PHILIPPINE BUSINESSBANK
a savings bank
Making Things Happen... Today!

ANNUAL REPORT 2020

STRONGER ALLIANCE
EXPANDING POSSIBILITIES

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a savings bank

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EXPANDING POSSIBILITIES

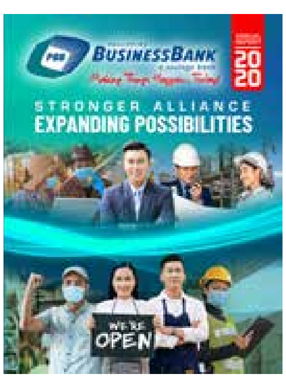
PHILIPPINE BUSINESS BANK
2020 ANNUAL REPORT

VISION

By making things happen today, PBB will help build strong business communities where people can achieve their dreams.

MISSION

The basis for Philippine Business Bank's growth shall be its commitment for higher standards every day, in everything we do in providing competitive products and services and through enthusiastic execution and teamwork in producing satisfaction – for our customers, our shareholders, our associates, and our communities.



ABOUT THE COVER

2020 ANNUAL REPORT: STRONGER ALLIANCES, EXPANDING POSSIBILITIES

The cover is an illustration of who we are. We help build the SMEs to be strong business communities, where they can achieve their dreams especially in a tumultuous year beset by the global COVID-19 pandemic. This is PBB's efforts to promote the SMEs overcome difficulties. As we progress into 2020 and towards the coming years, PBB will continue to forge ahead sustainability, rely on our values, strong balance sheet, robust risk management approach and our entrepreneurial roots to guide our clients, colleagues and the community to better times.

PHILIPPINE BUSINESS BANK

2020 ANNUAL REPORT

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About Us

PBB was incorporated as a Philippine corporation and registered with the SEC on January 28, 1997 as “Total Savings Bank” and was granted the authority to operate as a thrift bank under the MB Resolution No. 29 dated January 8, 1997. The BSP issued a Certificate of Authority on February 6, 1997. On December 16, 1997, the SEC approved the change of corporate name of the Bank to “Philippine Business Bank, Inc. (A Savings Bank)” which the shareholders believe better reflects the Bank’s business thrust and focus.

The Bank’s focus is to become the bank of choice of the SME market segment. The BSP defines small and medium enterprises to be any business concern with assets between ₱3.0 million to ₱100.0 million, excluding the land value on which the entity’s office, plant and equipment are situated.

This focus on the SME market is driven by the size and potential of this particular market. According to recent data from the Department of Trade and Industry, SMEs account for 99.5 percent of total registered enterprises. The Bank believes that the SME segment is the major source of entrepreneurship and economic dynamism which provide trade, manufacturing and outsourcing and services and help contribute to community and local development. Lastly, the Bank believes that the SME segment is underserved with most financial institutions focusing on the banking requirements of large corporations.

To become the bank of choice of the SME market, PBB has increased its branch presence in several commercial and industrial centers of the country and recruited branch and account officers with extensive client networks in these specific communities. The Bank’s network grew from two (2) branches in 1997 to 159 branches as of December 31, 2020 with most branches located in areas with high concentration of small and medium businesses such as Caloocan, Malabon, Navotas, Valenzuela and Quezon City. PBB has also aggressively expanded its branch network in highly urbanized areas outside Mega Manila such as Davao, General Santos, Bacolod, and Cebu. PBB believes that client proximity, understanding its targets’ banking requirements, the reputation of its branch and account management staff within their respective communities, and the overall reputation of PBB, are the key growth factors in the banking business.

PBB attributes its strong growth and attractive financial performance to the following competitive strengths:

1.Strong presence, reputation, and attention to its SME customers

The Bank believes that its deliberate focus on serving the banking needs of the SME market segment is a key factor for its successful growth over its history. Aside from potential size of this market segment, the Bank also believes that the SME segment is largely underserved by most financial institutions with their focus on large companies and the consumer market.

PBB’s focus on the SME segment is manifested in its branch strategy, the recruitment of its officers, its business operations, and even its corporate culture.

Majority of PBB’s branches are located outside of typical commercial and business districts where most banks congregate and are situated in areas with significant SME concentration such as Caloocan, Malabon, Navotas, Valenzuela, Quezon City as well as highly urbanized areas outside Mega Manila such as Davao, General Santos, Bacolod, and Cebu. Aside from targeting such areas, PBB has also significantly increased the number of its branches over the past years.

The Bank believes the success of this branch strategy is shown in its increased business volume. PBB's branches have increased over the past five (5) years from 134 in 2015 to 159 as of December 31, 2020. As a result, PBB's deposit base grew from ₱55.0 billion in 2015 to ₱100.4 billion in 2020. Net loans and other receivables also increased from ₱41.7 billion in 2015 to ₱89.3 billion as of December 31, 2020, a16.42% CAGR.

Of equal importance to PBB's current and prospective growth is the staffing of these branches. The Bank aggressively recruits branch managers and account officers who have established good relationships and solid reputation within each branch's catchment area. Through this recruitment strategy, PBB has been able to accelerate its client acquisition.

In line with its view that most SME clients have unique banking requirements with respect to bank transactions that require specific attention, PBB has also deliberately focused on providing its banking services through its branch officers and staff. This contrasts significantly with the trend to automate banking transactions. PBB believes that customer interaction and service will remain key ingredients for its growth.

2. Effective capital utilization

Aside from interest income from its loan products, PBB is opportunistic with respect to earnings generation from its treasury operations especially during periods of weak loan demand or excess liquidity. PBB's Treasury Services Group, in coordination with the Bank's Asset and Liability Committee, ensures the Bank's liquidity, manages liquidity risk, manages the Bank's trading portfolio of domestic treasury debt, corporate bonds, foreign currency denominated bonds, and other financial instruments.

In 2015, PBB's trading portfolio amounted to ₱9.1 billion, ₱7.1 billion in 2016, ₱2.4 billion in 2017, ₱4.9 billion in 2018, and ₱14.8 billion in 2019. As of December 31, 2020, the portfolio of the Bank was at ₱17.9 billion.

3. Solid lending policies and practices

Despite the growth of PBB's loans and receivables, the Bank has successfully managed credit risk through its internal credit risk rating system, loan evaluation and approval practices, and other formal credit risk mitigating processes. Supplementing these formal processes is PBB's relationship and community-based approach to lending, which takes advantage of branch and account officers' position in their respective communities to analyze prospective borrowers' reputation, business performance and risks, and other credit evaluation factors.

The Bank believes that the advantages brought about by these processes have equal weight to its formal credit evaluation efforts, especially for prospective SME clients.

PBB's NPL ratio was at 2.12% in 2017, 1.75% in 2018, and 2.33% in 2019.

The Bank's NPL ratio stood at 4.07% as of 2020 as a result of the pandemic and the subsequent recession. The Bank performs regular portfolio management reviews to determine potentially problematic accounts and initiate corrective actions if needed.

4. Sound balance sheet well positioned for growth

PBB has consistently maintained a sound balance sheet which positions the Bank for future growth. Liquidity, as measured by the ratio of loans to deposit, in2015, 2016, 2017, 2018, 2019, and 2020 was at 75.86%, 87.32%, 95.96%, 97.77%, 91.66%, and 88.93%, respectively.

5. Strong capital base is the foundation to PBB's increasing size

In %	2015	2016	2017	2018	2019	2020
Equity, in Bn	8.5	9.6	10.2	11.4	12.9	**13.9**
Tier 1 CAR	16.96	16.17	13.09	14.01	12.80	**13.27**
CAR	17.70	16.99	14.00	14.99	13.70	**14.15**

PBB's CAR and Tier 1 CAR are consistently above the BSP thresholds of 10.0% and 7.5%, respectively. The Bank continues to monitor its capital levels relative to its business needs and requirements.

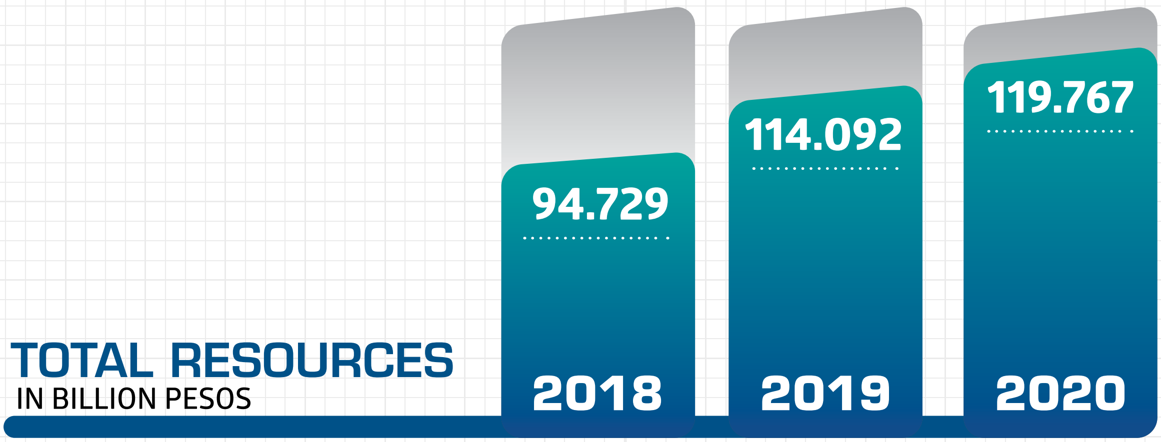
6 .Highly competent and experienced management team

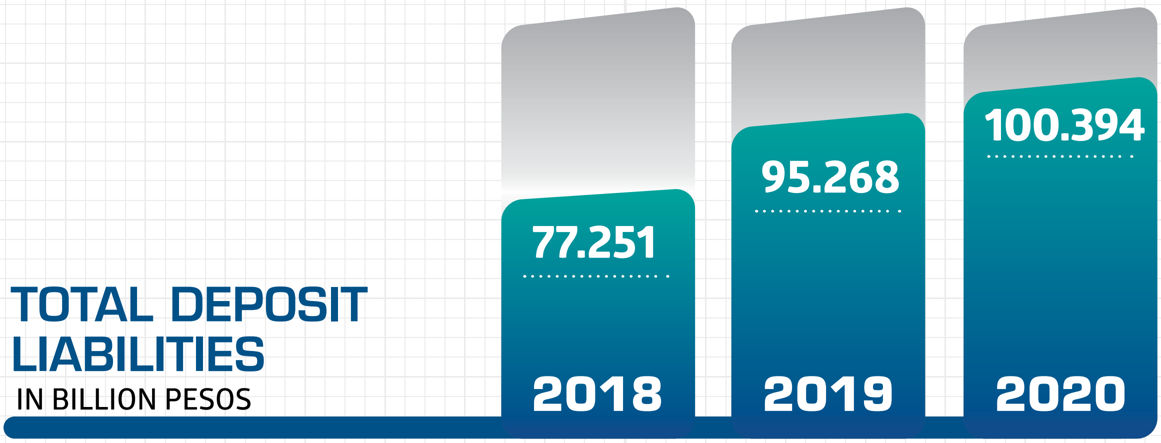
With significant oversight from the Board of Directors, PBB is managed and run by officers who have extensive experience in banking operations from leading universal and commercial banks in the country. With the experience and track record of officers, from the head office and throughout its branch network, the Bank is assured that it possesses extensive knowledge of all aspects of the banking industry, strong relationships with other banks and financial institutions, and familiarity with the Bank's target clients and their banking needs.

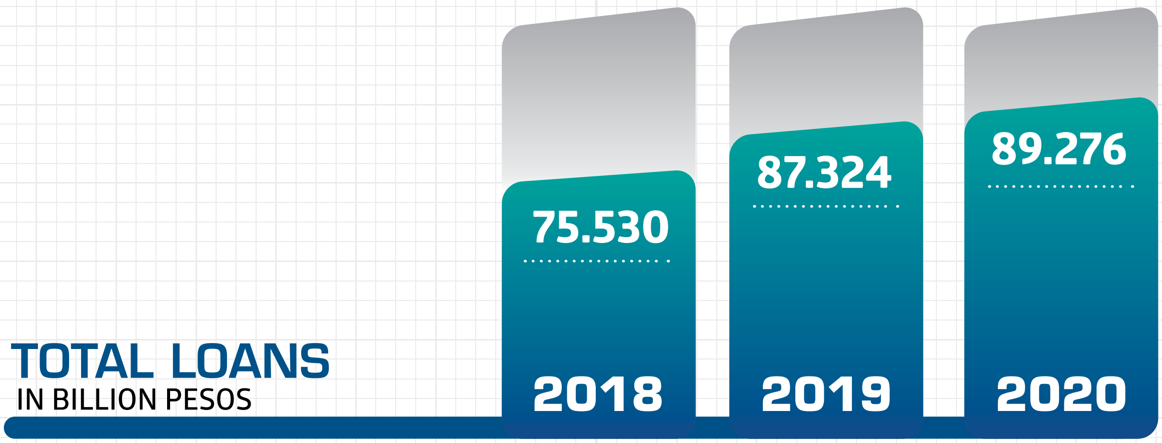
Financial Highlights

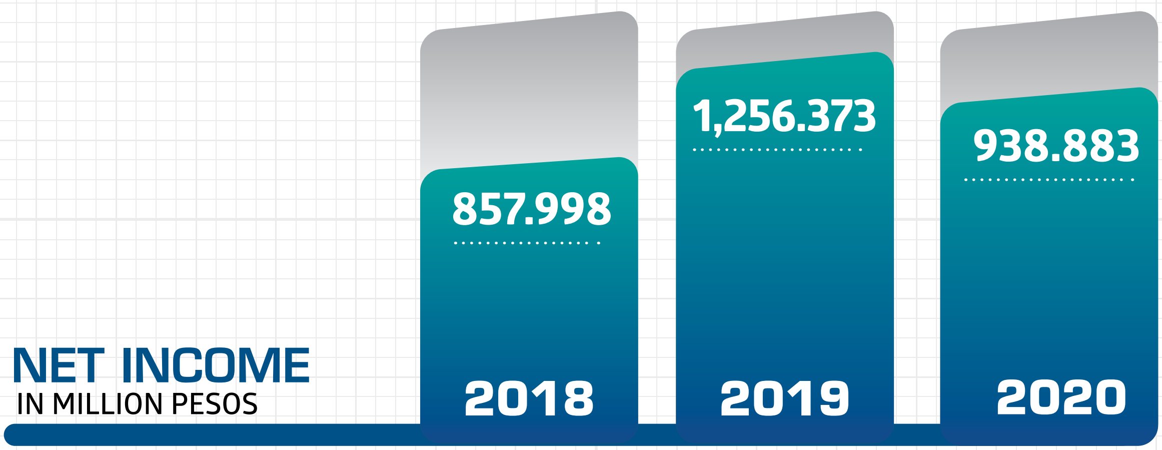
In Php millions, except per share data	31-Dec-19	31-Dec-20	% growth
Profitability			
Net interest income	4,551	5,628	23.7
Non-interest income	797	1,170	46.7
Non-interest expenses	3,094	3,264	5.5
Pre-tax pre-provision profit	2,254	3,533	56.7
Allowance for credit losses	561	2,336	316.2
Net income	1,256	939	(25.3)
Selected balance sheet data			
Liquid assets	23,966	27,281	13.8
Gross loans	85,620	90,388	5.6
Assets	114,092	119,767	5.0
Deposits	95,268	100,394	5.4
Equity	12,868	13,876	7.8
Per common share data			
Net income per share:			
Basic	1.64	1.46	(11.3)
Diluted	1.64	1.46	(11.3)
Book value	19.03	20.59	8.2
Others			
Headcount	1,705	1,615	(5.3)
Officers	714	722	1.1
Staff	991	893	(9.9)
Selected Ratios			
Return on equity	10.37%	7.02%	
Return on assets	1.20%	0.80%	
Net Tier 1 CAR	12.80%	13.27%	
Capital adequacy ratio	13.70%	14.15%	

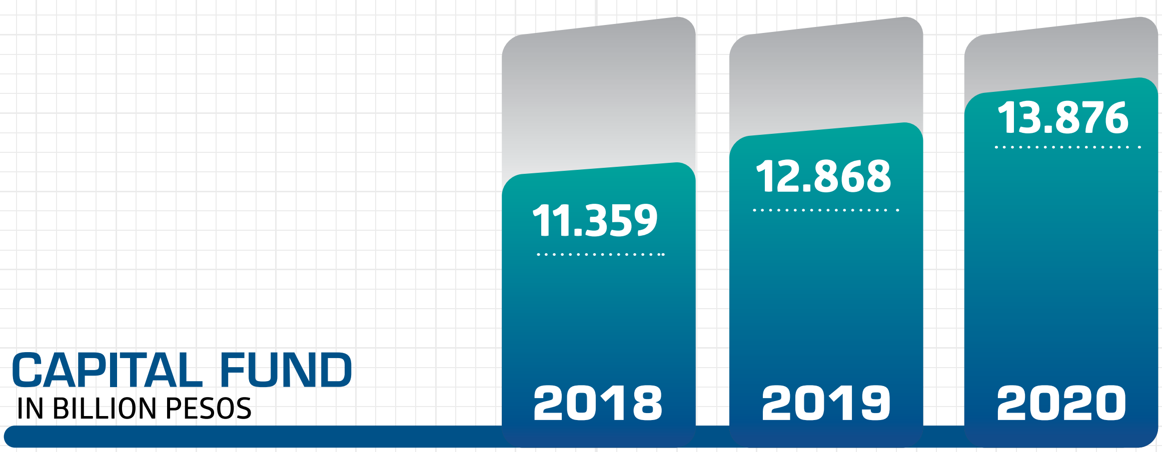
Financial Highlights






TOTAL LOANS
IN BILLION PESOS
75.530
2018
87.324
2019
89.276
2020


NET INCOME
IN MILLION PESOS
857.998
2018
1,256.373
2019
938.883
2020


CAPITAL FUND
IN BILLION PESOS
11.359
2018
12.868
2019
13.876
2020

THE CHAIRMAN EMERITUS AND THE CHAIRMAN OF THE BOARD

Dear Fellow Shareholders,

When Philippine Business Bank started its operations in 1997, PBB's purpose is to support the financial well-being of our clients, the community, and to provide strength in uncertain times.

This year has been extremely challenging for many of our clients, the economy and the Philippine community at large – initially due to the Taal Volcano eruption that covered many towns in ash, displaced thousands in the southern Tagalog region, and disrupted the bustling tourism hub surrounding the volcano and Taal Lake; the devastating typhoons that hit the different parts of the Philippines which caused massive flooding in several regions; and due to the Corona virus pandemic which triggered a record number of job losses and business closures. We have therefore been determined to provide financial relief to households, keep working capital and credit flowing for businesses, deliver performance for our shareholders, and facilitate economic activity and financial stability more broadly.

Our people and the Bank's leadership management team did their job by responding quickly and effectively to the demands of COVID-19 – by meeting client needs and supporting the delivery of the Government's stimulus initiatives. This has included helping businesses and individuals to access the Bayanihan To Heal as One Act and the Bayanihan To Recover as One Act by extending what is necessary.

WE BECAME BETTER

Throughout the year, the Bank has allowed management to focus on the performance of our core banking businesses and by providing service at its best for clients. We have continued to make significant improvements in the management of non-financial risk, including better operational risk and compliance practices, thereby supporting balanced and sustainable outcomes for all our stakeholders.

OUR PERFORMANCE

PBB performed well in 2020 with the strong focus on the growth in our core banking businesses. Net profit was lower primarily by 25 percent due to the impairment provision taken for the expected impacts of the COVID-19 on our clients and the economy and possible credit losses.

Prudent balance sheet management underpinned the Bank's resilient funding and liquidity positions. Total resources reached Php 119.8 billion in 2020 from Php 114.1 billion in 2019. The Bank's minimum liquidity ratio ended at 26.60%, above the statutory 16.00% requirement. On the funding side, deposit liabilities increased to Php 100.4 billion at the end of December 2020.

THE CHAIRMAN EMERITUS AND THE CHAIRMAN OF THE BOARD

OUR ESSENCE

Since its inception, PBB has focused on being the bank for the MSMEs. We have always tailored fit credit facilities for our clients that made a difference in how they operated their businesses more especially during this crisis.

But the essence that makes a financial institution a community bank, are not just products and services…but most of all the people. And for twenty three years, PBB has had a consistent supply of outstanding people who cared about their clients, their co-workers, and their community. Despite the pandemic related anxiety and risk involved with a public-contact essential business, PBB employees continue to maintain normal on-site, in-person, work schedules to operate the Bank and serve our clients. PBBankers have done everything asked of them, and more, while maintaining a positive and supportive attitude. I am proud and privileged to be part of this group of workday warriors (frontliners).

ACKNOWLEDGEMENT

We are proud and inspired by the way our company has risen to this challenge - with flexibility, resilience, courage – and a compassionate heart.

On behalf of the Board and management, we sincerely thank our clients, employees, and shareholders, for your continued support. Thank you for your enormous contributions. Let us work together – across all parts of the business - to keep going. Let us make this one of our finest hours. Let us make things happen…Today!

Sincerely,

Ambassador Alfredo M. Yao
Chairman Emeritus

Jeffrey S. Yao
Chairman of the Board

VICE CHAIRMAN & PRESIDENT/CEO

Dear Shareholders,

I write to you at a time when the world is trying to come to terms with a pandemic which has disrupted our way of life. Unlike any of the predictions based on a traditional approach to business and predicting, we now know that 2020 became the year where business, professional and personal plans were turned upside down, reshaped and put-on hold. The proverbial black swan had arrived.

At the start of the global pandemic, no one had a clue on where things were headed. We have seen how this contagion, which prompted the Philippine government to impose the longest and harshest lockdown protocols in the world, dragged the local economy to its worst recession in history, bludgeoned even some of the biggest and most stable enterprises and resulted in record job losses. The hardly hit sectors or the high-risk sectors consist of industries that are least likely to remain operative with containment measures in place or are experiencing (or are likely to experience) sharp slumps in demand due to the pandemic. These sectors include manufacturing, transportation and storage, tourism industry, hospitality industry – that involve accommodation and food service activities, and arts, entertainment and recreation. But the major victims of the COVID-19 outbreak are micro, small, and medium-sized enterprises (MSMEs).

But luckily for PBB, we have a 360-degree view on how different industries are adapting because of the number of industries we serve. For instance, we saw that there was a rise in logistics, e-learning, and e-commerce while the travel industry was significantly impacted.

The leadership at PBB has handled the onset of this pandemic deliberately and carefully understanding the economy and our clients. Your Bank is well positioned as they deal with the pandemic by launching several innovative initiatives.

REPONSE TO THE COVID-19

Working alongside governments, we deployed our strong balance sheet judiciously to support our business and retail clients, providing assistance to tide them through unprecedented financial challenges. We set up restructuring teams to help our clients manage their financial obligations after government reliefs end.

We are appreciative of the efforts of regulators and government bodies across the region in ensuring liquidity in the banking system and implementing much-needed relief programs – the Bayanihan to Heal as One and the Bayanihan to Recover as One - for businesses and individuals. These measures have been instrumental in cushioning the economic shock. They also gave us time to work through restructuring solutions with our clients.

Taking care of our clients required that we take care of our people first. During the lockdown, we enabled the non-frontline of our workforce to work from home without compromising the quality of our customer service or our robust risk management and security standards. We implemented safe management measures, staggered work hours, split teams and provided additional care benefits, which included seeing to the mental well-being of our people.

We also stepped up our community efforts, including raising money during the year. The funds raised were used to purchase face masks, bath soaps, Vitamin C tablets, canned good, rice and noodles for the No Work – No Pay workers, tricycle drivers, security guards and needy families as well as to provide disadvantaged children with modular and online learning resources.

FINANCIAL PERFORMANCE

To turn now to the performance in FY2020, against this backdrop, PBB demonstrated remarkable resilience. Fraught as the year was with its unprecedented difficulties, PBB achieved net profit of Php938.9 million for 2020, 25% lower than the year before, as we conservatively frontloaded general allowances in anticipation of rising defaults in 2021. Specific allowances increased with a general deterioration in credit quality that was to be expected in such an environment.

In spite of the difficulties posed by the COVID-19 pandemic, PBB was able to grow its core business. Our net interest income of Php 5,627.6 million for year-end 2020 increased by 23.7% Year-On-Year. Core income grew to Php 2,783.7 million from Php 1,961.6 million, a 41.9% increase YoY. Trading gains expanded to Php 749.3 million from Php 292.7 million in 2019, up 2.6 times. Pre-tax preprovision profit rose to Php 3,533.1 million, up 56.7%.

Year 2020 should have been PBB's banner year, but we would rather be PRUDENT by setting up an accelerated provisioning strategy as we continue to be in the middle of this crisis, setting aside a total of Php 2,335.8 million for loan loss reserves, more than four (4) times higher than last year's amount of Php 561.2 million. This provisioning will help cushion the Bank from the uncertainties surrounding the pandemic. Both the Bank's core income and pre-tax pre-provision profits improved in 2020, exhibiting the Bank's ability to generate cash earnings, reaching Php 2,783.7 million and Php 3,533.1 million.

Total loans and receivables grew to Php 89.3 billion as of December 2020. Total resources reached Php 119.8 billion in 2020 from Php 114.1 billion in 2019. On the funding side, deposit liabilities increased to Php 100.4 billion at the end of December 2020. Current and savings deposits ("CASA") grew 14.6%, while time deposits ("TD") reached Php 50.4 billion. Management of the Bank's deposit portfolio improved deposit mix from 46:54 to 50:50 CASA to TD ratio.

Shareholders' equity was at Php 13.9 billion, equivalent to a book value per share of Php 20.59 net of preferred shares. Net interest margin also improved to 5.00% in 2020 against 2019's 4.52%. The Bank's minimum liquidity ratio ended at 26.60%, above the statutory 16.00% requirement. Over the last five years, the Bank's net book value per share has grown 11.0% per year, from Php 12.19 at the end of 2015 to Php 20.59 in 2020.

As of 31 December 2020, the PBB's CAR and Tier 1 CAR are consistently above the BSP thresholds of 10.0% and 7.5%, respectively and we remain well-placed to support our clients and to seize opportunities for growth.

HONING OUR OWN PEOPLE

People are our greatest asset. We take our duty of care to them very seriously and focus on their professional and personal fulfillment.

We firmly believe in growing our own people and honing their skills. We open up opportunities for our people to progress on their chosen career paths, including through leadership development initiatives. We also deepen our talent pool by welcoming specialist skills to help us build our business further and faster.

In 2020, we invested in training programs for our colleagues: the Board of Directors, the senior management, and the lending officers. PBB conducted two (2) economic briefings, about the Philippine economy and the Philippine Real Estate economy – two areas essential for future relevance.

The Management conducts regular virtual town hall meetings to get our team aligned around company goals, celebrate their wins, and openly communicate with the entire organization. The virtual meetings also serve as an avenue to constantly remind our employees of the observance of safety protocols inside and outside the workplace. PBB's physician takes the lead in conducting these virtual reminders.

We have taken a position to establish new remote work guidelines for a post-COVID-19 world. Broadly, our people will have the option to work remotely, dependent on their job scope. They will have more control of their work-life balance while staying connected with their colleagues and the Bank. We are also accelerating our office transformation plans to support our agile work model.

PBB's PROMISE

This crisis is something that everyone has never experienced before, and it has a wide-ranged impact on the global industrial and commercial environment. Every time a crisis occurs, banks always play a very important role, and it is a very important part of risk aversion. The outlook for the epidemic is not optimistic. I don't know when it will end, and the banking industry must collectively respond to it.

The whole banking sector is at the forefront in addressing this crisis, thus, we play a pivotal role in assisting the clients by continued credit support, adapting to the existing banking facilities attuned to the effects of the COVID-19 structure. The pandemic has affected the operation of the entire banking system, but it has also prompted bank clients to have a better chance of accepting the arrival of changes in banking procedures. PBB has adapted a more thorough credit policy, but still making available loan lines to its target market, the SMEs. PBB is willing to help clients overcome difficulties.

RESILIENT AND HOPEFUL

Following a year of mayhem, there remains a glimmer of hope as early signs of recovery can be seen in 2021.

Resolving the crisis will remain the focus of all governments. Vaccines bring hope to many that the worst is behind us. However, for many economies, recovery will be neither smooth nor swift.

PBB entered the crisis from a position of strength and we have proven to be resilient. Guided by our vision: "By making things happen today, PBB will help build strong business communities where people can achieve their dreams," we will continue to help businesses to advance responsibly, to steer wealth to sustainable investments and to foster social inclusion and environmental well-being.

ACKNOWLEDGEMENTS

It goes without saying that 2020 has been a year like no other. As unrelenting as the headwinds were, what I saw — citizens and communities across the world exhibiting courage, humility and sacrifice — made me optimistic. Resilience is what defined 2020, but more importantly, it will be what takes us forward.

Thank you to our employees, partners, regulators and everyone who joined us on the journey this year. The shareholders and the Management of PBB laud the response that the BSP has acclimatized – to safeguard the economy and the banking system through the policies and circulars the BSP has circulated. I would also like to thank the Board for its steadfast support and confidence in the management team throughout this year of unprecedented challenges.

Finally, to our loyal clients, friends and shareholders, thank you for your faith in PBB over the last year and for the many years to come. I look forward to going back to normalcy and to the prospect of a new year in which we can see each other in person, share a handshake or a hug, and pass one another in the hallway with a smile and a simple "Good morning."

Sincerely,

Rolando R. Avante
Vice Chairman and
President/ Chief Executive Officer

2020
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PRINCIPAL BUSINESS ACTIVITIES

Principal Business Activities

PBB provides close to a full range of banking services and products, including cash management, retail and corporate lending, deposit products, international trade finance, treasury, and trust products.

Commercial Banking Group

The Commercial Banking Group services the SME and mid-market segments which are PBB's key clientele. The Bank's ability to tap into SMEs lies in the DNA built by its founder, Alfredo M. Yao, being a business owners entrepreneur himself. The group then grew its presence in the countryside where SMEs run their operations and has currently allowed PBB to benefit from the current infrastructure and development boom in such areas.

The group is divided into eight (8) business units geographically located from north to south of the Philippines. PBB believes that client proximity, understanding its targets' banking requirements, the reputation of its branch and account management staff within their respective communities, and the overall reputation of PBB, are among the key factors which have driven and will continue to drive its growth.

Combank will continue to develop a strong sales culture to attract the SME market as well as their network of suppliers and clients as part of its push for organic expansion. The group is also working on improving its turnaround times to address the requirements of the market.

Corporate Banking Group

Corporate Banking Group provides wholesale banking products and services to large corporate accounts, the segment next to medium enterprises or middle commercial market. These include major businesses from publicly listed companies, large conglomerates, national and multinational accounts on its various project and developmental loans.

Corbank will continue to manage its existing portfolio and will adapt to the new challenges, heading to the new normal business environment. The group will continue to provide financial services tailor fitted to the financial requirement of our customers in this changing market and business environment.

Consumer Banking Group

The Consumer Banking Group offers traditional and program-based consumer loan products that target market niches with high volume opportunities, e.g. unserved and underserved retail market segments. Following the merger of PBB and ISB, the Bank expanded its product line adding second-hand car loans, personal and salary loans, teacher loans, truck and home equity loans, and microfinance loans.

To reach the retail market segments, the group expanded its network through the establishment of nine (9) consumer lending offices in the following areas: (1) National Capital Region, (2) Cebu, (3) Davao, (4) Batangas, (5) Baguio, (6) Cagayan de Oro, (7) Bacolod, (8) Legazpi, and (9) Iloilo. Consumer finance desks in the Vis-Min region are housed in PBB branches in Bacolod, Cebu, and Iloilo.

To mitigate the impact of the pandemic, the group implemented a conservative lending and collections policies. Marketing was directed towards high quality accounts such as depositors, repeat customers, or generally, profile of borrowers with high credit score that belong to industries appearing to be withstanding the impact of the pandemic. Credit standards were revised to fit the current environment and prudent lending was applied to ensure that desired profile of borrowers get into the system. Adequate collection resources, restructuring programs and focus on recovery became the primary objective.

Retail Banking Group

The Retail Banking Group is engaged in the Bank's core business such as deposit and loan generation. The group is responsible for providing marketing support to branches via lead referrals, cash incentive programs, and cross-sell initiatives. It utilizes a decentralized sales strategy, allowing for tailor-fit tactical outreach initiatives within each locality.

The Bank offers a comprehensive range of deposit products consisting of the following:

Principal Business Activities

1. Checking account
2. Savings account
3. Automatic transfer account
4. Payroll account
5. SSS pensioners account
6. Peso time deposit w
7. Hi-5 time deposit
8. Dollar time deposit
9. Hi-Green deposit
10. Dollar savings
11. Chinese Yuan/ Renminbi savings
12. Campus Savers
13. E-banking/Business Connect

The group is composed of: (1) Branch Banking Group which grows deposit levels, generates and services loan referrals, and sells Trust and Treasury products; (2) Retail Sales Group which supplements the marketing and sales efforts of BBG; and (3) Branch Operations and Control Group which ensures the day-to-day operations in the branches are in order.

Branches are encouraged to transact foreign exchange trades particularly the USD and RMB currencies. PBB is one of the 14 banks authorized by the Bank of China (BOC) to trade Renminbi directly to Philippine peso. More importantly, the branches' focus will revolve around building personal and professional ties in the community and fostering true business partnership relationships with the Bank's clients. PBB's total network ended at 159 branches, inclusive of the 10 ISB branches.

Treasury Services Group

Treasury Services Group's main responsibility is to manage and balance the daily cash flow and liquidity of funds of the Bank. The group also handles the Bank's investments in securities and foreign exchange.

The general mission of TSG is to manage the liquidity of the Bank. This means that all current and projected cash inflows and outflows must be monitored to ensure that there is sufficient cash to fund company operations, as well as to ensure that the excess cash is properly managed and invested. TSG is divided into four sub-units namely:

1. Assets & Liabilities Management: manages the Bank's resources and identifies opportunities in the interest differential business;
2. Fixed Income Desk: monitors the daily movements of corporate bonds and US treasuries for investments and handles the trading of government securities and sovereign bonds;
3. Foreign Exchange Management Desk: oversees all foreign exchange transactions of PBB such as over-the-counter market for trading securities and interbank dealings; and,
4. Financial Market Sales and Distribution Unit: markets government securities and fixed income instruments to clients.

The group offers the following products and services:

- Philippine Domestic Dollar Transfer System – local transfer for US dollar;
- FX forward – hedging tools;
- Renminbi Transfer System - local transfer for Chinese Yuan;
- Auto FX services – against USD;

Principal Business Activities

- Telegraphic transfer - international cable transfer;
- Renminbi / CNY deposits;
- All other foreign exchanges, trade or non-trade related, and over-the-counter (OTC) whether against USD or PHP; and,
- Euro deposit (currently in the pipeline).

As the Bank continues to grow its balance sheet, available liquid capital, as well as its customer base, Treasury continues to be opportunistic in contributing to the Bank's profitability. This will be achieved through a combination of client flows as well as proprietary trading using the Bank's available liquidity.

Trust and Investment Center

Trust and Investment Center continued to grow its product suite of investment solutions ultimately helping its clients achieve their personal and financial goals, offering a wide array of products and services including escrows, insurance and pre-need trusts, unit investment trust funds (UITFs). TIC likewise endeavors to help its corporate clients recognize the value of establishing their own employee benefit trusts as a tool for employee retention, a solution they could access via TIC's retirement fund management service.

TIC continued to build on its substantial gains for the past 3 years and aims to further grow its business by being cognizant of the evolving needs of its clientele, along with targeted investments in systems and technology in line with the bank's digitization efforts.

Products and Services Offered

PBB is a thrift bank that offers a range of commercial and consumer or retail banking products, trust services, and other related financial services such as mail and telegraphic transfers, safety deposit facilities, payment services, among others.

Commercial banking services include term loans, working capital credit lines, bills purchase and discounting lines. PBB is the first thrift bank to be allowed by the BSP to issue foreign currency denominated letters of credit. The Bank also offers specialized loans for agriculture and programs of the Development Bank of the Philippines, the Social Security System, and other agencies.

Consumer banking loans include brand new and second-hand auto financing, home financing, and group salary or personal loans.

As part of its commercial and consumer banking activities, PBB offers various deposit products to both its commercial and individual clients. These products include Peso denominated current and savings accounts, foreign currency denominated savings accounts and both Peso and foreign currency time deposits.

The Bank's treasury manages the liquidity of PBB and is a key component in revenue and income generation through its investment and trading activities.

Products and services offered by PBB's trust operations include PBB's "Diamond Fund," a unit investment trust fund, investment management arrangements for both individual and commercial clients, escrow agency, security, safekeeping and depository arrangements, a funds management of employee benefit and pre-need plans, among other standard trust products and services.

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OPERATIONAL HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

Internal Seminars/ Webinars Conducted in 2020

CTR	TITLE OF SEMINAR	No. of Runs	Description	Target Participants
1	*Orientation of New Employees (O.N.E.) Program*	2	*An onboarding program conducted via live classroom sessions which introduces new employees to the Bank, its relevant policies and procedures, and its various units and their respective functions*	*Newly-hired officers and staff*
2	*Zoom Orientation of New Employees (Z.O.N.E.) Program*	1	*The online version of the O.N.E. Program*	*Newly-hired officers and staff*
3	*Signature Verification and Counterfeit Detection Seminar*	2	*A live classroom seminar that provides participants with the necessary skills to identify/detect fraudulent signatures and counterfeit bills*	*Newly-hired branch staff*
4	*AMLA Refresher via E-Learning System*	17	*An online training program that provides participants with a review and updates on current Anti-Money Laundering policies and regulations through the Bank's E-Learning System*	*All incumbent employees scheduled / due for AMLA refresher*
5	*AMLA Seminar for Directors and Senior Officers*	2	*A seminar covering updates on AMLA-related matters*	*Members of the Board of Directors and Senior Oficers*
6	*Recognizing Mental Health Issues in the Workplace*	4	*An online seminar that provides participants with ways to identify various mental health issues and how to deal with them*	*Head Office and branch staff*
7	*I'm Here To Help - Managing Mental Health in the Workplace*	4	*An online seminar that provides participants with ways to identify various mental health issues, how to help one's team members to deal with them*	*Head Office and branch officers*
8	*Online Kapihan on COVID19*	5	*An online seminar-cum-townhall meeting that discusses updates pertaining to COVID 19 and how to prevent its transmission*	*Head Office and branch officers and staff*
9	*First Aid & Basic Life Support Training*	1	*A live classroom training that provides participants with basic first aid knowledge and skills that they can use when responding to emergency situations*	*Identified first-aiders of Head Office units and branches*
10	*Meditation & Mindfullness Stress Alleviation Seminar*	1	*A live classroom session that teaches participants to manage stress through meditation exercises*	*Head Office officers and staff*

CTR	TITLE OF SEMINAR	No. of Runs	Description	Target Participants
11	Basic Motor Car, Commercial Fire Insurance & Claims Process Seminar	2	A project-based seminar that provides sales personnel with knowledge on insurance product features and selling skills techniques to offer the products to potential clients. Also discusses the processes, policies and procedures pertaining to the handling of insurance claims with emphasis on Average Claims applications.	Region Heads, Business Development Officers, Business Managers, Relationship Managers, Branch Service Heads and Marketing Assistants
12	Seminar on the Revamped APA	1	A project-based seminar that discusses the features and uses of the revamped APA	Relationship Managers
13	Compliance Seminar on Updates on AMLA, Compliance Testing, and Data Privacy Act	1	A project-based seminar that covers AMLA updates, details of compliance testing, and the pertinent provisions of the Data Privacy Act.	Branch Service Heads
14	Branch Officers' Development Program (BODP)	1	A developmental program consisting of several relevant modules conducted to train and prepare branch rank-and-file employees to assume the position of Branch Service Head	Identified branch rank-and-file employees who are being prepared for promotion to first-level officer position with the position of Branch Service Head
15	Sales Officers' Development Program (SODP)	1	A developmental program consisting of several relevant modules conducted to train and prepare identified rank-and-file employees to assume the position of Sales Officer	Identified rank-and-file employees who are being prepared for promotion to first-level officer positions with the position of Sales Officer

OPERATIONAL HIGHLIGHTS

External Seminars/ Webinars Conducted in 2020

CTR	TITLE OF SEMINAR	DATE OF SEMINAR	# OF PAX	PROVIDER
1	Amendments to AML / CFT Laws, Rules and Regulations and AML Risk Rating System	January 7, 2020	5	BAIPHIL
2	Regulatory Expectations on Cybersecurity Audit	January 24, 2020	1	Bankers Institute of the Philippines
3	Basic on Risk Management: Understanding Fixed Income and Interest Rate Risks	January 29, 2020	2	ACI Philippines The Financial Markets Association, Inc.
4	1st National Summit of CPAs in Commerce & Industry	January 30, 2020	2	PICPA MMR
5	Mastering Withholding Tax, VAT & Income Tax and Effects of Train Law	February 7, 2020	2	PICPA Inc.
6	The Realities of Digital	February 18, 2020	1	NOAH Business Application
7	BFSI Redifined	February 19, 2020	1	PLDT
8	653rd PMAP General Membership Meeting	February 26, 2020	2	PMAP
9	ECL Modelling for PFRS 9 Compliance	March 7, 2020	5	BAIPHIL
10	#ONEwithYou - PLDT Enterprise Virtual Indistry Forum	April 28, 2020	1	PLDT
11	Update from our pimary TELCO-PLDT	June 15, 2020	1	PLDT
12	Zero Trust: A Cybersecurity Game-changer	June 25, 2020	1	Globe
13	Xperience Nutanix: The IT Pro's Guide to Emerging Stronger	July 2, 2020	1	Nutanix
14	Applying Learning Styles in an Online Environment	July 13, 2020	1	PMAP
15	Managing Employee Mental Health and Well-being	July 22-24, 2020	3	Premier Value Provider, Inc.
16	2nd PMAP Digital Summit	July 29-30, 2020	4	PMAP

CTR	TITLE OF SEMINAR	DATE OF SEMINAR	# OF PAX	PROVIDER
17	*Recognizing and Managing Distressed Employees Post-ECQ*	*August 12, 2020*	*1*	*HURIS*
18	*Net Stable Funding Ratio Webinar*	*August 28, 2020*	*2*	*Money Market Association of the Philippines, Inc.*
19	*People Managers' Leadership Summit 20.20*	*August 28, 2020*	*1*	*Ariva Academy Philippines, Inc.*
20	*Work Smart, Not Just Hard: How to Boost your Productivity at Work*	*September 2, 2020*	*2*	*Ariva Academy Philippines, Inc.*
21	*The Real Estate Consultants*	*September 5-6, 12-13, 2020*	*6*	*Philippine Association of Realty Consultants & Specialists, Inc.*
22	*Fortinet Network Security Expert 1*	*September 9, 2020*	*1*	*Fortinet NSE Institute*
23	*Fortinet Network Security Expert 2*	*September 15, 2020*	*1*	*Fortinet NSE Institute*
24	*Liquidity Coverage Ratio & Liquidity Stress Testing Webinars*	*September 18 & 23, 2020*	*1*	*Money Market Association of the Philippines, Inc.*
25	*Addressing labor and Compliance Issues in the New Normal*	*September 22, 2020*	*1*	*Center for Global best Practices Foundation, Inc.*
26	*Fraud & Forgery Detection and Prevention Program*	*October 19-20, 2020*	*1*	*Bankers Institute of the Philippines*
27	*Social Security System: Calamity Loan Assistance Program (CLAP)*	*October 28, 2020*	*1*	*Ariva Academy Philippines, Inc.*
28	*Ethics & Etiquette in the PH Financial Markets*	*November 28, 2020*	*2*	*Ateneo De Manila University*
29	*Solving for Today's Success, Tomorrow's Growth*	*December 8, 2020*	*4*	*Google Cloud*
30	*Next Generation LAN & WAN Edge Network - A Security Driven Approach*	*December 9, 2020*	*1*	*Fortinet*
31	*VILT_Combined Practitioner (BCMP + ISMS)*	*December 14-16, 2020*	*1*	*Environmental Compliance Consultants Int'l Corp.*

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EVENT HIGHLIGHTS

EVENT HIGHLIGHTS

PBB CELEBRATES 23 YEARS as Your Partner in Growing Your Business!

Philippine Business Bank has thanked its supporters for a successful 23 years and is looking forward to serving its clients well into the future.

The Bank celebrated its 23rd birthday with an intimate event outside the Main Office branch starting with the raising of the Philippine Flag on Wednesday, followed by the celebration of the Holy Mass, then with free treats like ensaymada and Zest-O juice offered to all PBB personnel who helped celebrate the event.

According to Amb. Alfredo M. Yao, Chairman Emeritus: "The uniqueness of the PBB is that its success has been built on the fact we've had high customer engagement since we started operating."

"The Bank had gone from strength to strength and it had all been thanks to all your support. I am grateful to the directors, shareholders, businesses and customers who have continued to support us and helped us get to where we are today," Amb. Yao added.

With 23 years under its belt the PBB is looking forward to even more years of supporting the community.

The uniqueness of the PBB is that its success has been built on the fact we've had high customer engagement since we started operating.

Amb. Alfredo M. Yao
Chairman Emeritus

EVENT HIGHLIGHTS

PBB's first DIGITAL ANNUAL STOCKHOLDERS' MEETING

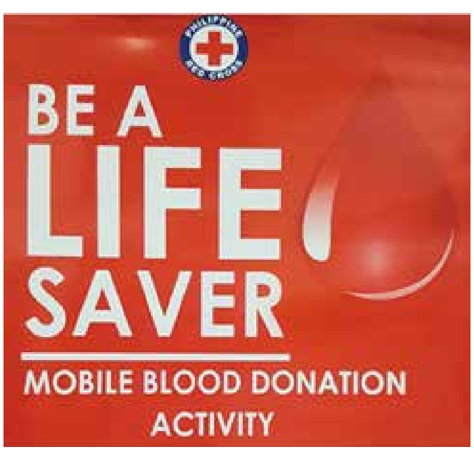
MOBILE BLOOD DONATION

On the Bank's 23rd Anniversary activity, a new program for the blood donation entitled "Mobile Blood Donation 2020" was promoted with the theme 'Be a Life Saver.'

The Blood Letting Day is observed every 14 of February at PBB – Annex Building, in coordination with the Philippine Red Cross- Caloocan Chapter. This day tries to create awareness about the need for safe blood and blood products. It also thanks blood donors for their contribution in saving lives.

An adequate supply of blood is necessary for optimum health and blood requirements occur during treatments including both planned and urgent. It is a life-saving resource that should be available in the right quantities to handle all kinds of emergencies. Blood donation helps blood services ensure a safe and sufficient amount of blood. In fact, the 2019 Blood Donation program of PBB helped six (6) PBB employees whose loved ones were in need of blood bags. Donating blood is one of the few things that is completely altruistic. This gives so much benefit to so many people.

The 7-hour blood drive program was a success. There were 73 blood bags obtained from this activity.



EVENT HIGHLIGHTS

PROJECT AMBAGAN:
A Proactive Donation Drive

As we watch the Coronavirus pandemic play out on a global scale, it's easy to feel helpless. But no matter who you are or what your situation, you can make a difference. Even if you are quarantined at home, there are still many ways to get involved and give back, including donating money or supplies, volunteering virtually, and checking in on people who might need support.

On April 17, 2020 PBB in partnership with the AMY Foundation spearheaded the Project Ambagan, a proactive donation drive with the objective of being involved by "giving back" to the greatly affected by the pandemic.

On the other hand, a sequel of the Project Ambagan was launched on December, 2020 where proceeds of the donation were given to the San Jose Balai Alima Foundation and the House of Abandoned Elderly.

PROJECT AMBAGAN:
"SPECIAL EDITION"

A wave of successive typhoons has brought things down over the heads of fellow Filipinos. Countless are displaced and many more have suffered losses brought on by violent winds and relentless rains. For those who have been lucky enough to have come out of all this unscathed, it's time to consider giving back.

This has been PBB's cue to launch a campaign – the Project Ambagan : Special Edition, to provide relief and other forms of assistance to survivors of these typhoons, which have wreaked havoc in the country

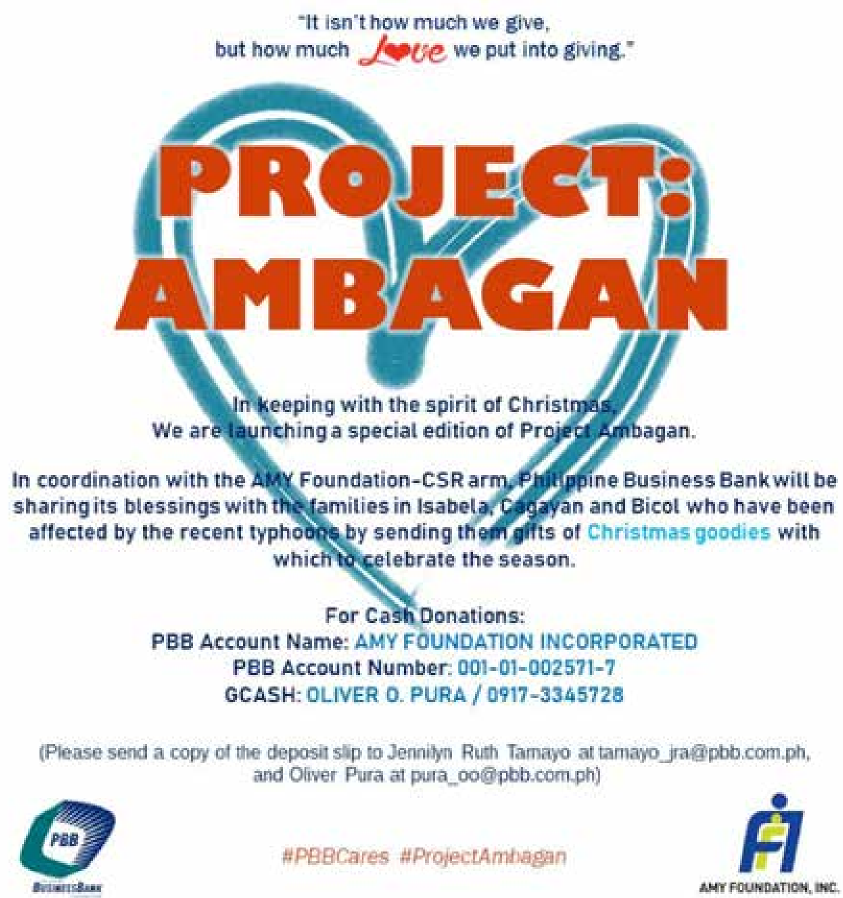
The funds raised were donated to the following areas:

· Guinobatan, Albay c/o Fr. Nomar Balmaceda of Our Lady of the Assumption, Diocese of Legazpi.

· Baragay Visitacion, Delfin Albano, Isabela area c/o RSH Geraldine Dumlao.

·Tuguerarao City c/o SO-Trainee Joyce Ngo.

A call to help Ulysses, Rolly, Quinta, And Siony victims



WEBINAR

The New Situation Of The Country's Banking And Financial Operations Under The New Normal.

Top row from left: Chairman Xu Changan, Vice Chairman and CEO of PBB Rolando R. Avante, Moderator Li Shangqiang, AUB CEO Manuel A. Gomez

On July 25, the Philippine-China Chamber of Commerce and Industry invited PBB's Vice Chairman & PCEO Rolando R. Avante as one of the keynote speakers on the lecture on "The new situation of the country's banking and financial operations under the new normal." The topic includes: 1. New regulations on deposits and loans. 2. Asset investment. 3. How to manage money through the bank.

Mr. Rolando R. Avante, said in his keynote speech: "This crisis is something that everyone has never experienced before, and it has had a wide-ranging impact on the global industrial and commercial environment. Every time a crisis occurs, banks always play a very important role, and it is a very important part of risk aversion. The outlook for the epidemic is not optimistic. I don't know when it will end, and the banking industry must collectively respond to it."

He also talked about investment opportunities, “The government needs funds now, and government bonds are a good choice among them. It is expected that bank deposit interest rates will be very low in the next few years. The government can borrow bonds to supplement the long-term Loan funds.”

The webinar was conducted via Zoom where 350 participants attended. The event was covered by United Daily News.

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RISK MANAGEMENT

RISK MANAGEMENT

PBB, as a financial institution, is in the business of taking risks. Its activities expose the Bank to various risks. Without risks, there may be no rewards. The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders. Risk management allows balance between taking risks and reducing the impact of said risks to the bank operations. The Bank continually updates and improves on its risk management processes and integrates them into the overall strategic business objectives to support the growth objectives of the Bank.

PBB aims to achieve a corporate risk culture where processes and structures are directed towards the effective management of potential opportunities and adverse effects to the Bank's business, as well as optimization and protection of its capital base and earnings with all its risk-taking activities.

Risk management fundamentals:

1. Portfolio management by designated and accountable risk personnel
2. Allocation of capital based on associated risks for each business unit
3. Denotation of processes and output into quantifiable measurements
4. Transparency and meritocracy

Enterprise Risk Management Framework

The Bank's Enterprise Risk Management (ERM) Framework is an integrated approach to the identification, measurement, monitoring, control, and disclosure of risks. Capital allocation and preservation through prudent limits and stringent controls isan integral part of the governance structure. The Board of Directors formulates the corporate risk policy, sets risk tolerances and appetite, and provide risk oversight function through the Risk Oversight Committee, which in turn supervises the Chief Risk Officer and Head of the Enterprise Risk Management Group (ERMG) in the development and implementation of risk policies, processes and guidelines. The framework encompasses corporate governance and covers the risk spectrum of strategic, compliance, reputational, operational, market, liquidity, and credit. The ERM process flow is coordinated with all stakeholders of the organization and deploys three (3) lines of defense to ensure that the risk management objectives are achieved: management control, risk control & compliance oversight, and independent assurance.

Risk Management Process

The Bank envisions achieving risk and returning consciousness among employees, anchored on streamlined processes, reliable Management Information System, competent and responsible risk takers, and good internal control, monitoring and escalation system, and reward system to meritocracy. ERMG is tasked to institutionalize an effective risk management framework that will encompass the foregoing risk management processes.

IDENTIFY	MEASURE	CONTROL	MONITOR AND REPORT
• Defining the risk universe and identifying key risk exposures as to their relevance	• Quantifying extent of risk exposure on a specific and aggregate basis, and measuring probable impact to earnings, capital, and liquidity	• Implementing the risk appetite of the Board through risk policies, and categorizing risks as to mitigation plans (eliminate, minimize, or retains risks)	• **Monitoring effectiveness of risk mitigation controls and reporting risk exposure levels and actions taken to appropriate bodies (Board, ROC, senior management), for better risk governance**

The Risk Oversight Committee, supported by ERMG and in constant coordination with executive and other board-level committees, oversees the risk profile and risk management framework/processes of PBB. This ensures that risks arising from the Bank's business activities are properly managed, integrated into, and used as basis for overall governance, strategy and planning, decision making and accountability purposes at all relevant levels of the organization.

ERMG, headed by the Chief Risk Officer, develops and reviews risk policies, and elevates to management the various aspects of risks being faced by PBB. In addition, it also performs an oversight and monitors the performance of the different Business Units thru various reports and tools.

The Bank's philosophy is that responsibility for risk management resides at all levels in the organization. All PBB employees are considered risk managers. The Bank's corporate governance aims to achieve corporate culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. ERMG shall continue to improve the framework in support of the Bank's strategic plans in order to achieve its mission, vision and objectives. Every organization's optimal efficiency depends heavily on the effectiveness of its risk management processes, thus, PBB's day-to-day activities are undertaken under the integrated risk management approach.

Further, the Bank incorporates the essential components of Model Risk Management framework as an integral process in risk management.

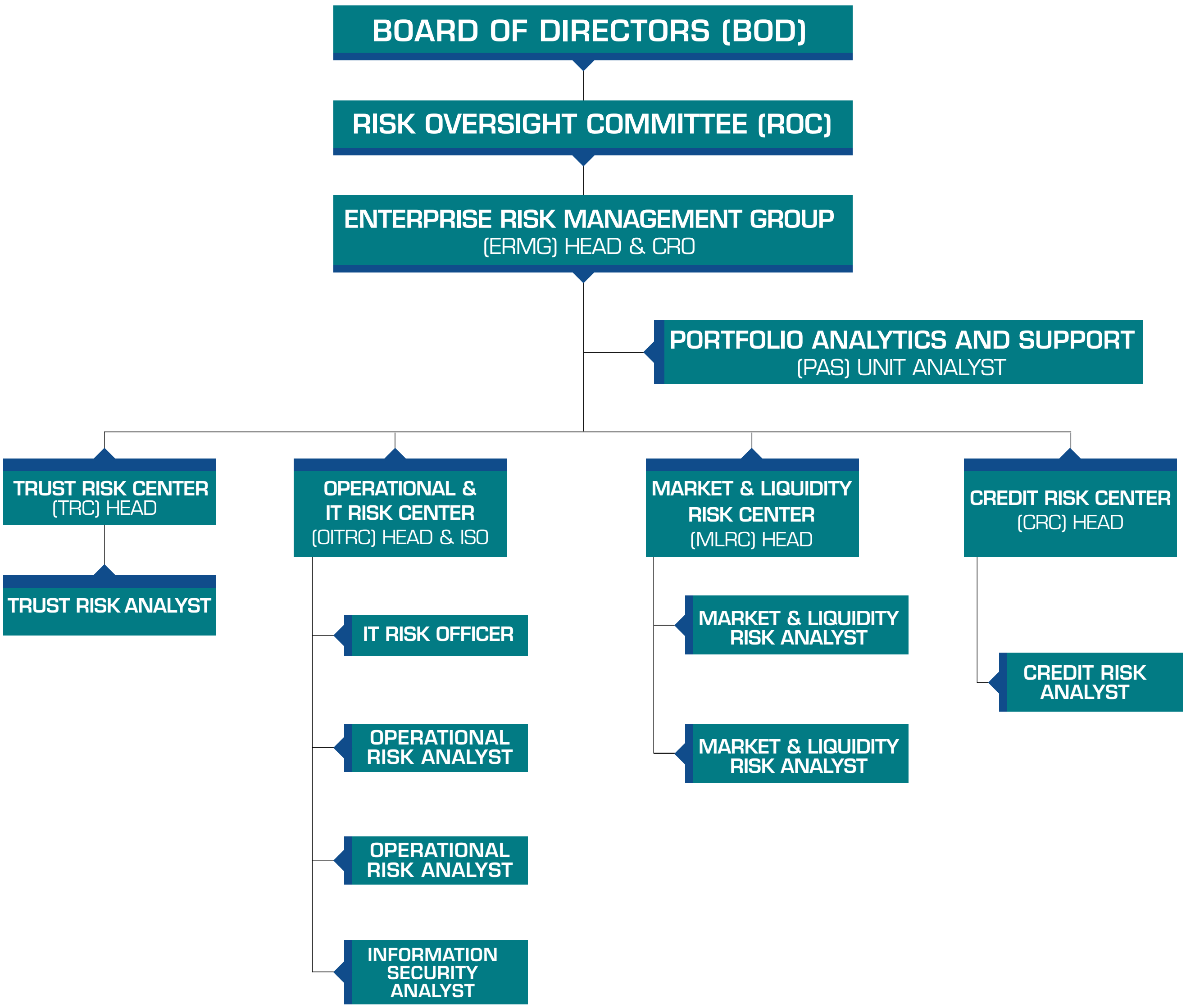
RISK MANAGEMENT

1st Line of Defense - Model Ownership (Modeler / User)	2nd Line of Defense - Model Control (Model Reviewer / Checker)	3rd Line of Defense - Model Validation (Model Validator)
The role lies with the end-user which is primarily responsible for ensuring that the model is properly used as well as for reporting any errors and inconsistencies. Role specifically includes: More rigorous model testing during implementation phase. Ongoing monitoring of model performance Post implementation and testing. Introducing an IT infrastructure allowing for model user feedback	Conducts thorough inspection of model's quality by capturing potential operational errors and lapses. Adverse results should be coordinated with the model for correction and improvement or to the model validator for a more extensive review.	Function that oversees compliance with policies by the other two roles. The role is usually conducted by Compliance and/or Internal Audit Center. Role is: More focused on process and controls rather than model-level content. Focused on assessment of the process for establishing and monitoring limits on model use. Should conduct clear documentation of findings noted and reported to senior management and Board.

OVERVIEW: ERMG ORGANIZATIONAL STRUCTURE

- Develop and manage the enterprise risk management thrust of the Bank by aligning the bank strategies to its risk management objectives.

- Promotes a corporate risk culture



RISK MANAGEMENT

Risk Management Policies and Objectives

Credit Risk Management

Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures.

The Bank's Credit Risk Management Framework seek to fundamentally strengthen credit risk management practices and provide minimum set of operating standards that are consistent with BSP regulations and the Basel standards. PBB is committed to adopt sound policies and practices and institutionalize these within the organization:

- Establish an appropriate credit risk environment
- Operate under a sound credit granting process
- Maintain an appropriate credit administration, measurement and monitoring process
- Maintain an appropriate control process

The Bank has instituted improvements on its credit policies, which includes large exposure and credit concentration. Credit process streamlining has also been initiated to ensure that commensurate controls are in place while the Bank continues to device ways to improve on its credit process.

The initial recognition of credit risk by individual or group of related counterparties is done via its internal credit risk rating system (ICRRS). The ICRRS is tailored to consider various categories of counterparty. The rating system is further supplemented with external data such as credit rating agencies' scoring information on individual borrowers.

The ICRRS is established by the Bank in congruence with and in reference to the credit risk rating methodology used by an established rating agency in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Bank for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between risk ratings). Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans and the loan loss provision of which are based on the loss given default.

Management considers additional information for each type of loan portfolio held by the Bank:

(i) Retail or Consumer Loans

Subsequent to initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. At the initial adoption of PFRS 9, the ECL parameters were carried on collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.

(ii) Corporate and Commercial Loans

For corporate and commercial loans, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This will determine the internal credit rating and the PD.

(iii) Debt Securities at Amortized Cost and at FVOCI

For the Bank's debt securities, credit ratings published by reputable external rating agency (such as S&P) are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency. \

In the process of applying the Bank's ICRRS in determining indications of impairment on individually significant items of financial assets at amortized cost and debt securities at FVOCI, the Bank analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

RISK RATING	RATING DESCRIPTION/CRITERIA
Excellent	Borrowers have very strong debt service capacity and have conservative balance sheet leverage
Strong	Borrower normally has a comfortable degree of stability, substance and diversity
Good	Borrowers have low probability of going into default and bear characteristics of some degree of stability and substance though susceptible to cyclical changes and higher degree of concentration of business risk either by product or by market
Satisfactory	Borrowers where clear risk elements exist and the probability of default is somewhat greater
Acceptable	Borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within acceptable period can be expected
Watch list	Borrowers for which unfavorable industry or company-specific risk factors represent a concern.

RISK MANAGEMENT

Classified accounts or accounts already in default as defined are further mapped into BSP classification of non-performing accounts as follows:

Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable
Loss	Loans considered absolutely uncollectible or worthless

Credit exposures shall be regularly assessed and loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. To ensure that this is rationally implemented, the Bank developed and adopted an internal expected credit loss methodology described herein.

Loan Loss Methodology (LLM)
This is a methodology for calculating expected credit loss of each exposure. The internal LLM consists broadly of three (3) major components of which one emanates from the ICCRS and the other is based on historical recovery rate on credit facilities while the last is the credit exposure at any given time. The probability of default (PD) depends on the risk rating of the borrower while the other components are the loss given default on facilities and the exposure at default. There are three stages of impairment recognition pursuant to IFRS 9/PFRS 9 as follows:

Stage 1 – at the origination stage
Stage 2 – performing but there is occurrence of loss event
Stage 3 – financial assets considered credit impaired.

Under Stage 2, the lifetime probability of default is used instead of the regular PD.

For Stage 3 accounts the Bank has a supplementary policy for Remedial and Timeline Recovery Program. Accounts beyond recovery period will merit 100% loan loss provisioning

For purposes of Expected Credit Loss (ECL), forward-looking information mainly economic indicators such as unemployment rate, inflation, interest rate, GDP and other macro-economic variables from BSP are incorporated into both assessments of whether the credit risk of loan exposure has increased significantly since its initial recognition and its measurement. Due to the limitation in which the models may not be able to capture relevant information, an overlay in the form of weights assigned to worst, likely and best are used in the final ECL factor.

Market and Liquidity Risk Management

Market risks are risk to earnings and capital arising from market-making, dealing, and position taking in interest rate and foreign exchange markets (both for on and off-balance sheet). Liquidity risk on the other hand, is the inability of the Bank to fund increases in assets, or liquidate assets and meet obligations as they fall due (funding liquidity risk and market liquidity risk).

To measure market and liquidity risk exposure, the PBB utilizes the following metrics:

Metrics	Risk Area	Description
VaR	Market risk	Expected loss on a position from an adverse movement in identified market risk parameter(s) with a specified probability over a nominated period of time.
Earnings-at-Risk	IRBB	Measures the amount of potential loss to net interest income as a result of projected change in interest rates over the next 12 months. This involves balance sheet items that are classified according to their repricing characteristic/behavior as bucketed in the Interest Rate Gap report
Economic Value of Equity (EVE)	IRBB	The EVE measure gauges the potential impact of change in interest rate on the Fair value of the Bank's asset and liabilities
Maximum Cumulative Outflow	Liquidity risk	The Maximum Cumulative Outflow (MCO) measures the amount of prospective funding that the Bank would require at assumed future movements of on and off-balance sheet assets and liabilities taking into consideration the behavior of accounts as to roll-over, pre-termination, as well as the core deposits. This shall be prepared separately for the Peso, Dollar, and Consolidated Books.
Stress testing	All risk areas	To measure the impact of abnormal and extreme events on the Bank's market risk exposures. Also includes statutory requirements for Universal Banks in terms of liquidity (i.e. LCR, NSFR)

RISK MANAGEMENT

Starting January 1, 2018, PBB has adapted PFRS 9 (as replacement for PAS 39). Pursuant to PFRS 9 in managing financial assets, the Bank adopts the following business model:

Business Model	Key Features	Measurement Category
Hold to Collect (HTC)	The objective of the business model is to hold the assets to collect contractual cash flows	Amortized Cost
Fair Value Through Other Comprehensive Income (FVOCI)	The objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and the asset's contractual cash flows represent Strictly Payment of Principal plus interest (SPPI)	Fair Value with Unrealized Gain/ Loss as Other Comprehensive Income (Capital Account)
Fair Value through Profit and Loss (FVPL)	This is the residual category. Financial assets should be classified as FVPL if they do not meet the criteria of FVOCI or amortized cost (HTC)	Fair Value

Of the total funds allotted to Treasury, the following would be the distribution:

a. Resources for its trading activities will be allocated and classified as Financial Assets measured at Fair Value through Profit and Loss (FVPL).
b. Resources for interest income generating activity that will include interbank call loans and reserve eligible financial instruments will be allocated and classified as Financial Assets measured at Amortized Cost (HTC).
c. While the primary purpose of FVOCI securities is for interest accrual, securities under this category will also be used in case of liquidity needs.

The Risk Appetite Framework (RAF) is the overall approach through which risk appetite in Philippine Business Bank (PBB) is established, communicated and monitored. This includes an established risk appetite statement, set of risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

PBB believes that at the highest level, the Board and the senior management need to have an understanding of the risks that the Bank is taking. Looking at the past financial crises, a key weakness is the gap between the risks that a bank takes and those that its Board and senior management perceives the bank to be taking. It is critical that the Board and senior management understand and consider the risk appetite and the risks being taken in assessing major business decisions.

The Bank's Board and senior management assess beforehand PBB's capacity for risk-taking, the amount of different risks they want PBB to take, and the current and targeted risk profile in evaluating and making decisions. This is the main purpose of the PBB Risk Appetite Framework.

PBB also believes that no business can thrive without taking on risks. Under the PBB Risk Appetite Framework, these risks are identified and quantified in a structured way that relates them to the Bank's business targets, objectives and strategy. In the process, PBB risk-taking is specific, measured, and consistent within established limits.

The PBB Risk Appetite Framework also provides depth to risk management activities. It is the collective impact of risk-taking across the Bank that needs to be managed.

The PBB Risk Appetite Framework facilitates top-down direction from the Board through the Risk Appetite Statements, including their continuous monitoring and control. It also cover bottom-up information and insight from the different business and control functions through the periodic calibration of risk appetite limits and thresholds, as well as the regular reporting of risk profile vis-a-vis risk appetite.

In order to have an effective Risk Appetite Framework, PBB believes that the following must be present:

- Support from the executive level in making risk appetite the way PBB approaches risk.
- Independent risk function that will reach out to their colleagues in the business lines and advocate the risk appetite perspective
- Robust risk-aggregation process where risk definitions are uniformly understood across the bank
- Establishment of risk adjusted metrics (with the active buy-in of all business units) so that the risk appetite perspective takes root even outside of ERMG
- Change management as embedding risk appetite requires some deep-seated changes to be made to the way people do their jobs
- Risk culture within PBB that enables free flow of information up and down the hierarchy
- Risk culture that includes risk considerations into the crafting of business strategy, capital planning, day-to-day risk-taking by the business, governance and the design of remuneration plans.

RISK MANAGEMENT

GROUP	RESPONSIBILITIES
Board of Directors	The board of Directors is primarily responsible for approving the organization's risk appetite framework. It is also responsible for holding Senior Management accountable for the integrity of the risk appetite framework. The Board should conduct periodic high-level review of actual versus approved limits. Any breach should be dealt with accordingly.
President/Chief Executive Officer	The President/Chief Executive Officer (CEO) is responsible for establishing the risk appetite for PBB. He is also responsible for translating the risk appetite into risk limits for business lines and subsidiaries. The President/ CEO, together with the rest of the Senior Management team, should ensure that the risk appetite framework is implemented throughout the organization.
Chief Risk Officer	The Chief Risk Officer (CRO) provides relevant inputs to the President/CEO and the ROC in developing PBB's risk appetite. He is responsible for actively monitoring PBB's risk profile relative to its risk appetite, strategy, business and capital plans, risk capacity, and compensating program. The CRO is responsible for independently monitoring the business line and subsidiary risk limits against PBB's aggregate risk profile to ensure that it is aligned with the Bank's risk appetite. The CRO is also responsible for establishing a process for reporting on risk and on alignment of risk appetite and risk profile with the Bank's business culture.
Business Line Heads	Business line heads cascade the risk appetite statement and risk limits into their activities. They should establish and ensure adherence to approved risk limits. They are also responsible for implementing controls to effectively monitor and report risk limits adherence.
Internal Audit Center	Internal Audit is responsible for independently assessing the integrity, design, and effectiveness of PBB's risk appetite framework.

Risk Appetite Statement of PBB

Risk appetite is the amount of risk PBB is willing to take in pursuit of its strategic objectives, reflecting the Bank's capacity to sustain losses and continue to meet its obligations under normal as well as adverse circumstances. PBB's risk appetite statement is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including risk management policies, and limits.

PBB recognizes that risk is an inherent part of its activities, and that banking is essentially a business of managing risks. PBB aims to achieve sustainable growth in profitability and shareholder value through an optimum balance of risk and return.

PBB shall take on risk prudently and manage exposures proactively for the purpose of sustainable growth, capital adequacy, and profitability. It shall be aligned with internationally accepted standards, practices, and regulations in the day to day conduct of risk and performance management.

The Board and Senior Management are committed to developing risk awareness across the Bank, promoting the highest standards of professional ethics and integrity, establishing a culture that emphasizes the importance of the risk process, sound internal control, and advocating the efficient use of capital.

The Bank sets risk limits to constrain risk-taking within its risk appetite, taking into account the interest of customers and shareholders, as well as capital and other regulatory requirements.

The Risk Oversight Committee shall oversee compliance to the established risk appetite, risk management policies, and limits.

PBB has an established Enterprise Risk Appetite statement in the form of a matrix that articulates the level of risk that it is willing to accept in pursuit of a certain level of return.

Risk Appetite Parameter	Risk Appetite Threshold
Earnings Volatility	Maximum deviation of annualized net income vs. target
Regulatory and Credit Standing	Minimum CAMELS and external rating
Capital Adequacy	CET1 and Total Capital Adequacy Target and Floor Ratios
Trading Risk	Acceptable Trading Book VaR
Balance Sheet Risk	Maximum percentage of Net Interest Income-at-risk
Liquidity Risk	Maximum tolerable outflows; Liquidity Coverage and Net Stable Funding ratios
Asset Quality	Maximum NPL & NPA ratios
Zero-tolerance risks	Zero incidences of specific risk events
ML/TF Risk	Minimum prescribed AML Risk Rating (BSP)
AML Reports	AML reports submitted within timeframe

RISK MANAGEMENT

The Bank articulates its appetite for specific risk types.

RISK TYPE	DEFINITION	RISK APPETITE
Credit Risk	Risk of loss arising from a counterparty's failure to meet the terms of any contract with the bank or otherwise perform as agreed.	PBB shall only engage with counterparties that are foreseen to be able to meet the terms of the contract or perform as agreed. The Bank shall manage credit risk in its portfolio and activities to ensure that credit risk losses do not cause material damage to the Bank's liquidity and capital position.
Credit Concentration Risk	Risk of loss arising from overexposure to specific industries, borrower, Counterparty, or Bank.	PBB shall not be overexposed to specific industries, borrowers, counterparties, or Banks, where the risk of loss has not been considered and/or mitigated. The Bank shall manage credit concentration risk in its portfolio to ensure that credit risk losses do not cause material damage to the Bank's liquidity and capital position.
Market Risk	Risk of loss arising from movements in market prices.	PBB shall manage market risk in its portfolio and activities to ensure that losses arising from movements in market prices do not cause material damage to the Bank's liquidity and capital position.
Interest Rate Risk	Risk of loss arising from movements in interest rates.	PBB shall manage interest rate risk in its portfolio and activities to ensure that losses arising from movements in interest rates do not cause material damage to the Bank's liquidity and capital position.
Liquidity Risk	Risk of loss arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses.	PBB shall be able to meet its obligations when they come due, under normal as well as adverse circumstances, while ensuring compliance with regulatory requirements. The Bank shall manage its liquidity position under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support.
Operational Risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	PBB shall control operational risks to ensure that operational losses do not cause material damage to the Bank's liquidity and capital position, and reputation.
IT Risk	Risk of loss resulting from failure of computer hardware, software, devices, systems, applications, and networks.	PBB shall manage its computer hardware, software, devices, systems, applications, and networks to ensure that losses resulting from their failure do not cause material damage to the Bank's liquidity and capital position, and reputation.
Information Security Risk	Risk of loss resulting from information security / cyber security breaches.	PBB has zero tolerance for information security/cyber security breaches. The Bank shall protect its information assets to ensure that breaches do not cause material damage to the Bank's liquidity and capital position, and reputation.

Business Continuity Risk	Risk of loss resulting from the prospective inability to resume operations in the event of a disaster.	PBB shall be able to resume operations in the event of a disaster, in a timely manner.
Regulatory Risk	Risk of loss arising from probable mid-stream changes in the regulatory regime affecting current position and/ or strategy.	PBB shall be prepared for any changes in regulations affecting its current position and/or strategy.
Compliance Risk	Risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities.	PBB shall comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities. The Bank has no appetite for deliberately or knowingly incurring a breach of the letter or spirit of regulatory requirements.
Money Laundering/ Terrorist Financing (ML/TF) Risk	Risk of loss resulting from the involvement in money laundering and terrorist financing activities.	PBB has zero tolerance for any involvement in money laundering and terrorist financing activities. The Bank shall manage ML/TF risk to avoid any involvement in money laundering and terrorist financing activities.
Fraud Risk(Internal & External)	Risk of loss resulting from falling victim to activities involving internal and/or external fraud.	PBB shall manage fraud risk to ensure that losses resulting from activities involving internal and/or external fraud do not cause material damage to the Bank's liquidity and capital position, and reputation. The Bank has zero tolerance for any incident involving internal fraud, or any inappropriate conduct by an officer or a member of staff.
Legal Risk	Risk of loss resulting from uncertainty of legal proceedings that we are currently or expected to be involved in.	PBB shall manage legal risk to ensure that losses arising from legal proceedings do not cause material damage to the Bank's liquidity and capital position, and reputation.
Strategic Risk	Risk of loss arising from adverse business decisions or lack of responsiveness to industry changes.	PBB shall only pursue strategies whose foreseeable risks have been considered and/or mitigated. The Bank shall manage strategic risk to ensure that there is no material damage to the Bank's liquidity and capital position, and reputation.
Reputation Risk	Risk of loss arising from negative public opinion.	PBB has zero tolerance for knowingly engaging in any business activity where foreseeable reputational risk or damage has not been considered and/or mitigated. The Bank shall protect its reputation to ensure that there is no material damage to the Bank.

RISK MANAGEMENT

Market and Liquidity Risk Management Center: The Market and Liquidity Risk Management Center is responsible for the development and implementation of market and liquidity risk policies and measurement methodologies, including the management of interest rate risk (IRRBB), recommending and monitoring compliance to market and liquidity risk limits, and reporting the same to the Senior Management, the Asset & Liability Committee Management (ALCO), the Risk Oversight Committee (ROC), and the Board of Directors.

Trust Risk Center is responsible for the identification, measurement, control, and monitoring of trust-related risks. This includes the periodic review of risk policies, establishment of prudent limits, risk measurement methodologies and assumptions, and reporting the same to the Trust Committee and Risk Oversight Committee, for endorsement to the Board for approval.

The Operations and IT Risk Management Center: The Operations and IT Risk Management Center (OITRC) is responsible for implementing the Operational Risk Management Framework across PBB. To assist in the implementation of ORM tools in the business lines, Risk Coordinators appointed from each business group are deputized and functions as OITRC's implementation arm in the business units. The OITRC is also responsible for ensuring the bank's capability to plan and respond to incidents and business disruptions and enable the continuity of key business operations at predefined acceptable levels. The OITRC is also tasked to provide the processes and methodologies designed to protect the information assets of the bank from unauthorized access, use, misuse, disclosure, destruction, modification, or disruption. It also manages the risks associated with the use, operation, and adoption of IT within the Bank.

Credit Risk Management Center: The Credit Risk Management Center is responsible for credit risk analytics and credit portfolio risk function. It handles independent credit review and the assessment of the overall portfolio quality of the bank, with a view to enhancing the credit review framework covering credit review procedures, policy formulation, and action plan monitoring. Portfolio analytics are reported periodically to the ROC.

Operational Risk Management

Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems and information technology, and external events

The Bank has partially automated the front-office, back office, and middle office operations as part of streamlining operations procedures to mitigate operational risks. For treasury operations, this includes the integration of pre-deal limit checking, on-demand position monitoring, automated limit reporting and breach approval, and automated value-at-risk (VaR) calculations. In addition to the automation, the Bank continues to review its limits system to ensure that it only enters into transactions allowed under its existing policies and that adequate capital is available to cover risk exposures.

In strengthening the risk assessment and implementation of controls in the operations of Philippine Business Bank, the following were implemented:

ACTIVE BOARD & SENIOR MANAGEMENT OVERSIGHT

POLICIES, PROCEDURES, AND LIMITS

Risk Identification	• Gap Analysis (new projects) • BSP ROE, Internal Audit Results
Risk Assessment	• BIA (critical processes), ITARA (Hardware & Software assets) • Forward looking self-assessment tool (ORCSA)
Risk Monitoring & Reporting	• Loss event reports, validation of ORCSA and ITARA results versus LOE Reports & Audit findings • Business Continuity Plan (BCP) testing & education forums • Security Operations Center (SOC)
Risk Control & Mitigation	• Internal control policies, processes, procedures & systems • Application of mitigants for identified residual risk

RISK LIMITS

INTERNAL CONTROL & AUDIT

In terms of IT Enabled solutions, an enterprise-wide Operations Gap Analysis was conducted to identify the solutions that can narrow the gaps that expose the bank operations to risks.
The institutionalized Operational Risk and Control Self-Assessment (ORCSA) was enhanced in alignment with the objectives of achieving a more reliable and representative assessment results.

To appropriately support the Business Continuity Plan (BCP) of the bank, a Business Impact Analysis (BIA) methodology was developed and implemented to accurately identify critical processes and logistical requirements to manage business disruptions. More importantly, the BIA exercise aims to revisit the critical activities' Recovery Point Objective (RPO) that will dictate the data recovery strategy of the bank.

Finally, the automated Loss Event Reporting was expanded to cover all business groups.

For Information Security Risk Management, baseline information security policies were developed and implemented.

A working IT Steering Committee is dedicated to oversee the automation program of the Bank to ensure that operating environment becomes competitive, advanced and up to the global standards and ready to digital communication challenges.

RISK MANAGEMENT

Capital Adequacy Management

The Bank's ability to sustain operations and engage in various risk-taking activities within the capital adequacy framework is the foremost risk management objective. PBB aims to sustain capital adequacy beyond what's prescribed by the BSP and the Basel standards. Towards this goal, capital charge allocation is part of the risk and reward metrics. The risk weighted assets must be supported by ample risk capital at all times.

RISK-BASED CAPITAL ADEQUACY RATIO

		2020	2019	2018
Capital Stock		7,057	7,057	7,057
Additional Paid-in Capital		1,998	1,998	1,998
Surplus		4,958	3,513	2,479
Total Tier 1 Capital		14,013	12,568	11,534
Less:	Deferred tax assets net of deferred tax liability	952	510	287
	Goodwill	122	122	123
		1,074	632	410
Net Tier 1 Capital		12,939	11,936	11,124
Tier 2 Capital				
	General loan loss provision, limited to a maximum of 1% of Credit risk-weighted assets	858	842	779
Total Qualifying Capital		13,797	12,778	11,903
Risk Weighted Assets				
	Credit Risk Weighted Assets	85,745	84,133	74,044
	Operational Risk Wighted Assets	6,375	5,051	4,118
	Market Risk Wighted Assets	5,379	4,544	1,254
Total risk-Weighted Assets		97,499	93,728	79,416
Capital ratios:				
	Total qualifying capital expressed as percentage of tal risk-weighted assets	14.2	13.6	15.0
	Net Tier 1 capital expressed as percentage of total risk-weighted assets	13.3	12.7	14.0

RISK MANAGEMENT

COMPARATIVE RISK-WEIGHTED ASSETS BY TYPE OF EXPOSURE AS OF DECEMBER 31, 2020

	2020			2019			2018		
	Credit Risk	Market Risk	Operational Risk	Credit Risk	Market Risk	Operational Risk	Credit Risk	Market Risk	Operational Risk
On-Balance Sheet	85,396			83,583			73,579		
Off-Balance Sheet	384			303			129		
Counterparty Interest Rate Exposure		4,855			3,426			937	
Equity Exposure									
Foreign Exchange Exposures		523			1,118			317	
Operational			6,375			5,051			4,118
Total	85,780	5,378	6,375	83,886	4,544	5,051	73,708	1,254	4,118
Capital requirement	8,578	538	638	8,389	454	505	7,371	125	412

Segment Reporting

The Bank's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit .

These are also the basis of the Bank in reporting to its chief operating decision-maker for its strategic decision making activities.

Management currently identifies the Bank's three service lines as primary operating segments.

(a) Consumer Banking – includes auto financing, home financing, and salary or personal loans;

(b) Corporate Banking –– includes commercial loans, term loans, working capital credit lines, bills purchase and discounting lines;

(c) Treasury Operations – manages liquidity of the Bank and is a key component in revenue and income generation through its trading and investment activities.

(d) Retail Banking – includes the branch banking operations

These segments are the basis on which the Bank reports its segment information. Transactions between the segments are on normal commercial terms and conditions.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

2020 December

	Consumer	Commercial	Treasury	Retail	Total
Revenues					
Interest income	646	5,863	586	8	7,103
Interest expenses	134	1,220	122		1,476
Net interest income	512	4,643	464	8	5,627
Non-interest income	-	296	746	125	1,167
	512	4,939	1,210	133	6,794
Expenses					
Operating expenses excluding depreciation and amortization	318	3,899	214	925	5,356
Depreciation and amortizaton	15	147	55	63	280
	333	4,046	269	988	5,636
Segment operating income (loss)	179	893	941	(855)	1,158
Total resources and liabilities					
Total resources	5,862	83,223	29,185	1,497	119,767
Total liabilities	5,537	78,847	20,754	753	105,891

RISK MANAGEMENT

2019 December

	Consumer	Commercial	Treasury	Retail	Total
Revenues					
Interest income	543	5,990	547	15	7,095
Interest expenses	195	2,153	196		2,544
Net interest income	348	3,837	351	15	4,551
Non-interest income	-	341	293	151	785
	348	4,178	644	166	5,336
Expenses					
Operating expenses excluding depreciation and amortization	221	2,050	189	904	3,364
Depreciation and amortizaton	16	139	49	85	289
	237	2,189	238	989	3,653
Segment operating income (loss)	111	1,989	406	(823)	1,683
Total resources and liabilities					
Total resources	6,567	81,716	24,343	1,388	114,014
Total liabilities	5,795	77,991	17,045	348	101,179

2018 December

	Consumer	Commercial	Treasury	Retail	Total
Revenues					
Interest income	320	4,929	246	15	5,510
Interest expenses	78	1,447	207		1,732
Net interest income	242	3,482	39	15	3,778
Non-interest income	-	358	-	-	358
	242	3,840	39	15	4,136

Expenses					
Operating expenses excluding depreciation					
and amortization	108	1,429	318	853	2,708
Depreciation and amortizaton	9	54	22	101	186
	117	1,483	340	954	2,894
Segment operating income (loss)	125	2,357	(301)	(939)	1,242
Total resources and liabilities					
Total resources	4,535	70,082	16,606	1,727	92,950
Total liabilities	3,669	67,170	9,676	441	80,956

RISK MANAGEMENT

ANTI-MONEY LAUNDERING AND COMBATING TERRORISTS FINANCING (AML/CTF) RISK MANAGEMENT

PBB ensures that risks associated with money laundering and terrorists financing such as reputational, operational and compliance risks are identified, assessed, monitored, mitigated and controlled, to the end that the Bank shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism. In accordance with R.A. 9160, as amended, the AMLC Revised Implementing Rules and Regulations, and BSP Circular 706, as amended by R. A. Nos. 9194, 10167 and 10365, and by BSP Circular Nos. 950 and 1022, PBB ensures that the four (4) areas of sound risk management practices are in place as follows:

1. Governance. This refers to board oversight, senior management oversight, and operational management, detailed as follows:

The Board oversight. It shall be the ultimate responsibility of the Board of Directors to fully comply with the provisions of the BSP-issued AML/CFT rules and regulations, the AMLA, as amended, and its RIRR. It shall set tone of good governance and culture to ensure that ML/TF risks are effectively managed and this shall form part of the Enterprise Risk Management System. The Board shall formulate and adopt a money laundering and terrorist financing prevention program that identifies, assesses, monitor and control money laundering and terrorist financing-related risks.

Senior Management Oversight. It shall oversee the day-to-day management of the Bank, ensure effective implementation of its AML/CFT policies as embodied in the Board-approved MTPP and alignment of activities with the strategic objectives, risk profile and corporate values set by the board. Senior management shall establish a management structure that promotes accountability and transparency and upholds checks and balances.

Operational Management. It shall help the senior management with its day-to-day management of AML risks. Thus, the Bank has established three (3) lines of defense, as follows:

(a)The Branches and business units are the first line of defense against ML/TF. They own and manage the AML/CTF risk and are responsible for implementing corrective actions to address any policy and control gaps.

(b) The Compliance Management being the second line of defense, it shall be the primary task of the Anti-Money Laundering (AML) unit of the Bank to manage the implementation of the MTPP. To ensure the independence of the Compliance Center, it shall have a direct reporting line to the AML Committee of the Bank, to the Corporate Governance Committee and to the Board of Directors.

(c) The Internal Audit is the third line of defense which shall independently evaluate the risk management and controls. The internal audit function associated with money laundering and terrorist financing should be conducted by qualified personnel who are independent of the office being audited. It must have the support of the Board of Directors and Senior Management and have a direct reporting line to the Board or a Board Level Audit Committee.

2. Money Laundering and Terrorism Financing Prevention Program (MTPP). The Bank shall adopt a comprehensive and risk-based MTPP geared towards the promotion of high ethical and professional standards and the prevention of the Bank being used, intentionally or unintentionally, for money laundering and terrorism financing. The MTPP shall include policies, controls and procedures to enable the covered persons to manage and mitigate the risks that have been identified in their risk assessment, including taking enhanced measures for those classified as posing higher risks. The MTPP shall be consistent with the AMLA, as amended, the TFPSA, their respective RIRR and the provisions set out in BSP-issued AML Rules and Regulations and designed according to the Bank's corporate structure and risk profile. It shall be in writing, approved by the Board of Directors and well disseminated to all officers and staff who, under the law and the Bank's compliance program, are obligated to implement the same. The Bank shall have a consolidated/single ML/TF risk management system for all its branches wherever they may be located to ensure the coordination and implementation of policies and procedures on a group-wide basis.

3. Monitoring and reporting tools. The Bank shall adopt an AML/CFT monitoring system that is appropriate for its risk-profile and business complexity and in accordance with these Rules. The system should be capable of generating timely, accurate and complete reports to lessen the likelihood of any reputational and compliance risks, and to regularly apprise the Board of Directors and senior management on AML/CFT compliance.

4. Risk assessment. Consistent with risk-based approach, covered persons are required to identify, understand and assess their ML/TF risks, arising from customers, countries or geographic areas of operations and customers, products, services, transactions or delivery channels. The assessment methodology shall be appropriate to the nature of operations and complexity of the

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BOARD OF DIRECTORS and MANAGEMENT COMMITTEE

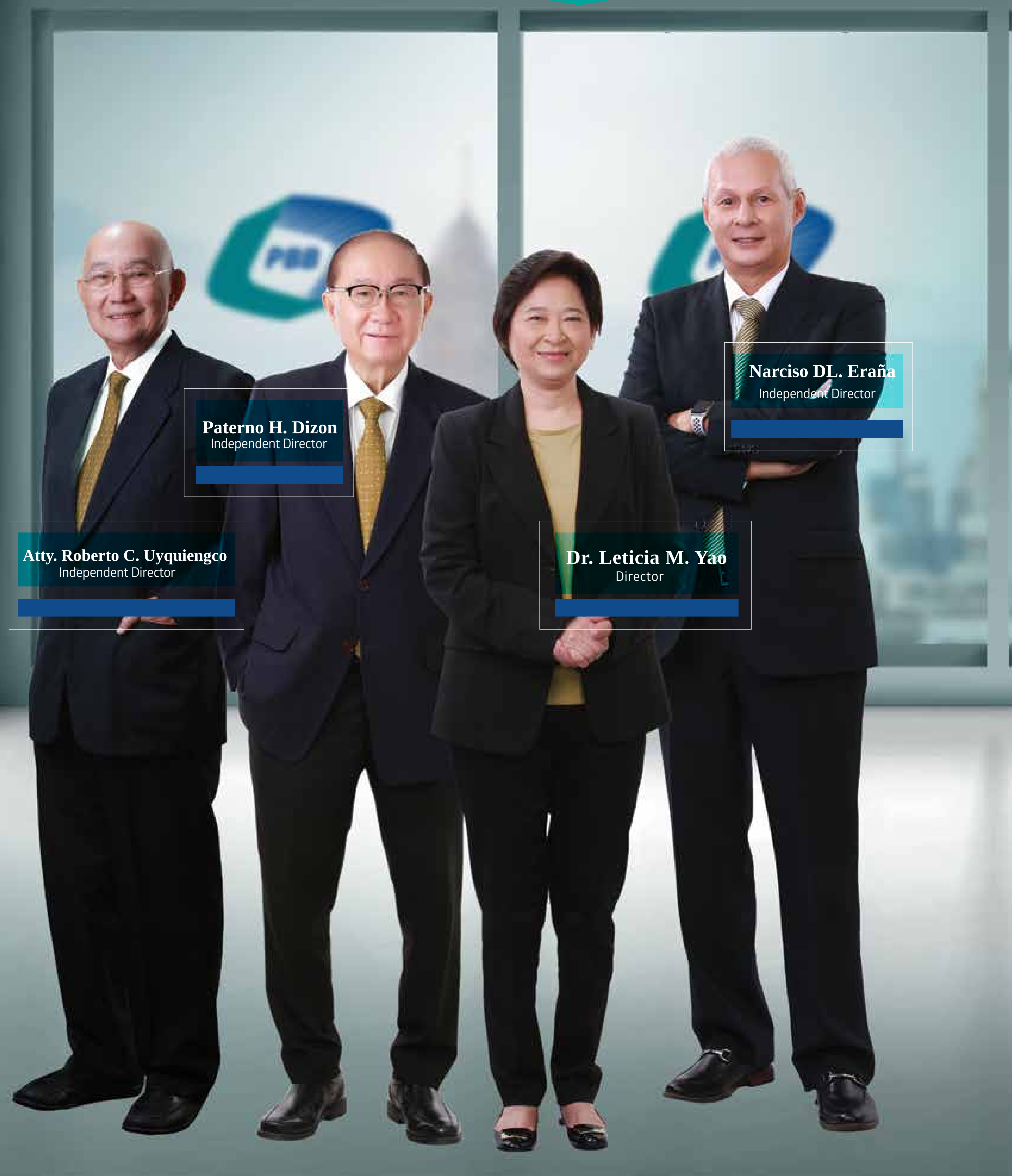
Alfredo M. Yao
Chairman Emeritus

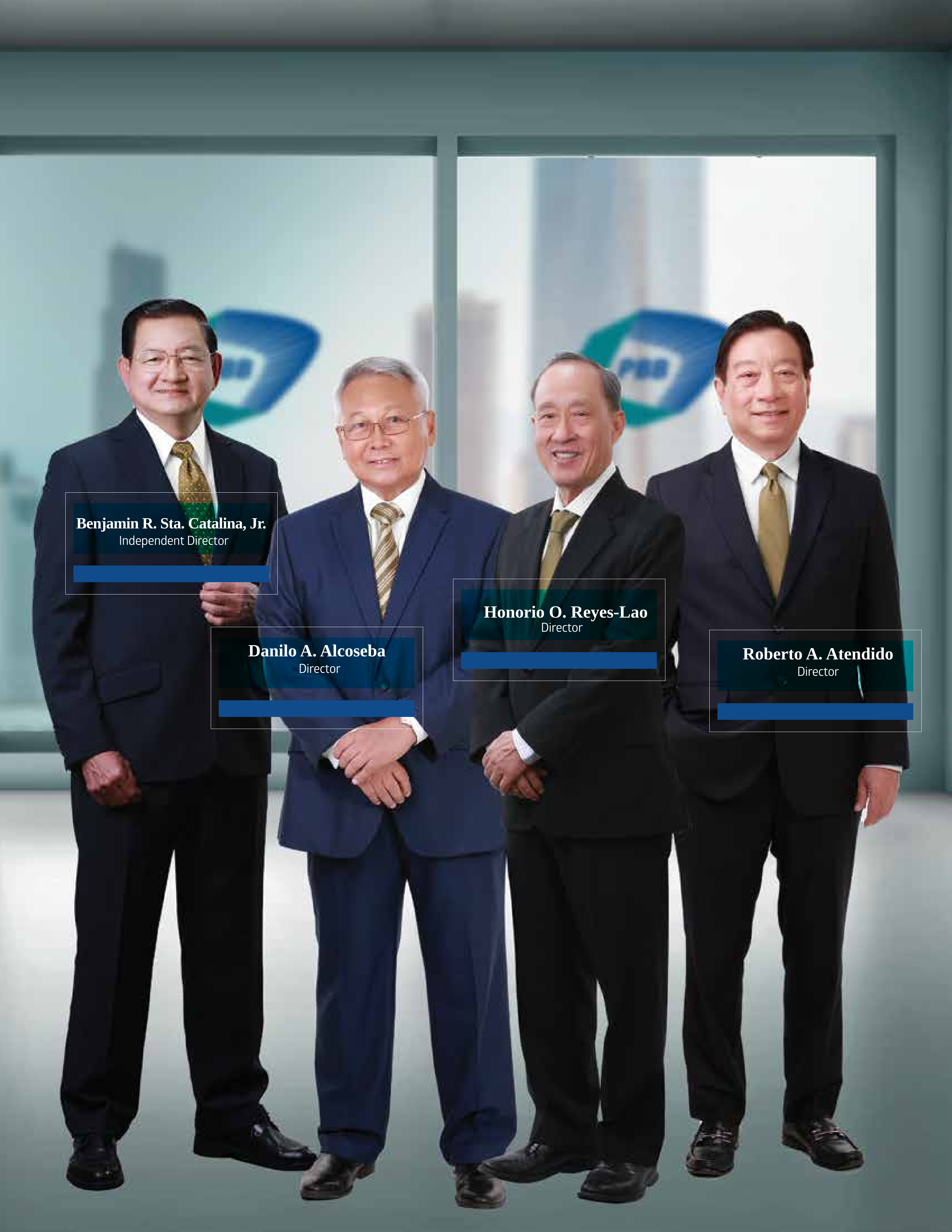
BOARD OF DIRECTORS

Jeffrey S. Yao
Chairman

Rolando R. Avante
Vice Chairman and
President /CEO

BOARD OF DIRECTORS




Benjamin R. Sta. Catalina, Jr.
Independent Director
Danilo A. Alcoseba
Director
Honorio O. Reyes-Lao
Director
Roberto A. Atendido
Director

MANAGEMENT COMMITTEE

Rolando R. Avante
Vice Chairman & President/CEO

Peter N. Yap
Chief Marketing Officer
Retail Banking Group

Joseph Edwin S. Cabalde
EVP Treasurer / Head
Treasury Services Group

Rosendo G. Sia
SVP Business
Development Executive

Maria Lourdes G. Trinidad
SVP Chief Risk Officer
ERMG Head

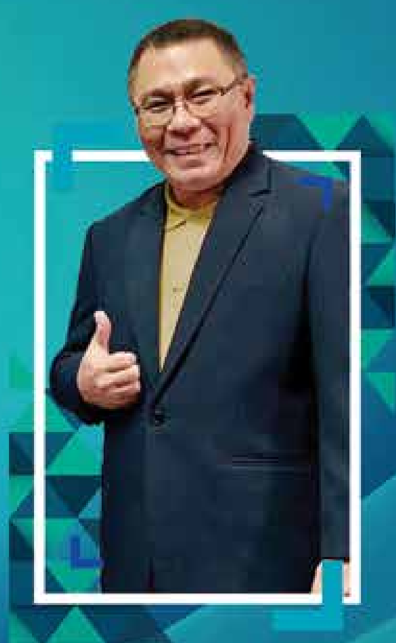
Liza Jane T. Yao
SVP Head - General Services

Arlon B. Reyes
EVP Treasurer / Head
Treasury Services Group

Reynaldo T. Boringot
SVP Business Development Executive

Consuelo V. Dantes
SVP Head
Human Resource Group

Roselle M. Baltazar
FVP Head - Central Operations Group



Atty. Sergio M. Ceniza
FVP Chief Compliance Officer
/ Data Protection Officer

Felipe V. Friginal
FVP Head
Retail Banking Segment

MANAGEMENT COMMITTEE

Rodel P. Geneblazo
FVP Head
Consumer Banking Group

Nerysha M. Lo
FVP Branch Banking
Group Head of VISMIN

Eduardo R. Que
FVP Head
Corporate Banking Group

Rolando G. Alvendia
VP Chief Accountant

Angelo Miguel M. Calabio
VP Head - Trust & Investment
Center / Trust Officer

Carlos B. Dichoso
VP Branch Banking
Group Head of LUZON

John David D. Sison
FVP Head - Corporate Planning and Investor Relations Group

Miami V. Torres
FVP Head
Credit Management Group

Jose Maria P. Valdes
FVP Head
Information Technology Group

Efren P. Mercado
VP Center Head
Commercial Banking Center 3 & 4

Atty. Roberto S. Santos
VP Legal Counsel

MANAGEMENT COMMITTEE

Enrico T. Teodoro
VP System Support & Application Development Center
Head / Officer-in-Charge Project Management Group

Ma. Joyce G. Zarate
VP Head - Product Development and Management Group

Iris P. Almerino
SAVP Center Head
Commercial Banking Center 2

Emma K. Lee
AVP Head
Systems & Methods Center

Judith C. Songlingco
AVPHead
Corporate Affairs
& Brand Marketing

Jacqueline A. Korionoff
SAVP Center Head
Commercial Banking Center 1

Laurence R. Rapanut
SAVP Chief Internal Auditor / Head
Internal Audit Center

Maria Doris G. De Chavez
AVP Head
Credit Review Center

PBB

2020

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PRODUCTS AND SERVICES

PRODUCTS AND SERVICES

Commercial,Industrial And Developmental Loans

- Agri-Agra Loans
- Bill Purchase
- Bus and Taxi Loan
- Contract to Sell (CTS) Financing
- Discounting Line
- Fleet Financing
- Loan Line
- Omnibus Line
- Specialized Lending Facilities for SMEs
  - DBP IGLF and ISSEP
  - SSS Developmental Loans
- Term Loan
- Trade Finance
  - Documentary Collections under DP/DA/OA - Export LC Advising/Negotiation
  - Floorstock/Inventory Financing
  - Issuance of Bank Guarantee/Standby LC
  - Issuance of Credit Line Certification
  - Issuance of Import/Domestic LC
  - Issuance of Shipside Bond
  - Trust Receipt Financing

Deposits and Investments Services

- Savings Account
- Checking Account
- ATM Account
- CA/SA (Auto-Transfer)
- Campus Savers
- Peso Time Dteposit
- Hi-5 TD
- FCDU Savings
- FCDU Time Deposit
- Hi-Green Funds

PRODUCTS AND SERVICES

Consumer Loans

- Auto Loan
  (Brand New and Second Hand)
- Housing Loan
- Corporate Salary Loan
- MakaGuro Teachers' Loan

Trust Products and Services

- Employee Benefit Plans Under Trust
- Escrow Agency
- Individual FCDU Trust
- Insurance Trust
- Investment Management Account
  – Personal or Corporate
- Mortgage Trust Indenture
- PBB Diamond Fund – a UITF
- Personal Management Trust
- Safekeeping
- Trustee of Pre-Need Plans

PRODUCTS AND SERVICES

Other Services

- Advisory Services, SSS/PHILHEALTH Payments
- Bills Payment/Collection Services
- Group Payroll Services
- Local Payment Orders (Manager's Check and Gift Check)
- Mail & Telegraphic Transfers (Domestic and International)
- Night Depository Box (Selected Branches)
- PBB Gold Sale (open to jewelry manufacturers and industrial users)
- Safety Deposit Box Facilities

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CORPORATE GOVERNANCE

Corporate Governance

A. Corporate Governance

The Board of Directors, management, staff, and shareholders of Philippine Business Bank believe that corporate governance is an indispensable component of what constitutes sound strategic business management and commits to the best practices contained in the board approved Corporate Governance Manual that institutionalize the principles of good corporate governance in the entire organization.

PBB is committed to conform to the highest standards of ethics and corporate governance and to comply with all governing laws, rules, and regulations and with established corporate policies and procedures, thereby maintaining excellence in all aspects of its operations.

PBB believes that corporate governance is a system of rules, practices and process by which the Bank is directed and controlled. The Board of Directors sets the tone at the top through directives and policies that is being communication to its employees.

The Bank, as a publicly listed institution, is being regulated and supervised by the Bangko Sentral ng Pilipinas (BSP) and Securities and Exchange Commission (SEC). Hence, activities of the Bank are subject to the following relevant laws and regulations such as but not limited to: General Banking Law of 2000 (RA No.8791), Manual of Regulations for Banks, Revised Corporation Code of the Philippines, and other laws such as the Anti-Money Laundering Act of 2001 (Republic Act No. 9160), as amended.

The Bank also adheres to the Sustainability Finance Framework implemented by SEC and BSP. Details of which are shown separately in the Sustainability Report of the Bank.

B.Selection Process For the Board and Senior Management

Philippine Business Bank believes in selecting the right candidates based on two (2) criteria: (1) the qualifications of the candidates, and (2) the hiring standards of the Bank. There shall be no discrimination as to sex, religion, creed, race, or natural origin. It shall be the policy of the Bank to offer employment strictly on the basis of the results of the Bank's qualification standards, personal interviews, and other standard requirements of the position being applied for. The Bank does not hire personnel simply on the basis of referral by an employee, any influential party, or valued client.

The candidate shall be hired with the end view of a fruitful and mutually beneficial working relationship with Philippine Business Bank and subject to performance and operational requirements. The Human Resources Group (HRG) shall be responsible for the efficient implementation of this function. All Group/Branch Heads shall coordinate and course their staffing requirements with HRG.

The recruitment process generally begins when HRG receives the duly approved Personnel Requisition Form (PRF). The following lead times shall be given to HRG to be able to source applicants:

a. For rank-and-file positions – 10 to 15 banking days
b. For Junior Officer positions – 30 to 45 banking days
c. For Senior Officer positions – 45 to 90 banking days

The above lead times would include testing, interviewing with concerned officers, and endorsement of the approval for hiring sheet up to the highest approving officer. For positions that are classified as difficult to fill below senior officer levels, the lead time for HRG to fill in the vacancy is between 45 to 60 banking days. However, the indicated HR response time is also dependent on the response of the recipient Centers/Units in assessing and deciding on the hiring of the candidate that has been endorse by HRG.

Candidates are obtained from three (3) sources, namely:

1. Promotion of a qualified identified successor through the bank's Succession Planning
2. Internal Recruitment – where sourcing is done using job postings in the company bulletin board and via intranet e-mail announcements released by HRG.
   Candidates may come from:
   a. Within the Group/Region/Branch;
   b. Another Group/Region/Branch; or
   c. Contractual/project staff.

3. External Recruitment – where candidates are sourced from the outside through the use of various channels such as the Bank's website, ad placements in newspapers, walk-ins, campus recruitment, referrals from internal/external parties or placement agencies. This is resorted to when internal sourcing has been exhausted.

HRG shall endeavor to fill up vacancies as they occur, giving priority to qualified internal candidates (employees). External hiring shall be considered when none of the present employees are qualified or have applied for the vacancy.

The applicant's file shall be forwarded to the requisitioning unit prior to the interview schedule. The file should contain the following documents:

a. Duly accomplished Application Form
b. Applicant's resume
c. Interview Evaluation Sheet containing the evaluation and recommendation made by the interviewers.

Applicants for senior officer positions (AVP and up) should be interviewed by the following:

• Human Resources Group Head;
• The concerned Group Head as applicable;
• President & CEO for his direct reports;
• Vice-Chairman; and
• Chairman of the Board.

Note: The Vice Chairman may or may not interview candidates for selection. In cases where the Vice Chairman does not interview, the interview results of the President and CEO or Group Head (as applicable) and the Chairman will suffice.

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The Corporate Governance/Nomination Committee shall review and evaluate the qualifications of all officers hired as or promoted to the rank of Assistant Vice President and up. After the vetting of the Corporate Governance/ Nomination Committee, the same candidates are endorsed to the Board of Directors for approval. The same committee will also review and evaluate candidates nominated to the Board of Directors as well as those nominated to other positions requiring appointments by the Board of Directors. For sourcing of candidates for the Board, the Bank may request for referrals from its existing network, or consider recommendations from professional firms such as the Institute of Corporate Directors.

C. Board's Overall Responsibility

The Board of Directors is primarily responsible for defining the bank's vision and mission. The Board of Directors has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders.

It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework.

D. Major role and contribution of the Chairman of the Board

The Chairman of the Board shall provide leadership and ensure effective functioning of the Board of Directors, including maintaining a relationship of trust with the members. He shall:

1. Ensure that the meeting agenda focuses on strategic matters, including discussion on risk appetites and key governance concerns;
2. Ensure a sound decision making process;
3. Encourage and promote critical discussion;
4. Ensure that views can be expressed and discussed within the decision-making process;
5. Ensure that members of the Board of Directors receive accurate, timely, and relevant information;
6. Ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors; and
7. Ensure conduct of performance evaluation of the board of directors at least once a year.

Role and Contribution of Executive, Non-Executive and Independent Directors

PBB's Executive Director has the responsibility of day-to-day operations of the Bank while Non-executive Directors are PBB's Director who is not part of the day to day management operations and includes the independent directors. PBB's board composed of eleven (11) members, majority of whom is Non-Executive Directors (NED). Bank's NED promotes independent oversight function over management through committees such as Audit, Risk Oversight, Corporate Governance and Related Party Transactions.

E. Board Composition

The Bank's Articles of Incorporation and By-Laws provide a total of eleven (11) directors, four (4) of which are Independent Directors, per its Amended Articles of Incorporation dated May 25, 2018. However, because of the retirement of former Chairman Francis T. Lee late last year, the Bank started to screen prospective candidates but the effort was stymied with the declaration of enhanced community quarantine in March this year. The pandemic crisis is still around us until today and the Corporate Governance/Nomination Committee deems it proper to continue with the selection process after the annual stockholders meeting.

Once a qualified candidate is ascertained, he shall be endorsed for confirmation in next year's annual stockholders meeting.

Name of Director	Type of Directorship	Nominee	No. of Years Served as Director	No. of Shares	Percentage of Shares to Total Outstanding Shares
Jeffrey S. Yao	Non-Executive	Principal	20	1,620,536	0.25%
Rolando R. Avante	Executive	Principal	8	1,692,722	0.26%
Honorio O. Reyes-Lao	Non-Executive	Principal	9	254,998	0.04%
Leticia M. Yao	Non-Executive	Principal	10	1,680,535	0.26%
Roberto A. Atendido	Non-Executive	Principal	13	108,750	0.02%
Danilo A. Alcoseba	Non-Executive	Principal	3	120	0.00%
Paterno H. Dizon	Independent	Principal	13	132,558	0.02%
Benjamin R. Sta. Catalina	Independent	Principal	7	56,358	0.01%
Narciso D.L. Eraña	Independent	Principal	1	100	0.00%
Atty. Roberto C. Uyquiengco	Independent	Principal	1	1,000	0.00%

F. Board Qualification

The Board is composed of at least five (5), but not more than (15), members who are elected by the stockholders, a majority of whom are non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances. The board of directors determines the appropriate number of its members to ensure that the number thereof is commensurate to the size and complexity of the Bank's operations. To the extent practicable, the members of the board of directors are selected from a broad pool of qualified candidates. Non-executive directors, including the independent directors, comprises majority of the board of directors to promote the independent oversight of management by the board directors. Currently, there are four (4) members of the board of directors who are independent directors which in turn makes the bank compliant to the minimum requirement that at least one-third (1/3) of the total membership of the board of directors are independent directors.

Corporate Governance

Ambassador Alfredo M. Yao (Filipino, 77 years old)

Chairman Emeritus and Adviser Amb. Alfredo M. Yao was first appointed to the Board in February 1997 and was conferred the title of Chairman Emeritus in July 2010 after stepping down as Chairman, a position he was appointed to in 1997.

An inspiring and iconic personality in the Philippines, his journey has been an amazing success story. Famously known as the 'Juice King,' Amb. Yao is not just the CEO of Zest-O-Corp. but also the founder of a clutch of firms — Semexco Marketing, Inc., Harman Foods, Amchem Marketing, Inc., American Brands Philippines, Inc., SMI Development Corporation, and the Philippine Business Bank.

He concurrently serves as the Chairman and President of ZESTO Corporation, Asiawide Refreshments Corporation (RC Cola), Asiawide Kalbe Phil., Inc., ARC Refreshments Corp., SEMEXCO Marketing, Harman Foods Phil., Inc., SOLMAC Marketing, Inc., Downtown Realty Investment, Inc., ONNEA Holdings, Inc., Mazy's Capital, Inc., Uni-Ipel Industries, Inc., and Amchem Marketing, Inc.

His other board chairmanships include Money Movers, Inc., ARC Holdings, Inc., SMI Development Corp., Mega Asia Bottling Corp., Macay Holdings, Inc., Bonaventure Development Corporation, and Summit Hotel & Resorts Specialists, Inc. Amb. Yao is concurrently the Chief Executive Officer of AMY Holdings, Inc., and BEVPACK.

He also holds ownership of ZEMAR Development, Inc., AMY Building Leasing and SOLMAC Marketing Inc. where he serves as General Manager to the latter.

A notable active Church-goer, philanthropist and patriot, he is recognized for his example and involvement of religious and civic responsibilities including Philippine Chamber of Commerce and Industry where he is currently the President, Chairman from 2012 to 2013, Vice President, Industry from 2009 to 2011; Chamber of Thrift Banks where he is a member of the Board of Trustees since 2010, Director from 2008 to 2009, President from 2007 to 2008, First Vice President in 2006, and Director in 2005; an active member of the Council of Leaders of the Employers Confederation of the Philippines; a Trustee of the Natural Wonders Tourism Foundation Phil., Inc.; Director to the following: Philippines, Inc., Cheyong Association, Manila Chinatown Development Authority, Philippines/ New Zealand Business Council. He is President of the Board of Trustees to Northern Rizal Yorklin School and KAISA Heritage Foundation, Inc. He is the Executive Vice President of the Soong Ching Ling Foundation and Caloocan Chamber of Commerce. A member of the Executive Committee of the Philippine Exporters Federation; and an active member of Management Association of the Phil., and Tzu Tsi Foundation.

With his dedication to his work, Amb. Yao has been the recipient of many honors including the prestigious PLDT SMEnation – hailed as the biggest search for Filipino entrepreneurs who embody the spirit of perseverance and success through technology. He was awarded the 2014 MVP GRAND BOSSING AWARD and 2014 MVP BOSSING AWARD; Organized Response for the Advance of Society, Inc. - 2014 AWARDEE (Representing Private Sector); Ernst & Young 2005 MASTER ENTREPRENEUR OF THE YEAR AWARD - The award recognizes outstanding high-growth entrepreneurs who demonstrate excellence and extraordinary success in such areas as innovation, financial performance and personal commitment to their businesses and communities; 2007 MOST ADMIRED ASEAN ENTERPRISE AWARD, Innovation Category held in Singapore; 2007 SPECIAL ENVOY OF THE PRESIDENT TO CHINA FOR TOURISM COOPERATION, given by the Department of Foreign Affairs; 2011 Tourism Awards – Award Distinction given by the Rotary Club of Manila; 2012 Gawad Recom Award given by the City of Caloocan; 2005 Most Outstanding Businessman of Caloocan given by the City of Caloocan during its Foundation Day; Centennial Taxpayer given by the Caloocan RDO 27 for 2002 & 2003; Quezon City's Business Top Taxpayers for 2007; 2005 Jose Rizal Award for Excellence given by The Manila Times & Kaisa Para Sa Kaunlaran, Inc.

Notwithstanding his success and achievements, he is guided by a big heart...this man is positively transforming the lives of children by paying their school fees to prepare them for a better future. His AMY Foundation, where he is the Chairman, provides scholarships to deserving Filipino youth, particularly impoverished students who still manage to excel academically. The grant is a full scholarship which covers tuition fees for the student's degree of choice and a stipend for personal allowances.

Amb. Yao holds a Degree in Engineering from Mapua Institute of Technology in 1962 and a PhD in Business Administration Honoris Causa from the Polytechnic University of the Philippines.

Jeffrey S. Yao (Filipino, 52 years old)

Mr. Jeffrey S. Yao was appointed Director to the Board in 1999 and was appointed Vice Chairman to the Board on 01 April 2016 and Chairman on 20 November 2019.

He currently holds directorship at ARC Holdings, Inc. and appointed as Treasurer since 2005; Asiawide Refreshments Corp. also as Treasurer since 2006. He is also the President of Bev-Pack Corp., Inc. since 2007; Director at Semexco Marketing Corp. and AMY Holdings, Inc. since 2008; Vice President at Downtown Realty Dev't. Corp. in 2009; Corporate Secretary at Mega Asia Bottling Corp. in 2010. He is the Director and Treasurer at the ARC Refreshments Corp. and at Mazy's Capital Inc., since 2013; he is the Vice President of Onnea Holdings, Inc since 2013; he is also the Vice President of Macay Holdings, Inc. also in 2013 He was also appointed Director at Zemar Development Corp. since 2014; and was also appointed the Chief Operating Officer (COO) of the Zest-O Corporation since 1995 then became the Chief Executive Officer (CEO) in 2014.

Mr. Yao started his career in the food and beverage industry when he was appointed as Plant Manager at Harman Food Philippines from 1990 to 1995.

He also held directorship at Export & Industry Bank from 1998 to 2012; and at Zest Airways, Inc. from 2008 to 2013.

He completed training in Basic of Trust at the Trust Institute of the Philippines in 2002, Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002, and the Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2014 and in 2016; Corporate Governance Seminar for Board of Directors in November conducted by the Ateneo De Manila University - School of Government and in December, 2014; Distinguished Corporate Governance Speakers Series Part 1 in 2015; AMLA for Board of Directors and Senior Officers in 2016; Corporate

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Governance, Fraud Awareness conducted by the Center for Training and Development, Inc. in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act in 2017; Best Practices Guide to Compliance with the Anti-Money laundering Law and its IRR in 2018; and Corporate Governance Seminar in November 2018.

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Mr. Yao graduated from the Ateneo De Manila University with the degree of Bachelor of Science in Management Engineering.

Committee(s): Executive, IT Steering, Management, Remedial & Special Assets Management, and Trust

Rolando R. Avante (Filipino, 61 years old)

Mr. Rolando R. Avante was appointed to the Board on 02 November 2011 and elected as Vice Chairman on 20 November 2019. He held the position President and Chief Executive Officer since 02 November 2011.

Because of his strong background in treasury management, PBB has become one of the largest, fastest-growing and most respected savings banks. PBB was listed at The Philippine Stocks Exchange last February of 2013.

Mr. Avante, a banking industry veteran with more than three decades of experience, is guiding Philippine Business Bank through a brand resurgence.

He started his career as Senior Specialist under the Treasury Department of Multinational Investment and Bancorporation from 1979 to 1983; rose to Senior Manager under the Treasury Department at Phil. Commercial Capital, Inc. from 1983 to 1988.

His banking career includes Vice President for Local Currency Desk at CityTrust Banking Corp. from 1988 to 1994; Senior Vice President & Treasurer at Urban Bank from 1994 to 1995; First Vice President for Domestic Funds Management at Philippine Commercial International Bank from 1995 to 1999; Executive Vice President & Treasurer at China Trust (PHILS.) Commercial Bank Corp. from 1999 to 2009; Executive Vice President & Treasurer at Sterling Bank of Asia from 2009 to 2011.

He was elected President and Director at the Money Market Association of the Phil. (MART) in 1999 and elected the same position at ACI Philippines in 2011; he was also elected Vice Chairman at Insular Savers Bank in 2015.

His training includes Money Market at the Inter Forex Corp. in 1983; Treasury Management in Times of Crisis in 1984, Bourse Game in 1987 both conducted by FINEX; Rate Risk Game in 1989, Investment Banking Fundamental in 1990, Managing People in 1991 all at the Citibank APBI; Capital Market Instruments in Asia in 1992, Asset & Liability Management in 1995 both conducted by Euromoney; Asian Bond Fund II Workshop in 2004 at the Asian Bank; Securitization Law in 2006 at FINEX & SEC; ACI World Congress in 2011 at ACI Phil.; Economic Outlook 2012 in 2012 at the ANZ Private Bank Exclusive; Annual Global Markets Outlook in 2012 at Deutche Bank; Entrepreneurs Forum in 2012 conducted by Business World; AMLA Seminar in 2012 at the Bangko Sentral ng Pilipinas; CEO Business Forum in 2012 at Punong Bayan & Araullo; Cross-Border RMB Business in 2012 at Bank of China; Eco Forum in 2012 at Security Bank; Phil. Business Conference in 2012 at the Philippine Chamber of Commerce & Industry; Annual Investment Outlook 2013 in 2013 at ANZ Private Bank; Philippine Investment Summit 2013 in 2013 at the Investment Banking Group; IPO Annual Asia Pacific in 2013 at CIMB; Corporate Governance Seminar for Board of Directors in November and in December, 2014; Eco Briefing conducted by First Metro in 2015; Strategic Leadership, Negotiating Skills both in 2015; Distinguished Corporate Governance Speakers Series Part 1 in 2015; ASEAN Corporate Governance Conference and Awards conducted by the Risk Opportunities and Assessment Management, Inc. (ROAM) in 2015; AMLA for Board of Directors and Senior Officers in 2016 conducted by the Bangko Sentral ng Pilipinas; and the 3rd Annual SEC-PSE Corporate Governance Forum conducted by SEC & PSE in 2016; IFRS 9 in 2017; Seminar on Data Privacy Act in 2017; Best Practices Guide to Compliance with the Anti-Money L:aunmdering Law and Its IRR by Center for Global Best Practices in 2018; and Corporate Governance Seminar for Directors and Senior Officers in 2018.

Mr. Avante graduated from the De La Salle University with the degree of Bachelor of Science in Commerce major in Marketing Management and has taken MBA units, also from DLSU.

Committee(s): Anti-Money Laundering and FATCA, Asset and Liability Management, Bid, Credit, Executive, Management, Remedial and Special Assets Management, Trust, and Capital Planning

Honorio O. Reyes- Lao (Filipino, 76 years old)

Mr. Honorio O. Reyes-Lao was elected as a member of the board on 30 April, 2010 and last re-elected on 07 August, 2020.

A seasoned banker, he has more than 40 years of experience in corporate and investment banking, branch banking, credit management and general business consultancy. He started his banking career at China Banking Corporation in 1970 and retired in 2004.

In the span of 34 years, he set up the Research and Investment Management Department in 1973, which evolved into to the present Corporate Planning Group and the Treasury Group. In 1976 he set up and managed a branch which led him to formally set up the Branches Administration Department in 1982. He managed the branches until 1991 as the First Vice-President. From 1991 to 2004, he headed the Account Management Group as a Senior Vice-President.

Mr. Reyes-Lao was appointed as a Senior Management Consultant at East West Banking Corporation in 2005 to 2006 and the Antel Group of Companies, a property development and management entity in 2007 to 2009.

In 2008 to 2009 he was appointed as President of Gold Venture Lease and Management Services, Inc. He held directorships at CBC Forex Corp. in 1997 to 2002; CBC Properties & Computer Center in 1993 to 2006; and CBC Insurance Brokers, Inc in 1998 to 2003.

He holds the chairmanship position at the United Doctors Medical Center (UDMC) since 2019 and currently an independent director of DMCI Holdings Incorporated, Semirara Mining and Power Corporation, DMCI

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Project Developers, Incorporated, Sem-Calaca Power Corporation, Southwest Luzon Power Generation Corporation and the Chairman of the Board of Space 2 Place, Inc.

The background and training of Mr. Reyes-Lao include Overall Banking Operation at the Phil. Institute of Banking in 1971-1972; Director Certification Program of the Institute of Corporate Directors (ICD) in 2004; and the AMLA Seminar for Board of Directors in 2014. To keep himself updated and continue his education, he attends the Distinguished Corporate Governance Speakers Series of ICD in 2015 to 2016; Asean Corporate Governance Conference in 2015 and in 2016 and the SEC Corporate Governance Forum in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act Seminar in 2017; Guide to Compliance with Anti-Money Laundering Law and its IRR by Center for Global Practices and Corporate Governance Seminar by ROAM Inc. in 2018..

Mr. Reyes-Lao holds a post-graduate degree of Master in Business Management, from Asian Institute of Management and he graduated with a double degree in Bachelor of Arts, major in Economics and Bachelor of Science, major in Accountancy from the De La Salle University.

Committee(s): Executive, Risk Oversight, and Trust

Roberto A. Atendido (Filipino, 73 years old)

Mr. Roberto A. Atendido was appointed to the Board on 26 May 2006 and last re-elected as Director on 07 August 2020. He was a former Independent Director of the Bank from 2006 to 2012.

He is a seasoned investment banker and a recognized expert in the field with over 40 years of investment banking and consulting experience in the Philippines and in the ASEAN region.

Mr. Atendido started his career in consulting with the management services group of Sycip, Gorres & Velayo, the largest accounting and consulting group in the Philippines from 1973 to 1974. He began his investment banking career in Bancom Development Corporation, the leading investment house in the Philippines during the late 60's and 70's. He was later posted as Vice President of Bancom International Ltd in HK from 1980-1982. He then moved to PCI Capital Asia, Ltd. (HK) as Vice President from 1982-1983. The PCI Group posted him in Indonesia as Managing Director of PT Duta Perkasa Chandra Inti Leasing, a joint venture between the PCI Group of the Philippines and Bank Duta and Gunung Agung Group of Indonesia, from 1983-1988. Mr. Atendido moved back to the Philippines in 1988 as President of Asian Oceanic Investment House, Inc., a fully owned subsidiary of the Asian Oceanic Group of HK. The company was later bought by the Insular Life Group and renamed Insular Investment & Trust Corporation. In 1996, Mr. Atendido together with several investors organized Asian Alliance Holdings & Development Corporation (AAHDC) and later established Asian Alliance Investment Corp. (AAIC) as a wholly owned investment banking subsidiary. He is currently President of AAHDC and Executive Vice Chairman of AAIC.

Currently, Mr. Atendido is a member of the Board of Directors of Paxys Inc. (since 2010), PCP (since 2006), Pharmarex, Inc.(since 2012), Macay Holdings, Inc. (since 2013), and Gyant Food Corp. (since 2015). He is also Vice Chairman and Director of Sinag Energy Philippines, Inc., (since 2008), Director of Sinag Global (since 2015), Chairman of Myka Advisory and Consulting Services, Inc. (since 2010).

He has also held directorships in the past in GEM Communications & Holding Corp. (2002 – 2015), Ardent Property Development Corp. (2004 - 2008) where he was also appointed Treasurer, Philippine Stock Exchange (2005 - 2009), Securities Clearing Corporation (2006 - 2010), Export & Import Bank as an Independent Director (2006 - 2012), Marcventures Holdings, Inc. (2010 - 2013), Carac-An Development Corp. as Chairman from 2010 - 2013, Beneficial Life Insurance Corp. from 2008-2014.

He has equipped himself with training in Corporate Governance & Risk Management for the Bank's Board of Directors at the Development Finance Institute in 2003; Risk Management and Basel 2 Seminar at the Export & Industry Bank in 2007. He attended the Anti-Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas and the Corporate Governance Seminar for Board of Directors in November and in December, 2014; Corporate Governance Seminar for Board of Directors and Senior Officers conducted by the Risk Opportunities and Assessment Management, Inc. (ROAM) in 2015; Distinguished Corporate Governance Speakers Series Parts 1 to 3 in 2015; AMLA for Board of Directors and Senior Officers in 2016; 3rd Annual SEC-PSE Corporate Governance Forum conducted by SEC & PSE in 2016; IFRS 9 by Punongbayan and Araullo in 2017; and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminary by ROAM Inc. in 2018.

Apart from his business activities, Mr. Atendido is also active in the Brotherhood of Christian Businessmen and Professionals, a nation-wide Christian community where he served as Chairman from 2009-2011.

Mr. Atendido is a graduate of the Asian Insitutute of Management with a Masters in Business Management Degree in 1973. He completed his Bachelor of Science in Management Engineering from the Ateneo de Manila University.

Committee(s): Audit, Corporate Governance, Related Party Transactions, and Risk Oversight

Leticia M. Yao (Filipino, 67 years old)

Dra. Leticia M. Yao was appointed to the Board in 2009 and last re-elected as Director on 07 August 2020.

A well-respected figure in the healthcare industry, Dra. Yao is elected President of the United Doctors Medical Center (UDMC) in 2019 and still currently holds the position.

She was a former Consultant of UDMC at the Department of Medicine from 1991 to 2012; also a Consultant at the Providence Hospital, Inc. in 2014 and at the Fe Del Mundo Medical Center in 2017.

Dra. Yao held directorships at Harman Foods Phil. Inc. since 1979; Zest-O Corporation since 1981; Solmac Marketing, Inc. and Uni-Ipel Industries, Inc. since 1986; SMDI Development Corp. since 1988; and in Mega Asia Bottling Corp as Treasurer since 2007.

She proceeded along training for Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002 and further taken the Risk Awareness Seminar at the Pacific

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Management Forum in 2009. Earlier this year, she attended the AMLA Seminar at the Bangko Sentral ng Pilipinas and Corporate Governance Seminar for Board of Directors in November conducted by the Ateneo De Manila University – School of Government and in December, 2014 to hone her skills as Director of PBB. She also attended the Distinguished Corporate Governance Speakers Series Part 1 in 2015; Corporate Governance Seminar for Board of Directors and Senior Officers conducted by the Risk Opportunities and Assessment Management, Inc. (ROAM) in 2015; AMLA Seminar conducted by the BSP in 2016; AMLA for Board of Directors and Senior Officers in 2016; Corporate Governance, Fraud Awareness conducted by the Center for Training and Development, Inc. in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act Seminar in 2017; and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminary by ROAM Inc. in 2018.

Dra. Yao graduated from the University of Sto. Tomas with a Bachelor of Science degree in Medical Technology then pursued her post graduate degree in Medicine also from the University of Sto. Tomas.

Committee(s): Trust

Danilo A. Alcoseba (Filipino, 69 years old)

Mr. Danilo A. Alcoseba was appointed to the Board on 27 May 2016 and re-elected as Director on 07 August 2020. The former President and CEO of PBB from 2008 to 2011, he has 40 fruitful years in the banking industry.

Before joining PBB, he was a Consultant at SM Investments Corporation from 2005 to 2007; Advisor to the Board at China Banking Corp. from 2005 to 2007; Senior Vice President and Treasurer at SM Prime Holdings in 2007. Before joining the SM Group, he was the Senior Vice President and Head of Treasury at ChinaBank where he retired in 2004, after 15 years of service.

His expertise focused on treasury products and services, where he served as First Vice President of the Boston Bank of the Philippines' Treasury Division from 1983 to 1998. He started his career as Assistant Manager for Economics under Corporate Planning for Continental Bank from 1973 to 1974; transferred to United Laboratories as Staff Analyst in 1974; went back to the banking industry in 1974 as Assistant Corplan Head in Consolidated Bank & Trust Company; he was then Project Analyst under the Special Studies Group in 1975, Liquidity Specialist in 1976 then Branch Manager at Bancom Development Bank from 1977 to 1979, then rose to Assistant Vice President of Traders Royal Bank from 1979 to 1983.

He was appointed Independent Director at Robinsons Bank in 2013.

Mr. Alcoseba's training include financial derivatives, foreign exchange, general management, corporate governance, risk management, fixed income trading and investment banking both taken at Singapore, and international trade he took in California.

He attended Orientation Course on Corporate Governance for Bank Directors and Professional Directors Program both conducted by the ICD in China Bank in 2002 and 2004, respectively. He again trained in Financial Derivatives independently in 2002 and in 2004.

During his stint with PBB, he attended Risk Awareness in 2009; Corporate Governance Forum conducted by the SEC in 2016; AMLA Seminar conducted by the Bangko Sentral ng Pilipinas also in 2016; IFRS 9 by Punongbayan and Araullo in 2017; Data Privacy Act Seminar in 2017; and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminary by ROAM Inc. in 2018.

Mr. Alcoseba graduated from the University of San Carlos with the degree of Bachelor of Science in Commerce major in Accounting and has taken his Masters in Business Administration from the University of the Philippines and then took up Graduate Studies in Industrial Economics from the Center for Research and Communication now the University of Asia and the Pacific (UA&P).

Committee(s): Audit, Corporate Governance, Related Party Transactions, and Risk Oversight

Paterno H. Dizon (Filipino, 82 years old)

Mr. Paterno H. Dizon, was appointed Independent Director to the Board on April 2006 and last re-elected as Independent Director on 07 August 2020.

He had previously served as President to the following institutions: Science Park of the Phil. Inc., Cebu Light Industrial Park, Inc., and RFM Science Park of the Philippines, all from 1997 to 2003. He has also been the President and CEO of the Holy Cross College of Pampanga since 2012.

Mr. Dizon held directorships at the Holy Cross College of Pampanga as the Executive Director from 1975 to 2011; Hermosa Ecozone Development Corp. from 1997 to 2003; Export & Industry Bank from 1994 to 2006; and EIB Securities from 2004 to 2006.

He served on the board of Phil. Export-Import Credit Agency from 2010 to 2012; he was elected as the Chairman of the Phil. Exporters' Confederation Inc. since 1990 up to the present; he was appointed Independent Director at the VC Securities Corporation from 2016.

His expertise includes training in Money and Banking from the Ateneo De Manila University in 1959, Financial Management at SGV in 1974, Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002, Risk Awareness Seminar at the Pacific Management Forum in 2009, and the Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2014 and 2016; Corporate Governance Seminar for Board of Directors in November and in December, 2014; Distinguished Corporate Governance Speakers Series Part 1 conducted by the Institute of Corporate Directors in 2015; ASEAN Corporate Governance Conference and Awards in 2015, which was also conducted by the ICD; 3rd Annual SEC-PSE Corporate Governance Forum conducted by SEC & PSE in 2016; IFRS 9 by Punongbayan and Araullo and Data Privacy Act Seminar by PLDT in 2017; and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminar by ROAM Inc. in 2018.

Mr. Dizon holds a Bachelor of Science in Economics from the Ateneo De Manila University and a Master in Business Administration from the University of the Philippines.

Committee(s): Audit, Corporate Governance, Related Party Transactions, and Risk Oversight

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Benjamin R. Sta. Catalina, Jr. (Filipino, 72 years old)

Mr. Benjamin R. Sta. Catalina was appointed Independent Director to the Board on July 2012 and last re-elected as Independent Director on 07 August 2020. He first assumed his independent directorship at PBB in 2003 to 2005.

During his early professional years, Mr. Sta. Catalina started as a Technical Assistant at the SGV & Co. in 1970 to 1971; he joined Citibank N.A. in 1973 to 1974 as an Executive Trainee. From 1974 to 1977 he joined CityTrust Banking Corp. as Asst. Vice President and Division Head II. Mr. Sta. Catalina transferred to World Corporation Group Citibank N.A. where he was Asst. Vice President and Account Manager from 1977 to 1980.

Mr. Sta. Catalina became the Senior Vice President of the Asset Based Finance Group of FNCB Finance Co. from 1980 to 1981. He again joined Citibank N.A. from 1981 to 1995 where he has served as Asst. Vice President & Division Head for the Public Sector Division, then became the Vice President and Asst. Director of the Asia Pacific Training Center. He later handled the Middle East Africa Division Training Center as Vice President and Associate Director, and then handled the World Corporation Group for Middle East Africa Division, as Regional Administrator. He was appointed General Manager and handled the Center for International Banking Studies. In 1993 to 1994, Mr. Sta. Catalina was appointed Vice President and Chief of Staff of the Global Finance Marketing, then rose to Group Head where he handled the Pan Asian Corporate Team in 1994 to 1995.

In the academic sphere, he was a Professor at the Ateneo De Manila University from 1974 to 1981 and was the Executive Director of the Center for Banking and Financial Management of the Asian Institute of Management in 1996.

In addition to holding a number of executive positions, he underwent training including Makati CAD in 1974, Philippine Core Credit in 1976, Intermediate Credit Seminar in 1977, Exceptional Sales Performance in 1978, Bourse Game in 1979, Asset Based Finance Seminar in 1980, Electronic Banking Seminar in 1981, Selling Skills Train the Trainer Program in 1982, Advanced Lending Strategy in 1982, Technology for Senior Management in 1983 from the Asia Pacific Training Center. He attended Multinational Business Course in 1980 at Citibank New York, Face to Face Selling Skills in 1986 at the Boston Consulting Group. In 1987 he has attended the MAC Approach Course and Alcar Valuation Seminar at MEAD Training Center in Greece. He attended the Corporate Finance II in 1988 at the Asia Pacific Banking Institute. At MEAD Training Center in London, he attended the Risk Management Seminar and the Risk Management III – Corporate Finance in 1991. From 1993 to 1995, Mr. Sta. Catalina attended the Strengthening Organizational Capabilities, Service Quality Management, Technology Solutions for the Business, Marketing Derivatives Ideas, Standards Workshop, Marketing Financing Ideas to Issuers at Citibank Training Center.

Most recent, he attended the Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2003, and the Anti Money Laundering Act Seminar in 2014 and the Corporate Governance Seminar for Board of Directors in November and in December, 2014, the Distinguished Corporate Governance Speaker Series Parts 1 and 2 in 2015 conducted by the ICD and the Corporate Governance Forum conducted at the Center for Training and Development, Inc. in 2016; IFRS 9 by Punongbayan and Araullo and Data Privacy Act Seminary in 2017, and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminar by ROAM Inc. in 2018.

Mr. Sta. Catalina is a graduate of the Asian Institute of Management with a post graduate degree of Masters in Business Management. He finished his Bachelor of Science in Management Engineering from the Ateneo De Manila University.

Committee(s): Audit, Corporate Governance, Related Party Transactions, and Risk Oversight

Narciso DL. Eraña (Filipino, 67 years old)

Mr. Narciso L Eraña was appointed Independent Director to the Board on on 25 May 2018 and re-elected as Director on 07 August 2020.

A skilled professional with extensive knowledge in treasury management, trading, operations and strategic planning; has over 33 years of experience mostly in and the Philippine financial industry, but also in Real Estate.

Mr. Eraña is not only an expert in pricing and analyzing complex deals, performing risk mitigation, handling returns and portfolio optimization analysis as well as quantifying asset and liability management framework but also an expert in Taekwondo, being a member of the first few Philippine teams for two years.

Mr. Eraña is also an accredited Mediator at the National Center For Mediation since 2014; an Accredited Executive Coach at the International Coach Federation (ICF) and Director of the Community Relations Committee - Philippine Chapter since 2016; Director and Treasurer at the Manila Polo Club from 2012 to 2013; Director and Chairman at the Manila Polo Club of Sports Athletics from 2012 to 2014. He was a member of the Financial Executive Institute of the Philippines from 2000 - 20015, and a Director of the Money Market Association of the Philippines from 2002 to 2004 and ACI Philippines (Foreign Exchange Association) from 2006 to 2009.

He also holds directorships at the Berana, Inc. since 1988; and is past President and current Director and Treasurer of Francis Court Townhouses, Inc. He is a Fellow at the Institute of Corporate Directors.

Mr. Eraña started his banking career in 1981 as a Management Trainee at the Bank of America N.T. & S.A. He became an International Loan Officer in 1983 at the same bank. In 1984, he moved to the bank's Treasury as Assistant Manager and Head of Money Markets and after two years Mr. Eraña was promoted to Asst. Vice President and Head of Foreign Exchange. Then in 1988, he was promoted to Country Treasurer. Thereafter, he had a 7 year stint with the family Real Estate Business. In 1995 Mr. Eraña returned to banking when he joined BA Savings Bank as Vice President and Head of Liquidity and Treasury Sales in 1995 to 1998, where he was a consistent recipient of annual awards under the Exemplary Performance Award Program. In 1998, he joined RCBC Savings as First Vice President and Treasurer until year 2000 where he was transferred to RCBC (Unibank) as First Vice President and Head of Funds & Liquidity Management Division, he stayed until 2004.

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His last position was President of ICAP Philippines, Inc. from 2004 to 2012, a subsidiary of ICAP Plc., a London based FTSE company and the world's largest Interdealer broker, with average volumes in excess of USD 1 trillion daily. In 2012 to 2013, he rendered his expertise at ICAP Phil. Inc. as Consultant. In addition, he is a Consultant to Management Strategies, Inc. since 1992.

Mr. Eraña equipped himself with training in Treasury Certification Seminar at the Bank of America in Singapore in 1984; Treasury Professional Certification at the Ateneo – Banker's Association of the Phil. In 2002; seminars and workshops on Credit Derivatives and Options and Structured Products at the Goldman Sachs, Deutsche Bank, Merrill Lynch, and Credit Suisse First Boston from 2002 to 2004; SEC Certified Fixed Income Salesman in 2008; Professional Director's Program conducted by the Institute of Corporate Directors in 2015; and Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminar by ROAM Inc. in 2018.
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Mr. Eraña is a graduate of the Thunderbird Global School of Management, Glendale, Arizona with a Masters degree in Business Administration. He completed his Bachelor of Business Management from the Schiller College, Heidelberg, Germany in 1979.

Committee(s): Audit, Corporate Governance, Related Party Transactions, and Risk Oversight

Roberto C. Uyquiengco (Filipino, 73 years old)

Atty. Roberto C. Uyquiengco was appointed to the Board as Independent Director on 25 May 2018 and re-elected on 07 August 2020.

He is a seasoned banker for 42 years, a certified public accountant and a lawyer, who is also an advocate for education being a part-time faculty of the College of Business and Accountancy of National University since 2012 and as a part-time training consultant of the China Bank Academy since 2013.

Atty. Uyquiengco held directorships at the Emmanuel Multi-purpose Cooperative, Inc., Cuenca, Batangas, since 2011; Green Leaf Foreign Exchange Corporation, Chairman and CEO, since incorporation in 2012.

He started his career in auditing with the management services group of Sycip, Gorres & Velayo, the largest accounting and consulting group in the Philippines from 1970 to 1974. He later joined North Negros Loggers Corp. from 1974 to 1976. Then his banking career started when he joined Allied Banking Corporation from 1977 to 1980.

He later joined the State Investment House in Bacolod in 1980. Atty. Uyquiengco joined China Bank from 1984 to 2011 where he held the position of First Vice President and Region Head of the North Luzon Branches.

He equipped himself with training in banking at The Bankers' of America Institute Conference in Las Vegas, Nevada, USA, in November 2007 and The Asian Bankers Conference in Singapore in 1996. He also attended the Guide to Compliance with the Anti-Money Laundering Law and its IRR by Center for Global Best Practices and Corporate Governance Seminar by ROAM Inc. in 2018.

Atty. Uyquiengco completed the Advanced Bank Management Program from the Asian Institute of Management in 1993 where he was awarded with the Highest Honor for Superior Performance among forty participants from various international banks. He completed four Levels of Mandatory Continuing Legal Education for Lawyers in 2016 and completed the Officers' Training Program by the Philippine Trust Institute in 1991.

He is a graduate of La Salle College, Bacolod City in 1970 with a degree in BS in Commerce, major in Accounting where he finished Cum Laude and passed the CPA board in the same year. In 1975, he took up his Bachelor of Laws degree from the University of Negros Occidental-Recoletos, Bacolod City and graduated in 1980, where he passed the bar examinations also in the same year.

Committee(s): Audit, Corporate Governance, Related Party Transactions, and Risk Oversight

G. Board-Level Committees

To aid the Bank in complying with the principles of good governance, the Board constitutes the following Committees:

1. Audit Committee

The Audit Committee provides oversight of the Bank's internal and external auditor. It is responsible for the setting-up of the internal audit department and the appointment of the internal auditor. It shall monitor and evaluate the adequacy and effectiveness of the internal control system of the bank. The Audit Committee assists the Board in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, accounting policies, and audit and financial reporting practices. The Audit Committee has explicit authority to investigate any matters within its terms of reference, full access to and cooperation by Management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

The committee is composed of six (6) members of the board of directors, who are all non-executive directors, majority of whom are independent directors. The Chairman of the audit committee is not the Chairman of the Board of Directors or any of the other board-level committees.

2. Corporate Governance/ Nomination Committee

The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities by reviewing and evaluating the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It also ensures compliance with and proper observance of corporate governance principles and practices as required by the regulatory bodies. It also enhances the corporate governance standards of the Bank by identifying, addressing and working towards its ASEAN Corporate Governance scorecard (ACGS). The committee is composed of six (6) members of the Board of Directors who shall all be non-executive directors, majority of whom are independent directors, including the chairman.

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3. Executive Committee

This Committee has been delegated by the Board of Directors with some of its powers and responsibilities as provided for in the by-laws, including but not limited to the supervision of other board committees and subject to the limitations and restrictions as may be imposed by the Board of Directors. The Executive Committee is composed of three (3) members from the Board of Directors.

4. Related Party Transaction Committee

The Related Party Transaction (RPT) Committee evaluates on an on-going basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified. It is composed of six (6) members of the Board of Directors, four (4) of whom are independent directors including the chairman. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.

5. Risk Oversight Committee

The Risk Oversight Committee (ROC) is responsible for the development and oversight of the risk management framework for the bank and its trust unit. The committee is composed of seven (7) members of the Board of Directors of which the majority shall be independent directors. The chairperson is a non-executive director and not the chairman of the board of directors, or any other board level-committee. The members of the ROC possess range of expertise as well as adequate knowledge of the Bank's risk exposures to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It oversees the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.

6. Trust Committee

The Trust Committee is a special committee which reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank. The Trust Committee is composed of five (5) members including the president or any senior officer of Bank and the trust officer.

COMMITTEE MEMBERS

Executive Committee		
Chairman	Jeffrey S. Yao	Chairman
Members	Rolando R. Avante	Vice-Chairman & President /CEO
	Honorio O. Reyes-Lao	Director

Audit Committee		
Chairman	Benjamin R. Sta. Catalina, Jr.	Independent Director
Members	Paterno H. Dizon	Independent Director
	Narciso DL. Eraña	Independent Director
	Atty. Roberto C. Uyquiengco	Independent Director
	Roberto A. Atendido	Director
	Danilo A. Alcoseba	Director
Adviser	Jeffrey S. Yao	Vice-Chairman

Risk Oversight Committee		
Chairman	Narciso DL. Eraña	Independent Director
	Paterno H. Dizon	Independent Director
	Benjamin R. Sta. Catalina	Independent Director
	Atty. Roberto C. Uyquiengco	Independent Director
	Roberto A. Atendido	Director
	Honorio O. Reyes-Lao	Director
	Danilo A. Alcoseba	Director
Adviser	Jeffrey S. Yao	Vice-Chairman

Corporate Governance/ Nomination Committee		
Chairman	Paterno H. Dizon	Independent Director
Members	Benjamin R. Sta. Catalina, Jr.	Independent Director
	Atty. Roberto C. Uyquiengco	Independent Director
	Narciso DL. Eraña	Independent Director
	Danilo A. Alcoseba	Director
	Roberto A. Atendido	Director

Corporate Governance

Related Party Transaction Committee		
Chairman	Atty. Roberto C. Uyquiengco	Independent Director
Members	Paterno H. Dizon	Independent Director
	Narciso DL. Eraña	Independent Director
	Benjamin R. Sta. Catalina, Jr.	Independent Director
	Danilo A. Alcoseba	Director
	Roberto A. Atendido	Director
Trust Committee		
Chairman	Honorio O. Reyes-Lao	Director
Members	Jeffrey S. Yao	Chairman
	Rolando R. Avante	Vice Chairman & President/ CEO
	Dra. Leticia M. Yao	Director
	Angelo Miguel M. Calabio	Trust Officer

H. Directors' Attendance

During the Bank's annual stockholder's meeting on 07 August 2020, the stockholders approved the appointment of the Directors shown in the table below.

Name of Directors	Board		Executive		Audit		Corporate Governance	
	Attended	%	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao	10	100%	12	100%				
Rolando R. Avante	10	100%	12	100%				
Danilo A. Alcoseba	9	90%			9	90%	8	80%
Roberto A. Atendido	9	90%			10	100%	9	90%
Paterno H. Dizon	10	100%			10	100%	10	100%
Honorio O. Reyes-Lao	10	100%	12	100%				
Benjamin R. Sta. Catalina, Jr.	10	100%			10	100%	10	100%
Dra. Leticia M. Yao	10	100%						
Narciso DL. Eraña	9	90%			10	100%	9	90%
Atty. Roberto C. Uyquiengco	10	100%			9	90%	10	100%
Total number of meetings held during the year 2020	**10**		**12**		**10**		**10**	

Name of Directors	Related Party Transactions		Risk Oversight		Trust	
	Attended	%	Attended	%	Attended	%
Jeffrey S. Yao					4	100%
Rolando R. Avante					4	100%
Danilo A. Alcoseba	8	89%	9	90%		
Roberto A. Atendido	8	89%	9	90%		
Paterno H. Dizon	9	100%	10	100%		
Honorio O. Reyes-Lao			10	100%	4	100%
Benjamin R. Sta. Catalina, Jr.	9	100%	10	100%		
Dra. Leticia M. Yao					4	100%
Narciso DL. Eraña	9	100%	10	100%		
Atty. Roberto C. Uyquiengco	9	100%	10	100%		
Total number of meetings held during the year 2020	**9**		**10**		**4**	

I. Changes In The Board Of Directors

PBB has been approved by the SEC in January 11, 2019, to have eleven (11) elected directors, four (4) of which are Independent Directors, per its Amended Articles of Incorporation dated May 25, 2018.

However, because of the retirement of former Chairman Francis T. Lee late last year, the Bank started to screen prospective candidates but the effort was stymied with the declaration of enhanced community quarantine in March this year. The pandemic crisis is still around us until today and the Corporate Governance/ Nomination Committee deems it proper to continue with the selection process after the annual stockholders meeting.

Once a qualified candidate is ascertained, he shall be endorsed for confirmation in next year's annual stockholders meeting.

During the Bank's annual stockholder's meeting on August 7, 2020 the stockholders approved the appointment of the Directors shown in the table in Section H.

However, the Board accepted the request for retirement of Mr. Francis T. Lee as Chairman and consequently approved the appointment of Mr. Jeffrey S. Yao as Chairman and Mr. Rolando R. Avante as Vice Chairman during the Bank's Board of Directors meeting last November 20, 2019. Mr. Avante is also assuming the position of President and CEO of the Bank concurrently.

The appointments were duly reported to the BSP, the SEC and published on the Philippine Stocks Exchange (PSE).

Corporate Governance

J. Executive Officers/ Senior Management

The following are the Executive Officers of the Bank, and their respective age, citizenship and position as of December 31, 2020:

Rolando R. Avante (Filipino, 61 years old)

(Please refer to the previous section for Mr. Avante's professional experience).

Peter N. Yap (Filipino, 73 years old)

Mr. Peter N. Yap was appointed Chief Marketing Officer and Retail Banking Group Head in 2018. He was the former Chief Operating Officer of PBB in 2017 and Vice Chairman of the Board from 2010 to 2016.

In the span of his over 40-year banking career, he held various positions from Manager in RCBC in 1977, Senior Manager to Executive Vice President of Allied Banking Corp. from 1978 to 2009. He also held directorships in Bancnet, Inc. from 2003 to 2009 where he was also elected as the Treasurer and in Allied Savings Bank and Allied Leasing and Finance from 2009 to 2010. Mr. Yap was also elected director in Insular Savers Bank, Inc. (A Rural Bank) from 2015 to 2016 and 2017.

He has attended training sessions such as the Officer Development Program in 1977 at RCBC; Management Development Workshop in 1978; Negotiable Instrument Seminar in 1979; Bank Selling Skills Program in 1980; Management Development Program – Kaizen in 1982 at Ancella, Inc.; Orientation Course on Corporate Governance for Bank's Directors by Institute of Corporate Directors in 2002; International Workshop in 2005; AHI Developing Executive Skills in 2005 at the ASEAN Banking Council; Break-Even Analysis Workshop in 2005; AMLA Seminar and Corporate Governance Seminar in 2014; Distinguished Corporate Governance Speaker Series and the ASEAN Corporate Governance Conference and Awards in 2015 conducted by the Institute of Corporate Directors; and IFRS 9 by Punongbayan and Araullo and Data Privacy Act in 2017.

Mr. Yap graduated from the University of San Carlos with the degree of Bachelor of Science in Chemical Engineering and has taken MBA units from the University of the Philippines - Visayas.

Committee(s): Anti-Money Laundering and FATCA, Asset and Liability Management, Credit, IT Steering, Management, Product and Process, and Capital Planning

Joseph Edwin S. Cabalde (Filipino, 51 years old)

Mr. Joseph Edwin S. Cabalde is the PBB's Treasurer and Head of the Treasury Services Group with the rank of Executive Vice President. His work experiences include: Accounting Assistant of China Banking Corporation from 1991 to 1994; Treasury Officer of Urban Bank Inc. from 1994 to 1995; Manager and Chief Dealer of Bangkok Bank Manila from 1995 to 2000; Manager at Mondex Philippines Inc. from 2000 to 2001; Manager and Chief Dealer at Bank of Tokyo Mitsubishi from 2001 to 2005; Treasury Head of Oilink International from 2005 to 2007; and Assistant Vice President and Treasurer of EEI Corporation from 2007 to 2008. Mr. Cabalde attended the Corporate Good Governance and AML Seminars sponsored by PBB.

Mr. Cabalde graduated from the University of Sto. Tomas and holds a Bachelor of Science Major in Accountancy degree.

Committee(s): Asset and Liability Management, Management, and Capital Planning

Arlon B. Reyes (Filipino, 47 years old)

Mr. Reyes is the Head of the Commercial Banking Group. He has over 20 years of professional experience gained from international and local financial institutions. He is proficient in global capital financing, mergers and acquisitions, loan syndication, structured finance, derivatives and treasury products, trade finance, credit & lending, and traditional commercial banking products. He is adept at financial crime management and anti-money laundering having attended intensive training and workshops on this field in an international bank setting.

His employment background includes a stint as Global Relationship Banker for Global Banking & Markets, with the rank of Senior Vice President with The Hongkong and Shanghai Banking Corporation Limited; Head of Rizal Commercial Banking Corporation's (RCBC) National Corporate Banking Group's Large Corporate Segment. He was the Head for China Desk and Foreign Branches Business Development serving concurrently as Team Leader and Relationship Manager for the Conglomerates Division of the Metropolitan Bank and Trust Co. Aside from banking, Mr. Reyes worked for the Philippine Stock Exchange's Business Development Group where he was instrumental in the creation and establishment of the Small and Medium Enterprise (SME) Capital Market or SME Board.

Mr. Reyes graduated from the University of the Philippines – Diliman in 1994 with a degree in BS Economics. He secured his Masters of Business Administration from the same university in 2001.

Committee(s): Asset and Liability Management, Capital Planning, and Management

Reynaldo T. Boringot (Filipino, 62 years old)

Mr. Reynaldo T. Boringot joined Philippine Business Bank in 2016. He was appointed as the Head of Luzon and NCR Area of Business Development Group with the rank of Senior Vice President.

He has almost 40 solid years of experience as a banker. He began his career as a new accounts clerk under Business Development in Pacific Banking Corporation from 1981 to 1985. He transferred to Metropolitan Bank & Trust Company from 1986 to 2003 as one of the youngest Branch Heads at the age of 30. Mr. Boringot opened a new branch in Tugatog, Malabon and was later transferred to EDSA-Caloocan as one of the youngest Center Heads. Finally, he transferred to Asia United Bank, his last employer prior to PBB where he started as Assistant Vice President in 2003 and became a Vice President concurrent as Area Head in Quezon City and north provincial branches until 2016.

Mr. Boringot graduated from the University of the East in 1980 with a degree in Bachelor of Science in Commerce major in Management. He took his MBA units from the Philippine School of Business Administration in 1982 to 1983.

Committee(s): Management

Corporate Governance

Consuelo V. Dantes (Filipino, 58 years old)

Ms. Consuelo V. Dantes was appointed as the Human Resources Group Head with the rank of Senior Vice-President in 2017. She brings with her over 30 years of expertise in the field of Human Resources Management, Corporate Support Services Group, and Business Unit Management. She was recently employed with EastWest Bank as Human Resources Group Head from 2013 to 2016. Apart from being the Head of HRG, she was also the Chief of Staff from 2012 to 2013 under the Office of the President where she worked with 12 units - Credit, Human Resources, Collection and Asset Recovery, Legal Services, Customer Service, Consumer Lending, Corporate Banking, and Administrative Services.

Prior to her stint with EWB, she was with Planters Development Bank (now China Bank Savings) for 22 years from 1990 to 2012 where she held various lead positions in Human Resources, Corporate Communications, Corporate Planning, and Collection and Asset Recovery. She was an international consultant for Human Resource Management under ShoreCap Exchange, the training arm of ShoreCap International, and worked as consultant with Cambodia Entrepreneur Building Co., Ltd. in Cambodia. She was also a speaker/facilitator in seminar-workshops conducted by ShoreCap Exchange in Chennai, India, and Luxembourg. During her stint with Planters Development Bank, she was also at one point appointed as the President and Chief Operating Officer of PDB-FMO Development Center (PDCenter).

In addition, Ms. Dantes' other banking experience also include stints with the following banks: Boston Bank of the Philippines (now Bank of Commerce - Branch Marketing and Development Group / Manager); Asiatrust Bank - Manager of Market Planning Group; and Security Bank Corporation as Branch Manager of Buendia, Makati Branch.

A Cum Laude graduate from the University of the Philippines - Diliman with a degree in Bachelor of Arts in Economics, she took her MBA units with De La Salle University. Ms. Dantes is a Professional Executive Coach certified in the US-based International Coach Federation (ICF) way, by Benchmark Consulting.

Committee(s): Employee Discipline and Management

Rosendo G. Sia (Filipino, 65 years old)

Mr. Rosendo Sia joined Philippine Business Bank in 2016. He is the Senior Vice President/Group Head of the Business Development Group for Visayas and Mindanao.

In 1977, he began his career as an Assistant Chief Accountant of Rizal Securities Corp., then on the same year he joined Guzman, Bocaling & Co., CPAs, an auditing firm as one of the auditors and was promoted as a Senior Auditor before moving to the Central Bank of the Philippines, now BSP, as a Non-Bank and Bank Examiner from 1981 to 1988. He joined Land Bank of the Philippines as a Branch Manager from 1988 to 1993 where he was assigned in the provincial branches of Tuguegarao City, Cebu City and Dumaguete City, among others, and held various key positions and committee membership in the association of local government controlled and owned corporations, regional development councils and represented the bank in the Board of Danao Development Bank and Rural Bank of Madridejos. He joined Metrobank in 1993 up to 2012 as Branch Head in Metro Manila area where he rose from the ranks from Senior Manager to Senior Vice President and held various key positions and committee memberships in the bank and its subsidiaries. Before joining PBB he was connected with Asia United Bank from 2012 to 2016 as Senior Vice President / Branch Banking Head for Visayas and Mindanao in concurrent capacity as Branch Lending Group Head and held various key positions and committee memberships.

Mr. Sia is a graduate of the University of the East and is a Certified Public Accountant and Masters in Business Administration from De La Salle Graduate School Academic Courses and Asian Institute of Management.

Committee(s): Management

Liza Jane T. Yao (Filipino, 50 years old)

Ms. Liza Jane Yao is the Bank's General Services Head with a rank of Senior Vice President.

She has attended various trainings/seminars which include: Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), Corporate Governance Seminar, AMLA Seminar for Board of Directors and Senior Officers, Corporate Governance Seminar for Directors and Senior Officers, Credit Analysis and Writing Seminar, Thinking Strategically in Business Game Theory for Managers, Market Reading Seminar, Risk Awareness Seminar, Basic Financial Math Seminar, Loans Packaging and Processing Seminar, and Diploma Program in Banking.

Ms. Yao finished her BS Accountancy degree at the De La Salle University.

Committee(s): Asset and Liability Management, Bid, Credit and Management

Roselle M. Baltazar (Filipino, 46 years old)

Ms. Roselle M. Baltazar is the First Vice President, Assistant Comptroller and Head of the Central Operations Group of PBB. She joined PBB in 1999 and held various managerial and executive positions including: Assistant Manager and Senior Systems Analysts from 1999 to 2000; Manager and Head of Systems and Methods Sector (SMS) from 2000 to 2001; Senior Manager and Head of General Services Center (GSC) from 2001 to 2003; Senior Manager and Head of Branch Operations Control Center (BOCC) from 2001 to 2004; Senior Manager and Head of Central Operations Group from 2004 to 2005; Assistant Vice President & COG Head from 2005 to 2010; and Vice President, COG Head, and Assistant Controller from 2011 to 2014.

She started her banking career at Westmont Bank (now United Overseas Bank) as CASA Bookkeeper and Loans Assistant in 1995, Audit Examiner from 1995 to 1996; and Accountant from 1996 to 1999. She is a Certified Public Accountant and a Civil Service (Professional and Sub-Professional) eligible.

Ms. Baltazar graduated with a degree in BS Accountancy at the Divine World College.

Committee(s): Anti-Money Laundering and FATCA, Employee Discipline, IT Steering, Management, and Remedial and Special Assets Management

Corporate Governance

Atty. Sergio M. Ceniza (Filipino, 54 years old)

Atty. Serge joined PBB as the Chief Compliance Officer with the rank of First Vice President. He has over 30 years of experience from the financial industry where he worked with insurance companies and banks, starting with Great Pacific Life Assurance Corporation, Philam Plans Inc, and then with BDO Universal Bank where he was also seconded to BDO Leasing & Finance Inc. as Head of Legal, Compliance & AML Compliance with the rank of Assistant Vice President.

Atty. Serge moved to First Metro Investment Corporation (part of Metrobank Group) in September 2012 as Deputy Chief Compliance Officer with the rank of Assistant Vice President. In June 2016, he was promoted to Vice President and was designated as Chief Compliance Officer, Chief AML Officer, and Data Privacy Officer. As CCO, he was over-all in-charge of formulating and implementing policies and procedures for the general operations of the company's Compliance Program, including those in subsidiary units. He regularly reported to the Board, through the Corporate Governance Committee, the level of regulatory compliance of the organization and its subsidiaries. He also monitored and coordinated compliance activities of other companies within the group.

Atty. Serge is a Law professor at the De La Salle University, Far Eastern University, University of the East, and Manila Law College. He is a regular lecturer in the Mandatory Continuing Legal Education (MCLE) of Chan Robles, Access MCLE and UP Institute of Judicial Administration. He is also a bar reviewer on Commercial Law. He is an active member of Association of Bank Compliance Officers (ABCOM) and is well-regarded in the industry.

He has a Bachelor's degree in Political Science and Bachelor of Laws degree from Far Eastern University and is a candidate in Master of Laws from San Beda College-Graduate School of Law.

Committee(s): Anti-Money Laundering and FATCA and Management

Felipe V. Friginal (Filipino, 65 years old)

Mr. Felipe V. Friginal was appointed as the Branch Operations and Control Group Head in 2018 holding the rank of First Vice President. He joined PBB in 2004 as Vice President spearheading the Bank's Branch Banking Group until 2017.

He started his officer training in 1983 where he was included in the Management Development Program of UCPB for six months of classroom and on-the-job training. After completing his officer training program, he held his first officer post as a Cashier in three different branches in Laguna and in Batangas. Mr. Friginal had various trainings and seminars in supervision, decision-making, crisis management/problem solving, leadership, Allen Management, organizational development, and basic and core credit.

Mr. Friginal is a Bachelor of Science in Business Administration Major in Marketing graduate from the Pamantasan ng Lungsod ng Maynila and took his MBA degree at the De La Salle University.

Committee(s): Anti-Money Laundering and FATCA, Asset and Liability Management, Bid, Capital Planning, Credit, Employee Discipline; IT Steering, and Management

Rodel P. Geneblazo (Filipino, 49 years old)]

Mr. Rodel P. Geneblazo is the First Vice President and Consumer Banking Group Head of PBB. He was appointed to this position in January 2018.

A seasoned banker, he has more than 20 years of experience in consumer finance and credit cycle management. He started his banking career at PCI Bank from 1996 to 2000 as Management Development Program Trainee and rose to Head the Consumer Finance Unit in General Santos City. He joined Chinatrust Bank from 2000 to 2008 and held the positions of Head of Mortgage Loans, Head of Product Development, and Head of Credit Policy & MIS. He went to East West Bank in 2008 to 2010 as Head of Credit Services.

In 2010, Mr. Geneblazo joined Sterling Bank of Asia as Head of Credit Services up to 2012. He then became the Managing Director of Knowledge Transfer Financial Consulting Services where he provided trainings, seminars, and consultancy works in the area of consumer and microfinance loans, credit cycle management, Collections, MIS & Analytics, product development and management, both for the private and public institutions from 2012 to 2014. He went back to the banking industry in 2014 and joined Philippine Veterans Bank as Head of MIS & Analytics, and later, as its Risk Officer.

He joined Philippine Business Bank in 2015 initially as a Consultant and later became the Head of PBB's Acquired Banks. He was appointed as President of Insular Savers Bank, Inc. (A Rural Bank), a rural bank that was acquired by PBB in 2015. He moved back to PBB in the beginning of 2018 and now serves as the Bank's Consumer Banking Group Head.

Mr. Geneblazo is a graduate of the Polytechnic University of the Philippines with a degree in Bachelor of Science in Mechanical Engineering in 1992 where he was also a scholar of the Hasegawa Universal Lab Corporation. He took his Masters in Business Administration degree in 1996 from the University of the Philippines and was a National Economic and Development Authority (NEDA) scholar.

Committee(s): Asset and Liability Management, Capital Planning, and Management

Eduardo R. Que (Filipino, 59 years old)

Mr. Eduardo Que is the First Vice President and Group Head of the Corporate Banking., He joined PBB in 2012 after 31 years with Allied Banking Corporation. He top-notched his officer training class and was appointed official trainer / lecturer in the Officer Development Program of Allied Bank for subjects International Banking Operations (Foreign/Domestic Trade); Credit Management; Business Development; Account Management; and Loans and Corporate/Merchant Banking. He is the most senior account officer for Corporate Banking Division where he spent about 20 years.

A graduate of the De La Salle University with a Bachelor of Science in Commerce Major in Management of Financial Institutions degree and was in the Dean's List. Mr. Que pursued his Masters in Business Administration at the Ateneo de Manila, Rockwell and was full course Dean's Lister, batch top-notcher and Gold Medal Awardee in academics.

Committee(s): Asset and Liability Management and Management

Corporate Governance

John David D. Sison (Filipino, 36 years old)

Mr. Dave Sison joined Philippine Business Bank in 2014. He leads the Bank's Corporate Planning and Investor Relations Group, which plays a key role in the bank's strategic management, investor relations functions and M&A initiatives. He is also part of the MIS unit that leads the profit planning performance analysis of the Bank which assists senior management in the process of decision-making and tracks performance of the Bank's business units.

Prior to PBB, he was a private equity analyst with KGL Investment Company Asia from 2008 to 2013. Before joining KGL, Dave was an investment banking associate with PNB Capital & Investment Corporation, a boutique investment bank offering financial advisory, debt syndications, and corporate finance services. He began his career in finance as an investor relations analyst with ABS-CBN Corporation.

He graduated in 2006 with a Bachelor of Science degree in Management Engineering (Honors Program) from the Ateneo de Manila University where he received training in traditional management disciplines (marketing, finance, operations management, organizational behavior, and strategic management), economics, and the social sciences in combination with skills development in qualitative and quantitative analysis, mathematics, statistics, and operations research. Mr. Sison completed the Value Investing Program at Columbia Business School in New York City.

Committee(s): Asset and Liability Management, Capital Planning, and Management

Miami V. Torres (Filipino, 58 years old)

Ms. Miami V. Torres is the Head of the Credit Management Group and holds the rank of First Vice President.

She has with her over 35 years of banking experience which started at United Coconut Planters Bank where she worked through all areas of branch operations from staff position, Branch Operations Officer, Branch Marketing Officer to Branch Head. Ms. Torres joined PBB in June 2002 as a Branch Head and was later on tasked to create and set up the Remedial and Special Assets Management Group. In 2010, she was assigned to head the Credit Services Group where she introduced significant changes in the credit processes. In 2016, her area of responsibility was expanded to include seven (7) different divisions namely: Credit Services, Credit Underwriting, Portfolio Management, Credit Administration, Remedial & Special Assets Management, Credit Policy & Technical Support, and the Insurance Desk. In her almost 18-year stay with the Bank, she had consistently introduced quite a number of very relevant changes and innovations, the benefits of which ran across the entire Bank.

She is a double-degree holder – AB Behavioral Science and BSC Accounting from the University of Santo Tomas and is a Certified Public Accountant.

Committee(s): Credit, Management, and Remedial and Special Assets Management

Maria Lourdes G. Trinidad (Filipino, 53 years old)

Ms. Malou Trinidad was appointed as the Chief Risk Officer and the Head of Enterprise Risk Management Group with the rank of First Vice President.

She has 30 years of banking experience handling various functions such as Credit Review, Treasury Trading and Liquidity and Reserve Management, Correspondent Banking, Corporate Planning, Investor Relations, and Special Projects under Strategic Planning. She started her banking career with RCBC Unibank and was seconded to RCBC Savings as CRO in September 2007 up to 2019 when the merger of the savings and unibank happened. Her last post is as Head of Special Initiatives under the unibank's ERMG.

As the CRO, together with the bank's Risk Oversight Committee of the Board, she built RCBC Savings' risk and control infrastructure. She was the overall lead in identifying and measuring risks inherent in the bank's portfolio, and made sure that provisioning is kept to a minimum level by proactively working on the portfolio credit review, credit scoring and other initiatives to manage the bank's portfolio quality. She defined and disseminated the bank's risk philosophy and policies, and assisted risk-taking business and operating units in understanding, measuring and mitigating risk points. She put in place the bank's Risk Management Framework and Manual, Treasury Manual, Liquidity Contingency Funding Plan, and various risk operating policies and procedures. She also developed the strategic and operational framework for Business Continuity, including the enterprise Business Continuity Plan, Business Impact Analysis, Crisis Communication Plan, Pandemic Plan, Call Tree Testing, Table Top Discussion, and Disaster Recovery Plan testing.

Ms. Trinidad has a Bachelor of Science degree in Mathematics from the University of the Philippines – Diliman in 1988. She also earned academic credits for a Master of Science degree in Mathematics from the same university.

Committee(s): Capital Planning, and Management

Jose Maria P. Valdes (Filipino, 64 years old)

Mr. Jose Maria P. Valdes was appointed Information Technology Group Head in 2017 with the rank of First Vice President.

A prominent figure in the field of IT, Mr. Valdes started his career with Carlos J. Valdes & Co. CPAs as a Senior Consultant from 1979 to 1988; City Trust Banking Corp. as IT Manager from 1988 to 1992; and he became the IT Director for Dart Philippines from 1992 to 1997.

He came back to the banking industry as Chief Information Officer at ChinaTrust Bank from 1997 to 2002; and CIO again at Export and Industry Bank from 2002 to 2008. Prior to joining PBB, he was the IT Director of Encash, Inc. from 2008 to 2017.

Mr. Valdes graduated from the De La Salle University with a double degree in Bachelor of Science in Commerce major in Management of Financial Institutions and Bachelor of Arts in Behavioral Sciences.

Committee(s): IT Steering and Management

Corporate Governance

Rolando G. Alvendia (Filipino, 56 years old)

Mr. Rolando Alvendia is PBB's Chief Accountant and the Head of the General Accounting Center.

In his more than 30 years of banking experience, he started his career at the United Coconut Planters Bank as an Accounting Supervisor from 1986 to 1995 and was an Administrative Assistant at the International Exchange Bank from 1995 to 1998. He started his career at PBB's General Accounting Center in 1998, where he rose from Assistant Manager to Vice President.

Mr. Alvendia has a degree of Bachelor of Accountancy from the Polytechnic University of the Philippines and is a Certified Public Accountant.

Committee(s): Management

Angelo Miguel M. Calabio (Filipino, 31 years old)

Mr. Angelo Calabio is PBB's Trust Officer and leads the Trust and Investment Center.

Prior to joining PBB, he was connected with Security Bank Corporation as Assistant Vice President and Head of Institutional and Personal Trust under Trust and Asset Management Group. He headed a team of six (6) account officers, providing coverage to the group's institutional and personal trust accounts which include employee benefit plans, corporate and personal investment management accounts, personal management trusts, pre-need trusts and other fiduciary arrangements. He also managed and administered a specific set of assigned trust and fiduciary accounts, i.e. retirement funds, corporate IMAs, personal management trust, pre-need trust.

He started his banking career with RCBC as a Management Trainee under the Officers' Development Program (ODP) where he successfully completed a rigorous one-year training program covering all aspects of banking. After passing the ODP, he was assigned with Trust and Investment Group as Assistant Portfolio Manager. It was during this stint that he grew his knowledge in Trust and fiduciary accounts. He has experience in retirement funds, corporate IMAs, living trust accounts, etc. He also performed diverse trustee roles in project finance deals i.e. facility agency, security trusteeship, paying agency, and mortgage trust indenture, mainly focused on loan syndication for top-tier power projects such as coal, geothermal, wind, solar.

After his six-year stint with RCBC, he had a short stint with Maybank Philippines as Trust Investment Officer under Global Banking Group. He was the line manager for the investment activities of the group's Trust/Asset Management Department. He also performed credit and financial analysis of the group's corporate borrowers and/or debt issuers.

Mr. Calabio graduated with honors (Cum Laude) from the University of the Philippines – Diliman, with a Bachelor of Science in Economics degree. He is a Certified Treasury Professional and a Chartered Financial Analyst (CFA) Levels 1 and II passer. He is an active member of the Trust Officers Association of the Philippines (TOAP).

Committee(s): Management and Trust

Atty. Roberto S. Santos (Filipino, 71 years old)

Atty. Roberto S. Santos is the Corporate Secretary and Head of the Legal Services Group and holds the position of Vice President.

In his over 35 years of experience in banking and finance, he was a Manager at Traders Royal Bank since 1980, held various executive positions with Security Bank from 1982 to 1999, General Manager of Security Finance Corporation from 1997 to 2001, and was the Head of the Legal Department of Metrobank Card Corporation from 2002 to 2004. Atty. Santos later joined PBB as Assistant Vice-President in 2008. He attended various seminars on Anti-Money Laundering, Corporate Governance, update on relevant tax laws, corporate rehabilitation, PSE and SEC regulations, Letters of Credit transactions, credit and collections, and other pertinent banking laws and regulations.

Atty. Santos received his law degree from the University of the East and is a graduate of Bachelor of Arts from the same university.

Committee(s): Anti-Money Laundering and FATCA, Management, and Remedial and Special Assets Management

Enrico T. Teodoro (Filipino, 47 years old)

Mr. Enrico Teodoro is the System Support and Application Development Center Head and OIC of Project Management Group of PBB.

He joined PBB in 1997 after his stints as Data Encoder at Ace Promotion and Marketing Corporation from 1994 to 1995 and a System Analyst and Programmer at Premier Development Bank from 1995 to 1997. He started his PBB career as an Administrative Assistant in 1997 and was the Officer-In-Charge of the Bank's Information Technology Group from 2015 to 2017.

He is a graduate of the Baguio Colleges Foundation with a Bachelor of Science in Information and Computer Course degree.

Committee(s): Management

Ma. Joyce G. Zarate (Filipino, 57 years old)

Ms. Joyce Zarate brings with her over 25 years of expertise and experience in corporate communications, branding, and product development gained from thrift, commercial and universal banks. In coordination with the Information Technology Group (ITG) and the business units, she spearheads the Bank's bid to position its brand and product offerings in the digital banking space through the development of digital channels that will further enhance service delivery and customer experience.

She had stints in East West Bank as Head of Marketing Communications, AIG Philam Bank as Head of Marketing Services, United Overseas Bank and PNB in the fields of product development and management, and public

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relations. Prior to joining PBB in 2018, she was head of Marketing Communications and Customer Experience at China Bank Savings.

She is a graduate of Bachelor of Arts in Economics with minor studies in Mathematics from the University of the Philippines – Diliman. She completed masteral units in Economics at the Ateneo de Manila University. Also, she took a non-degree course at De La Salle College of Saint Benilde's School of Professional & Continuing Education for Product Development and Management.

Committee(s): Management

Atty. Leonardo C. Bool (Filipino, 58 years old)

Atty. Leonardo C. Bool, is the Assistant Corporate Secretary holding the position of Senior Assistant Vice President. He obtained his college degree, Bachelor of Science in Commerce, Major in Accounting, at the University of Santo Tomas. He also obtained his Bachelor of Laws (LlB) from the same University. He is a Certified Public Accountant and Lawyer at the same time. Prior to joining Philippine Business Bank, Atty. Bool was employed with Philippine Banking Corporation (later on merged with Global Business Bank) for 13 years from 1987 to 2000. He joined Export & Industry Bank (EIB) from 2000 to 2004. Then in 2005 to 2010, he engaged in a full time law practice handling civil, criminal, labor, corporate and administrative cases.

Committee(s): Employee Discipline and Management

Laurence R. Rapanut (Filipino, 58 years old)

Ms. Laurence R. Rapanut is the Senior Assistant Vice President and Internal Auditor of PBB.

She has with her 36 years of banking experience. Her work experiences include: Junior Audit Examiner of Far East Bank and Trust Company from June 1983 to January 1988; Junior Audit Examiner to Branch Controller of First Philippine International Bank from September 1988 to January 1995; Branch Accountant – Assistant Manager to Senior Assistant Manager of Westmont Bank from April 1996 to December 2000; and Senior Assistant Manager to Manager of United Overseas Bank from January 2001 to January 2006. She joined PBB in March 2006 as Supervising Audit Examiner - Manager of Internal Audit Center.

Ms. Rapanut finished her BSBA Accounting degree from the University of the East.

Committee(s): Bid, Employee Discipline, and Management

Emma K. Lee (Filipino, 62 years old)

Ms. Emma Lee was appointed Head of Systems and Methods Center with a rank of Assistant Vice President. She started her banking career as a Client Servicing Clerk/New Account Clerk, Current Account Bookkeeper, Management Trainee, Service Head, and Branch Operations Officer in different savings and commercial banks.

Ms. Lee has been with Philippine Business Bank for more than twelve (12) years where she was initially assigned to the AML Unit of the Compliance Office as an AML Compliance Officer for more than eight years and was later assigned to head the Systems and Methods Center in June 2017 up to the present.

Ms. Lee is a Bachelor of Science Major in Accounting graduate from the University of Sto. Tomas.

Committee(s): Management

Judith C. Songlingco (Filipino, 48 years old)

Ms. Judith Songlingco is PBB's Head of Corporate Communications and Corporate Affairs, acting as the link of the company to the external stakeholders, she has worked across sectors in communication including advertising, corporate communications, marketing communications, public relations, events, and business development. With over 25 years of a wealth of experience and creative mind, she puts her imprint on the Bank's communications and events. She joined PBB in 2011 with a rank of Assistant Vice President.

Ms. Songlingco began her career with Far East Bank & Trust Co. in December 1992 as a credit analyst under the Retail Banking Group before moving to the Branch Banking Group as a marketing trader. She later pursued her career in the academe where she taught sophomore, junior and senior college students Marketing Management, Product Development and Advertising & Promotions subjects at the De La Salle University –Dasmarinas, where she also was appointed the Junior Marketing Association (JMA) coordinator of the university.

In 1999, she shifted back to the banking industry as a Product Development Officer at Maybank Phil. Inc. under the Consumer Banking Division developing the deposit and loan products, promotional campaigns and was tasked to handle the Customer Service Department and the Consumer Sales Department as a lecturer and speaker.

She joined East West Bank in 2004 as the Head of Marketing where she handled product development, had the opportunity to launch promotional campaigns, host events and implement advertising and promotions.

In 2008, she moved to Robinsons Bank as the Marketing Support Services Group Head. Ms. Songlingco managed communications for the bank, including public relations, speech writing, advertising and promotions. She also handled corporate events and new product development and enhancement.

Prior to joining PBB, she was the Marketing Head of the University Physicians Medical Center - a private multi-specialty outpatient diagnostic and surgical center situated within the University of the Philippines Manila – Philippine General Hospital (UPM-PGH). She has created and implemented various PR campaigns, planned events with high-level government officials and directed media logistics for a national conference. She also headed the Customer Service Department of UPMC and handled media relations.

Ms. Songlingco is an active Bank Marketing Association of the Philippines (BMAP) member. This is her third term as a BMAP Director and is the association's Auditor. She was elected Director of Membership in 2019 and Director for Programs and Ways and Means in 2018.

She obtained her Bachelor of Science in Commerce major in Marketing Management degree from St. Scholastica's College and holds a Master's Degree in Business Administration - Dean's List Inclusion, from the De La Salle University.

Committee(s): Management

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K. PERFORMANCE ASSESSMENT PROGRAM

To ensure that there is consistent application of the principles of good corporate governance as detailed in the Manual of Corporate Governance approved by the Board of Directors, PBB adopted self and peer evaluation methodology to evaluate and measure the performance of its Board of Directors as a body, its board committees, the individual directors and senior management. The evaluation is conducted every year, the result of which is submitted to the Compliance Office for consolidation and reporting to the Corporate Governance Committee, at least thirty (30) days prior to the yearly Stockholders' Meeting.

The Bank's Performance Management System (PMS) includes a yearly performance appraisal based on the Balanced Scorecard principles to evaluate the performance of all employees; a Performance Improvement Program (PIP) to improve the performance of below average raters; and a performance-based compensation and rewards system.

L. ORIENTATION AND EDUCATION PROGRAM

As part of their continuing education, members of the Board of Directors and Senior Officers attended the following internal training activities:

TITLE	DATE	FACILITATOR
AMLA for Board of Directors and Senior Officers	March 5, 2020	PBB Chief Compliance Officer Atty. Sergio M. Ceniza
Economics Briefing	August 18, 2020	Mr. Jun Neri - Bank of Philippine Islands
AMLA for Board of Directors and Senior Officers	December 17, 2020	PBB Chief Compliance Officer Atty. Sergio M. Ceniza
Real Estate Briefing Session 1	October 8, 2020	Santos Knight Frank
Real Estate Briefing Session 2	October 9, 2020	Joey Bondoc - Colliers Philippines

M. RETIREMENT/RETENTION AND SUCCESSION POLICY

1. Retirement of Senior Officers of the Bank is covered by the following Retirement Plan:

The Board of Directors of PBB adopted a retirement policy pursuant to the Securities and Exchange

Retirement Age	ENTITLEMENT
Normal Retirement	
60 years of age	100% of final monthly salary x no. of years of service
Early Retirement	
Retirement prior to age 60 but after attainment of at least 10 years of service	The officer/employee shall be entitled to and shall be paid an amount computed in accordance with the Normal Retirement Benefit formula
Late Retirement	
Retirement beyond age of 60 but in no case beyond age 65 Officer/ employee availment of Late Retirement is on a case-to-case basis subject to Management's approval	The officer/employee shall be entitled to and shall be paid an amount computed in accordance with the Normal Retirement Benefit formula
Permanent Total Disability Benefit	100% of accrued retirement benefit as of date of disability
Death Benefit	100% of accrued retirement benefit
Separation Benefit	
Tenure	**% of Accrued Retirement Benefit Payable**
Below 10 years	0%
10 to less than 12 years	50%
12 to less than 14 years	60%
14 to less than 16 years	70%
16 to less than 18 years	80%
18 to less than 20 years	90%
20 years and above	100%

Commission's (SEC's) Code of Corporate Governance Guidelines for Publicly-listed Companies and the Bangko Sentral ng Piipinas (BSP) Circular 969 wherein the Bank set the age of seventy (70) years old as the retirement age for Directors, subject to extension to be determined by the Board. The determination of the Board comprises of the fit and proper principle as enshrined in the aforesaid regulations of the SEC and BSP.

2. Succession Policy

a. OBJECTIVE:

The objectives are threefold:

i. To ensure unhampered operations of the Bank;

ii. To ensure continuity in management of its corporate affairs/operations; and

iii.To avoid strategic risk resulting from a sudden vacancy of key and critical positions in the Bank.

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b. SCOPE:
The plan shall initially cover the President & CEO, the Vice Chairman & Chief Operations Officer, the Heads of each Group, and the Branch Region Heads. Eventually, the plan shall cover the lower level officers, managers, and senior managers.

c. DEFINITION:
Succession Plan - A process whereby an organization ensures that there are employees on hand ready to fill roles in cases of expansion and loss of key employees. It includes recognizing and identifying potential successors, within the Bank, training them, and preparing them for career advancement.

d. GUIDELINES:
The plan shall take the following steps:

i. Formulation of Qualification Standards and Competence Criteria Qualification standards on the critical positions to be considered for the Succession Plan shall have to be established and inputted in the Job Description of the position.
The indicators are:
o Education and training;
o Work experience;
o Technical competence; and
o General / Leadership competence.

Likewise, a review of past performance ratings shall be conducted as one of the readiness indicators and to ensure that the candidates have consistently turned in good performance.

ii. Identification of Successors
The senior officers, starting from the President & CEO, the Vice Chairman & COO, together with the Group Heads of each functional group and the Branch Area Heads, shall endeavor to identify the possible successors or nominees to their respective positions. They shall identify potential successors who will be:
o Ready in one (1) to three (3) years; and
o Ready in four (4) to six (6) years.

iii. Establishing Readiness Human Resources Group shall conduct sessions and interviews with the concerned senior officers mentioned in Item B to determine the readiness criteria and rating to assume the positions earmarked for succession. A working sheet shall be prepared to score and document the readiness of the nominees identified.

iv. Role of the Personnel Committee

The nominees submitted by the senior officers shall be presented to the Bank's Personnel Committee for validation and approval, and may warrant a short-listing of nominees if necessary should there be three or four candidates being considered for certain positions for succession.

v. Determining Competence Gaps In the process of evaluating the candidates for succession using the various factors like technical, general, and leadership competencies/ skills aside from training and interventions required, competence gaps for each candidate shall be determined so that appropriate developmental programs can be designed for them.

vi. Formulation of Developmental Programs for Nominees
Considering that there will be competence gaps on the part of the candidates for succession, customized developmental programs shall be designed to cover the competence inadequacies of each candidate. The developmental programs shall be in the form of the following: external training, leadership skills training, on-the-job training, cross-posting in other areas, special 'projects assignments, and other forms of interventions that may be necessary. The conduct of developmental programs may be done individually or on a per-batch/group basis.

vii. Mentoring and Coaching Sessions Mentors in the Bank shall be identified with the assistance of the Human Resources Group so as to advice and coach the nominees in preparation for them eventually assume higher responsibilities.

N. REMUNERATION POLICY
The Corporate Governance Committee of the Board sets the compensation package of the Directors. The Executive Committee sets the compensation and benefits package of the Bank's officers and staff members. To ensure competitiveness, the compensation and benefits package is benchmarked with competition through formal and informal surveys and participation in syndicated studies on industry Total Compensation and Rewards. The Executive Board members as well as employees of the Bank receive fixed salaries, benefits and performance-based bonus the amount of which is dependent on the performance of the bank and the concerned employee. A Non-Executive Director (NED) receives per diem allowance for his attendance to each Board meeting and additional allowance for committee meetings. Furthermore, an NED is also entitled to a monthly gasoline allowance.

O. RELATED PARTY TRANSACTIONS
The Board of Directors have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors, and other stakeholders. The Board is responsible for approving all material RPTs, those that cross material threshold and write-off of material exposures to related parties, and submits the same for confirmation by majority vote of the stockholder in the

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annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall be approved by the Board of Directors. The Board of Directors delegated to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the Board of Directors. This excludes DOSRI transactions, which are required to be approved by the Board.

The Board of Directors constitutes an RPT Committee who will:

1.Evaluate on an on-going basis the existing relationship between and among businesses and counterparties to ensure that all related parties are continuously identified, monitored, and subsequent relationships with counterparties are captured;

2.Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions;

3.Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures and policies on conflict of interest or potential conflict of interest;

4.Report to the Board of Directors on a regular basis the status and aggregate exposure to each related party;

5.Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review; and

6.Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting the RPTs including the periodic review of RPT policies and procedures.

The senior management shall implement appropriate controls to effectively manage and monitor RPTs.

PBB's RPT shall be allowed provided that these comply with applicable regulatory/internal limits/ requirements and dealings are conducted at arm's length basis. Said transactions shall only be made and entered into substantially on terms and conditions not less favorable than those with other customers of comparable risks.

Off-market rates applies to DOSRI provided these are supported by valid justifications or reasons (such as high volatility in the market, meaning quoted rates might have changed greatly within the day) and senior management is made fully aware of such reasons/ justifications and subject to the off-market rate tolerance level. Off-market rates are foreign currency rates, fixed income yields or prices, and money market rates that are higher than the highest prevailing market rates and lower than the lowest prevailing market rates.

RPTs shall not require the approval of the Board of Directors, except on the following:

1. Transactions with DOSRI which presently require prior approval from the BOD under existing policy of the Bank and in accordance the MORB; and

2. RPTs that exceed the material threshold amounts, as approved by the Board.

Approval of the RPT with non-DOSRI and those that do not exceed the material threshold amounts shall be in accordance with the revised policy on levels of signing authority, as approved by the Board. All RPTs that cross the threshold amounts shall be considered as material RPTs and shall be subject to pre-board approval evaluation by the RPT Committee before the same are endorsed to the Board for approval. All approved RPTs shall be reported by the booking/contracting units to the Central Operations Group (COG) upon approval of the transaction/signing and notarization of the contract for MIS disclosure and regulatory reporting purposes.

If an actual or potential conflict of interest arises on the part of the director, officer or employee, he is mandated to fully and immediately disclose the same and should not participate in the decision-making process related to the transactions. Any member of the Board who has an interest in the transaction under evaluation shall not participate therein and shall abstain from voting on the approval of transaction.

Transactions that were entered into with unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in the policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the RPT to the requirements of the RPT Policy.

To ensure that RPTs are done at arm's length, all transactions with related parties shall undergo the normal/ regular transaction processing and approval. Interest on loans and other credit accommodations and deposit/ deposit substitute shall be consistent with the price discovery mechanism/standards of the bank as posted in its website. Other economic terms of RPTs shall likewise be based on existing policy of the bank. All RPTs with deviation shall be subject to evaluation and endorsement by the RPT Committee to the Board of Directors for approval, regardless of amount, and shall be supported by written justifications. Price discovery mechanism for ROPA and selection of service providers and supplier are also mentioned in the RPT policy of the Bank.

Materiality thresholds for each type of transactions with each related party or group of related parties are specified in the RPT Policy. Internal limits for individual and aggregate exposures are also defined in the RPT Policy to ensure that RPTs are within prudent levels.

As a publicly listed company that is regulated by the Securities and Exchange Commission, the Bank also adheres and complies with SEC rules and regulations for related party transactions such as but not limited to SEC Memorandum Circular No. 010 Series of 2019 (Rules on Material Related Party Transactions).

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P. Self-Assessment Function

The control environment of the Bank consists of:

a. Board of Directors - ensures that PBB is properly and effectively managed and supervised;
b. Management - manages and operates the Bank in a sound and prudent manner;
c. Organizational and procedural controls supported by effective management information and risk management reporting system; and
d. An independent audit mechanism to monitor the adequacy and effectiveness of the Bank's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

Internal Audit Function

The Bank established an internal audit system to provide the Board, Management and stockholders reasonable assurance that the key organizational and operational controls are faithfully complied with. The Board appointed Chief Internal Auditor to perform the audit function, and required her to report to the Audit Committee that allows the internal audit activity to fulfill its mandate.

The Internal Audit Center (IAC) as headed by the Bank's Chief Internal Auditor:

- Develops and implements an annual audit plan approved by the Audit Committee of the Board of Directors.
  - Perform an annual overall corporate business risk profile to establish the program of audit coverage.
  - Create an audit program which will be used as a guide during examination.
  - Issue a formal Final Audit Report on the results of the examination within 60 days following the completion of fieldwork for presentation to the Board's Audit Committee in its next meeting. The Final Audit report includes responses by management to the significant issues identified during the audit, audit rating (if applicable), IAC's opinion of the quality of controls designed to mitigate key risks.

IAC is committed to safeguard the sensitive and confidential information related to PBB's business, customer and employees. To maintain a professional internal audit staff, each auditor are given 2 days or 16 hours training each year.

Compliance System

The Bank develop and implement a compliance system that will provide reasonable assurance that the Bank and its employees comply with relevant banking and corporate laws, regulations, rules and standards in order to promote safe and sound banking operations.

One of the elements of the Compliance System that is distinct and separate from the risk management and Internal Audit Program is a Compliance Manual duly approved by the Board. The Compliance Manual defines duties and responsibilities of the Board of Directors and Senior Management on Compliance; Identifies laws, rules and regulations, standards applicable to the Bank; Defines the responsibility of the Chief Compliance Officer (CCO), Compliance Coordinators and other personnel involved in the compliance function and Provide period compliance testing of applicable regulations.

The designated Compliance Coordinators of each branch or head office unit assist the CCO in effective implementation of the compliance program through dissemination of laws, rules, regulations and standards and other regulatory requirements in their respective unit; perform self-test and submit to CCO findings/ violation of regulations during the self-test made. The Compliance Office, also performs an Independent Compliance Testing (ICT) of units/branches, among the item subject to ICT is the validation of the self-assessment performed by each unit.

The Compliance Function is an independent function that defines, advises on, monitors and reports on the Bank's compliance risk of legal or regulatory sanctions, financial loss or loss to reputation a bank may suffer as a result of its failure to comply with laws, rules and standards.

The compliance function shall be independent from the business activities of the Bank. It shall be provided with sufficient resources to carry out its responsibilities on its own initiative in all units where compliance risks exist. It shall have the right to conduct investigation and be free to report to Senior Management, Corporate Governance Committee and/or the Board of Directors material breaches of the Compliance Program and/or laws, rules and standards, without fear of retaliation or disfavor from Management or other affected parties. It shall have access to all operational areas as well as any records or files necessary to enable it to carry out its duties and responsibilities.

To carry out its Compliance responsibilities effectively, the Compliance Office may enter all areas of the Bank and have access to any documents and records considered necessary for the performance of its responsibilities; and shall have the right to require any member of the Management and Staff to promptly supply information and/or explanations as may be needed to carry out its functions.

The Chief Compliance Officer functionally reports to the board of directors thru the Corporate Governance Committee and administratively to the President.

The Board of Directors through the Corporate Governance Committee's monthly meeting oversees the effective implementation of the control process of the Bank by:

1.Immediately addressing the concerns/issues noted by Compliance Testing personnel during their examination.

2.Resolving expeditiously the violation/findings noted during the self-assessment provided by the Compliance Coordinator and Independent Compliance Testing performed by the Compliance Specialist.

Corporate Governance

Q. Dividend Policy

PBB is authorized under Philippine laws to declare dividends, subject to certain requirements. The Board is authorized to declare dividends only from its unrestricted retained earnings and these dividends may be payable in cash, shares or property, or a combination thereof as may be determined by the Board. A cash dividend declaration does not require any further approval from shareholders. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of PBB's outstanding capital stock. The Board may not declare dividends which will impair its capital.

Pursuant to Republic Act 8791 and as provided for in the Manual of Regulations Banks, PBB cannot declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts. PBB cannot likewise declare dividends, if at the time of its declaration it has not complied with the following:

a) Its clearing account with BSP is not overdrawn;
b) BSP's liquidity floor requirement for government funds;
c) BSP's minimum capitalization requirement and risk-based capital ratio;
d) Prescribed EFCDU/FCDU cover consisting of 30 per cent liquidity cover and 100 percent asset cover
e) Statutory and liquidity reserves requirement;
f) It has no past due loans or accommodation with BSP or any institutions;
g) It has no net losses from operations in any one or two fiscal years immediately preceding the date of dividend declaration;
h) It has not committed any of the major violations enumerated in the Manual.

The Manual provides that banks whose shares are listed in the Philippine Stock Exchange may give immediate notice of such dividend declaration to SEC and PSE; provided that no record date shall be fixed for such dividend declaration pending verification by the appropriate department of the BSP.

R. Corporate Social Responsibility

The COVID-19 pandemic is a humanitarian disaster on a global scale. Societies have been grappling with the effects of the virus on individuals and communities as well as its economic fall-out and financial consequences.

This has been a challenging – and often bewildering – time for us all, particularly to the AMY Foundation Team, where we have all had to adapt to new ways of doing things. Across many industries, employees have been working from home and changing their working practices to minimize contact between people and maintain social distancing.

For many nonprofit organizations, however, the need to maintain social distance poses twin challenges; not only does it make face-to-face delivery of services extremely difficult, many charitable organizations simply are not set up for remote working and have until now not needed to operate virtually. In addition, some nonprofits have seen an urgent need to shift their focus to help respond specifically to the pandemic and its effects on the communities in which they operate.

As with all other areas of business – and life – Corporate Social Responsibility teams have needed to take a flexible approach to try to help our communities address these challenges.

PBB CSR

BALIK ESKUWELA PROJECT

The COVID-19 pandemic has exposed large inequalities in access to technology, such as between rich and poor, rural and urban, girls and boys, across and within countries. Online platforms have often been the first to be rolled out to enable children to continue learning from home; indeed, they are generally the most effective learning modality in getting some form of learning up and running. However, they have the lowest reach.

In some countries, like the Philippines, online platforms reach less than 10 per cent of the population. This is because they require electricity, reliable Internet connectivity, as well as sufficient devices for children in the household: particularly, devices with good functionality and capabilities, and large enough screen sizes.

Many governments have therefore rolled out multiple learning modalities, including those which require no technology or technologies that are more commonly available. When planning such initiatives, it is helpful to distinguish between high-tech modalities (like online platforms and apps) and low- or no-tech modalities (like TV, radio, SMS and printed learning materials), which have the potential for much higher reach.

Another useful distinction is between one-way modalities, requiring children to study independently – though possibly supported by parents/guardians or even older siblings – and those which are teacher-guided. During school closures, it is important that teachers continue to engage and interact with their students, provide assignments and, importantly, provide timely feedback.

The Balik Eskuwela Project is an annual mission of the AMY Foundation in partnership with the LGUs and NGOs. It is one of the Foundation's programs that directly deliver school supplies to students in need before classes start.

This year, the project focused on the donation of fifty (50) reams of long bond paper Cayetano Arellano Elementary School (CARES) that will be used for the printing of the self-learning modules of the students.

Corporate Governance

PBB CSR

CRISIS ASSISTANCE FOR AMY SCHOLARS

As a humanitarian organization working with and for the most vulnerable sectors, AMY Foundation immediately responded to assist affected communities through various interventions.

We recognize that many of our kababayans, especially in the rural setting, are daily-wage earners who now have little or no income because of the ECQ. While it is beneficial to distribute in-kind relief goods, we know that cash is also essential at this time so they can prioritize and give them decision rights to address their needs.

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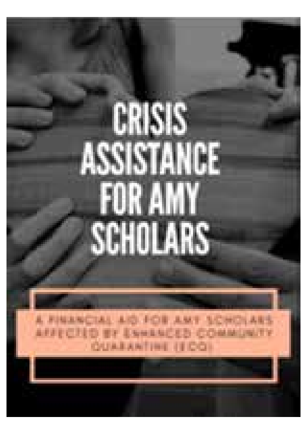
“We have to be there for our scholars, especially in this time of pandemic,” remarked Antonio I. Panajon, AMY Foundation President during the virtual emergency meeting when the ECQ has just started.

As a result of restricted mobility brought about by the ECQ, the AMY Foundation Team took the initiative to personally hand the school allowance to the AMY scholars while observing the health and safety protocols.



Among its efforts to respond to the pandemic were:

· Assisting children and families impacted by COVID-19 through initiatives touching on child protection and education.

· Providing cash assistance to poor families whose livelihoods were affected, particularly to the AMY scholars.

PBB CSR

MENTAL HEALTH WEBINAR FOR AMY SCHOLARS

Since anyone of any gender and socio demographic status can be infected, it is understandable, that increasing mental health issues such as anxiety or depression resulting in erratic behavior among people amidst infectious outbreaks is a not-uncommon phenomenon.

Outbreaks can have a profound and broad spectrum of psychological impact on people. Due to the enormity of this pandemic and the global shut down the sense of normality has been turned upside down. The uncertainty over what even the near future holds will make sustained attention a challenge.

To educate the AMY scholars and help them cope with the “stress” brought about by the pandemic, the AMY Foundation launched a webinar entitled “Beating Stress in the New Normal.” Ms. Marie Curie O. de Pona, head counselor and CEO of Shanti Help Line Center, graced the webinar as the resource speaker.

Corporate Governance

PBB CSR

PAMASKONG HANDOG SA PANAHON NG PANDEMYA

Like most events, activities and celebrations this year, the 2020 holidays are likely to be far different than the past Christmas celebrations. Not only are we in the midst of a pandemic — severely limiting our ability to gather, and negatively affecting the health and finances of many — but COVID-19 infections continue to grow.

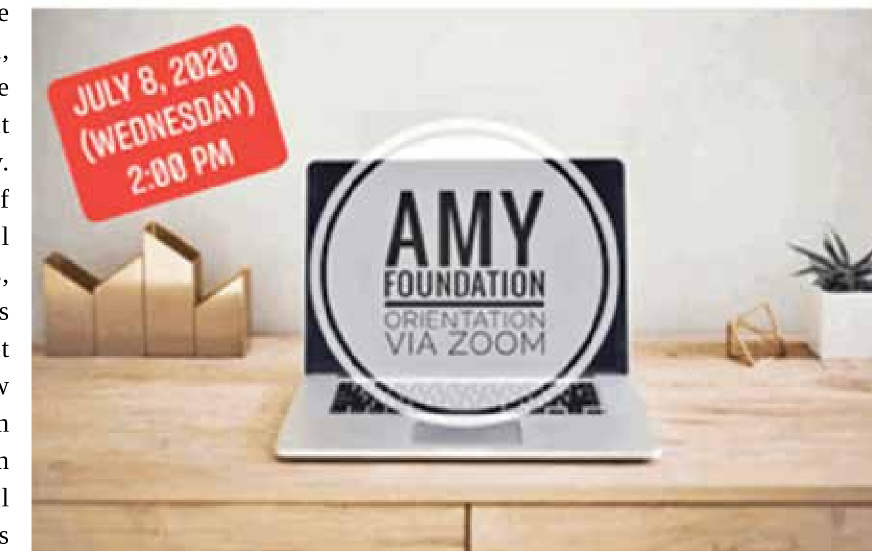
This leaves many wondering whether there's a way to make the holidays celebratory or if we will have to settle for merely simple, even solitary.

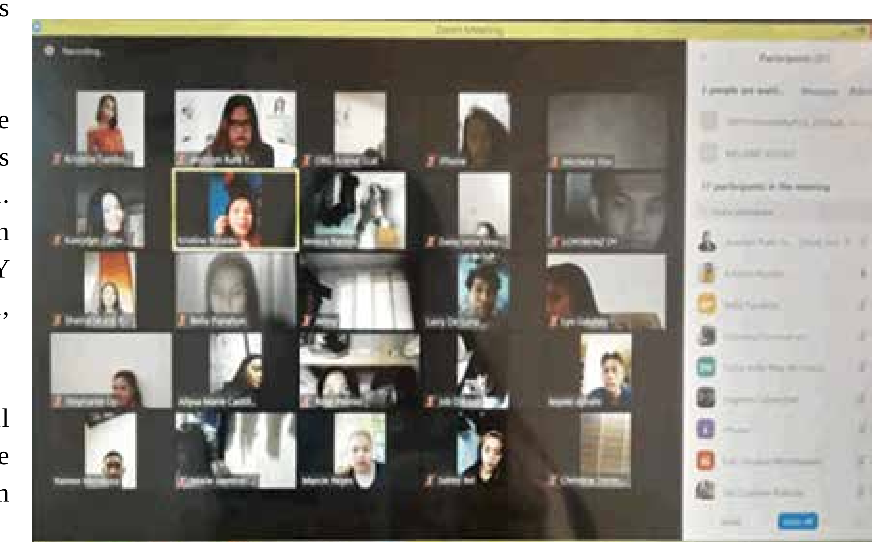
The AMY Foundation Team started to think about what might actually be tangible and realistic ways to have a meaningful experience this year, even though it is most likely going to be completely different from anything previously experienced. Whether it is scheduling a Zoom family call or volunteering, it is about working within the constraints of the situation.

Named as "Pamaskong Handog sa Panahon ng Pandemya," the AMY Foundation and the Sagrada Familia Parish worked together in giving away noche buena packages that benefited 110 families which were pre-identified by the parish. This Christmas activity aims to alleviate the plight of those people who were greatly affected by the pandemic.

VIRTUAL ORIENTATION FOR NEW AMY SCHOLARS

Whether enrolling in a single online class or a fully virtual program, students need to be prepared for the academic and social learning that compose their educational journey. While some may arrive with years of online learning experience, others will require familiarization with processes, tools, expectations, and the campus community—and all will benefit from an introduction to their new academic community. The orientation experience supports students' transition to their college life, which is essential for student success. This support is particularly important for those students from historically marginalized sectors.





Adapting to the new normal, the AMY Foundation team conducted its very first virtual orientation via Zoom. The Program Manager, Ms. Ruth Tamayo discussed the history of AMY Foundation and its Vision, Mission, and Goals.

At the end of the orientation, the goal setting was done by the scholars where their individual commitments as an AMY scholar were recited.

The orientation was conducted to cover the following areas:
(1) Orientation learning goals and content;
(2) course design features and approach; and
(3) assessment and student-scholar completion requirements.

Corporate Governance

S. Consumer Protection Practices

A. Board and Senior Management Oversight Function

a. Board of Directors

The Board shall be primarily responsible for approving and overseeing the implementation of policies governing major areas of the Bank's consumer protection program, including the mechanism to ensure compliance with the set policies.

The roles of the Board shall include the following:

i. Approve the consumer protection policies;
ii. Approve risk assessment strategies relating to effective recourse by the consumer;
iii. Provide adequate resources devoted to consumer protection; and
iv. Review the applicable policies periodically.

b. Senior Management

The senior management shall be responsible for the proper implementation of the consumer protection policies and procedures duly approved by the Board. Also, its role shall focus on ensuring effective management of day-to-day consumer protection activities.

B. Consumer Protection Risk Management System

The Board shall be responsible in developing and maintaining a sound CPRMS which shall be integrated into the overall framework for the entire product and service life cycle. The Board and senior management should periodically review the effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms in place enable adequate oversight. The Board and senior management must also ensure that sufficient resources have been devoted to the program. Likewise, the Board and senior management must also make certain that CPRMS weaknesses are addressed and corrective actions are taken in a timely manner.

C. Consumer Assistance Management System

The Consumer Assistance Management System (CAMS) is a mechanism that records all complaints filed by customers either through the BSP or directly to the concerned branch. The system also monitors the status of the complaints' processing and resolution.

The general process of handling customer complaints is as follows:

a. The client may lodge his/her complaint through any of the following means:

i. By personally visiting the concerned branch/head office unit (where he/she shall be asked to fill out the Customer Complaint Form [CCF]);

ii. Through telephone via the following contact numbers: or

Telephone Numbers	Available Time	Banking Day	Non-Banking Day
Branch/H.O. unit	8:30 AM – 5:30 PM	Y	N
CPO Hotline to 8461-5800 loc. 5074, 5072, 5070	8:30 AM – 5:30 PM	Y	N
PBB Helpdesk 8363-3000	24 hrs.	Y	Y
Mobile Phone thru TEXT 0922-8715322	24 hrs.	Y	Y
Direct Recorded 8363-HELP (4357)	8:30 AM – 5:30 PM	Y	N

iii. Via e-mail at consumerprotection@pbb.com.ph

b. The concerned branch/head office unit personnel shall validate the complaint received from the customer. If the complaint can be resolved immediately/upfront, he/she shall explain to the client the resolution of the complaint. If the complaint cannot be resolved immediately, he/she shall explain to the client the following timeline (which are reckoned from the date of receipt of the complaint):

	If the complaint is classified as "Simple"	If the complaint is classified as "Complex"
Acknowledgment	Within 2 days	Within 2 days
Processing and resolution (assess, investigate, and resolve)	Within 7 days	Within 45 days
Communication of resolution	Within 9 days	Within 47 days

The concerned branch/head office unit shall transmit the CCF to the Consumer Protection Unit via e-mail or fax.

c. The complaint shall pass through the Consumer Protection Officer (CPO) or the PBB Helpdesk (if the complaint is lodged via telephone), who shall acknowledge receipt of the same and shall obtain/record the details of the compliant in the CAMS. The CPO (or PBB Helpdesk) shall then assign the complaint to the concerned support group.

d. The support group retrieves the complaint received through the CAMS or e-mail (whichever is applicable) and performs the necessary corrective actions based on the nature of the complaint. The

Corporate Governance

resolution made on the complaint shall then be recorded accordingly in the CAMS or reply via e-mail (whichever is applicable).

e. Once the complaint has been resolved by the Support Group, the CPO shall tag it as closed in the CAMS. The CPO (or the PBB Helpdesk) shall also be the one to generate and submit the Customer Complaint Summary Report daily to the Consumer Protection Head.

f. The Consumer Protection Head shall perform the following tasks:

i. Monitor and evaluate customer complaints handling process;
ii. Analyze the nature of the complaints and recommends solutions to avoid recurrence;
iii. Extract generated complaints report monthly except when it is urgently needed to be submitted to and reviewed by the HR Head;
iv. Recommend the resolution of the case or if needed to be elevated to proper authorities or needed to be taken up in the Committee on Employee Discipline (CED), if applicable;
v. Report to senior management on a quarterly basis the complaints received and the resolutions applied;
vi. Report periodically to the Board all complaints received within the period as stated; and
vii. Make recommendation and assessment on the cases filed to avoid recurrence in the future.

Consumer Protection Risk Management System

As part of our commitment to safeguard our clients' interest in the course of their business relationship with us, Philippine Business Bank has established its own Consumer Protection Risk Management System (CPRMS). As maintaining customer relations that is based on integrity and mutual trust is instrumental in ensuring our relevance to our clients, a robust consumer protection system is key in maintaining PBB's place in the banking industry.

Policies and Procedures

PBB has an existing Consumer Protection Compliance Program as part of its observance of the requirements of the Bangko Sentral ng Pilipinas (BSP) under the Revised Compliance Frameworks for Banks. Relative to this, the Board of Directors and Senior Management are responsible for the following:

1. Periodic review of the effectiveness of the CPRMS through a required report on Consumer Assistance Management System (CAMS);
2. Ensuring that sufficient resources are allocated to the Program; and
3. Ensuring that the weaknesses of the CPRMS are addressed and corrective actions are taken in a timely manner.

To ensure that consumer protection practices are embedded as a fundamental component of its business operations, PBB has put in place relevant Board-approved consumer protection policies and procedures that have undergone the process of preparation, vetting and review, approval, publishing, dissemination, and update in accordance with the Bank's policy.

Review and Oversight

As part of ensuring that all related policies, procedures, and practices are within the bounds of accepted limits, the Internal Audit Group subjects the following to periodic internal review:

1. Consumer protection practices
2. Adherence to internal policies and procedures
3. Compliance with existing laws, rules, and regulations

The results of the review and recommendations become part of the Audit rating of Consumer Protection and Service Quality Unit, and are reported to the Board's Audit Committee.

Transparency

PBB provides full disclosure and exercises utmost transparency in its transactions by ensuring that consumers are duly informed of the features of its financial products and services. Customers are provided with ready access to key information (i.e. information regarding a product's or service's nature and structure, terms and conditions, and fundamental benefits and risks) and are informed of any conflict of interest throughout the product's/service's life cycle.

Consumer Protection Risk Management System

Employees of the Bank are required to disclose product risks in relation to customers' risk profile in order to ensure clients have a proper understanding of the risks involved in a product/service and fully appreciate such risks.

Consumer Feedback

The Bank's Service Quality and Consumer Protection Unit employs the following means to receive complaints raised by clients to the Bank:

- Customer Complaint Forms (CCF) that clients may use to file complaints when they are in any branch or Head Office unit
- Consumer Protection Office hotlines (02) 8363-4357, (02) 8244-9176; Domestic Toll Free number 1-800-1-888-4357; and mobile phone number 0922-8715322
- Email address consumerprotection@pbb.com.ph

The Bank also receives complaints from BSP Consumer Affairs. These complaints are addressed by the concerned units in accordance with the existing Service Level Agreement (SLA).

All complaints received through different channels are lodged and monitored through the Bank's Consumer Assistance Management System (CAMS). These are then regularly reported to BSP-Supervised Financial lnstitutions (BSFIs) Consolidated Complaints Report (BCCR) regularly. An executive summary of these complaints and the corresponding actions taken is reported to PBB's Executive Committee and to the Board of Directors.

Complaints, requests, and inquiries from financial consumers are received, acknowledged, investigated, and resolved in accordance with PBB's process on handling customer complaints, requests, and inquiries.

To assess if the complaints have been resolved at the highest degree of satisfaction, the Bank also asks feedback through its Complaint Handling Feedback Form. This is sent via email to the concerned client after a complaint's resolution. In addition and to ensure consistency in the level of service rendered after the complaint filing, the Bank monitors the implementation of the resolution after 30, 60, and 90 days through Service Recovery Strategy (SRS) Tracking System.

Customers can also give feedback regarding the satisfaction level of the service they experienced through Customer Care Feedback Boxes deployed in all branches of PBB. Results of the compiled feedback are cascaded to respective branches for their reference and corresponding actions.

Continuing Education

To further ensure that we meet or exceed our customers' needs and address their concerns, the Bank's HRG-Training and Service Quality Unit has established a Customer Protection Training Program to provide continuing education about Consumer Protection laws, rules, and regulations, as well as related policies and procedures. Such training is given to all relevant personnel, especially to those whose roles and responsibilities involve customer interface.

Employee Performance

As the Bank endeavors to embed consumer protection practices, policies and procedures in its business operations,

total customer satisfaction has been identified as one of the metrics in the Performance Appraisal Rating (PAR) of PBB employees. In addition, any violation with regard to consumer protection shall be sanctioned accordingly, as indicated in the Bank's Code of Conduct Article VIII – Definition Offenses and Their Corresponding Sanctions, Section 13 – Consumer Protection Program.

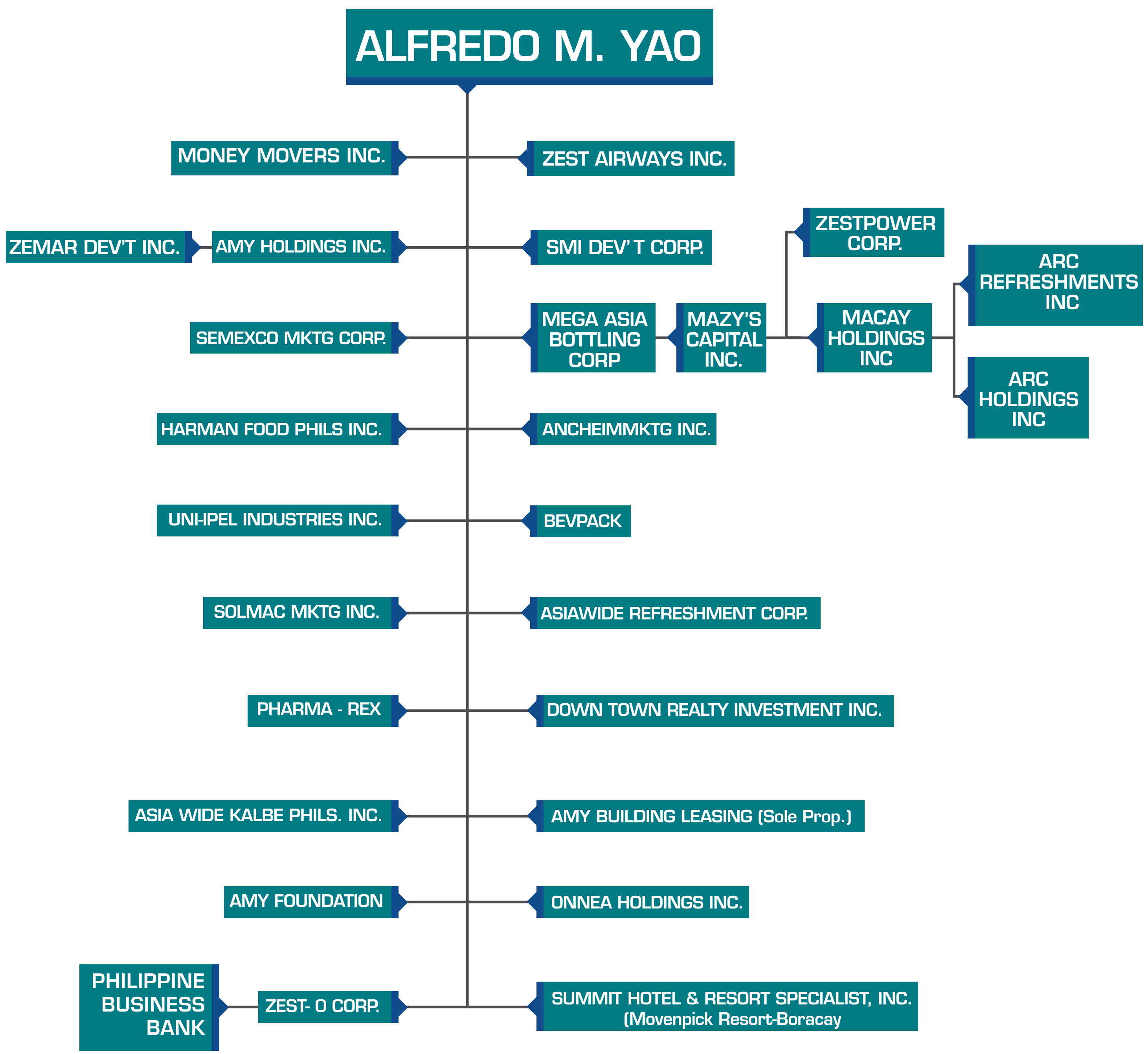
Information Dissemination

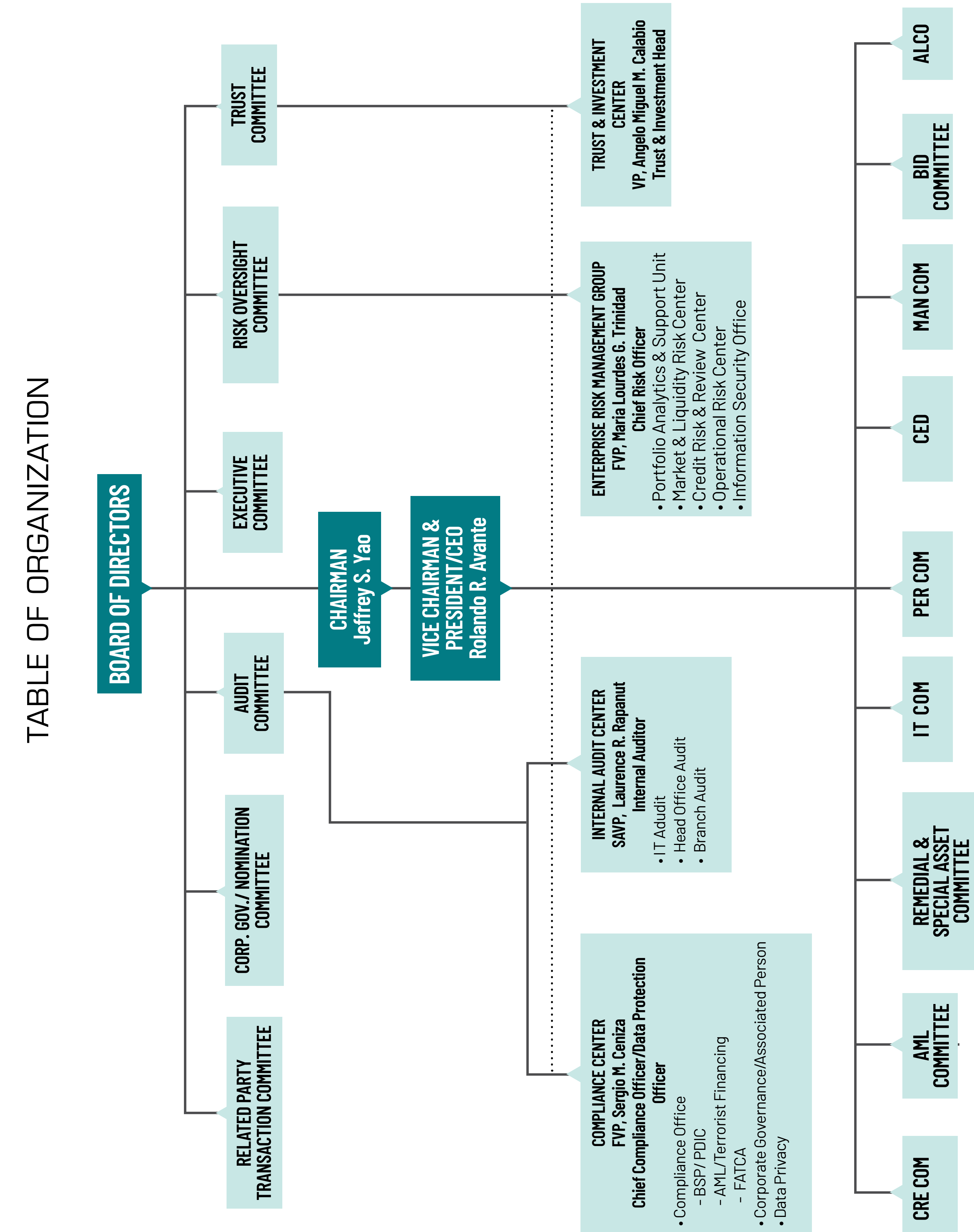
For Data Privacy, the Bank conducts regular information awareness campaigns and training programs on Data Privacy to inform all employees and spread awareness of the importance of such the same.

With regard to its Advertising and Promotional Materials Policy, the Bank ensures that all communication materials adhere to the requirements of consumer protection policies and that all information about the Bank and its products and services are accurately and clearly disclosed across all media platforms. The communication materials and media platforms used take into consideration the target market and are adjusted accordingly.

Corporate Information

Conglomerate Map





Corporate Information

TABLE OF ORGANIZATION BOARD OF DIRECTORS & BOARD REPORTING GROUPS

- **BOARD OF DIRECTORS**
  - **CHAIRMAN** Jeffrey S. Yao
    - **VICE CHAIRMAN & PRESIDENT/CEO** Rolando R. Avante
      - PRODUCT DEV'T & MANAGEMENT — VP, Ma. Joyce G. Zarate
      - CORPORATE AFFAIRS — AVP, Judith C. Songlingco
      - PROJECT MGT.OFFICE — VP, Enrico T. Teodoro, OIC
      - CORPORATE PLANNING & IRO — FVP, John David D. Sison
      - RETAIL BANKING CLUSTER — SEVP, Peter N. Yap, CMO
        - BRANCH BANKING GROUP VISMIN — VP, Nerysha M. Lo
        - BRANCH BANKING GROUP LUZON — VP, Carlos B. Dichoso
        - RETAIL SALES VISMIN — SVP, Rosendo G. Sia
        - RETAIL SALES LUZON — SVP, Reynaldo T. Boringot
        - MAIN OFFICE BRANCH, MAKATI BRANCH & BANAWE BRANCH — SEVP, Peter N. Yap
        - BRANCH OPERATIONS & CONTROL GROUP — FVP, Felipe V. Friginal, Cash Managment Clearing & Verification
      - OPERATIONS & CONTROL GRP. — FVP, Roselle M. Baltazar
        - •CENTRAL OPERATIONS GROUP
        - - Loans & Collateral Administration
        - - Treasury Operations
        - International Banking
        - General Acctg. Center
        - Systems & Methods
      - GSC & ADMIN. GROUP — SVP, Liza Jane T. Yao
        - ADMIN & PURCHASING
        - SECURITY & TRANSPORT SERVICES
        - MAINTENANCE & ENGINEERING
      - INFORMATION TECHNOLOGY GROUP — FVP, Jose Maria P. Valdes
        - IT HELPDESK
        - ATM CENTER
        - SYSTEM SUPPORT & APP. DEVELOPMENT CENTER DATA CENTER NETWORK & COMMUNICATION CENTER
        - ITSU
      - HUMAN RESOURCES GROUP — SVP, Consuelo V. Dantes
        - TALENT ACQUISITION
        - EMPLOYEE SERVICES
        - ORGANIZATIONAL DEVELOPMENT
        - TRAINING & DEVELOPMENT
        - SERVICE QUALITY CENTER
      - CORPORATE BANKING GROUP — FVP, Eduardo R. Que
      - COMMERCIAL BANKING ROUP — EVP, Arlon B. Reyes
        - Center 1
        - Center 2
        - Center 3
        - Center 4
        - Center 5
        - Center 6
        - Center 7
        - Center 8
        - BUS Loan/ Fleet
      - CONSUMER BANKING ROUP — FVP, Rodel P. Geneblazo
        - AUTO LOAN
        - SALARY LOAN
        - HOUSING LOAN
        - TEACHERS LOAN
      - TREASURY SERVICES GROUP — EVP, Joseph S. Cabalde
        - ASSET & LIABILITIES MANAGEMENT
        - FIXED INCOME TRADING
        - FOREIGN EXCHANGE CURRENCY TRADING DESK
        - FINANCIAL MARKET SALES & DISTRIBUTION
      - CREDIT MANAGEMENT GROUP — FVP, Miami V. Torres
        - PORTFOLIO MANAGEMENT
          - -Analytics
          - - Credit Policy
          - -Crecom Review & Secretariat
          - -Credit Review & Monitoring
        - ACCEPTANCE
          - -Front End
          - -Credit Evaluation
        - DOCUMENTATION & SAFEKEEPING
          - - Document Preparation
          - - Customer Fulfillment
          - - Files & Security Custodian
        - REMEDIAL MGT
          - -Collection
          - - Centralize Admin
          - -ROPA Mgt.
        - FRAUD MANAGEMENT
        - INSURANCE DESK
      - LEGAL SERVICES GROUP — VP, Atty. Roberto S. Santos
        - DOCUMENTATION UNIT
        - LITIGATION & LEGAL
        - ADVISORY UNIT

Our Branches

STAND ALONE BRANCHES

Branch Name	Branch Address	Phone Nos.
Main Office Branch	350 Rizal Avenue Ext, corner 8th Avenue, Grace Park, Caloocan City	**Phone:** (632) 8363-3333 **Fax:** (632) 8363-0291
Banawe	Unit 5-7 Solmac Bldg., 84 Dapitan cor Banawe St., Sta. Mesa Heights, Quezon City	Phone: (632) 3410-8350; 8708-5810; 3410-9019 Fax: (632) 3410-8656
Makati	137 Yakal Street, Makati City	Phone: (632) 8892-6768; 8817-5720; 8892-8498 Fax: (632) 8812-4755
Aseana	Ground Floor Commercial Space G01, Ri-Rance Corporate Center I, Aseana City, Paranaque	Phone: (632) 8775-3746 Fax: (632) 8395-9762

MANILA

Adriatico-Malate	G/F Hostel 1632, Adriatico Street, Malate, Manila	Phone: (632) 8353-3258; 3450-1482 Fax: (632) 8353-3262
Binondo Corporate Center	1126 Soler St. Binondo, Manila	Phone: (632) 8242-0601; 8242-7927; 5310-3785 Fax: (632) 5310-3784
Carmen Planas	869 Carmen Planas St. Binondo Manila	Phone: (632) 8245-5066; 8245-5083; 8522-7972 Fax: (632) 8245-5226
Elcano	730 Elcano St., Binondo, Manila	Phone: (632) 8241-9824; 8241-5629 Fax: (632) 8241-4287
Jose Abad Santos	1737-1739 Jose Abad Santos Tondo, Manila	Phone: (632) 8230-2344; 8230-4033; 7964-8216 Fax: (632) 8230-4099
Paterno- Quiapo	707 Paterno St., Barangay 307, Quiapo, Manila	Phone: (632) 8354-9670; 5310-5217 Fax: (632) 8354-9695
Pedro Gil-Paco	1077 Pedro Gil St. Paco, Manila	Phone: (632) 3498-1952; 8354-5141 Fax: (632) 8354-3239
Quintin Paredes	G/F Downtown Center Bldg., Quintin Paredes St., Binondo, Manila	Phone: (632) 8522-8039; 8522-0871 Fax: (632) 8241-7123

CAMANAVA

Grace Park	249 Rizal Avenue Extension corner 7th Avenue, Grace Park, Caloocan City	Phone: (632) 8361-1004; 8361-0941; 7577-6536 Fax: (632) 8361-0941
A. Mabini C-3	200 A. Mabini St. Maypajo, Caloocan City	Phone: (632) 8287-8895; 8287-6621 Fax: (632) 8288-1249
Camarin	Zabarte Town Center 588 Camarin Road, cor ZabarteRoad, North Caloocan City	Phone: (632) 8962-0232; 8962-0160; 8962-0627 Fax: (632) 8962-0160
Edsa-Caloocan	574 Epifanio delos Santos, EDSA Highway, Caloocan City	Phone: (632) 8363-2493; 8363-0105 Fax: (632) 8363-1635

Branch Name	Branch Address	Phone Nos.
Edsa- Monumento	261 EDSA Highway, Barangay 85, Zone 8, Caloocan City	Phone: (632) 7949-8673; 8294-1837 Fax: (632) 8294-1830
Kaybiga	Guillmar Marble Corporation Bldg., #297 General Luis St., Kaybiga, Caloocan City	Phone: (632) 8352-7872; 3417-0165 Fax: (632) 8352-7791
Samson Road	117 D & E Samson Road, Caloocan City	Phone: (632) 5310-9068 ; 8332-8506 Fax: (632) 8332-9495
North Caloocan - Quirino Highway	LGF Unit 2 Metro Plaza NCB Mall, Quirino Highway, Barangay 185, Malaria, North Caloocan City	Phone: (632) 8651-3383; 8651-3396; 8355-4130
Karuhatan-Malinta	G/F HPS Building McArthur Highway, Karuhatan, Valenzuela City	Phone: (632) 8922-0898; 3444-3688 Fax: (632) 8922-0891
Malabon Gov. Pascual	155 Governor Pascual Avenue, Malabon City	Phone: (632) 8288-0078; 3446-3444 Fax: (632) 8287-7873
Malabon-Rizal Ave	726 Rizal Avenue Barangay Tañong, Malabon City	Phone: (632) 3447-6044; 8376-1434; 8376-1433 Fax: (632) 3447-6044
Navotas	G/F Teresita Bldg., Northbay Blvd., Navotas City	Phone: (632) 8355-4143; 8355-4159; 3383-1410 Fax: (632) 8355-4574
Paso de Blas	Paso de Blas Road cor. P. Santiago St., Barangay Paso de Blas, Valenzuela City	Phone: (632) 8292-4136; 8292-3575 Fax: (632) 8293-1933
Valenzuela	215 McArthur Highway, Karuhatan, Valenzuela City	Phone: (632) 3443-8113; 3443-8118; 8292-3296 Fax: (632) 3443-9030
Navotas – M. Naval	M. Naval St., Tangos, Navotas	Phone: (632) 8372-9487; 8282-9149 Fax: (632) 8921-3250

QUEZON CITY

Commonwealth-Fairview	G/F Datamex - College of St. Adeline, Commonwealth Avenue, East Fairview Park Subdivision, Quezon City	Phone: (632) 8376-9477; 3428-7104 Fax: (632) 8376-2358
Cubao	Units D, E & F Timbol Bldg., 915 Aurora Blvd., Cubao, Quezon City	Phone: (632) 8709-3649; 8709-3695 Fax: (632) 3438-9966
Novaliches	Krystle Bldg., 858 Quirino Highway, Novaliches, Quezon City	Phone: (632) 8936-3467; 8938-4038 Fax: (632) 3418-3132
Timog-Rotonda	A.A Tanco Bldg. #55 Timog Avenue cor Tomas Morato Ave., Brgy. South Triangle, Quezon City	Phone: (632) 8441-0895; 7950-6003 Fax: (632) 8376-9530
Kamias -Anonas	G/F Armon's Building, 142 Road corner Anonas St., Quezon City	Phone: (632) 8366-6874; 3434-1491 Fax: (632) 8366-6876

Our Branches

Branch Name	Branch Address	Phone Nos.
Banawe-Kaliraya	Motorex Philippines, Inc. Building 148 Banawe cor Kaliraya St., Brgy Tatalon, Quezon City	Phone: (632) 3448-6613; 8711-0918; 8711-1015 Fax: (632) 8711-0918
Congressional	A.V. Safetynet Building, Lot 4D, Block 7, Gardenville, Congressional Avenue, Project 8, Quezon City	Phone: (632) 8372-0443 Fax: (632) 8532-5113
Del Monte	284-286 Del Monte Avenue, Quezon City	Phone: (632) 8708-5801; 8749-9103; 3414-2726 Fax: (632) 8749-9103
Retiro	No. 84 Units A & B N.S. Amorante Avenue, Brgy Salvacion, La Loma, Quezon City	Phone: (632) 7625-8213; 8711-2175; 8711-2538
Roosevelt	Sun Square Bldg., 323 Roosevelt Avenue, Brgy. San Antonio, San Francisco Del Monte, Quezon City	Phone: (632) 8376-1135; 8376-1426; 3411-6345 Fax: (632) 3411-6345
West Avenue	Unit 102, West Avenue Strip, 53 West Ave., Brgy Paltok, Quezon City	Phone: (632) 8709-7109
Quezon Avenue	1050 CWI Corporate Center, Quezon Avenue, Quezon City	Phone: (632) 7914-0119 Fax: (632) 8374-3884

MARIKINA, RIZAL

Branch Name	Branch Address	Phone Nos.
Antipolo	Units 3 & 4 Megathon Bldg. Circumferential Road, Brgy. San Roque, Antipolo City	Phone: (632) 8697-3051 or 54; 8630-5186 Fax: (632) 8697-3018
Masinag	Unit 104 G/F Rikland Centre, Marcos Highway, Mayamot Antipolo City	Phone: (632) 8654-6654 ; 8250-2135 Fax: (632) 8654-6034
Cainta	Unit B5 and B6, The Avenue, Felix Avenue, Cainta, Rizal	Phone: (632) 8645-6631; 8647-5622 Fax: (632) 8681-1658
Marikina	306 J.P. Rizal St., Sta. Elena, Marikina City	Phone: (632) 8646-5864; 7933-3109 Fax: (632) 8646-6294
Concepcion-Marikina	Bayan-Bayanan Avenue, Concepcion Uno, Marikina City	Phone: (632) 7955-6172; 8948-5688 Fax: (632) 8948-4213
Gil Fernando Marikina	Ground Floor of WRCC Bldg. I, 47 Gil Fernando Ave., Midtown Subd., Brgy. San Roque, Marikina City	Phone: (632) 8461-3228 Fax: (632) 8461-3230
Ortigas Ave. Ext	G & F Crospoint Commercial Area, Resta 2, Ortigas Ave. Ext., Cainta Junction, Brgy. Sto. Domingo, Cainta, Rizal	Phone: (632) 8997-2251; 8941-4145
Taytay	Brgy. San Juan, Taytay, Rizal	Phone: (632) 8234-2580 ; 7218-3871 Fax: (632) 8234-1899

SAN JUAN, MANDALUYONG, PASIG

Branch Name	Branch Address	Phone Nos.
Greenhills	G/F LGI Building, Ortigas Avenue, Barangay Greenhills, San Juan	Phone: (632) 8234-9018; 7576-8365 Fax: (632) 8234-9016
Mandaluyong	Unit I Facilities Centre Shaw Blvd., Mandaluyong City	Phone: (632) 8470-3244; 7718-0103 Fax: (632) 8531-3537
Ortigas	E Prime 24-A CW Home Depot - Ortigas, #1 Doña Julia Vargas Avenue, corner Meralco Avenue, Barangay Ugong, Pasig City	Phone: (632) 7503-3468; 8656-2461 Fax: (632) 8656-3303
Pasig-Kapitolyo	G/F Unit 4 Elements on Rosemarie Bldg., Pasig Blvd., corner Rosemarie Street, Pasig City	Phone: (632) 8234-0607; 3446-0183 Fax: (632) 8234-0608

LAS PIÑAS, MAKATI, TAGUIG

Branch Name	Branch Address	Phone Nos.
Legaspi Village-Makati	Sunrise Terraces, 100 Perea St., Legaspi Village Barangay San Lorenzo, Makati City	Phone: (632) 8551-2416; 8551-2419; 5310-5929 Fax: (632) 8551-2416
Salcedo Village-Makati	Unit GDA-1, LPL Center, 130 L.P. Leviste St., Salcedo Village, Makati City	Phone: (632) 8550-2482; 7621-9220; 8550-2482 Fax: (632) 8550-2480
The Fort-Taguig	Units 104-105 Forbeswood Towers, Forbestown Center, Rizal Ave., cor. Burgos Circle, Bonifacio Global City, Taguig City	Phone: (632) 8856-6653; 8856-6654 Fax: (632) 8856-6652
Bonifacio Global City	Stall CS 152 and 153 MC Home Depot 32nd St. cor Bonifacio Blvd, Bonifacio Global City, Taguig	Phone: (632) 8831-8127; 7507-2325 Fax: (632) 8831-9971
Makati – Aguirre	Unit 1 & 2 State Condominium II, 117 Aguirre St., Legaspi Village, Makati City	Phone: (632) 8833-8892
Bonifacio Global City – Net Plaza	G/F Net Plaza 31st St., Bonifacio Global City, Taguig	Phone: (632) 8804-1353; 8804-1370
Las Piñas	Unit 1 & 2 G/F San Beda Commercial Zapote - Alabang Road, Las Piñas	Phone: (632) 8874-7966; 8808-7292; 8871-0092 Fax: (632) 8875-0589

MUNTINLUPA, PARAÑAQUE, PASAY

Branch Name	Branch Address	Phone Nos.
Better Living-Paranaque	156 Doña Soledad Avenue, Better Living Subdivision, Brgy. Don Bosco, Parañaque City	Phone: (632) 8846-8727; 7975-9901 Fax: (632) 8846-8163
Sucat-Parañaque	Unit B-10-A Jaka Plaza Mall, A. Santos Ave., Sucat, Paranaque City	Phone: (632) 8552-2548; 7501-6247 Fax: (632) 8552-2547
Pasay	2241 C.K.Sy Bldg., Taft Ave., Pasay City	Phone: (632) 8551-5830; 8836-7108; 8836-7109 Fax: (632) 8551-5833
Pasay-Malibay	Unit E, J&B Building, 641 Epifanio Delos Santos Avenue (EDSA), Malibay, Pasay	Phone: (632) 7622-8158; 8403-3231; 8403-2386 Fax: (632) 8843-1172
Madrigal	Unit 102 G/F Corporate Center, 1906 Finance Drive, Madrigal Business Park, Muntinlupa City	Phone: (632) 8822-6646; 8822-6716 Fax: (632) 8822-2706
Muntinlupa	G/F Units 1 and 2 #50 National Road, Putatan, Muntinlupa City	Phone: (632) 7798-0284; 8511-7354; 8987-2220 Fax: (632) 8551-0010

Our Branches

Branch Name	Branch Address	Phone Nos.
CENTRAL LUZON		
Baliuag	B.S. Aquino Ave. Bagong Nayon Baliuag, Bulacan	Phone: (044) 673-5216; 673-5452 Fax: (044) 766-3485
Bocaue	Mac Arthur Highway, Barangay Wakas, Bocaue, Bulacan	Phone: (044) 233-3615 ; 896-2440 ; 896-2596 Fax: (044) 248-6103
Malolos	G/F Unit 4 & 5 DJ Paradise Hotel Mac Arthur Highway, Dakila, Malolos City, Bulacan	Phone: (044) 794-6254; 896-0965; (0917)558-4584 Fax: (044) 794-6254
Meycauayan	Medical Plaza Bldg. McArthur Highway, Banga, Meycauayan, Bulacan	Phone: (044) 840-4855; 769-6327 Fax: (044) 769-6329
Muzon	807 Luwasan Muzon, City of San Jose del Monte, Bulacan	Phone: (044) 760-4703; 760-4709; 691-2141 Fax: (044) 760-4711
Sta. Maria	Angelica Bldg. Gov. F. Halili Ave., Bagbaguin, Sta. Maria, Bulacan	Phone: (044) 641-2546; 815-3983; 288-2713 Fax: (632) 8299-6326
Baliuag – B.S. Aquino	C.S. Building, 783 Benigno S. Aquino Ave., Bagong Nayon, Baliuag, Bulacan	Phone: (044) 798-2031; 798-2018
Angeles	Lot 5 Blk 1 McArthur Highway, Angeles City	Phone: (045) 626-2088 to 89; 888-7205 Fax: (045) 626-2087
Olongapo	2420 Rizal Avenue, Barangay East Bajac Bajac, Olongapo City	Phone: (047) 222-9949; 222-9951; 222-9957 Fax: (047) 222-9950
San Fernando	G/F Hyatt Garden Bldg. McArthur Highway, Dolores City of San Fernando, Pampanga	Phone: (045) 961-0524; 961-1854; 860-3858 Fax: (045) 961-0523
Balanga	Don Manuel Banzon Avenue Balanga City, Bataan	Phone: (047) 237-1137; (047) 237-1136 Fax: (047) 300-0283; 300-8204
Dinalupihan	No. 33 Rizal St., Dinalupihan, Bataan	Phone: (047) 481-1093 ; 481-5203
Limay	National Road Brgy. Reformista, Bernabe Subdivision, Limay, Bataan	Phone: (047) 244-4072
Subic-SBMA	Unit 1-1 & 1-2 Subic CreativeCenter Bldg., Lot C-5A, Block C,Manila Ave., Cor. Dewey Ave., Subic Commercial; Light Industrial Park, Central Business District, Subic Bay Freeport Zone	Phone: (047) 250-3570 Fax: (047) 250-3571
Subic-Zambales	0025 National Highway, Calapandayan, Subic, Zambales	Phone: 047) 232-1976 Fax: (047) 306-5122
San Fernando – San Agustin	Pistahan Building, Brgy. San Agustine, City of San Fernando, Pampanga	Phone: (045) 455-3745; (045) 455-3744
Cabanatuan	Paco Roman St., Cabanatuan City, Nueva Ecija	Phone: (044) 940-1470; 464-7411; 464-7417 Fax: (044) 940-1491
Gapan	Tinio St. Brgy. San Vicente, Gapan City, Nueva Ecija	Phone: (044) 486-2437; 486-0893 Fax: (044) 486-2437

Branch Name	Branch Address	Phone Nos.
Gen. Tinio	Poblacion Central (Papaya) Gen. Tinio, Nueva Ecija	Phone: (044) 973-0468, 973-0598; 973-0716 Fax: (044) 973-0468
Tarlac	Liwayway Bldg. F. Tañedo Street, Tarlac City	Phone: (045) 491-1353; 491-1350; 491-4795 Fax: (045) 491-1352
Tarlac Paniqui	G/F Unit 8, Green Field Building, Zamora Street, Poblacion Sur, Paniqui, Tarlac	Phone: (045) 606-1085
NORTHERN LUZON		
Cauayan-Isabela	Maharlika Highway, Barangay San Fermin, Cauayan City, Isabela	Phone: (078) 652-0293; (078) 652-0294; (078) 652-0301; (078) 260-0032
Tuguegarao	#6 Rizal St., Barangay 8, Tuguegarao City	Phone: (078) 501-1049; 304-0243; 884-0496 Fax: (078) 844-0292
Santiago	City Road (Near cor. Camacam St.), Barangay Centro East, Santiago, Isabela	Phone: (078) 305-3068
Solano	Gaddang St., Barangay Poblacion North, Solano, Nueva Vizcaya	Phone: (078) 392-0309; 326- 0030; 326- 0014
Laoag	G/F Laoag Allied Marketing Bldg. Barangay 19, Rizal St. Laoag City	Phone: (077) 772-3027; 772-3042; 771-1523 Fax: (077) 772-3041
Vigan	Luisa Trading Building, Quezon Ave. cor Salcedo St., Brgy 3, Vigan City	Phone: (077) 673-0067; 250-2664; 250-2659 Fax: (077) 604-0282
Candon-Ilocos Sur	G/F BZ Bldg., 15 National Highway, Brgy. San Isidro, Candon City, Ilocos Sur	Phone: (077) 604-0172 Fax: (077) 604-0171
La Union	G/F Virginia Bldg. Quezon Ave., corner Flores St. Dominion Bus Terminal, National Highway, San Fernando City, La Union	Phone: (072) 242-0350; 242-0210 ; 242-3836 Fax: (072) 242-0372
Baguio	G/F CTTL Bldg. Abanao Ext., Baguio City	Phone:(074) 447-2692; 447-2694 Fax: (074) 447-2693
Benguet-La Trinidad	KM 5, La Trinidad, Benguet	Phone: (074) 422-9795 ; 422-9792 ; 619-0261 Fax: (074) 422-9794
Dagupan	Rizal St., Dagupan City, Pangasinan	Phone: (075) 523-4701; 523-4781; 516-2045 Fax: (075) 523-4732
Urdaneta	Unit 1, The Pentagon - GNC Building, Mc Arthur Highway, Nancayasan, Urdaneta, Pangasinan	Phone: (075) 568-5886; 568-1073; 656-2108; 656-3012 Fax: (075) 568-5876
Lingayen-Pangasinan	17 Avenida Rizal West, Barangay Poblacion, Lingayen, Pangasinan	Phone: (075) 633-2880; 633-2879

Our Branches

Branch Name	Branch Address	Phone Nos.
Calasiao	Vera Building, Macarthur Highway, San Miguel, Calasiao, Pangasinan	Phone: (075) 649-2142; 600-1395; 600-1395

CAVITE

Branch Name	Branch Address	Phone Nos.
Dasmariñas	Unit G2 Annie's Plaza Dasma, Barangay San Agustin I, Dasmariñas City, Cavite	Phone: (046) 431-4926; 431-7368; 431-7564 Fax: 431-7564
Imus	Aguinaldo Highway,Tanzang Luma, Imus, Cavite	Phone: (046)-472-3663; 472-3664 Manila Line : (632) 8875-1854 Fax: (046) 529-8630
Molino-Bacoor	Sola Grande Centre, Molino Business Centre, Molino Road, Molino 2, Bacoor, Cavite	Phone: (046) 416-3821 ; 512-0386 Fax: (046) 416-3827
Trece Martires	VPG Bldg., Tanza-Trece Martires Rd., Brgy. San Agustin, Trece Martires City, Cavite	Phone: (046) 416-7605 Fax: (046) 416-7606
Carmona	Ground Floor Unit 5, 88 Building,Governor's Drive, Barangay Maduya, Carmona, Cavite City	Phone: (046) 460-5708 Fax: (046) 460-5706
Binakayan	Tirona Highway, Binakayan, Kawit, Cavite	Phone: (046) 434-7455; 434-7992; 434-9009
Kawit	Gregoria St., Poblacion, Kawit, Cavite	Phone: (046) 484-5905; 484-7014 Fax: (046) 484-4997

LAGUNA

Branch Name	Branch Address	Phone Nos.
Calamba	G/F Unit 2 Kim-Kat Annex Bldg., National Highway, Brgy. Parian, Calamba, Laguna	Phone: (049) 545-0980; 508-0059; 834-3283 Fax: (632) 8420-820
San Pablo	Lynderson Building, Lopez Jaena St. San Pablo City, Laguna	Phone: (049) 300-0149; 521-1158 Fax: (049) 521-1121
Sta. Rosa	#100 Balibago located along National Highway, corner Roque Lasaga Street, Balibago Sta. Rosa Laguna	Phone: (049) 534-5622; 534-5624; 534-5627; 534-5629 Fax: (049)837-2324
San Pedro	Alex Building, National Highway, Barangay Poblacion, San Pedro, Laguna	Phone: (632) 8843-4099 ; 8843-4098 Fax: (632) 8808-7352
Biñan	G/F S.A.P. Building 5230 National Highway Brgy. San Vicente, Biñan City, Laguna	Phone: (049) 576-0209
Calamba Crossing	G/F CEC Building, Crossing, Brgy. Uno, Calamba City, Laguna	Phone: (049) 502-1333; (049) 508-2645

BATANGAS

Branch Name	Branch Address	Phone Nos.
Batangas	Cifra Plaza, No. 114 Rizal Avenue corner P. Zamora Street, Barangay 16, Batangas City	Phone: (043) 702-2385; 702-1182; 702-1162 Fax: (043) 425-0053
Lipa	Units 1, 2, 3 & 4 Trinity Business Center Ayala Highway, Barangay Balintawak, Lipa City	Phone: (043) 706-1310; 706-1312; 771-1523 Fax: (043) 455-1020

Branch Name	Branch Address	Phone Nos.
Tanauan	Jose P. Laurel Avenue, Barangay Poblacion, Tanauan City	Phone: (043) 702-7408; 700-7409 Fax: (043) 702-7407
Calapan	Ast Tolentino Building, JP Rizal St., Brgy. San Vicente East, Calapan City, Oriental Mindoro	Phone: (043) 743-0003; 459-0015; 459-0024 Fax:(043) 288-1082
Lucena	Quezon Avenue, Lucena City	Phone: (042) 797-1839; 797-0528; 322-0086 Fax: (042) 797-1838
Balayan	M. Alvez Space Rental Building, GF Units M4 and M5, Tuy – Balayan Highway, Bonville Subdivision, Barangay Lanatan, Balayan, Batangas	Phone: (043) 419-9146; (043) 419-9151

BICOL & PALAWAN

Branch Name	Branch Address	Phone Nos.
Camarines Sur-Iriga Albay	Highway 1 corner Violeta St. San Miguel Iriga City	Phone: (054) 456-0528 Fax: (054) 456-0665
Legazpi-Albay	D' Executive Building, Rizal St., Barangay Tinago, Legazpi City, Albay	Phone: (052) 736-0011; 480-8595; 480-2815 Fax: (052) 736-0019
Naga	Unit C G/F CBD Plaza Hotel Ninoy and Cory Ave., Central Business District II Triangulo, Naga City	Phone: (054) 811-2816; 811-2854; 811-2193; 473-6303 Fax: (054) 473-6309
Sorsogon	Chiang Kai Shek School Building, Magsaysay Avenue, Sorsogon City	Phone: (056) 558-0010; 558-0011 Fax: (056) 421-6422
Puerto Princesa-Palawan	New Carlos Building, 271 Rizal Avenue, Central Business District, Maningning, Puerto Princesa City, Palawan	Phone: (048) 433-0151; 433-0060; 433-0049 Fax: (048) 433-0159
Legazpi – Rizal	Costa Verde Development Corporation, Building 2, Rizal St., Cabangan, Legazpi City	Phone: (052) 742-6948

VISAYAS

Branch Name	Branch Address	Phone Nos.
Cebu-Downtown	G/F Lianting Bldg. 130 F. Gonzales Street, Cebu City	Phone: (032) 253-2518; 255-6490; 255-6607 Fax: (032) 253-2366
Lapu-Lapu	G/F AMCO Building, M. L. Quezon National Road, Pajo, Lapu-Lapu City, Cebu	Phone: (032) 495-2831; 236-3018 ; 495-8231 Fax: (032) 238-8590
Mandaue	Unit 1-2 Wireless Plaza Bldg. H. Cortes Avenue cor Hi-way Seno Subangdaku, Mandaue City	Phone: (032) 345-4462; 345-1520; 345-5274 Fax: (032) 45-2657
Tagbilaran	EB Gallares Building, C.P. Garcia Avenue, Tagbilaran City, Bohol	Phone: (038) 411-0831; 411-0832; 411-0837 Fax: (038) 411-0832
Cebu Consolacion	Highway Consolacion (Fronting Cebu Home Builders) Barangay Cansaga, Consolacion, Cebu	Phone: (032) 2363476 ; 2364299 Fax:(032) 423-0514
Cebu-Talisay	Door 3 Rosalie Building, Gaisano Fiesta Mall, Tabunok, Cebu South Road (aka Tabunok Highway), Talisay City, Cebu	Phone: (032) 520-7852 ; 520-7853 Fax: (032) 505-9048

Our Branches

Branch Name	Branch Address	Phone Nos.
Dumaguete	Ground Floor C&L Suites Inn, 485 Perdices Street cor. Pinili Street, Barangay Poblacion 3, Dumaguete City	Phone: (035) 400-4800 ; 421-1474 ; 522-2709 Fax: (035) 522-2710
Cebu-Escario	Unit G-08, Capitol Square, Escario St., Cebu City	Phone: (032) 232-0146 ; 232-0147 Fax: (032) 232-0145
Cebu-Banilad	A.S. Fortuna Street Banilad, Mandaue City, Cebu	Phone:(032) 268-7340 or (032) 268-7347 Fax: (032) 268-7347
Bacolod	TU Square G/F Unit 3 Lacson Street cor. BS Aquino Drive, Barangay 1, Bacolod City	Phone: (034) 435-5745; 435-5734; 435-5683 Fax: (034) 435-5744
Iloilo	Ground FLoor MSL Building, 132 Quezon St. Iloilo City	Phone: (033) 320-0941; 335-1015; 335-1009
Ilollo Donato Pison	Unit 1-A&B Greenzone Center Donato Pison Ave. Brgy., San Rafael Mandurriao, Iloilo City	Phone: (033) 330- 1411; (033) 330-1354
Kalibo	Roxas Avenue, Poblacion, Kalibo City, Aklan	Phone: (036) 390-0040; 390-0039; 500-7253 Fax: (036) 390-0039
Roxas	G/F SJS Building, San Roque St. Ext., Barangay 8, Roxas City, Capiz	Phone: (036) 620-3420; 620-3470 Fax: (036) 522-1980
Boracay	Barangay Balabag, Boracay Island, Malay, Aklan	Phone: (036) 663-0019
Iloilo – Jaro	G/F Rosman Building, McArthur Drive, Tabuc Suba, Jaro, Iloilo City	Phone: (033) 503-7393
Ormoc	No. 333 Real St., Barangay District 5, Ormoc City, Leyte	Phone: (053) 832-3649; 832-3650; 832-3651
Tacloban	Zamora St., Tacloban City	Phone: (053) 526-0616; 832-0002; 832-0074 Fax: (053) 832-0065
Catbalogan	San Francisco St. corner Rizal Ave., Catbalogan City, Samar	Phone: (055) 883-0013

MINDANAO

Bajada, Davao	Aeon Towers, JP Laurel Avenue., Bajada, Davao City	Phone: (082) 227-9878; 227-6577; 227-9950; 227-9948
Sales-Sta. Ana, Davao	Door 7 & 8 JM Bldg. Governor Sales St., Davao City	Phone: (082) 222-4281; 222-4452 Fax: (082) 224-4457
Lanang, Davao	Fuji One Building, KM. 7, Lanang, Davao City	Phone: (082) 234-2879 ; 234-2933 ; 305-4621 Fax: (082) 300-8876
Toril, Davao	Gaissano Grand Mall Toril, Unit 8B GL & GL 9, Saavedra St. Toril, Davao City	Phone: (082) 293-9005; 324-1472 ; 824-1480 Fax: (082) 285-9154
Tagum	Roxas St. corner Osmeña St. Tagum City, Davao	Phone: (084) 216-1724 ; 216-1725 ; 216-1726 Fax: (084) 216-1726
Panabo	Wharf Rd., Brgy. Sto. Niño, Poblacion, Panabo City, Davao Del Norte	Phone: (084) 629-0060; 628-4005 Fax: (084) 629-0050
CM Recto - Davao	JRL Building 107 C.M. Recto Ave., Brgy. 38-D, Davao City	Phone: (082) 224-3294; 224-3969

Branch Name	Branch Address	Phone Nos.
Butuan	Montilla Boulevard cor. T. Calo St., Butuan City, Agusan Del Norte	Phone: (085) 815-0512; 815-0513 Fax: (085) 300-0293
Surigao	Diez St., Barangay Taft, Surigao City, Surigao Del Norte	Phone: (086) 310-0346 Fax: (086) 310-0346
CDO-Lapasan	Lapasan Highway corner Camp Alagar, Cagayan de Oro City	Phone: (088) 231-6680; 231-6682; 231-6683 Fax: (088) 231-6681
CDO-Cogon	ALLA Inc. Building, JR Borja St. (near corner Corales Ave.) Barangay 32, Cagayan De Oro City, Misamis Oriental	Phone: (088) 323-1625 ; 880-2989 ; 323-1735 Fax: (088) 880-2990
Iligan	Doromal Building, Quezon Ave. Extension, Barangay Villaverde, Iligan City	Phone: (063) 222-3971; 302-0107; 302-0074 Fax: (063) 222-4197
General Santos - Santiago	Santiago Boulevard, Barangay Dadiangas South, General Santos City	Phone:(083) 552-5712 ; 552-2209 Fax:(083) 552-2209
General Santos	GSC SunCity Suites, Sun City Complex, B-1-03 & B-1-04 National Highway Lagao, General Santos City	Phone: (083) 301-6014; 301-6015; 552-0591 Fax: (083) 301-6014
Zamboanga	Wee Agro Building Veterans Avenue, Zamboanga City	Phone: (062) 310-0657; 955-2201; 955-1024 Fax: (062) 955-1047 (077) 604-0282
Ozamiz	G/F Insular Life Bldg., Don Anselmo Bernad Ave. (National Highway) corner Jose Abad Santos St., Ozamis City, Misamis Occidental	Phone: (088) 319-0308; 319-0309 Fax: (088) 545-0987
Dipolog	No. 331 P. Burgos St.(near corner Rizal Ave.Dipolog City, Zamboanga Del Norte	Phone: (065) 908-1576 ; 908-1700 ; 212-1424 Fax: (065) 212-1425

BRANCH LITE

Pearl Plaza Branch Lite Unit	Annex A Level 2 Pearl Plaza Building, 1331 Quirino Avenue, Tambo, Paranaque City	Phone: (632) 7971-7896; 8351-8755
Taguig City Branch Lite Unit	Unit RT5, One Mckinley Place, 4th Avenue, Bonifacio Global City, Taguig	Phone: (632) 8838-9329
Roxas City Branch-Lite Unit	G/F Eperformax Building, Sacred Heart of Jesus Blvd., Pueblode Panay Township, Brgy. Lawa-as, Roxas City, Capiz	Phone: (036) 651-6376
Cebu City Branch Lite Unit	4th Floor, NIC-2 Bldg., Capitol Square, N. Escario St., Cebu City	Phone: (032) 256-6042 ; 256-5973; 256-6048

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ANNUAL REPORT

FINANCIAL STATEMENTS and INDEPENDENT AUDITORS' REPORT

Contents

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Philippine Business Bank, Inc., A Savings Bank (the Bank)**, is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, 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 financial statements, management is responsible for assessing the Bank'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 Bank's or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing and, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit

JEFFREY S. YAO
Chairman of the Board

ROLANDO R. AVANTE
Vice Chairman/President & CEO

ROSELLE M. BALTAZAR
FVP – COG & Assistant Controller

Signed this ________ day of __________

REPORT OF INDEPENDENT AUDITORS

Opinion

We have audited the financial statements of Philippine Business Bank, Inc., A Savings Bank (the Bank), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the 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.

Emphasis of a Matter

We draw attention to Note 30 to the financial statements, which describes management's assessment of the continuing impact of the COVID-19 pandemic on the Bank's financial condition and performance. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Expected Credit Loss on Loans and Receivables

Description of the Matter

As at December 31, 2020, the carrying amount of loans and receivables and allowance for expected credit losses (ECL) on loans and receivables amounts to P89.3 billion and P3.8 billion, respectively. We have identified the Bank's ECL on loans and receivables as a key audit matter because it:

- requires significant management judgment on the interpretation and implementation of the requirements of PFRS 9, Financial Instruments, in assessing impairment losses based on an ECL model that involves segmenting credit risk exposures, defining when does default occur and what constitutes a significant increase in the credit risk (SICR) of different exposures;

- involves high degree of estimation uncertainty related to management's use of various inputs and assumptions applied in the ECL model such as credit risk rating of the counterparty, expected amount and timing of cash flows, including recovery of collaterals for defaulted accounts, and forward-looking macroeconomic information which may be affected by management estimation bias; and,

- requires complex estimation process that entails implementation of internal controls anduse of information system in ensuring the completeness and accuracy of data used in the ECL calculation and in the preparation of required disclosures in the financial statements.

In 2020, management introduced post-model adjustments to the existing ECL model because changing the existing model will take a significant amount of time to develop and validate, and there is also a data limitation in respect of lagging credit information and granular behavior analysis of customers. With the introduction of the post-model adjustments, the government and the Bank's financial support programs to its customers, and more importantly, the significant impact of the COVID-19 pandemic were reflected in the ECL model. Its introduction to the existing model has considered granular reassessment of customers based on perceived and expected COVID-19 impact on borrowers' businesses and related industries and additional qualitative factors that would elevate COVID-19 pandemic-related changes to SICR. Consequently, this resulted in a more complex judgement and higher degree of estimation uncertainty in determining ECL on the Bank's loans and receivables in 2020.

The summary of significant accounting policies and the significant judgment, including estimation applied by management, as those related to the credit risk assessment process of the Bank are disclosed in Notes 2, 3 and 4 to the financial statements. The other disclosures related to this matter are presented in Notes 12 and 28.

How the Matter was Addressed in the Audit

We obtained an understanding of the Bank's accounting policies and methodologies applied and we evaluated whether those: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the Bank's lending activities and asset portfolio that takes into consideration the different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of the accounting policies that capture in sufficient detail the judgment, including estimation, applied in the development of the ECL model.

With respect to the use of significant judgment, including those involving estimation of inputs and assumptions used in the ECL model, we performed the following:

- assessed the Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and evaluated the appropriateness of the specific model applied for each loan portfolio;

- evaluated both the quantitative and qualitative criteria applied in the definition of default against historical analysis for each segment of loan portfolio and in accordance with credit risk management practices, and tested the criteria in the determination of the SICR, including assignment of a loan or group of loans into different stages of impairment;

REPORT OF INDEPENDENT AUDITORS

- evaluated the Bank's granular reassessment of borrowers based on perceived and expected COVID-19 impact to the customers' businesses and related industries, and additional qualitative factors considered (e.g., availment of government-mandated reliefs and Bank's financial relief measures) that would elevate COVID-19 pandemic-related changes to SICR;

- assessed the appropriateness of the specific post-model adjustments applied for each portfolio;

- tested the Bank's application of internal credit risk rating system for selected items of loans, and verified the mapping of the ratings to the ECL calculation;

- tested loss given default information across various types of loan by inspecting records of historical recoveries and relevant costs, including valuation and cash flows from collateral, and write-offs;

- reconciled and tested exposure at default for all outstanding loans against the relevant loan databases, including review of the potential exposures from undrawn commitments against historical drawdown, if any;

- assessed the appropriateness of the identification of forward-looking information (overlays) used in the ECL model and validated their reasonableness against publicly available information and our understanding of Bank's loan portfolios and industry where they operate; and,

- tested the effective interest rate used in discounting the ECL.

As part of our audit of the ECL methodology, we tested the completeness and accuracy of the data used in the ECL model through reconciliation of loan data subjected to the ECL calculations, which were prepared by management outside its general ledger system, against the relevant financial reporting applications and other accounting records. Moreover, we tested the stratification of loan data that were disaggregated into various portfolio segments for purposes of ECL calculations. Furthermore, we tested the mathematical formula and the computation logics applied in the calculation of the different inputs in the ECL model and the estimation of the credit losses for all loans and receivables subjected to impairment assessment.

We evaluated the completeness of the disclosures in the financial statements against the requirements of the relevant financial reporting standards.

(b) Assessment of Goodwill Impairment

Description of the Matter

As of December 31, 2020, the Bank has goodwill amounting of P121.9 million as a result of various business acquisitions. Under PFRS, goodwill, having indefinite useful life, is not subject to amortization but is required to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. We identified this area as a key audit matter because the annual impairment test requires significant judgment and is based on assumptions which are internally developed or projected by management.

This includes identification of cash generating units (CGUs) where the goodwill is allocated and the future cash flows of the identified CGUs, which are significantly affected by higher level of estimation uncertainty due to COVID-19 situation. The Bank engaged a third-party valuation specialist to assist in determining the recoverable amount of goodwill. Considering the impact of COVID-19 pandemic, management's significant assumptions include:

- The CGU will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,
- The CGU's performance forecast for the next five years.

The Bank's accounting policy on impairment of and disclosures about goodwill are included in Notes 2 and 15, respectively, to the financial statements.

How the Matter was Addressed in the Audit

We assessed the competence, capabilities, and qualifications of the third-party valuation specialist by considering their qualifications, experience and reporting responsibilities. With the involvement and assistance of the Firm's internal valuation specialist, we evaluated the methodology applied and assumptions used by the management and its valuation specialist, particularly to the forecasted revenue growth and profit margins of the CGUs by considering historical financial performance and specific growth strategy. We also compared the discount rate and long-term growth rate used against the industry and market outlook and other relevant consensus data factoring the impact of COVID-19 pandemic.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Bank's 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 financial statements and our auditors' report thereon. The SEC Form 20-IS, 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 auditors' report.

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

In connection with our audits of the 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 audits, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

REPORT OF INDEPENDENT AUDITORS

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA 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 PSA, 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 Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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 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 auditors' 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.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2020 and 2019 required by the Bangko Sentral ng Pilipinas and for the year ended December 31, 2020 by the Bureau of Internal Revenue as disclosed in Notes 33 and 34 to the financial statements, respectively, is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audits resulting in this independent auditors' report is Christopher M. Ferareza.

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner
CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 8533229, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 1185-AR-2 (until May 9, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-34-2020 (until Jun. 25, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)
March 17, 2021

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND DECEMBER 31, 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
RESOURCES			
CASH AND OTHER CASH ITEMS	9	**P 1,762,972,825**	P 1,171,299,633
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**5,112,525,249**	5,232,433,363
DUE FROM OTHER BANKS	10	**2,528,609,425**	2,808,949,984
TRADING AND INVESTMENT SECURITIES – Net	11		
At fair value through profit or loss (FVPL)		**12,100,923,139**	4,677,230,319
At fair value through other comprehensive income (FVOCI)		**4,950,635,772**	9,223,102,447
At amortized cost - net		**825,405,715**	853,464,020
LOANS AND OTHER RECEIVABLES – Net	12	**89,276,088,648**	87,323,525,458
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – Net	13	**689,966,140**	753,363,064
INVESTMENT PROPERTIES – Net	14	**499,880,191**	494,368,200
DEFERRED TAX ASSETS – Net	25	**1,137,160,918**	509,912,664
OTHER RESOURCES – Net	15	**882,790,436**	1,044,317,720
TOTAL RESOURCES		**P 119,766,958,458**	P 114,091,966,872
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	16		
Demand		**P 1,280,455,415**	P 1,306,446,400
Savings		**48,676,500,356**	42,267,564,120
Time		**50,437,153,226**	51,694,028,064
Total Deposit Liabilities		**100,394,108,997**	95,268,038,584
BILLS PAYABLE	17	**-**	612,523,350
CORPORATE NOTES PAYABLE	18	**2,987,685,274**	2,980,423,657
ACCRUED EXPENSES AND OTHER LIABILITIES	19	**2,509,413,102**	2,363,299,268
Total Liabilities		**105,891,207,373**	101,224,284,859
EQUITY	21		
Capital stock		**7,057,500,940**	7,057,500,940
Additional paid-in capital		**1,998,396,816**	1,998,396,816
Surplus		**4,451,409,132**	3,512,526,245
Revaluation reserves		**368,444,197**	299,258,012
Total Equity		**13,875,751,085**	12,867,682,013
TOTAL LIABILITIES AND EQUITY		**P 119,766,958,458**	P 114,091,966,872

See Notes to Financial Statements

STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
INTEREST INCOME				
Loans and other receivables	12	P 6,516,984,585	P 6,623,714,504	P 5,311,070,538
Trading and investment securities	11	461,967,288	438,338,936	150,073,005
Due from Bangko Sentral ng Pilipinas and other banks	9, 10	124,201,484	32,147,874	48,332,797
Others	23	-	-	83,110
		7,103,153,357	7,094,201,314	5,509,559,450
INTEREST EXPENSE				
Deposit liabilities	16	1,251,993,237	2,336,614,176	1,619,874,200
Corporate notes payable	18	171,693,218	71,661,457	-
Bills payable	17	23,322,722	104,442,612	112,387,248
Others	19, 23	28,568,854	30,502,328	-
		1,475,578,031	2,543,220,573	1,732,261,448
NET INTEREST INCOME		5,627,575,326	4,550,980,741	3,777,298,002
IMPAIRMENT LOSSES	28	2,335,791,829	561,174,001	294,731,906
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		3,291,783,497	3,989,806,740	3,482,566,096
OTHER INCOME				
Trading gains (losses) – net	11	749,332,694	292,699,496	(30,493,963)
Service charges, fees and commissions		346,623,801	348,810,364	284,823,000
Miscellaneous – net	22	73,642,094	155,562,175	103,286,349
		1,169,598,589	797,072,035	357,615,386
OTHER EXPENSES				
Salaries and other employee benefits	23	1,054,049,100	987,095,419	816,987,670
Taxes and licenses		692,012,377	636,888,387	552,300,873
Depreciation and amortization	13, 14, 15	280,030,322	286,675,217	186,015,752
Insurance		242,332,405	215,092,421	199,899,999
Management and other professional fees		241,080,616	196,834,113	144,843,719
Occupancy	26	197,481,423	237,341,142	316,885,097
Representation and entertainment		50,688,230	55,627,184	45,480,967
Miscellaneous	22	506,445,711	478,197,228	336,346,147
		3,264,120,184	3,093,751,111	2,598,760,224
PROFIT BEFORE TAX		1,197,261,902	1,693,127,664	1,241,421,258
TAX EXPENSE	25	258,379,015	436,754,221	383,423,004
NET PROFIT		P 938,882,887	P 1,256,373,443	P 857,998,254
Earnings Per Share				
Basic and Diluted	29	P 1.46	P 1.64	P 1.33

See Notes to Financial Statements

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
NET PROFIT		**P 938,882,887**	P 1,256,373,443	P 857,998,254
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Loss on remeasurements of post-employment defined benefit plan	23	**(990,388)**	(64,778,664)	(24,019,637)
Tax income	25	**297,116**	19,433,599	7,205,891
		(693,272)	(45,345,065)	(16,813,746)
Items that will be reclassified subsequently to profit or loss	11			
Fair value gains (losses) on investment securities at FVOCI during the year - net		**414,518,483**	524,190,029	(75,060,232)
Fair value gains reclassified to profit or loss during the year - net		**(344,639,026)**	(3,585,956)	-
Expected credit losses for FVOCI securities		**-**	-	4,229,457
		69,879,457	520,604,073	(70,830,775)
Other Comprehensive Income (Loss) - Net of Tax		**69,186,185**	475,259,008	(87,644,521)
TOTAL COMPREHENSIVE INCOME		**P 1,008,069,072**	P 1,731,632,451	P 770,353,733

See Notes to Financial Statements

6,500.00
7,150.00
7,475.00
925.00
2016
2017

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

		Capital Stock (see Note 21)		Additional Paid-in Capital	Surplus (see Note 21)	
	Notes	Preferred Stock	Common Stock	(see Note 21)	Appropriated	Unappropriated
BALANCE AS AT JANUARY 1, 2020		P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 541,778,181	P 2,970,748,064
Appropriation during the year	21, 27	-	-	-	2,563,095	(2,563,095)
Reversal of appropriation during the year	21	-	-	-	(497,526,898)	497,526,898
Total comprehensive income (loss)		-	-	-	-	938,882,887
BALANCE AS AT DECEMBER 31, 2020		**P 620,000,000**	**P 6,437,500,940**	**P 1,998,396,816**	**P 46,814,378**	**P 4,404,594,754**
BALANCE AS AT JANUARY 1, 2019						
As previously reported		P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 733,687,323	P 1,745,472,954
Effect of adoption of Philippine Financial Reporting Standards (PFRS) 16, *Leases*		-	-	-	-	(25,007,475)
As restated		620,000,000	6,437,500,940	1,998,396,816	733,687,323	1,720,465,479
Appropriation during the year	21, 27	-	-	-	1,642,762	(1,642,762)
Reversal of appropriation during the year	21	-	-	-	(193,551,904)	193,551,904
Cash dividends		-	-	-	-	(198,000,000)
Total comprehensive income (loss)		-	-	-	-	1,256,373,443
BALANCE AS AT DECEMBER 31, 2019		P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 541,778,181	P 2,970,748,064
BALANCE AS AT JANUARY 1, 2018						
As previously reported		P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 7,107,770	P 1,241,942,126
Effect of adoption of PFRS 9, *Financial Instruments*	21	-	-	-	449,628,263	(77,516,136)
As restated		620,000,000	6,437,500,940	1,998,396,816	456,736,033	1,164,425,990
Appropriation during the year	21, 27	-	-	-	276,951,290	(276,951,290)
Total comprehensive income (loss)		-	-	-	-	857,998,254
BALANCE AS AT DECEMBER 31, 2018		P 620,000,000	P 6,437,500,940	P 1,998,396,816	P 733,687,323	P 1,745,472,954

See Notes to Financial Statements

Total	Net Unrealized Fair Value Losses on Investment Securities at AFS	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Accumulated Actuarial Losses	Total	Total Equity
	Revaluation Reserves (see Note 21)				
3,512,526,245	P -	P 387,886,373	(P 88,628,361)	P 299,258,012	P 12,867,682,013
-	-	-	-	-	-
-	-	-	-	-	-
938,882,887	-	69,879,457	(693,272)	69,186,185	1,008,069,072
P 4,451,409,132	**P -**	**P 457,765,830**	**(P 89,321,633)**	**P 368,444,197**	**P 13,875,751,085**
P 2,479,160,277	P -	(P 132,717,700)	(P 43,283,296)	(P 176,000,996)	P 11,359,057,037
(25,007,475)	-	-	-	-	(25,007,475)
2,454,152,802	-	(132,717,700)	(43,283,296)	(176,000,996)	11,334,049,562
-	-	-	-	-	-
-	-	-	-	-	-
(198,000,000)	-	-	-	-	(198,000,000)
1,256,373,443	-	520,604,073	(45,345,065)	475,259,008	1,731,632,451
P 3,512,526,245	P -	P 387,886,373	(P 88,628,361)	P 299,258,012	P 12,867,682,013
P 1,249,049,896	(P 52,250,091)	P -	(P 26,469,550)	(P 78,719,641)	P 10,226,228,011
372,112,127	52,250,091	(61,886,925)	-	(9,636,834)	362,475,293
1,621,162,023	-	(61,886,925)	(26,469,550)	(88,356,475)	10,588,703,304
-	-	-	-	-	-
857,998,254	-	(70,830,775)	(16,813,746)	(87,644,521)	770,353,733
P 2,479,160,277	P -	(P 132,717,700)	(P 43,283,296)	(P 176,000,996)	P 11,359,057,037

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 1,197,261,902	P 1,693,127,664	P 1,241,421,258
Adjustments for:				
Interest income	9, 10, 11, 12, 23	(7,103,153,357)	(7,094,201,314)	(5,509,559,450)
Interest received		6,829,853,954	6,923,838,951	5,114,460,120
Impairment losses	28	2,335,791,829	561,174,001	294,731,906
Interest paid		(1,521,005,210)	(2,515,087,399)	(1,731,615,495)
Interest expense	16, 17, 18, 19, 23	1,475,578,031	2,543,220,573	1,732,261,448
Gain on sale of investment securities at FVOCI	11	(344,639,026)	(3,585,956)	-
Depreciation and amortization	13, 14, 15	280,030,322	286,675,217	185,904,712
Unrealized loss (gain) on foreign currency revaluation of investment securities	11	95,954,725	70,161,837	(80,556,789)
Amortization of premium (discount)	11	42,467,101	(28,394,227)	(3,053,009)
Amortization of bond issue cost	18	7,261,617	2,923,657	-
Loss (gain) on sale of properties - net	22	(5,062,459)	2,293,672	(13,457,936)
Reversal of allowance for impairment	14	-	(6,774,075)	(547,987)
Loss on sale on investments at amortized cost	11	-	2,614,440	-
Operating profit before working capital changes		3,290,339,429	2,437,987,041	1,229,988,778
Increase in trading and investment securities at FVPL		(7,423,692,820)	(2,860,423,736)	(1,232,591,853)
Increase in loans and other receivables		(4,990,036,892)	(9,450,804,971)	(3,793,317,757)
Decrease in investment properties		16,381,174	86,593,114	117,426,391
Decrease (increase) in other resources		157,943,471	(263,404,097)	(89,607,475)
Increase in deposit liabilities		5,204,935,051	16,334,539,720	3,729,065,836
Increase (decrease) in accrued expenses and other liabilities		(224,185,309)	(630,617,250)	900,958,562
Cash generated from (used in) operations		(3,968,315,896)	5,653,869,821	861,922,482
Cash paid for income taxes		(514,906,178)	(282,855,331)	(496,975,483)
Net Cash From (Used in) Operating Activities		(4,483,222,074)	5,371,014,490	364,946,999
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investment securities at FVOCI	11	5,462,924,070	1,259,392,734	-
Acquisitions of investment securities at FVOCI	11	(919,018,601)	(7,597,787,934)	(783,916,126)
Acquisitions of investment securities at amortized cost	11	(123,022,531)	(178,191,613)	(375,097,281)
Proceeds from maturities of investment securities at amortized cost	11	155,738,699	51,442,610	-
Acquisitions of bank premises, furniture, fixtures and equipment	13	(92,795,120)	(287,233,902)	(144,117,676)
Acquisition of software licenses	15	(34,517,537)	(67,836,580)	(77,965,698)
Proceeds from sale of bank premises, furniture, fixtures and equipment	13	9,954,622	24,351,950	15,588,647
Proceeds from sale of investment securities at amortized cost	11	-	48,076,576	-
Net Cash From (Used in) Investing Activities		4,459,263,602	(6,747,786,159)	(1,365,508,134)
CASH FLOWS FROM FINANCING ACTIVITIES				
Settlement of bills payable	32	(2,612,523,350)	(13,704,081,337)	(14,883,616,833)
Availments of bills payable	32	2,000,000,000	10,620,098,991	16,646,397,805
Payment of lease liabilities	32	(114,476,127)	(107,720,219)	-
Issuance of corporate notes payable	32	-	2,977,500,000	-
Payment of cash dividends	21	-	(198,000,000)	-
Net Cash From (Used in) Financing Activities		(726,999,477)	(412,202,565)	1,762,780,972

	Notes			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(750,957,949)**	(1,788,974,234)	762,219,837
Cash and Cash Equivalents Obtained through Merger	31	**-**	365,765,156	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR				
Cash and other cash items	9	**1,171,299,633**	988,547,825	1,002,240,895
Due from Bangko Sentral ng Pilipinas	9	**5,232,433,363**	6,164,361,658	6,575,270,040
Due from other banks	10	**2,808,949,984**	4,528,594,643	4,012,519,495
Securities under reverse repurchase agreement	12	**2,542,070,169**	1,500,000,000	826,072,472
Foreign currency notes and coins on hand	15	**60,504,919**	56,963,020	60,144,407
		11,815,258,068	13,238,467,146	12,476,247,309
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
Cash and other cash items	9	**1,762,972,825**	1,171,299,633	988,547,825
Due from Bangko Sentral ng Pilipinas	9	**5,112,525,249**	5,232,433,363	6,164,361,658
Due from other banks	10	**2,528,609,425**	2,808,949,984	4,528,594,643
Securities under reverse repurchase agreement	12	**1,594,893,958**	2,542,070,169	1,500,000,000
Foreign currency notes and coins on hand	15	**65,298,662**	60,504,919	56,963,020
		P 11,064,300,119	P 11,815,258,068	P 13,238,467,146

Supplemental note details of non-cash transactions are presented in Note 32.

See Notes to Financial Statements

Notes To Financial Statements

DECEMBER 31, 2020, 2019 and 2018

(Amounts in Philippine Pesos or As Otherwise Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Philippine Business Bank, Inc., A Savings Bank (the Bank or PBB) was incorporated in the Philippines on January 28, 1997 to engage in the business of thrift banking. It was authorized to engage in foreign currency deposit operations on August 27, 1997 and in trust operations on November 13, 2003. The Bank is a publicly listed entity in the Philippine Stock Exchange (PSE). It had its initial public offering (IPO) of shares on February 13, 2013 (see Note 21.4).

As a banking institution, the Bank's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). In this regard, the Bank is required to comply with rules and regulations of the BSP such as those relating to maintenance of reserve requirements on deposit liabilities, and those relating to adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. Its activities are subject to the provisions of the General Banking Law of 2000 [Republic Act (RA) No. 8791] and other relevant laws.

PBB is the first savings bank in the Philippines that obtained the BSP approval to issue foreign letters of credit and pay/accept/negotiate import/export drafts/bills of exchange under RA Nos. 8791 and 7906 and the Manual of Regulations for Banks. It was granted in April 2010.

The Bank operates in the Philippines and, as of December 31, 2020 and 2019, it has 159 branches, located nationwide.

The Bank's registered address, which is also the address of its principal place of business, is
350 Rizal Avenue Extension corner 8th Avenue, Grace Park, Caloocan City.

1.2 Merger between the Bank and Insular Savers Bank, Inc.

On December 20, 2018, the BSP approved the merger between the Bank and Insular Savers Bank, Inc. (ISBI) wherein the Bank is the surviving entity. Under the terms of the merger, PBB absorbs the assets, liabilities and operations of ISBI, and, consequently, terminate the operations of ISBI as a separate entity. Subsequently, the merger was approved by the SEC on June 10, 2019, and the full implementation of the merger was completed on July 17, 2019 (see Note 31).

1.3 Approval of the Financial Statements

The financial statements of the Bank as at and for the year ended December 31, 2020 (including the comparative financial statements as at December 31, 2019 and for the years ended December 31, 2019 and 2018) were authorized for issue by the Bank's Board of Directors (BOD) on March 17, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies that have been used in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC), from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements. The Bank presents a statement of comprehensive income separate from the statement of profit or loss.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates. The financial statements of the Bank's foreign currency deposit unit (FCDU), which is reported in United States (US) dollar, are translated to Philippine peso based on Bankers Association of the Philippine (BAP) closing rate prevailing at the end of reporting period for the statement of financial position accounts and at BAP weighted average rate for the period for the profit and loss.

Notes To Financial Statements

2.2 Adoption of New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Bank

The Bank adopted for the first time the following amendments and revision to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform

Discussed below are the relevant information about these pronouncements.

(i) *Revised Conceptual Framework for Financial Reporting*. The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Bank's financial statements because the amendments merely clarified existing provisions of PFRS.

(ii) *PAS 1 (Amendments), Presentation of Financial Statements, and PAS 8 (Amendments), Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material.* The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no significant impact on the Bank's financial statements because said amendment merely clarified the definition of materiality.

(iii) *PFRS 3 (Amendments), Business Combinations – Definition of a Business.* The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The application of these amendments had no significant impact on the Bank's financial statements because there is no business acquisition during the year.

(iv) *PFRS 7 (Amendments), Financial Instruments: Disclosures, and PFRS 9 (Amendments), Financial Instruments – Interest Rate Benchmark Reform.* The amendments clarify that an entity would continue to apply certain hedge\ accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Bank's financial statements because the Bank has no hedging transactions.

(b) Effective Subsequent to 2020 but not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements:

(i) PFRS 16 (Amendments), *Leases COVID-19-Related Rent Concessions*
(effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*
(effective from January 1, 2022). The amendments prohibit deducting 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, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets –*
Onerous Contracts – Cost of Fulfilling a Contract (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Notes To Financial Statements

(iv) PFRS 3 (Amendments), Business Combination – *Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(v) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Bank, which management does not expect to have significant impact to the financial statements:

• PFRS 9 (Amendments), Financial Instruments – Fees in the ’10 per cent’ Test for Derecognition of Liabilities. The improvements clarify the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially dif ferent from the terms of the original financial liability
.

• Illustrative Examples Accompanying PFRS 16 – Lease Incentives. The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

(vi) PAS 1 (Amendments), Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

2.3 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of a business combination over the Bank’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity or net assets. Subsequent to initial recognition, goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.19).

Gain on bargain purchase which is the excess of the Bank’s interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss (see Note 31).

For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The CGUs or groups of CGUs are identified according to operating segment.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Bank is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Bank's products and services as disclosed in Note 8.

Each of these operating segments is managed separately as each of these services requires different technologies and resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies of the Bank used for segment reporting under PFRS 8, Operating Segments, is the same as those used in its financial statements. In addition, corporate resources which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

The Bank's operations are organized according to the nature of the products and services provided. Financial performance on operating segments is presented in Note 8.

2.5 Financial Assets

Financial assets are recognized when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Bank measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are incremental or directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at FVPL are expensed outright in profit or loss. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

Notes To Financial Statements

(a) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described as follows.

(i) *Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect" or "HTC"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (SPPI). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(b)]. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Investment Securities at Amortized Cost, Loans and Other Receivables and as part of Other Resources in respect of security deposits, petty cash fund and foreign currency notes and coins on hand which are included in the account.

For purposes of cash flows reporting and presentation, cash and cash equivalents include cash and other cash items, due from BSP and other banks, foreign currency notes and coins on hand and securities under reverse repurchase agreement (SPURRA) with original maturities of three months or less.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Bank accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading or as mandatorily required to be classified as FVPL. The Bank has no equity instruments as at the reporting periods.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of the Revaluation Reserves account in equity. When the asset is disposed of, the cumulative fair value gains or losses previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Surplus, except for those debt securities classified as FVOCI wherein fair value changes are recycled to profit or loss.

(iii) Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVPL. The Bank's financial assets at FVPL include debt securities which are held for trading purposes or designated as at FVPL.

Financial assets at FVPL are measured at fair value with gains or losses recognized in profit or loss as part of Trading Gains or Losses in the statement of profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (i) from amortized cost to FVPL, if the

Notes To Financial Statements

objective of the business model changes so that the amortized cost criteria are no longer met; and (ii) from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Bank's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Effective Interest Rate Method and Interest Income

Interest income on financial assets measured at amortized cost and all interest-bearing debt financial assets classified as at FVPL, or at FVOCI, is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of effective interest rate. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

(c) Impairment of Financial Assets

The Bank assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI and other contingent accounts. The Bank considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments which are measured as 12-month ECL:

- all current loan accounts, except restructured loans;
- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments).

'Stage 2' financial instruments also include the following characteristics:

- performing accounts but with occurrence of loss event;
- accounts with missed payments but not yet classified as defaulted;
- current restructured loans; and,
- current loans that are rated as Especially Mentioned based on the Internal Credit Risk Rating System (ICRRS) of the Bank.

A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial assets considered as credit-impaired, purchased or originated credit-impaired assets, and those classified as Past Due and Items in Litigation based on the ECL methodology of the Bank.

The Bank's definition of credit risk and information on how credit risk is mitigated by the Bank are disclosed in Note 4.3.

Measurement of ECL

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The key elements used in the calculation of ECL are as follows:

- Probability of default (PD) – This is a quantitative measure of default risk based on the general credit worthiness of the borrower or issuer. It is the likelihood of a borrower defaulting on its obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. A related measurement of default is the survival rate, which is the chance that the loan will be repaid.

Notes To Financial Statements

- Loss given default (LGD) – The fraction of loan value or exposure that is likely to be lost in the even of borrower default. The loss statistic is specific to the facility structure and thus, associated with the facility risk rating. A related measure is the recovery rate, which is the percentage of the defaulted principal that can be recovered if default occurs.

- Exposure at default (EAD) – It represents the gross carrying amount of the financial instruments subject to the impairment calculation. The EAD is measured at book value of facilities granted with an assumption that most short-term lines and credit commitments are fully drawn at default. In case of a loan commitment, the Bank shall include the potential availment (up to the current contractual limit) at the time of default should it occur.

The Bank calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties.

The Bank applies a simplified ECL approach for its accounts receivables wherein the Bank uses a provision matrix that considers historical changes in the behavior of the portfolio of credit exposures based on internally collected data to predict conditions over the span of a given observation period. These receivables include claims from various counterparties, which are not originated through the Bank's lending activities. For these instruments, the Bank measures the loss allowance at an amount equal to lifetime ECL.

The Bank recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account. With respect to investments in debt securities that are measured at FVOCI, the related loss allowance account is recognized in other comprehensive income and accumulated in the Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position. For loan commitments, the loss allowance is recognized as provisions (presented and included as part of the Accrued Expense and Other Liabilities account in the statement of financial position).

Where a financial instrument includes a drawn and undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn commitment; the Bank presents a combined allowance for ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as provisions.

(d) Reclassification of Financial Assets

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Bank's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(e) *Derecognition of Financial Assets*

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(i) *Modification of Loans*

When the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;

- Whether any substantial new terms are introduced that will affect the risk profile of the loan;

- Significant extension of the loan term when the borrower is not in financial difficulty;

- Significant change in the interest rate;

- Change in the currency the loan is denominated in; and/or,

- Insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or loss as either gain or loss on derecognition of financial assets. As to the impact on ECL measurement, the expected fair

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value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

(ii) Derecognition of Financial Assets Other than Through Modification

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Derivative Financial Instruments

The Bank uses derivative financial instruments, particularly plain vanilla foreign exchange forwards, to manage its risks associated with fluctuations in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive (recognized as part of Investment securities at FVPL under the Trading and Investment Securities account) and as liabilities (recognized under the Accrued Expenses and Other Liabilities account) when the fair value is negative.

The Bank's derivative instruments provide economic hedges under the Bank's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

2.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 Financial Liabilities

Financial liabilities include deposit liabilities, bills payable, corporate notes payable and accrued expenses and other liabilities (excluding tax-related payables and post-employment benefit obligation) and are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as Interest Expense in the statement of profit or loss.

Deposit liabilities, bills payable and corporate notes payable are recognized initially at their fair value, which is the issuance proceeds (fair value of consideration received) net of direct issue costs, and are subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments. Any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss over the period of the borrowings.

Accrued expenses and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss.

2.9 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment losses. The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

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Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Furniture, fixtures and equipment	5-7 years
Transportation equipment	5 years

Leasehold improvements are amortized using the estimated useful lives of 5 to 20 years or the remaining term of the lease whichever is shorter. Prior to the adoption of PFRS 16, the Bank had been amortizing the leasehold improvements over the term of the lease or its useful life, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19). Fully depreciated and fully amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period. An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and impairment loss, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.10 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Bank, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment. These properties are neither held by the Bank for sale in the next 12 months nor used in the rendering of services or for administrative purposes.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.19). The cost of an investment property comprises its acquisition price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Investment properties, except land, are depreciated over a period of five to ten years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment.

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation.

2.11 Intangible Assets

Intangible assets include goodwill, branch licenses, club shares and computer software, which are included as part of Other Resources and are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets and branch licenses acquired at the date of acquisition. Branch licenses represent the rights given by the BSP to the Bank to establish a certain number of branches in various areas in the country.

Goodwill and branch licenses are classified as intangible assets with indefinite useful life, and thus, not subject to amortization but to an annual test for impairment (see Note 2.19). For purposes of impairment testing, goodwill is allocated to cash-generating units and is subsequently carried at cost less any allowance for impairment losses while branch licenses are tested for impairment individually based on recoverable amount (see Note 15.2).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of 5 years. In addition, intangible assets are subject to impairment testing when indications exist, as described in Note 2.19. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.12 Other Resources

Other resources pertain to other assets controlled by the Bank as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably.

Other acquired assets pertains to chattel properties acquired through repossession or dacion en pago from defaulting borrowers. These are stated at cost less accumulated depreciation and any impairment in value. Depreciation of other acquired assets is computed on a straight-line basis over the estimated useful life of three years. The carrying value of other acquired assets is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

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Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Bank that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

On the other hand, any reimbursement that the Bank is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Equity

Capital stock represents the nominal value of the common and preferred shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Appropriated surplus consist of:

(a) General loan loss reserve, which pertains to the accumulated amount of appropriation from Surplus made by the Bank arising from the excess of the one-percent general loan loss provisions (GLLP) for outstanding loans as required by the BSP under Circular No. 1011, Guidelines on the Adoption of PFRS 9 (Circular No. 1011) over the computed allowance for ECL for Stage 1 accounts; and,

(b) Reserve for trust business representing the accumulated amount set aside by the Bank under existing regulations requiring the Bank to appropriate and transfer to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

Unappropriated surplus includes all current and prior period results of operations as disclosed in the statement of profit or loss, less appropriated surplus and dividends declared.

Revaluation reserves comprise of the remeasurements of post-employment defined benefit plan and unrealized fair value gains or losses on mark-to-market valuation of financial assets at FVOCI, net of amortization of fair value gains or losses on reclassified financial assets.

2.15 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Bank and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual; and (d) the Bank's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

For purposes of reporting to the SEC in accordance with SEC Memorandum Circular No. 10-2019, Rules on Material Related Party Transactions for Publicly-Listed Companies, transaction amounting to 10% or more of the total assets that were entered into with related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors; vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Bank's total assets, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

2.16 Other Income and Expense Recognition

Other income is recognized only when (or as) the Bank satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, Revenue from Contracts from Customers. In such a case, the Bank applies PFRS 9 first to separate and measure the part of the contract that is covered by PFRS 9, and then applies PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

The Bank assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all its revenue arrangements.

For other income arising from these various banking services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Notes To Financial Statements

a. Service charges, fees and commissions – Service charges, fees and commissions are generally recognized when the service has been provided or after fulfilling the corresponding criteria. These include the commissions, deposit-related fees and other credit-related fees.

b. Asset management services – The Bank provides asset management services, which include trust and fiduciary activities. Related fees are recognized in profit or loss as follows:

(i) Asset management and trust fees – these are service fees calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on the scheduled collection date. Revenue from asset management services is recognized over time as the services are provided.

(ii) Non-refundable upfront fees – are charged to customers when opening certain types of trust account with the Bank. These fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

a. Trading and securities gains (losses) – These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVPL.

b. Gain or loss from assets sold or exchanged – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Miscellaneous Income or Miscellaneous Expenses in the statement of profit or loss.

Costs and expenses are recognized in profit or loss upon utilization of the assets and/or services or at the date those are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, if any (see Note 2.21).

2.17 Leases – Bank as Lessee

The Bank considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.' To apply this definition, the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;

- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesse s whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank amortizes the right-of-use asset on a straight-line basis from the lease commencement date over the useful life of the right-of-use asset or the term of the lease, whichever is shorter. The Bank also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.19).

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including those determined to be fixed in substance), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for any short-term leases (less than 12 months) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The corresponding right-of-use assets and lease liabilities are presented as part of Bank Premises, Furniture, Fixtures and Equipment, and Accrued Expenses and Other Liabilities, respectively, in the statement of financial position.

2.18 Foreign Currency Transactions and Translation

The accounting records of the Bank's regular banking unit are maintained in Philippine pesos while the FCDU are maintained in US dollars. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVOCI are analyzed between translation differences resulting from changes in the

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amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

2.19 Impairment of Non-financial Assets

The Bank's premises, furniture, fixtures and equipment (including right-of-use assets), investment properties, and other resources (including branch licenses goodwill, computer software, other acquired assets) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill and branch licenses (see Note 2.11) or those not yet available for use are tested for impairment at least annually.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Impairment loss is charged pro rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed, except goodwill, if the cash generating units' recoverable amount exceeds its carrying amount.

2.20 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits which are recognized as follows:

(a) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory and administered by a trustee bank.

The liability recognized in the statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates based on zero coupon government bonds as published by Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Interest Income or Interest Expense account in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Bank pays fixed contributions into an independent entity (e.g. Social Security System and Philhealth). The Bank has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Bank recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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(d) *Bonus Plans*

The Bank recognizes a liability and an expense for employee bonuses, based on a formula that is fixed regardless of the Bank's income after certain adjustments and does not take into consideration the profit attributable to the Bank's shareholders. The Bank recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accrued Expenses and Other Liabilities account in the statement of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

2.21 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.22 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Bank has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit attributable to common shares by the weighted average number of common shares subscribed and issued during the period, after retroactive adjustment for any stock dividend declared in the current period, if any.

The diluted EPS is also computed by dividing net profit by the weighted average number of common shares subscribed and issued during the period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred shares as approved by the SEC.

Convertible preferred shares are deemed to have been converted to common shares at the issuance of preferred shares. As of December 31, 2020 and 2019, the Bank has no convertible preferred shares (see Note 21.1).

2.24 Trust and Fiduciary Operations

The Bank acts as trustee and in other fiduciary capacity that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and their income arising thereon are

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excluded from these financial statements, as these are neither resources nor income of the Bank.

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Bank's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Bank's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Application of ECL to Financial Assets at FVOCI and Amortized Cost

The Bank uses external benchmarking and historical loss rates to calculate ECL for all debt instruments carried at FVOCI and amortized cost as well as loan commitments. The allowance for impairment is based on the ECLs associated with the PD of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.3).

(b) Evaluation of Business Model Applied and Testing the Cash Flow Characteristics of Financial Assets in Managing Financial Instruments

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. These business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment, trading and lending strategies. Furthermore, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding.

The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, it considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's investment objective for the business model.

In 2019, the Bank disposed of certain debt securities from its HTC portfolio in accordance with its investment policy and has applied these evaluation process to ensure that the disposal is consistent with the Bank's HTC business model (see Note 11.3). There were no disposal of debt securities under HTC portfolio in 2020.

Notes To Financial Statements

(c) *Distinction Between Investment Properties or Other Acquired Assets and Owner-occupied Properties*

The Bank determines whether a property qualifies as investment property. In making this judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to properties but also to other assets used in the production or supply process.

The Bank classifies its acquired properties (foreclosed properties) as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as other acquired assets presented under Other Resources, if the Bank expects that the properties, which are other than land and building, will be recovered through sale rather than use, and as Investment Properties if the Bank intends to hold the properties, which could be land and/or building, to earn rental or for capital appreciation.
Some properties may comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in providing services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Bank accounts for the portions separately. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing services or for administrative purposes.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making its judgment.

(d) *Determination of Branch Licenses Having Indefinite Useful Lives*

The Bank's branch licenses were regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

(e) *Determination of Lease Term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Bank did not include renewal options as part of the lease term of as the terms are renewable upon mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and relevant disclosures are presented in Note 26.

In dealing with the Bank's various legal proceedings, its estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Bank's internal and outside counsels acting in defense for the Bank's legal cases and are based upon the analysis of probable results.

Although the Bank does not believe that its dealing on these proceedings will have material adverse effect on the Bank's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on debt financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behaviour (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.3.

The carrying value of investment debt securities at amortized cost and at FVOCI, and loans and other receivables together with the analysis of the allowance for impairment on such financial assets, are shown in Notes 11 and 12, respectively.

(b) *Fair Value Measurement for Financial Assets at FVPL and at FVOCI*

The Bank carries certain financial assets at fair value which requires judgment and extensive use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques (see Note 7.2).

The amount of changes in fair value would differ if the Bank had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss or other comprehensive income.

Notes To Financial Statements

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2).

The carrying values of the Bank's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 11.

(c) *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, Computer Software, Goodwill and Branch Licenses*

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Bank's goodwill and branch licenses are regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties and computer software are analyzed in
Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill and branch licenses are analyzed in Note 15. Based on management's assessment as of December 31, 2020 and 2019, there are no changes in the useful lives of these assets.

Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Determination of Realizable Amount of Deferred Tax Assets*

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets, which management has assessed to be fully recoverable, as of December 31, 2020 and 2019 is disclosed in Note 25.

(e) Determination of Fair Value of Investment Properties

The Bank's investment properties are composed of parcels of land and buildings and improvements which are held for capital appreciation, and are measured using the cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined on the basis of the appraisals conducted by professional appraiser applying the relevant valuation methodologies as discussed therein.

At initial recognition, the Bank determines the fair value of the acquired properties based on valuations performed by both internal and external appraisers. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property. For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

The Bank's methodology in determining the fair value of acquired properties are further discussed in Note 7.

(f) Determination of Fair Value of Identifiable Assets Acquired and Liabilities Assumed from the Merger and Resulting Gain on Bargain Purchase

The merger between the Bank and ISBI is considered as an acquisition of a business as defined in PFRS 3, hence, the Bank accounted the merger by applying the acquisition method. The acquisition method requires the recognition of identifiable assets, liabilities, indemnification assets, contingent liabilities and deferred consideration in a business combination, if any, at fair value at the date of acquisition, with the excess of the acquisition price over the identified fair values recognized as goodwill, if positive, otherwise gain on bargain purchase
(see Note 31).

The Bank obtained a valuation report for the purchase price allocation from an independent external valuation specialist in order to determine the fair value of assets, liabilities and contingent liabilities acquired, and that formed a basis for any resulting goodwill or a gain on bargain purchase. To calculate the goodwill or gain on bargain purchase in the merger transaction, the Bank, through its independent external valuation specialist, allocated the purchase price to the fair values of identifiable assets acquired and liabilities assumed on the following order: (a) fair value of tangible net assets as at the acquisition date and then (b) fair value of identifiable intangible asset, if any (see Note 31).

Fair value of tangible assets are determined based on the current economic and market conditions as well as the physical condition of the assets (see also Note 7).

(g) Impairment of Non-financial Assets

Except for intangible assets with indefinite useful lives (i.e. goodwill and branch licenses), which are annually tested for impairment, PFRS requires that an impairment review be performed when certain impairment indications are present. The Bank's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.19. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Notes To Financial Statements

Allowance for impairment recognized on investment properties and other properties held for sale are discussed in Notes 14 and 15. There are no impairment losses recognized in goodwill, branch licenses, bank premises, furniture, fixtures and equipment, and right-of-use assets.

(h) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(i) Valuation of Post-employment Benefits

The determination of the Bank's obligation and cost of post-employment benefit plan is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rates, expected rate of salary increases and employee turnover. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of defined benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 23.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's activities are exposed credit, market and liquidity and operational risks. Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures. Market risk covers price, liquidity and interest rate risks in the Bank's investment portfolio. Liquidity risk may arise from shortage in funding and/or lack of market for sale of its assets. Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems and information technology and external events.

The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders.

4.1 Risk Management

The Bank continually advances on its risk management techniques and integrate this into the overall strategic business objectives to support the growth objectives of the Bank.

The Bank has automated the front-office, back office, and middle office operations as far as market risk is concerned. This includes the integration of pre-deal limit checking, on-demand position monitoring, automated limit reporting and breach approval, and automated value-at-risk (VaR) calculations. In addition to the automation, the Bank continues to review its limits system to ensure that it only enters into transactions allowed under its existing policies and that adequate capital is available to cover market risk exposures.

On the credit side, the Bank institutes periodic improvements on its credit policies, which includes review and approval of large exposure and credit concentration within proper authority. The Bank also reviews plans and progress on the resolution of problem loan accounts. A streamlined credit process ensures that commensurate controls are in place while the Bank continues to device ways to improve on its credit process.

As for operational risk, the Bank has completed the bankwide operational risk and control self-assessment in support of the enterprise risk management framework of the Bank. With this, there is also an enterprise-wide training on risk awareness to ensure appreciation and measurement of key risks of each unique business and support units and how these relate to the overall objective and strategies of the Bank. In addition, information security policies were further strengthened, implemented, and disseminated across all units of the Bank.

4.2 Enterprise Risk Management Framework

The Bank adopts an Enterprise Risk Management framework as its integrated approach to the identification, measurement, control and disclosure of risks, subject to prudent limits and stringent controls as established in its risk management framework and governance structure. The Bank has an integrated process of planning, organizing, leading, and controlling its activities in order to minimize the effects of risk on its capital and earnings. The Bank's BOD formulates the corporate risk policy, sets risk tolerances and appetite and provide risk oversight function through the Risk Oversight Committee (ROC), which in turn supervises the Chief Risk Officer and Head of the Enterprise Risk Management Group (ERMG) in the development and implementation of risk policies, processes and guidelines. The framework covers operational, market and liquidity, credit and counterparty, and other downside risks within the context of the supervisory risk guidelines of the BSP and aligned best practices on risk management.

4.3 Credit Risk

Credit risk pertains to the risk to income or capital due to failure by borrowers or counterparties to pay their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counterparty, and the reduced recovery from a credit facility in the event of default. This is inherent in the Bank's lending, investing, and trading and is managed in accordance with the Bank's credit risk framework of risk identification, measurement, control and monitoring.

Credit risk is managed through a continuing review of credit policies, systems, and procedures. It starts with the definition of business goals and setting of risk policies by the BOD. Account officers and credit officers directly handle credit risk as guided by policies and limits approved by the BOD. ERMG, as guided by the ROC, performs an independent portfolio oversight of credit risks and reports regularly to the BOD and the ROC.

On the transactional level, exposure to credit risk is managed through a credit review process wherein a regular

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analysis of the ability of the obligors and potential obligors to meet interest and capital repayment obligations is performed. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. Moreover, in accordance with best practices, the Bank also adopts an ICRRS for the purpose of measuring credit risk for every exposure in a consistent manner as accurately as possible and uses this information as a tool for business and financial decision-making.

4.3.1 Credit Risk Measurement

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Bank's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, EAD, and LGD, for purposes of measuring ECL as required by PFRS 9.

The initial recognition of credit risk by individual or group of related counterparties is done through its ICRRS. The ICRRS is tailored to consider various categories of counterparty. The rating system is further supplemented with external data such as credit rating agencies' scoring information on individual borrowers.
The ICRRS is established by the Bank in congruence with and with reference to the credit risk rating methodology used by an established rating agency in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Bank for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between risk ratings). Past due, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated under Especially Mentioned, Substandard, Doubtful or Loss, and the loan loss provision of which are based on the loss given default.

Management considers additional information for each type of loan portfolio held by the Bank:

(i) *Retail or Consumer Loans*

Subsequent to initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. The ECL parameters were carried on collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.

(ii) *Corporate and Commercial Loans*

For corporate and commercial loans, the rating is determined at the borrower level. A relationship manager incorporates any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager also updates information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This determines the internal credit rating and the PD.

(iii) Debt Securities at Amortized Cost and at FVOCI

For the Bank's debt securities, credit ratings published by reputable external rating agency (such as S&P) are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

In the process of applying the Bank's ICRRS in determining indications of impairment on individually significant items of financial assets at amortized cost and debt securities at FVOCI, the Bank analyzes the credit quality of the corporate borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
Excellent	Borrowers have very strong debt service capacity and have conservative balance sheet leverage
Strong	Borrower normally has a comfortable degree of stability, substance and diversity
Good	Borrowers have low probability of going into default and bear characteristics of some degree of stability and substance though susceptible to cyclical changes and higher degree of concentration of business risk either by product or by market
Satisfactory	Borrowers where clear risk elements exist, and the probability of default is somewhat greater
Acceptable	Borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within acceptable period can be expected
Watch list	Borrowers for which unfavorable industry or company-specific risk factors represent a concern

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Classified accounts or accounts already in default as defined are further mapped into BSP classification of non-performing accounts as follows:

Risk Rating	Rating Description/Criteria		
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan		
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower		
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable		
Loss	Loans considered absolutely uncollectible or worthless		
More than 365 days	Loss	Loss	Loss

The Bank classifies consumer loans based on days past due following the categories that are consistent with the manner applied under the Bank's internal credit risk assessment and regulatory reporting as follows:

Bucket	**Classification**	**Secured**	**Unsecured**
Current	Unclassified	Unclassified	Unclassified
One to 30 days	Especially Mentioned	Unclassified	Especially Mentioned
31 to 60 days	Especially Mentioned	Especially Mentioned	Especially Mentioned
61 to 90 days	Substandard	Especially Mentioned	Substandard
91 to 180 days	Substandard	Substandard	Substandard
181 to 365 days	Doubtful	Doubtful	Doubtful
More than 365 days	Loss	Loss	Loss

The Bank assigns consumer loans based on classification into stages of impairment as follows:

Classification	**Stages**
Unclassified	1
Especially Mentioned	2
Defaulted	3

For purposes of the information disclosed for credit risk exposures, 'defaulted' accounts include those which are classified as Substandard, Doubtful, and Loss.

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review in order to ensure that credit exposures within a particular group remain appropriately homogenous.

Credit exposures shall be regularly assessed and loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. To ensure that this is rationally implemented, the Bank developed and adopted an internal loan loss methodology.

4.3.2 Credit Quality Analysis

The following table sets out information about the credit quality of loans and other receivables, financial assets measured at amortized cost, and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts for loan commitments and other contingent accounts, the amounts in the table represent the amounts committed. As of December 31, 2020 and 2019, there are no purchased or originated credit-impaired financial assets in the Bank's financial statements.

The following table shows the exposure (gross of unamortized charges and unearned discount) to credit risk for each internal risk grade and the related allowance for impairment as of December 31:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate*				
Excellent	**P 1,117,912,245**	**P -**	**P -**	**P 1,117,912,245**
Strong	**1,675,685,279**	**-**	**-**	**1,675,685,279**
Good	**20,192,513,012**	**242,596,410**	**294,000,000**	**20,729,109,422**
Satisfactory	**46,180,548,825**	**309,043,566**	**240,924,932**	**46,730,517,323**
Acceptable	**7,424,876,015**	**41,719,667**	**-**	**7,466,595,682**
Watchlist	**-**	**3,594,273,053**	**713,972,274**	**4,308,245,327**
Classified	**556,319,616**	**21,941,028**	**2,000,097,925**	**2,578,358,569**
	77,147,854,992	**4,209,573,724**	**3,248,995,131**	**84,606,423,847**
Expected credit loss allowance	**(605,811,633)**	**(798,233,131)**	**(1,678,350,198)**	**(3,082,394,962)**
Carrying amount	**P76,542,043,359**	**P3,411,340,593**	**P1,570,644,933**	**P81,524,028,885**
Receivables from customers – consumer				
Housing loans				
Unclassified	**P 2,564,442,784**	**P 79,801,799**	**P -**	**P 2,644,244,583**
Especially Mentioned	**1,168,170**	**249,141,746**	**-**	**250,309,916**
Substandard	**-**	**-**	**104,858,529**	**104,858,529**
Doubtful	**-**	**-**	**142,660,391**	**142,660,391**
Loss	**-**	**-**	**143,275,729**	**143,275,729**
	2,565,610,954	**328,943,545**	**390,794,649**	**3,285,349,148**
Expected credit loss allowance	**(50,564,156)**	**(47,619,795)**	**(57,808,724)**	**(155,992,675)**
Carrying amount	**P 2,515,046,798**	**P 281,323,750**	**P 332,985,925**	**P 3,129,356,473**

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	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Auto loans				
Unclassified	**P 1,675,264,018**	**P 8,379,995**	**P 1,568,297**	**P 1,685,212,310**
Especially Mentioned	**119,529,709**	**68,042,705**	**2,259,813**	**189,832,227**
Substandard	**-**	**81,638,595**	**72,273,990**	**153,912,585**
Doubtful	**-**	**-**	**88,720,387**	**88,720,387**
Loss	**-**	**-**	**137,138,033**	**137,138,033**
	1,794,793,727	**158,061,295**	**301,960,520**	**2,254,815,542**
Expected credit loss allowance	**(106,059,641)**	**(42,037,314)**	**(104,361,369)**	**(252,458,324)**
Carrying amount	**P 1,688,734,086**	**P 116,023,981**	**P 197,599,151**	**P 2,002,357,218**
Salary loans				
Unclassified	**P 100,130,961**	**P -**	**P -**	**P 100,130,961**
Especially Mentioned	**6,986,477**	**1,302,157**	**-**	**8,288,634**
Substandard	**-**	**1,177,001**	**12,373,366**	**13,550,367**
Doubtful	**-**	**-**	**14,901,793**	**14,901,793**
Loss	**-**	**-**	**79,165,486**	**79,165,486**
	107,117,438	**2,479,158**	**106,440,645**	**216,037,241**
Expected credit loss allowance	**(25,051,488)**	**(2,477,998)**	**(106,440,645)**	**(133,970,131)**
Carrying amount	**P 82,065,950**	**P 1,160**	**P -**	**P 82,067,110**
Contract-to-sell				
Unclassified	**P 24,952,645**	**P -**	**P -**	**P 24,952,645**
Loss	**-**	**-**	**497,393**	**497,393**
	24,952,645	**-**	**497,393**	**25,450,038**
Expected credit loss allowance	**(157,255)**	**(-)**	**(497,393)**	**(654,648)**
Carrying amount	**P 24,795,390**	**P -**	**P -**	**P 24,795,390**
Total gross amount	**P 4,492,474,764**	**P 489,483,998**	**P 799,693,207**	**P 5,781,651,969**
Total expected credit loss allowance	**(181,832,540)**	**(92,135,107)**	**(269,108,131)**	**(543,075,778)**
Total carrying amount	**P 4,310,642,224**	**P 397,348,891**	**P 530,585,076**	**P 5,238,576,191**

Other receivables				
Excellent	**P 1,858,723,499**	**P -**	**P -**	**P 1,858,723,499**
Strong	**6,782,398**	**-**	**-**	**6,782,398**
Good	**112,983,617**	**88,884**	**403,083**	**113,475,584**
Satisfactory	**270,826,836**	**4,167,867**	**8,022,983**	**283,017,686**
Acceptable	**115,544,752**	**11,370,060**	**-**	**126,914,812**
Watchlist	**-**	**70,542,637**	**8,076,522**	**78,619,159**
Classified	**412,115**	**22,388**	**411,831,179**	**412,265,682**
	2,365,273,217	**86,191,836**	**428,333,767**	**2,879,798,820**
Expected credit loss allowance	**(15,327,959)**	**(20,062,451)**	**(113,125,353)**	**(148,515,763)**
Carrying amount	**P 2,349,945,258**	**P 66,129,385**	**P 315,208,414**	**P 2,731,283,057**
Debt investment securities at FVOCI				
Excellent	**P 4,950,635,772**	**P -**	**P -**	**P 4,950,635,772**
Debt investment securities at amortized cost				
Excellent	**P 827,023,655**	**P -**	**P -**	**P 827,023,655**
Expected credit loss allowance	**(1,617,940)**	**-**	**-**	**(1,617,940)**
Carrying amount	**P 825,405,715**	**P -**	**P -**	**P 825,405,715**

**Excludes unamortized charges from capitalized commission amounting to P48.7 million*

Notes To Financial Statements

	2019 Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate*				
Excellent	P 2,235,742,578	P -	P -	P 2,235,742,578
Strong	1,502,326,375	-	-	1,502,326,375
Good	20,549,082,583	131,270,158	-	20,680,352,741
Satisfactory	43,914,235,553	758,226,054	-	44,672,461,607
Acceptable	7,644,266,196	102,931,445	-	7,747,197,641
Watchlist	-	759,950,754	50,892,961	810,843,715
Classified	25,193,939	15,627,099	1,600,513,421	1,641,334,459
	75,870,847,224	1,768,005,510	1,651,406,382	79,290,259,116
Expected credit loss allowance	(219,195,287)	(320,204,071)	(869,185,649)	(1,408,585,007)
Carrying amount	P 75,651,651,937	P 1,447,801,439	P 782,220,733	P 77,881,674,109
Receivables from customers - consumer				
Housing loans				
Unclassified	P 3,106,421,538	P 25,715,477	P -	P 3,132,137,015
Especially Mentioned	-	23,719,886	-	23,719,886
Substandard	-	602,473	56,482,803	57,085,276
Doubtful	-		61,193,502	61,193,502
Loss	-	2,641,053	87,481,835	90,122,888
	3,106,421,538	52,678,889	205,158,140	3,364,258,567
Expected credit loss allowance	(35,376,549)	(5,794,678)	(22,567,395)	(63,738,622)
Carrying amount	P 3,071,044,989	P 46,884,211	P 182,590,745	P 3,300,519,945
Auto loans				
Unclassified	P 2,319,216,922	P 5,304,866	P 1,868,683	P 2,326,390,471
Especially Mentioned	-	43,811,327	-	43,811,327
Substandard	-	74,295,264	123,714,881	198,010,145
Doubtful	-	-	49,352,294	49,352,294
Loss	-	-	59,504,897	59,504,897
	2,319,216,922	123,411,457	234,440,755	2,677,069,134
Expected credit loss allowance	(42,803,893)	(21,930,932)	(41,776,746)	(106,511,571)
Carrying amount	P 2,276,413,029	P 101,480,525	P 192,664,009	P 2,570,557,563
Salary loans				
Unclassified	P 153,013,925	P 213,994	P 780,403	P 154,008,322
Especially Mentioned	-	1,963,778	91,117	2,054,895
Substandard	-	7,761,084	13,382,401	21,143,485
Doubtful	-	-	18,830,238	18,830,238
Loss	-	-	58,101,443	58,101,443
	153,013,925	9,938,856	91,185,602	254,138,383
Expected credit loss allowance	(20,318,777)	(9,445,757)	(86,834,948)	(116,599,482)
Carrying amount	P 132,695,148	P 493,099	P 4,350,654	P 137,538,901

	Stage 1	Stage 2	Stage 3	Total
Contract-to-sell				
Unclassified	P 33,488,708	P -	P -	P 33,488,708
Loss	-	-	497,393	497,393
	33,488,708	-	497,393	33,986,101
Expected credit loss allowance	(34,472)	(-)	(497,393)	(531,865)
Carrying amount	P 33,454,236	P -	P -	P 33,454,236
Total gross amount	P 5,612,141,093	P 186,029,202	P 531,281,890	P 6,329,452,185
Total expected credit loss allowance	(98,533,691)	(37,171,367)	(151,676,482)	(287,381,540)
Total carrying amount	P 5,513,607,402	P 148,857,835	P 379,605,408	P 6,042,070,645
Other receivables				
Excellent	P 2,732,547,916	P -	P -	P 2,732,547,916
Strong	7,462,681	-	-	7,462,681
Good	43,300,040	2,922,491	-	46,222,531
Satisfactory	111,875,936	1,213,437	-	113,089,373
Acceptable	202,647,881	691,314	73,378	203,412,573
Watchlist	-	8,012,093	518,167	8,530,260
Classified	-	206,410	418,480,929	418,687,339
	3,097,834,454	13,045,745	419,072,474	3,529,952,673
Expected credit loss allowance	(2,992,815)	(2,459,888)	(72,441,091)	(77,893,794)
Carrying amount	P 3,094,841,639	P 10,585,857	P 346,631,383	P 3,452,058,879
Debt investment securities at FVOCI				
Excellent	P 9,223,102,447	P -	P -	P 9,223,102,447

	2019			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized cost				
Excellent	P 855,081,960	P -	P -	P 855,081,960
Expected credit loss allowance	(1,617,940)	-	-	(1,617,940)
Carrying amount	P 853,464,020	P -	P -	P 853,464,020

**Excludes unamortized charges from capitalized commission amounting to P120.7 million*

Notes To Financial Statements

As of December 31, 2020 and 2019, the Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P9,404.1 million and P9,212.7 million, espectively (see Notes 9 and 10). The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on S&P ratings.

4.3.1 Concentrations of Credit Risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below (amounts in thousands).

	2020			2019		
	Cash and Cash Equivalents*	**Receivables from Customers****	**Trading and Investment Securities**	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Concentration by sector:						
Financial and insurance activities	**P 11,064,300**	**P 4,618,343**	**P 17,688,583**	P 11,815,258	P 2,648,402	P 14,565,414
Wholesale and retail trade	**-**	**32,935,238**	**-**	-	32,301,851	-
Real estate activities	**-**	**15,075,739**	**-**	-	14,806,015	-
Manufacturing	**-**	**9,535,700**	**-**	-	9,752,198	-
Transportation and storage	**-**	**7,225,926**	**-**	-	7,677,588	-
Construction	**-**	**5,435,109**	**-**	-	4,131,806	-
Electricity, gas, steam and and air-conditioning supply	**-**	**5,307,092**	**190,000**	-	4,206,239	190,000
Accommodation and food service activities	**-**	**3,088,960**	**-**	-	2,495,182	-
Water supply, sewerage, waste management and remediation activities	**-**	**2,599,364**	**-**	-	2,248,908	-
Agriculture, forestry and fishing	**-**	**1,488,009**	**-**	-	1,546,344	-
Administrative and support services	**-**	**612,122**	**-**	-	862,664	-
Information and communication	**-**	**492,701**	**-**	-	584,358	-
Consumption	**-**	**476,582**	**-**	-	481,286	-
Professional, scientific, and technical activities	**-**	**341,160**	**-**	-	151,815	-
Mining and quarrying	**-**	**285,748**	**-**	-	384,278	-
Education	**-**	**112,424**	**-**	-	137,792	-
Human health and social service activities	**-**	**48,858**	**-**	-	44,469	-
Arts, entertainment and recreation	**-**	**4,800**	**-**	-	10,300	-

Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	**-**	**3,332**	**-**	-	3,343	-
Other service activities	**-**	**700,870**	**-**	-	1,144,873	-
	P 11,064,300	**P 90,388,077**	**P 17,878,583**	P 11,815,258	P 85,619,711	P 14,755,414

**Cash and cash equivalents include cash and other cash items, due from BSP and other banks, SPURRA and foreign currency notes and coins on hand (see Note 2.5).*

***Receivables from customers are reported gross of unearned interests or discounts and excluding unamortized charges from capitalized commission.*

4.3.4 Amounts Arising from Expected Credit Losses

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt securities carried at FVOCI have significant increase in credit risk (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using PD, LGD and EAD.

(a) Significant Increase in Credit Risk (SICR)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a periodic basis both the quantitative and qualitative information that is reasonable and supportable, including historical experience as appropriate. For corporate and commercial loans, these may include macroeconomic conditions, economic sector and geographical region relevant to the corporate counterparty or borrower and other factors that are counterparty specific. As the Bank holds various types of financial instruments, the extent of assessment may depend on the materiality of the financial instrument or the complexity of the portfolio being assessed.

Notes To Financial Statements

Retail or Consumer Loans

The Bank ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

- Stage 1 – comprises of all credit exposures that are considered 'performing' and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL.

- Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Bank's quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Stage 2 includes credit exposures that are considered 'under-performing' in which credit risk assessment fall under the Especially Mentioned classification. Stage 2 financial instruments may also include those facilities where the credit risk has improved and have been reclassified from Stage 3 subject to the Bank's observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

- Stage 3 – comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Bank as 'non-performing', which is assessed consistently with the Banks definition of default. Generally, this includes accounts classified as Substandard, Doubtful and Loss. The Bank recognizes a lifetime ECL for all credit-impaired financial assets.

Corporate and Commercial Loans

As outlined in PFRS 9, a '3-stage' impairment model was adopted by the Bank based on changes in credit quality since initial recognition of the financial asset. As discussed in Note 2.5(d), a financial asset that is not credit-impaired on initial recognition is classified as 'Stage 1', with credit risk continuously monitored by the Bank as its ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months. If an SICR since initial recognition is identified, the classification will be moved to 'Stage 2' but is not yet deemed to be credit-impaired. Such assessment is based on certain qualitative criteria as follows:

- Borrowers with past due accounts over the cure period of 30 days but with current accounts at the effectivity of the cure period policy shall be downgraded to Watchlist Rating.

- Watchlist borrowers can be upgraded upon completion of the seasoning period which shall be 12 months from the time of downgrading provided an updated ICCR has been conducted. The seasoning means that there is no incident of past due even within the cure period.

- Borrowers with accounts that are all past due over the cure period shall be rated as Classified. Such shall be categorized as:

    (i) Classified secured less than 5 years past due
    (ii) Classified – Clean less than 3 years

(iii) Classified over Recovery Period

Generally, Watchlisted accounts shall be considered as Stage 2 accounts for purposes of provisioning while Classified accounts shall be Stage 3.

Debt Securities at Amortized Cost and at FVOCI

The Bank considers low credit risk for government debt securities and listed corporate debt securities when its credit risk rating is equivalent to a globally understood definition of 'investment grade' (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(b) Definition of Default and Credit-impaired Assets

Loans and other receivables

Credit impaired loans and other receivables are those classified as both past due and under Stage 3. The total credit impaired assets under corporate, consumer, and other receivables amount to P3,249.0 million, P799.7 million, and P428.3 million, respectively, as at December 31, 2020 and P1,651.4 million, P531.3 million, and P419.1 million respectively, as at December 31, 2019. The Bank defines a financial asset as in default, which is aligned with the definition of credit-impaired asset, when it meets one or more of the following criteria:

- *Quantitative* – in this criterion, the borrower is more than 30 days past due on its contractual payments.

- *Qualitative* – this includes instances where the borrower is unlikely to pay its obligations and is deemed to be in significant financial difficulty, which include cases of long-term forbearance, borrower's death, insolvency, breach of financial covenant/s, disappearance of active market for that financial instrument because of financial difficulties, and bankruptcy.

These criteria have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the Bank.

An instrument is considered to have cured when it no longer meets any of the default criteria for a consecutive period of six months. The cure period sets the tolerance period wherein the borrowers are allowed to update the payments. This period was determined based on an analysis which considers the likelihood of a financial instrument returning to default status. The Bank considers verifiable collection experience and reasonable judgment that support the likelihood. Unsecured and secured loans qualify for write-off when they remained unpaid and outstanding for more than 914 days and 1,095 days, respectively, and upon BOD approval.

Notes To Financial Statements

Debt Securities

Debt securities are assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a “loss event”) and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL.

Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer’s financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution’s held securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer’s credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (e.g., a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).

In making an assessment of whether an investment in government debt securities is credit-impaired, the Bank considers the following factors:

- the market’s assessment of creditworthiness as reflected in the bond yields;
- the rating agencies’ assessment of creditworthiness;
- the country’s ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as ‘lender of last resort’ to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether

there is the capacity to fulfill the required criteria.

(c) Key Inputs, Assumptions and Estimation Techniques Used in Measurement of ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, LGD, and EAD, which are defined in Note 2.5(c). The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (usually, an observation period of five to seven years).

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default, and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed.

For unsecured loan portfolio, LGD is typically set at portfolio level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information [see Note 4.3.4(d)]. Further, the assumptions underlying the calculation of the ECL, such as how the maturity profile of the PDs and how collateral values change, are monitored and reviewed by the Bank on a quarterly basis.

Significant changes in the estimation techniques or significant assumptions made by the Bank in 2020 are disclosed in Note 4.3.5.

Notes To Financial Statements

(d) Overlay of Forward-looking Information in the Measurement of ECL

The Bank incorporates forward-looking information (FLI) in its assessment of SICR and calculation of ECL. The Bank has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers and/or counterparties and the ECL for each portfolio of debt instruments.

The MEVs and their associated impact on the PD, EAD and LGD vary by financial instrument. The Bank formulates forecasts of MEVs (one base economic scenario, and two less likely scenarios – one upside and one downside) and are performed by the Bank's ERMG on a quarterly basis and provide the best estimate view of the economy over the next five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of EAD and LGD.

The base scenario is aligned with information used by the Bank for strategic planning and budgeting. The MEVs considered by the Bank includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Bank has identified key drivers for credit risk for its corporate loans portfolio, which include gross domestic product and interest rates. The analysis of these scenarios take into account the range of possible outcomes that each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each of the scenario, multiplied by the associated scenario weight, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3, hence, whether a 12-month or lifetime ECL should be recorded.

Following this assessment, the Bank measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weights.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Bank's different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL.

(e) Collective Basis of Measurement of ECL

For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as instrument, product type (auto loans, housing loans, etc.), repayment scheme, industry type, remaining life to maturity, and geographical locations of the borrowers and/or counterparties.

The groupings are subject to the regular review by the Bank's CMD in order to ensure that credit exposures within a particular group remain appropriately homogenous.

4.3.5 Impact of COVID-19 on Measurement of Expected Credit Loss

In response to COVID-19 situation and the Bank's expectations of economic impacts, the key conditions and assumptions utilized in the Bank's calculation of ECL have been revisited and recalibrated. The economic scenarios and forward-looking macroeconomic assumptions underpinning the ECL calculation are outlined in Note 4.3.1. As of December 31, 2020, the expected impacts of COVID-19 have been reasonably captured using the Bank's business-as-usual (BAU) ECL methodology (i.e., the ECL methodology used in the prior years) and post-model adjustments (or the "COVID-19 overlay").

The BAU ECL methodology have been structured and calibrated using historical trends and correlations as well as forward-looking economic scenarios. The severity of the current macroeconomic projections and the added complexity caused by the various support schemes and regulatory guidance could not be reliably modelled for the time being. Therefore, the BAU ECL model may generate results that are either overly conservative or overly optimistic depending on the specific portfolio or segment. As a result, post-model adjustments are needed to reflect the considerable uncertainty in BAU ECL methodology given the unprecedented impacts of COVID-19. Given that the BAU ECL model changes take a significant amount of time to develop and validate and the data limitation in respect of lagging credit information and granular behavior analysis of customers, the Bank expects that post-model adjustments will be applied for the foreseeable future. Notwithstanding that the measurement inputs and assumptions, including forward-looking macroeconomic assumptions, were recalibrated in response to COVID-19 situation, the fundamental ECL mechanics and methodology underpinning the Bank's measurement of ECL have remained consistent with the prior periods.

The Bank focused on supporting customers who are experiencing (i.e., those availing of reliefs) and about to experience financial difficulties (i.e., those with reprieved business operations) as a result of the COVID-19 situation and has offered a range of financial assistance measures including temporary loan repayment deferrals (principal and interest). In accordance with regulatory guidance, the Bank implemented mandatory payment holidays to all eligible loan accounts (see also Note 4.3.6).

Notes To Financial Statements

The following are the considerations in measuring ECL under COVID-19 situation:

(a) Significant Increase in Credit Risk

The offer or uptake of COVID-19 related repayment deferrals (i.e., government mandated reliefs) do not itself constitute SICR event unless the exposure is considered to have experienced a SICR based on other available information. SICR has been reassessed with reference to the Bank' internal borrower risk rating which considers industry or segment assessment under COVID-19 situation, financial performance indicators, historical credit information of the borrower and other modifiers. The Bank's reassessment is to determine if changes in the customers' circumstances were sufficient to constitute SICR.

(b) COVID-19 Overlay

COVID-19 overlay represents adjustments in relation to data and model limitations as a result of the COVID-19 economic disruption. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level. This also includes the effect of government and other support program. Considerations included the potential severity and duration of the economic disruption and the heightened credit risk of specific sectors and loan classes or segments.

The impact of post-model adjustments made in estimating the reported ECL as at December 31, 2020 are disclosed in Note 4.3.8.

4.3.6 Modifications of Financial Assets

(a) Financial Reliefs Provided by the Bank

In certain cases, the Bank modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to term or corporate loans.

In addition to the government-mandated reliefs, as discussed in detail in Note 4.3.6(b), the Bank has offered financial relief in response to the COVID-19 situation. These relief measures were granted to eligible customers. Relief measures are as follows:

- payment of amortization relief including extension of contractual terms;
- principal and interest relief including lower amortization on extended terms; and,
- change from loan line to term loan (i.e., consolidation of amounts due).

The outstanding balance of restructured loans amounts to P1,958.0 million and P1,594.4 million as of December 31, 2020 and 2019, respectively. The related allowance for credit loss of such loans amounts to P395.7 million and P298.5

million as of the same dates, respectively. Of the total outstanding restructured loans as of December 31, 2020, P380.0 million are due to impact of COVID-19 situation.

(b) Financial Reliefs Mandated by the Government

In compliance with Republic Act No. 11469, Bayanihan to Heal as One Act, (BAHO Act), the Bank implemented a minimum 30-day grace period on all loans with principal and interests falling due within the period of the Enhanced Community Quarantine (ECQ), which started on March 17, 2020 up to April 30, 2020, which was extended until May 31, 2020.

In compliance with Republic Act No. 11494, Bayanihan to Recover as One Act, (BARO Act), the Bank granted one-time 60-day grace period for payments and/or maturity periods of all existing, current and outstanding loans as of September 15, 2020, falling due, or any part thereof, on or before December 31, 2020, subject to compliance with regulatory requirements

During the grace period or payment holiday, there were no interests on interests, penalties, or other charges but accrued interests at contractual rate for grace periods were charged based on the outstanding principal balance of loan at the time of application of the grace periods.

As of December 31, 2020, the total outstanding balance of loans modified under BAHO and BARO Acts amounts to P10,376.9 million and P6,740.8 million, respectively.

The financial reliefs provided by the Bank and mandated by the Government has not resulted in material modification loss as the present value of the original cash flows and the present value of the revised cash flows were substantially equivalent.

Notes To Financial Statements

The following table provides a summary of outstanding balances of modified loans resulting from the financial reliefs provided by the Bank and mandated by the Government as of December 31, 2020:

	BAHO/ BARO Acts	Bank Relief	Total
Stage 1 (Performing)			
Corporate	P11,461,994,714	P -	P11,461,994,714
Consumer	2,081,919,435	-	2,081,919,435
	P13,543,914,149	**P -**	**P13,543,914,149**
Stage 2 (Underperforming)			
Corporate	P 2,648,614,505	P 103,570,898	P2,752,185,403
Consumer	409,662,734	-	409,662,734
	P 3,058,277,239	**P 103,570,898**	**P3,161,848,137**
Stage 3 (Nonperforming)			
Corporate	P 236,477,462	P 276,417,477	P 512,894,939
Consumer	278,967,664	-	278,967,664
	P 515,445,126	**P 276,417,477**	**P 791,862,603**

(c) Assessment of SICR

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the performance of the financial asset subsequent to its modification.

The Bank may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Bank continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets [see also Note 4.3.5(a)].

4.3.7 Credit Risk Exposures

The Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets, except for certain secured loans and receivables from customers, as shown below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2020				
Loans and discounts:				
Corporate	P84,606,423,847	P64,317,827,597	P20,288,596,250	P64,317,827,597
Consumer	5,781,651,969	10,308,866,278	-	5,781,651,969
Sales contracts receivables	47,994,123	131,548,990	-	47,994,123
	P90,436,069,939	**P74,758,242,865**	**P20,288,596,250**	**P70,147,473,689**
2019				
Loans and discounts:				
Corporate	P79,290,259,116	P52,287,911,760	P27,002,347,356	P52,387,811,760
Consumer	6,329,452,185	10,236,124,689	-	6,329,452,185
Sales contracts receivables	68,531,388	156,880,925	-	68,531,388
	P85,688,242,689	P62,680,917,374	P27,002,347,356	P58,785,795,333

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2020 and 2019 is shown below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2020				
Loans and discounts:				
Corporate	P 3,248,995,131	P1,914,577,563	P1,334,417,568	P1,914,577,563
Consumer	799,693,207	1,078,305,789	-	799,693,207
Sales contracts receivables	9,056,405	131,548,990	-	9,056,405
	P 4,057,744,743	**P3,124,432,342**	**P 1,334,417,568**	**P2,723,327,175**

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2019				
Loans and discounts:				
Corporate	P 1,651,406,382	P 969,991,541	P 681,414,841	P 969,991,541
Consumer	531,281,890	757,089,723	-	531,281,890
Sales contracts receivables	9,892,227	31,337,400	-	9,892,227
	P 2,192,580,499	P1,758,418,664	P 681,414,841	P1,511,165,658

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The following table sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31:

	Notes	2020	2019
Cash and cash equivalents	9, 10	**P 9,404,107,499**	P 9,212,682,980
Debt securities			
At amortized cost	11.3	**825,405,715**	853,464,020
At FVOCI	11.2	**4,950,635,772**	9,223,102,447
		5,776,041,487	10,076,566,467
		P 15,180,148,986	P 19,289,249,447

Cash and cash equivalents includes loans and advances to banks (i.e., Due from BSP and Due from Other Banks). Debt securities includes government and corporate bonds. These are held by the BSP, financial institutions and other counterparties that are reputable and with low credit risk; hence, ECL is negligible.

4.3.8 Allowance for Expected Credit Loss

The following tables show the reconciliation of the loss allowance for ECL by class of financial instruments at the beginning and end of 2020 and 2019:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate				
Balance at January 1	**P 219,195,287**	**P 320,204,071**	**P 869,185,649**	**P1,408,585,007**
Transfers to:				
Stage 1	**14,228**	**(2,381)**	**(11,847)**	**-**
Stage 2	**(379,347,821)**	**391,841,615**	**(12,493,794)**	**-**
Stage 3	**(602,183,373)**	**(162,889,636)**	**765,073,009**	**-**
Net remeasurement of loss allowance	**989,282,222**	**(52,537,309)**	**532,966,143**	**1,469,711,056**
New financial assets originated	**439,475,784**	**336,381,424**	**74,278,235**	**850,135,443**
Derecognition of financial assets	**(60,624,694)**	**(34,764,653)**	**(257,457,471)**	**(352,846,818)**
Write-offs	**-**	**-**	**(293,189,726)**	**(293,189,726)**
Balance at December 31	**P 605,811,633**	**P 798,233,131**	**P1,678,350,198**	**P 3,082,394,962**
Receivables from customers – consumer				
Balance at January 1	**P 98,533,691**	**P 37,171,367**	**P 151,676,482**	**P 287,381,540**
Transfers to:				
Stage 1	**10,163,863**	**(7,051,908)**	**(3,111,955)**	**-**
Stage 2	**(68,109,920)**	**70,869,139**	**(2,759,219)**	**-**
Stage 3	**(79,259,119)**	**(19,771,225)**	**99,030,344**	**-**
Net remeasurement of loss allowance	**196,867,830**	**57,358**	**33,606,688**	**230,531,876**
New financial assets originated	**34,266,484**	**14,746,732**	**5,384,506**	**54,397,722**
Derecognition of financial assets	**(10,630,289)**	**(3,886,356)**	**(14,718,715)**	**(29,235,360)**
Balance at December 31	**P 181,832,540**	**P 92,135,107**	**P 269,108,131**	**P 543,075,778**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other receivables				
Balance at January 1	**P 2,992,815**	**P 2,459,888**	**P 72,441,091**	**P 77,893,794**
Transfers to:				
Stage 1	**91,965**	**(43,392)**	**(48,573)**	**-**
Stage 2	**(89,574)**	**110,626**	**(21,052)**	**-**
Stage 3	**(116,101)**	**(809,304)**	**925,405**	**-**
Net remeasurement of loss allowance	**11,151,611**	**17,262,524**	**84,449,373**	**112,863,508**
New financial assets originated	**1,540,836**	**1,120,357**	**490,561**	**3,151,754**
Derecognition of financial assets	**(243,593)**	**(38,248)**	**(2,635,511)**	**(2,917,352)**
Write-offs	**-**	**-**	**(42,475,941)**	**(42,475,941)**
Balance at December 31	**P 15,327,959**	**P 20,062,451**	**P 113,125,353**	**P 148,515,763**
Debt investment securities at FVOCI	**P 4,229,457**	**P -**	**P -**	**P 4,229,457**
Debt investment securities at amortized cost	**P 1,617,940**	**P -**	**P -**	**P 1,617,940**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 223,912,949	P 13,268,070	P 566,712,180	P 803,893,199
Transfers to:				
Stage 1	5,511,702	(5,511,702)	-	-
Stage 2	(9,320,010)	9,320,010	-	-
Stage 3	(2,660,964)	(940,599)	3,601,563	-
Net remeasurement of loss allowance	(43,571,689)	133,185,500	461,637,867	551,251,678
New financial assets originated	112,152,462	172,808,878	223,246,131	508,207,471
Derecognition of financial assets	(66,829,163)	(1,926,086)	(386,012,092)	(454,767,341)
Balance at December 31	P 219,195,287	P 320,204,071	P 869,185,649	P1,408,585,007
Receivables from customers – consumer				
Balance at January 1	P 27,088,724	P 2,128,563	P 56,937,254	P 86,154,541
Transfers to:				
Stage 1	7,681,405	-	(7,681,405)	-
Stage 2	(160,466)	872,764	(712,298)	-
Stage 3	(584,026)	(116,168)	700,194	-
Net remeasurement of loss allowance	2,237,641	1,732,546	10,220,716	14,190,903
New financial assets originated	63,273,560	32,809,416	117,038,377	213,121,353
Derecognition of financial assets	(1,003,147)	(255,754)	(24,826,356)	(26,085,257)
Balance at December 31	P 98,533,691	P 37,171,367	P 151,676,482	P 287,381,540
Other receivables				
Balance at January 1	P 2,319,779	P 19,104	P 152,435,039	P 154,773,922
Transfers to:				
Stage 1	2,054,956	(69)	(2,054,887)	-
Stage 2	(35,420)	70,271	(34,851)	-
Stage 3	(45,510)	(5,802)	51,312	-
Net remeasurement of loss allowance	(1,641,544)	1,226,921	(97,920,171)	(98,334,794)
New financial assets originated	2,052,165	1,156,366	23,413,172	26,621,703
Derecognition of financial assets	(1,711,611)	(6,903)	(3,448,523)	(5,167,037)
Balance at December 31	P 2,992,815	P 2,459,888	P 72,441,091	P 77,893,794
Loan commitments				
Balance at January 1	P 9,563,549	P -	P -	P 9,563,549
Net remeasurement of loss allowance	(9,563,549)	-	-	(9,563,549)
Balance at December 31	P -	P -	P -	P -
Debt investment securities at FVOCI	P 4,229,457	P -	P -	P 4,229,457
Debt investment securities at amortized cost	P 1,617,940	P -	P -	P 1,617,940

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Post-model adjustments made in estimating the reported ECL as at December 31, 2020 to reflect the impact of COVID-19 situation are set out in the table below.

	BAU ECL	COVID-19 Overlay	Total ECL
Corporate	P2,528,706,877	P 553,688,085	P3,082,394,962
Consumer	356,263,559	186,812,219	543,075,778
Other receivables	133,173,195	15,342,568	148,515,763
Debt investments at FVOCI	4,229,457	-	4,229,457
Debt investments at amortized cost	1,617,940	-	1,617,940
	P3,023,991,028	**P 755,842,872**	**P3,779,833,900**

4.3.9 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The table below provides information on how the significant changes in the gross carrying amounts (i.e., gross of unamortized charges and unearned discount) of financial instruments in 2020 and 2019 contributed to the changes in the allowance for ECL.

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate				
Balance at January 1	**P75,870,847,224**	**P1,768,005,510**	**P 1,651,406,382**	**P79,290,259,116**
Transfers to:				
Stage 1	**3,681,727**	**(600,000)**	**(3,081,727)**	**-**
Stage 2	**(1,605,862,349)**	**1,625,388,466**	**(19,526,117)**	**-**
Stage 3	**(1,327,249,854)**	**(466,915,863)**	**1,794,165,717**	**-**
New financial assets originated	**42,616,679,314**	**1,730,326,641**	**460,961,167**	**44,807,967,122**
Derecognition of financial assets	**(38,410,241,070)**	**(446,631,030)**	**(341,740,565)**	**(39,198,612,665)**
Write-offs	**-**	**-**	**(293,189,726)**	**(293,189,726)**
Balance at December 31	**P77,147,854,992**	**P4,209,573,724**	**P 3,248,995,131**	**P84,606,423,847**
Receivables from customers – consumer				
Balance at January 1	**P 5,612,141,093**	**P 186,029,202**	**P 531,281,890**	**P 6,329,452,185**
Transfers to:				
Stage 1	**72,106,811**	**(39,169,127)**	**(32,937,684)**	**-**
Stage 2	**(361,202,099)**	**372,590,837**	**(11,388,738)**	**-**
Stage 3	**(319,565,228)**	**(68,773,058)**	**388,338,286**	**-**
New financial assets originated	**975,810,350**	**56,687,276**	**10,896,053**	**1,043,393,679**
Derecognition of financial assets	**(1,486,816,163)**	**(17,881,132)**	**(86,496,600)**	**(1,591,193,895)**
Balance at December 31	**P 4,492,474,764**	**P 489,483,998**	**P 799,693,207**	**P 5,781,651,969**

Other receivables				
Balance at January 1	**P3,097,834,454**	**P 13,045,745**	**P 419,072,474**	**P 3,529,952,673**
Transfers to:				
Stage 1	**975,587**	**(241,675)**	**(733,912)**	**-**
Stage 2	**(9,210,668)**	**9,285,072**	**(74,404)**	**-**
Stage 3	**(5,001,089)**	**(4,468,359)**	**9,469,448**	**-**
New financial assets originated	**1,870,141,682**	**68,835,761**	**50,737,757**	**1,989,715,200**
Derecognition of financial assets	**(2,589,466,749)**	**(264,708)**	**(7,265,767)**	**(2,596,997,224)**
Write-offs	**-**	**-**	**(42,871,829)**	**(42,871,829)**
Balance at December 31	**P 2,365,273,217**	**P 86,191,836**	**P 428,333,767**	**P 2,879,798,820**
Debt investment securities at FVOCI				
Balance at January 1	**P9,223,102,447**	**P -**	**P -**	**P 9,223,102,447**
New financial assets purchased	**919,018,601**	**-**	**-**	**919,018,601**
Fair value gains	**69,879,457**	**-**	**-**	**69,879,457**
Disposals	**(5,118,285,044)**	**-**	**-**	**(5,118,285,044)**
Foreign currency revaluation	**(95,954,725)**	**-**	**-**	**(95,954,725)**
Amortization of premium	**(47,124,964)**	**-**	**-**	**(47,124,964)**
Balance at December 31	**P 4,950,635,772**	**P -**	**P -**	**P 4,950,635,772**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt investment securities at amortized cost				
Balance at January 1	**P 855,081,960**	**P -**	**P -**	**P 855,081,960**
New financial assets purchased	**123,022,531**	**-**	**-**	**123,022,531**
Maturities	**(155,738,699)**	**-**	**-**	**(155,738,699)**
Disposals	**-**	**-**	**-**	**-**
Amortization of discount	**4,657,863**	**-**	**-**	**4,657,863**
Balance at December 31	**P 827,023,655**	**P -**	**P -**	**P 827,023,655**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P68,574,460,911	P 269,140,796	P1,321,045,067	P70,164,646,774
Transfers to:				
Stage 1	54,984,942	(54,984,942)	-	-
Stage 2	(1,004,890,362)	1,004,890,362	-	-
Stage 3	(330,100,744)	(32,378,626)	362,479,370	-
New financial assets originated	52,216,965,978	832,466,969	254,262,667	53,303,695,614
Derecognition of financial assets	(43,640,573,501)	(251,129,049)	(278,885,313)	(44,170,587,863)
Write-offs	-	-	(7,495,409)	(7,495,409)
Balance at December 31	P75,870,847,224	P1,768,005,510	P 1,651,406,382	P79,290,259,116

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Receivables from customers – consumer				
Balance at January 1	P4,006,077,683	P 23,014,427	P 247,329,966	P4,276,422,076
Transfers to:				
Stage 1	35,564,159	-	(35,564,159)	-
Stage 2	(22,335,512)	25,872,645	(3,537,133)	-
Stage 3	(83,585,256)	(1,658,951)	85,244,207	-
New financial assets originated	1,948,011,848	143,185,707	277,804,826	2,369,002,381
Derecognition of financial assets	(271,591,829)	(4,384,626)	(39,995,817)	(315,972,272)
Balance at December 31	P 5,612,141,093	P 186,029,202	P 531,281,890	P 6,329,452,185
Other receivables				
Balance at January 1	P1,932,817,987	P 1,103,102	P 370,415,852	P2,304,336,941
Transfers to:				
Stage 1	6,263,657	(22,769)	(6,240,888)	-
Stage 2	(3,193,038)	3,216,527	(23,489)	-
Stage 3	(3,827,095)	(23,936)	3,851,031	-
New financial assets originated	2,736,223,638	9,193,768	54,489,869	2,799,907,275
Derecognition of financial assets	(1,570,450,695)	(420,947)	(5,779,901)	(1,576,651,543)
Write-offs	-	-	(2,360,000)	(2,360,000)
Balance at December 31	P 3,097,834,454	P 13,045,745	P 419,072,474	P3,529,952,673
Loan commitments				
Balance at January 1	P1,963,727,460	P -	P -	P1,963,727,460
New financial assets originated or purchased	1,761,099,684	-	-	1,761,099,684
Derecognition of financial assets	(3,724,827,144)	-	-	(3,724,827,144)
Balance at December 31	P -	P -	P -	P -
Debt investment securities at FVOCI				
Balance at January 1	P2,279,714,729	P -	P -	P2,279,714,729
New financial assets purchased	7,726,621,265	-	-	7,726,621,265
Fair value gains	520,604,073	-	-	520,604,073
Disposals	(1,255,806,778)	-	-	(1,255,806,778)
Foreign currency revaluation	(70,161,837)	-	-	(70,161,837)
Amortization of discount	22,130,995	-	-	22,130,995
Balance at December 31	P 9,223,102,447	P -	P -	P9,223,102,447
Debt investment securities at amortized cost				
Balance at January 1	P 772,673,000	P -	P -	P 772,673,000
New financial assets purchased	178,279,354	-	-	178,279,354
Maturities	(51,442,610)	-	-	(51,442,610)
Disposals	(50,691,016)	-	-	(50,691,016)
Amortization of discount	6,263,232	-	-	6,263,232
Balance at December 31	P 855,081,960	P -	P -	P 855,081,960

4.3.10 Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2020 and 2019.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2020 and 2019 are presented below.

	Stage 1	**Stage 2**	**Stage 3**	**Total**
2020				
Real properties	P50,872,399,215	P4,409,014,394	P2,319,041,606	P57,600,455,215
Chattel	10,786,421,215	471,939,647	805,090,736	12,063,451,598
Hold-out deposits	2,707,784,857	33,092,000	300,000	2,741,176,857
Others	2,353,159,195	-	-	2,353,159,195
	P66,719,764,482	**P4,914,046,041**	**P3,124,432,342**	**P74,758,242,865**
2019				
Real properties	P41,598,043,958	P1,507,433,111	P1,118,870,693	P44,224,347,762
Chattel	12,342,180,446	532,271,214	639,547,971	13,513,999,631
Hold-out deposits	2,173,505,646	-	-	2,173,505,646
Others	2,769,064,335	-	-	2,769,064,335
	P58,882,794,385	P2,039,704,325	P1,758,418,664	P62,680,917,374

As of December 31, 2020 and 2019, the Bank has recognized certain properties arising from foreclosures in settlement of loan account amounting to P27.8 million and P140.2 million, respectively (see Note 14).

The Bank's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Bank does not generally use the non-cash collateral for its own operations.

There were no changes in the Bank's collateral policies in 2020 and 2019.

Notes To Financial Statements

4.3.11 Write-Offs

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Bank may write off financial assets that are still subject to enforcement activity. The total financial assets written off in 2020 and 2019 amounted to P335.7 million and P9.9 million, respectively. The Bank still seeks to recover amounts legally owed in full, but which have been partially written off due to lack of reasonable expectation of full recovery.

4.3.12 Maximum Exposure to Credit Risk of Financial Instruments not Subject to Impairment

The following table contains analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVPL):

	2020	2019
Corporate debt securities	**P 11,175,588,429**	P 4,248,886,382
Government securities	**925,334,710**	427,233,724
Derivative financial assets	**-**	1,110,213
	P 12,100,923,139	P 4,677,230,319

4.3.13 Sensitivity Analysis on ECL Measurement

Set out below are the changes in the Bank's ECL as of December 31, 2020 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions:

	Change in MEV assumption +/ - 1%	Impact on ECL Allowance: Increase in assumption	Impact on ECL Allowance: Decrease in assumption
2020			
Corporate loans	GDP rate	(P 13,130,453)	P 6,738,205
Housing loans	PPP rate and CPI rate	4,821,848	(4,915,206)
Auto loans CPI rate and	GDP rate, Unemployment rate	(673,054)	5,782,201
Salary loans	GDP rate	(496,565)	495,759

	Change in MEV assumption +/ - 1%	Impact on ECL Allowance: Increase in assumption	Impact on ECL Allowance: Decrease in assumption
2019			
Housing loans	Inflation rate	P 84,128,088	(P 88,971,799)
Corporate loans	GDP rate, PPP rate, CPI rate and Inflation rate	75,914,707	(18,848,444)
Auto loans Inflation rate	GDP rate and	2,182,226	(1,070,938)
Salary loans	GDP rate	1,408,560	(605,708)

4.4 Market Risk

The Bank’s market risk exposure arises from adverse movements in interest rates and prices of assets that are either carried in the banking book or held as positions in the trading book (financial instruments), mismatches in the contractual maturity of its resources and liabilities, embedded optionality in the loans and deposits due to pre-terminations, and potential cash run offs arising from changes in the overall liquidity and funding conditions in the market.

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Market risk related to the Bank's financial instruments includes foreign currency, interest rate and price risks.

(a) Foreign Currency Risk

The Bank manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution en gaged in that type of business.

The Bank's foreign currency exposure is primarily limited to the foreign currency deposits, which are sourced within the Philippines or generated from remittances by Filipino expatriates and overseas Filipino workers. Also, foreign currency trading with corporate accounts and other financial institutions is a source of foreign currency exposure for the Bank. At the end of each month, the Bank reports to the BSP on its acquisition and disposition of foreign currency resulting from its daily transactions.

The breakdown of the financial assets and financial liabilities as to foreign currency (translated into Philippine pesos) and Philippine peso-denominated balances as of December 31, 2020 and 2019 follows (amounts in thousands):

	Foreign Currency	Philippine Peso	Total
2020			
Financial Assets:			
Cash and other cash items	P -	P 1,762,973	P 1,762,973
Due from BSP	-	5,112,525	5,112,525
Due from other banks	1,240,666	1,287,943	2,528,609
Trading and investment securities at:			
FVPL	3,005,077	9,095,846	12,100,923
FVOCI	1,979,760	2,970,876	4,950,636
Amortized cost	-	825,406	825,406
Loans and other receivables - net	1,273,422	88,002,667	89,276,089
Other resources	65,299	41,116	106,415
	P 7,564,224	P 109,099,352	P 116,663,576
Financial Liabilities:			
Deposit liabilities	P 7,260,005	P 93,134,104	P 100,394,109
Corporate notes payable	-	2,987,685	2,987,685
Accrued expenses and other liabilities	4,734	2,263,548	2,268,282
	P 7,264,739	P 98,385,337	P 105,650,076

2019

Financial Assets:			
Cash and other cash items	P -	P 1,171,300	P 1,171,300
Due from BSP	-	5,232,433	5,232,433
Due from other banks	1,677,445	1,131,505	2,808,950
Trading and investment securities at:			
FVPL	1,049,318	3,627,912	4,677,230
FVOCI	1,984,700	7,238,402	9,223,102
Amortized cost	-	853,464	853,464
Loans and other receivables - net	2,025,890	85,297,636	87,323,526
Other resources	60,505	40,139	100,644
	P 6,797,858	P 104,592,791	P 111,390,649
Financial Liabilities:			
Deposit liabilities	P 6,060,333	P 89,207,706	P 95,268,039
Corporate notes payable	-	2,980,424	2,980,424
Bills payable	-	612,523	612,523
Accrued expenses and other liabilities	114,311	1,909,831	2,024,142
	P 6,174,644	P 94,710,484	P 100,885,128

(b) Interest Rate Risk

Interest rate risk is the probability of decline in net interest earnings as a result of an adverse movement of interest rates.

In measuring interest rate exposure from an earnings perspective, the Bank calculates the Earnings at Risk (EAR) to determine the impact of interest rate changes on the Bank's accrual portfolio. The EAR is the potential decline in net interest income due to the adverse movement in interest rates. To quantify interest rate exposure, the statement of financial position is first classified into interest rate sensitive and non-interest rate sensitive asset and liability accounts and then divided into pre-defined interest rate sensitivity gap tenor buckets with corresponding amounts slotted therein based on the term to next re-pricing date (the re-pricing maturity for floating rate accounts) and remaining term to maturity (the equivalent re-pricing maturity for fixed rate accounts).

The rate sensitivity gaps are calculated for each time band and on a cumulative basis. The gap amount for each bucket is multiplied by an assumed change in interest rate to determine EAR. A negative interest rate sensitivity gap position implies that EAR increases with a rise in interest rates, while a positive interest rate sensitivity gap results in a potential decline in net interest rate income as interest rates fall. To supplement the EAR, the Bank regularly employs sensitivity analysis on the Bank's interest rate exposure.

To mitigate interest rate risk, the Bank follows a prudent policy on managing resources and liabilities so as to ensure that exposure to interest rate risk are kept within acceptable levels. The BOD has also approved the EAR Limit which is reviewed regularly.

Notes To Financial Statements

The analyses of the groupings of resources, liabilities, capital funds and off-book financial position items as of December 31, 2020 and 2019 based on the expected interest realization or recognition follows (amounts in thousands).

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
2020						
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 1,762,973	P 1,762,973
Due from BSP	4,500,000	-	-	-	612,525	5,112,525
Due from other banks	2,528,609	-	-	-	-	2,528,609
Trading and investment securities	867,047	66,996	271,522	16,671,400	-	17,876,965
Loans and other receivables - net	54,672,715	13,081,274	10,575,059	9,861,615	1,085,426	89,276,089
Other resources*	-	-	-	-	3,209,797	3,209,797
Total Resources	62,568,371	13,148,270	10,846,581	26,533,015	6,670,721	119,766,958
Liabilities and Equity:						
Deposit liabilities	37,468,073	6,436,505	1,848,441	4,632,459	50,008,631	100,394,109
Bills payable	-	-	-	-	-	-
Corporate notes payable	-	-	-	2,987,685	-	2,987,685
Accrued expenses and other liabilities	-	-	-	-	2,509,413	2,509,413
Total Liabilities	37,468,073	6,436,505	1,848,441	7,620,144	52,518,044	105,891,207
Equity	-	-	-	-	13,875,751	13,875,751
Total Liabilities and Equity	37,468,073	6,436,505	1,848,441	7,620,144	66,393,795	119,766,958
On-book Gap	25,100,298	6,711,765	8,998,140	18,912,871	(59,723,074)	-
Cumulative On-book Gap	25,100,298	31,812,063	40,810,203	59,723,074	-	-
Contingent Resources	-	-	-	-	2,512,019	2,512,019
Contingent Liabilities	-	-	-	-	-	-
Off-book Gap	-	-	-	-	2,512,019	2,512,019
Net Periodic Gap	25,100,298	6,711,765	8,998,140	18,912,871	(57,211,055)	2,512,019
Cumulative Total Gap	**P25,100,298**	**P31,812,063**	**P40,810,203**	**P59,723,074**	**P 2,512,019**	**P -**

** Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources*

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
2019						
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 1,171,300	P 1,171,300
Due from BSP	1,150,000	-	-	-	4,082,433	5,232,433
Due from other banks	2,808,950	-	-	-	-	2,808,950
Trading and investment securities	4,679,230	1,944	1,211,972	8,860,651	-	14,753,797
Loans and other receivables - net	52,080,560	14,752,319	13,023,441	7,467,205	-	87,323,525
Other resources*	-	-	-	-	2,801,962	2,801,962
Total Resources	60,718,740	14,754,263	14,235,413	16,327,856	8,055,695	114,091,967
Liabilities and Equity:						
Deposit liabilities	39,543,892	5,153,393	2,417,643	4,448,934	43,704,177	95,268,039
Bills payable	-	-	606,250	-	6,273	612,523
Corporate notes payable	-	-	-	2,980,424	-	2,980,424
Accrued expenses and other liabilities	-	-	-	-	2,363,299	2,363,299
Total Liabilities	39,543,892	5,153,393	3,023,893	7,429,358	46,073,749	101,224,285
Equity	-	-	-	-	12,867,682	12,867,682
Total Liabilities and Equity	39,543,892	5,153,393	3,023,893	7,429,358	58,941,431	114,091,967
On-book Gap	21,174,848	9,600,870	11,211,520	8,898,498	(50,885,736)	-
Cumulative On-book Gap	21,174,848	30,775,718	41,987,238	50,885,736	-	-
Contingent Resources	-	-	-	-	822,521	822,521
Contingent Liabilities	-	-	-	-	-	-
Off-book Gap	-	-	-	-	822,521	822,521
Net Periodic Gap	21,174,848	9,600,870	11,211,520	8,898,498	(50,063,215)	822,521
Cumulative Total Gap	P21,174,848	P30,775,718	P41,987,238	P50,885,736	P 822,521	P -

** Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.*

Notes To Financial Statements

(c) Price Risk

In measuring the magnitude of exposures related to the Bank's trading portfolio arising from holding of government and other debt securities, the Bank employs VaR methodology. VaR is an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movement of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Bank uses a 99% confidence level for this measurement, i.e., losses could exceed the VaR in one out of 100 trading days.

In calculating the severity of the market risk exposure for fixed income securities, the Bank takes into account the cash flow weighted term or modified duration of the securities comprising the portfolio, the yield to maturity, and mark-to-market value of the component securities position in the trading book. As the VaR methodology requires a minimum historical period of reckoning with market movements from a transparent discovery platform, the Bank uses yield and price data from Bloomberg in the calculation of the volatility of rates of return and security prices, consistent with BSP valuation guidelines.

In assessing market risk, the Bank scales the calculated VaR based on assumed defeasance or holding periods that range from one day and ten days consistent with best practices and BSP standards.

As a prudent market risk control and compliance practice, the BOD has approved a market risk limit system which includes: (i) VaR limit on a per instrument and portfolio; (ii) loss limit on per investment portfolio, (iii) off-market rate limits on per instrument type; and, (iv) holding period for investment securities.

In recognition of the limitations of VaR related to the assumptions on which the model is based, the Bank supplements the VaR with a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

The following table shows the VaR position and ranges of the Bank's financial assets at FVPL and at FVOCI portfolios as at December 31 (amounts in thousands):

		2020		2019
VaR Position:				
Financial assets at FVPL	**P**	**12,100,923**	P	4,676,120
Financial assets at FVOCI		**4,950,636**		9,223,102
VaR Ranges:				
Minimum		**26,347**		96,905
Maximum		**562,306**		518,862
Average		**134,895**		267,982

Stress test on the December 31, 2020 and 2019 portfolio shows the potential impact on profit and capital funds of parallel increase in interest rates of financial assets at FVPL and at FVOCI as follows (in thousands):

2020				
	Current	Sensitivities		
Currency	**Market Value**	**+100 bps**	**+300 bps**	**+500 bps**
Philippine peso	P 12,066,722	(P 528,155)	(P 1,584,466)	(P 2,640,777)
US dollar	4,984,837	(442,865)	(1,328,595)	(2,214,324)
Total	**P 17,051,559**	**(P 971,020)**	**(P 2,913,061)**	**(P 4,855,101)**

2019				
	Current	Sensitivities		
Currency	Market Value	+100 bps	+300 bps	+500 bps
Philippine peso	P 10,866,314	(P 547,626)	(P 1,642,879)	(P 2,738,132)
US dollar	3,034,018	(368,069)	(1,104,206)	(1,840,343)
Total	P 13,900,332	(P 915,695)	(P 2,747,085)	(P 4,578,475)

(d) Liquidity Risk

Liquidity risk is the risk to income and capital as a result of the Bank failing its commitment for funds as they fall due. The Bank manages its liquidity risk through the management's monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder.

A maturity ladder relates the inflows to outflows of funds at selected maturity dates and is constructed to measure liquidity exposure. The ladder shows the Bank's statement of financial position distributed into tenor buckets across the term structure on the basis of the term to final maturity or cash flow dates. The amount of net inflows which equals the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis incorporating certain behavioral and hypothetical assumptions regarding the flows from assets and liabilities including contingent commitments over time. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicate the Bank's net funding requirements in local and foreign currency.

To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the Bank called Maximum Cumulative Outflow (MCO) limit is observed per currency based on the recommendation of management, which model and assumptions are reviewed by the Asset and Liability Committee (ALCO) and the ROC prior to the confirmation by the BOD.

Notes To Financial Statements

The analysis of the cash flow gap analysis of resources, liabilities, capital funds and off-book financial position items as of December 31, 2020 and 2019 follows
(amounts in thousands).

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
2020					
Resources:					
Cash and other cash items	P 1,762,973	P -	P -	P -	P 1,762,973
Due from BSP	5,112,525	-	-	-	5,112,525
Due from other banks	2,528,609	-	-	-	2,528,609
Trading and investment securities	867,047	66,996	271,522	16,671,400	17,876,965
Loans and other receivables	19,973,151	18,027,124	12,666,091	38,609,723	89,276,089
Other resources*	919,273	394,578	193,206	1,702,740	3,209,797
Total Resources	31,163,578	18,488,698	13,130,819	56,983,863	119,766,958
Liabilities and Equity:					
Deposit liabilities	87,476,705	6,434,505	1,848,440	4,632,459	100,394,109
Corporate notes payable	-	-	-	2,987,685	2,987,685
Accrued expenses and other liabilities	635,612	69,477	600,692	1,185,632	2,509,413
Total Liabilities	88,130,317	6,505,982	2,449,132	8,805,776	105,891,207
Equity	-	-	-	13,875,751	13,875,751
Total Liabilities and equity	88,130,317	6,505,982	2,449,132	22,681,527	119,766,958
On-book Gap	(56,966,739)	11,982,716	10,681,687	34,302,336	-
Cumulative On-book Gap	(56,966,739)	(44,984,023)	(34,302,336)	-	-
Contingent Resources	1,662,164	565,734	284,121	-	2,512,019
Contingent Liabilities	-	-	-	-	-
Off-book Gap	1,662,164	565,734	284,121	-	2,512,019
Net Periodic Gap	(55,304,575)	12,548,450	10,965,808	34,302,336	2,512,019
Cumulative Total Gap	**(P 55,304,575)**	**(P 42,756,125)**	**(P 31,790,317)**	**P 2,512,019**	**P -**

** Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources. Forward*

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
2019					
Resources:					
Cash and other cash items	P 1,171,300	P -	P -	P -	P 1,171,300
Due from BSP	5,232,433	-	-	-	5,232,433
Due from other banks	2,808,950	-	-	-	2,808,950
Trading and investment securities	4,679,230	1,944	1,211,972	8,860,651	14,753,797
Loans and other receivables	6,512,264	3,426,765	4,021,287	73,363,209	87,323,525
Other resources*	1,558,755	-	-	1,243,207	2,801,962
Total Resources	21,962,932	3,428,709	5,233,259	83,467,067	114,091,967
Liabilities and Equity:					
Deposit liabilities	16,419,615	1,417,122	5,383,316	72,047,986	95,268,039
Corporate notes payable	-	-	-	2,980,424	2,980,424
Bills payable	-	-	612,523	-	612,523
Accrued expenses and other liabilities	909,425	940,044	98,004	415,826	2,363,299
Total Liabilities	17,329,040	2,357,166	6,093,843	75,444,236	101,224,285
Equity	-	-	-	12,867,682	12,867,682
Total Liabilities and equity	17,329,040	2,357,166	6,093,843	88,311,918	114,091,967
On-book Gap	4,633,892	1,071,543	(860,584)	(4,844,851)	-
Cumulative On-book Gap	4,633,892	5,705,435	4,844,851	-	-
Contingent Resources	695,773	126,748	-	-	822,521
Contingent Liabilities	-	-	-	-	-
Off-book Gap	695,773	126,748	-	-	822,521
Net Periodic Gap	5,329,665	1,198,291	(860,584)	(4,844,851)	822,521
Cumulative Total Gap	P 5,329,665	P 6,527,956	P 5,667,372	P 822,521	P -

** Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties, Deferred Tax Assets, and Other Resources.*

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The negative liquidity gap in the MCO is due to the timing difference in the contractual maturities of assets and liabilities. The MCO measures the maximum funding requirement the Bank may need to support its maturing obligations. To ensure that the Bank maintains a prudent and manageable level of cumulative negative gap, the Bank maintains a pool of highly liquid assets in the form of tradable investment securities. Moreover, the BOD has approved the MCO Limits which reflect the Bank's overall appetite for liquidity risk exposure. This limit is reviewed every year. Compliance to MCO Limits is monitored and reported to the BOD and senior management. In case of breach in the MCO Limit, the Risk Management Center elevates the concern to the BOD through the ROC for corrective action.

Additional measures to mitigate liquidity risks include reporting of funding concentration, short-term liquidity reporting, available funding sources, and liquid assets analysis.

More frequent analysis of projected funding source and requirements as well as pricing strategies is discussed thoroughly during the weekly ALCO meetings.

Pursuant to applicable BSP regulations, the Bank is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Bank's demand deposit accounts with the BSP. The BSP also requires the Bank to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

4.4.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Bank maintains significant exposure. Specifically, the Bank ensures that its measurement, monitoring, and control systems account for these exposures as well. The Bank sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Bank also assesses its access to foreign exchange markets when setting up its risk limits.

4.4.2 Liquidity Risk Stress

To augment the effectiveness of the Group's gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Bank are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular 981: Guidelines on Liquidity Risk Management. The results of these liquidity stress simulations are reported monthly to ALCO and ROC.

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss.

Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The ROC of the Bank assists management in meeting its responsibility to understand and manage operational risk exposures.

The ROC applies a number of techniques to efficiently manage operational risks. Among these are enumerated as follows:

- Each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ROC to keep them up-to-date with different operational risk issues, challenges and initiatives.
- With ROC's bottom up self-assessment process, which is conducted at least annually, areas with high risk potential are highlighted and reported, and control measures are identified. The results of said self-assessment exercise also serve as one of the inputs in identifying specific key risk indicators (KRIs).
- KRIs are used to monitor the operational risk profile of the Bank and of each business unit, and alert the management of impending problems in a timely fashion.
- Internal loss information is collected, reported and utilized to model operational risk.
- The ROC reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

(a) Reputational Risk

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Bank to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels or processes may generate adverse public opinion such that it seriously affects the Bank's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The Bank adopted a reputation risk monitoring and reporting framework to manage public perception.

(b) Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Bank's operations and financial reporting. In addition, the Bank faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Bank uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions.

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In addition, the Bank seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Bank's Compliance Program, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Office is committed to safeguard the integrity of the Bank by maintaining a high level of regulatory compliance.

It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and head office units, and reporting compliance findings to the Audit Committee and the BOD.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Under the AMLA, as amended, the Bank is required to submit "Covered Transaction Reports" to the Anti-Money Laundering Council (AMLC) involving single transactions in cash or other equivalent monetary instruments in excess of P0.5 million within one banking day. The Bank is also required to submit "Suspicious Transaction Reports" to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No. 10168. In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction.

In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 was implemented superseding all policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution's corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Bank revised its KYC policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Bank is required to risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high risk customer requires senior management approval, and in some cases such as a politically exposed person or a private individual holding a prominent position, Credit and Collection Department Group Head approval is necessary.

The Bank's procedures for compliance with the AMLA are set out in its MLPP. The Bank's Compliance Officer, through the Anti-Money Laundering Department (AMLD), monitors AMLA compliance and conducts regular compliance testing of business units.

The AMLD requires all banking units to submit to the Compliance Office certificates of compliance with the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The Compliance Officer regularly reports to the Audit Committee and to the BOD results of their monitoring of AMLA compliance.

5. CAPITAL MANAGEMENT AND BSP REPORTING COMPLIANCE

5.1 Capital Management and Regulatory Capital

The Bank's lead regulator, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets. PBB, being a stand-alone thrift bank, is required under BSP regulations to comply with Basel 1.5. Under this regulation, the qualifying capital account of the Bank should not be less than an amount equal to 10% of its risk weighted assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio consists of Tier 1 capital plus Tier 2 capital elements net of the required deductions from capital such as:

(a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI);
(c) deferred tax asset net of deferred tax liability;
(d) goodwill;
(e) sinking fund for redemption of redeemable preferred shares; and,
(f) other regulatory deductions.

Risk weighted assets is the sum of the Bank's credit risk weighted assets, operational risk weighted assets, and market risk weighted assets. The latter was due to the Bank's authority to engage in derivatives as end-user under a Type 3 Limited End-User Authority. Risk weighted assets are computed using the standardized approach for credit and market risks while basic indicator approach with modification was used for operational risk.

The following are the risk-based capital adequacy of the Bank as of December 31, 2020, 2019
and 2018 (amounts in millions):

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	2020		2019		2018	
Net Tier 1 Capital	**P**	**12,939**	P	11,997	P	11,124
Tier 2 Capital		**858**		842		779
Total Qualifying Capital	**P**	**13,797**	P	12,839	P	11,903
Risk Weighted Assets						
Credit Risk Weighted Assets	**P**	**85,745**	P	84,133	P	74,044
Operational Risk Weighted Assets		**6,375**		5,051		4,118
Market Risk Weighted Assets		**5,379**		4,544		1,254
Total Risk-Weighted Assets	**P**	**97,499**	P	93,728	P	79,416
Capital ratios:						
Total qualifying capital expressed as percentage of total risk-weighted assets		**14.2%**		13.7%		14.1%
Net Tier 1 capital expressed as percentage of total risk-weighted assets		**13.3%**		12.8%		13.1%

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

The Bank's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

A bank's regulatory capital is analyzed into two tiers, which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital equivalent to 50% of the following:

(a) Investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies;

(b) Investments in debt capital instruments of unconsolidated subsidiary banks;

(c) Investments in equity of subsidiary insurance companies and non-financial allied undertakings;

(d) Reciprocal investments in equity of other banks/enterprises; and,

(e) Reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks.

Provided, that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio.

As of December 31, 2020 and 2019, the Bank has no exposure in item (a) to item (e) above. There were no material changes in the Bank's management of capital during the current year.

As of December 31, 2020 and 2019, the Bank has satisfactorily complied with the capital-to-risk assets ratio.

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" (regular net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects (mainly in the recognition of deferred tax assets). Thrift banks with head office in the National Capital Region and have more than 50 branches are required to comply with the minimum capital requirement of P2.0 billion. The Bank has complied with the minimum capital requirement at the end of each reporting period.

5.2 Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The minimum liquidity ratio (MLR) of 20% shall be complied with on an ongoing basis absent a period of financial stress effective January 1, 2019. However, the Bank was only able to comply with the MLR requirement starting June 2019.

The Bank's MLR are analyzed below (amounts in millions except MLR figure).

	2020	2019
Eligible stock liquid assets	**P 27,303**	P 25,373
Total qualifying liabilities	**102,624**	97,152
MLR	**26.60%**	26.12%

Notes To Financial Statements

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying values and fair values of the financial assets and financial liabilities in the statements of financial position:

	Notes	Carrying Values	Fair Values
December 31, 2020:			
Financial Assets			
At amortized cost:			
Cash and other cash items	9	**P 1,762,972,825**	**P 1,762,972,825**
Due from BSP	9	**5,112,525,249**	**5,112,525,249**
Due from other banks	10	**2,528,609,425**	**2,528,609,425**
Investment securities - net	11	**825,405,715**	**868,494,524**
Loans and other receivables - net	12	**89,276,088,648**	**90,306,620,294**
Other resources	15	**106,414,181**	**106,414,181**
At fair value:			
FVPL securities	11	**12,100,923,139**	**12,100,923,139**
FVOCI securities	11	**4,950,635,772**	**4,950,635,772**
		P 116,663,574,954	**P 117,737,195,409**

	Notes	Carrying Values	Fair Values
Financial Liabilities			
At amortized cost:			
Deposit liabilities	16	**P 100,394,108,997**	**P 100,338,482,681**
Corporate notes payable	18	**2,987,685,274**	**2,831,439,904**
Accrued expenses and other liabilities	19	**2,186,904,868**	**2,186,904,868**
		P 105,568,699,139	**P 105,356,827,453**

December 31, 2019:

Financial Assets			
At amortized cost:			
Cash and other cash items	9	P 1,171,299,633	P 1,171,299,633
Due from BSP	9	5,232,433,363	5,232,433,363
Due from other banks	10	2,808,949,984	2,808,949,984
Investment securities - net	11	853,464,020	888,203,287
Loans and other receivables - net	12	87,323,525,458	87,906,481,199
Other resources	15	100,643,902	100,643,902
At fair value:			
FVPL securities	11	4,677,230,319	4,677,230,319
FVOCI securities	11	9,223,102,447	9,223,102,447
		P 111,390,649,126	P 112,008,344,134
Financial Liabilities			
At amortized cost:			
Deposit liabilities	16	P 95,268,038,584	P 95,170,153,470
Bills payable	17	612,523,350	612,523,350
Corporate notes payable	18	2,980,423,657	2,967,131,158
Accrued expenses and other liabilities	19	1,950,806,471	1,950,806,471
		P 100,811,792,062	P 100,700,614,449

The Bank concluded that the carrying amounts of foregoing other financial assets and financial liabilities which are measured at amortized cost approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Bank's debt securities are determined based on the procedures and methodologies discussed in Note 7.2.

6.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets, presented in the statements of financial position at gross amounts, are covered by enforceable master netting arrangements and similar agreements:

Notes To Financial Statements

	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
		Financial Instruments	Collateral received	
December 31, 2020				
Loans and receivables - net	**P 89,276,088,648**	**(P 2,741,176,857)**	**P -**	**P86,534,911,791**
Deposit liabilities	**100,394,108,997**	**(2,741,176,857)**	**-**	**97,652,932,140**
December 31, 2019				
Loans and receivables - net	P 87,323,525,458	(P 3,153,505,646)	P -	P84,170,019,812
Deposit liabilities	95,268,038,584	(2,173,505,646)	-	93,094,532,938
Bills Payable	612,523,350	(106,250,000)	-	506,273,350

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Bank and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, Fair Value Measurement, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument, which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

7.2 Financial Instruments Measured at Fair Value

The table shows the fair value hierarchy of the Bank's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2020 and 2019 (amounts in millions).

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial assets at FVPL				
Government debt securities	**P 925**	**P -**	**P -**	**P 925**
Corporate debt securities	**11,176**	**-**	**-**	**11,176**
	P 12,101	**P -**	**P -**	**P 12,101**
Financial assets at FVOCI				
Government debt securities	**P 4,597**	**P -**	**P -**	**P 4,597**
Corporate debt securities	**354**	**-**	**-**	**354**
	P 4,951	**P -**	**P -**	**P 4,951**
December 31, 2019				
Financial assets at FVPL				
Derivative financial assets	P -	P 1	P -	P 1
Government debt securities	427	-	P -	427
Corporate debt securities	4,249	-	-	4,249
	P 4,676	P 1	P -	P 4,677
Financial assets at FVOCI				
Government debt securities	P 8,920	P -	P -	P 8,920
Corporate debt securities	303	-	-	303
	P 9,223	P -	P -	P 9,223

Notes To Financial Statements

As of December 31, 2019 (nil in 2020), the Bank had outstanding derivative financial assets amounting to P1.1 million, and is presented as part of Financial assets at FVPL account in the 2019 statement of financial position (see Note 11.1).

Derivative financial assets are categorized within Level 2, and are determined through valuation techniques using the net present value computation.
The fair value of the debt securities of the Bank is determined as follows:

(a) Fair values of peso-denominated government debt securities issued by the Philippine government, are based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithm of direct observations or observed comparables.

(b) Fair values of actively traded corporate debt securities are determined based on their market prices quoted in the PDS or based on the direct reference price per Bloomberg at the end of each reporting period; hence, categorized within Level 1.

Debt securities will be categorized within Level 2 if prices include inputs from observed comparables or from direct observations but did not meet the active market criteria.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

7.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (amount in millions).

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial Assets:				
Cash and other cash items	**P 1,763**	**P -**	**P -**	**P 1,763**
Due from BSP	**5,113**	**-**	**-**	**5,113**
Due from other banks	**2,529**	**-**	**-**	**2,529**
Investment securities at amortized cost	**868**	**-**	**-**	**868**
Loans and other receivables	**1,595**	**-**	**88,712**	**90,307**
Other financial assets	**65**	**-**	**41**	**106**
	P 11,933	**P -**	**P 88,753**	**P 100,686**
Financial Liabilities:				
Deposit liabilities	**P -**	**P -**	**P 100,338**	**P 100,338**
Corporate notes payable	**-**	**-**	**2,831**	**2,831**
Accrued expenses and other liabilities	**-**	**-**	**2,187**	**2,187**
	P -	**P -**	**P 105,356**	**P 105,356**
December 31, 2019				
Financial Assets:				
Cash and other cash items	P 1,171	P -	P -	P 1,171
Due from BSP	5,232	-	-	5,232
Due from other banks	2,809	-	-	2,809
Investment securities at amortized cost	888	-	-	888
Loans and other receivables	2,542	-	85,364	87,906
Other financial assets	61	-	40	101
	P 12,703	P -	P 85,404	P 98,107
	Level 1	Level 2	Level 3	Total
Financial Liabilities:				
Deposit liabilities	P -	P -	P 95,170	P 95,170
Bills payable	-	-	613	613
Corporate notes payable	-	-	2,967	2,967
Accrued expenses and other liabilities	-	-	1,951	1,951
	P -	P -	P 100,701	P 100,701

The fair values of financial assets and financial liabilities not presented at fair value in the statements of financial position are determined as follows:

Notes To Financial Statements

(a) Cash and Other Cash Items

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines (see Note 9). Other cash items include cash items other than currency and coins on hand (see Note 15) such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours. Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

(b) Due from BSP and Other Banks and SPURRA

Due from BSP pertains to deposits made by the Bank to BSP for clearing and reserve requirements while SPURRA pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes interbank deposits and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximates the nominal value.

(c) Investment Securities at Amortized Cost

The fair value of investment securities at amortized cost consisting of government securities and corporate debt securities is determined based on reference prices appearing in Bloomberg.

(d) Loans and Other Receivables

Loans and other receivables are net of impairment losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Long term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value.

(e) Other Financial Assets

Other financial assets pertain to foreign currency notes and coins, security deposits and petty cash fund which are included in the Other Resources account. Due to their short duration, the carrying amounts of these items in the statements of financial position are considered to be reasonable approximation of their fair values.

(f) Deposits Liabilities and Borrowings

The estimated fair value of deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of short-term bills payable approximate their fair values. For corporate notes payable categorized within Level 3, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

(g) *Accrued Expenses and Other Liabilities*

Accrued expenses and other liabilities classified as financial liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Due to their short-duration, management ascertained that the fair values of these short-term liabilities approximate their carrying values.

7.4 Fair Value Measurement of Investment Properties Carried at Cost

The total estimated fair values of the Bank's investment properties, categorized under Level 3 of the fair value hierarchy amount to P699.1 million and P700.7 million as of December 31, 2020 and 2019, respectively (see Note 14).

The fair value of these investment properties was determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 3 fair value of land was derived using observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value. On the other hand, if fair value of the land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, fair value is included in Level 2. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property, minor adjustments on the price is made to consider peculiarities of the property with that of the benchmark property.

(b) *Fair Value Measurement for Building and Improvements*

The Level 3 fair value of the buildings and improvements included in Investment Properties was determined using the replacement cost approach that reflects the cost to a market participant to construct an asset of comparable usage, constructions standards, design and lay-out, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020 and 2019.

Notes To Financial Statements

8. SEGMENT REPORTING

The Bank's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Bank in reporting to its chief operating decision-maker for its strategic decision-making activities.

Management currently identifies the Bank's three service lines as primary operating segments.

(a) Consumer Banking – includes auto financing, home financing, and salary or personal loans;

(b) Corporate Banking – includes term loans, working capital credit lines, bills purchase and discounting lines; and,

(c) Treasury Operations – manages liquidity of the Bank and is a key component in revenue and income generation through its trading and investment activities.

These segments are the basis on which the Bank reports its segment information. Transactions between the segments are on normal commercial terms and conditions.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

8.1 Analysis of Primary Segment Information

The contribution of these various business activities to the Bank's revenues and income for the years 2020, 2019 and 2018 are as follows (amounts in millions):

	Consumer	Corporate	Treasury	Total
2020				
Net interest and other income				
From external customers				
Interest income	P 5,871	P 646	P 586	P 7,103
Interest expense	(1,220)	(134)	(122)	(1,476)
Net interest income	4,651	512	464	5,627
Non-interest income	421	-	746	1,167
	5,072	512	1,210	6,794
Expenses				
Operating expenses excluding depreciation and amortization	4,824	318	214	5,356
Depreciation and amortization	210	15	55	280
	5,034	333	269	5,636
Segment operating income	**P 38**	**P 179**	**P 941**	**P 1,158**
Total resources and liabilities				
Total resources	**P 84,720**	**P 5,862**	**P 29,185**	**P 119,767**
Total liabilities	**P 79,600**	**P 5,537**	**P 20,754**	**P 105,891**
2019				
Net interest and other income				
From external customers				
Interest income	P 543	P 6,005	P 547	P 7,095
Interest expense	(195)	(2,153)	(196)	(2,544)
Net interest income	348	3,852	351	4,551
Non-interest income	-	492	293	785
	348	4,344	644	5,336
Expenses				
Operating expenses excluding depreciation and amortization	221	2,954	189	3,364
Depreciation and amortization	16	224	49	289
	237	3,178	238	3,653
Segment operating income	P 111	P 1,166	P 406	P 1,683
Total resources and liabilities				
Total resources	P 6,481	P 82,021	P 24,026	P 112,528
Total liabilities	P 5,646	P 76,333	P 16,609	P 98,588

Notes To Financial Statements

	Consumer	Corporate	Treasury	Total
2018				
Net interest and other income				
From external customers				
Interest income	P 320	P 4,944	P 246	P 5,510
Interest expense	(78)	(1,447)	(207)	(1,732)
Net interest income	242	3,497	39	3,778
Non-interest income	-	321	-	321
	242	3,818	39	4,099
Expenses				
Operating expenses excluding depreciation and amortization	108	2,222	318	2,648
Depreciation and amortization	9	142	22	173
	117	2,364	340	2,821
Segment operating income (loss)	P 125	P 1,454	(P 301)	P 1,278
Total resources and liabilities				
Total resources	P 4,535	P 71,809	P 16,606	P 92,950
Total liabilities	P 3,669	P 67,611	P 9,676	P 80,956

8.2 Reconciliation

Presented below is a reconciliation of the Bank's segment information to the key financial information presented in its financial statements (amounts in millions).

	2020	2019	2018
Net interest and other income			
Total segment revenues	**P 6,794**	P 5,336	P 4,099
Unallocated income	**3**	12	36
Net interest and other income as reported in profit or loss	**P 6,797**	P 5,348	P 4,135
Profit or loss			
Total segment operating income	**P 1,161**	P 1,683	P 1,278
Unallocated profit	**36**	10	(37)
Net profit before tax as reported in profit or loss	**P 1,197**	P 1,693	P 1,241

Resources			
Total segment resources	**P 119,767**	P 112,528	P 92,950
Unallocated assets	**-**	1,564	1,779
Total resources	**P 119,767**	P 114,092	P 94,729
Liabilities			
Total segment liabilities	**P 105,891**	P 98,659	P 80,956
Unallocated liabilities	**-**	2,565	2,414
Total liabilities	**P 105,891**	P 101,224	P 83,370

The Bank has no intersegment revenues during 2020, 2019 and 2018.

9. CASH AND DUE FROM BSP

This account is composed of the following (see also Note 4.3.2):

	2020	2019
Cash and other cash items	**P 1,762,972,825**	P 1,171,299,633
Due from BSP		
Mandatory reserves	**612,525,249**	3,532,433,363
Other than mandatory reserves	**4,500,000,000**	1,700,000,000
	5,112,525,249	5,232,433,363
	P 6,875,498,074	P 6,403,732,996

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines. Other cash items include cash items other than currency and coins on hand (see Note 15) such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours.

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims (see Note 16).

Due from BSP other than mandatory reserves bears annual effective interest rates as follows:

2020	2019	2018
1.5% – 4.0%	4.0% – 4.8%	3.7% – 4.5%

Notes To Financial Statements

Interest rates on these deposits range from 0.13% to 1.50% per annum in 2020 and 0.25% to 1.75% per annum both in 2019 and 2018. The total interest income earned in 2020, 2019 and 2018 amounted to P8.1 million, P21.7 million and P36.2 million, respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

10. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following (see also Note 4.3.2):

	2020	2019
Local banks	**P 1,690,931,962**	P 1,412,368,502
Foreign banks	**837,677,463**	1,396,581,482
	P 2,528,609,425	P 2,808,949,984

Interest rates on these deposits range from 0.13% to 1.50% per annum in 2020 and 0.25% to 1.75% per annum both in 2019 and 2018. The total interest income earned in 2020, 2019 and 2018 amounted to P8.1 million, P21.7 million and P36.2 million, respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

11. TRADING AND INVESTMENT SECURITIES

The components of this account are presented below.

	Notes	**2020**	2019
Financial assets at FVPL	11.1	**P 12,100,923,139**	P 4,677,230,319
Financial assets at FVOCI	4.3.2, 11.2	**4,950,635,772**	9,223,102,447
Investment securities at amortized cost – net	4.3.2, 11.3	**825,405,715**	853,464,020
		P 17,876,964,626	P 14,753,796,786

Interest income on trading and investment securities consists of:

	2020	2019	2018
Investment securities at FVPL			
Government debt securities	**P 75,863,938**	P 129,678,055	P 8,346,060
Corporate bonds	**43,633,414**	32,626,579	40,485,440
Investment securities at FVOCI			
Government debt securities	**240,068,725**	155,244,585	10,188,835
Corporate bonds	**55,279,605**	73,035,555	65,585,484
Investment securities at amortized cost			
Government debt securities	**30,032,388**	28,828,197	9,670,203
Corporate bonds	**17,089,218**	18,925,965	15,796,983
	P 461,967,288	P 438,338,936	P 150,073,005

Trading gains (losses) – net consist of the following:

	2020	2019	2018
Investment securities at FVPL			
Realized	**P 309,469,887**	P 307,094,405	(P 12,952,884)
Unrealized	**95,223,781**	(15,366,425)	(17,541,079)
	404,693,668	291,727,980	(30,493,963)
Investment securities at FVOCI	**344,639,026**	3,585,956	-
Investment securities at amortized cost	**-**	(2,614,440)	-
	P749,332,694	P 292,699,496	(P 30,493,963)

1.1 Investment Securities at FVPL

The account is composed of the following:

	2020	2019
Corporate bonds	**P 11,175,588,429**	P 4,248,886,382
Government debt securities	**925,334,710**	427,233,724
Derivative financial assets	**-**	1,110,213
	P 12,100,923,139	P 4,677,230,319

Effective interest rates of investment securities at FVPL range from:

	2020	2019	2018
Government debt securities	**2.5% – 6.3%**	3.7% – 8.0%	4.3% – 4.6%
Corporate bonds	**3.0% – 7.3%**	3.0% – 5.8%	3.0% – 5.5%

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The Bank is a counterparty to derivative contracts, such as foreign currency short-term forwards. Foreign currency forwards represent commitments to purchase/sell on a future date at a specific exchange rate. These derivatives are entered into as a means of reducing or managing their respective exchange rate exposures. Such derivative financial instruments are initially recorded at fair value on the date when the derivative contract is entered into and are subsequently remeasured at fair value at the end of each year. Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative.

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 the derivative are measured. This indicate the volume of transactions outstanding as at December 31, 2020 and 2019 and are not indicative of either market risk or credit risk.

The aggregate contractual or notional amount of derivative financial instruments and the aggregative fair values of derivative financial assets and financial liabilities as of
December 31, 2019 both in the Bank's financial statements are shown below (nil in 2020).

	Notional Amount	Fair Values	
		Assets	Liabilities
Freestanding derivatives – Forward exchange sold	$ 6,000,0000	P 1,110,213	P -

11.2 Investment Securities at FVOCI

The account is composed of the following:

	2020	2019
Government debt securities	**P 4,597,042,213**	P 8,919,851,676
Corporate bonds	**353,593,559**	303,250,771
	P 4,950,635,772	P 9,223,102,447

Effective interest rates of investment securities at FVOCI range from:

	2020	2019	2018
Government debt securities	**4.8% – 5.8%**	3.5% – 6.9%	5.8%
Corporate bonds	**3.7% – 5.8%**	4.8% – 5.8%	3.7% – 6.3%

In 2018, provision for probable loss and accumulated impairment losses on these securities amounted to P4.2 million and is presented as part of Impairment Losses and Unrealized Fair Value Losses on Investment Securities at FVOCI in the 2018 statement of profit or loss and statement of changes in equity, respectively.

In compliance with current banking regulations relative to the Bank's trust functions, certain securities of the Bank, with a face value of P145.0 million and P80.0 million as of December 31, 2020 and 2019, respectively, are deposited with the BSP (see Note 27).

Changes in the investment securities at FVOCI are summarized below.

	Note	**2020**	2019
Balance at beginning of year		**P 9,223,102,447**	P 2,279,714,729
Additions		**919,018,601**	7,597,787,934
Acquired through merger	31	**-**	128,833,331
Disposals		**(5,118,285,044)**	(1,255,806,778)
Foreign currency revaluation		**(95,954,725)**	(70,161,837)
Fair value gains		**69,879,457**	520,604,073
Amortization of discount (premium)		**(47,124,964)**	22,130,995
Balance at end of year		**P 4,950,635,772**	P 9,223,102,447

The reconciliation of unrealized fair value gains (losses) (NUGL) on investment securities at FVOCI reported in equity is shown below (see also Note 21.5).

	2020	2019	2018
Balance at beginning of year	**P 387,886,373**	(P132,717,700)	(P 61,886,925)
Changes on unrealized fair value gains (losses) during the year:			
Fair value gains (losses) during the year	**414,518,483**	524,190,029	(75,060,232)
Realized fair value gains on securities disposed during the year - net	**(344,639,026)**	(3,585,956)	-
Expected credit losses on FVOCI securities	**-**	-	4,229,457
Balance at end of year	**P 457,765,830**	P 387,886,373	(P 132,717,700)

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11.3 Investment Securities at Amortized Cost

This account is composed of the following:

	Note	2020	2019
Government securities		**P 637,023,655**	P 565,081,960
Corporate bonds		**190,000,000**	290,000,000
	4.3.2	**827,023,655**	855,081,960
Allowance for impairment	4.3.2	**(1,617,940)**	(1,617,940)
		P 825,405,715	P 853,464,020

The reconciliation of the carrying amounts of investment securities at amortized cost in are presented below.

	2020	2019
Balance at beginning of year	**P 853,464,020**	P 771,055,060
Additions	**123,022,531**	178,191,613
Transfer from merger	**-**	87,741
Maturities	**(155,738,699)**	(51,442,610)
Amortization of discount	**4,657,863**	6,263,232
Disposal	**-**	(50,691,016)
Balance at end of year	**P 825,405,715**	P 853,464,020

Effective interest rates of investment securities at amortized cost range from:

	2020	2019	2018
Government debt securities	**3.5% – 8.1%**	3.5% – 8.1%	3.5% – 8.1%
Corporate bonds	**4.0% – 6.2%**	3.2% – 6.2%	4.0% – 6.2%

In September 2019, the Bank acquired certain US dollar-denominated bonds under its HTC portfolio amounting to P50.6 million. Subsequently in December 2019, the Bank disposed such bonds resulting in net loss of P2.6 million. The disposal was made because of the foreseen technical default of the issuing company. Management had assessed that such disposals of the investment securities are consistent with the Bank's HTC business model with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the Bank's business model in managing financial assets manual and the requirements of PFRS 9.

The above disposal of investment securities was approved by BOD in compliance with the documentation requirements of the BSP. There were no disposals of debt securities under HTC portfolio in 2020.

12. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	2020	2019
Receivable from customers:		
Loans and discounts	**P 86,721,963,894**	P 81,730,126,251
Unearned discount	**(266,526,833)**	(172,940,831)
	86,455,437,061	81,557,185,420
Customers' liabilities on acceptances, letters of credit and trust receipts	**3,714,839,270**	4,000,654,596
Bills purchased	**-**	9,593,110
	90,170,276,331	85,567,433,126

Forward

	Note	2020	2019
Other receivables:			
SPURRA		**P 1,594,893,958**	P 2,542,070,169
Accrued interest receivable		**1,046,441,533**	773,142,130
Accounts receivable		**122,353,568**	75,146,203
Deficiency claims receivable		**68,115,638**	71,062,783
Sales contract receivable		**47,994,123**	68,531,388
		2,879,798,820	3,529,952,673
		93,050,075,151	89,097,385,799
Allowance for ECL	28	**(3,773,986,503)**	(1,773,860,341)
		P 89,276,088,648	P 87,323,525,458

SPURRA are secured by certain treasury bills of the BSP. SPURRA, which represent loans and receivables from BSP as of December 31, 2020 and 2019, arise from overnight lending of excess liquidity.

Loans acquired through the Bank's merger with ISBI in 2019 amounted to P1,831.3 million (see Note 31).

A summary of the Bank's maximum exposure to credit risk on loans and other receivables is disclosed in Note 4.3.7.

As to security, receivable from customers, gross of allowance and unearned discount, are classified into the following (amounts in thousands):

Notes To Financial Statements

	Note	2020	2019
Secured:			
Real estate mortgage		**P 38,519,761**	P 34,722,566
Chattel mortgage		**6,640,577**	7,418,275
Deposit hold-out	6.2	**2,741,177**	2,173,506
Others		**3,053,023**	3,231,787
		50,954,538	47,546,134
Unsecured		**39,433,538**	38,073,577
		P 90,388,076	P 85,619,711

Of the total loans and discounts of the Bank as of December 31, 2020 and 2019, 73.6% and 77.8%, respectively, are subject to periodic interest repricing.

Annual effective interest rates ranges from:

	2020	2019	2018
Loans and discounts	**0.8% to 189.7%**	0.8% – 141.6%	1.0% – 42.0%
Other receivables	**3.34% – 12.0%**	4.0% – 12.0%	5.0% – 12.0%

The total interest income earned amounted to:

	2020	2019	2018
Loans and discounts	**P 6,507,773,693**	P 6,598,377,572	P 5,294,976,072
Other receivables	**9,210,892**	25,336,932	16,094,466
	P 6,516,984,585	P 6,623,714,504	P 5,311,070,538

Interest income recognized on impaired loans and receivables amounted to P98.1 million, P41.5 million and P63.8 million in 2020, 2019 and 2018, respectively.

Loans receivables pledged as collaterals to secure borrowings under rediscounting privileges amount to P980.0 million (nil in 2020) as of December 31, 2019 (see Note 17).

Certain qualified MSME loans with outstanding balance of P9,102.4 million (gross of allowance for impairment) as of December 31, 2020 were used as alternative compliance with the requirement (see Note 16).

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2020 and 2019 are shown below.

	Land	Building	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improve-ments	Right-of-use Asset	Total
December 31, 2020							
Cost	**P 90,802,205**	**P 139,018,734**	**P 595,348,440**	**P 164,952,138**	**P664,504,260**	**P 491,151,973**	**P 2,145,777,750**
Accumulated depreciation and amortization	**-**	**(70,730,700)**	**(438,858,170)**	**(127,395,421)**	**(594,437,226)**	**(224,390,093)**	**(1,455,811,610)**
Net carrying amount	**P 90,802,205**	**P 68,288,034**	**P 156,490,270**	**P 37,556,717**	**P 70,067,034**	**P 266,761,880**	**P 689,966,140**
December 31, 2019							
Cost	P 90,802,205	P 135,701,007	P 541,452,440	P 166,951,888	P 652,996,138	P 410,238,138	P 1,998,141,816
Accumulated depreciation and amortization	-	(65,234,386)	(393,295,697)	(116,212,403)	(558,088,177)	(111,948,089)	(1,244,778,752)
Net carrying amount	P 90,802,205	P 70,466,621	P 148,156,743	P 50,739,485	P 94,907,961	P 298,290,049	P 753,363,064
December 31, 2018							
Cost	P 90,802,205	P 130,629,198	P 513,076,860	P 164,618,199	P 577,847,097	P -	P 1,476,973,559
Accumulated depreciation and amortization	-	(59,892,868)	(353,671,048)	(104,555,882)	(483,574,924)	-	(1,001,694,722)
Net carrying amount	P 90,802,205	P 70,736,330	P 159,405,812	P 60,062,317	P 94,272,173	P -	P 475,278,837

A reconciliation of the carrying amounts at the beginning and end of 2020 and 2019 is shown below.

	Land	Building	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improve-ments	Right-of-use Asset	Total
Balance at January 1, 2020 net of accumulated depreciation and amortization	**P 90,802,205**	**P 70,466,621**	**P 148,156,743**	**P 50,739,485**	**P 94,907,961**	**P 298,290,049**	**P 753,363,064**
Additions	**-**	**3,376,242**	**63,646,029**	**11,853,995**	**13,918,854**	**80,913,835**	**173,708,955**
Disposals	**-**	**-**	**(5,301,233)**	**(3,771,733)**	**(881,656)**	**-**	**(9,954,622)**
Depreciation and amortization charges for the year	**-**	**(5,554,829)**	**(50,011,269)**	**(21,265,030)**	**(37,878,125)**	**(112,442,004)**	**(227,151,257)**
Balance at December 31, 2020 net of accumulated depreciation and charges for the year	**P 90,802,205**	**P 68,288,034**	**P 156,490,270**	**P 37,556,717**	**P70,067,034**	**P 266,761,880**	**P689,966,140**

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	Land	Building	Furniture Fixtures and Equipment	Transportation Equipment	Leasehold Improve-ments	Right-of-use Asset	Total
Balance at January 1, 2019 net of accumulated depreciation and amortization	P 90,802,205	P 70,736,330	P 159,405,812	P 60,062,317	P 94,272,173	P -	P 475,278,837
Effect of PFRS 16 adoption	-	-	-	-	-	306,359,326	306,359,326
Additions	-	5,105,810	39,282,912	15,734,870	46,344,950	90,382,680	196,851,222
Transfer from merger	17,429,220	-	2,283,109	2,613,539	6,180,556	13,496,132	42,002,556
Disposals	(17,429,220)	(23,709)	(2,013,132)	(4,621,437)	(264,452)	-	(24,351,950)
Depreciation and amortization charges for the year	-	(5,351,810)	(50,801,958)	(23,049,804)	(51,625,266)	(111,948,089)	(242,776,927)
Balance at December 31, 2019 net of accumulated depreciation and charges for the year	P 90,802,205	P 70,466,621	P 148,156,743	P 50,739,485	P 94,907,961	P 298,290,049	P 753,363,064

As of December 31, 2020 and 2019, the cost of the Bank's fully depreciated bank premises, furniture, fixtures and equipment that are still used in operations amounts to P194.9 million and P208.9 million, respectively.

The BSP requires that investment in bank premises, furniture, fixtures and equipment do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2020 and 2019, the Bank has satisfactorily complied with this requirement.

The Bank leases office space for its branches. Leases have terms ranging from one to 20 years with renewal options and annual escalation rates from 4.0% to 10.0% in both 2020 and 2019.

Each lease imposes a restriction that the right-of-use asset can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. The Bank must keep those premises in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The use of extension and termination options gives the Bank added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Bank's business expansion unit's strategy and the economic benefits of exercising the option exceeds the expected overall cost.

14. INVESTMENT PROPERTIES

Investment properties consist of various land and buildings and improvements acquired through foreclosure or dacion as payment of outstanding loans by the borrowers.

The gross carrying amounts and accumulated depreciation and allowance for impairment of investment properties at the beginning and end of 2020 and 2019 are shown below.

	Land	**Buildings and Improvements**	**Total**
December 31, 2020			
Cost	**P 489,175,815**	**P 125,950,955**	**P 615,126,770**
Accumulated depreciation	**-**	**(79,515,180)**	**(79,515,180)**
Allowance for impairment	**(30,485,508)**	**(5,245,891)**	**(35,731,399)**
Net carrying amount	**P 458,690,307**	**P 41,189,884**	**P 499,880,191**

	Land	Buildings and Improvements	Total
December 31, 2019			
Cost	P 485,199,990	P 115,561,340	P 600,761,330
Accumulated depreciation	-	(70,661,732)	(70,661,732)
Allowance for impairment	(30,485,508)	(5,245,891)	(35,731,399)
Net carrying amount	P 454,714,482	P 39,653,717	P 494,368,199
January 1, 2019			
Cost	P 417,254,063	P 143,752,934	P 561,006,997
Accumulated depreciation	-	(89,251,044)	(89,251,044)
Allowance for impairment	(37,259,583)	(5,245,891)	(42,505,474)
Net carrying amount	P 379,994,480	P 49,255,999	P 429,250,479

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2020 and 2019 is shown below.

	Land	**Buildings and Improvements**	**Total**
Balance at January 1, 2020, net of accumulated depreciation and impairment	**P 454,714,482**	**P 39,653,717**	**P 494,368,199**
Additions	**15,058,824**	**12,746,243**	**27,805,067**
Disposals	**(11,082,999)**	**(235,715)**	**(11,318,714)**
Depreciation for the year	**-**	**(10,974,361)**	**(10,974,361)**
Balance at December 31, 2020, net of accumulated depreciation and impairment	**P 458,690,307**	**P 41,189,884**	**P 499,880,191**
Balance at January 1, 2019, net of accumulated depreciation and impairment	P 379,994,480	P 49,255,999	P 429,250,479
Additions	124,734,836	15,420,235	140,155,071
Transfer from merger	6,786,750	10,544,250	17,331,000
Disposals	(63,575,659)	(25,311,128)	(88,886,787)
Depreciation for the year	-	(10,255,639)	(10,255,639)
Reversal of impairment loss	6,774,075	-	6,774,075
Balance at December 31, 2019, net of accumulated depreciation and impairment	P 454,714,482	P 39,653,717	P 494,368,199

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As of December 31, 2020 and 2019, foreclosed investment properties still subject to redemption period by the borrowers amount to P26.4 million and P131.7 million, respectively.

Gain on sale of investment properties amounted to P5.1 million in 2020 and P13.5 million in 2018, which are presented as part of Gain on sale of properties under Miscellaneous Income in the 2020 and 2018 statements of profit or loss, respectively, while loss on sale amounted to P2.1 million in 2019 and presented as Loss on sale of properties under Miscellaneous Expense in the 2019 statement of profit or loss (see Notes 22.1 and 22.2).

Expenses incurred on investment properties include real property taxes and depreciation. Real property taxes incurred on these investment properties amounted to P19.7 million, P27.8 million and P13.2 million in 2020, 2019 and 2018, respectively, and are presented as part of Miscellaneous, as Litigation on asset acquired, under Other Expenses in the statements of profit or loss (see Note 22.2). Depreciation recognized are included in Depreciation and amortization under Other Expenses in profit or loss.

The total estimated fair values of the Bank's investment properties amount to P699.1 million and P700.7 million as of December 31, 2020 and 2019, respectively (see also Note 7.4).

15. OTHER RESOURCES

This account consists of the following as of December 31:

	Notes	2020	2019
Branch licenses	15.2	**P 250,811,200**	P 250,811,200
Computer software – net	15.1	**127,441,973**	131,311,285
Goodwill	15.3	**121,890,408**	121,890,408
Prepaid expenses		**103,275,938**	142,093,242
Foreign currency notes and coins on hand	6	**65,298,662**	60,504,919
Security deposits	6	**41,115,519**	40,138,983
Club shares		**38,000,000**	38,000,000
Other acquired assets – net	15.4	**26,722,990**	10,054,051
Stationery and supplies		**22,947,439**	16,547,427
Sundry debits		**7,172,273**	4,515,853
Due from head office or branches		**5,982,801**	67,866,207
Miscellaneous	15.5	**73,785,970**	162,238,882
		884,445,173	1,045,972,457
Allowance for impairment		**(1,654,737)**	(1,654,737)
		P 882,790,436	`P 1,044,317,720

1.1 Computer Software

Movements in computer software are shown below.

	2020	2019
Balance at beginning of year	**P 131,311,285**	P 92,893,978
Additions	**34,517,537**	69,776,142
Amortization	**(38,386,849)**	(32,167,329)
Transfer from merger	**-**	808,494
Balance at end of year	**P 127,441,973**	P 131,311,285

15.2 Branch Licenses

In 2019 and 2016, the Bank have opened branches in Metro Manila, Southern Luzon, Vis-Min, CAMANAVA, and Central Luzon. The total cost of branch licenses amounted to P0.3 million in 2019 and P1.8 million in 2016.

On February 27, 2014, the Bank received the approval from the BSP of its application for new licenses. This is in line with the Bank's branch expansion program for which it has allocated a portion of its IPO proceeds to cover the cost of new licenses in the following areas plus processing fees which amounted to P2.2 million: CAMANAVA, Vis-Min Area, Central Luzon and Southern Luzon. In November 2011, the Monetary Board of BSP approved the request of the Bank to establish 15 branches in selected restricted cities in Metro Manila for a total consideration of P226.5 million which was paid by the Bank to the BSP in January 2012.

In December 2011, the Bank acquired four licenses from Prime Savings Bank, Inc. for a total consideration of P20.0 million.

As indicated in Notes 2.11, 2.19 and 3.2(g), branch licenses are tested for impairment annually. The recoverable amount has been based on fair value reflecting market conditions less costs to sell. The Bank used the prevailing price of the special licensing fees as required by the BSP before acceptance of branch application. As of December 31, 2020 and 2019, the Bank has assessed that the recoverable amount of these branch licenses is the same as the carrying value; hence, no impairment loss is required to be recognized in the statements of profit or loss

15.3 Goodwill

Goodwill arose from the following acquisitions:
In September 2014, as part of the Bank's expansion strategy, the BOD approved the acquisition of all the assets and assumption

Rural Bank of Kawit (RBK)	P 59,513,648
Kabalikat Rural Bank, Inc. (KRBI)	49,878,393
Bataan Savings and Loan Bank, Inc. (BLSB)	12,498,367
	P 121,890,408

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of all the obligation of RBK in exchange for P15.0 million. Upon approval by the BSP on February 1, 2016, the Bank recognized the assets and liabilities of RBK at their fair values, resulting in the recognition of P59.5 million goodwill.

KRBI, which is located in Sta. Maria Bulacan, Philippines, was acquired in 2010, which also resulted in the recognition of goodwill amounting to P49.9 million.

In July 2015, the Bank entered into a Sale and Purchase Agreement with BLSB, whereby the Bank shall acquire all the assets of BLSB and assume the payment of all its obligation. The agreed purchase price was P68.8 million which has been fully paid by the Bank in 2015. On July 12, 2017, the BSP approved the acquisition; hence, the Bank recognized the assets and liabilities of BLSB at their approximate fair values resulting in the recognition of
P12.5 million goodwill.

The Bank acquired the foregoing smaller banks with the objective of availing the branch incentives under the Strengthening Program for Rural Bank Plus; and, its expected future economic benefits and synergies that will result from incorporating the operations of these acquired rural banks with that of the Bank which expands its presence in the small and medium enterprise market. Accordingly, the Bank acquired them at a premium resulting in the recognition of goodwill.

As indicated in Notes 2.19 and 3.2(g), goodwill is tested for impairment annually. The Bank engaged a third-party specialist to perform an independent impairment testing of goodwill. The recoverable amount of the CGU has been based on Value-in-Use (VIU) calculation using the cash flow projections from financial budgets approved by the Bank's senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows. Future cash flows and growth rates were based on experience, strategies developed, and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities within the industry.

In 2020 and 2019, the discount rates applied to cash flow projections are 6.8% and 8.0%, respectively, while the growth rates used to extrapolate cash flows for the five-year period are 6.5% and 6.4% for 2020 and 2019, respectively. The growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

As at December 31, 2020 and 2019, the Bank has assessed that the carrying amount of the goodwill is fully recoverable. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

15.4 Other Acquired Assets

This account pertains to chattel properties acquired by the Bank from defaulting borrowers. Movements of other acquired assets is shown below.

	2020	2019
Cost		
Balance at beginning of year	**P 17,805,447**	P 8,747,077
Additions	**23,968,524**	13,826,755
Acquired through merger	**-**	5,974,029
Disposals	**(6,147,165)**	(10,742,414)
Balance at end of year	**35,626,806**	17,805,447
Accumulated depreciation		
Balance at beginning of year	**7,751,396**	4,533,768
Reclassification	**-**	3,857,579
Depreciation	**3,517,855**	1,475,322
Disposals	**(2,365,435)**	(2,115,273)
Balance at end of year	**8,903,816**	7,751,396
	P 26,722,990	P 10,054,051

As of December 31, 2020 and 2019, repossessed chattel properties still subject to redemption period by the borrowers amount to P24.0 million and P13.8 million, respectively.

Loss on disposal of the assets amounted to P1.8 million and P0.2 million in 2020 and 2019, respectively (nil in 2018), which were presented in the statements of profit or loss as part of Loss on sale of properties under Miscellaneous Expenses in 2019 (see Notes 22.2).

15.5 Miscellaneous

Miscellaneous includes various deposits, creditable withholding taxes, and other assets.

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16. DEPOSIT LIABILITIES

The classification of the Bank's deposit liabilities as to currency follows:

	2020	2019
Philippine peso	**P 93,134,104,459**	P 89,207,705,928
Foreign currencies	**7,260,004,538**	6,060,332,656
	P 100,394,108,997	P 95,268,038,584

Annual interest rates on deposit liabilities range from:

	2020	2019	2018
Philippine peso	**0.1% – 1.5%**	0.1% – 4.7%	0.3% – 5.5%
Foreign currencies	**0.1% – 0.9%**	0.1% – 2.3%	1.5% – 2.3%

Total interest expense amounted to:

	2020	2019	2018
Time	**P 1,191,974,953**	P 2,263,978,792	P 1,564,929,816
Savings	**59,904,351**	72,351,760	54,936,904
Demand	**113,933**	283,624	7,480
	P 1,251,993,237	P 2,336,614,176	P 1,619,874,200

Deposit liabilities as of December 31, 2020 and 2019 include those that are from DOSRI as of December 31, 2020 and 2019 (see Note 24.1).

Deposit liabilities assumed through merger with ISBI in 2019 amounted to P1.7 billion (see Note 31).

Under existing BSP regulations, the Bank is subject to reserve requirement equivalent to 3.0% of non-FCDU deposit liabilities. On April 6, 2012, the BSP issued an amendment to the existing provisions as to the eligibility of cash and deposit accounts with BSP as forms of reserve requirements. As indicated in the amendment, cash and other cash items are no longer considered as eligible reserves.

Pursuant to BSP Circular 1087, Alternative Compliance with the Reserve Requirements of Banks and Non-bank Financial Institutions with Quasi-banking Functions, the Bank used qualified MSME loans as allowable alternative compliance with the reserve requirement in 2020.

The Bank's available reserves as of December 31, 2020 and 2019 amount to P9,714.9 million and P3,532.4 million, respectively, and is compliant with these BSP regulations (see Notes 9 and 12).

17. BILLS PAYABLE

Outstanding bills payables of the Bank amounting to P612.5 million as of December 31, 2019 are financed by local banks. It has no outstanding bills payable as of December 31, 2020. The outstanding balance as of December 31, 2019, including the additional availment during the year of P2.0 billion, were fully settled in 2020 (see Note 32).

Annual interest rates on bills payable range from:

	2020	2019	2018
Local banks	**3.75% – 4.5%**	3.9% – 6.6%	3.8% – 6.9%
BSP	-	4.6% – 5.4%	4.6% – 5.4%

The total interest expense amounted to:

	2020	2019	2018
Local banks	**P 23,322,722**	P 85,592,021	P 91,406,942
BSP	-	18,850,591	20,980,306
	P 23,322,722	P 104,442,612	P 112,387,248

As of December 31, 2019, bills payable are secured with certain Bank's loans and receivables (see Notes 6.2 and 12) (nil in 2020).

18. CORPORATE NOTES PAYABLE

On March 20, 2019, the BOD approved the authorization of the Bank to arrange a debt program of up to P10,000.0 million to finance the Bank's growing funding requirements. In July 2019, the Bank issued unsecured corporate notes with principal amount of P3,000.0 million bearing an interest ranging from 5.24% to 5.54% per annum, payable quarterly with maturity date of July 31, 2022.

Unamortized bond issue cost amounted to P12.3 million and P19.6 million as of December 31, 2020 and 2019, respectively. The related amortization of the bond issue cost is recorded as part of Interest Expense on Corporate Notes Payable in the statement of profit or loss. The total interest expense in 2020 and 2019 amounted to P171.7 million and P71.7 million, respectively.

Notes To Financial Statements

19. ACCRUED EXPENSES AND OTHER LIABILITIES

19.1 Accrued Expenses and Other Liabilities

The breakdown of this account follows:

	Notes	2020	2019
Accounts payable		**P 740,445,552**	P 603,848,798
Accrued expenses		**712,009,483**	598,306,736
Lease liabilities	19.2	**310,084,402**	343,646,694
Manager's checks		**224,187,639**	164,565,098
Withholding taxes payable		**157,985,337**	172,900,283
Income tax payable		**83,145,828**	166,256,520
Post-employment defined benefit obligation	23.2	**81,350,069**	73,373,098
Due to BSP		**51,842,067**	19,245,786
Outstanding acceptances		**8,392,543**	41,197,666
Payment orders payable		**4,152,054**	113,048,062
Others		**135,818,128**	66,910,527
		P 2,509,413,102	P 2,363,299,268

Accrued expenses include primarily accruals on interest on corporate notes payable, Agri-agra penalty, profit sharing of the employees, other employee benefits, utilities, janitorial and security services fees.

Outstanding acceptances pertain to obligations recognized by the Bank in its undertaking arising from letters of credit extended to its borrowers.

Others primarily include SSS and Pag-IBIG premiums and loans payable, payment orders payable, sundry credits and unclaimed balances.

19.2 Lease Liabilities

The movements in the lease liability recognized are as follows:

	Notes	2020	2019
Balance at beginning of year		**P 343,646,694**	P 342,084,290
Additions		**80,913,835**	90,382,680
Assumed through merger	31	**-**	18,899,943
Payments of principal portion of lease liability	32	**(114,476,127)**	(107,720,219)
Balance at end of year		**P 310,084,402**	P 343,646,694

The total interest expense incurred on the lease liability amounted to P25.5 million and P30.1 million and is presented as Others under the Interest Expense section of statements of profit or loss.

As at December 31, 2020, the Bank has no committed leases which had not yet commenced.

The Bank has elected not to recognize lease liabilities for short-term leases. Payments made under such leases are expensed on a straight-line basis. The expenses relating to short-term leases amounted to P25.0 million and P58.5 million for 2020 and 2019, respectively, and is presented as part of Occupancy under Other Expenses in the statements of profit or loss.

At December 31, 2020 and 2019, the Bank is committed to short-term leases, and the total commitment at that date is P18.3 million and P14.5 million, respectively.

The maturity analysis of lease liabilities at December 31, 2020 and 2019 is as follows:

	2020			2019		
	Lease Payments	**Finance Charges**	**Net Present Value**	Lease Payments	Finance Charges	Net Present Value
First year	**P 125,876,173**	**P 17,973,664**	**P 107,902,509**	P 128,325,756	P 23,467,118	P 104,858,638
Second year	**99,360,281**	**10,578,235**	**88,782,046**	107,703,249	15,567,246	92,136,003
Third year	**72,544,782**	**4,737,774**	**67,807,008**	82,459,299	8,770,055	73,689,244
Fourth year	**33,051,876**	**1,610,052**	**31,441,824**	55,168,667	3,520,162	51,648,505
Fifth year	**10,034,603**	**577,491**	**9,457,112**	14,983,836	1,034,874	13,948,962
Beyond fifth year	**5,126,173**	**432,270**	**4,693,903**	8,307,650	942,308	7,365,342
	P 345,993,888	**P 35,909,486**	**P 310,084,402**	P 396,948,457	P 53,301,763	P 343,646,694

Notes To Financial Statements

20. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

		2020			2019		
	Notes	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Resources							
Cash and other cash items	9	**P 1,762,972,825**	**P -**	**P 1,762,972,825**	P 1,171,299,633	P -	P 1,171,299,633
Due from BSP	9	**5,112,525,249**	**-**	**5,112,525,249**	5,232,433,363	-	5,232,433,363
Due from other banks	10	**2,528,609,425**	**-**	**2,528,609,425**	2,808,949,984	-	2,808,949,984
Loans and other receivables	12	**39,625,758,947**	**49,650,329,701**	**89,276,088,648**	47,662,463,375	39,661,062,083	87,323,525,458
Financial assets at FVPL	11.1	**12,100,923,139**	**-**	**12,100,923,139**	4,677,230,319	-	4,677,230,319
Financial assets at FVOCI	11.2	**-**	**4,950,635,772**	**4,950,635,772**	1,031,644,719	8,191,457,728	9,223,102,447
Investments at amortized cost	11.3	**440,642,697**	**384,763,018**	**825,405,715**	178,087,935	675,376,085	853,464,020
Other resources	15	**65,298,662**	**41,115,519**	**106,414,181**	60,504,919	40,138,983	100,643,902
		61,636,730,944	**55,026,844,010**	**116,663,574,954**	62,822,614,247	48,568,034,879	111,390,649,126
Non Financial Resources							
Bank premises, furnitures, fixtures and equipment - net	13	**-**	**689,966,140**	**689,966,140**	-	753,363,064	753,363,064
Investment properties - net	14	**-**	**499,880,191**	**499,880,191**	-	494,368,200	494,368,200
Deferred tax assets - net	25	**-**	**1,137,160,918**	**1,137,160,918**	-	509,912,664	509,912,664
Other resources	15	**110,802,178**	**665,574,077**	**776,376,255**	211,610,269	732,063,549	943,673,818
		110,802,178	**2,992,581,326**	**3,103,383,504**	211,610,269	2,489,707,477	2,701,317,746
		P61,747,533,122	**P58,019,425,336**	**P 119,766,958,458**	P63,034,224,516	P51,057,742,356	P114,091,966,872
Financial Liabilities							
Deposit liabilities	16	**P95,424,396,347**	**P 4,969,712,650**	**P 100,394,108,997**	P 90,128,365,670	P 5,139,672,914	P 95,268,038,584
Bills payable	17	**-**	**-**	**-**	500,000,000	112,523,350	612,523,350
Corporate notes payable	18	**-**	**2,987,685,274**	**2,987,685,274**	-	2,980,423,657	2,980,423,657
Accrued expenses and other liabilities	19	**1,984,749,975**	**283,531,962**	**2,268,281,937**	1,711,981,311	312,161,154	2,024,142,465
		97,409,146,322	**8,240,929,886**	**105,650,076,208**	92,340,346,981	8,544,781,075	100,885,128,056
Non Financial Liabilities							
Accrued expenses and other liabilities	19	**241,131,165**	**-**	**241,131,165**	339,156,803	-	339,156,803
		P97,650,277,487	**P 8,240,929,886**	**P 105,891,207,373**	P92,679,503,784	P 8,544,781,075	P101,224,284,859

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	Number of Shares		Amount	
	2020	2019	**2020**	2019
Preferred shares – P10 par value				
Authorized – 130,000,000 shares				
Issued and outstanding	**62,000,000**	62,000,000	**P 620,000,000**	P 620,000,000
Common shares – P10 par value				
Authorized – 870,000,000 shares				
Issued and outstanding	**643,750,094**	643,750,094	**P 6,437,500,940**	P 6,437,500,940

The Bank's preferred shares are nonvoting, nonconvertible, and are redeemable at the option of the Bank. These shares are entitled to dividend of noncumulative 8.0% per annum.

On February 17, 2017, the BOD approved the redemption of all the issued and outstanding preferred shares of the Bank at par value of P620.0 million through staggered redemption. However, as at December 31, 2019 and 2018, none of the preferred shares have been redeemed yet and the Bank is now considering conversion of the preferred shares to common shares instead. Both options require regulatory approvals which remains pending as at December 31, 2020.

On January 9, 2013, the PSE approved the Bank's application for the listing of its common shares. The approval covered the IPO of 101,333,400 unissued common shares of the Bank at P31.50 per share and the listing of those shares in the PSE's main board on February 19, 2013, its day of listing. The Bank offered its 101,333,400 unissued common to the public at the approved P31.50 per share resulting in the recognition of additional paid-in capital of
P1,998.4 million, net of transactions costs (see Note 21.4).

As of December 31, 2020 and 2019, the Bank has 69 and 72 holders, respectively, of its listed common stock. The Bank has 643,750,094 common shares traded in the PSE as of December 31, 2020 and 2019 and its share price closed at P12.80 and P12.70, respectively, as at the same dates.

21.2 Dividends

On May 22, 2019, the Bank's BOD approved the declaration of cash dividend on preferred shares amounting to P198.0 million, which was fully paid on July 12, 2019 (see Note 29). The dividend was based on the cumulative balance of the outstanding preferred shares for the years 2014 to 2018. The cash dividends on preferred shares are analyzed as follows:

	No. of Shares	Per Share	Total
Tranche 1	1,200,000	P 40	P 48,000,000
Tranche 2	1,250,000	30	37,500,000
Tranche 3	3,750,000	30	112,500,000
			P 198,000,000

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On March 15, 2017, the BOD approved the declaration of 20% stock dividend on common shares totaling 107.3 million or P1,072.9 million to stockholders of record as of August 4, 2017 and paid on August 18, 2017. The dividend distribution was approved by the stockholders on May 26, 2017. No dividend declarations were made in 2018.

The Bank has no dividends in arrears on its preferred shares.

21.3 Appropriated Surplus

Reconciliation of appropriated surplus is as follows

	Trust Reserves	General Loan Loss Reserves	Total
Balance at January 1, 2020	**P 9,951,287**	**P 531,826,894**	**P 541,778,181**
Appropriation during the year	**2,563,095**	**-**	**2,563,095**
Reversal during the year	**-**	**(497,526,898)**	**(497,526,898)**
Balance at December 31, 2020	**P 12,514,382**	**P 34,299,996**	**P 46,814,378**
Balance at January 1, 2019	P 8,308,525	P 725,378,798	P 733,687,323
Appropriation during the year	1,642,762	-	1,642,762
Reversal during the year	-	(193,551,904)	(193,551,904)
Balance at December 31, 2019	P 9,951,287	P 531,826,894	P 541,778,181
Balance at January 1, 2018			
As previously reported	P 7,107,770	P -	P 7,107,770
Effect of adoption of PFRS 9	-	449,628,263	449,628,263
As restated	7,107,770	449,628,263	456,736,033
Appropriations during the year	1,200,755	275,750,535	276,951,290
Balance at December 31, 2018	P 8,308,525	P 725,378,798	P 733,687,323

Trust reserves represents portion of the Bank's income from trust operations were made in compliance with BSP regulations (see Note 27).

On August 16, 2003, the BOD approved the establishment of a sinking fund for the exclusive purpose of the redemption of redeemable preferred shares should the Bank opt to redeem the shares. However, as of December 31, 2020 and 2019, the sinking fund for the redemption of redeemable preferred shares is yet to be established.

21.4 Paid-in Capital from IPO

As mentioned in Note 20.1, the Bank's common shares were listed at the PSE in February 2013. The total proceeds received from the IPO amounted to P3,191.9 million which exceeded par value by P1,998.4 million, net of share issuance cost of P180.2 million. The excess over par value is presented as Additional Paid-in Capital in the statements of financial position.

21.5 Revaluation Reserves

Revaluation reserves pertain to the accumulated actuarial losses of post-employment defined benefit plan and unrealized fair value gains and losses on FVOCI securities.

	Notes	NUGL on Securities at FVOCI	Accumulated Actuarial Losses	Total
Balance at January 1, 2020		**P 387,886,373**	**(P 88,628,361)**	**P 299,258,012**
Fair value gains on FVOCI securities during the year	11.2	**414,518,483**	**-**	**414,518,483**
Fair value gains reclassified to profit or loss	11.2	**(344,639,026)**	**-**	**(344,639,026)**
Remeasurements of post-employment defined benefit plan	23.2	**-**	**(990,388)**	**(990,388)**
Other comprehensive income (loss) before tax		**457,765,830**	**(89,618,749)**	**368,147,081**
Tax income	25	**-**	**297,116**	**297,116**
Balance at December 31, 2020		**P 457,765,830**	**(P 89,321,633)**	**(P 368,444,197)**
Balance at January 1, 2019		(P 132,717,700)	(P 43,283,296)	(P 176,000,996)
Fair value gains on FVOCI securities during the year	11.2	524,190,029	-	524,190,029
Fair value gains reclassified to profit or loss	11.2	(3,585,956)	-	(3,585,956)
Remeasurements of post-employment defined benefit plan	23.2	-	(64,778,664)	(64,778,664)
Other comprehensive income (loss) before tax		387,886,373	(108,061,960)	279,824,413
Tax income	25	-	19,433,599	19,433,599

Notes To Financial Statements

Balance at December 31, 2019		P 387,886,373	(P 88,628,361)	P 299,258,012
Balance at January 1, 2018		(P 61,886,925)	(P 26,469,550)	(P 88,356,475)
Fair value losses on reclassified FVOCI securities	11.2	(76,544,237)	-	(76,544,237)
Fair value gains on FVOCI securities during the year	11.2	1,484,005	-	1,484,005
Credit losses on financial assets at FVOCI	11.2	4,229,457	-	4,229,457
Remeasurements of post-employment defined benefit plan	23.2	-	(24,019,637)	(24,019,637)
Other comprehensive losses before tax		(132,717,700)	(50,489,187)	(183,206,887)
Tax income	25	-	7,205,891	7,205,891
Balance at December 31, 2018		(P 132,717,700)	(P 43,283,296)	(P 176,000,996)

22. MISCELLANEOUS INCOME AND EXPENSES

22.1 Miscellaneous Income

This include the following:

	Notes	**2020**	2019	2018
Foreign currency gains – net		**P 33,737,895**	P 25,997,161	P 59,079,534
Trust fees	27	**25,630,951**	16,427,630	12,007,548
Gain on sale of properties – net	14, 15.5	**5,062,459**	-	13,457,936
Gain on bargain purchase	31	**-**	101,104,453	-
Others		**9,210,789**	12,032,931	18,741,331
		P 73,642,094	P 155,562,175	P 103,286,349

Others include penalty on loans, rental of safe/night deposit box.

22.2 Miscellaneous Expenses

This include the following:

	Notes	2020	2019	2018
Transportation and travel		**P 117,844,264**	P 135,866,392	P 114,263,243
Fines, penalties and other charges		**84,035,000**	75,009,947	40,157,731
Communication		**63,675,782**	54,064,451	48,858,305
Information technology		**35,283,039**	28,691,739	22,178,590
Banking fees		**34,056,238**	31,727,097	29,655,680
Litigation on asset acquired	14	**19,738,236**	27,804,720	13,237,538
Office supplies		**15,325,867**	16,552,154	17,981,420
Freight		**2,909,459**	4,257,419	4,233,744
Advertising and publicity		**2,664,979**	5,250,213	4,534,674
Membership dues		**1,925,192**	3,635,595	1,872,577
Donations and contributions		**1,134,182**	2,058,200	12,064,237
Amortization of deferred charges		**877,193**	2,192,982	3,824,567
Loss on sale of properties – net	14, 15.5	**-**	2,293,672	-
Others		**126,976,282**	88,792,647	23,483,841
		P 506,445,713	P 478,197,228	P 336,346,147

Others also include brokerage fees, commissions, appraisal and processing fees incurred by the Bank.

Notes To Financial Statements

23. EMPLOYEE BENEFITS

23.1 Salaries and Other Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are broken down below.

	Note	2020	2019	2018
Salaries and wages		**P 599,214,259**	P 581,833,512	P 502,459,087
Bonuses		**45,531,106**	42,187,443	34,240,510
Post-employment defined benefit plan	23.2	**41,062,356**	29,146,433	27,491,517
Social security costs		**37,119,050**	36,580,254	26,513,191
Short-term medical benefits		**309,960**	1,314,439	1,105,982
Other short-term benefits		**330,812,369**	296,033,338	225,177,383
		P 1,054,049,100	P987,095,419	P816,987,670

23.2 Post-employment Benefit

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by the Bank's trust department that is legally separated from the Bank. The Bank's Retirement Plan Committee, in coordination with the Bank's trust department, who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2020 and 2019.

The amounts of post-employment defined benefit obligation (see Note 19) recognized in the statements of financial position are determined as follows:

	2020	2019
Fair value of plan assets	**P 258,357,011**	P 232,006,439
Present value of the defined benefit obligation	**(339,707,080)**	(305,379,537)
	(P 81,350,069)	(P 73,373,098)

The movements in the present value of the post-employment defined benefit obligation are as follows:

	2020	2019
Balance at beginning of year	**P 305,379,537**	P 225,948,996
Current service cost	**41,062,356**	29,146,433
Interest expense	**16,032,426**	17,013,959
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(11,805,775)**	35,034,099
Experience adjustments	**(8,657,437)**	11,420,860
Changes in demographic assumptions	**4,580,568**	2,079,570
Benefits paid	**(6,884,595)**	(15,264,380)
Balance at end of year	**P 339,707,080**	P 305,379,537

The movements in the fair value of plan assets are presented below.

	2020	2019
Balance at beginning of year	**P 232,006,439**	P 209,762,625
Contributions to the plan	**37,133,819**	37,133,819
Interest income	**12,974,380**	16,618,510
Return on plan assets (excluding amounts included in net interest)	**(16,873,032)**	(16,244,135)
Benefits paid	**(6,884,595)**	(15,264,380)
Balance at end of year	**P 258,357,011**	P 232,006,439

Notes To Financial Statements

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2020	2019
Cash and cash equivalents	**P 22,864,595**	P 14,964,415
Corporate bonds	**214,281,305**	197,182,273
Equity instruments	**15,733,942**	13,966,788
Accrued interest income	**5,477,169**	5,892,963
	P 258,357,011	P 232,006,439

The fair values of the above equity instruments, government and corporate bonds are determined based on quoted market prices in active markets.

The plan assets earned actual return of P3.9 million and P0.4 million in 2020 and 2019, respectively.

Plan assets include certain financial instruments of the Bank (see Note 24.3).

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2020	2019	2018
Reported in profit or loss:			
Current service cost	**P 41,062,356**	P 29,146,433	P 27,491,517
Net interest expense (income)	**3,058,046**	395,449	(83,110)
	P 44,120,402	P 29,541,882	P 27,408,407
Reported in other comprehensive income:			
Actuarial losses (gains) arising from:			
Changes in financial assumptions	**(11,805,775)**	35,034,099	(22,317,198)
Experience adjustments	**(8,657,437)**	11,420,860	36,781,004
Changes in demographic assumptions	**4,580,568**	2,079,570	1,224,194
Return on plan assets (excluding amounts included in net interest expense)	**16,873,032**	16,244,135	8,404,078
Effect of the asset ceiling	**-**	-	(72,441)
	P 990,388	P 64,778,664	P 24,019,637

Current service cost is presented as part of Salaries and Other Employee Benefits (see Note 23.1) under the caption Other Expenses while net interest expense in 2020 and net interest income in 2019 and 2018 is presented as Interest Income and Interest Expense in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2020	2019	2018
Discount rates	**3.92%**	5.25%	7.53%
Expected rate of salary increases	**6.00%**	8.00%	8.00%
Employee turnover	**12.50%**	13.15%	13.86%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 27 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon bond government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

Notes To Financial Statements

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described as follows.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2020 and 2019:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2020			
Discount rate	**+5.9%/-5.3%**	**P 17,593,400**	**(P 19,448,349)**
Salary rate	**+5.7%/-5.3%**	**(18,860,334)**	**17,421,103**
Increase in DBO if no attrition rate	**+58.4%**	**198,453,526**	**-**
December 31, 2019			
Discount rate	+5.9%/-5.3%	P 16,328,534	(P 18,055,428)
Salary rate	+5.7%/-5.3%	(17,403,113)	16,074,255
Increase in DBO if no attrition rate	+78.7%	240,241,168	

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Bank through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Bank actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

As of December 31, 2020 and 2019, the plan is heavily invested in cash and cash equivalents and debt securities. The Bank believes that cash and cash equivalents and debt securities offer the best returns over the long term with an acceptable level of risk.

There has been no change in the Bank's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan currently is underfunded by P81.35 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the Bank is funding its plan assets to manage the cash flow risk in about 32 years' time when a significant number of employees is expected to retire.

The Bank expects to pay P37.1 million as contribution to retirement benefit plan in 2021.

Notes To Financial Statements

The maturity profile of undiscounted expected benefit payments from the plan for the next ten years follows:

	2020	2019
Within one year	P 99,674,302	P 80,834,706
More than one year to five years	133,120,260	137,803,183
More than five years to ten years	266,905,920	285,682,791
	P 499,700,482	P 504,320,680

The weighted average duration of the defined benefit obligation at the end of the reporting period is 5.0 years.

24. RELATED PARTY TRANSACTIONS

A summary of the Bank's transactions with related parties is presented below.

Related Party Category	Note	Amount of Transaction 2020	Amount of Transaction 2019	Amount of Transaction 2018	Outstanding Balance 2020	Outstanding Balance 2019
Key management personnel:						
Compensation	24.4	P 173,943,541	P 169,435,231	P 158,028,243	P -	P -
Deposit liabilities	24.1	18,910,570	1,793,996	(17,252,385)	80,869,210	61,958,640
Loans	24.2	5,443,377	1,768,816	1,979,656	8,961,883	3,518,506
Interest expense	24.1	1,055,506	869,789	624,882	-	-
Interest income	24.2	521,139	139,924	167,352	237,402	21,193
Other related parties:						
Deposit liabilities	24.1	2,527,224,276	239,751,095	(2,288,370,825)	7,787,314,624	5,260,090,348
Loans	24.2	(401,154,581)	1,520,933,132	2,399,103,882	703,388,703	1,104,543,284
Interest expense	24.1	115,342,717	141,278,909	100,874,028	-	-
Interest income	24.2	28,111,843	71,289,114	67,586,873	1,427,283	2,445,969
Retirement fund:						
Contribution	24.3	37,133,819	37,144,819	34,039,326	-	-
Plan assets	24.3	26,350,572	22,243,814	6,858,486	258,357,011	232,006,439

Details of the foregoing transactions follow:

24.1 Deposits

The total balance of deposits are inclusive of the corresponding accrued interest as of December 31, 2020 and 2019.

Deposit liabilities transactions with related parties have similar terms with other counterparties (see Note 16). Annual interest rates on deposit liabilities range from 0.1% to 1.5% in 2020, 0.1% to 4.7% in 2019, and from 0.3% to 5.5% in 2018.

24.2 Loans

The Bank has loan transactions with its key management personnel and other related parties. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks and are normally settled in cash. Based on management's assessment as at December 31, 2020 and 2019, no impairment is required to be recognized on the Bank's loans to key management personnel and other related parties.

Other information relating to the loans, other credit accommodations and guarantees granted to key management personnel and other related parties are presented in
Note 33(f).

As of December 31, 2020 and 2019, the Bank has an approved line of credit to certain related parties totaling P78.6 million and P187.9 million, respectively, and all were used to guarantee the obligation of the respective related parties to other creditors up to the extent of the unused line of credit.

24.3 Transactions with Retirement Fund

The Bank's transactions with its retirement fund as of December 31, 2020 and 2019 relate only to its contributions to the plan and certain placements made by the plan to the Bank.

The following retirement plan assets are placed with the Bank comprise cash in bank, short-term placements, and equity shares of the Bank as disclosed in Note 23.2:

	2020	2019
Cash and cash equivalents	**P 22,864,595**	P 14,964,415
Equity and debt instruments	**230,015,247**	211,149,061
Accrued interest income (expense)	**5,477,169**	5,892,963
	P 258,357,011	P 232,006,439

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments by any restrictions or liens.

Notes To Financial Statements

24.4 Key Management Personnel Compensation

Salaries and short-term benefits received by key management personnel are summarized below.

	2020	2019	2018
Short-term benefits	**P 167,058,946**	P 154,170,851	P 124,500,369
Post-employment benefits	**6,884,595**	15,264,380	33,527,874
	P 173,943,541	P 169,435,231	P 158,028,243

The composition of the Bank's short-term benefits are as follows:

	2020	2019	2018
Salaries and wages	**P 129,013,729**	P 119,612,861	P 96,765,374
Bonuses	**32,227,373**	30,079,925	24,276,370
Social security costs	**2,531,250**	2,033,845	1,524,668
Other short-term benefits	**3,286,594**	2,444,220	1,933,957
	P 167,058,946	P154,170,851	P 124,500,369

25. TAXES

The components of tax expense for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%			
Regular Banking Unit (RBU)	**P 662,222,544**	P 462,729,390	P 332,722,041
FCDU	**4,020,284**	8,250,062	3,297,583
Final tax at 20%, 10% and 7.5%	**219,087,325**	132,361,425	24,518,622
	885,330,153	603,340,877	360,538,246
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(626,951,138)**	(166,586,656)	22,884,758
	P 258,379,015	P 436,754,221	P 383,423,004
Reported in other comprehensive income			
Deferred tax income relating to origination and reversal of temporary differences	**(P 297,116)**	(P 19,433,599)	(P 7,205,891)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss is presented below.

	2020	2019	2018
Tax on pretax profit at 30%	**P 359,178,571**	P 507,938,300	P 372,426,376
Adjustment for income subjected to lower tax rates	**(133,171,819)**	(114,720,765)	(17,509,476)
Tax effects of:			
Non-deductible expenses	**108,588,680**	96,538,290	64,590,710
Non-taxable income	**(76,216,417)**	(53,001,604)	(36,084,606)
Tax expense	**P 258,379,015**	P 436,754,221	P 383,423,004

The Bank is subject to minimum corporate income tax (MCIT) computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher.

The net deferred tax assets as of December 31, 2020 and 2019 relate to the following:

	2020	2019
Deferred tax assets:		
Allowance for impairment	**P 1,139,273,212**	P 527,201,421
Lease liabilities	**93,025,321**	103,094,008
Accumulated depreciation of investment properties	**26,525,699**	23,523,939
Post-employment benefit liability	**24,405,020**	22,011,929
Provision for bonus and accrued leave conversion	**23,698,424**	23,698,424
Unamortized past service cost	**9,820,849**	12,372,735
	1,316,748,525	711,902,456
Deferred tax liabilities:		
Accrued interest receivable	**(83,380,436)**	(92,631,131)
Right-of-use asset	**(80,028,564)**	(89,487,015)
Unamortized payments on documentary stamp tax	**(9,246,071)**	(12,939,110)
Gain on bargain purchase	**(6,932,536)**	(6,932,536)
	(179,587,607)	(201,989,792)
Net deferred tax assets	**P 1,137,160,918**	P 509,912,664

Notes To Financial Statements

Movements in net deferred tax assets for the years ended December 31 follow:

	Statements of Profit or Loss			Statements of Comprehensive Income		
	2020	2019	2018	**2020**	2019	2018
Impairment losses	**(P 612,071,791)**	(P 157,326,373)	(P 19,821,130)	**P -**	P -	P -
Lease liabilities	**10,068,687**	(468,721)	-	-	-	-
Amortization of right-of-use asset	**(9,458,451)**	(2,420,783)	-	-	-	-
Accrued interest income	**(9,250,695)**	(3,341,742)	26,227,434	-	-	-
Unamortized payments on documentary stamp tax	**(3,693,039)**	(7,764,689)	11,445,664	-	-	-
Depreciation expense of investment properties	**(3,001,760)**	2,302,402	2,695,592	-	-	-
Unamortized past service cost	**2,551,886**	155,670	347,922	-	-	-
Post-employment benefit obligation	**(2,095,975)**	2,277,580	1,989,276	**(297,116)**	(19,433,599)	(7,205,891)
Deferred tax expense (income)	**(P 626,951,138)**	(P 166,586,656)	P 22,884,758	**(P 297,116)**	(P 19,433,599)	(P 7,205,891)

Following the adoption of PFRS 16 in 2019, the Bank increased the opening balance of net deferred tax assets by P10.7 million. The corresponding difference was charged to the Unappropriated Surplus. Net deferred tax assets acquired from merger amounted to P25.6 million (see Note 31).

As of December 31, 2020 and 2019, the Bank has unrecognized deferred tax assets amounting to P4.6 million and P16.7 million, respectively, relating to certain allowance for impairment. For the years ended December 31, 2020 and 2019, the Bank opted to claim itemized deductions.

26. COMMITMENTS AND CONTINGENT LIABILITIES

The following are the other commitment contingent liabilities of the Bank:

(a) In the normal course of the Bank's operations, the Bank has various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, and others, which are not reflected in the financial statements. See Note 33 for details.

(b) There are other commitments, guarantees and contingent liabilities that arise in the normal course of the Bank's operations that are not reflected in the financial statements. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable.

As of December 31, 2020 and 2019, management is of the opinion that losses, if any, from the foregoing items will not have a material effect on the Bank's financial statements.

27. TRUST OPERATIONS

The following securities and other properties held by the Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the statements of financial position since these are not resources of the Bank:

	2020	2019
Loans and other receivables	**P 2,112,073,511**	P 1,231,238,309
Due from banks	**5,909,500,326**	1,455,512,981
Investment securities	**2,938,132,420**	2,080,413,167
Other assets	**2,484,000,000**	2,484,000,000
	P 13,443,706,257	P 7,251,164,457

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

(a) Government bonds owned by the Bank with face value of P145.0 million and P80.0 million as of December 31, 2020 and 2019, respectively, are deposited with the BSP (see Note 11.2); and

(b) 10% of the trust income is transferred to appropriated surplus. This transfer is required until the surplus reserve for trust function is equivalent to 20% of the Bank's authorized capital stock (see Note 21.3). Additional reserve for trust functions amounted to P2.6 million, P1.6 million and P1.2 million in 2020, 2019 and 2018, respectively, and are presented as part of Appropriated Surplus in the Bank's statements of changes in equity.

Income from trust operations, shown as part of Miscellaneous Income in the statements of profit or loss, amounted to P25.6 million, P16.4 million and P12.0 million in 2020, 2019 and 2018, respectively (see Note 22.1).

Notes To Financial Statements

28. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized below.

	Notes	2020	2019
Balance at beginning of year:			
Loans and other receivables	12	**P 1,773,860,341**	P 1,044,821,662
Investment properties	14	**35,731,399**	42,505,474
Investment securities at amortized cost	11.3	**1,617,940**	1,617,940
Other resources	15	**1,654,737**	1,654,737
		1,812,864,417	1,090,599,813
Impairment losses – net	11, 12, 14	**2,335,791,829**	561,174,001
Write-offs	12, 15	**(335,665,667)**	-
Transfer from merger		**-**	100,534,015
Reallocation		**-**	67,330,663
Reversal of impairment loss	14	**-**	(6,774,075)
		2,000,126,162	722,264,604
Balance at end of year:			
Loans and other receivables	12	**3,773,986,503**	1,773,860,341
Investment properties	14	**35,731,399**	35,731,399
Investment securities at amortized cost	11.3	**1,617,940**	1,617,940
Other resources	15	**1,654,737**	1,654,737
		P 3,812,990,579	P 1,812,864,417

29. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	2020	2019	2018
Net profit	**P 938,882,887**	P 1,256,373,443	P 857,998,254
Dividends on preferred shares	**-**	(198,000,000)	-
Net profit attributable to common shareholders	**938,882,887**	1,058,373,443	857,998,254
Divided by the weighted average number of outstanding common shares	**643,750,094**	643,750,094	643,750,094
Basic earnings per share	**P 1.46**	P 1.64	P 1.33

As of December 31, 2020, 2019 and 2018, the Bank has no outstanding potentially dilutive securities; hence, basic earnings per share is equal to diluted earnings per share.

30. OTHER MATTERS

30.1 Impact of COVID-19 Pandemic on Bank's Business

The impact of the COVID-19 pandemic and the government's mobility and quarantine measures to contain it has adversely affected economic conditions and consequently, the Bank's business operations in terms of the following:

- Scaled-down branch banking operations and business units operating at less than full capacity or at work-from-home arrangements;

- Limited sales and marketing activity for businesses requiring face-to-face interaction due to social distancing;

- Additional costs to keep a safe and COVID-19-free environment for both customers and employees;

The following were the actions undertaken by Bank to mitigate such impact:

- Implemented business continuity plan (BCP). The Bank's BCP ensures that the Bank will be able to deliver its products and services in the event of extreme duress including medical issues and/or government control measures;

- Adopted and implemented precautionary measures to ensure the safety of its employees, clients, and agency personnel. In this age of pandemic, the need to further improve the digital platform arises. The Bank has allowed work-from-home arrangements and meetings online via the appropriate platforms to minimize unnecessary physical contact;

- Implemented new occupational safety and health standards to provide a safe and sanitized environment for both customers and employees through the strict observance of health and safety protocols, retrofitting of workspaces, and periodic testing for employees to minimize infection within the workplace;

- Performed comprehensive review of loan accounts to assess reprieved businesses and industry due to the COVID-19 pandemic and introduced post-model adjustments in the existing ECL model to reasonably capture the impact of COVID-19 to its exposures (see Note 4.3.5);

- Ensured continued access to credit facilities for clients with resilient and sustainable businesses amid the COVID-19 situation. Proactively worked with clients for the restructuring of loan terms to address temporary tightness/liquidity problems (see Note 4.3.6); and,

- Complied with BAHO and BARO Acts (see Note 4.3.6).

Notes To Financial Statements

The Bank will continue to focus on its products, processes, and people. The Bank continues to deepen its relationships with SME businesses, offer product bundling and cross-selling, and shift from traditional marketing to digital banking and online selling. In terms of process, the Bank remains committed to taking a customer-driven and personalized marketing approach, reduce turn-around times, and revisit its loan policies to adopt best practices. The Bank supports the training of its people via online courses, strengthen rewards and recognition systems, and upskill employees.

Based on the above actions and measures taken by management to mitigate the adverse effect of the COVID-19 pandemic, the Bank believes that it would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Bank.

30.2 Enactment of CREATE Bill After the Reporting Period

As of date of issuance of the 2020 financial statements of the Bank, the Corporate Recovery and Tax Incentives (CREATE) bill is yet to be enacted into a law. The effective date on the current draft of CREATE bill for the new corporate income tax rate is July 1, 2020. When enacted, the effective tax rate from January 1, 2020 to June 30, 2020 and July 1, 2020 to December 31, 2020 will be 30% and 25%, respectively, of the taxable income for the year, which will be different from the rate used in the 2020 financial statements of 30%. As a result, deferred tax assets, income tax expense and income tax payable of the Bank is expected to decrease by the difference in tax rates (see Note 25).

31. BUSINESS COMBINATION

In 2019, the Bank acquired the rights and obligations related to and arising from its acquisition of the outstanding capital stock of ISBI (see Note 1.2). The merger between the Bank and ISBI was made to strengthen the Bank's consumer lending business while establishing foothold in microfinance market.

The details of the business combination are as follows:

	Notes	
Cash consideration transferred		P 575,000,000
Recognized amounts of identifiable net assets		
Cash and cash equivalents		9,561,089
Due from BSP		52,518,347
Due from other banks		303,685,720
Trading and investment securities		128,921,072
Loans and other receivables – net	12	1,831,259,584
Bank premises, furniture, fixtures and equipment – net	13	42,002,556
Investment properties – net	14	17,331,000
Deferred tax assets – net	25	25,641,960
Other resources – net		26,069,156
Deposit liabilities and other liabilities	16	(1,760,886,031)
		676,104,453
Gain on bargain purchase recognized from merger		**P 101,104,453**

Due to a good business relationship with ISBI, the Bank was able to negotiate an advantageous purchase price that was also beneficial to the former owners of ISBI.

ISBI has contributed P167.4 million and P109.1 million to the Bank's revenues and profit, respectively, from the acquisition date to December 31, 2019. Had the acquisition occurred on January 1, 2019, the Bank's revenue for the period to December 31, 2019 would have been P7,223.9 million and the Bank's profit for the period would have been P1,228.9 million. The gross contractual amount of the trade and other receivables acquired as part of the business combination amounted to P1,932.0 million. As of the acquisition date, the Bank's best estimate of the contractual cash flow not expected to be collected amounted to P48.1 million.

There were no specific acquisition-related costs incurred or contingent consideration arrangements and indemnification assets arising from the business combination.

Notes To Financial Statements

32. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS

32.1 Significant Non-cash Transactions

Significant non-cash transactions in 2020 are as follows:

- The Bank has recognized additional right-of-use assets and lease liabilities amounting to P80.9 million (see Notes 13 and 19).

- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P27.8 million and P24.0 million, respectively (see Notes 14 and 15.4)

Significant non-cash transactions in 2019 are as follows:

- In relation to the adoption of PFRS 16, the Bank has recognized various right-of-use assets and lease liabilities amounting to P306.4 million and P342.1 million, respectively (see Notes 13 and 19).

- Additional right-of-use assets and lease liabilities amounting to P90.4 million were recognized for leases executed in 2019 (see Notes 13 and 19).

- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P140.2 million and P13.8 million, respectively (see Notes 14 and 15.4)

- The Bank has acquired and assumed certain assets and liabilities from its merger with ISBI (see Note 1.2). Outstanding balances are summarized in Note 31.

Significant non-cash transactions in 2018 are as follows:

- The Bank has foreclosed and repossessed (or through dacion in payment) certain real and chattel properties amounting to P138.7 million and P2.3 million, respectively.

- The other non-cash transaction includes the Bank's reclassification of investment securities amounting to P2.43 billion from AFS to investment securities at FVPL, FVOCI, and amortized cost in 2018 (see Note 11).

32.2 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of the Bank's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bills Payable (see Note 17)	Corporate Notes Payable (see Note 18)	Lease Liabilities (see Note 19)	Total Financing Activities
Balance at January 1, 2020	P 612,523,250	P 2,980,423,657	P 343,646,694	P 3,936,593,701
Cash flow from financing activities:				
Availments	2,000,000,000	-	-	2,000,000,000
Payments / redemption	(2,612,523,250)	-	(114,476,127)	(2,726,999,377)
Non-cash financing activities:				
Amortization of discount	-	7,261,617	-	7,261,617
Additions to lease liabilities	-	-	80,913,835	80,913,835
Balance at December 31, 2020	**P -**	**P 2,987,685,274**	**P 310,084,402**	**P 3,297,769,676**
Balance at January 1, 2019	P 3,696,505,696	P -	P 342,084,290	P 4,038,589,986
Cash flow from financing activities:				
Availments	10,620,098,991	2,977,500,000	-	13,597,598,991
Payments / redemption	(13,704,081,337)	-	(107,720,219)	(13,811,801,556)
Non-cash financing activities:				
Amortization of discount	-	2,923,657	-	2,923,657
Additions to lease liabilities[1]	-	-	109,282,623	109,282,623
Balance at December 31, 2019	P 612,523,250	P 2,980,423,657	P 343,646,694	P 3,936,593,701
Balance at January 1, 2018	P 1,933,724,724	P -	P -	P 1,933,724,724
Cash flow from financing activities:				
Availments	16,646,397,805	-	-	16,646,397,805
Payments / redemption	(14,883,616,833)	-	-	(14,883,616,833)
Balance at December 31, 2018	P 3,696,505,696	P -	P -	P 3,696,505,696

[1]*Includes those assumed from merger*

Notes To Financial Statements

33. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular 1074, Amendments to Regulations on Financial Audit of Banks.

(a) Selected Financial Performance Indicators

The following are some indicators of the Bank's financial performance.

	2020	2019	2018
Return on average capital			
Net profit / Average total capital accounts	**7.0%**	10.4%	7.9%
Return on average resources			
Net profit / Average total resources	**0.8%**	1.2%	1.0%
Net interest margin			
Net interest income / Average interest earning resources	**5.0%**	4.5%	4.3%

(b) Capital Instruments Issued

As of December 31, 2020 and 2019, the Bank has no capital instruments considered in the computation of the Bank's regulatory and qualifying capital in accordance with Circular 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which may include, instruments recorded as part of equity or a financial liability qualifying as Tier 2 capital.

(c) Significant Credit Exposures for Loans

The Bank's concentration of credit as to industry for its receivables from customers gross of allowance for ECL follows (amounts in thousands):

	2020		2019	
	Amount	**Percentage**	Amount	Percentage
Wholesale and retail trade	**P 32,935,238**	**36.4%**	P 32,301,851	37.7%
Real estate activities	**15,075,739**	**16.7%**	14,806,015	17.3%
Manufacturing	**9,535,700**	**10.6%**	9,752,198	11.4%
Transportation and storage	**7,225,926**	**8.0%**	7,677,588	9.0%
Construction	**5,435,109**	**6.0%**	4,131,806	4.8%
Electricity, gas, steam and and air-conditioning supply	**5,307,092**	**5.9%**	4,206,239	4.9%
Financial and insurance activities	**4,618,343**	**5.1%**	2,648,402	3.1%
Accommodation and food service activities	**3,088,960**	**3.4%**	2,495,182	2.9%
Water supply, sewerage, waste management and remediation activities	**2,599,364**	**2.9%**	2,248,908	2.6%
Agriculture, forestry and fishing	**1,488,009**	**1.7%**	1,546,344	1.8%
Administrative and support services	**612,122**	**0.7%**	862,664	1.0%
Information and communication	**492,701**	**0.6%**	584,358	0.7%
Consumption	**476,582**	**0.5%**	481,286	0.6%
Professional, scientific, and technical activities	**341,160**	**0.4%**	151,815	0.2%
Mining and quarrying	**285,748**	**0.3%**	384,278	0.4%
Education	**112,424**	**0.0%**	137,792	0.2%
Human health and social service activities	**48,858**	**0.0%**	44,469	0.1%
Arts, entertainment and recreation	**4,800**	**0.0%**	10,300	0.0%
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	**3,332**	**0.0%**	3,343	0.0%
Other service activities	**700,870**	**0.8%**	1,144,873	1.3%
	P 90,388,077	**100%**	P 85,619,711	100%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

Notes To Financial Statements

(d) Credit Status of Loans

The breakdown of receivable from customers as to status is shown below and in the succeeding page (in thousands).

	2020		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Corporate	P 81,715,575	P 2,890,849	P 84,606,424
Consumer	4,991,739	789,913	5,781,652
	86,707,314	3,680,762	90,388,076
Allowance for ECL	(1,759,315)	(1,866,156)	(3,625,471)
Net carrying amount	**P 84,947,999**	**P 1,814,606**	**P 86,762,605**

	2019		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Corporate	P 77,571,817	P 1,676,597	P 79,248,414
Consumer	6,056,137	315,160	6,371,297
	83,627,954	1,991,757	85,619,711
Allowance for ECL	(979,742)	(716,224)	(1,695,966)
Net carrying amount	P 82,648,212	P 1,275,533	P 83,923,745

As at December 31, 2020 and 2019, the nonperforming loans (NPLs) not fully covered by allowance for credit losses follow (in thousands):

	2020	2019
Gross NPLs	**P 3,680,763**	P 1,991,757
NPLs fully covered by allowance for impairment	**(1,866,157)**	(716,224)
	P 1,814,606	P 1,275,533

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing 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.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall 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 6 months; or
(b) written off.

Restructured loans amount to P1,958.0 million and P1,594.4 million as of December 31, 2020 and 2019, respectively. The related allowance for credit loss of such loans amounted to P395.7 and P298.5 million as of December 31, 2020 and 2019, respectively.

Interest income recognized on impaired loans and receivables amounted to P98.2 million and P41.5 million in 2020 and 2019, respectively.

(e) Analysis of Loan Portfolio as to Type of Security

As to security, receivable from customers, gross of allowance and unearned discount, are classified into the following (amounts in thousands):

	2020	2019
Secured:		
Real estate mortgage	**P 38,519,761**	P 34,722,566
Chattel mortgage	**6,640,577**	7,418,275
Deposit hold-out	**2,741,177**	2,173,506
Others	**3,053,023**	3,231,787
	50,954,538	47,546,134
Unsecured	**39,433,538**	38,073,577
	P 90,388,076	P 85,619,711

Notes To Financial Statements

(f) Information on Related Party Loans

In the ordinary course of business, the Bank has loan transactions with each other, their other affiliates, and with certain DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31, 2020 and 2019 in accordance with BSP reporting guidelines (amounts in thousands):

	DOSRI Loans		Related Party Loans (inclusive of DOSRI)	
	2020	2019	**2020**	2019
Total outstanding loans	**P 712,351**	P 1,012,228	**P 1,338,394**	P 1,108,062
% of loans to total loan portfolio	**0.8%**	1.2%	**1.5%**	1.3%
% of unsecured loans to total DOSRI/related party loans	**8.1%**	3.7%	**41.2%**	3.9%
% of past due loans to total DOSRI/related party loans	**0.0%**	0.0%	**4.3%**	5.1%
% of non-performing loans to total DOSRI/ related party loans	**0.0%**	0.0%	**4.3%**	5.1%

Secured DOSRI loans are collateralized by hold-out on deposits and are payable within three months to five years

(g) Secured Liabilities and Assets Pledged as Security

Assets pledged by the Bank as security for liabilities as of December 31, 2019 are shown below (nil in 2020 and see Notes 12 and 17).

Aggregate amount of secured liabilities	P 106,250,000
Aggregate amount of resources pledged as security	P 980,000,000

(h) Contingencies and Commitments Arising from Off-balance Sheet Items

The summary of the Bank's commitments and contingent accounts arising from transactions not given recognition in the statements of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2020 and 2019 are as follows:

		2020		2019
Investment management accounts	**P**	**7,418,923,766**	P	5,826,088,547
Trust and other fiduciary accounts		**5,996,544,565**		1,365,210,791
Outstanding letters of credit		**829,795,757**		1,006,844,837
Unit investment trust fund		**28,237,926**		59,865,119
Outward bills for collection		**6,116,824**		7,536,554
Items held for safekeeping		**143,812**		220,453
Late payment/deposits received		**115,357**		2,289,419
Items held as collateral		**12,685**		12,188
Other contingent accounts		**1,730,246,464**		655,609,976

34. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Gross Receipts Tax

In lieu of the value-added tax, the Bank is subject to the Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code which is imposed on banks, non-banks financial intermediaries and finance companies.

In 2020, the Bank reported total GRT amounting to P328,898,151 [see Note 34 (c)].

GRT is levied on the Bank's lending income, which includes interest, commission and discounts arising from instruments with maturity of five years or less and other income. The tax is computed at the prescribed rates of either 5% or 1% of the related income.

Notes To Financial Statements

(b) Documentary Stamp Tax

The Bank is enrolled under the Electronic Documentary Stamp Tax (e-DST) System starting July 2010. In 2020, DST remittance thru e-DST amounted to P502,068,563, while DST on deposits for remittance amounted to P119,883,824. In general, the Bank's DST transactions arise from the execution of debt instruments, lease contracts and deposit liabilities.

DST on loan documents and letters of credit in 2020 amounting to P382,184,739 were charged to borrowers and these were properly remitted by the Bank.

DST accruing to the Bank amounted to P334,210,735 and is presented as part of the Taxes and licenses in the 2020 statement of profit or loss [see Note 34 (c)].

(c) Taxes and Licenses

Details of taxes and licenses for the year ended December 31, 2020 follow:

	Note		
DST	34 (b)	P	334,210,735
Gross receipts tax	34 (a)		328,898,151
Business tax			17,351,725
Real property tax			7,383,620
Miscellaneous			4,168,146
		P	**692,012,377**

Taxes and licenses allocated to tax exempt income and FCDU totaling P193,494 were excluded from the itemized deductions for purposes of income tax computation.DST includes unamortized amount of P30.8 million recognized as deductible in full for income tax purposes.

(d) Withholding Taxes

Details of total withholding taxes for the year ended December 31, 2020 are shown below.

Final	P	226,053,631
Compensation and benefits		75,429,281
Expanded		36,820,763
	P	**338,303,675**

(e) Deficiency Tax Assessments and Tax Cases

As of December 31, 2020, the Bank does not have any outstanding final deficiency tax assessments from the BIR nor does it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR in any open taxable year.

(f) Other Required Tax Information

The Bank did not have any transactions in 2020 which are subject to excise tax, customs duties and tariff fees.

Sustainability Report 2020

About the Report

Philippine Business Bank is pleased to report its performance in terms of culture, sustainability, and responsible banking, informing of the main actions and commitments of the Bank in these areas and in relation to its main stakeholders (employees, customers, shareholders and society).

PBB's 2020 Sustainability Report is compliant with the Securities and Exchange Commission Memorandum Circular No. 4 Series of 2019 "Sustainability Reporting Guidelines for Publicly Listed Companies."

Information from our corporate units and branches on their performance on economic, environmental, and social aspects following our sustainability framework of "Economic Viability, People, and Planet" were gathered. Data covered are for the whole year of 2020.

In addition, the Bank also reports on the main initiatives it develops with society and the environment, particularly in the communities where it operates, with special attention to the Bank's relationship with the partner schools/ universities under the AMY Foundation.

This report has been prepared in accordance with GRI Standards: Core option. The Reporting Principles for defining the content herein are as follows:

Reporting Principles for Defining Report Content

- Stakeholder Inclusiveness - identified stakeholders and response to their expectations
- Sustainability Context - identified performance measures in the wider context of sustainability
- Materiality - identified economic social and environmental issues that impact our business growth and of utmost importance to our stakeholders
- Completeness - identified material topics which are covered within identified boundaries were ensured to provide sufficient information that reflects the significant economic social and environtmental in within the reporting period

The Bank's sustainability performance indicators on corporate social responsibility demonstrates our pledge to support answers to education, people's welfare and partnering for organizational success.

The Banking data, of the bank's annual report, is where all this information is collected, and has been verified by the Punongbayan & Araullo (P&A), an independent firm that has also audited the PBB 's annual accounts in that year.

The data and contents of this report aims to provide complete, accurate, reliable, and timely information to the Bank's stakeholders especially about the risks that affect the bank and its environment. The actions that management implement to ensure that the risks identified are mitigated are also provided as disclosures.

Contextual Information

Company Details	
Name of Organization	Philippine Business Bank Inc., A Savings Bank
Location of Headquarters	350 Rizal Avenue corner 8th Avenue, Grace Park, Caloocan City
Report Boundary: Legal entities included in this report	-
Primary Activities, Brands, Products, and Services	**Deposits and investment services**: savings account, checking account, ATM account, CA/SA (auto-transfer), Campus Savers, peso time deposit, Hi-5 time deposit, FCDU savings, FCDU time deposit, Hi-Green deposit **Commercial, industrial, and developmental loans**: agri-agra loans, bills purchase, bus and taxi loan, contract to sell financing, discounting line, fleet financing, loan line, omnibus line, specialized lending facilities for SMEs (DBP, IGLF, ISSEP, SSS developmental loans), term loan, trade finance **Consumer loans:** auto, housing, salary, second-hand auto loans **Trust products and services:** employee benefit plans under trust, escrow agency, individual FCDU trust, insurance trust, investment management account (personal or corporate), mortgage trust indenture, PBB diamond trust fund (UITF), personal management trust, safekeeping, trustee of pre-need plans **Other services:** advisory services, SSS and Philhealth payments, bills payment/collection services, group payroll services, local payment orders, mail and telegraphic transfers, night depository box, PBB gold sale, safety deposit box facilities
Highest Ranking Person responsible for this report	**Judith C. Songlingco** Assistant Vice President – Corporate Affairs Unit

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Economic Disclosures
Revenue Generated and Distributed

Disclosure	Amount in Php
Direct profit/revenue generated	4,459,629,069
Direct profit/revenue distributed	3,262,367,167
Operating costs (wages)	
- Employee wages and benefits	1,054,049,100
- Payments to suppliers, other operating costs	210,509,596
- Dividends given to stockholders and interest payments to loan providers	195,015,940
- Taxes given to government	1,842,507,515
- Investments to communities (CSR)	2,958,712
Revenue/Economic value retained	1,197,261,902

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Revenue retained	Investors/Stockholders, clients, suppliers, regulators, society	An existing Board approved policy, procedures and guidelines is in place for planning, setting strategic goals/targets and measuring the Bank's performance. Metrics and regular performance monitoring are in place to regularly check the bank's status. The Bank also adheres to the regulatory policies that allows the bank to set limits and aims to ensure capital preservation.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**

Operational losses (such as loss of clients and financial losses) arising from reputational risks (issues of fraud/corruption) (Identified as Low Risk)	Clients, Investors, Stockholders, employees	Revenues that the Bank generates dividends and other monetary advantages to our investors, stockholders, employees as well as our clients. The Bank ensures that the economic metrics to measure and monitor the Bank's performance are in place. For preserving our economic value generated, the Bank has existing policies and procedures to avoid exposure to various risks such as but not limited to operational and reputational losses. As part of sound corporate governance, the Bank's Board of Directors is responsible for setting up the risk governance framework and ensuring proper implementation thereof. As such, Board approved policies are in place for mitigation of risks that are identified by the Bank. A system of managing risks is also in place for revenue preservation. All employees are required to adhere to the Bank's Code of Conduct to avoid certain reputational risks as well as to adhere to certain policies that ensures that corruption issues are avoided. Rules from regulators are also adhered that minimize the Bank's exposure to losses. The Bank also has auditors as wwell as compliance personnel that conducts checking of the adherence of the employees to rules and regulations.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Development of new products and services that aims to increase the Bank's economic value and increase the profit to be distributed to its investors, employees and to the society	Investor/Stockholders, clients, employees, society	The Bank has an existing Project Management Group that is in charge of product and service development that aims to capture additional clients and increase the Bank's profitability. Our organization also has marketing personnel who oversee that these products and services be available to its targeted clients. Performance of the marketing personnel are also measured to ensure that goals are achieved.

Sustainability Report 2020

Climate Related Risks And Opportunities

Governance	Strategy	Risk Management	Metrics and Targets
Recommended Disclosures			
Describe Board oversight of climate related risks and opportunities	Climate related risks are considered in the Bankwide assessment of risks as documented in the Bank's Risk and Control Self-Assessment. These climate related risks are also required to be reported thru the Bank's internal reporting system. These risks are regularly monitored and managed accordingly.	The Bank has an existing Board approved policy for assessing, monitoring, and managing the climate related risks identified. Further, the Bank has an existing Business Continuity Plan to address the risk exposures to climate related risks.	Bank's exposures to climate risks are indicated in the Bank's Risk and Control Self-Assessment. Loss Events Report are also required to be used in assessing the value and impact of climate related risks. The Bank has a business continuity plan (BCP) that addresses potential losses due to climate related risks.
Describe the management's role in assessing and managing climate related risks and opportunities	Management is assigned to assess, monitor and implement the controls for climate related risks. Management is required to regularly report exposures to climate related risks.	As required per Bank's internal policy on risk management, and business continuity plan, Management should implement the reporting and assessing of the risk exposures of the Bank to climate related risks.	The Bank has a business continuity plan (BCP) that takes into consideration potential climate risk individuals.

Procurement Practices

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Quantity
	95%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Procurement practice of the Bank affects its suppliers/vendors	Suppliers, vendors, clients	The Bank has an existing Board approved procurement and vendor accreditation policies that provides guidelines to its employees and suppliers. The guidelines also set the bank's bidding process that opens opportunities to all prospective suppliers/vendors. Regulatory rules from BSP for the Bank's transactions with Vendors and third-party providers. For the bank's organization structure, the Bank has a General Services and Administration Group that handles the execution of procurement process. The Bank also has a Bid Committee in charge of processing the accreditation and procurement process.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
No material risk identified	None	Not applicable
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Incorporating good Corporate Social Responsibility and Sustainability practices	Suppliers, Vendors, Clients	Board approved policies and procedures are in place on how to deal with suppliers, vendors. Accreditation policies which are followed by the Bank include checking the propriety of the documents of the suppliers (i.e financial capacity, legal existence/registration documents). The Bank also extends its business to its supplier by offering them the Bank's product and services hereby encouraging sustainability.

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Anti-Corruption
Training on Anti-Corruption Policies and Procedures

Disclosure	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated	100%
Percentage of directors and management that have received anti-corruption training	100%
Percentage of employees that have received anti-corruption training	99%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Risk exposure to corruption	Stockholders/Investors, Employees, Clients	Board approved policies and procedures against corruption are in place such as but not limited to Whistle Blowing Policy, Conflict of Interest Policies, Insider Trading Policy. Compliance review with these policies is conducted by the Bank to protect its stakeholders.

What are the risks identified?	Which stakeholders are affected?	Management Approach
Reputational Risk (Identified as Low Risk)	Stockholders/Investors, Employees, Clients	Board approved policies and procedures against corruption are in place such as but not limited to Whistle Blowing Policy, Conflict of Interest Policies, Insider Trading Policy. Compliance review with these policies is conducted by the Bank to protect its stakeholders. The Bank also has consumer protection policies that aims to address the concerns of its clients be it simple inquiries to complex concerns. Further, the Bank adheres to consumer protection policies that are implemented by its regulator, BSP.

What are the opportunities identified?	Which stakeholders are affected?	Management approach
Good company image attracts clients/customers that increase the Bank's economic value	Investors/Stockholders, Clients, employees	The Bank's employees are required to adhere to the Board approved policies that are in place to avoid corruption. The good company image hence attracts prospective clients, business partners and stakeholders.

Incidents of Corruption

Number of incidents in which directors were removed or disciplined for corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0

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Environmental Disclosures
Energy Consumption Within the Organization

Disclosure	Quantity/Unit
Energy consumption (diesel)	530,233 liters
Energy consumption (renewable)	None
Energy consumption (LPG)	None
Energy consumption (electricity)	649,741 kwh

Reduction of Energy Consumption

Disclosure	Quantity/Unit
Energy consumption (diesel)	2,000,906 liters
Energy consumption (renewable)	None
Energy consumption (LPG)	None
Energy consumption (electricity)	3,045,145 kwh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Branches and Head Office premises	Employees, clients	The Bank is committed to achieve its energy efficiency goals to decrease operational cost and to reduce the environmental impact of its operations.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
None	None	Not applicable
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Reduction in energy consumption increases the Bank's economic value	Employees, Client, Stockholders/Investors	The Bank will include in its planning the possibility of energy reduction.

Water Consumption Within the Organization

Disclosure	Quantity/Unit	
Water withdrawal	Maynilad and Manila Water	
Water consumption	5,513 cubic meters (estimate only)	
Water recycled and reused	Amount is not material to the Bank	
What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank

Materials Used by the Organization

Disclosure	Quantity/Unit
Materials used by weight or volume	
Paper	8,000 reams
Cartridges/toner	7,400 pcs
Ballpen	1,100 pcs
Adding Machine Tape	1,000 pcs
Blue Binder (short)	3,500 pcs
Blue Binder (long)	2,500 pcs
Brown envelope (short)	6,000 pcs
Brown envelope (long)	6,500 pcs
Continuous form (long)	1,000 bxs
Continuous form (short)	1,000 bxs
Epson Ribbon (FX2175)	1,000 pcs
Fastener -	500 pcs

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Folder	11,000 pcs
Masking tape	30 pcs
Packaging tape	313 pcs
Paper clip jumbo	165 pcs
passbook Ribbon -Epson PLQ -20	999 pcs
Scotch Tape	2,000 pcs
Staple wire	1,000 pcs
Thermal roll (ATM receipt)	1,500 pcs
Window envelope	600 bxs
Percentage of recycled input materials used to manufacture the organization's primary products and services	Not material to the Bank.

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank

Ecosystems and Biodiversity (upland/watershed/coastal or marine) –
NOTE: This section is not material to the Bank.

Disclosure	Quantity/Unit
Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected	Not material to the Bank
Habitats protected or restored	Not material to the Bank
IUCN Red List species and national conservation list species with habitats in areas affected by operation	Not material to the Bank

Management Approach Disclosure

NOTE: This section is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank

Environmental Impact Management

Disclosure	Quantity/Unit
Direct GHG Emissions (Scope 1)	5,398 tons CO2e (estimate)
Energy Indirect (Scope 2) Emissions	459 tons CO2e (estimate)
Emissions of ozone depleting substances (ODS)	PBB does not track ODS as this is not material to the Company.

Management Approach Disclosure

Note: This section is not material to the Bank.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.

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What are the opportunities identified?	Which stakeholders are affected?	Management approach
Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is currently in the planning phase.	Data not available for the reporting period. The Bank is curreçntly in the planning phase.

Air Pollutants

Note: This section is not material to the Bank

Disclosure	Quantity/Unit
NOx	PBB does not track NOx as this is not material to the Company.
SOx	PBB does not track SOxas this is not material to the Company.
Persistent Organic Pollutants	PBB does not track pollutants as this is not material to the Company.
Volatile organic compounds (VOCs)	PBB does not track VOCs as this is not material to the Company.
Hazardous air pollutants (HAPs)	PBB does not track HAPs as this is not material to the Company.
Particulate matter (PM)	PBB does not track PM as this is not material to the Company.

Management Approach Disclosure

Note: This section is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not material to the Bank	Not material to the Bank	Not material to the Bank

Solid and Hazardous Waste

Note: Data is not available for the reporting period.

Disclosure	Quantity/Unit
Total solid waste generated	Data not available
Reusable	Data not available
Recyclable	Data not available
Composted	Data not available
Incinerated	Data not available
Residuals/Landfilled	Data not available

Hazardous Waste:

Note: In 2020, PBB had no electronic/hazardous waste collection initiative.

Disclosure	Quantity/Unit
Amount of hazardous waste transported	Data not available
Amount of hazardous waste in storage	Data not available

Management Approach Disclosure (Non-hazardous and hazardous waste)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The Bank complies with relevant local policies for solid and hazardous waste management.

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Effluents

Note: This is not material to the Bank

Disclosure	Quantity/Unit
Total volume of water discharges	Not applicable
Percent of wastewater recycled	Not applicable

Management Disclosure Approach

Note: This is not material to the Bank

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach>
Not applicable	Not applicable	Not applicable
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable	Not applicable	Not applicable
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Not applicable	Not applicable	Not applicable

Environmental Compliance

Disclosure	
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0
No. of cases resolved through dispute resolution mechanism	0

Management Approach:

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None	None	The adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The adheres to the rules and regulations set by the DENR and other relevant regulatory agencies.

Social Disclosures

Employee Management, Employee Hiring and Benefits, Employee Data

Disclosure	Quantity/Unit
Total number of employees	1,615
Female Employees	1,063
Male Employees	552
Attrition rate	8.30%
Monthly salary of the lowest paid employee	12,000

Provide list of benefits:

Benefit	% of employees who availed for the year
SSS	16.22%
PhilHealth	5.00%
Pag-Ibig	3.84%
Parental leaves	0.92%
Vacation Leaves	96.24%
Sick Leaves	67.01%
Medical benefits aside from PhilHealth	51.47%
Housing assistance aside from Pag-Ibig	0.06%
Retirement fund (aside from SSS)	0.99%
Further education support	3.28%
Company stock options	0.00%
Telecommunicating	36.53%
Flexible working hours	6.34%

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Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Talent acquisition, development and retention	Employees	The Bank has Board approved policies for and procedures that sets the guidelines to be followed during talent acquisition, development and to ensure employee retention. The Bank also offers competitive Board approved compensation and employee Benefit package to ensure employee retention. The employee is also entitled of the benefit packages that helps employees especially during in time of difficulty. Committee in charge for the evaluation of personnel is also in place.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Employees needing refresher trainings for the emerging requirements/competencies needed for work	Employees	The Bank supports its employees by providing internal training programs for its employees. The Bank also has existing policies for the availment of external trainings.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Enhancing the skills and potential of the employees increase the economic value of the company	Employees	The Bank encourages the motivation of its employees by providing performance-based bonus to its employees as indicated in the Board approved employee benefit package. The Bank believes that increase in employee morale with promote good company image and will promote good service performance by its employees thereby attracting future clients and ensuring client retention.

Employee Training and Development

Disclosure	
Total training hours provided to employees in 2020	**21,281**
Female employees	12,855
Male employees	8,426
Average training hours provided to employees	**13.20**
Female employees	12.10
Male employees	15.26

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Learning and Development programs of the Bank	Employees	The Bank is offering internal trainings as well as supporting employees for external trainings for employee development.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Lack of training may cause poor service quality to clients and poor performance of job functions thereby decreasing the company's economic value	Employees, clients	The Bank has an existing Training programs for its employees especially for customer service to clients. Also, the performance of the employees is reviewed regularly to ensure that the quality of the performance of employees are maintained or better improved.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Improved performance and service quality to clients	Employees, Clients	Board approved performance evaluation is installed to measure and monitor the performance of its employees. Customer helplines are also in place to monitor the clients' concerns.

Labor Management Relations

Disclosure	
% of employees covered by collective bargaining agreements	0%
Number of consultations conducted with employees concerning employee-related policies	15

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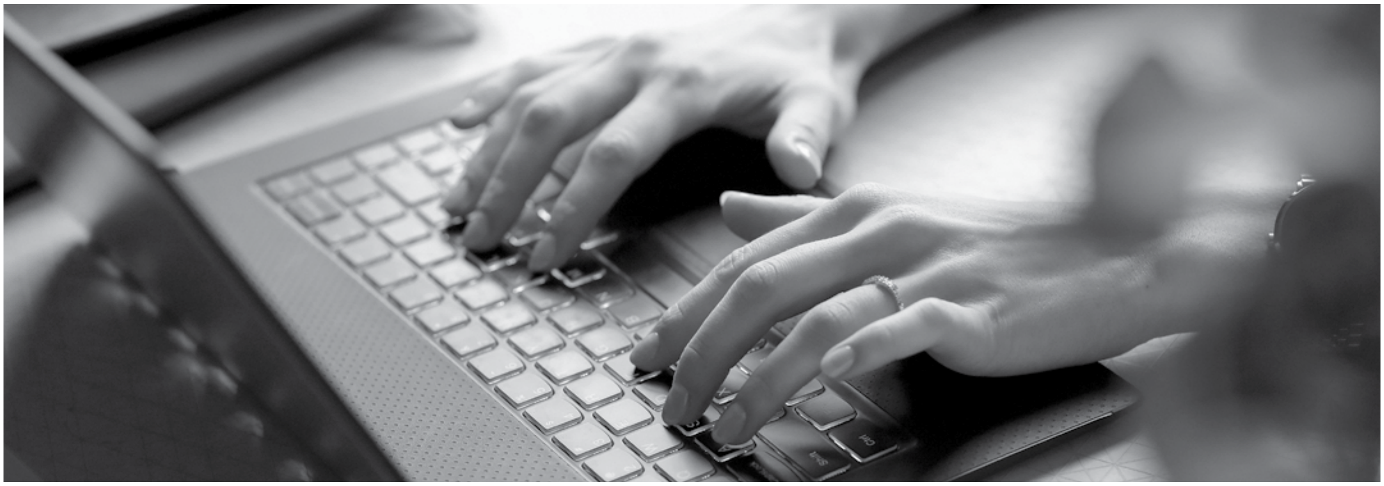

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Employees	The Bank has existing Health, Safety and Welfare Program for its employees.
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Not material to the Bank	Employees	The Bank has existing Health, Safety and Welfare Program for its employees.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
To improve the existing health and safety program for employees	Employees, clients	The Bank has existing Health, Safety and Welfare Program for its employees.

Diversity & Equal Opportunity

Disclosure	
Percent of female workers in the workforce in 2020	65.8%
Percent of male workers in the workforce 2020	34.2%
Ratio of male to female employees 2020	1:1.93
Number of employees from indigenous communities and/or vulnerable sectors 2020	51 senior citizens and PWDs

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Talent acquisition, management, development and retention	Employees	The Bank does not discriminate its employees based on gender, age, indigenous communities, and vulnerable sectors. The Bank has existing policies that requires its employees to adhere and avoid disputes/labor issues.
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
Reputational Risk that may arise from labor issues due to discrimination	Employees, Stockholders/ Investors	The Bank does not discriminate its employees based on gender, age, indigenous communities, and vulnerable sectors. The Bank has existing policies that requires its employees to adhere and avoid disputes/labor issues.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
Acquisition of employees which can increase the economic value of the company	Employees	The Bank uses various sources of employee acquisition wherein every applicant is equal opportunity to apply. The Bank also implements referral incentive program in order to enhance its sourcing of applicants.

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Workplace Conditions Labor Standards, and Human Rights

Disclosure	
Safe Man-Hours in 2020	3,372,120
No. of work-related injuries in 2020	1
No of work-related fatalities in 2020	0
No. of work-related ill health in 2020	24
Number of safety drills in 2020	51

Management Approach Disclosure

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Across all units of the Bank	Employees, Clients	The Bank has an existing Board approved Health, Safety and Welfare Program for its employees. Safety and Security Drills are also conducted to ensure that employees as well as its clients will be protected in case of peril. The Bank also adheres to the work and safety guidelines that is implemented by the government authorities.
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
Safety risks	Employees	The Bank has an existing Board approved Health, Safety and Welfare Program for its employees. Safety and Security Drills are also conducted to ensure that employees as well as its clients will be protected in case of peril. The Bank also adheres to the work and safety guidelines that is implemented by the government authorities.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management Approach**
Improve the safety and security of the employees	Employees, Clients	The Bank has an existing Corporate Security Group which is in charge of conducting the safety drills to be conducted within the Bank. The Security Group also monitors the conduct of safety and security drills. The Bank also adheres to the work and safety guidelines by the government authorities.

Labor Laws and Human Rights

Topic	Quantity	Unit
No. of legal actions or employee grievances involving forced or child labor	0	0

Are there policies that explicitly disallows violations to labor laws and human rights (e.g. harassment, bullying) in the workplace

Topic	Y	N
Forced labor	✓	
Child labor	✓	
Human Rights	✓	
Environmental performance	✓	
Bribery and corruption	✓	

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Across all units	Employees	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.
What are the risks identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.
What are the opportunities identified?	**Which stakeholders are affected?**	**Management approach**
None	None	The Bank adheres to the rules and regulations implemented by DOLE and other regulatory agencies.

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Supply Chain Management

Do you have a supplier accreditation policy? If yes, provide a link to the policy or attach the policy.

(attached: General Services Center Manual for Accreditation of Suppliers)

Topic	Y/N	If yes, cite reference in the supplier policy
Environmental performance	General Requirement for the Satisfactory Rating on Supplier's Stakeholders	Page 1 – SELECTION OF SUPPLIERS/ CONTRACTORS PORTION
Forced Labor		
Child Labor		
Human Rights		
Bribery and corruption		

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Relationship with Community
Significant Impacts on Local Communities

List/Identify operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)	Does the particular operation have impacts on indigenous peoples? (Y/N)	Collective or individual rights that have been identified as particular concerns for the community	Mitigating measures (if negative impact)/ Enhancement measures (if positive)
Blood letting	PBB Annex building	N/A	N/A	N/A	N/A

Every Valentine's Day, the Human Resources Group and PBB volunteers in partnership with the Philippine Red Cross – Caloocan Chapter, observe Blood Letting Day to raise awareness about the importance of donating blood. It also aims to express gratitude to blood donors who play an important role in saving millions of lives and fosters a culture of community-driven initiatives highlighting the benefits of carrying out voluntary and unpaid blood donation campaigns throughout the year.

This year's theme, "Mobile Blood Donation," highlights the underpinning role of voluntary unpaid blood donors in maintaining a safe and adequate blood supply.

The blood donation activity generated 73 blood bags in total.

Customer Management

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management approach</th></tr>
<tr><td>All Business Generation Units (Branches, Lending, Trust, Treasury)</td><td>Clients</td><td rowspan="5">The Bank ensures that the Client welfare are of utmost importance. As such, the Bank ensures that all employees are equipped with training to provide good customer service quality.
Service Quality is also included in the performance assessment of the Bank’s employees.
Further, postings of information needed by the clients are also provided to help them with their concerns.
Customer helplines are also in place to ensure that the needs and concerns of clients are addressed.
The Bank adheres to the regulatory requirements for handling and management of customer concerns.</td></tr>
<tr><th>What are the risks identified?</th><th>Which stakeholders are affected?</th></tr>
<tr><td>None</td><td>None</td></tr>
<tr><th>What are the opportunities identified?</th><th>Which stakeholders are affected?</th></tr>
<tr><td>None</td><td>None</td></tr>
</table>

Health and Safety

Topic	
Number of substantiated complaints on product or service health & safety	20
Number of complaints addressed	20

Substantiated complaints include customer complaints that went through the organization’s formal communication channels and grievance mechanisms, as well as complaints that were lodged with or acted upon by government agencies.

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Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
Not material to the Bank	Not material to the Bank	The Bank has an existing Board approved Health, Safety and Welfare Program for its employees. Likewise, the Bank has a Board approved Consumer Protection Framework for protecting its clients. The Bank commits to resolve the concerns filed to the Bank within the required turnaround time per its internal policy and per BSP requirement. Further, the Bank implements a monitoring system to address the concerns of the clients and its employees.
What are the risks identified?	**Which stakeholders are affected?**	
Not material to the Bank	Not material to the Bank	
What are the opportunities identified?	**Which stakeholders are affected?**	
To improve the standard of service provided to the clients.	Employees, Clients	

Marketing and Labelling

Topic	
Number of substantiated complaints on marketing and labelling?	0
Number of complaints addressed	0

Substantiated complaints include customer complaints that went through the organization's formal communication channels and grievance mechanisms, as well as complaints that were lodged with or acted upon by government agencies.

Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management approach
None reported for the reference period	None reported for the reference period	None reported for the reference period
What are the risks identified?	**Which stakeholders are affected?**	**Management Approach**
None reported for the reference period	None reported for the reference period	None reported for the reference period

What are the opportunities identified?	Which stakeholders are affected?	Management approach
None identified for the reference period	None identified for the reference period	None identified for the reference period

Customer Privacy

Topic	Number
Number of substantiated complaints on customer privacy	0
Number of complaints addressed	0
No. of customers, users, and account holders whose information is used for secondary purposes	0

Management Approach

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management approach</th></tr>
<tr><td>None reported for the reference period</td><td>None reported for the reference period</td><td rowspan="6">The Bank has existing Board approved Data Privacy Protection Framework which implements the protection guidelines for the clients and employees.
The Bank also has an existing Data Privacy Unit that monitors the Bank's compliance with Data Privacy Regulations.
Trainings were also provided to employees for Data Privacy.</td></tr>
<tr><th>What are the risks identified?</th><th>Which stakeholders are affected?</th></tr>
<tr><td>None reported for the reference period</td><td>None reported for the reference period</td></tr>
<tr><th>What are the opportunities identified?</th><th>Which stakeholders are affected?</th></tr>
<tr><td>Company which protects data privacy of its employees and clients attracts prospective clients as well as retain existing clients</td><td>Employees, clients</td></tr>
</table>

Sustainability Report 2020

Data Security

Topic	Number
Number of data breaches, including leaks, thefts and losses of data	**0**

Management Approach

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management approach</th></tr>
<tr><td>None reported for the reference period</td><td>None reported for the reference period</td><td rowspan="6">The Bank has existing Board approved Data Privacy Protection Framework which implements the protection guidelines for the clients and employees.

The Bank also has an existing Data Privacy Unit that monitors the Bank's compliance with Data Privacy Regulations.

Trainings were also provided to employees for Data Privacy.</td></tr>
<tr><th>What are the risks identified?</th><th>Which stakeholders are affected?</th></tr>
<tr><td>None reported for the reference period</td><td>None reported for the reference period</td></tr>
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<tr><td>Company which protects data privacy of its employees and clients attracts prospective clients as well as retain existing clients</td><td>Clients, employees</td></tr>
</table>

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