Group and the Parent Company were 3.05% and 1.59%, and 1.99% and 0.68%, respectively.

Information on Related Party Loans

In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Parent Company's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2020 and 2019, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	2020		2019	
	DOSRI loans	**Related party loans (inclusive of DOSRI loans)**	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	**₱4,689,334**	**₱52,403,520**	₱7,615,058	₱63,034,358
Percent of DOSRI/related party loans to total loan portfolio	**0.92%**	**8.01%**	1.26%	10.41%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**0.01%**	**68.71%**	–	65.59%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	**–**	–	0.01%	–
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**0.01%**	**31.62%**	0.01%	–

*Includes outstanding unused credit accommodations of ₱583.5 million as of December 31, 2020 and ₱707.1 million as of December 31, 2019.

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

Under BSP regulations, total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the Group's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the Parent Company.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2020 and 2019, 'Bills payable' amounting to ₱69.9 billion and ₱29.4 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱44.6 billion and ₱8.2 billion respectively, and 'Investment securities at amortized cost' amounting to ₱26.1 billion and ₱21.0 billion, respectively.

Contingencies and Commitments Arising from Off-Balance Sheet Items

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts as reported to BSP:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Trust department accounts	**₱154,372,490**	₱95,875,990	**₱154,372,490**	₱95,875,990
Derivative forwards	**96,670,883**	130,176,855	**91,865,805**	124,729,334
Standby letters of credit	**38,275,186**	40,003,450	**38,078,859**	39,479,985
Unutilized credit card lines	**37,729,069**	37,002,312	**37,729,069**	37,002,312
Derivative spots	**28,346,514**	29,844,753	**28,346,514**	29,844,753
Deficiency claims receivable	**22,434,712**	23,001,760	**22,434,712**	22,951,844
Interest rate swaps	**15,938,316**	29,423,981	**15,938,316**	29,423,981
Inward bills for collection	**574,862**	1,185,972	**574,862**	1,184,071
Items held as collateral	**354,917**	504,210	**354,897**	504,179
Outward bills for collection	**154,661**	192,513	**108,965**	96,832
Unused commercial letters of credit	**35,462**	431,757	**35,462**	431,757
Shipping guarantees issued	**12,691**	84,905	**10,833**	11,223
Other contingent accounts	**23,691**	33,450	**8,332**	29,749
Confirmed export letters of credit	**1,201**	54,686	**1,201**	54,686

Office of the Corporate Secretary
Direct Line: 8536-0540
Trunk Lines: 8891-6040 to 70
Local: 4582

PNB
You first.

SECRETARY'S CERTIFICATE

I, **RUTH PAMELA E. TANGHAL**, Corporate Secretary of the Philippine National Bank ("PNB"), a universal banking corporation organized and existing under the laws of the Republic of the Philippines, with principal office address at the PNB Financial Center, Pres. Diosdado Macapagal Boulevard, Pasay City, Metro Manila, do hereby certify that:

1. The following are the incumbent directors of PNB:

- Ms. Florencia G. Tarriela
- Mr. Felix Enrico R. Alfiler
- Mr. Florido P. Casuela
- Mr. Leonilo G. Coronel
- Mr. Edgar A. Cua
- Mr. Estelito P. Mendoza
- Mr. Christopher J. Nelson
- Mr. Federico C. Pascual
- Ms. Sheila T. Pascual
- Ms. Carmen K. Tan
- Mr. Lucio C. Tan
- Mr. Michael G. Tan
- Ms. Vivienne K. Tan
- Mr. Jose Arnulfo A. Veloso
- Mr. Domingo H. Yap

2. To the best of my knowledge, none of the above-mentioned directors are appointed officials or employees of any agency of the government of the Philippines.

IN WITNESS WHEREOF, I have hereunto affixed my signature this March 8, 2021 in Pasay City.

RUTH PAMELA E. TANGHAL
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 08 2021 in Pasay City, affiant exhibited to me her TIN No. 216-805-132.

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Book No. VII;
Series of 2021.

ATTY. MICHELLE A. PAHATI
NOTARY PUBLIC
ROLL NO. 45737
PASAY CITY, PHILIPPINES

ATTY. MICHELLE A. PAHATI
Notary Public for Pasay City/Commission No. 19-40
(Commission extended until 06-30-21 per SC B.M. No. 3795)
Roll No. 45737/Lifetime Member No. 013500
PTR No. 7369341/ 08 January 2021/ Pasay City
PNB Financial Center, Pres. Macapagal Blvd., Pasay City