Philippine National Bank

Panahon Ng Bayanihan

2020 Annual Report

CONTENTS

ABOUT THE COVER

Philippine National Bank reinforces its commitment as a Partner Ng Bayan. Tunay na *Masasandalan. Kahit kailan. Kahit saan.*

Annual Report 2020

Paper used: MOHAWK Navajo Smooth 216 gsm Bright White
FSC-Certified
Paper meets the mark of responsible forestry

Planner Paper White 81 gsm

Ink used: Printed with soy-based ink
Alcohol-free fountain solution

Printer: Velprint
ISO-certified
www.velprint.com.ph

FINANCIAL SUMMARY/ FINANCIAL HIGHLIGHTS

In Thousands Except Selected Ratios, Per Common Share Data And Headcount	CONSOLIDATED		PARENT ENTITY	
Minimum Required Data	2020	2019 (As Restated)	2020	2019
Profitability				
Net Interest Income	**₱35,820,766**	₱32,358,266	**₱34,649,027**	₱29,446,638
Non-Interest Income	**9,731,397**	8,418,662	**8,795,932**	6,073,275
Non-Interest Expenses	**27,909,875**	25,754,826	**25,896,213**	22,158,754
Pre-Provision Profit	**17,642,288**	15,022,102	**17,548,746**	13,361,159
Provision for Credit Losses	**16,882,621**	2,910,182	**16,534,335**	1,593,219
Income Tax Provision (Benefit)	**(1,798,238)**	2,452,307	**(1,945,521)**	2,086,464
Income for Continuing Operations	**2,557,905**	9,659,613	**2,959,932**	9,681,476
Income from Discontinued Operations	**67,583**	101,593	**-**	-
Net Income	**2,625,488**	9,761,206	**2,959,932**	9,681,476
Selected Balance Sheet Data				
Liquid Assets	**₱383,713,521**	₱210,025,681	**₱373,577,904**	₱192,930,640
Gross Loans	**616,060,917**	651,470,434	**601,386,109**	584,084,209
Total Assets	**1,231,133,799**	1,142,290,611	**1,220,201,677**	1,069,205,222
Deposits	**890,287,889**	826,045,480	**893,548,044**	775,841,999
Total Equity	**155,983,008**	154,975,400	**153,244,982**	152,069,646
Selected Ratios				
Return on Equity	**1.69%**	6.89%	**1.94%**	6.97%
Return on Assets	**0.22%**	0.92%	**0.26%**	0.98%
Common Equity Tier 1 Ratio	**14.47%**	14.10%	**12.77%**	12.13%
Capital Adequacy Ratio	**15.14%**	14.80%	**13.44%**	12.83%
Per Common Share Data				
Earnings per Share				
Basic	**₱1.71**	₱7.05	**₱1.71**	₱7.05
Diluted	**1.71**	7.05	**1.71**	7.05
Book Value per Share	**100.13**	99.68	**100.44**	99.68
Others				
Cash dividends declared			**-**	-
Headcount				
Officers			**4,691**	4,318
Staff			**4,380**	4,232

CORPORATE OBJECTIVE

VISION

To be the most admired financial services organization in the country in terms of:

- **Financial performance** – rank #1 or #2 in its businesses in terms of return on equity
- **Innovativeness** – in products, services, distribution and the use of cutting-edge technology
  - o Customer perception
  - o The preferred financial services provider
- **The customer-centered organization** with a passion for service excellence
- **Social responsibility** – the employer of choice, a good corporate citizen and partner in nation-building
- **Long-term vision** – developing competitive advantage on a sustained basis by anticipating changes in customer's preferences and in the manner of doing business

MISSION

We are a leading, dynamic Filipino financial services group with a global presence committed to delivering a whole range of quality products and services that will create value and enrich the lives of our customers, employees, shareholders and the communities we serve.

THE PNB BRAND

For more than a hundred years, Philippine National Bank has established itself as a *"Bangko ng Bayan"*, a stable, reliable, and service-oriented financial institution serving generations of Filipinos anytime, anywhere in the world. We believe in the right to prosperity for all in support of our customers, employees, shareholders, and communities on the road to success and wealth creation.

Our way of service is *"malalapitan"*. We are a customer-centered organization with a passion for financial growth, innovation, and service excellence. We are committed to the highest standard of professionalism and integrity. Our strength lies in our ability to work as an integrated, cohesive entity. We strive to become an employer of choice and a true partner in nation-building.

In 2020, the unprecedented COVID-19 pandemic caused lockdowns and prolonged community quarantines in different parts of the globe. PNB transitioned from *malalapitan* to *kami ang lalapit sa inyo* signifying its efforts in going the extra mile during a time of limited mobility.

We live by the tagline, *"Masasandalan. Kahit kailan. Kahit saan."*

Evolving customer needs propelled the change of our brand message from *You First* to *Masasandalan*. *Masasandalan* is a brand message brought forth by a deeper understanding of customer needs in times of uncertainties. This brand message reinforces that PNB puts the customer at the heart of the financial solutions we offer and embodies our core values such as service orientation *(Mapaglingkod),* trustworthiness *(Mapagkakatiwalaan),* and commitment *(Mapagmalasakit)*.

PNB VALUES

GRI 102-16

Our shared values bind us together and enable us to achieve our vision and mission.

MAPAGLINGKOD (SERVICE ORIENTATION)

We are committed to deliver the best possible service to our customers, proactively responding to their needs and exceeding expectations as manifestation of the value and respect that the Bank holds for every single one of them.

MAPAGKAKATIWALAAN (TRUSTWORTHINESS)

We hold sacred the consistent adherence to a strict moral and ethical code manifested through honesty, professionalism, fairness, prudence, and respect for the law.

MAPANG-AKMA (ADAPTIVE TO CHANGE)

We nurture within each one of us a positive attitude towards change and innovation, promoting flexibility and celebrating creativity as drivers of our quest for continuous improvement and operational excellence.

MAPAGKAPWA (TEAM ORIENTATION)

We are committed to work together as a family, united in pursuit of common goals and aspirations, valuing meritocracy in promoting the common good.

MAPAGMALASAKIT (COMMITMENT)

As stewards not only of the Bank's business, but of its proud name and enduring heritage, we manifest genuine concern and affection for the Bank, its business, and its core constituents.

MAPAGMALAKI (PRIDE)

We take pride in working with the Bank, of being a Philnabanker, in whatever tasks we undertake. This will be reflected in all our actions, in the passion of how we get things done.

BUSINESS MODEL AND SCOPE OF BUSINESS

GRI 102-2, 102-6

Philippine National Bank (PNB), the country's first universal bank, is one of the largest privately-owned Philippine commercial banks. PNB was established by the Government of the Philippines in 1916 and became fully privatized in 2007. As an instrument of economic development, PNB led the industry through the years with its agricultural modernization program and trade finance support for the country's agricultural exports. In addition, the Bank pioneered efforts in the Overseas Filipino Worker (OFW) remittance business and introduced many innovations such as Bank on Wheels, computerized banking, Automated Teller Machine (ATM) banking, mobile money changing, domestic traveler's checks, electronic filing and payment system for large taxpayers, and Unit Investment Trust Fund (UITF) ATMs. PNB has the largest number of overseas offices and one of the largest domestic branch networks among local banks.

PNB's principal commercial banking activities include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, fund transfers, remittance servicing, a full range of retail banking and trust services, and treasury operations. Through its subsidiaries and affiliate, the Bank engages in full banking services in China and the United Kingdom; banking services in Hong Kong; and a number of diversified financial and related businesses such as remittance servicing in the United States, Canada, and Hong Kong; investment banking; life and non-life insurance; stock brokerage; and leasing and financing services.

The Bank provides a full range of banking and other financial services to its customers through its Head Office, 716 domestic branches and 70 overseas branches, representative offices, remittance centers, and subsidiaries in 17 locations in the United States, Canada, Europe, the Middle East, and Asia. The Bank's customers include corporations, small and medium markets, retail customers, the National Government, local government units, government-owned and controlled corporations, and various government agencies.

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

Retail Banking Sector

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

Cards Banking Solutions Group

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

Retail Lending Group

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

International Banking and Remittance Group

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

Institutional Banking Sector

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

Global Banking and Markets Sector

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

Trust Banking Group

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

MESSAGE FROM THE CHAIRPERSON TO SHAREHOLDERS

GRI 102-14, 102-15

Strategic Initiatives

In 2020, we saw the *Bayanihan* spirit come alive among Filipinos as our nation faced health and economic crises with the COVID-19 pandemic. Together with other essential industries, the banking industry faced unparalleled headwinds but despite these, we were united in our goal to give the best possible service to our customers while safeguarding the welfare of our employees.

At Philippine National Bank, we focused on striking a balance between exploring opportunities and effectively managing programs intended to relieve financial pressure on our customers while mitigating credit risk. We strengthened the Bank's liquidity and capital positions and pursued operational efficiencies to prepare the Bank and enable us to actively participate in supporting the economy. To be able to adapt to the changing environment and service our customers effectively, we provided support for our employees by implementing initiatives that make their physical safety and overall well-being a priority. All these efforts, coupled with resilient sources of revenues we sustained in 2020, have allowed us to work on our strategic initiatives for 2021.

The rapidly changing business environment has pushed us to speed up our journey into the digital space. We saw a double-digit growth in the Bank's digital banking enrollment. On February 18, 2021, we launched the new PNB Mobile Banking App. With the new app, our customers can already sign up using their existing savings or checking account number and transfer funds to other PNB accounts through QR code. We likewise improved its user interface for a more convenient customer experience. Along this demand for digital banking, we reviewed our physical Branch network and started to consolidate Branches serving the same market.

We continue to review all the businesses and functions to improve processes, manage costs, and identify opportunities to be more agile as a bank. We centralized common functions such as (a) consolidating our Retail Banking Sector's Cash Management Solutions Division and Institutional Banking Sector's Ecosystem Division to form the new and strong Institutional Transaction Banking Group; and (b) integrating our Retail Banking Sector's Capability Building Department with the Human Resource Group's Institute for Banking Excellence.

Strong Corporate Governance

The Institute of Corporate Directors (ICD) continues to recognize our institution. We received three arrows during the 2019 ASEAN Corporate Governance Scorecard (ACGS) Recognition Day. Likewise, we were cited by the ASEAN Capital Markets Forum (ACMF) as one of the recipients of the ASEAN Asset Class Award for obtaining a score of 97.5 points and above in the ACGS. The ACGS is a questionnaire developed in accordance with the corporate governance principles of the Organization for Economic Co-operation and Development (OECD) as well as best corporate governance practices of major publicly listed companies in the ASEAN.

In addition, PNB became the first universal bank in the Philippines to be certified as gender-equal after receiving its Economic Dividends for Gender Equality (EDGE) Certification (first of three levels) on March 30, 2020, joining a global community of companies and organizations that are committed to workplace gender equality. We committed to undertake the EDGE Certification in 2019 when we became the first local bank-member of the Philippine Business Coalition for Women Empowerment (PBCWE). EDGE is the leading global assessment methodology and business certification standard for gender equality. It measures where organizations stand in terms of gender balance across their pipeline, pay equity, effectiveness of policies and practices to ensure equitable career flows, as well as inclusiveness of their culture.

As part of our objective of integrating Sustainability principles into our business and operations, we have been able to comply with the requirement of BSP by submitting our approved Sustainability Policy and Sustainable Finance Framework.

New Beginnings

We made great strides in completing major milestones. The bank is pursuing plans to dispose low-earning assets to build up the Bank's financial position. The objective is to enable the Bank to realize the value of three prime properties in the most efficient way. This is part of the Bank's long-standing strategy to reduce its low earning assets, improve earnings and strengthen its capital position.

In addition to this, we have confirmed the sale of 100% shareholdings of PNB Holdings Corporation and Philippine National Bank in PNB General Insurers Corporation (PNBGen) to Allied Bankers Insurance Corporation (ABIC) for a total purchase price of Php1.52 billion. With this, we will be able to combine the geographic reach of PNBGen through the Bank's network and the product offerings and expertise of ABIC. Finally, the BSP's Monetary Board approved the conversion of PNB Savings Bank into a holding company, a non-bank corporation, under the new name Allied Integrated Holdings, Inc.

Working alongside the PNB family is a blessing. I am grateful to have been given the opportunity to lead a growing organization. I would like to give the management and employees much deserved appreciation for their hard work and sacrifice. The teamwork, dedication, and compassion continue to delight our customers and stakeholders.

(Original Signed)
FLORENCIA G. TARRIELA
Chairperson of the Board of Directors

MESSAGE FROM THE PRESIDENT AND CEO TO SHAREHOLDERS

Financial Performance

Philippine National Bank (PSE: PNB) closed the year 2020 with net profit before provisions for impairment and taxes of P17.6 billion, an increase of 17% year on year, driven by continued improvement on net interest income and robust trading gains amid the economic downturn due to the pandemic.

PNB's net interest income, comprising 79% of the total operating income, increased by 11% to P35.8 billion, supported by lower funding cost which cushioned the drop in yield rates of earning assets. Interest expense on deposits declined by almost half its year-ago level despite an 8% growth in deposits to P890.3 billion as the bulk of these incremental deposits continued to be in low-cost funds, combined with the reduction in high-cost deposits, partly due to the maturity of P7.0 billion worth of Long-Term Negotiable Certificates of Time Deposit (LTNCDs). On the other hand, interest income on loans and receivables decreased by 6% as the Bank's loan portfolio declined by 9% year-on-year to P600.0 billion. This reflected the weak demand for loans owing to economic uncertainties as well as PNB's strategy to focus on strengthening its liquidity position by investing most of the available funds in short-term and more liquid placements to remain resilient during the pandemic.

The Bank took advantage of favorable market opportunities during most part of the year, resulting in more than three-fold increase in net trading securities gains to reach P3.3 billion from year-ago level. These gains more than compensated for the decrease in net service fees and commission income which was significantly reduced by the general decline in corporate banking transactions. In addition, the Bank waived fees on local interbank transfers and overseas remittances as an affirmation of its commitment to be an institution that can be relied on not only in terms of sustained delivery of financial services but also in easing the financial burdens of its customers in times of crisis.

Growth in operating expenses, excluding provisions for impairment and credit losses, was kept moderate at 8% as the Bank adjusted its expenditure priorities and supported pandemic-related expenses such as supplemental costs for frontline employees supporting the Bank's operations during the quarantine period.

During this pandemic year, the Bank booked P16.9 billion in provisions for credit losses, more than 5x the year-ago level, as a pro-active approach in addressing potential delinquencies that may arise from the impact of the prolonged pandemic. Specifically, the Bank set aside loan loss reserves for severely impacted essential industries such as real estate, transportation, wholesale and retail trade as an anticipatory measure to manage its risk exposures. As a result of the loan loss provisions, net income of the Bank stood at P2.6 billion as of December 31, 2020, 73% lower against previous year.

As of end-December 2020, PNB's consolidated resources aggregated P1.2 trillion, up by 8% from year-ago level. The Bank's Capital Adequacy Ratio of 15.14% and Common

Equity Tier 1 Ratio of 14.47% remained well above the minimum regulatory requirement of 10%.

Panahon Ng Bayanihan

To adapt to the demands of the new normal, we equipped our teams with available technologies and logistical support.

Shortly after the eruption of Taal, we started building our technology infrastructure as part of our emergency preparedness. By the time the community quarantine took effect in March, our key businesses were well prepared to allow most of the employees to work from home. Even before the government ordered the quarantine, we acted swiftly by setting up a COVID-19 Command Center to support businesses operating under the skeleton arrangement and work-from-home policy.

During the quarantine period from March to April, we worked closely with employees on the ground, our front-liners. Through videoconferencing, we reached out to the PNB Branches around the archipelago, as well as colleagues from 70 Branches and offices around the world such as the United States, Canada, London, Japan, Hong Kong, Singapore, Guam, and the Middle East.

Likewise, our other business units have adapted well. Our investment arm, PNB Capital and Investment Corporation, facilitated the initial public offering (IPO) of Merry Mart Consumer Corporation – the country's first IPO to be listed at the height of the pandemic. PNB Capital was the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner for the Php1.6-billion IPO which was twice over-subscribed.

We reinforced our brand promise of being a dependable financial partner with the new tagline, *"Masasandalan. Kahit Saan. Kahit Kailan".* We want more Filipinos to experience seamless banking anytime and anywhere. Our goal is to serve our customers' needs through both physical and digital channels.

While select PNB Branches remained open, we encouraged customers to use online platforms such as PESONet and InstaPay by waiving fund transfer fees. This lessened the need for people to go out of their homes to visit Branches and ATMs. We aim to help slow down the spread of the COVID-19 virus by giving customers options to bank in the safety of their homes.

In honor of our modern-day heroes, our overseas Filipinos, we ran a promo called *"Libre Padala"* from April to May. This promo allowed our *kababayans* in select countries to transfer funds for free to individual PNB deposit accounts in the Philippines through various remittance channels.

As more businesses and corporates look for payments and cash management solutions, PNB continued to improve the PNB C@shnet Plus, our corporate internet banking system. We offer a wide array of cash management solutions that include account management, collections, payroll, disbursement, and trade.

To make access to cash more convenient, we deployed our Bank On Wheels – a vehicle built to be a roving ATM - in densely populated areas of the country. This cash-dispensing facility allowed customers in locked down areas to withdraw much-needed cash at a time when movement was extremely limited.

Our collective response to the pandemic situation was recognized by The Asian Banker. The prestigious award-giving body recognized PNB for being the *"Best Managed Bank During COVID-19"* and for *"Best CEO Response To COVID-19"* in the Philippines during its annual Leadership Achievement Awards. This is a proud moment for us, made possible by the collaboration of all Philnabankers.

Indeed, we have blessings to be thankful for despite a challenging year. On behalf of the Senior Management Team of PNB, I thank our beloved *Kapitan*, Dr. Lucio Tan and his family, our shareholders, our customers, and our employees for supporting the Bank. Our journey to recovery has just started. Hand-in-hand, let us help our national government and the Filipino people rise and get back on track as one nation.

Kami sa PNB ay inyong patuloy na masasandalan kahit saan, kahit kailan.

Maraming salamat.

(Original Signed)
JOSE ARNULFO A. VELOSO
President and CEO

OPERATIONAL HIGHLIGHTS

BRANCH BANKING

At the height of the enhanced community quarantine, Retail Banking Sector's (RBS) Branch Banking Group (BBG) opened at least 50% of its 716 domestic branches daily and ensured the availability of its nationwide network of 1,710 Automated Teller Machines (ATMs) and Cash Accept Machines (CAMs).

Banking procedures and guidelines were supplemented to enable clients to perform financial transactions in Branch premises under the different community lockdown levels. Armed with face masks and face shields, surrounded by protective acrylic barriers, and amid periodic disinfection of offices, BBG's front-liners, the Branch personnel, braved the risks of COVID-19 and steadfastly served the clients while observing strict health protocols. While many Branches remained open, BBG encouraged clients to shift to digital platforms to safeguard their well-being and transact safely from the comfort of their homes. Furthermore, BBG modified their approach on reaching out to clients by tapping social media as a channel for proactively asking about their welfare ("*kamustahan*") or responding to their queries and promoting the Bank's products and services. These efforts, combined with RBS-initiated sales campaigns, have yielded positive results.

To enable Filipinos to conveniently conduct their transactions anytime and anywhere, six Bank On Wheels (BOWs) were deployed everyday around Metro Manila, Luzon, and Cebu, especially in areas where accessibility to cash was limited. BOWs allow clients to withdraw cash, pay bills, and transfer funds. These BOWs were able to serve 1,700 communities during the height of the pandemic. In a spirit of *bayanihan* with our peer banks, 86% of those served by BOWs were ATM cardholders from other banks.

Despite the impact of the pandemic, BBG was able to expand its client base by continuing its Get-Keep-Grow strategy on acquiring new customers, raising deposit levels, and cross-selling products. BBG's relentless efforts translated into solid business results with deposits growing 11% year-on-year.

To reinforce PNB's reputation as the Bank that customers can lean on, BBG is committed to continuously improve customer experience as well as sustain its growth momentum despite the challenges posed by the lingering pandemic and uncertainty on the timing of economic recovery.

716
Branches

1,710
ATMs and Cash Accept Machines

6
Bank On Wheels

1,700
Communities served by BOWs

86%
Other banks' cardholders served by BOWs

CARDS BANKING

The Cards Banking Solutions Group (CBSG) under RBS sustained its earnings in 2020 despite the government-imposed community quarantines, as well as the enactment of the *Bayanihan to Heal as One Act* in March and *Bayanihan to Recover as One Act* in September, and the capping of credit card interest rates to help consumers cope with the crisis. The implementation of community lockdowns caused credit card usage to decrease as customers lessened their activities outside their homes in observance of safety protocols. Although credit card activities decreased starting April 2020, total gross revenues slightly increased. During the year, the share of online credit card transactions to total transactions increased by double-digit. Likewise, debit card transactions went up as cardholders used their debit cards to transact online for their necessities. Online bank transfers similarly increased as customers opted for the much safer cashless payment transactions.

In 2020, CBSG launched the PNB Ze-Lo Mastercard, a credit card with zero annual fee, zero overlimit fee, and low finance charge. This product aims to capture customers who want a basic credit card that offers flexibility for their daily finances. A partnership was also forged with La Salle Green Hills Alumni Association (LSGHAA) to offer its members a co-branded card. In addition to these, CBSG implemented mass migration to electronic Statement of Account (eSOA) in February 2020. This proved to be timely as delivery constraints were experienced as a result of the community quarantines. Another initiative of the Group included the launch of an acquisition rebate program to entice new-to-bank online credit card applications. This launch was supported by a digital campaign.

To keep the cards relevant to customers, CBSG partnered with online merchants that are essential to cardholders such as food delivery, groceries, medical consultation, shopping platform, and pet supplies. The Group also introduced 0% transaction conversion for groceries, hospitals, and medicines during the enhanced community quarantine. New major partnerships with Shopee, FoodPanda, and Caltex were also made to further boost card usage and billings.

CBSG has proven its commitment to being *masasandalan* as it participated in the PNB *Bigay Tulong* Program, an employee-giving campaign, to help the Bank's outsourced personnel whose livelihoods were adversely affected by the enhanced community quarantine. Through this campaign, Philnabankers can donate using their PNB Credit Card or their credit card rewards points.

During the year, CBSG also received a Silver Anvil from the Public Relations Society of the Philippines (PRSP) in its 55th Anvil Awards. The award recognized the excellence in communications and public relations of CBSG in promoting the PNB-PAL Mabuhay Miles Debit Mastercard.

OPERATIONAL HIGHLIGHTS

INTERNATIONAL BANKING AND REMITTANCE

With a wide network of 70 overseas offices and 121 overseas agents and tie-up partners, the International Banking and Remittance Group (IBRG) continues to capitalize on its global footprint in Asia, Europe, Middle East, and North America. Overseas offices effectively cater to the needs of Filipinos worldwide, from providing a convenient and secure remittance service, to full banking facilities (in selected jurisdictions), overseas bills payment, deposit account opening, corporate credit and trade, and consumer financing facility via the Own a Philippine Home Loan (OPHL).

PNB remains steadfast as a *masasandalan* partner of overseas Filipinos, more so in times of crisis. Early in 2020, IBRG extended debt relief to OPHL clients and waived charges on remittances made to charitable institutions. In honor of Modern-Day Heroes, the Bank also launched a *"Libre Padala"* promo that allowed overseas Filipino workers (OFWs) to transfer funds credited to individual PNB deposit accounts in the Philippines through various remittance channels free of charge from April to May 2020. More than 100,000 OFWs availed of this special treat from PNB.

70 Overseas Offices

The Bank's overseas offices continued to provide services while strictly implementing and enforcing public health directives and protocols on COVID-19 to ensure the health, safety, and welfare of its personnel and clients. On the domestic front, IBRG spearheaded the *"PNB Bigay Tulong Para sa OFWs"* outreach program that delivered relief goods to thousands of displaced OFWs in cooperation with the Blas Ople Center and the Philippine Coast Guard.

IBRG adapted to the new normal by reinforcing alternative and safe modes of sending remittance and accelerating the development of its digital channels. In 2020, the Group enhanced its web remittance platform in the United Kingdom and started offering clients based in the United States a mobile application through its accredited agent, Xchanged. A mobile remittance application is set to be launched in other overseas locations in the coming year. With this new service, clients can conveniently and securely perform their transactions anytime and anywhere.

Furthermore, IBRG strengthened its presence, leveraging on online channels, social media, and various partnerships. The Group conducted virtual bank orientation programs, financial webinars, and engaged both local and international organizations. IBRG collaborated with the Philippine Bayanihan Society in Singapore, Bahay sa 'Pinas, and Alexander Anderson Group in the United

States to promote the Bank's services to existing and new clients. Product advertisements were likewise placed on known platforms like The Filipino Channel and Atin Ito, the longest running Filipino community newspaper in Canada.

Meeting clients' needs continued to be a priority as IBRG onboarded more merchants in 2020, making key utility companies, schools, and insurance providers available for overseas bills payment. Other ongoing product enhancements and process improvement initiatives are expected to fortify IBRG's service delivery in line with its commitment to serve the nation's Modern-Day Heroes.

RETAIL LENDING GROUP

The significantly high unemployment arising from the economic downturn caused by the pandemic created huge impact on the consumer credit arena. The Bank braced itself by undertaking specific counter measures depending on the kind and extent of the impact on each of its consumer segments as well as tightening of credit evaluation to prevent asset deterioration.

While the Retail Lending Group (RLG) experienced a slowdown in loan booking amid tepid demand for consumer financing, the Group continued to turn in modest revenue for the year.

To alleviate the plight of its clients during these challenging times, RLG also reached out to them to offer a temporary debt moratorium in line with the implementation of Bayanihan Acts 1 and 2.

The COVID-19 crisis accentuated the importance of digital technology. As a true *masasandalan*, RLG responded to the challenge by launching the Auto Loan Calculator that allows borrowers to choose the best payment option for their loan. The Group is currently developing the Auto Loan Onboarding platform that will enable borrowers to apply for an auto loan in the comfort of their homes. Likewise, RLG will soon offer the Home Loan Calculator and the Home Loan Onboarding for a better loan application experience.

With the economy's imminent recovery, RLG's initiative of automating its loan processes, from origination to booking, will surely boost its consumer loan business and improve customer experience.

GLOBAL BANKING AND MARKETS SECTOR

Global Markets Group

Global Markets Group (GMG) is composed of four (4) divisions, namely: Trading, Asset Liability Management, Sales and Business Support. The Group aims to offer diversified banking solutions to cater to client's needs, manage risks, and optimize the balance sheet, supported by a robust internal control framework and operating within the set risk limits of the Bank.

The rise of the pandemic has broadened the goals of GMG for the year. The Group did not just target growth coming from the FX franchise business, supported by strong balance sheet management and trading, but also prioritized helping clients navigate through this pandemic.

- The Trading Division helped in riding the waves of volatility to shield the Bank from the negative impacts brought about by COVID-19. This was achieved through calculated risk taking, coupled with impeccable anticipation of client requirements. In November, PNB was awarded by the Bureau of the Treasury as one of the Top Government Securities Eligible Dealers for 2021, a testament to how Global Markets Group supported nation-building through its activity in the Philippine Fixed Income market in 2020.
- The Asset Liability Management Division's main thrust since the pandemic hit was to ensure the stability of the PNB franchise. The Division led collaboration efforts with other Bank units to make sure that

OPERATIONAL HIGHLIGHTS

liquidity and funding remain robust, ensuring that PNB is prepared to take on uncertainties during the year. To complement this, the Division maximized deployment through stable investments that balance credit risk, yield and gapping objectives. This helped ease the interest income impact of the low interest rate environment.

- The Global Markets Sales Division was geared towards exponential growth in 2020, as the Division focused its attention on the FX Franchise business. The efforts put in late 2019 to early 2020 and the resilience showed since the imposition of community quarantines in the Philippines have mitigated the adverse impact of the decrease in volume from existing clients. Even during this challenging year, the Division onboarded new clients for Global Markets to support our FX flow business. To top it all, PNB's Fixed Income Brokerage was awarded as the Top Brokering Participant by the PDS Group in 2020.

The focal point in 2020 is helping PNB's clients during these difficult times, reaching out to them virtually to lend its expertise and guidance. Moreover, the Group was able to surpass its P&L goals for the year and is confident that its FX Franchise Business will continue to provide stable, low risk, and recurring income. With GMG's collaborative mindset, market knowledge, and experience, the Group will continue to drive more productive results and strengthen partnerships with our clients.

Wealth Management

Wealth Management Group (WMG) under the Global Banking and Markets Sector is the Bank's investment distribution group that caters to individuals (high net worth and retail). The Group helps clients plan for their financial future by developing a diversified investment portfolio based on the client's financial condition, risk tolerance, and knowledge of financial markets and products. The Group works closely with other Bank units and subsidiaries such as the Retail Banking Sector, Institutional Banking Sector, Global Markets Group, Trust Banking Group, PNB Capital, PNB Securities, and Allianz PNB Life in offering investment products including fixed income securities, mutual funds, unit investment trust funds (UITFs), single pay insurance, and other investment vehicles.

The outbreak of COVID-19 forced the market and its participants to shift to digital, enabling trading and capital markets activities to reach historical highs even amidst the pandemic. WMG swiftly adapted and was at the forefront in working with the Philippine Depository and Trust Corporation (PDTC), Securities and Exchange Commission (SEC), and product partners to ensure that client servicing was not disrupted even at the height of the enhanced community quarantine. With these initiatives, the group's Asset Under Management and distribution volume registered a healthy growth year on year. But focus has always been on client needs, as such the group constantly engaged clients for market briefings and portfolio updates and held teach-ins with PNB Branches through approved virtual platforms. Collaboration with PNB Research was also done for the economic briefings and coffee talks with clients and branches.

Financial Institutions

PNB's Financial Institutions Division (FID) under Global Banking and Markets Sector focuses on correspondent banking relationship with foreign and local banks, bank-affiliated leasing companies, financing companies, top cooperatives, savings & loan associations, and top insurance companies. Its business objectives include capturing funding requirements, deposits; fee-based and other income from the Bank's cash management products and trade services; providing customized financial solutions to clients; and ensuring the availability of alternative funding source for PNB specifically through trade advance facilities of foreign banks.

The Division employed a more proactive and tightened approach in managing credit risk amidst the COVID-19 pandemic. To protect the quality of its portfolio and to practice sound risk management, FID evaluated the vulnerability and resiliency of its clients in their respective industries. Sensitivity analyses were also conducted to gauge the impact of the crisis to the Bank's business goals. In spite of limitations borne by the challenging environment, the Division was able to achieve its loan level and fee-based targets by end-2020.

PNB continues to fulfill its role as a reliable financial partner of government agencies through the initiatives of FID and its collaboration with Bank units. In October 2020, a system enhancement and process improvement were implemented for the crediting of 900,000 pensioners' PNB accounts via PesoNet.

Multinationals

The Multinationals Division was established in late 2019 to serve the financial requirements of the continuously growing market segment comprised of multinational companies (MNCs), primarily, business process offshoring (BPO) firms and companies in the special economic zones.

Proactively tapping the BPO and MNC industries remain to be the main strategy in 2020. The pandemic has presented challenges to the Division's ability to expand its clientele as switching bank partners became the least priority of most businesses. However, by embracing digitalization and collaboration, the Division onboarded and reactivated clients during the year. Client calls were replaced by alternative means of reaching out to through technology and professional networks. The Division was able to demonstrate to clients their eagerness to do business and, at the same time, help both prospective and existing clients cope with their day-to-day banking needs. The Division has been constantly collaborating with product owners in the Bank to create a needs-based corporate client suite, not just offering payroll solutions, but including employee personal credit cards as well.

INSTITUTIONAL BANKING SECTOR

While the COVID-19 pandemic dampened global economies and caused the world to grind to a halt in 2020, Institutional Banking Sector (IBS) remained resilient and succeeded in mitigating the impact of the anticipated downswing in economic activity on its business. The pandemic necessitated a shift in business posture, from lending growth to a credit–intensive portfolio management, designed not merely to safeguard the Bank's loan book, but also to help borrowers go through the crisis. Despite this, the Sector was able to

OPERATIONAL HIGHLIGHTS

maintain the same level of loan average daily balance (ADB) against the previous year.

As the world moved into lockdowns for most part of the year, IBS quickly crafted a carefully calibrated framework to guide the Sector in managing loan exposures and effectively handling overall relationships. IBS piloted a thorough assessment and classification of all clients based on financial resiliency and industry vulnerability that allowed the Sector to refocus on resilient accounts and identify borrowers in vulnerable industries to aid in nursing these relationships back to health.

IBS also implemented several internal strategies to swiftly adapt to the changing business landscape. As the Sector's priorities shifted from deal-making to remedial management, its Deal Execution Team (DET) was repositioned as the Structuring and Execution Division (SED). SED's primary objective is to help the Sector's COVID-impacted clients (deemed as "survivors") realign loan payments while ensuring maximum collection for the Bank. Aside from closely monitoring past due and non-performing loan accounts, SED also assists the entire Sector in keeping abreast with new regulations that have been implemented in relation to the pandemic.

In addition to SED, the Institutional Transaction Banking Group (ITBG) was created under the IBS from the consolidation of the Bank's Ecosystem Division and Cash Management Solutions Division (CMSD) for a more efficient delivery of end-to-end financial solutions for clients. ITBG's main thrust is to deliver incremental growth in deposits and fee-based income through cash management, innovative solutions, credit programs, and trade. ITBG spearheaded significant improvements in 2020, such as replacing the Bank's current cash management system with an upgraded application, PNB C@shnNet Plus, where payments and collections modules were incorporated to prioritize and support the requirements of the Bank's institutional clients during the pandemic.

The Group also intensified efforts to market and enroll corporate clients in PNB C@shnet Plus where onboarding of clients posted a 27% growth year-on-year. Overall, cash management engagements translated to a 36% growth in the CMS CASA portfolio year-on-year.

On top of PNB C@shNet Plus, ITBG also launched Phase 2 of Corporate Account Portal System (CAPS) which completes the end-to-end process of account opening from bulk account number generation to automated ATM card requisition and linking. The Group also enhanced the collection process of the Bank's Corporate Cash Accept Machine (CCAM) by including automated crediting of funds and provincial cash center servicing, which helped address the urgent collection needs of corporate clients amidst the various stages of quarantine. Existing credit programs and trade business were revisited and realigned with the working parameters of the Bank's post-COVID credit standards, such as shifting the focus from Import Letters of Credit (LCs) to Standby Letter of Credit (SBLC) issuances in response to the government's Build, Build, Build Program. Finally, ITBG also took advantage of the temporary slowdown in the Group's trade and credit program activities to further empower its salesforce by conducting in-depth trainings and seminars.

2020 likewise saw the achievement of multiple milestones for IBS. The Sector successfully implemented several digitization initiatives to streamline transactions and guarantee that day-to-day processes can be done remotely, allowing employees to continue working from home even as several other lending institutions have reported back onsite.

A special task force was also put in place to develop recovery scenarios to ensure that IBS is adept for new normal ways of doing business, such as transitioning to a low touch economy where physical interactions are kept at a minimum.

DIGITAL INNOVATIONS GROUP

With the onset of the COVID-19 pandemic, it became essential for the Bank to use technology to simplify and improve practically every component of its customers' financial needs as well as increase the amount of noise in the marketplace and across all digital platforms and channels that PNB is the bank you can lean on.

The Digital Innovations Group's (DIG) aim is to humanize PNB's digital banking experience by satisfying customer demands for a more engaging, meaningful, and improved banking experience. The Group was able to implement and operationalize customer experience (CX) to provide recommendations to the various business units of the Bank. DIG has combined the use of technology and marketing data to build a comprehensive view of its customers with the objective of truly understanding their lifestyle and creating customized / personalized products and services.

DIG spearheaded and helped introduce new products and to enhance existing banking services that allowed customers to be more independent, mobile, and free to do their banking transactions anytime, anywhere. The goal is to provide more digital customer touch points to increase the Bank's accessibility. As PNB increased its total number of ATMs and CAMs nationwide, DIG complemented this initiative by improving the Bank's Website, Mobile Banking, and Digital Banking platforms. In addition to this, the Group facilitated the implementation of new products and services relevant under the new normal. PNB's Virtual Card creates a secure payment tool for customers to do their online shopping transactions; PNB Loan Calculator offers customers the independence to determine their own ability to secure and make loan payments; PNB Online Payment for Appraisal Fees provides a new and convenient payment channel; and the revamp of PNB's Global Filipino Hub, PNBayani, offers a more efficient channel for OFWs to learn and do their banking transactions with PNB.

As a result, DIG was able to increase the Bank's total number of accounts enrolled to digital banking by 42%, with active users at 62%. The growth in the number of users translated to significant growth in financial transaction count and volume, increasing by 215% and 124%, respectively. InstaPay, one of the top transaction contributors, grew by 1,003% in terms of transaction count and by 532% in terms of transaction volume. These numbers clearly indicate how PNB Digital Banking helped its customers adopt to the new normal.

By being customer centric and mindful of all touchpoints in the customer journey, the Bank was able to find the right balance between the need for technology / digital platforms and human intervention to address customer demand for remote banking. It has prevented the alienation of its existing and more matured customer base and attracted a more youthful, digital savvy customer base. Ultimately, DIG's initiatives for CX and implementation of digital platforms as well as its collaboration with various Bank units have

OPERATIONAL HIGHLIGHTS

resulted in an increase in customer engagement, higher recommendation rate (leads), a higher share of deposits, and an increase in customer portfolio of new products and services from the Bank.

TRUST BANKING GROUP

PNB's trust banking operations began in 1952 and since then, has always been esteemed as a pioneer and leading player in the trust business. With nearly seven decades of expertise under its belt, Trust Banking Group (TBG) continues to provide clients with the right tools that will help them achieve their business and personal goals.

The Group offers a full range of trust, agency, and fiduciary products and services designed for a broad spectrum of market segments. Its personal trust products and services include personal management trust, investment management, estate planning, guardianship, life insurance trust, and escrow. Corporate trust products and services, on the other hand, include corporate trusteeship, securitization, portfolio management, administration of employee benefit plans, pension and retirement plans, and trust indenture services.

One of the strongest trust entities in terms of fiduciary services, the Group is known for its participation in the completion of major securitization deals and involvement in various initial public offerings acting as receiving agent as well as transfer agent.

TBG also manages a number of Philippine Peso- and US Dollar-denominated Unit Investment Trust Funds (UITFs) that are suited to meet every client's financial status, investment goal, risk appetite and investment horizon. These include money market funds, bond funds, balanced funds, and equity funds. For conservative investors who are looking for stable and liquid investments, the Group offers the PNB Prime Peso and Dollar money market funds which provide better returns than time deposits since these are invested in deposit instruments and government securities. For moderate type of investors who can tolerate a reasonable degree of risk in exchange for potentially higher returns, TBG offers the PNB Intermediate Term Bond Fund and Dollar Profit Fund which are invested in 100% fixed income instruments such as deposits, government securities, and corporate bonds. For moderately aggressive investors who are experienced to understand that capital growth can be achieved by taking on more risks on

DIGITAL BANKING

42% increase in number of accounts

62% increase in active users

215% increase in transaction count

124% increase in transaction volume

INSTAPAY

1,003% increase in transaction count

532% increase in transaction volume

portions of their investible funds and prefer a diversified investment, the Group offers the PNB Balanced Fund, a product combination of the high growth potential of the equities market and the stability and income-generating capability of fixed income instruments. For more aggressive investors who want to invest in the local stock market, TBG offers the PNB High Dividend Fund which is invested in companies listed in the Philippine Stock Exchange (PSE) that have an established history of paying dividends and have high dividend yields. In addition, PNB Phil-Index Tracker Fund is also available to clients, who aim to invest in all of the securities that make up the Philippine Stock Exchange Index (PSEi), using the index weighting in order to track/mimic its performance. Likewise, the Group offers the PNB Equity Fund, an actively managed equity fund which invests in issues listed in the PSE, particularly stocks that are resilient to the COVID-19 pandemic.

TBG's total Assets under Management increased by 61% by end-December 2020 as the Group successfully positioned itself as a major player in the trust banking industry. The Group also recorded a hefty increase in its UITF volume, up by Php7.73 billion or 48% in 2020.

TBG supports the Bank's business by leveraging on its unique UITF products and by taking advantage of the digital boom through its UITF Online Facility, the only end-to-end facility of its kind in the market today. This system allows clients to enroll, invest, and redeem funds through the internet or mobile phones, eliminating the need to visit a PNB Branch. With this facility in place, clients can also conveniently open an Auto Invest Plan with PNB where a portion of their savings can be allocated to their PNB UITF product of choice. To respond to clients' needs, TBG will also be part of the Personal Equity Retirement Account (PERA) ecosystem as it is scheduled to launch its own PNB PERA fund soon.

Masasandalan. Kahit kailan. Kahit saan.

COVID-19 COMMAND CENTER

As the COVID-19 situation evolves, the length of time that this pandemic will unwind remains uncertain. The Philippines continues to navigate its way of expanding the country's testing and vaccination capabilities, and there is a need to regularly assess the impact of the uncurbed spread of the coronavirus as PNB continues to provide essential banking services.

On March 17, 2020, the Philippine government imposed an enhanced community quarantine (ECQ) across the nation which presented the Bank with the extraordinary challenge of operating under a very difficult environment arising from (a) implementing minimum health safety protocols in the workplace; (b) operating multiple work arrangements such as split sites and work-from-home (WFH); (c) operating on a skeletal force due to constraints on mobility and to limit exposure; and (d) shortened hours for various banking services.

In response, PNB established the COVID-19 Command Center to operationalize an effective and safe environment to conduct its business amidst the pandemic's threats. The command center is composed of the Bank's senior executives forming the Senior Management Response Team with the head of Operations Group driving day-to-day tactical initiatives.

The COVID-19 Command Center focuses on key result areas:

Customer Management

Through wide communication channels, PNB provides daily updates on schedule of Branches that are open during specific periods. Closer monitoring of ATM availability is reinforced to ensure that clients' access to cash is not disrupted. Moreover, mobile access to cash through six BOWs are deployed in Metro Manila and critical provinces to reach out to the communities without convenient access to ATMs.

In addition, fees and charges for digital banking transactions, remittances, and over-the-counter inter-branch transactions were waived in support of the financial relief measures promoted by government, including two editions of the Bayanihan law: "Bayanihan to Heal as One Act (RA 11469) from March 17 to June 30, 2020 and Bayanihan To Recover as One Act (RA 11494) from September 15 to December 31, 2020 where the Bank offered a grace period ranging from 30 to 60-days on the borrower's principal and/or interest payments.

Human Resource Management

To provide financial relief to employees, PNB released its payroll and 13th month pay in advance and granted Daily Special Incentive Allowance to each employee who reported to the office or Branches during the ECQ. To ensure continuity of critical onsite operations, stay-in and offsite accommodations were arranged for skeletal personnel. Moreover, all units in the Bank have designated Flu Managers where all employee concerns such as health, safety, and productivity are raised.

A well-structured Return-to-Work policy seamlessly enabled re-entry of personnel to PNB offices and Branches after proper health checks were conducted by safety officers on the ground. IATF and / or RapidPass IDs were issued to facilitate passage through checkpoints when reporting to / from the workplace.

Banking hours were shortened in coordination with various local government units (LGUs) and regulatory bodies. Both client-facing personnel and onsite support are equipped with minimum personal protective equipment (PPE) and plastic barriers are in place. A "No Mask, No Entry" policy is mandated and visual reminders are displayed to enforce physical distancing. Isolation tents are manned by healthcare personnel. To further prevent and control infection risk, daily sanitation and scheduled disinfection are conducted.

Meanwhile, designated employees were deployed to work from home (WFH) or to an alternate site, subject to the Bank's telecommuting policy and security access protocols.

Masasandalan. Kahit kailan. Kahit saan.

Self-quarantine is imposed for employees with travel history at specific countries and local areas. Daily health screening determines medical clearance prior to returning to work. For personnel who are classified Suspect, Probable, or Positive cases, contact tracing is conducted and coordination with accredited hospitals for check-up is done.

For the employees' physical health and peace of mind, PNB's accredited health care provider included COVID-19 related hospitalization expenses in the employees' health care coverage. The Bank's Human Resource Group (HRG) also set up a mental wellness hotline where employees can speak with a Certified Psychosocial Support Facilitator to help relieve their stress or anxieties. Other health-related crisis hotlines, manned by accredited doctors, were also shared to employees. Another type of hotline set up is called the COVID-19 Care Hotline. The hotline responds to employees who have concerns about encountering other employees who have been diagnosed as COVID-positive. This initiative allows HRG to closely monitor the situation and help lessen the anxiety of employees.

As for training and capability building activities, HRG quickly shifted from classroom trainings to live webinars. 13 webinars were held which focused on mental health. New programs were designed and conducted such as *Self-Management in Times of Crisis* and *PNB@Home: Making Work-from-Home Work* to help employees cope with and thrive during the pandemic.

Finally, a fundraising campaign was organized to support the Bank's outsourced personnel such as messengers, cleaners, drivers, and security guards whose livelihoods were severely affected by the ECQ.

Corporate Security

As early as February 2020 prior to the outbreak of the pandemic, the Corporate Security Group (CSG) had already conceptualized an anti-COVID battle plan which is a surgical response for various community quarantine scenarios. This strategy includes situational reporting, response teams deployed in PNB offices, intelligence tracker teams that facilitate data gathering and coordination with law enforcement agencies, and schemes to ensure business continuity.

A first in the history of PNB, CSG's Contact Tracing and Intelligence Gathering Team delivered results within two to three hours of Suspected and Probable cases of COVID. Due to this impeccable turnaround time, first generation close contacts of COVID-positive personnel were alerted thereby preventing a possible transmission of the virus.

In addition to these, security awareness training programs for security personnel and employees were conducted online through the Bank's videoconferencing facility. This initiative not only generated cost-savings but also widened the reach of the information campaign to a greater number of virtual audiences.

Conceptualized an anti-COVID battle plan

24/7 support for critical Bank users

Prioritized the safety and welfare of Bank personnel and customers

Advisories communicated through the Bank's online platforms

Information Technology Management

Configuration of devices for remote access to support WFH arrangements are in place which enabled the Bank to quickly shift to telecommuting. To aid the business in case of technical issues that may be encountered, 24/7 support is provided by the Bank's Information Technology Group (ITG) for some critical users on remote access. Furthermore, ITG ensures that its service providers are equipped to ensure constant delivery of committed services.

Scheduled technical activities are regularly conducted to ensure stable performance and security of applications and systems. The Bank's Enterprise Information Security Group (EISG) regularly monitors attempts to cyber-attacks, deploys necessary tools and response to cyber intelligence and incidents, and coordinates with ITG to address WFH security or access-related issues.

Process and Business Function

Changes in business and process functions were immediately implemented to adopt to regulatory and IATF issuances in response to COVID-19, keeping the safety and welfare of Bank personnel and customers top of mind. These include but are not limited to adjusted operating cut-off hours, shortened banking hours, and flexible workflows to facilitate regular business operations.

Teleconferences are encouraged not only for business unit-initiated discussions, but also for Board level meetings. Bank employees, including its directors, and management teams, are equipped to conduct virtual meetings. In like manner, designated personnel have the capability to access necessary applications / systems remotely while on a WFH set-up to continue the Bank's critical services.

Meanwhile, to ensure availability of cash and ATM services, IATF and / or RapidPass IDs were issued to the Bank's service providers for ease of transportation and loading of cash. PPEs, transportation, hazard allowance and financial assistance were also provided to money sorters.

Masasandalan. Kahit kailan. Kahit saan.

Supplier and Vendor Management

Vendor / supplier business continuity plans (BCP) are continuously being secured and assessed while government requirements, such as the IATF ID and BSP Certification, are also relayed to the same.

Meanwhile, third-party service providers regularly conduct building sanitation and disinfection at all Branches and office premises. Service of food concessionaires continued to provide necessities to the skeletal workforce force. In preparation for lockdowns, essential food and non-food supplies are maintained.

Finally, Bank car shuttle services are utilized to help the skeletal workforce travel to and from the workplace.

Communications and Timing Management

Uninterrupted banking services and operations are made possible with the help of a cross-functional and dedicated contingency team who ensures proper and timely response to issuances, regulations and/or circulars released by the regulatory authorities and appropriate government agencies.

Across key areas, daily information on COVID-19 updates, advisories, and government pronouncements is communicated through available online platforms. Additionally, the Bank's Communications Team is also tasked to convey directives of regulatory bodies, specifically those pertaining to operating conditions and operational changes, such as early cut-off times, shortened banking hours and other relevant banking policies. Likewise, regular communications to clients are designed to cascade the regulatory directives that will affect the client's banking activities, such as waiver of fees/ charges, extension of credit card due dates, and other information essential to the Bank's clients.

Finally, internal policies and procedures are also established and cascaded to employees to ensure timely compliance and safety operations while remaining transparent, efficient, and functional in responding to the needs of the clients and the public in general.

Masasandalan. Kahit kailan. Kahit saan.

On July 22, 2020, PNB celebrated its 104th anniversary, using a digital platform for the first time with the theme, *Masasandalan sa Anumang Pagsubok ng Bayan.* The anniversary highlighted not only the achievements and milestones of the Bank's workforce but also their dedication and commitment. This event was able to promote employee engagement and wellness as well as raise funds to support the community during the most challenging of times.

AWARDS AND RECOGNITION

ASEAN Corporate Governance Scorecard

PNB was cited by the ASEAN Capital Markets Forum (ACMF) as one of the recipients of the ASEAN Asset Class Award for obtaining a score of 97.5 points and above in the 2019 ASEAN Corporate Governance Scorecard (ACGS).

The Asian Banker Leadership Achievement Awards

PNB was honored by The Asian Banker with “Best Managed Bank and Best CEO” during its annual Leadership Achievement Awards. The prestigious award was given to the Bank for demonstrating excellence on its response to the challenges brought by the enhanced community quarantine imposed due to the COVID-19 outbreak.

ACGS Golden Arrow Awards

PNB was recognized for being one of the awardees of the ACGS Golden Arrow for 2019. The Golden Arrow is awarded to Publicly Listed Companies (PLCs) and Insurance Companies (InsCos) that achieved the scores of at least 80 points in the 2019 ACGS Assessment.

Anvil Awards

The Public Relations Society of the Philippines (PRSP) recognized the PNB-PAL Mabuhay Miles Debit Mastercard with a Silver Anvil during the 55th Anvil Awards' *Gabi ng Parangal*.

Asiamoney Leaders For Women Survey

PNB was recognized as a “Leader for Women” by Asiamoney in its Women In Finance supplement.

Asiamoney Best Bank Awards

PNB was honored by the Asiamoney with “Best Bank for Corporate Social Responsibility (CSR) in the Philippines” during its annual Asiamoney Banking Awards.

Government Securities Eligible Dealers – Market Makers Awards

The Bureau of the Treasury (BTr) recognized PNB as one of the Government Securities Eligible Dealers (GSED)-Market Makers for 2021.

FinanceAsia Achievement Awards

PNB Capital and Investment Corporation was recognized for having one of the “Best Deals of South East Asia” by the FinanceAsia Achievement Awards for its role in the AREIT's Php12.3 billion ($253 million) IPO.

The Asset Triple A Infrastructure Awards

PNB Capital and Investment Corporation received an award for “Best Transport Deal of the Year”, recognizing the Atlantic Aurum Investments Philippine Corporation Php41.2 billion facility.

PLANS FOR 2021

As PNB continues to operate in a business landscape that has been radically transformed by the COVID-19 pandemic, the focus for 2021 will be to implement strategic initiatives anchored on responding effectively to the changing customer behavior, enhancing the Bank's revenue streams with the expected economic recovery, and reducing costs aimed at improving operations efficiency.

The Bank's brand promise, *"Masasandalan, Kahit kailan, Kahit saan,"* will be the anchor in all customer-centric endeavors. True to this commitment of ensuring that its customers have a fulfilling banking experience, anytime and anywhere, PNB will further enhance its products and services across multiple channels by strengthening its digital technology capability to make end-to-end banking seamless for the customers. Along this line, the Bank will continue to accelerate client-onboarding to mobile and internet platforms to facilitate online transactions and payments for purchases of goods and services from merchants.

To thrive in the new normal, the Bank will also undertake tactical action plans to tap new business opportunities. In this regard, PNB will continue with its disciplined prospecting in expanding its business and increasing its market share by using economic and market factors, and big-data analytics. Similar to the previous year, credit growth will be sustained for those firms belonging to essential sectors and industries critical to function during community quarantines as well as to those that will thrive in the new norm. The Bank will also take advantage of its strong presence in the provinces in beefing up its deposit-taking and lending activities. In crafting the strategies for its business segments, PNB will pursue its goal of being the "go-to Bank" of clients with its wide array of product and service offerings designed to meet their specific banking needs and bring banking at their fingertips.

Cognizant that it is not only enough to identify new revenue sources in a highly competitive industry but also to operate in an efficient and effective manner at minimal cost, PNB will continue to exert efforts in transitioning to a paperless organization. Operational resiliency will be strengthened by embracing more automation and technology-driven processes as well as developing dynamic capabilities that translate to organizational agility and business growth. Likewise, the Bank will ensure that robust corporate governance and risk management frameworks are in place as it undertakes initiatives that will drive business and profitability.

MESSAGE FROM THE BOARD AUDIT AND COMPLIANCE COMMITTEE CHAIRMAN

Edgar A. Cua

Director

The Board Audit and Compliance Committee (BACC) of Philippine National Bank is a standing committee of the Board of Directors. The Committee has prepared this report with the purpose of evaluating its operations and organization in 2020.

For the year 2020, the Committee was composed of three (3) members, who are all independent directors and are highly qualified business professionals with excellent educational credentials and hold a broad range of expertise in the areas of accounting, auditing, financial management, and related banking practices that provide value to the strengthening and upholding of good governance practices in the Bank.

During the year, the Committee held fourteen meetings – eleven regular meetings and three special meetings wherein the Committee ensured the fulfillment of its duties and responsibilities to:

- Oversee the financial reporting framework to ensure generation and preparation of accurate and comprehensive information and reports;
- Monitor and evaluate the adequacy and effectiveness of the internal control system and to ensure that periodic assessment of the internal control system is conducted in order to identify the weaknesses and evaluate its robustness considering the organization's risk profile and strategic direction;
- Oversee the compliance, internal, and external audit functions;
- Oversee the implementation of corrective actions in a timely manner to address issues identified by auditors and other control functions;
- Investigate significant issues or concerns raised; and
- Establish and maintain whistleblowing mechanism to ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

The Committee also had a separate meeting with external auditors, without anyone from Management present, as mandated by BSP Memorandum 2014-11 and BSP Circular No. 969 series of 2017.

The Internal Audit Group (IAG), headed by the Chief Audit Executive (CAE), performs the internal audit activities for the Bank which is strictly guided by its conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA). IAG provides independent, objective assurance, and consulting services to evaluate and improve the effectiveness of risk management, control, and governance processes of the organization. Based on the overall evaluation by IAG, the Bank's risk management, internal control, and governance processes is satisfactory as the Bank's units' audit risk rating profile remained concentrated at low risk level.

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

In response to the rapid change in the industry's risk landscape, the Committee ensures that there is a strong and continuous collaboration with IAG and Global Compliance Group (GCG) and other Board and Management Committees to focus on the right risks brought about by the ongoing global pandemic.

During the escalation of the pandemic, IAG promptly recalibrated its audit scope, methodology, workflows, and processes including the reassessment of its risk-based audit plan to ensure that audit assurance and consulting activities are properly focused on the assessment of emerging risks and threats that may have significant impact on the organization's ability to achieve its business objectives. Moreover, IAG employed a continuous audit methodology aided with adequate training and data analytics tools that enabled timely assessment of risks and identify those that present the most significant threats in the organization.

IAG continues to emphasize audit quality as manifested by the result of the internal quality assurance review conducted during the year where the internal audit activity was rated "Generally Conforms with the *International Standards for the Professional Practice of Internal Auditing"*.

On the other hand, our compliance framework remains effective and dynamic as there are no significant deviations noted by the Chief Compliance Officer (CCO) based on the compliance assessment, review, testing, and monitoring on the implementation of policies, laws, and regulations. GCG, through the CCO, effectively implemented its compliance program, which serves as the authoritative codification of GCG's powers, mandate, authority, and formal status within the organization. The program likewise fosters adherence to banking laws, rules, and regulations and is ultimately aimed at promoting the safety and soundness of Philippine National Bank's operations.

With the robust corporate governance of the Board of Directors and Senior Management in promoting high ethical and integrity standards; establishing appropriate culture that emphasizes, demonstrates, and promotes the importance of internal control; and designing and implementing processes for the prevention and detection of fraud, the Committee is highly confident that the internal control environment and risk management system of the Philippine National Bank remains effective and dynamic in responding timely to risks within the organization's risk management, governance, operations, information and compliance systems that provide reasonable assurance on the attainment of its business objectives.

(Original Signed)
EDGAR A. CUA
Board Audit and Compliance Committee Chairman

MESSAGE FROM THE BOARD IT GOVERNANCE COMMITTEE CHAIRPERSON

Vivienne K. Tan

Director

The Board IT Governance Committee (BITGC) was created and approved by the Board of Directors on April 10, 2014. BITGC's mission is to assist the Board in performing its oversight functions in reviewing, approving, and monitoring the Bank's Information Technology (IT) policies and guidelines, risk assessment and management, IT strategies, plans and investments in support of the enterprise strategic plans, operating performance, and organization.

In today's competitive environment, new and improved system functionalities are vital to keep up with the changing customer needs. The goal is to develop system enhancements that help produce constructive change in business operations to achieve a competitive edge.

In recognition of PNB's readiness, The Asian Banker awarded PNB as "Best Managed Bank During COVID-19". With the appropriate technologies in place, the Bank was able to quickly deploy majority of its workforce on a work-from-home arrangement to ensure uninterrupted financial services while safeguarding the health of customers and employees.

New Systems. To strengthen and support the Bank's core IT systems, and fulfill our commitment to provide a safe, secure, and best customer experience, several systems were acquired and implemented based from the 2019 – 2020 Strategic Plan despite the challenges and constraints of skeletal IT manpower and work-from-home setup impacted by the COVID-19 pandemic. ITG's project management improvements and tighter collaboration with the different project sponsors paved the way for the timely delivery and completion of best of breed solutions to support our core banking services such as Trust Banking Group's EbixCash Moneyware Trust Banking solution in January 2020; Institutional Banking Sector's PNB C@shnet Plus cash management solution in January 2020; and Global Banking and Markets Sector and Treasury Services Center's CCK Guava Treasury Management Suite in May 2020. Other critical projects launched in 2020 were Global Compliance Group's SAS AML; Risk Management Group's Tableau Data Visualization; and PNB RCI's Alessa CaseWare Fraud Detection & Prevention Solution in response to our security and regulatory compliance initiatives.

Digital Innovation. Beginning March 2021, mobile banking clients will enjoy a new and exciting state-of-the-art mobile banking experience with the roll-out of Project Horizon, PNB's flagship digital initiative. Likewise, International Banking and Remittance Group under Retail Banking Sector has partnered with Xchanged Inc., the app developer engaged for PNB Guam and PNB RCI, in October 2020 for the development of PNB Singapore mobile remittance app that is scheduled to go live during the second quarter of 2021 extending the same mobile banking experience to our overseas workers.

Infrastructure and Cybersecurity Investments. PNB continued to invest in its network communications, server and storage infrastructure, and cybersecurity systems in line with its technology refresh and upgrade program to support, sustain, and strengthen the Bank's operational efficiencies and user experience.

Operational Level Commitment. ITG continues to support the key business strategies by strengthening its organization, people training, process improvements and technology. The Board supported ITG's request of implementing an ITIL-based service management solution and is expected to go-live by the second quarter of 2021.

Business Continuity. Additional dark fiber link and equipment were installed at the disaster recovery site to improve fault tolerance in view of the January 12, 2020 Taal Volcano eruption. Additional wireless modems and dual links were deployed to Visayas and Mindanao branches brought by powerful typhoons and degraded telco service delivery affected by COVID-19 community quarantine measures.

The BITGC has remained committed in its mission by continuing to enforce and monitor IT performance metrics to ensure a stable and robust IT governance and IT risk management functions. With the oversight and guidance from BITGC, as well as support from the Technology Management Committee, ITG has continued to align and improve its service level commitments in order to meet the expectations from the different business units.

In the next years, PNB continues to commit to deliver innovative and customer-focused online digital solutions to our customers.

In closing and in view of the COVID-19 global crisis, the BITGC would like to extend our gratitude and to commend the entire members of ITG with their compassion, selfless dedication, and commitment for rising to the challenges of ensuring business continuity to thousands of PNB personnel in coping with the new normal of working from home by implementing virtual private network (VPN) access, Microsoft M365 and Microsoft Teams, and at the same time, continue to secure PNB Head Office and Branches from cybersecurity threats, so that PNB can continue to provide uninterrupted financial services to its customers while safeguarding the health of both customers and employees.

(Original Signed)
VIVIENNE K. TAN
Board IT Governance Committee Chairperson

MESSAGE FROM THE BOARD OVERSIGHT RPT COMMITTEE CHAIRMAN

GRI 102-25

Domingo H. Yap

Director

As part of a large, diversified conglomerate with a strong presence and a dominant position in key Philippine industries, we recognize that conflicts of interest may arise due to dealings and transactions with related parties. We remain steadfast and committed to conducting PNB's affairs with objectivity, fairness, and integrity. As a matter of policy, Related Party Transactions (RPTs) must always be conducted on an arm's length basis to prevent risks of potential abuse.

Although the Organization for Economic Co-operation and Development (OECD) claims that there is no strong definition of 'related parties', the *Bangko Sentral Ng Pilipinas (BSP)*, for purposes of monitoring such transactions has defined related parties as encompassing the following: (a) the bank's subsidiaries as well as affiliates and any party that the bank exerts direct or indirect control over or that exerts direct or indirect control over the bank; (b) the bank's directors, officers, stockholders, and related interests; (c) and their close family members, as well as corresponding persons in affiliated companies. This shall include such other person or juridical entity whose interest may pose potential conflict of interest with the financial institution and, hence, is identified as a related party.

In accordance with PNB's policy, RPT dealings must be treated in the normal course of business, on an arm's length basis. This means that RPTs are undertaken in the same manner as similar transactions with non-related parties. The following critical factors are to be considered in the evaluation of RPTs: (i) the related party's relationship to the Bank and interest in the transaction; (ii) the material facts of the proposed RPT, including the proposed aggregate value of such transactions; (iii) the benefits to the Bank of the proposed RPT; (iv) the availability of other sources of comparable products or services; and (v) the comparative assessment between the proposed RPT and similar non-related party transactions.

Material RPTs are reviewed and endorsed by the Board Oversight RPT Committee (BORC) to the Board of Directors for notation and approval. As provided for under SEC Circular No. 10, series of 2019: Rules on Material Related Party Transactions for Publicly Listed Companies, material RPT refers to any transaction, either individually, or in aggregate over a twelve-month period with the same related party, amounting to ten percent (10%) or higher of the Bank's total assets based on its latest audited financial statement. In 2020, no transaction qualified under the materiality threshold defined by the SEC.

In this light, PNB ensures that individual and aggregate exposures to related parties are within prudent levels; consistent with defined limit; monitored through independent reviews by the Internal Audit Group and Global Compliance Group; and covered by disclosures and reportorial requirements handled by Financial Accounting Division.

Board members are required to disclose to the Board of Directors if they directly, indirectly, or on behalf of third parties, have financial interest in any transaction or matters affecting the Bank. Directors and officers involved in possible conflicts of interest shall inhibit themselves from the decision-making process and abstain from participating in the discussion, approval, and management of such transactions or matters affecting PNB. The BORC may also inform the Corporate Governance and Sustainability Committee of the directors' or officers' actual potential conflicts of interest with the Bank, as necessary.

Accomplishments in 2020

Established in 2013, the BORC continues to assist the Board of Directors in performing its oversight functions on monitoring and managing potential conflicts of interests, ensuring that exposures to related parties are effectively managed, and appropriate steps to control or mitigate the risks.

On a periodic basis, the BORC performs its critical function of reviewing and approving the guidelines for appropriate handling of RPTs, consistent with existing laws, rules and regulations, and global best practices. Our RPT Policy Framework has five key elements designed to promote good governance: (1) well-defined Board and Senior Management oversight; (2) updated and Board-approved policies and procedures; (3) enterprise wide RPT training program; (4) management information system (MIS) reporting; and (5) effective assessment and monitoring system.

The committee is composed of five regular members, including three independent directors, and two non-voting members, the Chief Compliance Officer and the Chief Audit Executive. The Global Compliance Group acts as the secretariat to handle the administrative requirements of the committee.

In 2020, the BORC held a total of seventeen meetings: twelve regular and five special meetings. The committee's charter stipulates that meetings shall be conducted at least monthly or as necessary to properly perform its duties and responsibilities. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum which, in no case is less than two members, is required to approve any act in all committee meetings.

Meanwhile, the BORC likewise oversees the implementation of the RPT Report Generation project, which is intended to capture all RPTs across various business units. This allows the generation of management information (MI) reports that will capture all individual and aggregate exposures whether material or non-material, credit or non-credit related transactions with all related parties.

In 2021, the Bank shall continue to fulfill its commitment to be a responsible financial institution, bound by principles of equality, fairness, and impartiality.

(Original Signed)
DOMINGO H. YAP
Board Oversight RPT Committee Chairman

MESSAGE FROM THE BOARD STRATEGY AND POLICY COMMITTEE CHAIRMAN

Felix Enrico R. Alfiler

Vice-Chairman

Acknowledging the critical part of strategic planning in the Bank's long-term success, the Board Strategy and Policy Committee (BSPC) was established to assist the Bank's Board of Directors in performing its oversight duties pertaining to the formulation and execution of the Bank's strategic business plan and the risks associated with such plan. The Committee is in charge of ensuring an interactive strategic planning process between the Board and Management so that the implementation of approved strategies is consistent with the Bank's overall objectives, and resources are sufficient to undertake the Bank's initiatives. Likewise, the BSPC makes certain that the Bank's operations, procedures, policies, risk appetite, capital program, and investments in human resources and technology are all consistent and focused in achieving the Bank's strategic objectives.

In carrying out its oversight responsibilities in strategic planning in 2020, the BSPC reviewed and discussed with Management the Bank's strategic direction as well as the key issues and external developments impacting the Bank's strategies. Specifically, when COVID-19 pandemic causing combined health, socio-economic, and financial shocks hit the country during the year, the BSPC provided the steady direction that the Bank needed to drive and sustain its operations and businesses beyond this period of disruption. The BSPC played a crucial role in the crafting of interim strategies and tactical moves to address the impact of the pandemic on the Bank's asset quality, profitability, capital position, and liquidity. To ensure that the implementation of strategies and initiatives is on track, the BSPC conducted progress reviews with the Bank's business and support groups, and its subsidiaries. Taking these steps, the BSPC was assured that decisions to continue or change certain strategies as well as implement new projects and programs were done in a timely and effective way.

During the year, the BSPC proactively included in its sessions regular economic updates, including the trends and outlook of various industries to determine which could be considered as industry winners and losers amidst the pandemic to guide the business groups in adjusting their strategic plans and undertaking countermeasures. The BSPC also took a decisive action in approving the waiver for certain bank fees and charges such as remittance fees under the Bank's *"Libre Padala"* campaign for Overseas Filipino Workers, and online fund transfer fees to affirm that the Bank is an institution that can be relied on not only in terms of sustained delivery of financial services but also in easing the financial burdens of its customers in times of crisis. To thrive in the new normal, the BSPC pursued the Bank's digitization strategy and decided on action plans that would hasten the shift to digital platforms for the delivery of financial services along with growth in business across multiple channels.

As part of its oversight on the adoption and implementation of the Bank's Board-approved Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan, the BSPC reviewed, evaluated, approved, and endorsed for Board approval the policies and procedures pertaining to the capital planning and risk assessment, stress testing framework, options to improve the Bank's capital adequacy, and possible equity investment or divestment of the Bank.

Likewise, the BSPC conducted semi-annual review and updating of the Bank's various manuals to ensure operational efficiency and flexibility to the changes in the regulatory environment. In 2020, Bank policies were revisited and amended, particularly those involving credit transactions to come up with interim guidelines in lending / loan releases / loan payments aimed at preserving the Bank's liquidity and capital, as well as, realigning these with BSP issuances related to the pandemic. Alongside, the BSPC also updated the Bank's Contingency Funding Plan and its Investment and Trading Policy to incorporate changes in line with new BSP regulations.

The BSPC also provided oversight on the Bank's domestic and foreign subsidiaries. In 2020, the Bank made great strides in completing major initiatives involving domestic subsidiaries that were thoroughly deliberated and evaluated by the BSPC, viz: a) the integration to the PNB Parent Bank of its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB) which was envisioned to result in capital optimization while continuing the strategy of growing consumer lending; b) the additional equity investment in PNB Holdings Corporation in exchange for Parent Bank's specific real estate properties as part of a series of transactions to realize the market value of the Bank's prime properties; and c) the sale of 100% stake of PNB Parent Bank and PNB Holdings Corporation in PNB General Insurers Co., Inc. to Allied Bankers Insurance Corporation, consistent with the Bank's objective to exit from non-core undertakings such as the non-life insurance business.

The BSPC will continue to be at the helm in determining what the mid- to long-term implications of the COVID-19 pandemic on the financial landscape are and how the Bank should respond strategically to ensure that it will emerge from the crisis stronger. As the pandemic inevitably reshaped how businesses are conducted and transformed customer behavior, the BSPC will direct the Bank in exploring new opportunities while at the same time mitigating the risks arising from operating in the new normal.

(Original Signed)
FELIX ENRICO R. ALFILER
Board Strategy and Policy Committee Chairman

CAPITAL STRUCTURE AND ADEQUACY

The Group's consolidated capital adequacy ratio were 15.14%, 14.80% and 14.35% as of December 31, 2020, 2019, and 2018 respectively, which are well above the minimum 10% required by BSP. The following table sets the regulatory capital as reported to BSP as at December 31, 2020, 2019, and 2018 (amounts in millions):

	Consolidated			Solo		
	2020	2019	2018	2020	2019	2018
Common Equity Tier 1 (CET1) Capital	**144,298**	**146,808**	**121,744**	**142,235**	**144,654**	**117,541**
Common stock	61,031	61,031	49,966	61,031	61,031	49,966
Additional Paid In Capital	32,107	32,107	31,331	32,107	32,107	31,331
Retained Earnings	46,783	48,835	40,887	48,071	50,231	40,373
Other comprehensive income	1,633	1,971	(3,335)	1,026	1,286	(4,128)
Undivided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,744	2,865	2,895	-	-	-
Regulatory Adjustments to CET1 Capital	**28,838**	**22,303**	**22,110**	**42,732**	**47,960**	**46,665**
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1	2	1	1	2	1
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	1,714	937	782	1,714	937	782
Deferred tax assets	6,895	1,581	1,503	6,341	976	974
Goodwill	13,516	13,516	13,516	13,516	13,516	13,516
Other intangible assets	2,512	2,794	2,979	2,438	2,718	2,893
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-	-	-	14,346	26,170	25,015
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	1,050	673	434	1,226	840	590
Significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	3,150	2,799	2,894	3,150	2,799	2,894
Other equity investments in non-financial allied undertakings and non-allied undertakings	-	2	2	-	2	2
TOTAL COMMON EQUITY TIER 1 CAPITAL	**115,460**	**124,505**	**99,634**	**99,503**	**96,694**	**70,876**

	Consolidated			Solo		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Additional Tier 1 Capital (AT1)	-	-	-	-	-	-

	Consolidated			Solo		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
TOTAL TIER 1 CAPITAL	**115,460**	**124,505**	**99,634**	**99,503**	**96,694**	**70,876**
Tier 2 (T2) Capital	**5,377**	**6,183**	**5,882**	**5,236**	**5,564**	**5,079**
Appraisal increment reserve – bank premises, as authorized by the Monetary Board	-	292	292	-	292	292
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	5,377	5,892	5,590	5,236	5,272	4,787
Regulatory Adjustments to Tier 2 capital	-	-	-	-	-	-
Total Tier 2 Capital	**5,377**	**6,183**	**5,882**	**5,236**	**5,564**	**5,079**
TOTAL QUALIFYING CAPITAL	**120,837**	**130,688**	**105,516**	**104,739**	**102,258**	**75,955**

Risk Weighted Assets

The risk-weighted assets of the Group and Parent as of December 31, 2020, 2019 and 2018 are as follows:

	Consolidated			Solo		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Total Risk Weighted On-Balance Sheet Assets	642,058	713,285	614,662	632,958	637,725	539,922
Total Risk-Weighted Off-Balance Sheet Assets	28,609	31,435	34,166	28,411	30,838	34,022
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	1,698	2,139	3,376	1,697	2,139	3,376
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	1,138	1,016	870	1,114	993	840
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	-	-	-	-	-	-
Total Risk-Weighted Securitization Exposures	-	-	-	-	-	-
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]	-					
Total Credit Risk Weighted Assets	673,503	747,874	653,074	664,180	671,694	578,160
Market Risk Weighted Assets	60,468	80,683	33,709	59,347	79,128	33,564
Operational Risk-Weighted Assets	64,199	54,498	48,549	55,576	46,127	41,365
Total Risk Weighted Assets	**798,170**	**883,055**	**735,333**	**779,103**	**796,949**	**653,088**

CAPITAL STRUCTURE AND ADEQUACY

Capital Adequacy Ratios

	Consolidated			Solo		
Capital Ratios	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
CET1 Capital (BASEL III)	14.47%	14.10%	13.55%	12.77%	12.13%	10.85%
Capital Conservation Buffer	8.47%	8.10%	7.55%	6.77%	6.13%	4.85%
Tier 1 capital ratio	14.47%	14.10%	13.55%	12.77%	12.13%	10.85%
Capital Adequacy Ratio	**15.14%**	**14.80%**	**14.35%**	**13.44%**	**12.83%**	**11.63%**

ICAAP and Capital Adequacy Ratio Report

The Group's consolidated Qualifying Capital (QC) as of December 31, 2020 stands at Php120,837 million with a corresponding Capital Adequacy Ratio (CAR) of 15.14%. The current consolidated QC still provides a good and sufficient margin above the minimum regulatory capital requirement of Php79,817 million, 10% of the Group's Php798,170 million Risk Weighted Assets (RWA).

Figure 1: PNB Consolidated CAR 2020

PNB - Consolidated (in Php Million)	As of date indicated			
	Mar-20	**Jun-20**	**Sep-20**	**Dec-20**
Total Qualifying Capital	128,406	129,353	129,713	120,837
CAR	14.72%	15.86%	16.40%	15.14%
CET 1/Tier 1 Ratio	13.80%	14.99%	15.67%	14.47%
Total RWA – Pillar 1	872,527	815,841	790,748	798,170

Under Solo basis, current QC of Php104,739 million and CAR of 13.44% still has 344 bps leeway above the regulatory capital requirement of Php77,910 million to cover the Php779,103 million RWA as of December 31, 2020.

Figure 2: PNB Solo CAR 2020

PNB - Solo (in Php Million)	As of date indicated			
	Mar-20	**Jun-20**	**Sep-20**	**Dec-20**
Total Qualifying Capital	110,553	113,145	114,042	104,739
CAR	13.16%	14.41%	14.80%	13.44%
CET 1/Tier 1 Ratio	12.23%	13.54%	14.07%	12.77%
Total RWA - Pillar 1	840,014	784,976	770,336	779,103

MESSAGE FROM THE RISK OVERSIGHT COMMITTEE CHAIRMAN

Federico C. Pascual

Director

To say that 2020 has been a challenging year is an understatement. It was a most eventful year that saw people, markets, businesses, and countries, and the overall way of doing things adapt to new realities. What was really encouraging was PNB and its employees showed how capable they were not only to adapt but to thrive on these remarkable changes.

Despite the difficult year it faced, PNB adhered to its goals of profitability, sustainable development, and social responsibilities showing that the Bank has remained accountable to all its stakeholders – regulators, shareholders, employees, and customers.

The heightened uncertainties in the global markets and the world economy brought by the pandemic further emphasized the importance of an effective risk oversight function. The Board continues to closely review the risk management framework, definition of the organization's risk appetite, assessment of risk profile, and monitoring of risk thresholds. It ensures that the Bank's business results are always evaluated against its strategies and objectives within a risk control environment.

PNB follows a strong Enterprise Risk Management Framework (ERM) and consistently maintains high standards of internal controls and risk management processes against the Bank's risk appetite. The same framework is fit to ensure optimizing the risk / return ratio at all levels of the Bank and is embedded in our core values. The concept of the 3 lines of defense (3LoD) for good risk management is part of our PNB culture.

Despite the government lockdown, the Risk Oversight Committee, which comprises of six directors (three of whom are independent directors), was still able to hold 21 meetings, 17 of which were held virtually, in order to uphold its duty as the oversight body on the Bank's identified material risks with respect to its overall strategy.

Significant milestones for 2020 in Risk Management are the following:

- Establishment of the Management Risk Committee (MRC) which ensures that Senior Management has a clear grasp of major risk issues facing the enterprise, ensuring the effective implementation of risk mitigating action plans;
- Engagement to help launch the Bank's Three-Year Sustainability Transition Plan as monitoring and mitigation of Environment, Social, and Governance (ESG) risks shall be of high priority in the coming years; and
- Creation of the dedicated Risk and Control Officer (RCO) position to further strengthen the oversight function across the Bank's lines of business.

The role of risk management has never been more important than in the current situation following 2020's game-changing event not only in businesses but also in our everyday life. With the pandemic as a backdrop dictating how things are done or should not be done, it becomes more imperative for the Bank to ensure that diligence is exercised in identifying and addressing every risk, particularly in the context of new product and service offerings, as well as in emerging risk trends brought about by this unique scenario. Along with this priority focus of awareness and risk mitigation, the Bank adheres to comply with the changing regulatory environment and be more responsive to the intensified reality of cyber security and sustainability.

The message that risk is everyone's business will be a constant reminder to our personnel, more so given the pervading circumstances, while we continue to renew our commitment to our stakeholders that we are *masasandalan, kahit kailan, kahit saan.*

(Original Signed)
FEDERICO C. PASCUAL
Risk Oversight Committee Chairman

RISK MANAGEMENT DISCLOSURE

GRI 102-11, 102-15, 102-30

INTRODUCTION

A clear understanding of risks surrounding the business activities is crucial for any organization to create sustainable stakeholder value in executing its strategies. Therefore, it is essential to reinforce the overall strategy of an organization with a prudent risk management framework so that the opportunities are optimized while minimizing the effects of downside risks.

PNB, as one of the leading financial institutions in the country, with various allied undertakings and with an international footprint, performs a vital role of financial intermediation in the economy and in each of the communities it serves. With evolving global best practices and standards towards continuing financial stability and resilience, we remain committed to comply with the regulatory guidelines and legislative framework in each of the jurisdictions we operate in.

The nature and the impact of future changes in laws and regulations are not always predictable. These changes have implications on the way our business is conducted and with corresponding potential impact to capital and liquidity.

RISK GOVERNANCE

A disciplined risk management culture and framework facilitates oversight of and accountability for risk at all levels of the organization and across all risk types. Our Board of Directors, through the Risk Oversight Committee (ROC), exercises oversight and provides guidance to our experienced Senior Management Team who, through the Management Risk Committee (MRC), works closely with the business lines in managing risk. There is a rich risk culture, which seamlessly flows through not only within the Bank, but also across the Group subsidiaries and affiliates.

The Board of Directors has delegated specific responsibilities to various Board Committees, which are integral to PNB's risk governance framework and allow executive management, through Management Committees, to evaluate the risks inherent in the business and to manage them effectively.

Strong independent oversight has been established at all levels within the Bank. *Figure 1* below provides a list of the Board Committees and Management Committees. Their corresponding functions, roles, and responsibilities are highlighted in the Corporate Governance portion of this Annual Report.

Figure 1: Board & Management Committees

BOARD OF DIRECTORS	PRESIDENT AND CEO
• Executive Committee	• Acquired Asset Disposal Committee (AADC)
• Board Audit and Compliance Committee	• Anti-Money Laundering Review Committee
• Board IT Governance Committee	• Asset and Liability Committee (ALCO)
• Board Oversight RPT Committee	• Asset Disposal Committee (HO)
• Board Strategy and Policy Committee	• Branch Site Selection Committee (Domestic Branches)
• Corporate Governance and Sustainability Committee	• Capital Management Sub-Committee of ALCO
• Risk Oversight Committee	• Committee on Accreditation of Overseas Remittance Agent-Selection of Expatriate Personnel and Branch Site (Overseas)
• Trust Committee	• Committee on Decorum and Investigation (CoDI)
	• Ecosystem Steering Committee
	• Ethical Standards Committee (ESC)
	• IT Evaluation Committee (ITEC)
	• IT Project Prioritization Committee
	• Management Committee (ManCom)
	• Management Risk Committee (MRC)
	• Occupational Safety, Health and Family Welfare Committee (OSH-FW)
	• Operations Committee (OPCOM)
	• PNB Retirement Fund Board
	• PNB Succession Management Program – Talent Board
	• Procurement Committee
	• Promotion Committee (s)
	• Sectoral/Regional Credit Committee (s)
	• Senior Management Credit Committee (SMCC)
	• Technology Committee (TechCom)

Executive officers are assigned to various Management Committees that provide the leadership and execution of the vision and policies approved by the Board of Directors. Business strategies are driven, for the most part, by the day-to-day directions decided by the Management Committees with approvals and notation by the various Board Committees.

Risk Oversight Committee

PNB's Board Risk Oversight Committee (ROC) is mandated to set risk appetite; approve frameworks, policies, plans, programs, awareness testing exercises and processes for managing risk; and accept risks beyond the approval discretion provided to Management.

The risk management policy includes:

- a comprehensive risk management approach;
- a detailed structure of limits, guidelines, and other parameters used to govern risk-taking;
- a clear delineation of lines of responsibilities for managing risk;
- an adequate system for measuring risk;
- effective internal controls and a comprehensive monitoring and risk-reporting process; and
- adherence to standards and regulations.

As of December 31, 2020, ROC membership is composed of at least six (6) members of the Board of Directors, majority of whom are Independent Directors including the Chairperson. The Chairperson shall not be the Chairperson of the Board of Directors, or any other Board Committee.

The members shall possess a range of expertise as well as adequate knowledge of the Bank's risk exposures. They must also meet the requirements of the Securities and Exchange Commission (SEC), the *Bangko Sentral ng Pilipinas* (BSP), and other applicable laws, rules, and regulations.

RISK MANAGEMENT DISCLOSURE

Risk Oversight Committee Charter

The ROC has the following mandated functions *(BSP Cir. 969 – Enhanced Corporate Governance Guidelines):*

1. Oversee the risk management framework;
2. Oversee adherence to risk appetite;
3. Oversee the risk management function; and
4. Oversee regulatory compliance.

Management Risk Committee

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

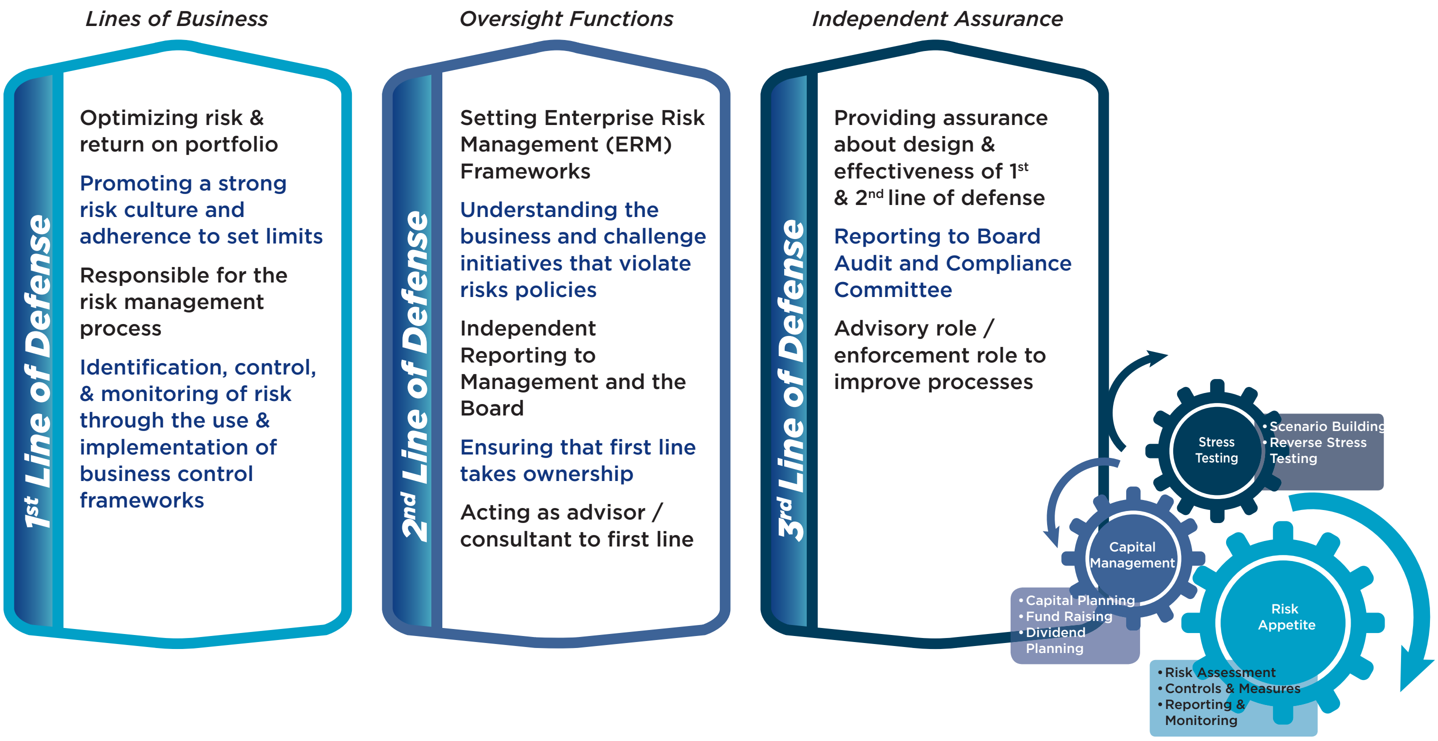
Mainly composed of the Bank's Sector and Group Heads, the MRC is responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The Committee shall periodically assess that the Bank's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

ENTERPRISE RISK MANAGEMENT FRAMEWORK (ERM)

The approach to managing risk is outlined on the Bank's Enterprise Risk Management Framework (ERMF), which creates the context for setting policies and standards, and establishing the right practices throughout the PNB Group. This framework defines the risk management processes and sets out the activities, tools, and organizational structure to ensure material risks are identified, measured, monitored, and managed.

Our risk management framework banks on a dynamic process that supports the development and implementation of overall Bank strategy. The process revolves around methodically addressing risks associated with the business lines of PNB. The ERMF, with regular reviews and updates, has served us well and has been resilient through economic cycles. We have placed a strong reliance on this risk governance framework and the *three lines-of-defense* model *(see Figure 2)*, which are fundamental to our aspiration of becoming world-class at managing risk.

Figure 2: Three Lines-of-Defense Model



This model provides an effective method for organizations to enhance communication regarding risk and control by clarifying roles and responsibilities.

1. The *first line of defense* is made up of the management of business lines and legal entities. Business units are responsible for their risks. Effective first line management includes:
   1.1. the proactive self-identification / assessment of issues and risks, including emerging risks;
   1.2. the design, implementation, monitoring, and ownership of appropriate controls;
   1.3. the associated operational control remediation; and
   1.4. a strong control culture of effective and transparent risk partnership.

2. The *second line of defense* comes from both the risk management function, the compliance function, and information and cyber security functions of the Bank, which are independent of business operations. Our risk management unit implements the risk management framework, helps risk owners in reporting adequate risk-related information up and down the Bank, provides independent oversight over specific Board directives and conducts regular reporting to the ROC. Our compliance unit ensures that strong security policies are in place and effectively monitored and aligned with the risks of the Bank's individual business processes. Compliance testing function reports directly to the Board Audit and Compliance Committee (BACC). The second line of defense may also recommend implementation of action plans, corrective actions, or service recovery in managing the risk impact and prevent recurrence.

3. The *third line of defense* is the internal audit function which provides independent assessment of the adequacy and effectiveness of the overall risk management framework and governance structures. The internal audit function and compliance testing function report directly to the BACC.

Risk Management Group

Risk Management Group (RMG) is independent from the business lines and is organized as follows:
- Administrative and Support Department;
- BASEL/ICAAP/Operational Risk Management Division;
- Business Continuity Management and Vendor Risk Monitoring Division;
- Business Intelligence and Data Warehouse Division;
- Credit Risk Division;
- Data Privacy and Technology Risk Management Division;
- Market and ALM Division;
- Model Validation Division; and
- Trust Risk Division.

Each Division is tasked to monitor the implementation of the processes and procedures that support the policies for risk management applicable to PNB. These policies clearly establish the types of risks to be managed, define the risk organizational structure, and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audits, and compliance testing to measure the effectiveness and suitability of the risk management structure. In addition, the ERM recognizes model validation as integral component of model governance which ensures that risks relative to use of models are identified, cascaded to concerned parties, escalated to oversight committees and deliberated for appropriate management actions. The model validation is the Management's resource to better understand the models, its purpose and limitations and ultimately manage expectations, actions, and decisions made based on the output of the model.

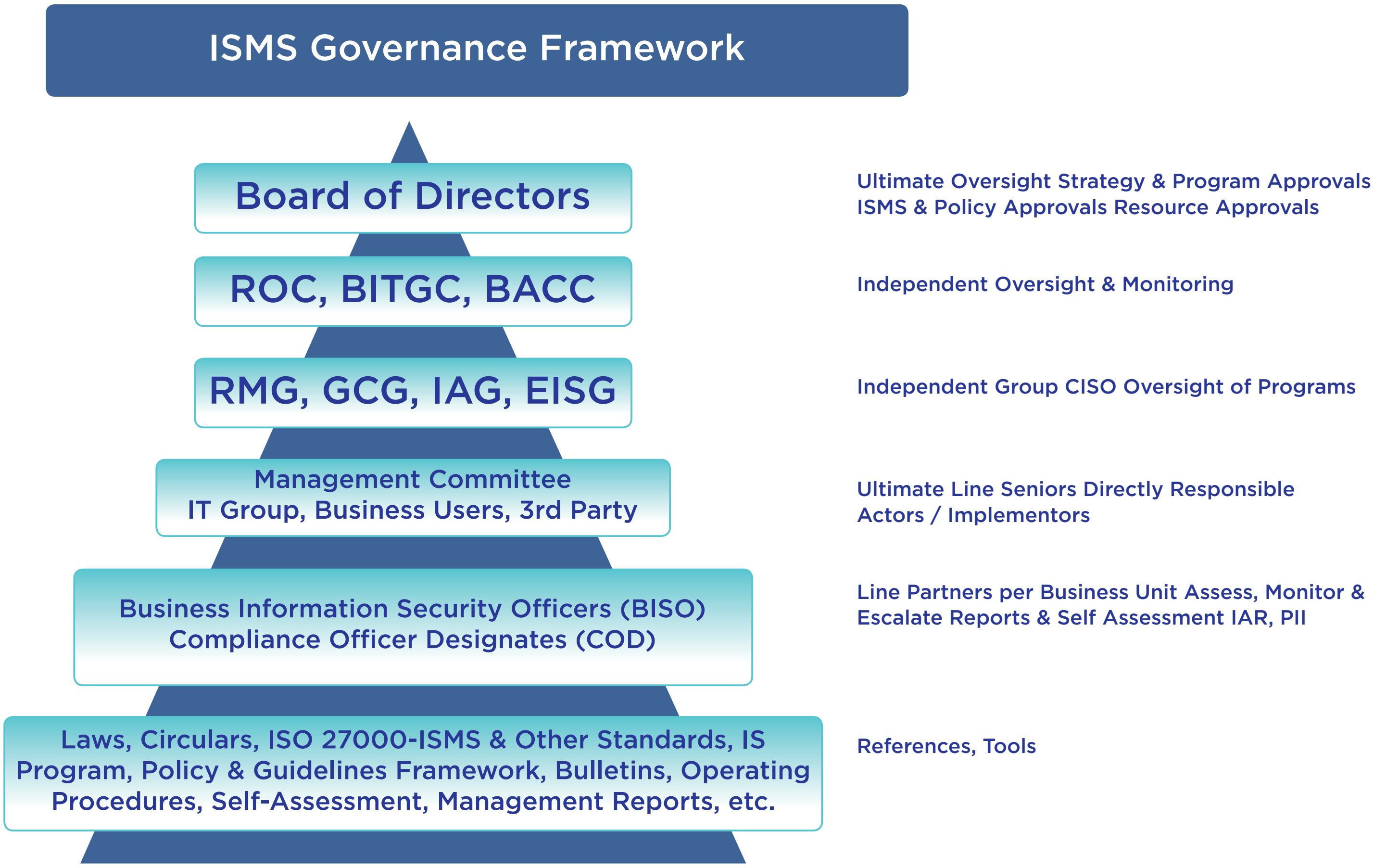
RMG performs as the Secretariat of the ROC which meets monthly to discuss the most recent risk profile of the Bank according to the material risks defined in the Bank's ICAAP document. Further, each Division of RMG engages with all levels of the Bank's business and support groups, including domestic and overseas branches and offices and domestic and foreign subsidiaries. This ensures that risk management and monitoring are embedded at origination.

IS/CYBER SECURITY GOVERNANCE FRAMEWORK

The IS/Cyber Security Governance Framework *(see Figure 3 below)* ensures effectiveness and sustainability of the Information Security Management System. Proper governance aids PNB Group in meeting optimal business value from information security and maintaining a balance between benefits and security risks.

RISK MANAGEMENT DISCLOSURE

Figure 3: Information Security Governance Framework



Enterprise Information Security Group

The Bank established the Enterprise Information Security Group (EISG) which manages the overall Information Security / Cyber Security Risk of the Bank. EISG is headed by the Management-appointed Chief Information Security Officer (CISO) who reports directly to the Risk Oversight Committee (ROC) on matters concerning information security and cyber security. The CISO chairs the Security Incident Response Team (SIRT) for effective and efficient management of information and cyber security-related incidents to sustain the Bank's posture in terms of *Confidentiality* and *Integrity* of customer information and ensure timely restoration of *Service Availability.*

EISG is organized into two divisions, namely the Information Security Governance and Program Management and Cyber Security Operations Center, with the latter dedicated to the prevention, detection, assessment, and resolution of cyber security threats and incidents and fulfillment of regulatory compliance. With risk management activities closely linked to Information Technology Group's (ITG's) Infrastructure Management Division for incident reporting and remediation, EISG manages both the prevention and response to cyber threats as they occur.

EISG performs the following functions in support of the Bank's overall information and cyber risk exposure:

- Develops and implements the PNB Group's Information Security Strategic Plan (ISSP) and IS/Cyber Security Programs (ISP/CSP) adopting ISO 27001 requirements and 27002 control objectives;
- Manages and performs intensive monitoring of the implementation of the Bank's information security programs, IS Management System (ISMS) and Manual of IS Guidelines through a preventive information security framework to protect the Bank's Information Assets from unauthorized use and disclosure;
- Addresses information security risk via enforcement of information security controls aligned with policies, guidelines, standards, and procedures across the Bank;
- Conducts information and cyber security learning and awareness programs that cater to different sets of stakeholders;

- Implements the Information Security Risk Management (ISRM) system via the conduct of information security risk assessments on various information assets and third-party service providers;
- Performs governance and management functions on the PNB Group domestic and overseas branches, offices, subsidiaries, and affiliates through the designated Business Information Security Officers (BISOs) ascertaining regulatory adherence to information security-related host country laws and regulations;
- Develops and collaborates with the technology and business users on IS / IT security policy and guidelines;
- Periodically reviews, assesses, and updates, as often as necessary, the policies, procedures, guidelines, and standards of the ISP / CSP;
- Measures, monitors, and reports IS Maturity Level Performance and Key Risk Indicators (KRI);
- Develops and updates the Cyber Security Framework;
- Manages the 24 X 7 Security Operations Center via proactive monitoring and timely escalation of cyber security events and incidents;
- Provides cyber security forensics assistance;
- Manages compliance of accredited third-party service providers in relation to various cyber-related services ensuring compliance with the Service Level Agreements and other IS and cyber-related policies of the Bank;
- Conducts research on emerging threats and subscribes to threat intelligence sharing platforms for wider visibility on the threat landscape; and
- Conducts compromise assessments and regularly tests the effectivity of the Cyber Response Plan and Playbooks via simulation exercises.

RELEVANT REGULATORY ISSUANCES FOR 2020

- BSP Cir 1081 Amendments to the Regulations Governing the Personal Equity and Retirement Account (PERA) – March 4, 2020;
- BSP Cir 1084 Amendments to the Risk-Based Capital Adequacy Frameworks for Banks/Quasi-Banks – April 28, 2020;
- BSP Cir 1085 Sustainable Finance Framework – April 29, 2020;
- BSP Cir 1091 Exclusion of Debt Securities Held by Market Makers from the Single Borrowers Limit (SBL) – July 22, 2020;
- BSP Cir 1093 Amendments to the Real Estate Limits of Banks – August 20, 2020;
- BSP Cir 1094 Amendments to the Regulations on Corporate Governance for Trust Corporations – September 7, 2020;
- BSP Cir 1011 Extension of Transition Period for the implementation of the Guidelines on the Management of Interest Rate Risk in the Banking Book – October 19, 2020; and
- BSP Cir 1105 Guidelines on the Establishment of Digital Banks – December 2, 2020.

THE BANK'S RISK APPETITE, THRESHOLD & TOLERANCE

Risk Appetite is the amount and type of risk that the Bank is willing to pursue, retain, or tolerate in pursuit of the organization's value and goals. Our principle on risk appetite is expressed as Risk Tolerance and is embedded on the business units. Risk Threshold emphasizes that "the risk appetite should not go beyond the Bank's capacity to manage risk, thus risk management is everyone's responsibility".

PNB's High-Level Risk Appetite Statement

We pursue our business objectives by accepting risks up to the level where it remains aligned with the following High-Level Risk Appetite Statements:

On Strategic / Business Risks:

- We will avoid situations and actions that will result in negative impact on our reputation and if, and when an unfavorable situation arises, address these proactively to preserve our reputation and brand image.
- We aim for stability of earnings and maximize shareholder's value to ensure PNB's continued growth trajectory in the long-term.

On Legal and Financial Risk:

- We ensure to avoid possible risk on financial loss as a result of regulatory fines / sanctions and deviations.

On Operational/Technology/Cyber Security Risks

- We maintain **LOW appetite for operational risk issues.** We will maintain effective processes and systems through strong internal controls, quality assurance, and quality control programs to manage operational risk. This includes implementing control measures to ensure continuity of business processes, managing proper vendor oversight, and employing appropriate governance processes in implementation of innovative and creative solutions.
- We have **LOW tolerance for damage to Bank assets borne by threats arising from malicious attacks and / or poor information security controls.** To address this risk, we aim for strong internal processes and the development and continuous improvement of robust technology controls.

RISK MANAGEMENT DISCLOSURE

- We have **LOW tolerance for data breaches** resulting from external factors (e.g., emerging cyber-threats) and / or internal factors (e.g., human error, internal fraud). To address this risk, we aim for strong internal processes, conduct of proactive awareness to personnel and development and continuous improvement of robust information security and data privacy controls.
- We have a **LOW appetite for risks to the confidentiality, integrity and availability of systems which support critical business functions**, including those which relate to core banking operations and financial markets operations. Service availability requirements have been identified and agreed upon with each business area.
- We have a **LOW appetite for IT system-related incidents** which are generated by poor project implementation or poor change management practices.

On Personnel / Clientele Behavior:
- We do not tolerate any dishonest or fraudulent behavior and we are committed to deterring and preventing any incidence. We take serious approach to cases or suspected cases of fraud or corruption perpetrated by our personnel. We respond fully and fairly in accordance with provisions of the Bank's Code of Conduct.

On Regulatory / Statutory Compliance:
- We aim to remain compliant with Philippine laws and regulatory bodies and its public mandate.
- We aim to remain compliant with the laws, regulations, and guidelines as prescribed by the host countries where we are present.
- We aim to remain in compliance with generally accepted accounting principles and standards.

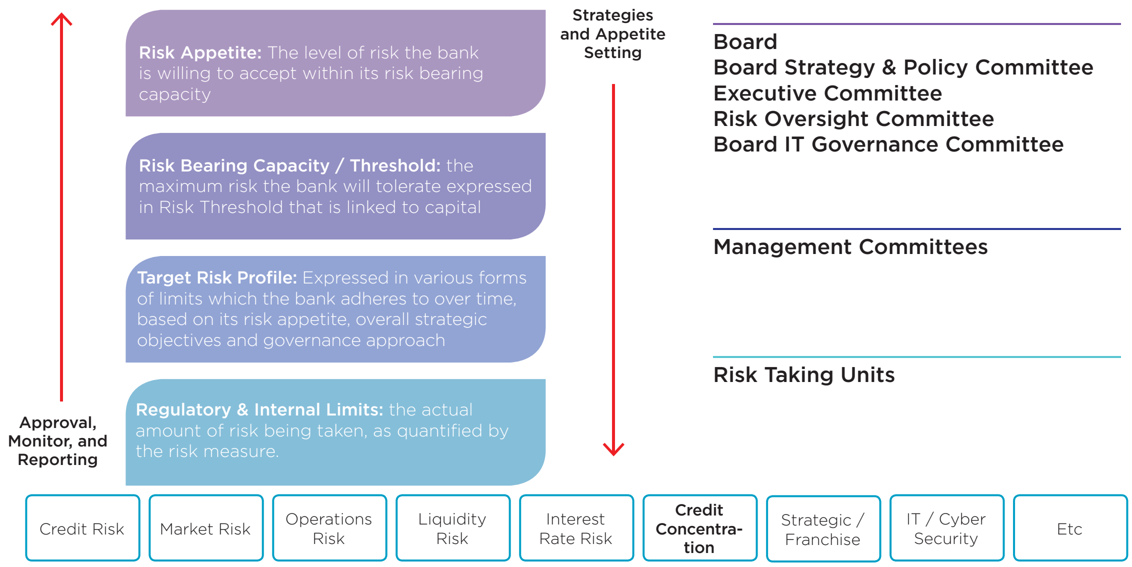
The High-Level Risk Appetite Statements are translated into measurable metrics and set limits that cover all relevant risk categories arising from the Bank's business objectives which aims at keeping the overall risk profile within acceptable risk thresholds.

Risk tolerance is the outer constraint defined by the Bank via metrics and limits. This is expressed in quantitative terms that can be monitored and aggregated, relating to a specific business unit or according to a specific risk category. Risk Threshold / Limits are regularly defined, reviewed, and approved by the Board of Directors.

For the Bank's Risk Threshold, the Capital Adequacy Ratio (CAR), which is the measure of the Bank's solvency, is the parameter being used for the risk materiality. The CAR and CET1 ratios are key quantitative measures used by regulators to gauge the strength of a Bank. As such, it is imperative to monitor any adverse movement in these ratios.

The Board of Directors and Senior Management are responsible for ensuring that the Group maintains, at all times, the desired level and quality of capital commensurate with the inherent risks (credit, market, and operational risks) and with other Pillar II material risks such as *Strategic / Business, Credit Concentration, Liquidity, Interest Rate in Banking Books*, and emerging *Cyber Security Risks* that the Group is exposed to (*see Figure 4 below*).

Figure 4: Risk Appetite, Risk Threshold, Risk Tolerance



ROC, as delegated by the Board of Directors and supported by Risk Management Group, oversees the risk profile and approves the risk management framework of PNB and its related allied subsidiaries.

The Board Strategy and Policy Committee (BSPC) is tasked to review, evaluate, approve and / or endorse for Board approval the various policies, manuals of products, and services offered to customers, both domestic and overseas. Together with the ROC, BSPC also reviews, evaluates, and approves / endorses to the Board for approval various Annual Strategic Forecasts, Plans, and Budget by the revenue sectors of the Bank. BSPC is responsible for the risk-taking activities and the periodic review of the Bank's ICAAP program.

The Executive Committee (ExCom) reviews, discusses, notes, endorses, and / or approves management proposals on credit facilities; investment in financial assets; and borrowings and capital raising, updates and reports on credit, transactional, administrative and other matters.

The Capital Management Sub-Committee of the Asset / Liability Committee (ALCO) is tasked to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The Senior Management Team and the Business Units agree on the target risk profiles defined by the Bank's strategic plan, and allocate capital based on the risk / return profile. Corporate Planning and Analysis Division (CorPlan) and RMG monitor this jointly.

RISK CATEGORIES AND DEFINITIONS

Under our ERM framework, all risk-taking business units, including domestic and foreign subsidiaries and affiliates, shall perform comprehensive assessment of all material risks. This is accomplished on a semi-annual basis. The process includes:

- Identifying all inherent risks by each business unit;
- Prioritizing the most significant risks based on the business impact and the probability of occurrence;
- Quantifying the potential losses of each of these significant risks;
- Providing various risk mitigation and control measures to manage these identified risks; and
- Consolidating risk assessment results and potential losses for capital computation.

The identification of risks revolves around the monitoring of risk categories as defined by BSP for supervision purposes. These key risks, namely: credit, market, interest rate, liquidity, operational, compliance, strategic, and reputational risks, are not only monitored under their separate and distinct components, but also monitored across all interrelated business risks. Through the Risk and Control Self-Assessment (RCSA) Process, the various business units identify, measure, monitor, and control additional risk categories that may be relevant to their specific areas.

The RCSA is designed as a forward-looking tool to assess and measure the Bank's risk exposures. This exercise allows each risk-taking unit and support unit, to consider the extent to which potential events have an impact on the achievement of the unit's and ultimately, the Bank's objectives.

The risk owners provide a quantitative assessment of the identified risks by means of computing for estimated loss, which can be based on foregone income, opportunity loss, portfolio size, transaction amount, historical loss, additional cost, among others. Further, stress tests are also employed to capture potential losses under extreme scenarios.

Material Risks

Material risks (at Group level) are defined as those risks from any business activity large enough to threaten the Bank's capital position to drop below its desired level thereby resulting in reduction in earnings and / or qualifying capital. The risk threshold is set / computed, on any risk-taking activity that would result in the **reduction in CAR by 20 bps**.

On the other hand, risks not significant enough to impact the CAR by 20 bps will also be considered "material" by the Group if these fall under the following:

- Pillar 1 risks, i.e., Credit, Market, and Operational Risks;
- Other risks under BSP Circular No. 510, i.e., Interest Rate Risk in the Banking Book (IRRBB), Liquidity Risk, Reputational Risk and Strategic Risk;
- Information Technology Risk (BSP Cir. No. 808); and
- Further risks identified as "material" by the Board of Directors and Senior Management are included in the list being monitored. Most recent additions are Cyber Security and Data Privacy Risk.

RISK MANAGEMENT DISCLOSURE

Resulting from the assessments based on the premise identified above, the Bank agrees and reviews on a regular basis the material risks that need focus from all three lines of defense. For the assessment period from 2020 to year 2022, these are based on the following ten material risks, which are grouped under Pillar 1 and Pillar 2 risks, shall be covered in the Bank's ICAAP Document submission to BSP, and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:

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

Pillar 2 Risks:

4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Information Security / Data Privacy / Cybersecurity Risk
10. Information Technology Risk (covering core banking implementation)

2020 Risk Management Highlights

Market & Liquidity Management

The Market and ALM Division of RMG supports the Asset and Liability Committee (ALCO) and the ROC with the independent assessment and reporting of the market risk profile as well as the liquidity profile of the Bank. The market risk as well as the liquidity risk framework comprise of governance structure, risk policies, and generally accepted practices and control structure with the appropriate delegation of authority through the risk limits.

Highlights of the risk management activities for 2020 under Market and ALM Division are as follows:

Trading Market Risk/Price Risk

- Active involvement in the Treasury Management System Project (from user acceptance testing to the implementation on May 20, 2020 (GO LIVE) to regression testing (POST GO LIVE);
- Daily preparation of the Value at Risk Report (VAR) and Monitoring of Stop Loss Report of different instruments for distribution to Global Markets Group (GMG), overseas branches and subsidiaries and monitoring of compliance to respective VAR limit and Stop Loss limit;
- Preparation of the monthly market risk dashboards for reporting to the ROC;
- Preparation and performance of the quarterly stress testing of the trading portfolio for reporting to the ALCO and ROC;
- Revision and updating of the Board-approved Market Risk Management Manual to incorporate new policies, new procedures, and updated limits;
- Monthly validation of the Market Risk Weighted Exposures of the Capital Adequacy Report which is an input to the Capital Adequacy Ratio (CAR) report (SOLO and CONSO);
- Implementation of the annual limits setting and performed assessment of the reasonability and relevance of trading risk limits;
- Ensured the implementation of the enhanced back testing framework for all trading instruments;
- Reviewed and performed risk analysis of new and existing treasury investments on its impact to CAR;
- Provided guidance and consult to GMG, overseas branches, and subsidiaries in the review of their policy and / or procedures manuals; and
- Further enhanced the existing automated risk reports and expanded automation of various risk reports by contributing inputs to the Data Modeler during the development and conducted various user acceptance testing sessions for these reports.

Structural Market Risk – Interest Rate Risk in the Banking Books

- Preparation of the Interest Rate Risk in Banking Book (IRRBB) Dashboard for reporting to the ALCO and ROC on a regular basis;
- Preparation and performance of quarterly stress testing of the banking book portfolio for reporting to the ROC;
- Active involvement on the Asset Liability Management System project (from drafting the business requirements document to data submission for the IRRBB module);
- Updating of policies, procedures, assumptions, and limits for interest rate risk management;
- Submission of the Market Risk Template (Trading Book and Banking Book) under the BSP Uniform Stress Testing requirement;
- Submission of the EAR calculation and framework for model validation of the Model Validation Division; and
- Conducted extensive technical training and support to the overseas branches and subsidiaries with respect to preparation and monitoring of interest rate risk in the banking book reports.

Liquidity Risk

- Active involvement on the Asset Liability Management System project (from drafting the business requirements document, to data mapping to user acceptance testing);
- Preparation of the liquidity risk dashboard for reporting to the ALCO and ROC on a regular basis;
- Preparation of the interim liquidity gap reports for the Global Markets Group;
- Preparation and performance of the quarterly stress testing for liquidity for reporting to the ROC;
- Updating of policies, procedures, assumptions, and limits for liquidity risk management;
- Alignment of the Stress Testing Framework for Liquidity Risk with the Bank's Updated Contingency Funding Plan;
- Submission of the MCO Core & Volatile deposits Model and Volatility Distribution Model for model validation of the Model Validation Division;
- Conducted risk awareness lectures on liquidity risk management to various training programs of the Bank; and
- Review and performance of risk analysis of new and existing treasury investments on its impact to the Bank's liquidity.

Other risk areas assigned to the Division

- Presentation of the risk dashboard to various Board meetings of domestic subsidiaries on a regular basis;
- Provided guidance to domestic subsidiaries in formulating / review of their risk management framework (set up of limits and processes as well as review of risk manuals);
- Involvement on the annual review of the Bank's ICAAP document and Recovery Plan;
- Monitoring of the compliance of the FVOCI portfolio with the approved Cumulative Loss Limits and Management Action Triggers (MATs);
- Submission of the monthly SEC report on complaints (per SEC Memorandum Circular 9);
- Submission of the monthly sworn certification on compliance of trades to fulfill the requirement of PDEX, a Self-Regulatory Organization for Fixed Income Trading from the Bank's Associated Person; and
- Calculation of the Economic Cost of Funds for reporting to ALCO on a regular basis.

Credit Risk Management

The Bank is exposed to credit risk arising from the probability that the counterparties might default on their contractual obligations under loans and advances when due. Credit Risk Weighted Assets (CRWA) accounts for **84.38% (as of December 31, 2020) of the Group's consolidated RWA of Php798,170 million.** Concentration risks are managed by defining credit policy and institutionalizing limits per industry as a percentage of qualifying capital.

The Group is also exposed to credit risk as a result of its trading and investment activities, as well as a result of its activities as an investment intermediary for its customers or for third parties. The credit risk arising from trading and investment activities is managed through the management of market risk.

The Credit Risk Management Division (CRMD) of RMG supports the implementation of the risk management framework for Asset Quality Exposures. Our asset quality rating reflects the quantity of existing and potential credit risk associated with loan and investment portfolios, other real estate owned, and other assets, as well as off-balance sheet transactions.

The Bank's Credit Risk Management Processes are performed coherently and collaboratively at three levels, namely:

1. Strategic Level, where the Board of Directors sets the annual revenue goals, target market, risk acceptance criteria; and defines strategic plans and credit risk philosophy and credit risk culture.
2. Transactional Level, where the Risk-Taking Personnel (RTP) (e.g., account officers, approving committees, etc.) determines opportunities and takes risks. The risk-taking activities at this level is congruent with the goals, target market, risk asset acceptance criteria (RAAC), strategies, and risk philosophy set by the policy-making body.
3. Portfolio Level, where the portfolio / total exposure is captured and evaluated by independent third party, other than risk-taking personnel (e.g., RMG, Internal Audit Group, and Global Compliance Group). The credit risk management of the entire loan portfolio is under the direct oversight of the ROC.

RISK MANAGEMENT DISCLOSURE

Highlights of the risk management activities for 2020 under Credit Risk are as follows:

1. Continued monitoring of the trend of the loan portfolio, non-performing loans, and adequacy of loan loss reserves, concentration risk, credit risk ratings migration and status of non-performing accounts via the Credit Dashboard Reports;
2. Oversight of the credit initiation and approval of selected accounts through pre-approval review. The Chief Risk Officer and the Head of Credit Risk sit as resource persons in the Senior Management and Institutional Banking Credit Committees, respectively.
3. Performed scenario analysis through stress testing and Rapid Loan Portfolio Review on the impact of COVID-19 and calamities such as the Taal volcano eruption and typhoons that hit the country, as well as new government regulations and new economic conditions.
4. Stringent monitoring of industries and borrowers affected by the impact of COVID-19.
5. Identified emerging risk that can have an impact to a particular industry or group of borrowers and the possible risk faced by the Bank.
6. Performed independent credit review on the Bank's large exposures and interdependent accounts as well as the consumer portfolio.
7. Continued participation in the formulation, review of new / revised policies and procedures within the Bank and subsidiaries.
8. Continued stringent monitoring of Expanded Real Estate and Real Estate Stress Test as well as other regulatory limits (i.e., Agri-Agra and SME compliance).
9. Assisted the business units in identifying the risk inherent on their proposed products or process.
10. Updated the credit risk manual to improve the risk management framework for the group.
11. Assisted the subsidiaries in their compliance to regulations, formulation of policies and procedures and process improvement.

Operational Risk Management

Operational Risk Management (ORM) is at the core of our operations, integrating risk management practices into processes, systems, and culture. ORM's value lies in supporting and challenging them to align the business control environment with our strategy by measuring and mitigating risk exposure and contributing to optimal return for stakeholders.

Highlights of the risk management activities for 2020 under ORM are as follows:

1. Ongoing activities for the implementation of the Governance, Risk and Compliance (GRC) Solution which aims to automate and enhance the Operational Risk Tools such as Risk and Control Self-Assessment (RCSA), Loss Event Report (LER), and Metrics Monitoring (KRI). This will also serve as an integrated platform to provide a holistic view of the Bank's risk profile with interrelated inputs from risk management, compliance, audit, as well as information security;
2. Rolled-out interim RCSA process-based approach to identified critical business processes of the Bank and enhanced the process to incorporate sources of risks, identify governing policies and risk treatments;
3. Approval of the RCSA Validation Framework;
4. Continued activities on alignment of risk assessments, business process mapping, and enhancement on risk taxonomy;
5. Continued review of new product proposals, as well as process and procedures manual review of the Bank's processes, including subsidiaries;
6. Identification of High-Risk Areas for efficient monitoring of critical risks across the organization;
7. Assumption to lead the Enterprise Fraud Management Project and ongoing support to RCI Fraud Solution;
8. Close monitoring on COVID-related and digital platform-related incidences; and
9. Risk Appetite awareness and risk education performed through e-mail blasts.

Information Technology (including Business Continuity Program, Project Monitoring, Business Outsourcing)

While banks have greatly benefited from the software and systems that allow for more efficient delivery of products and services, they have also become more susceptible to the associated risks. Many banks now find that these technologies are involved in more than half of their critical operational risks, which typically include the disruption of critical processes both from internal applications and those outsourced to vendors, risk of breaches of sensitive customer or employee data, and risks of coordinated denial-of-service attacks.

Because of the underlying information technology and security risks, the use of IT / IS Risk Management Framework becomes essential to ensure that both Information Technology and Security Risks are properly identified, measured, managed / controlled, monitored and reported. Further, the BSP guidelines in managing these risks have also evolved to include not only the technology components but also indicated the need for analytics and response / recovery measure in case breaches and threats turn into realities.

1. Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks *(The ISACA Risk IT Framework and BSP Circular 808)*. This consists of IT-related events (i.e., obsolescence, patch management, service availability, among others) that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of, the domains of information security; that is, confidentiality, integrity, and availability of information asset.

2. Business Continuity Risk is the risk to the Bank's operations due to the disruption and failure of critical functions of the organization impacting the continued operation of the business. These are the risks on financial, operational, reputational, regulatory, and legal resulting from unavailability of products, services and manpower during disruption/s. The Bank's Business Continuity Plan (BCP) defines the procedures to be followed to recover critical functions on a limited basis in the event of abnormal or emergency conditions and other crises.

   These risks will be mitigated by the following:
   - Ensuring timely implementation and monitoring of BCP documents such as Business Impact Analysis, Risk Assessments, and BCP departmental manuals programs and exercises;
   - Ensuring complete documentation of systems components and dependencies;
   - Implementing system redundancy and high availability;
   - Ensuring regular application and data backup;
   - Conducting regular business continuity testing;
   - Availability of third-party documentation and implementation on Business Continuity;
   - Conducting awareness to employees through classroom type trainings and email advisories;
   - Ensuring all external service providers to undergo risk assessments and are compliant to Business Continuity Enterprise Policy; and
   - Adhering to BSP Circular No. 951 in the implementation of Business Continuity Management.

3. Business Outsourcing Risk is the risk to the Bank's operations relating to services that are outsourced to third-party service providers. This includes the potential risk of breaches / leaks of confidential information about customers and/or employees, risks to managing the service providers, risks to continuity of the Bank's delivery of products and services should the provider fail to deliver contracted services in the delivery loop, and other myriad of "new" risks - data / security protection, process discipline, loss of business knowledge, among others.

These risks will be mitigated by the following:
- Ensuring timely implementation and monitoring of third-party service providers' documents, programs, and exercises as stated in the Vendor Outsourcing Policy;
- Ensuring periodic review on performance evaluation;
- Ensuring availability of policies with continuous improvement on existing policies;
- Ensuring implementation of risk assessments and due diligence prior onboarding;
- Availability of third-party documentation and implementation on Business Continuity to support the Bank's requirements during disruptions; and
- Ensuring third-party service providers and business units' compliance on Enterprise Vendor Outsourcing Policy.

4. Project Risk is the risk of failure on the implementation of technology projects, which impacts the Bank's operations and service delivery. Project Health checks are conducted to ensure that proper project management activities are implemented and that project risks are monitored and mitigated to reduce the risk of project failures.

Highlights of risk management activities for IS / IT (including BCP) for 2020:
- Completion of Business Continuity Awareness Training for Head Office, domestic, and overseas branches;
- Adoption of ISO 22301 Framework for Business Continuity Framework and Vendor Risk Monitoring;
- Completion of Bankwide Business Impact Analysis and Risk Assessments;
- Completion of BCP Simulation Drills and Exercises;
- Project Risk Assessments – Completion of Project Assessment for major technology projects;
- Implementation of the IT Project Management Policy and alignment of project management monitoring with ITG;
- Roll-out of the enhanced IT Risk Assessment on ITG Processes;
- Establishment of IT Key Risk Indicators;
- GRC System Project Kick-Off;

RISK MANAGEMENT DISCLOSURE

- Outsourcing and Vendor Risk Management Monitoring with inclusions of risk acceptance per engagement / vendor; and
- Update on Vendor Outsourcing Policy with inclusions of monitoring of Information Security, Data Privacy, Bribery and Corruption, Expired Contracts, Business Continuity Assessments, and Accreditation Status.

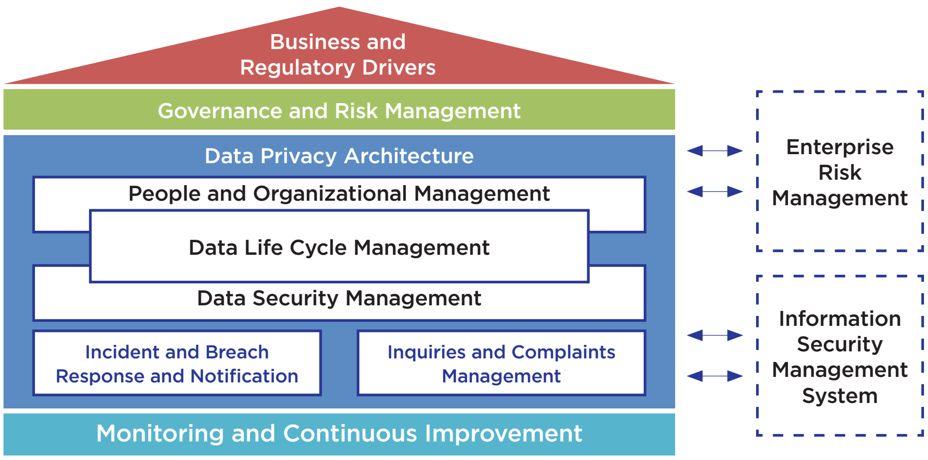
Data Privacy

We respect and value data privacy rights and we ensure that all personal data collected from data subjects are processed in adherence to the general principles of transparency, legitimate purpose, and proportionality. While reasons are founded in ethical and corporate responsibility, our privacy practices facilitate the following:

- *Good Corporate Citizenship*: A sound privacy practice is emblematic of reliable corporate citizens that respect data subjects' privacy.
- *Business Enablement*: Since the Bank uses significant volumes of personal data, privacy becomes a prerequisite to building enduring business relationships.
- *Legal Protection*: Appropriate privacy policies offer an opportunity to eliminate allegations of unlawful usage of personal information.

Recognizing the importance and criticality of personal information in achieving the Bank's vision and objectives, the Bank's Data Privacy Management System (*see Figure 5 below*) has been developed and put in place. The system includes security policies, organizational structures, and processes including technical, physical and environmental components, among others.

Figure 5: PNB Data Privacy Management System



Our Data Privacy Management System is managed through the continuous review, evaluation, and agreement between the Board of Directors and Senior Management. The authority to oversee the implementation of the system is vested upon the ROC as delegated by the Board of Directors. We review the performance and ensure that safe and sound management practices are always adhered to in all of the Bank's engagement and transactions.

Consumer protection is also thoroughly embedded within our data privacy management. We recognize and respect the consumer's right to safeguard their financial transactions with the Bank and be heard through appropriate channels concerning their feedback, inquiries, and / or complaints.

Highlights of the risk management activities for 2020 under the Data Privacy are as follows:

- Implementation of the revised PNB's Data Privacy Management System that includes implementation of the Enterprise Data Privacy Policy and Sub-Policies;
- Privacy Impact Assessment process implementation;
- Implementation of the revised PNB's Data Sharing Agreement Guidelines;
- Data Sharing Agreement and Data Protection Agreement implementation;

- Provided continuous Data Privacy Awareness and Education to the Bank including integration of basic data privacy awareness to Human Resources Group training namely: New Employees Orientation, Management Training Program, Junior Executive Development Institute, and Branch Operations Training Program;
- Revision and review of manuals, forms, and contracts to incorporate Data Privacy requirements;
- Conducted incident monitoring and reporting to the NPC;
- Tracking and monitoring of the submissions for consent; and
- Provided counsel to business units including branches, offices, and subsidiaries, both local and overseas, regarding Data Privacy concerns.

Information Security / Cyber Security Risk

Cyber-threat defense involves the entire organization from top to bottom and governance plays a critical role. Our Information Security / Cyber Security Risk Management Framework adopts a proactive stance to anticipate evolving and lingering global cyber threats. This requires continuous monitoring of threat intelligence feeds, targeted threat hunting mechanisms, improvement and adjustment on technology, enhancement of process and people skills, and the proper mechanisms for incident response and recovery.

Highlights of risk management activities (under our Enterprise Information Security Group) for 2020:

1. **Proactive Implementation of Security Controls**

   Information assets are exposed to threats and risks round-the-clock, such that an information leakage or cyberattack can happen or strike any time. Adopting a proactive approach by staying vigilant and anticipating problems or attacks before harming or damaging information assets was the method used by the Cyber Security Operations Division. Threat actors have shifted and adapted new threat vectors and critical infrastructures were viable targets for attackers. In addition to rigid policies, placing adequate controls to high-risk assets were prioritized; installing detection tools and engaging third-party experts were strategies that were utilized.

2. **Aspiring for Security Maturity Level Five (Optimized)**

   A risk-based approach to vulnerability management enabled EISG to focus resources and take enhanced measures in situations where risks are higher. Employing a multi-layered security and risk-based approach is more likely to raise maturity level quicker than if the focus was placed mainly on compliance using a control-based approach. Employing security standards that have been tested over time was a methodology that was employed. The end-goal is to attain an Optimized Maturity Level where information security processes are constantly being challenged and improved through monitoring feedback from existing processes and introducing new processes to better serve the enterprise's particular needs. EISG focused on sustainability and adaptability by continued work on architectural approaches to process and technology interfaces.

3. **Use of 360-degree Cyber Security Visibility**

   EISG established a security incident management program whose foremost objective is to minimize the negative impact of an incident or attack and restoring the disrupted service to normal operation as quickly as possible, and yet maintaining the best possible quality of service. A communication process to ensure that all events, incidents, attacks are addressed immediately to prevent greater damage or harm to the information assets was established. The Security Incident Response Team (SIRT), under the leadership of the Chief Information Security Officer (CISO), convenes as part of the incident management process to ensure that incidents that cannot be resolved immediately by the Global Service Desk (GSD) are assigned to a specialist technical support person or team to perform work-around processes to prevent delays in restoration of the disrupted service.

4. **Implementation of an Enterprise-wide Information and Cyber Security Education and Awareness Program**

   EISG's advocacy is to foster a security centric culture felt throughout the organization. Having already established a level of awareness and appreciation on the relevance of information security, EISG aimed to take more aggressive steps in nurturing and shaping the minds of the organization's workforce so that they fully understand their roles and responsibilities by being active participants and how their negligence can be detrimental to them and the enterprise as a whole. Employees were made aware that they are the most valuable information asset of the organization.

RISK MANAGEMENT DISCLOSURE

Business Intelligence Analytics and Enterprise Data Warehouse Initiatives

The Business Intelligence and Data Warehouse Division (BIDWD) under the Risk Management Group is tasked to manage the design and implementation of the Enterprise Data Warehouse (EDW) Program (stream of concurrent projects) as defined in the EDW roadmap.

The EDW System is the single source of information for all regulatory and management reports and analytics including some operational reports for the Bank. In production for almost eight years, continuous enhancements are being done to provide more relevant reports and analytics to the various business units. To date, there are over 1,500 reports / analytics available in the EDW-BI system covering the following major subject areas:

- Customer Insight / View;
- Customer Information Data Quality Monitoring System;
- Deposit Information and Analytics;
- Compliance to Regulatory Reporting Requirements;
- On Credit Quality Assessment / Monitoring:
  - Credit Risk Rating and Migration Reports and Analytics, Decision Support Analytics
  - Loan Portfolio Reports and Analytics
  - Credit Facility/Loan Collateral Reports and Analysis
- Loss Events Reporting (LER) for Operational Risk Management;
- Executive Dashboards, Analytics, and Reports serviced for business and support groups;
- Asset Liability Management Dashboard;
- Regulatory Reports on Credit Risk Management: reports relating to the Expanded Real Estate Exposure (EREE); Capital Adequacy Ratio (CAR); BSP Circular 855 Guidelines on Sound Credit Risk Management Practices; BSP Circular 941 Regulations on Past Due and Non-Performing Loans; and the PFRS9 compliance project.
- Actionable Items Reports: The EDW System automatically generates on a daily or weekly basis (or as needed) these actionable reports to prompt the concerned business units to act proactively on a particular event (e.g., loan accounts due for repricing) or make corrective action on certain data in the source systems (e.g., no BSP Risks Asset Classification) or files for more accurate data and reporting.

The Bank is currently implementing the following Decision Support Systems (DSS):

- Asset and Liability Management System;
- Expected Credit Loss (ECL) Calculator for the Philippine Financial Reporting Standard 9 (PFRS9); and
- Governance, Risk and Compliance System.

These DSS all have touchpoints to the EDW where most of the Bank's data requirements can be found. With the implementation of these DSS, the EDW is now the central source of information, gathering data from Source Systems and distributing pertinent data to the different Decision Support Systems.

Internal Capital Adequacy Assessment Process (ICAAP)

Completion of the 2020 ICAAP activities took some time considering the effects of the pandemic. The uncertainties brought by the COVID-19 situation entailed the Bank to further identify risks and vulnerabilities not only on the part of the Bank, but also on its customers and counterparties. This is imperative as part of the ICAAP to properly manage the risks and ensure sufficient capital is in place to cover potential losses especially through adversity.

Figure 6: ICAAP 2020 Milestones and List of Activities

KEY DATES	MILESTONES & ACTIVITIES
January - October 2020	• Review and approval of the Bank's Material Risks • Review and approval of ICAAP Stress Scenarios and Assumptions • Review and approval of the ICAAP Policy, including the revised ICAAP RCSA Procedures Manual to align with the new approach • Revisiting of business strategies relative to the COVID impact and situation • Extensive portfolio review and segmented borrowers • Recalculation of potential losses and capital impact to consider impact of pandemic • Presentation of the ICAAP Document and Recovery Plan to Capital Management Subcom of ALCO, MRC, BSPC, and Board for the necessary approvals • ICAAP Document and Recovery Plan submitted to BSP in October 2020

Risk Assessment Process

The current ICAAP risk-based assessment cascaded down to the business lines was revised to a process-based approach as deemed appropriate, and as recommended by BSP. As such, the previous Part 1 risk assessment shall now be focused on the Operational Risk exposures of the Bank.

While the other enterprise risks shall be assessed and quantified at the level of the Primary Risk Owners as what is currently being done; the subsidiaries, on the other hand, shall identify their own material risks commensurate to the nature of their business and complexity of operations.

RMG Sustainability Activities

In April 2020, BSP issued Circular 1085 on the adoption of a Sustainable Finance Framework. With the issuance of the issuance of the Circular, banks are given a period of three years to fully comply with the Transitory Provisions. This requires the Bank to embed sustainability principles in its strategic objectives, governance framework and risk management systems.

As RMG is part of the core working team, the following are the initial steps taken to comply with the Bank's sustainability initiatives:

- Finalized transition plan for sustainability activities such as incorporating Environmental and Social Risks in the Enterprise Risk Management Framework;
- Facilitated RMG Diagnostics or readiness assessment on ESG, in coordination with SGV & Co.;
- Update and amendment of the ROC Charter to align with the Bank's Sustainable Finance Framework is targeted by January 2021; and
- RMG has updated the Credit Risk Manual to incorporate the sustainability activities and discussed with stakeholders the initial steps to be undertaken for the implementation and monitoring of the framework.

REGULAR CAPITAL REQUIREMENTS UNDER BASEL III – PILLAR 1 CAPITAL ADEQUACY RATIO

Our Capital Adequacy Ratio as of December 31, 2020 stood at **15.14%** on a consolidated basis while our Risk Weighted Assets (RWA) as of **end 2020** amounted to Php798,170 million composed of **Php673,503 million** (Credit Risk Weighted Assets – CRWA), **Php60,468 million** (Market Risk Weighted Assets – MRWA) and **Php64,199 million** (Operations Risk Weighted Assets – ORWA).

Capital Adequacy Ratio

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

Consolidated	Weighted Exposures (as of End of Quarters 2020			
(Amounts in Php millions)	**Dec 31**	**Sept 30**	**June 30**	**Mar 31**
CRWA	673,503	668,983	706,847	771,000
MRWA	60,468	57,566	44,038	36,572
ORWA	64,199	64,199	64,955	64,955
Total Risk-Weighted Assets	**798,170**	**790,748**	**815,841**	**872,527**
Common Equity Tier 1 Ratio	14.47%	15.67%	14.99%	13.80%
Capital Conservation Buffer	8.47%	9.67%	8.99%	7.80%
Total Capital Adequacy Ratio	**15.14%**	**16.40%**	**15.86%**	**14.72%**

MESSAGE FROM THE CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE CHAIRPERSON

Florencia G. Tarriela

Chairperson

2020 has been one of the most difficult years for the Philippines, its economy, and the banking industry. COVID-19 changed the way all of us live and work, disrupting global economic activity.

It is in times like these that our commitment to stay true to our mission and priorities is of utmost importance. PNB remains at the forefront of good governance and is fully committed to be a dependable financial partner of the Filipinos of today and of future generations.

Our corporate governance framework is anchored on accountability, prudence, ethics, and responsible business practices cutting across all levels of the enterprise. This framework is designed to provide a solid foundation and strong impetus for the consistent conduct of our affairs and withstand the demands of strict and rigorous supervision, examination, disclosure, and best practices.

We continued to raise our governance practices and initiatives towards the adoption of prevailing best practices in the ASEAN region, and this resulted to PNB being cited as one of the top-performing publicly-listed companies in 2017 and one golden arrow recognition for corporate governance bestowed by the Institute of Corporate Directors (ICD) in 2018.

With the Board of Directors and Management voicing strong support to aim for a higher score, we remained focused on improving our performance. We were cited as one of the recipients of the ASEAN Asset Class Award from the ASEAN Capital Markets Forum (ACMF) and three golden arrow recognition from ICD for 2019. The ACGS is a set of questions developed in accordance with corporate governance principles of the Organization for Economic Cooperation and Development (OECD) as well as best corporate governance practices of major publicly listed companies in the ASEAN. This achievement sends a strong message that we are serious in our commitment to be a leader in good governance both at the local and regional level.

To celebrate this achievement, the following initiatives have been undertaken in 2020:

- Implementation of electronic voting in absentia during the Annual Stockholders' Meeting, in compliance with the Revised Corporation Code and applicable Securities and Exchange Commission (SEC) regulations;
- Amendment of PNB's By-Laws to allow Board members to participate and vote at meetings through remote communication, such as videoconferencing, teleconferencing, or other alternative modes of communication;
- Observed regular dialogue among independent directors to discuss key issues including emerging and top risks faced by the Bank, and corresponding strategies or action plans to effectively manage and mitigate those risks;
- Introduced non-executive directors' meeting without the presence of any executives to ensure that NEDs will be able to better evaluate the effectiveness of the internal controls and assess key issues and relevant matters at hand.
- Submission of the Bank's Sustainability Policy and Sustainable Finance Framework to the *Bangko Sentral Ng Pilipinas (BSP)* which describes how sustainability principles including those covering environmental and social risk areas, will be embedded into our governance framework, risk management system, and operations.
- Established the Policy on Gender Equality to promote an enabling and non-discriminatory culture where everyone is given equal opportunities. We maintained our gender parity with a 2:1 ratio as 66% of the workforce are female and 34% are male. In terms of key management positions, the same ratio holds as 60% of key management positions are held by women and at the Board level, 26% of Board seats are held by women.
- Engaged ICD to assess the structure, processes, dynamics, roles, and overall performance of the Board and further align our governance framework with best practices, in compliance with the SEC's Code of Corporate Governance for Publicly Listed Companies.

It is especially motivating to see how the public recognizes our efforts. We received recognitions from industry observers and other organizations: we have been awarded as *Best Managed Bank and Best CEO During COVID-19* by The Asian Banker; and *Best Bank for Corporate Social Responsibility* by Asiamoney, to name a few. We were also cited by Asiamoney as a *Leader for Women*, for having the highest percentage of women in our leadership team and the overall workforce.

While we saw good momentum in 2020, there is still much work to be done. Moving forward, we will embark on our sustainability transition plan for the next three years to make PNB a more inclusive and sustainable institution.

Challenging times demand the best of us as individuals, leaders, and organizations. We will remain firm and resilient to forge ahead as we work on creating a positive impact for all.

(Original Signed)
Florencia G. Tarriela
Chairperson
Corporate Governance and Sustainability Committee

CORPORATE GOVERNANCE

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

Board of Directors

GRI 102-26

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

Board Committees

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

The Chairperson, Vice Chairman, and President and CEO

GRI 102-23

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

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

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

The President and CEO is Wick A. Veloso. He assumed the position in 2018. As President and CEO, he is the overall-in-charge for the management of the business and affairs of the Bank as governed by the strategic direction and risk appetite approved by the Board. He communicates and implements our vision, mission, values, and overall strategy.

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

Our Governance Structure

GRI 102-18

CHAIRPERSON

FLORENCIA G. TARRIELA

Key Role

Responsible for providing leadership in the Board of Directors and ensuring effective functioning of the Board, its committees, and individual directors

BOARD OF DIRECTORS

15 Directors

9 non-executive
5 independent
1 executive

Key Role

Responsible for approving objectives and strategies of the Bank, overseeing management's implementation thereof, and maximizing the Bank's long-term success and creating sustainable value for its stakeholders

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

Chairperson	Members
Florencia G. Tarriela *Independent Director*	Felix Enrico R. Alfiler Federico C. Pascual Domingo H. Yap

BOARD AUDIT AND COMPLIANCE COMMITTEE

Chairperson	Members
Edgar A. Cua *Independent Director*	Felix Enrico R. Alfiler Florencia G. Tarriela

RISK OVERSIGHT COMMITTEE

Chairperson	Members	
Federico C. Pascual *Independent Director*	Felix Enrico R. Alfiler Florido P. Casuela Leonilo G. Coronel	Edgar A. Cua Vivienne K. Tan

BOARD OVERSIGHT RPT COMMITTEE

Chairperson	Members
Domingo H. Yap *Independent Director*	Edgar A. Cua Federico C. Pascual

EXECUTIVE COMMITTEE

Chairperson	Members	
Florido P. Casuela *Non-Executive Director*	Florencia G. Tarriela Felix Enrico R. Alfiler Leonilo G. Coronel Christopher J. Nelson	Sheila T. Pascual Michael G. Tan Vivienne K. Tan Wick A. Veloso

TRUST COMMITTEE

Chairperson	Members
Christopher J. Nelson *Non-Executive Director*	Federico C. Pascual Vivienne K. Tan Sheila T. Pascual Joy Jasmin R. Santos – Ex-Officio Wick A. Veloso – Ex-Officio

BOARD IT GOVERNANCE COMMITTEE

Chairperson	Members	
Vivienne K. Tan *Non-Executive Director*	Florido P. Casuela Leonilo G. Coronel Christopher J. Nelson	Florencia G. Tarriela Wick A. Veloso

BOARD STRATEGY AND POLICY COMMITTEE

Chairperson	Members	
Felix Enrico R. Alfiler *Independent Director*	Florido P. Casuela Leonilo G. Coronel Edgar A. Cua Christopher J. Nelson Federico C. Pascual	Sheila T. Pascual Michael G. Tan Vivienne K. Tan Florencia G. Tarriela Wick A. Veloso

MANAGEMENT COMMITTEE

Chairperson	Members	
Wick A. Veloso *Executive Director, President & CEO*	Cenon C. Audencial, Jr. Manuel C. Bahena, Jr. Roberto D. Baltazar Christine Grace A. Bandol Socorro D. Corpuz (OIC) Isagani A. Cortes Perfecto A. Domingo Claro P. Fernandez Alexander Grenz Marie Fe Liza S. Jayme Ma. Adelia A. Joson Samuel G. Lazaro (OIC) Jose German M. Licup Maria Paz D. Lim	Manuel Antonio G. Lisbona Noel C. Malabag Michael M. Morallos Roland V. Oscuro Aida M. Padilla Nelson C. Reyes Joy Jasmin R. Santos Mary Ann A. Santos (OIC) Gerry B. Valenciano Nanette O. Vergara Simeon T. Yap

CORPORATE GOVERNANCE

Board Advisors

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

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

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

Corporate Secretary

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

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

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

Chief Compliance Officer

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

Chief Risk Officer

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

Chief Audit Executive

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

Management Committee

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

Legal Vehicles, Business, and Support Groups

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

Within the parent bank, we have different business and support groups that work in unison to achieve our shared mission of becoming a leading provider of financial solutions. Each of the major groups is led by a Sector or Group Head who reports directly to the President and CEO.

BOARD MATTERS

Board Composition

GRI 102-10, 102-22, 102-27

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

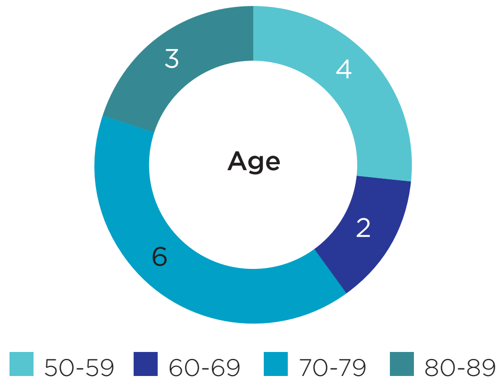
The President and CEO, who has executive responsibility of day-to-day operations, is elected as the sole executive director while the other members are non-executive directors (NEDs) who do not perform any work related to the operations of the Bank.

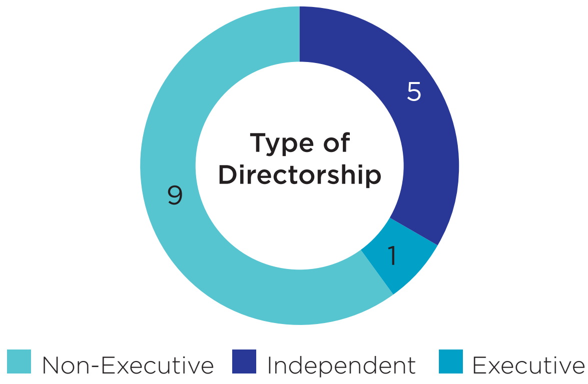
Among the Board members are five independent directors: Florencia G. Tarriela, Felix Enrico R. Alfiler, Edgar A. Cua, Federico C. Pascual, and Domingo H. Yap. They are independent of Management and free from any business or other relationship which could materially interfere with the exercise of independent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

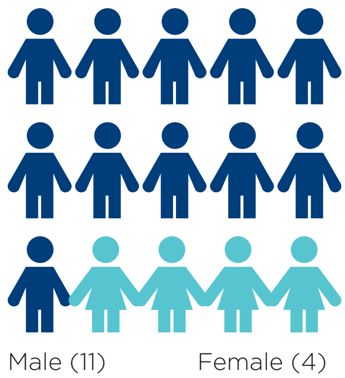
The Corporate Governance and Sustainability Committee reviewed the composition and membership of the Board and Board committees and identified the quality, existing competencies, and skillsets of directors aligned with the Bank's strategic direction.

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

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







2 Out of 8 Board Committees are chaired by Women.

CORPORATE GOVERNANCE

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

Skills, Competency, and Diversity

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

Consistent with our implementation of the ASEAN Corporate Governance Scorecard, the Bank continuously strives to meet the following:

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

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

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

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

Nomination and Election of Directors

GRI 102-24

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

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

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

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

Meetings and Attendance

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

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

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

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

21 meetings held for the year ended December 31, 2020		
Name	**No. of Meetings Attended**	**% Present**
Florencia G. Tarriela	21	100.00
Felix Enrico R. Alfiler	21	100.00
Florido P. Casuela	21	100.00
Leonilo G. Coronel	21	100.00
Edgar A. Cua	21	100.00
Estelito P. Mendoza	18	85.71
Christopher J. Nelson	21	100.00
Federico C. Pascual	21	100.00
Carmen K. Tan	17	80.95
Lucio C. Tan	16	76.19
Michael G. Tan	21	100.00
Sheila T. Pascual	20	95.24
Vivienne K. Tan	21	100.00
Wick A. Veloso	21	100.00
Domingo H. Yap	21	100.00

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

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

Remuneration

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

The total per diem given to the Board, as well as the total compensation of the President and CEO and the four most highly compensated executive officers, is disclosed in the definitive information statement sent to all shareholders.

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

Board Performance Evaluation

GRI 102-28

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

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

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

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

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

CORPORATE GOVERNANCE

Orientation and Continuing Education

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

As of December 31, 2020, all fifteen directors complied with the four-hour annual continuing training requirement. A newly-appointed director also attended the eight-hour orientation program on corporate governance.

NAME	PROGRAM	DATE	HOST / TRAINING INSTITUTION
Florencia G. Tarriela	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Felix Enrico R. Alfiler	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Florido P. Casuela	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Leonilo G. Coronel	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Edgar A. Cua	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Estelito P. Mendoza	Corporate Governance Seminar	September 9, 2020	SGV & Co.
Christopher J. Nelson	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Federico C. Pascual	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Carmen K. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Lucio C. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Michael G. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Sheila T. Pascual	Corporate Governance Orientation Program	September 8 - 9, 2020	Institute of Corporate Directors
Vivienne K. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Wick A. Veloso	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Domingo H. Yap	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Ruth Pamela E. Tanghal	Corporate Governance Seminar	October 20, 2020	SGV & Co.

Shareholdings

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

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

Name	Shareholdings as of January 1, 2020	% of Shares Held to Total Outstanding Shares of Bank	Shareholdings as of December 31, 2020	% of Shares Held to Total Outstanding Shares of Bank
Florencia G. Tarriela	2	0.0000001311	2	0.0000001311
Felix Enrico R. Alfiler	8,324	0.0005455624	8,324	0.0005455624
Florido P. Casuela	162	0.0000106176	162	0.0000106176
Leonilo G. Coronel	1	0.0000000655	1	0.0000000655
Edgar A. Cua	100	0.0000065541	100	0.0000065541
Estelito P. Mendoza	1,150	0.0000753720	1,150	0.0000753720
Christopher J. Nelson	100	0.0000065541	100	0.0000065541
Federico C. Pascual	39	0.0000025561	39	0.0000025561
Carmen K. Tan	5,000	0.0003277045	5,000	0.0003277045
Lucio C. Tan	14,843,119	0.9728313639	14,843,119	0.9728313639
Michael G. Tan	250	0.0000163852	62,250	0.0040799210
Sheila T. Pascual	110	0.0000072095	110	0.0000072095
Vivienne K. Tan	10	0.0000006554	10	0.0000006554
Wick A. Veloso	418,395	0.0274219845	418,395	0.0274219845
Domingo H. Yap	1	0.0000000655	1	0.0000000655

Concurrent Directorships

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

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

CORPORATE GOVERNANCE

BOARD COMMITTEES

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

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

Legend: C is Chairperson. M is Member.

Board Audit and Compliance Committee (BACC)

Mandate:

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

Structure and membership:

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

Meetings and Attendance:

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

The committee charter stipulates that meetings shall be held at least four times a year. Special meetings may be convened, as necessary. Meetings can only be held if attended by majority of the members less one member; but the vote of the majority of the quorum which in no case is less than two members is required to approve any act in all the meetings of the committee.

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

Board IT Governance Committee (BITGC)

Mandate:

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

Structure and membership:

- BITGC consists of six members: four non-executive directors, one independent director, and one executive director.

Meetings and Attendance:

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

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

CORPORATE GOVERNANCE

Board Oversight RPT Committee (BORC)

Mandate:

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

Structure and membership:

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

Meetings and Attendance:

- In 2020, BORC held a total of seventeen meetings.
- The committee charter stipulates that BORC shall conduct monthly meetings or as necessary. Meetings can only be held if attended by a majority of the members; but the vote of the majority of the quorum which in no case is less than two members is required to approve any act in all the meetings of the committee.

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

[1] Martin G. Tengco stepped down as Chief Audit Executive effective May 31, 2020.

[2] Samuel G. Lazaro was appointed as Officer-in-Charge of Internal Audit Group effective June 1, 2020.

Board Strategy and Policy Committee (BSPC)

Mandate:

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

Structure and membership:

- BSPC consists of eleven members: four independent directors, six non-executive directors and one executive director.

Meetings and Attendance:

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

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

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

Corporate Governance and Sustainability Committee

GRI 102-32

Mandate:

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

Structure and membership:

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

Meetings and Attendance:

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

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

CORPORATE GOVERNANCE

Executive Committee

Mandate:

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

Structure and membership:

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

Meetings and Attendance:

- In 2020, the EXCOM held a total of fifty-one meetings.
- The presence of a majority of the members of the committee shall constitute a quorum. The unanimous vote of all the members present at the meeting shall be required to approve any act in all the meetings of the committee, otherwise the proposal under consideration shall be elevated to the Board for approval.

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

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

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

Risk Oversight Committee (ROC)

Mandate:

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

Structure and membership:

- Consists of six members: three independent and three non-executive directors
- Chaired by an independent director
- Chairman of ROC is not the Chairperson of the Board or of any other Board committee.

Meetings and Attendance:

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

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

Trust Committee

Mandate:

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

Structure and membership:

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

CORPORATE GOVERNANCE

Meetings and Attendance:

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

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

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

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

MANAGEMENT COMMITTEE

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

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

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

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

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

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

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

COMPLIANCE

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

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

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

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

Financial Crime Risk

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

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

Regulatory Compliance Risk

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

Compliance Assurance

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

Compliance Operations

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

Compliance International

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

CORPORATE GOVERNANCE

INTERNAL AND EXTERNAL AUDIT

The Internal Audit Group (IAG), headed by the Chief Audit Executive (CAE), performs the internal audit activities for the Bank which is strictly guided by its conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA). IAG provides independent, objective assurance and consulting services to evaluate and improve the effectiveness of risk management, control, and governance processes of the organization.

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

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

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

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

RIGHTS OF SHAREHOLDERS

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

All shareholders, including minority shareholders, have the right to nominate and elect candidates for the Board of Directors. They also have the right to remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code, including, but not limited to: amendment in the Bank's articles of incorporation and by-laws, authorization of additional shares, and transfer of all or substantially all assets. The rights and responsibilities of shareholders are discussed in detail in the Corporate Governance Manual and by-laws, accessible through PNB's website.

Stockholders' Meeting

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

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

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

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

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

Before the Annual Stockholders' Meeting

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

During the Annual Stockholders' Meeting

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

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

The Chairperson of the Board formally opened the 2020 ASM. The Corporate Secretary certified the existence of a quorum for a valid transaction of business at the meeting. Every shareholder entitled to vote shall be entitled to one vote for each share of stock standing in his or her name on the books of the Bank.

Shareholders voted on the following agenda: (a) approval of the minutes of shareholders' meetings held in the previous year; (b) approval of the Annual Report and the Audited Financial Statements; (c) approval of the amended by-laws; (d) election of directors; and (e) appointment of the external auditor. All legal acts, resolutions and proceedings of the Board, including approvals on RPTs endorsed by the BORC, are also included on the agenda of the ASM for ratification of disinterested shareholders.

Shareholders are allowed to elect directors individually. Each resolution deals with only one item; there is no bundling of several items into the same resolution.

At the meeting, shareholders are encouraged to express their opinions and raise any questions, either on the agenda or any other questions related to the business and operations of the Bank. All questions have been answered by the Board and the Bank's corporate officers and are recorded in the minutes of meeting.

The Bank has likewise engaged Roxas delos Reyes Laurel Rosario & Leagogo Law Offices, our external counsel, for the validation of proxies and votes cast during the meeting.

After the Annual Stockholders' Meeting

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

DISCLOSURE AND TRANSPARENCY

PNB Website

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

Annual and Quarterly Reports

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

CORPORATE GOVERNANCE

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

Press Releases and Media Briefings

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

Investor Relations

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

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

The Investor Relations Program is anchored on three main principles:

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

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

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

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

GOVERNANCE POLICIES AND PRACTICES

Corporate Governance Manual

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

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

Corporate Governance Confirmation Statement

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

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

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

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

Code of Ethics for Directors

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

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

Code of Conduct for Employees

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

Each employee, senior officer, or director is furnished with a copy of the Bank's Code of Conduct and/or Code of Ethics. Moreover, they can access the Code through the Bank's intranet. Each individual accomplishes an Acknowledgement Receipt certifying therein that he has been furnished with a copy of the Code; that he has fully read and understood the provisions embodied in the Code; and that he promises to abide with the rules and regulations of the Code.

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

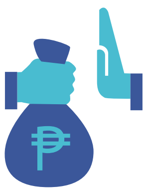
Whistleblowing Mechanism

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

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

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

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



Anti-Bribery and Anti-Corruption

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

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

CORPORATE GOVERNANCE

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

Consumer Welfare

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

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

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

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

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

Creditors' Rights

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

The Bank provides its depositors with ready access to information that accurately represents the fundamental benefits and risks, as well as the terms and conditions of a financial product or service. Moreover, PNB is one with the Philippine Deposit Insurance Corporation (PDIC) in promoting public confidence and stability in the economy. As such, the Bank advertises PDIC's deposit insurance protection in appropriate and accurate manner by including the official PDIC Insurance Statement (Deposits are insured by PDIC up to Php500,000 per depositor) in general advertisements of the Bank and advertisements relating to deposit products and services appearing in print ads, TV, official website, and other forms of marketing communications.

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

Vendor and Supplier Selection

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

The Bank has developed its Outsourcing and Vendor Management Policy consistent with existing statutory, regulatory, and supervisory requirements. This policy sets out the framework for engaging with suppliers, along with the responsibilities of the Board of Directors and Management

Committee in the review and evaluation of all new and existing outsourcing arrangement and vendor relationships.

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

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

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

Selection Process for Senior Management

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

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

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

Succession Management

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

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

(a) Identification of key management positions.

(b) Nomination of Candidates – based on results and past performance, competencies, and potential, subject to the initial evaluation of the Talent Board. The respective Sector or Group Head nominates possible candidates who may be from within or outside of their respective Group/Sector subject to the acceptance of the concerned officer-candidate prior to processing.

(c) Conduct of Talent Screening – the process of evaluating and assessing the shortlisted nominees' competencies through online assessment, 360-degree feedback survey, and interviews with the members of the Talent Board, if necessary. Those who qualify based on the evaluation of the Talent Board shall be recommended for inclusion in the Executive Talent Pool, subject to the approval of the President and CEO.

(d) Learning and Development – to address the development needs of each talent, an Individual Development Plan (IDP) consisting of on-the-job training, interactional development programs, and classroom training shall be created by the Sector or Group Head and/or designated mentor. For a more objective and in-depth assessment of the talent's competencies, he/she may be required to train in the Assessment and Development Center. The training result is made an integral part of the IDP.

CORPORATE GOVERNANCE

(e) Talent's Progress Review – the progress of the talent is monitored and evaluated.

(f) Engagement – strategies are employed to sustain the desired level of performance as well as the employee's commitment to the program.

(g) Placement – the talent review process and the learning and development programs continue until the need or opportunity arises for the talent to assume a key/critical position within the organization.

In–House and External Training Program for Senior Management

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

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

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

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

Remuneration Policy

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

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

Officers' Compensation and Benefits

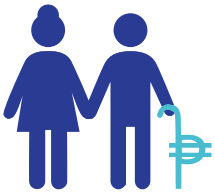
The compensation package for officers consists of monetary and non-monetary benefits, fringe benefits, and long-term schemes such as the following:

(a) Monetary emoluments consist of monthly compensation, guaranteed bonuses equivalent to four monthly basic salary, allowances for business-related expenses, official travel, annual clothing allowance, annual rice subsidy and other monetary allowances, and award upon reaching service milestones of at least ten years and every five years thereafter; and

(b) Non-monetary benefits consist of healthcare plan for the officer and two of his or her qualified primary dependents, group life insurance, group accident insurance, leave privileges, car plan, and loan facilities such as general-purpose loan, motor vehicle loan, and housing loan.

Performance-based Remuneration

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



Retirement

GRI 201-3

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

There are three modes of retirement:

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

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

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

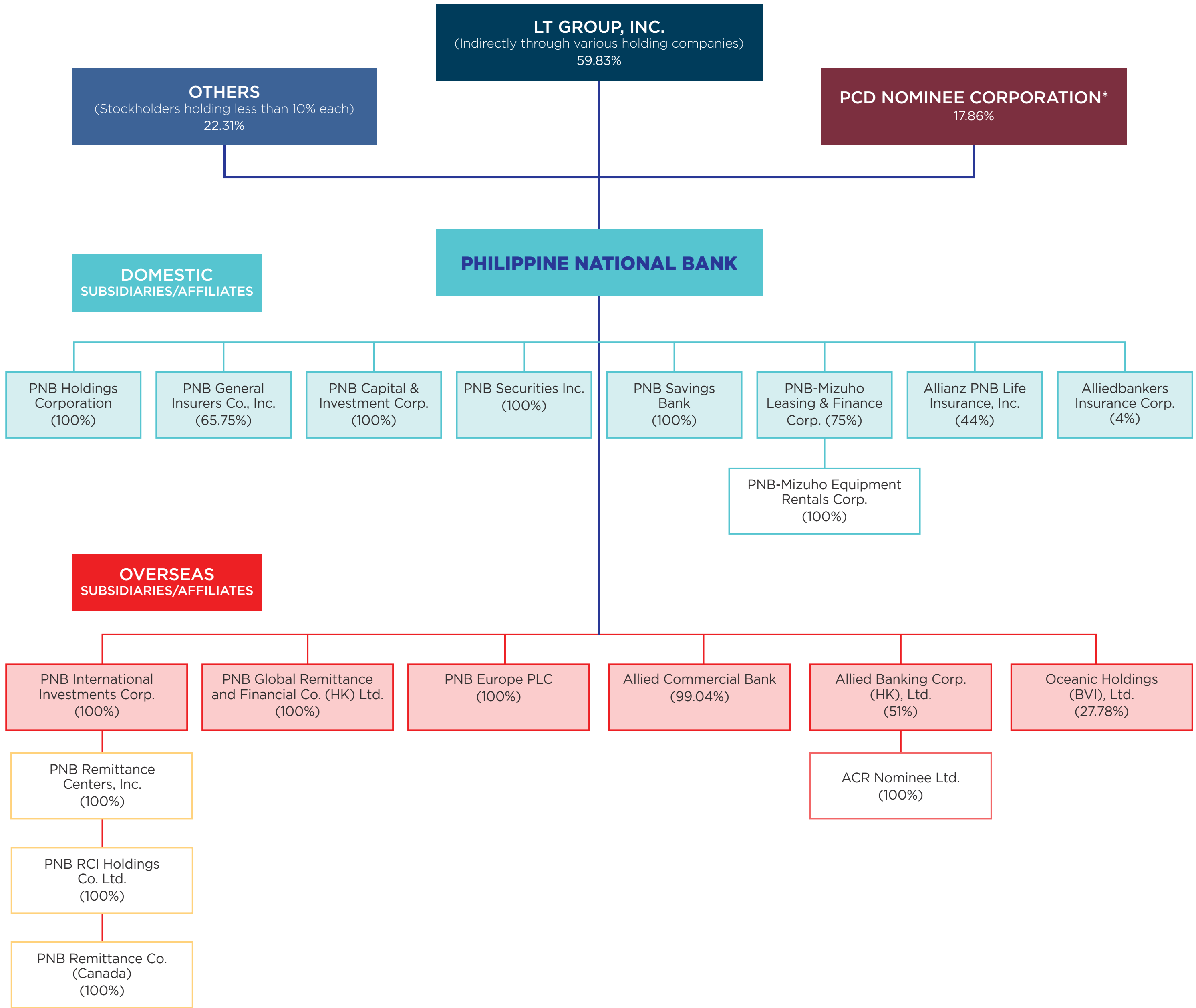
PNB Shareholdings of Holding Companies Under LT Group, Inc.

NAME	DIRECT OUTSTANDING PNB SHARES	INDIRECT	TOTAL DIRECT & INDIRECT PNB SHARES	PERCENT TO TOTAL PNB OUTSTANDING SHARES
All Seasons Realty Corp.	10,005,866	0	10,005,866	0.6557934534
Allmark Holdings Corp.	20,724,567	0	20,724,567	1.3583067535
Caravan Holdings Corp.	82,017,184	0	82,017,184	5.3754799765
Donfar Management Ltd.	30,747,898	0	30,747,898	2.0152448787
Dunmore Development Corp. (X-496)	15,140,723	0	15,140,723	0.9923365976
Dynaworld Holdings, Inc.	11,387,569	0	11,387,569	0.7463515102
Fast Return Enterprises, Ltd.	18,157,183	0	18,157,183	1.1900380979
Fil-Care Holdings, Inc.	25,450,962	0	25,450,962	1.6680789310
Fragile Touch Investment, Ltd.	22,696,137	0	22,696,137	1.4875252238
Ivory Holdings Inc.	20,761,731	0	20,761,731	1.3607425155
Kenrock Holdings Corp.	26,018,279	0	26,018,279	1.7052613973
Kentwood Development Corp.	17,237,017	0	17,237,017	1.1297295910
Key Landmark Investments, Ltd.	133,277,924	0	133,277,924	8.7351549618
La Vida Development Corp.	19,607,334	0	19,607,334	1.2850822982
Leadway Holdings. Inc.	65,310,444	0	65,310,444	4.2805052168
Mavelstone Int'l. Ltd.	29,575,168	0	29,575,168	1.9383831001
Merit Holdings & Equities, Inc.	17,385,520	0	17,385,520	1.1394626112
Multiple Star Holdings Corp.	30,798,151	0	30,798,151	2.0185385055
Pioneer Holdings Equities, Inc.	34,254,212	0	34,254,212	2.2450518506
Profound Holdings, Inc.	18,242,251	0	18,242,251	1.1956135311
Purple Crystal Holdings, Inc.	24,404,724	0	24,404,724	1.5995075519
Safeway Holdings & Equities, Inc.	12,048,843	0	12,048,843	0.7896920027
Society Holdings Corp.	17,298,825	0	17,298,825	1.1337805429
Solar Holdings Corp.	82,017,184	0	82,017,184	5.3754799765
Total Holdings Corporation	15,995,011	0	15,995,011	1.0483274012
True Success Profits Ltd.	82,017,184	0	82,017,184	5.3754799765
Uttermost Success, Ltd.	30,233,288	0	30,233,288	1.9815168766
TOTAL	**912,811,179**	**0**	**912,811,179**	**59.8264653298**

CONGLOMERATE MAP

As of December 31, 2020

GRI 102-5



* **PCD Nominee Corporation (PCDNC)** acts as trustee-nominee for all PNB shares lodged under the PCD System.

Note:

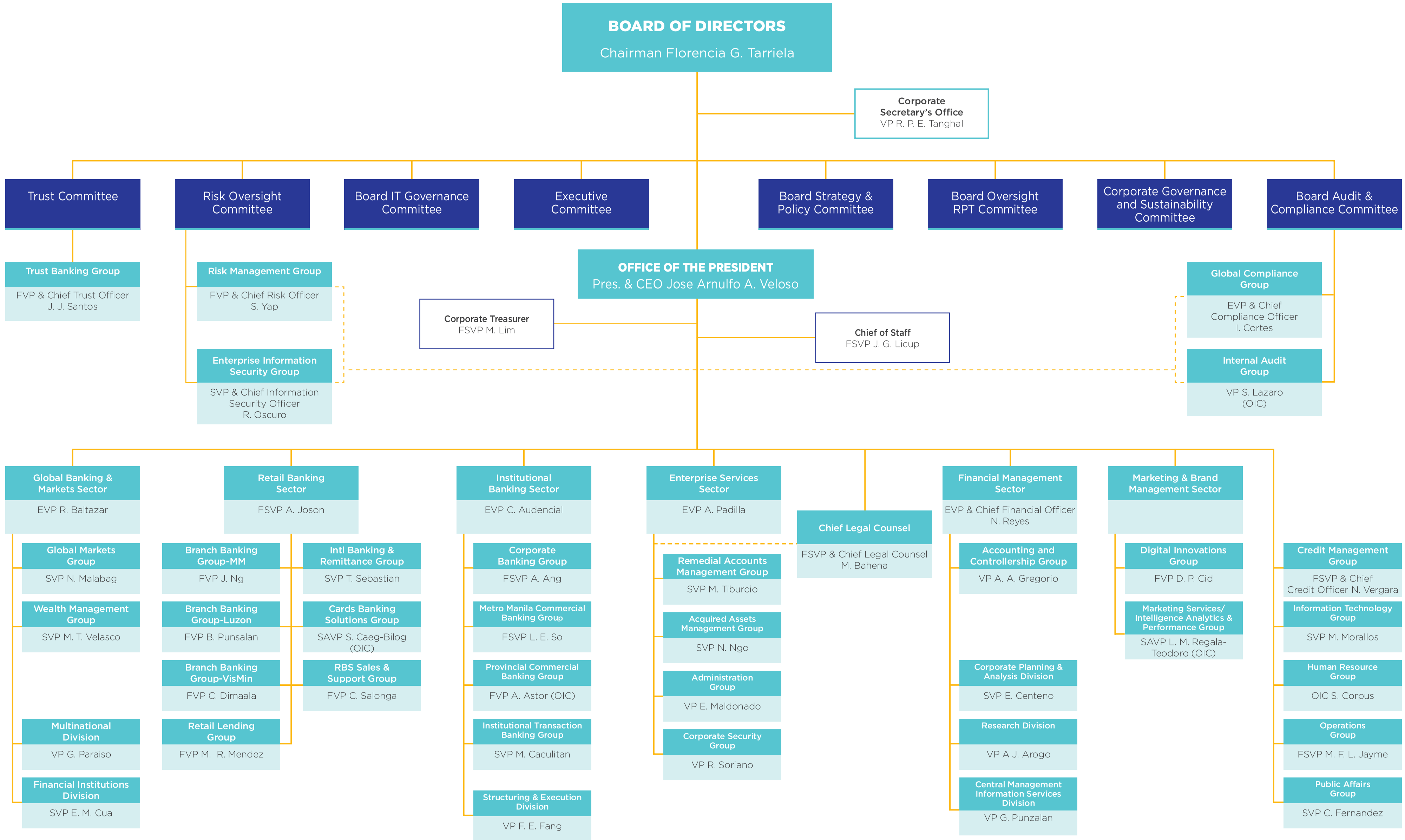
Dormant Overseas Subsidiaries

1. PNB Corp. Guam

SEC approved the change of the corporate name of PNB Savings Bank to Allied Integrated Holdings effective February 23, 2021.

TABLE OF ORGANIZATION

As of February 1, 2021



SUSTAINABILITY REPORT

INTRODUCTION

Philippine National Bank (PNB) faced many challenges in 2020, starting with the eruption of the Taal volcano in January and followed by the outbreak of the COVID-19 Pandemic. Many lives and businesses were lost and disrupted as the Philippine economy suffered its worst setback since the country started releasing economic data just after World War II in 1947.

Despite these, PNB adapted and managed to obtain considerable gains in various aspects of its business and operations. The *bayanihan* spirit became even more alive in the bank as PNB stood by its commitment to care for the well-being of Philnabankers by adopting and implementing policies that provide for a safe, flexible, and inclusive workplace. For our clients and communities, we continued to provide uninterrupted, accessible, safe, and secure banking services while promoting good governance, sound risk management, and environmental and social responsibility.

In 2020, PNB was recognized by The Asian Banker as the *Best Managed Bank* and having the *Best CEO Response during COVID-19*. It was also commended for its corporate social responsibility (CSR) efforts. Asiamoney awarded PNB as *Best Bank for CSR* in its annual Best Bank Awards and was acknowledged as a *Leader for Women* in its Women in Finance supplement. In addition to receiving these accolades, PNB was also able to lay down the foundation for its Sustainability Transformation for the next three years.

Embarking on a Sustainability Transformation Journey

Our sustainability journey began with PNB's leadership adopting a commitment focused on building a strong relationship with the community it serves. The Bank committed to empower Philnabankers by building up their skills and capabilities. Since then, we have taken a more active stance towards realizing our commitment towards sustainability goals.

We took initial steps to ensure the integration of sustainability principles into our business and operations such as:

- Formally establishing the Corporate Sustainability Unit (CSU) to centralize all sustainability-related initiatives and activities of the Bank;
- Formulating a company-wide Sustainability Policy;
- Integrating the responsibility of promoting environmental, social, and governance (ESG) advocacies and exercising sustainability oversight to the functions of the Corporate Governance and Sustainability Committee;
- Implementing ESG-cognizant lending through the Bank's Institutional Banking Sector (IBS);
- Preparing the initial draft of the Sustainability Finance Framework; and
- Developing and implementing various initiatives and activities to raise awareness among employees.

In April 2020, the *Bangko Sentral ng Pilipinas* (BSP) issued Circular No. 1085 on Sustainable Finance Framework. In view of this, we formed a Sustainability Project Steering Committee (SteerCom) backed up by a Technical Working Group (TWG) composed of the following businesses and functions with the objective of providing technical assistance, guidance, and direction to CSU for the preparation of PNB's Three-Year Sustainability Transition Plan:

STEERING COMMITTEE	TECHNICAL WORKING GROUP
Public Affairs Group – Chairperson	Corporate Sustainability Unit – Chairperson
Financial Management Sector	Institutional Banking Sector
Institutional Banking Sector	Retail Banking Sector
Retail Banking Sector	Credit Management Group
Credit Management Group	Global Compliance Group
Global Compliance Group	Risk Management Group
Risk Management Group	

We also engaged the services of an external consultant, SGV & Co., to guide the Bank on integrating ESG or sustainability principles in our business and operations. SGV & Co. worked closely with CSU and the TWG from July to November 2020 for the preparation of the Bank's Three-Year Sustainability Transition Plan.

In addition, the TWG reviewed and revised the current company-wide Sustainability Policy to set the tone and align with the Bank's Three-Year Sustainability Transition Plan and ESG-related policies that will soon be developed in compliance with BSP Circular No. 1085. The Bank also developed PNB's Sustainable Finance Framework. This framework illustrates how the Bank intends to enter Sustainable Financing Transactions ("SFTs"), which will finance or refinance projects and expenditures that will, at the same time, create a positive environmental and social impact and support our growth objectives.

SUSTAINABILITY REPORT

To this end, we aim to embed our sustainability principles including environment and social risk areas, into our corporate governance framework, risk management systems, and strategic objectives consistent with the size, risk profile, and complexity of our operations.

The company-wide Sustainability Policy and Three-Year Sustainability Transition Plan, as well as the Bank's Sustainable Finance Framework, were reviewed and approved by the Bank's different business units, the Sustainability Project Steering Committee, the Corporate Governance and Sustainability Committee, and the Board of Directors in November 2020. These documents were submitted to BSP on December 3, 2020.

Improving Our Sustainability Policy and Extending Our Sustainability Footprint

Our Sustainability Definition

- Ensuring that our employees are provided with the right competencies and learning opportunities as well as equal access to programs that can enhance productivity, leading to self-sufficiency and a better quality of life;
- Ensuring the longevity of our business by maintaining profitability, attracting and retaining the right talent, providing relevant financial solutions, managing our tangible and intangible resources, and upholding a culture of continuous improvement;
- Developing sustainable products and services and financing businesses and activities that provide positive contribution to the environment and the society;
- Ensuring that our business and operations comply with all applicable laws, rules, and regulations; and aligned with local and international best practices and standards;
- Ensuring that we consider and integrate social inclusion and gender equality factors in how we do our business and operate in our communities;
- Promoting the well-being of our stakeholders by keeping a healthy ecosystem of employees, outsourced personnel, third-party service providers, suppliers / vendors, customers, shareholders, regulators, and external communities.

Our Sustainability Policy Statement

Philippine National Bank (PNB) is a private Filipino, universal bank with global presence committed to provide relevant financial solutions to customers anywhere in the world. It is committed to generate value through a strategy focused on safe and sustainable growth.

The capacity of the Bank to grow and sustain business is contingent upon the quality of its human capital, the condition of its physical resources, the viability of its businesses, and the Bank's relationship with its customers, employees, shareholders, regulators, suppliers / vendors, outsourced personnel, third-party service providers, and external communities.

The Bank believes that Sustainability starts from within by respecting human rights, cultivating an inclusive and collaborative work culture, helping all employees regardless of gender and background to gain equal access to relevant training and opportunities to develop skills and capabilities needed to succeed and improve their well-being. Through this Policy, the Bank commits to educate and engage its employees, leading them to align with PNB's thrust on Sustainability. The Bank aims for its employees to embrace sustainability principles not only at work but also in their own personal lives as well.

Our corporate governance framework supports these sustainability commitments which earned the Bank recognitions from the Institute of Corporate Directors (ICD) and the Securities and Exchange Commission (SEC) on our governance practices and initiatives.

Recognizing the Bank's essential role in helping shape the environment and the social landscapes, we believe that our Bank's Sustainability footprint should also extend to our products and services as well as to financing or supporting the businesses and activities of our customers. As such, the Bank commits to fund or support projects and activities that will contribute to the achievement of the United Nations Sustainable Development Goals (SDGs).

The Bank will not support or involve itself in any business or activity that is illegal and which might cause harm, directly or indirectly, to people and the environment.

On the other hand, the Bank will subject to enhanced due diligence and close monitoring high-risk businesses and activities that are considered to have harmful effects or negative impacts on the society and the environment. The Bank will continue to support these businesses or activities provided they have the necessary government approvals and permits, passed the ESG screening of the Bank, and submitted their mitigation action plans to address environmental and social risks.

In addition, the Bank expects its customers, vendors / suppliers, and third-party service providers to improve their business practices by identifying and managing their own environmental and social risks and impacts, adopting good industry standards and practices, and contributing positively to the environment and the society. The Bank commits to educate its customers, vendors / suppliers, and third-party service providers on PNB's Sustainability Policy.

To promote social inclusion and gender equality, the Bank will support and make available socially inclusive and gender-sensitive financial solutions. The Bank will do this by integrating social inclusion and gender lens in lending to or financing businesses; financing or refinancing projects that aim to improve social inclusion and gender equality; and by supporting CSR initiatives and activities that promote and improve social inclusion and gender equality.

Our economic, social, and environmental responsibility includes complying with all legal requirements. This Policy applies to all activities of PNB, including events, sponsorships, and engagements that the Bank supports. The Bank's employees, outsourced personnel, vendors / suppliers, and third-party service providers shall uphold the principles under this Policy to the fullest extent possible within prevailing budgets. Employees are encouraged to inform the Bank's Management about potential barriers that might hinder the growth of the organization's people and its business.

Our Sustainability Pillars

Economic

- Revenue growth, profitability, and business continuity of the Bank.
- Engagement in Sustainable Financing Transactions, which will finance or refinance projects and expenditures that will have a positive environmental and social impact and likewise support the Bank's growth objectives.
- Financial wellness and long-term value for customers, employees, and shareholders.

Environmental

- Efficient use and management of our resources.
- Reduced environmental footprint of the Bank, our employees, customers, outsourced personnel, vendors / suppliers, and third-party service providers.
- Support for business and activities with positive impact to the environment.
- Support for customers to manage their environmental risks and impacts.

Social

- Succession planning through capability-building, leadership development, and strategic talent acquisition.

SUSTAINABILITY REPORT

- Enhanced productivity, self-sufficiency, and quality of life for our employees by providing the right competencies and access to learning opportunities and wellness programs.
- Development of an empowering and inclusive culture where our employees, customers, and stakeholders are treated fairly and given equal opportunities.
- Support for businesses, projects, or activities that promote and improve social inclusion and gender equality among internal and external stakeholders.
- Positive contribution to communities through employee volunteerism and other initiatives imbuing responsible corporate citizenship.
- Financial inclusion for communities through sustainable products and services.

Governance

- Compliance with all applicable laws, rules, and regulations that govern our business.
- Alignment with local and international best practices and standards such as, but not limited to, FATF International Standards on anti-money laundering and combating the financing of terrorism, UN Sustainable Development Goals, and UN Global Compact.
- Transparency and accountability in all areas of our operations.
- An effective Environmental and Social Risk Management System (ESRMS) across all business functions and operations of the Bank.

Our Sustainability Commitments

We commit to do the following:

For our employees, we will:

- Provide a safe, respectful, and collaborative work environment that cultivates personal and professional growth.
- Educate them on our Sustainability Policy and encourage and inspire them to contribute positively to their respective communities.
- Provide them access to various skills development and learning programs relevant to their existing functions and target roles for enhanced productivity.
- Provide equal opportunities for candidates to be hired, without biases, based on their skills and competencies.
- Provide equal opportunities for employees to be promoted based on performance, potentials, and aspirations, regardless of gender and background.
- Eliminate biases, whether conscious or unconscious, towards certain groups or individuals and ensure that decisions are rendered objectively and fairly.
- Promote diversity, inclusion and gender equality in the employment experience and in the workplace.

For our customers and communities, we will:

- Ensure the continuity of our business through strategic succession planning.
- Support businesses and initiatives that foster and enable economic and inclusive growth, environmental protection, social development, and nation-building.
- Raise awareness on sustainability and the Bank's sustainability thrusts through various information dissemination channels.
- Promote financial wellness and create value through tailor-fit and sustainable products and services.
- Provide or make available social inclusion and gender-sensitive financial solutions, as well as support initiatives and activities that promote and improve social inclusion and gender equality.

For our shareholders and regulators, we will:

- Adhere to all applicable laws, rules, and regulations governing our scope of business and areas of operations.
- Align with international best practices and standards such as, but not limited to the FATF International Standards on anti-money laundering and combating the financing of terrorism, UN Sustainable Development Goals, and UN Global Compact.
- Be transparent and accountable in all areas of our operations.
- Integrate sustainability principles in our enterprise risk management system.
- Report the progress and milestones of our Sustainability initiatives to the Board of Directors at least quarterly.
- Review and, if necessary, update the PNB Sustainability Policy annually.

For our vendors / suppliers, outsourced personnel, and third-party service providers, we will:

- Educate and ensure adherence to the Bank's sustainability policy and standards.

For our environment, we will:

- Reduce the environmental impact of our operations through efficient use and management of natural and man-made resources.
- Adapt eco-friendly technologies.
- Support businesses and projects that are compliant with environmental laws and regulations and contribute to the protection and conservation of the environment through sustainable financing and strategic partnerships.
- Partner with our employees, customers, vendors / suppliers, and third-party service providers to push forward the sustainability agenda.

Aligning Ourselves with the United Nations' Sustainable Development Goals (SDGs)

We continue to align our activities and initiatives with the United Nations' Sustainable Development Goals (UN SDGs) to ensure the success of our business while contributing to improve the well-being of our customers, employees, shareholders, vendors / suppliers, third-party service providers, outsourced personnel and even of the future generation.

SUSTAINABILITY REPORT

Taking A Cue from Our Sustainability Champions and Leaders

GRI 102-29, 102-32

The Bank's Chairperson and President/CEO are our staunch Sustainability Champions. Together with our Corporate Governance and Sustainability Committee (a Board-level committee tasked to promote environmental, social, and governance advocacies and exercise corporate governance oversight functions), they play a vital role in providing guidance and direction to the Bank's Management Team on integrating sustainability principles in our scope of business and areas of operations.

In addition, the Bank's Sustainability Project Steering Committee composed of the heads of the different business units and the TWG, whose members are the assigned representatives of the business unit members of the Steering Committee, meet every month to review and deliberate on all sustainability-related issues that concern the Bank before these are presented and endorsed to the President/CEO, the Corporate Governance and Sustainability Committee, and Board of Directors for approval.

On the other hand, the Corporate Sustainability Unit (CSU) which reports to the Public Affairs Group (both a member of the Sustainability Project Steering Committee and TWG), is tasked to develop and execute the Bank's sustainability activities and initiatives with guidance from the Office of the President and the Corporate Governance and Sustainability Committee. The CSU reports to both the Bank's Corporate Governance and Sustainability Committee and Board of Directors every quarter and whenever there are sustainability-related concerns that need immediate committee or Board approval or resolution.

Although it implements Bank-initiated CSR initiatives and activities, CSU is likewise focused on helping the Bank define and develop its sustainability policy, framework, and roadmap. CSU will also be implementing more sustainability-related initiatives for the Bank, starting with an internal awareness raising campaign among employees.

With the recent release of the BSP Circular No. 1085 which requires all banks to integrate sustainability principles in their business and operations within a three-year transitory period, the CSU spearheaded the preparation of the Bank's Sustainability Policy and Three-Year Transition Plan which was approved by the Board of Directors last November 2020 and submitted to BSP last December 2020.

Report Coverage and Parameters

GRI 102-50, 102-54

This Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option, reflecting our Bank' significant financial, social, and environmental contributions from January 1 to December 31, 2020.

Stakeholder Engagement

GRI 102-40, 102-42, 102-43, 102-44

We believe that the success and sustainability of our business relate to the long-term interests of our stakeholders; thus, we value their opinions, concerns, and expectations as these influence our business objectives, strategy, operations, and work culture. We have feedback mechanisms available where these inputs and / or issues can be raised.

With the outbreak of the COVID-19 pandemic that restricted face-to-face interactions, we utilized online platforms such as Zoom and Microsoft Teams, and even social media applications like Facebook, Twitter, Viber, and WhatsApp. In cases where our stakeholders are not tech-savvy or have no access to these platforms, we conducted phone calls, sent emails or letters via postal service.

Our stakeholder engagement table below shows the changes that we have embraced to adopt to the "New Normal" during the pandemic:

OUR STAKEHOLDERS	MODE OF ENGAGEMENT	KEY CONCERNS AND EXPECTATIONS	OUR RESPONSE
Employees	• Regular Video / Audio Conference Calls via Microsoft Teams / Zoom • Emails • Virtual Meetings / Events / Townhalls • Surveys via SharePoint, Menti, etc.	• Work-life balance • Competitive compensation and benefits • Training and development • Support for work-related needs such as transportation to work, flexible work arrangement, etc. • Career progression • Improvement of infrastructure and facilities • Safe and secure work environment • Opportunities for volunteerism and community engagement	• Year-round initiatives and programs to promote employee well-being conducted via digital platforms: in-house and external webinars; employee welfare and wellness; employee recognition; and performance appraisal as driven by our Human Resource Group • Regular checking and maintenance of on-site offices / Branches and IT infrastructure (i.e., hardware, software, and systems) • On-site / off-site volunteerism or community outreach opportunities for our employees in partnership with Corporate Sustainability Unit, Human Resource Group and other Bank units. • Development and implementation of Diversity and Inclusion Policy, Whistleblower Policy, and Gender and Equality Policy
Customers	• Regular virtual meetings with Relationship Managers and Branch personnel • Telephone calls • Website updates • Emails • Social Media Updates and Messaging Apps (Facebook, Messenger, Twitter, Instagram, Viber, WhatsApp) • Digital / Virtual Events	• Products and services that are responsive to their current financial needs • Fast and efficient customer service • Protection of customer information • Accessibility and convenience of customer touchpoints • Waived fees for certain Bank transactions • Competent Bank personnel who can answer inquiries, complaints, and concerns	• Branch presence across the globe, offering relevant financial solutions • A reliable 24/7 customer service hotline • Enhanced strategic recruitment efforts to attract a highly professionalized, competent workforce. • Clear and timely customer updates or advisories (i.e., schedule branch operations, etc.) • Waiver of fees for certain Bank services (i.e., InstaPay, PESONet, Remittance) in support of government and national regulatory policies, i.e., Bayanihan To Heal As One Act, Bayanihan To Recover As One Act
Investors / Shareholders	• Letters/ Correspondences • Emails, bulletins • Virtual Annual Stockholders' Meeting • Digital Investor Briefing / Virtual Sessions • Investor Relations Program	• Strong financial performance • Shareholder returns • Corporate governance • Transparency and disclosure • Continued business growth • Updates on new opportunities for financial growth • Compliance with globally accepted financial reporting standards	• Corporate governance framework in accordance with global standards and best practices • Strong Board and Management oversight • Transparency and accountability • Regular updates / bulletins on the Bank's performance
Regulators	• Periodic examinations • Emails / Correspondences • Virtual Meetings • Webinars	• Conduct of sound business practices • Sustainability of the company, business, and operations • Compliance to laws, rules, and regulations • Transparency and accountability • Liquidity and capital adequacy to operate as a universal / commercial bank • Timely and accurate submission of financial and regulatory reports	• Timely and accurate submission of regulatory reports and documents (i.e., submission of a Three-Year Sustainability Transition Plan • Transparency and accountability • Proactive dialogue • Full compliance / adherence to banking laws, rules and regulations in the country and overseas
Vendors / Suppliers and Third-Party Service Providers	• Emails / Correspondences • Virtual Meetings • Phone Calls	• Timely and accurate payment of products and services commissioned / secured by the Bank • Efficient vendor accreditation process of the Bank	• Annual review of vendor / supplier performance • Review of necessary documentation and facilitation of timely release of payments • Organized biddings, thorough review of documentation submitted, proper awarding and onboarding of winning suppliers / vendors • Foundation for the creation of a Bank-wide Sustainability Procurement and Supply Chain by organizing webinars for the Corporate Services Division and other concerned business units
Outsourced Personnel	• Phone Calls • Person-to-person meetings / huddles	• Safety and security in the workplace • Emergency support (i.e., financial assistance for those whose work were suspended because of the community quarantine)	• Development of a Bank-wide Sustainability Policy which is inclusive of outsourced personnel • CSR / employee volunteerism initiatives for the benefit of outsourced personnel
Communities	• Virtual Financial Literacy/ Financial Wellness sessions • Virtual meetings and events / activities (i.e., donation or turnovers, etc.) • Charitable/ Philanthropic Contributions • Environmental and sustainability-related projects or initiatives • Partnerships with credible NGOs, Foundations, LGUs, or Civil Society Organizations	• Knowledge of basic money management • Projects that support economic, social, and environmental landscape of the community • Disaster or emergency response	• Networking and coordination for certain CSR or sustainability-related projects and activities • Financial inclusion through financial literacy programs • Partnerships with credible social development organizations, LGUs, academic institutions, and civil society organizations within the CSR and sustainability focus of the Bank • Support for charitable and philanthropic causes on education, environment, and social welfare development. • Support for affected communities where the Bank has a presence during times of natural and man-made calamities (i.e., relief operations) with assistance from our employees, our subsidiaries, and affiliate.

SUSTAINABILITY REPORT

Reporting Process

GRI 102-21,102-29,102-31, 102-46, 102-47

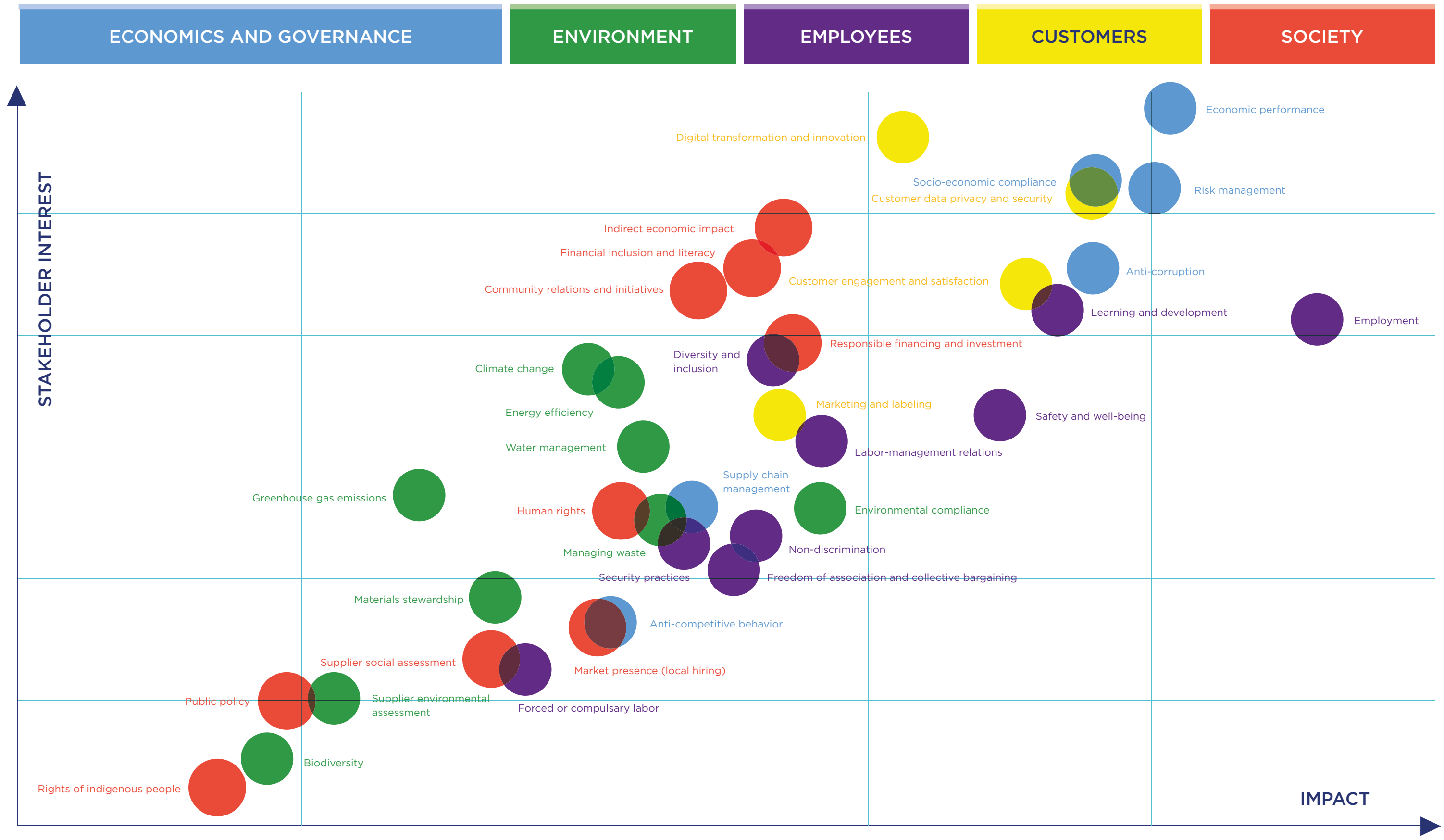
For 2020, we decided to prepare our Sustainability Report without any assistance from external consultants. The objective of our independent reporting and writing process was for us to develop an appreciation of our existing best practices and to better understand the gaps, challenges, and areas of improvement in our business and operations.

As a member of the Lucio Tan Group (LTG) of Companies, the Bank submitted relevant data and updates on our sustainability activities and initiatives to the conglomerate to include in their own Sustainability Report for 2020. Our Bank's data gathering method and schedules were basically patterned after that of the conglomerate for consistency and accuracy.

Below is the process our Bank went through in preparing this Sustainability Report:

ENGAGING THE STAKEHOLDERS	ASSESSMENT AND VALIDATION OF MATERIAL TOPICS	DATA GATHERING AND REPORT WRITING	MANAGEMENT REVIEW
Conducted the sustainability report kick-off meeting among concerned business units of the Bank to orient them on the relevance of Sustainability Report to the Bank and its business, and to discuss the GRI report template	Conducted an assessment and validation of the Material Topics during the Sustainability Report Kick-Off Meeting with the internal key stakeholders	Using the GRI reporting standards, relevant data and information pertaining to the Bank's existing economic, environmental and social initiatives were collected and collated in two (2) phases: a. November 25, 2020: Disclosure of Management Approach on different sustainability topics/ themes or DMAs b. January 25, 2021: Data on specific sustainability-related topics or themes from January to December 2020 The CSU prepared the report with the data / inputs from the different business units of the Bank.	Upon completion, the report went through the following levels of review and affirmation of disclosures: (1) concerned participating business units; (2) Sustainability Technical Working Group and Steering Committee; (3) Office of the President; and (4) Corporate Governance and Sustainability Committee.

Our materiality assessment matrix for 2020 was basically the same as 2019. We still considered all these top 10 ESG-related topics crucial and relevant to our company and our stakeholders in 2020.



KEY MATERIAL ISSUES BY RANK										
	1	ECONOMIC PERFORMANCE	2	EMPLOYMENT	3	RISK MANAGEMENT	4	SOCIO-ECONOMIC COMPLIANCE	5	CUSTOMER DATA PRIVACY AND SECURITY
	6	ANTI-CORRUPTION	7	DIGITAL TRANSFORMATION AND INNOVATION	8	CUSTOMER ENGAGEMENT AND SATISFACTION	9	LEARNING AND DEVELOPMENT	10	INDIRECT ECONOMIC IMPACT

Foremost in every stakeholder's mind was our performance and stability during the pandemic. This was accompanied by apprehension concerning job security given the economic situation and financial stress experienced by many companies during the pandemic.

The Bank worked double time to strengthen its risk management – especially data privacy measures – to protect itself and its stakeholders while continuing to adhere to laws, rules, and policies of regulatory agencies.

Moreover, the pandemic affirmed the Management's decision to pursue a digital transformation and innovation plan. Initially seen as a strategy to help support the economy and business, digitalization is now considered a relevant and urgent need for conducting financial transactions in the safety of one's own home. Likewise, there was an urgent need to digitize our internal processes so we can avoid exposing our people to the virus and protect the environment at the same time.

Our Management plans to revisit and re-validate these material sustainability topics in 2021 with the development and implementation of a comprehensive and enterprise-wide Stakeholder Management and Communications Plan. The business and support groups, under the guidance of CSU, are currently working on a medium-term and long-term Stakeholder Management and Communications Plan which is targeted for rollout by the second half of 2021.

SUSTAINABILITY REPORT

Contact Information

GRI 102-53

We value your feedback. For any inquiries or comments, you may contact us through the following:

PNB Office of the Corporate Secretary
9/F PNB Financial Center, Pres. Diosdado Macapagal Boulevard, Pasay City
Tel. No.: (+632) 8 526-3131 local 4106
Stockholder Relations Officer: Atty. Ruth Pamela E. Tanghal
Email: tanghalrpe@@pnb.com.ph

PNB Investor Relations Unit
9/F PNB Financial Center, Pres. Diosdado Macapagal Boulevard, Pasay City
Tel. No.: (+632) 8 526-3131 local 2120
Investor Relations Officer: Ms. Emeline C. Centeno
Email: centenoec@pnb.com.ph

PNB Customer Care Hotline: (+632) 8 573-8888
Email: customercare@pnb.com.ph

ECONOMIC PERFORMANCE

GR103-1, 103-2, 103-3, 201-1

UN SDG 1, 8, 10

Economic performance continued to rank as the top material issue for the Bank and our stakeholders in 2020.

As a financial institution, the Bank generates and distributes economic values to various stakeholders. These include salaries and benefits of employees, taxes paid to government, payments to vendors / suppliers and third-party service providers, dividends for shareholders, and donations or charitable contributions for disadvantaged and marginalized sectors in the society.

Economic Value Distribution Table

Economic Impact (In Philippine Peso)	2018 In Millions	% of Total	2019 In Millions	% of Total	2020 In Millions	% of Total
Amount paid to suppliers / vendors	3,753	22.21%	4,358	23.20%	4,623	23.62%
Consolidated membership fees and dues	17	0.10%	18	0.10%	13	0.07%
Consolidated charitable contributions and sustainability-related activities and initiatives	15	0.09%	46	0.24%	25	0.13%
Wages and benefits paid to employees	9,380	55.52%	9,547	50.82%	10,168	51.95%
Taxes paid to government	3,729	22.07%	4,818	25.64%	4,743	24.23%
TOTAL	16,894	100.00%	18,787	100.00%	19,572	100.00%

Source: Financial Management Sector, PNB

As illustrated in the above table, there was a decrease in membership fees and dues, as well as a reduction in expenses in the charitable contributions and sustainability-related activities of the Bank. This was mainly because the pandemic disrupted the usual schedule of activities of the associations. Likewise, the bank cancelled the physical conduct of its CSR and sustainability-related activities.

Dividend Policy

We continue to adopt a dividend policy where "dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral Ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank".

There were no dividend payouts in 2020.

Supply Chain Management

GRI 102-9

UN SDG 10, 12

Our Vendor Management Policy requires concerned Bank units to evaluate the service and technical capability of their vendors / suppliers or third-party service providers on an annual basis. The Bank's Accreditation and Vendor Management Department (AVMD) under Corporate Services Division (CSD) of the Administration Group (AG) maintained the process of accreditation and risk assessment of vendors / suppliers and third-party service providers for greater efficiency.

The Bank follows a simple procurement process composed of the following: (1) sourcing from accredited vendors / suppliers and third-party service providers, (2) canvassing and bidding, (3) review / assessment of bids, (4) and awarding to vendors / suppliers through issuance of Purchase Orders or Letter of Awards. Our Procurement Committee, which is composed of various members from the Bank's Senior Management Team, convene regularly to review and deliberate on each submitted bids of accredited vendors / suppliers or third-party service providers.

Purchasing or sourcing from non-accredited vendors / suppliers or third-party service providers is strongly discouraged. However, there are cases that this is allowed if the service engagement is considered seasonal / occasional, one-time, or an emergency.

The Bank sources its purchases and services from Metro Manila-based accredited vendors / suppliers and third-party service providers to maintain standard quality. In cases when the requesting Bank units are based in the provinces, the Procurement Department helps them purchase or source from local vendors / suppliers in the area to minimize transportation costs.

Currently, CSD is working towards improving its procurement processes and practices. Last November 2020, the division, together with other Bank units that engage their own third-party service providers, attended an in-house webinar on Sustainable Sourcing and Procurement conducted by SGV & Co. in preparation for the development of an enterprise-wide Responsible Sourcing and Vendor Management Policy as part of the Three-Year Sustainability Transition Plan of the Bank.

Financing Green and Sustainable Businesses and Projects

GRI 103-1, 103-2, 103-3, 203-1, 203-2

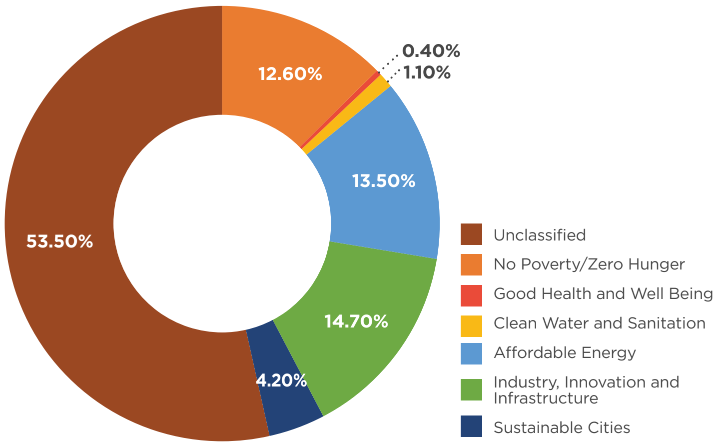
UN SDGs 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 17

As part of our commitment to building our sustainability footprint, we continue to support businesses and projects that promote nation-building, countryside development, and sustainable financing.

In 2020, 46.50% of the Bank's total loan portfolio or Php232 billion was used to finance business and projects that support and contribute to sustainable development such as food manufacturing, agricultural production, water distribution and supply, energy generation and distribution, construction and operation of tolls roads and bridges, telecommunications infrastructure, responsible packaging, and construction of green buildings and health facilities, among others.

SUSTAINABILITY REPORT

PERCENTAGE OF TOTAL LOANS



Source: Institutional Banking Sector, PNB

Managing the E & S Risks and Impact of Our Supported Businesses

GRI 201-2

With the Board approval of the enterprise-wide Sustainability Policy and Sustainable Finance Framework, we are already set to work in 2021 on identifying and effectively assessing and managing our environmental and social risks and impacts associated with financing particular businesses, projects, or industry sectors.

In 2021, the Bank will continue not supporting the following businesses and activities that have adverse environment and social impacts:

- Money laundering, terrorism, criminal and illegal activities
- Bribery including giving, offering, receiving, or requesting bribes
- Child labor and any form of exploitation of children
- Forced labor
- Adult entertainment, prostitution, human trafficking
- Activities related to nuclear power generation and fuels, hazardous chemicals, and radioactive substance
- Illegal mining
- Illegal gaming
- Violating rights of local communities
- Production or trade of wildlife regulated under the Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES) and United for Wildlife Financial Taskforce
- Any form of animal cruelty
- Illegal logging or uncontrolled fire – including transactions in which a client engages in illegal logging or uncontrolled use of fire for clearing forest lands, conversion of land for plantation use in primary tropical moist forests
- Land clearance by burning
- Production and movement of weapons and ammunitions for non-law enforcement, non-military use which violates basic humanitarian principles, and this includes anti-personnel mines, cluster, munitions and weapons of mass destruction
- Illegal Internet gaming – transactions connected to the participation of another person in a bet or a wager that involves the use of the Internet and that is unlawful under law
- Fishing with the use of explosives or cyanide
- Production or activities that impinge on the lands owned or claimed under adjudication by indigenous people, without full documented consent of such peoples
- Finning and/or trading (wholesale or retail) or serving at eateries of shark's fin or shark-finning and deriving material revenue from such activities
- Natural resource extraction in UNESCO World Heritage sites – engaging in transactions focused on natural extraction within UNESCO World Heritage sites, unless there is prior consensus between UNESCO and the host country's governmental authorities that activities will not adversely affect the natural or cultural value of the site

In compliance with BSP Circular 1085, beginning 2021, part of the Bank's Transition Plan is to conduct enhanced due diligence on customers whose industries are identified with significant environment and social impacts. Tools such as ESG Performance Screening Checklist and Sustainable Financing Checklist will be introduced in phases to empower customers in pushing forward the sustainability agenda in their own business and operations as well as complying with regulatory requirements.

ENVIRONMENTAL IMPACT

Despite the challenges posed by the COVID-19 pandemic, we continue to show our commitment to help care for and protect the planet by raising environmental awareness among our employees through digital channels. We also continue to help reduce the Bank's environmental footprint by improving our energy, fuel, and water consumption, managing our wastes properly, going paperless in our daily transactions, and ensuring that the businesses, projects, and industries that we support are also environmentally compliant.

With the Work-from-Home (WFH) set-up implemented by the Bank's management to safeguard the health of its employees, each Philnabanker was able to help reduce their own environmental footprint. This new WFH set-up enabled the employees to continue working in the safety of their own homes while, at the same time, helping the environment by not taking daily transportation and by going paperless in their work.

Power, Fuel, and Water Consumption

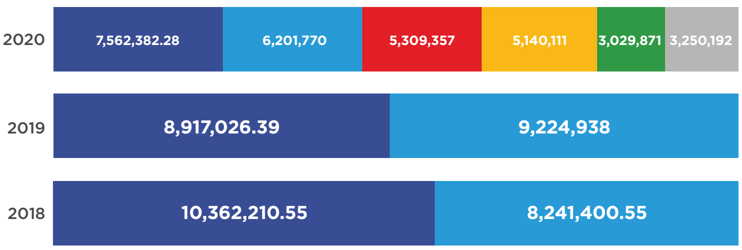
GRI 103-1, 103-2, 103-3, 302-1, 302-2, 302-4, 303-1, 303-2, 303-3, 303-5, 305-1, 305-2

UN SDG 3, 6, 7, 12

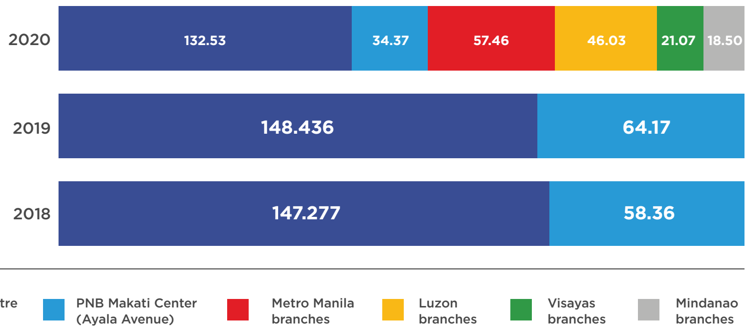
The Bank's Administration Group monitors overall power and fuel consumption on a regular basis, as well as implements initiatives or activities to help reduce greenhouse gas emissions (GHG). In addition, all our bank offices and branches have assigned Pollution Control Officers who monitor emissions and ensure effective compliance to national and local environmental laws, rules, regulations, and policies.

The illustration below shows the power and water consumption of the headquarters in Pasay City and Makati City for 2020. This year, we included the power and water consumption of our branches nationwide and we aim to improve on our reporting in the coming years.

POWER CONSUMPTION (in KWh)



WATER CONSUMPTION (in Megaliters)



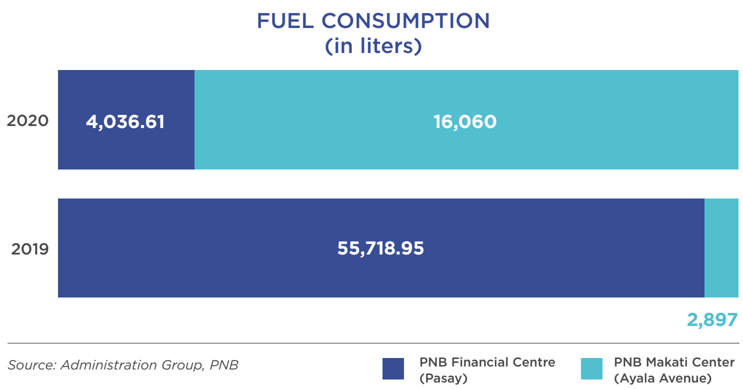
Source: Administration Group and Branch Banking Group, PNB

SUSTAINABILITY REPORT

The Bank's energy and water consumption, particularly at the headquarters in Pasay City and Makati City, decreased due mainly to the COVID-19 pandemic. The work-from-home (WFH) arrangement implemented by the management since the start of the community quarantine only allowed a small number of employees to report on site.

Despite the small number of employees reporting to the PNB headquarters, the Administration Group continued to do the necessary periodic electrical checks, repairs, and maintenance works in both the PNB Financial Centre and Makati Center. As of reporting date, all conventional bulb and fluorescent lighting fixtures in both headquarters are being replaced with LED lighting.

The water supply in our headquarters and branches is sourced from third-party service providers. Water is stored in cistern tanks located at the basement of PNB Makati Center and at ground level of PNB Financial Center, respectively, and is then pumped and distributed to different water lines for use in toilets, urinals, water closets and washbasins. The Administration Group ensured that all broken water pipes, faucets, closets, and lavatories as well as the water reservoirs of the two main offices of the Bank were properly maintained during the pandemic.

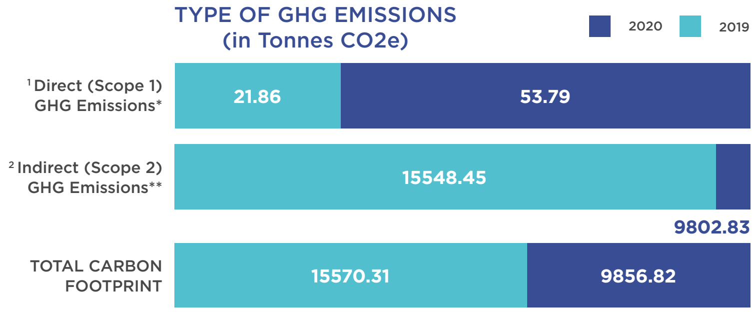


Source: Administration Group, PNB

Fuel consumption at the PNB Financial Center in Pasay City was reduced significantly during the reporting period as compared to last year as there was no incident of prolonged power interruption. Also, there were no major maintenance works on the electrical system in 2020 that would otherwise require the operation of generator sets on weekends. Fuel consumed for the reporting period was only for the weekly testing/maintenance of the generator sets.

There was, however, an increase of fuel consumption for generator sets at PNB Makati Center for the reporting period because of the damaged 2.5MVA power transformer. The fuel consumption table below includes fuel consumed by the Bank's motor pool and the generator sets of our headquarters in Metro Manila. Regular maintenance of the generator sets and Bank vehicles were conducted for fuel efficiency and for reduction of carbon emissions.

The table below, on the other hand, shows the Green House Gas (GHG) Emissions of our PNB Headquarters in Pasay City and Makati City.



Source: Administration Group, PNB

[1] Direct (Scope 1) GHG emissions are from sources that are owned or controlled by an organization such as any physical unit or process that releases GHG into the atmosphere. This includes CO2 emissions from fuel consumption. Source: Consolidated Set of GRI Sustainability Reporting Guidelines 2018.

[2] Indirect (Scope 2) GHG emissions are those that result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by an organization. Source: Consolidated Set of GRI Sustainability Reporting Guidelines 2018.

When compared with 2019 data, the carbon footprint of the Bank in 2020 from the two PNB headquarters in Metro Manila was reduced significantly due to the remote work arrangement implemented by management. We aim to improve on our reporting next year by including the GHG emissions of our branches nationwide.

Resource and Waste Management

[3]GRI 306-1, 306-2, 306-3, 306-4, 306-5

UN SDG 3, 6, 12

The Bank observes proper waste disposal to reduce environmental footprint. To help us manage our waste disposal, we engage the services of environmentally compliant and DENR-accredited service providers.

The most common waste material from the PNB headquarters and branches is paper waste. This is usually sold to recycling centers and proceeds from the sale are then used to support the Administration Group's waste management initiatives for the PNB headquarters in Metro Manila. In our branches, paper waste is also sold to recycling centers and sales proceeds are used by the branches for their own employee volunteerism or community outreach activities.

In addition to paper waste, our PNB head offices and branches also generate electronic wastes. Surrendered or pulled out old computers including the computer peripherals, however, are not disposed right away. The Bank's Information Technology Group (ITG), which is in charge of all IT-related purchases and disposals, ensures that old but still serviceable computers, as well as computer parts and peripherals, are set aside and repaired for office use or for donation to different non-government organizations. In 2019, the old but serviceable desktop computers were repaired and the hard drives were wiped clean with a program before they were donated to different non-profit organizations in Olongapo City. Only electronic items that could no longer be repaired, recycled, or re-used are disposed properly by ITG. This initiative was put on hold when the pandemic struck as the group had to prioritize providing the necessary assistance to PNB employees to enable WFH.

Our domestic and non-hazardous waste materials at the PNB headquarters and the branches are collected on a regular basis by their respective local government unit's assigned and DENR-accredited garbage disposal service providers. These are then disposed in DENR-accredited landfills. For the reporting period, the solid waste materials from the PNB Financial Center increased due to accumulated cut tree branches and construction debris from ongoing- renovation works.

Common Types of Wastes from the PNB Headquarters

WASTE CATEGORY	QUANTITY / VOLUME COLLECTED IN 2018 (in Metric Tons)	QUANTITY / VOLUME COLLECTED IN 2019 (in Metric Tons)	QUANTITY / VOLUME COLLECTED IN 2020 (in Metric Tons)
Non-Hazardous			
Solid Waste (i.e., paper wastes, construction debris, elevator parts, tree branch cuttings, etc.)	20.8	144	232.00
Hazardous			
Used Oil	0.6	1.3	1.62
Lead Acid Batteries	0.12	0.50	0.50
Busted Fluorescent /LED Lights	0.064	0.86	1.49
Contaminated Rugs	0.02	0.024	0.30
Expired Paints	0.0189	0.0235	0.00
Ozone depleting substances	0.01	0.1	0.00
Electronic Wastes	0.01	0.08	0.00

Source: Administration Group, PNB

Common Type of Wastes from the Branches

WASTE CATEGORY	QUANTITY / VOLUME COLLECTED IN 2020 (in Metric Tons)			
	Metro Manila Branches	Luzon Branches	Visayas Branches	Mindanao Branches
Non-Hazardous				
Solid Waste (i.e., paper wastes)	26.70 t	53.12 t	21.92 t	12.14 t
Hazardous				
Used Oil (i.e., from gen sets during power outages and weekly testing)	.38 t	3.66 t	.21 t	1.16 t
Lead Acid Batteries (from gen sets)	2.67 t	5.42 t	.69 t	.41 t
Busted Fluorescent /LED Lights	.08 t	.30 t	.04 t	.05 t
Contaminated Rugs	.25 t	.69 t	.12 t	.06 t
Expired Paints	.03 t	.01 t	.02 t	0
Ozone depleting substances (i.e., aerosol spray cans for disinfectants, air fresheners, etc.)	.03 t	.03 t	.01 t	.06 t
Electronic Wastes (i.e., old defective machines, old/broken IT-related equipment / peripherals, etc.)	.12 t	.20 t	.18 t	.27 t

Source: Branch Banking Group-Retail Banking Sector, PNB

[3] Based on GRI 306: Waste 2020 reporting standards published in May 2020, the updated waste -related disclosure on GRI 306: Effluents and Waste.

SUSTAINABILITY REPORT

Effluent water or wastewater discharged by our headquarters, on the other hand, are mainly from toilets and cafeterias. Wastewater from the PNB Makati Center is directly discharged to the sewer line of Manila Water which then goes to the Manila Water's centralized treatment plants also located in Makati. Wastewater from PNB Financial Center is treated in the Bank's own sewage treatment plant located inside the complex in Pasay City before it is released to Manila Bay.

The wastewater from PNB Financial Center is regularly tested through our third-party service provider to ensure that the wastewater effluent is within the parameters set by the Department of Environment and Natural Resources (DENR) / Laguna Lake Development Authority (LLDA).

For the reporting period, there is a significant increase in the production and purchase of certain Bank forms as old Bank forms were replaced with newly designed ones. Use of paper supply, on the other hand, was reduced since majority of the employees are working from home.

Paper Consumption Table

	2018		2019		2020	
Description	Qty.	Total Amount (PhP)	Qty.	Total Amount (PhP)	Qty.	Total Amount (PhP)
Copy Paper Short	51,977 reams	6,632,784.97	43,879 reams	5,599,399.19	35,000 reams	3,990,000
Copy Paper Long	22,619 reams	3,432,433.25	19,317 reams	2,465,042.37	12,000 reams	1,630,560
Deposit Slip	486,700 pads	13,140,900.00	381,428 pads	10,298,556.00	595,800 pads	12,625,002
Withdrawal Slip	116,600 pads	2,477,750.00	41,800 pads	888,250.00	79,000 pads	1,659,000
Signature Card	1,090,800 pcs	370,872.00	1,521,800 pcs	517,412.00	1,106,700 pcs	376,278
Customer Information Form - Individual	754,900 pcs	513,332.00	464,970 pcs	316,179.60	1,134,000 pcs	771,120
Customer Information Form - Business	45,300 pcs	45,300.00	60,000 pcs	60,000.00	55,000 pcs	55,000
Cash Transfer Slip	63,200 pads	638,320.00	45,100 pads	455,510.00	60,000 pads	606,000
TOTAL		27,251,692.20		20,600,349.20		21,893,840

Source: Corporate Services Division, PNB

Also, as part of the Bank's digitization plan and to help reduce its environmental footprint, the Bank continued the issuance of electronic statement of accounts (e-SOA) to its credit card customers.

Project P.L.A.N.E.T. Campaign - Quarantine Edition

UN SDG 3, 12, 13

Launched last July 2019, the Protect, Love, and Nurture the Environment Together (P.L.A.N.E.T.) Project is an internal environmental awareness and carbon footprint reduction campaign for Philnabankers done through email blasts and posters.

Since its second year was spent in quarantine, the project focused on encouraging employees to use washable face masks in public, use eco-bags and food containers for groceries, re-use plastic food containers, stop the use of plastic cutleries from online food deliveries, and consider sustainable gifting during the holidays. The information materials were released through internal email and posted on the internal chat groups of the Bank.

No report was generated on the single-use plastic consumption at the PNB Head Offices in Pasay City and Makati City as the cafeterias were closed during the height of the pandemic.

SOCIAL PERFORMANCE

Caring for Our Employees

Our employees are our most important resource and stakeholder. As such, the Bank continues to commit to their overall improvement and well-being by adhering to strict labor laws and regulations, providing a safe and secure work environment, implementing fair employment practices, promoting work-life balance, and cultivating a culture of community engagement, gender equality, and inclusion.

Thus, when the COVID-19 pandemic struck, the Bank immediately took measures to ensure that the health, safety, and well-being of our employees are protected and taken care of--from providing flexible, alternative work arrangements, releasing bonuses in advance, increasing the health care coverage to include COVID-19-related hospitalization expenses, providing transportation and special allowance to members of skeleton work force during the enhanced community quarantine period, and looking after their physical and mental health.

As the Bank continues to operate in a business-as-usual mode under extraordinary conditions, the Bank's management, through the Human Resource Group, worked doubly hard and rose to the challenge of helping employees adapt to the new norm of remote working by re-thinking old ways and embracing new people management and engagement practices.

The Philnabankers At A Glance

GRI 102-7, 102-8, 102-41, 103-1, 103-2, 103-3, 401-1, 405-1

UN SDG 5, 8

The Bank's Human Resource Group has the role and responsibility of recruiting, developing, and maintaining the pool of talents for overseas and domestic assignments. Hiring of new employees, particularly for officer positions, go through a strict review process and are subject to committee and Board approvals. During the reporting period, however, hiring of external talents (except for strategic positions) was ceased as the integration of PNB Savings Bank with PNB, the parent company, was nearing completion and also because of the pandemic situation.

As of December 2020, the Bank had a total of 9,071 full-time and permanent employees. This figure includes the employees from PNB Savings Bank which were absorbed by the parent company on March 1, 2020 as the integration of the two banks was completed. These employees were assigned similar or new work assignments with the parent company.

Women employees took up 6,014 of the total employee population, with the number of female employees slightly higher in 2020 than in 2019 and 2018. For three consecutive years, the Bank continued to maintain a gender disparity of 2:1 ratio as the female population takes up 66.3% of the total workforce compared to the male population taking only 33.7%.

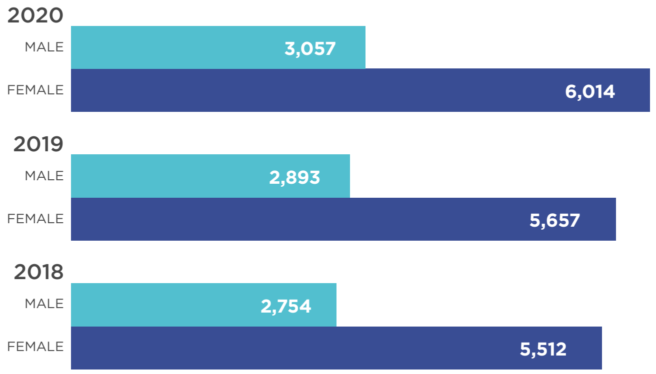
A total of 4,380 or 48% of the total employee population is covered by the Collective Bargaining Agreement, slightly lower in 2019 with 49% of the total population being members of the labor union. Moreover, a total of 3,473 or 38% of total population of the Bank are union members, with more female members (2,366) compared to male members (1,107).

Majority of employees of the Bank are within the 31 to 50-year-old age range, comprising 4,893 or 53.9% of the total employee population. In terms of key management positions, 59.6% are held by women leaders belonging to the AVP to EVP ranks, compared to 40.4% of men holding key positions.

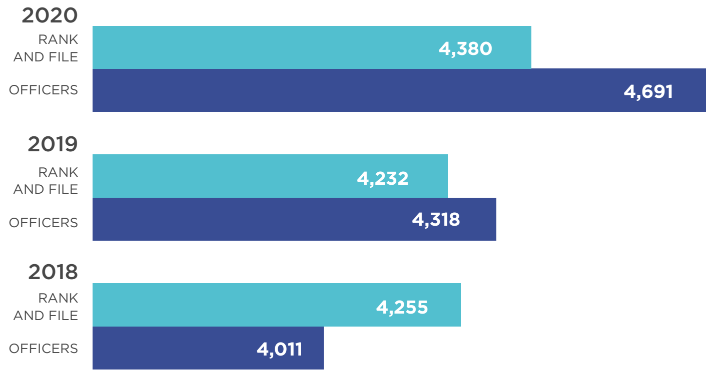
The Retail Banking Sector, to which the Branch Banking Group belongs, followed by the Operations Group, Information Technology Group, Institutional Banking Sector and Enterprise Services Sector continue to have the greatest number of employees for two consecutive years.

SUSTAINABILITY REPORT

BY GENDER



BY RANK



Source: Human Resource Group, PNB

Employee Breakdown Per Gender, Age, Rank, Business Group

	Gender & Age		TOTAL
2020	MALE	Under 30	827
		31 to 50	1,750
		51 and over	488
	FEMALE	Under 30	1,818
		31 to 50	3,151
		51 and over	1,049
			9,071

	Gender & Age		TOTAL
2019	MALE	Under 30	855
		31 to 50	1,529
		51 and over	509
	FEMALE	Under 30	1,809
		31 to 50	2,736
		51 and over	1,112
			8,550

	Gender & Age		TOTAL
2018	MALE	Under 30	876
		31 to 50	1,482
		51 and over	396
	FEMALE	Under 30	1,937
		31 to 50	2,712
		51 and over	863
			8,266

Source: Human Resource Group, PNB

Gender Breakdown per Rank

	2020			2019			2018		
RANK	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
President		1	1		1	1		1	1
Executive Vice President	1	4	5	1	6	7		3	3
First Senior Vice President	4	1	5	3	2	5	3	1	4
Senior Vice President	13	8	21	15	14	29	18	12	30
First Vice President	18	18	36	26	21	47	21	18	39
Vice President	32	28	60	32	28	60	32	21	53
Senior Asst Vice President	80	53	133	75	50	125	54	44	98
Assistant Vice President	122	70	192	122	72	194	116	74	190
Senior Manager	184	147	331	179	114	293	161	102	263
Manager 2	285	156	441	238	145	383	215	129	344
Manager 1	539	278	817	502	248	750	423	205	628
Assistant Manager 2	929	363	1292	854	326	1180	814	343	1,157
Assistant Manager 1	916	441	1357	849	395	1244	849	352	1,201
Senior Specialist	225	159	384	207	154	361	224	139	363
Specialist	244	152	396	216	140	356	247	144	391
Senior Assistant	428	224	652	395	213	608	376	205	581
Assistant	880	411	1291	839	403	1242	856	429	1,285
Senior Clerk	1114	541	1655	1104	559	1663	1,103	530	1,633
Junior Clerk		2	2	0	2	2	0	2	2
TOTAL	6014	3057	9071	5657	2893	8550	5,512	2,754	8,266

Source: Human Resource Group, PNB

Gender Breakdown per Group

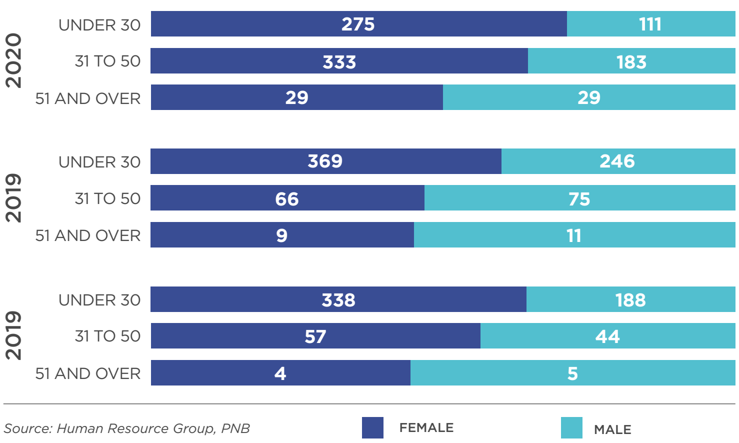
	2020			2019		
RANK	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
CORPORATE SECRETARYS OFFICE	14	4	18	13	4	17
CREDIT MANAGEMENT GROUP	160	175	335	113	153	266
ENTERPRISE INFORMATION SECURITY GROUP	8	11	19	7	12	19
ENTERPRISE SERVICES SECTOR	174	176	350	163	157	320
FINANCIAL MANAGEMENT SECTOR	82	41	123	109	53	162
GLOBAL BANKING AND MARKETS SECTOR	30	21	51	36	23	59
GLOBAL COMPLIANCE GROUP	34	21	55	30	24	54
HUMAN RESOURCE GROUP	57	23	80	239	126	365
INFORMATION TECHNOLOGY GROUP	150	247	397	142	228	370
INSTITUTIONAL BANKING SECTOR	241	106	347	239	105	344
INTERNAL AUDIT GROUP	87	49	136	91	54	145
MARKETING AND BRAND MANAGEMENT SECTOR	25	18	43	25	17	42
OFFICE OF THE CORPORATE TREASURER	21	3	24	18	3	21
OFFICE OF THE PRESIDENT	8	6	14	2	4	6
OPERATIONS GROUP	547	332	879	496	292	788
PUBLIC AFFAIRS GROUP	5	2	7	6	2	8
RETAIL BANKING SECTOR	4121	1706	5827	3798	1580	5378
RISK MANAGEMENT GROUP	44	19	63	32	16	48
STRATEGY SECTOR	15	7	22	16	6	22
Trainees (BOTP, JEDI, MTP)	108	58	166			
TRUST BANKING GROUP	58	23	81	60	24	84
WEALTH MANAGEMENT GROUP	25	9	34	22	10	32
TOTAL	6014	3057	9071	5657	2893	8550

Source: Human Resource Group, PNB

In 2020, the Human Resource Group had 960 new hires, comprising 11% of the total employee population and increasing the hiring rate of the Bank by 2% from 776 in 2019 to 960. This figure includes the following: 86 external new hires, 858 employees from PNB Savings Bank absorbed by the parent company, and 16 management contracts.

Moreover, there were more women hew hires in 2020 at 66.35% or 637 compared to male new hires at 33.65% or 323. In addition, majority of the new hires at 61.4% are from ages 30 years old and below, and most of them belong to the rank-and-file level.

BREAKDOWN OF NEW HIRES PER AGE AND GENDER



Source: Human Resource Group, PNB

The Bank's turnover rate also slightly improved from 6% in 2019 to 5% in 2020, with more women (64.2%) and employees between 31-50 years of age (38.3%) separating from the Bank, mostly through resignation or retirement.

Lateral transfers of employees from one business unit or assignment to another were allowed by the management whenever there were vacancies. This meant that job openings were offered to internal applicants who were also existing PNB employees. Interested employees may apply for open positions by coordinating with the Human Resource Group and the business units calling for internal applicants. Internal applicants also went through background checks, series of interviews, and were sometimes asked to take exams to assess job fit.

Remuneration and Benefits Package

GRI 103-1, 103-2,103-3, 401-2, 401-3

UN SDG 8

The Bank is committed to continue taking care of employees through the Human Resource Group's holistic benefits and rewards program called "COMPLETE", which stands for Compensation and Benefits, Monetary Allowance, Perks and Privileges, Life-Work Effectiveness, Employee Rewards and Recognition, Training and Development, and Engagement.

In addition to competitive salaries and law-mandated benefits that include sick, emergency, and vacation leaves, all Bank employees are provided a comprehensive health care plan, group life insurance coverage, retirement plan, guaranteed bonuses, free uniforms or uniform allowance, holiday pay, monthly rice subsidy, loyalty awards, and financial death allowance. Eligible employees can also avail of car plans, housing loans, and even personal loans. They can also extend their health care plan to their dependents and even apply for scholarship for their children dependents through Tan Yan Kee Foundation, the CSR arm of the Lucio Tan Group of Companies.

Moreover, the Bank encourages its employees to avail their sick, vacation, and mandatory leaves to help them recover, re-energize, and spend quality time with their families. Other leaves available for eligible employees include birthday leave, emergency leave, solo parent leave, paternity and maternity leaves, bereavement leave, special leave for female employees, and special leaves for victims of violence under the Anti-Violence Against Women and Children Act (VAWC) of 2004.

For 2020, there were a total of 136 employees who took parental leaves, 95.6% of which are female. As of

SUSTAINABILITY REPORT

December 2020, 134 or 98.5% of the employees returned to work after their parental leave.

	2020			2019			2018		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
No. of qualified employees who took parental leave	130	6	**136**	156	8	**164**	150	7	**157**
No. of qualified employees who took parental leave and returned after the leave expired	128	6	**134**	152	8	**160**	150	7	**157**
No. of qualified employees who took parental leave and returned and were still employed one year after returning	128	6	**134**	152	8	**160** [4]	142	5	**147** [5]

Source: Human Resource Group, PNB

[4] No. of qualified employees who took parental leave and returned and were still employed one year after returning as of March 2020

[5] No. of qualified employees who took parental leave and returned and were still employed one year after returning as of December 2020

As an affirmation of its commitment towards gender equality, diversity and inclusion, the Bank exercises fairness and non-discrimination in designing its remuneration and rewards package. We ensure that our employees' salary and benefits package are based on their role in the company, competency level, work performance, previous work experience, certifications, and employment tenure, among others. Our employees' gender orientation and personal preferences are not determining factors of work assignment, salary, and benefits package.

To ensure that our employee remuneration and rewards package remains competitive, the Bank regularly reviews and improves its remuneration and benefits package for employees by aligning it with existing labor laws, current banking industry practices, and with ongoing Collective Bargaining Agreements (CBA). Any change or improvement in the remuneration and rewards package of the employees are presented to the Corporate Governance and Sustainability Committee and the Board of Directors for review and approval.

During the pandemic, all salaries and benefits that the employees are entitled to were provided by the Bank. Salaries and bonuses were even released earlier than their usual release schedules to ensure that the employees have sufficient money to provide the essentials for their family members such as food and medical care. Whether they work on site or at home, the employees were also able to avail their scheduled vacation and mandatory leaves.

Employee Learning and Development

GRI 103-1, 103-2, 103-3, 404-1

UN SDG 4, 5, 8, 10

The Human Resource Group's Institute for Banking Excellence (IBE) ensures that trainings, programs, seminars, and workshops offered to employees are aligned with the strategic objectives, mission, goals, and values of the Bank.

Among the capacity-building programs provided by IBE based on the learning and development needs of employees are the following:

- New hires orientation
- Foundation and regulatory (i.e., Data Privacy and Security, Anti-Money Laundering, etc.).
- Behavioral, supervisory, management and leadership skills
- Sales and service training (i.e., branch-tellering, detecting counterfeit money, internal control consciousness, info-tech awareness, etc.)
- Technical / specialized training (i.e., business writing, presentation skills, use of MS Office, etc.)
- External training on specialized topics / themes (i.e., sustainability, corporate social responsibility, Lean Six Sigma, basic first aid, disaster response, etc.)

In addition, the Bank also runs leadership, career development, and mentoring programs for new hires with leadership potential and homegrown talents who rose from the ranks and were identified as having the potential to take on higher functions or roles.

The Bank has three key leadership programs. The Junior Executive Development Institute (JEDI) is the leadership program for high-potential new hires. The Management Training Program (MTP) is the leadership program for homegrown rank-and-file employees with the potential to assume officer responsibilities. The Branch Operations Training Program (BOTP) is the leadership program for branch staff-level employees as they transition to branch officer level. To date, the Bank has a total of 538 JEDI graduates, 628 MTP graduates, and 1,446 BOTP graduates.

The Bank's Mentoring Café, meanwhile, provides opportunities for officers to consult with and learn from PNB's own seasoned professionals and subject matter experts on their continuous development and career aspirations.

Feedback mechanisms are in place to assess the effectiveness of capacity-building activities: (a) feedback forms and questionnaires that get the reactions of trainees to the overall conduct of the training, (b) post-training exams that measure the knowledge and skills gained by the learners, and (c) self-assessment questionnaires and formal/informal feedback from the trainees' immediate superiors that reveal how the learning has impacted the trainees' ability to and attitude in doing his/her work.

The Bank's learning and development programs are reviewed and enhanced regularly, depending on the requests, suggestions, and recommendations of the participants, experts in the field, and the management.

For 2020, a total of total of 8,077 or 89% of the total employee population underwent 239,193 training hours, with an average of 26.37 training hours per employee. Of the total number of trained employees, more female employees (5,432 or 67%) attended trainings than the male employees (2,645 or 32.74%). Although there were more officers who attended trainings for the reporting period, the rank-and-file employees clocked in more training hours.

BY GENDER

	2020			2019		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
No. of Employees	6,014	3,057	9,071	5,657	2,893	8,550
No. of Training Hours	152,265.5	86,928	239,193	384,740	209,08	593,821
Average No. of Training Hours	25.31	28.43	26.37	68.01	72.27	69.45

Source: Human Resource Group-Institute of Banking Excellence, PNB

BY RANK

	2020			2019		
	OFFICERS	RANK AND FILE	TOTAL	OFFICERS	RANK AND FILE	TOTAL
No. of Employees	4,691	4,380	9,071	4,318	4,232	8,550
No. of Training Hours	67,263	171,930.5	239,193.5	243,977	349,844	593,821
Average No. of Training Hours	14.34	39.25	26.37	56.50	82.67	69.45

Source: Human Resource Group-Institute of Banking Excellence, PNB

One of the biggest challenges encountered by IBE during the pandemic was the sudden loss of conventional training methods such as face-to-face and classroom-type facilitation because of the government-imposed community quarantine and the mandatory health protocols that included physical distancing. The consequent work-from-home set-up also posed challenges and IBE quickly adapted to provide virtual training channels.

To address the challenges and to ensure that trainers are prepared to facilitate online learning, IBE shifted to Virtual Instructor-led Training (VILT) courses as early as April of 2020. The team designed, developed, and implemented in-house live webinars on self-management, resilience, working from home, leading remote teams, managing virtual meetings, selling and customer service in the pandemic, and a host of other soft and technical skills development courses that aimed to help employees cope and thrive in the 'new normal'. Before 2020 started, IBE has started studying the use of various online training platforms to develop and curate online learning content.

SUSTAINABILITY REPORT

Prioritizing Employee Safety and Security

GRI 103-1,103-2,103-3, 403-1, 403-2, 403-4, 403-5, 403-6

UN SDG 3, 8

The Bank has been relentless in pursuing a safe and secure working environment for all its employees. Workplace safety and security is part of the Bank's Risk Management practices.

The Bank has an Occupational Safety, Health and Family Welfare (OSHFW) Committee composed of representatives from both the management and employees, with the latter represented by labor union employees. This committee meets regularly to discuss and manage reported work-related hazards. The committee monitors and evaluates the committee's existing activities and initiatives by ensuring that these are aligned to the current general government labor requirements. Among the committee's initiatives include the conduct of OSH/safety awareness program, dissemination of safety advisories through different channels, disaster/emergency response training for PNB employee floor marshals, regular fire and earthquake drills at head offices, first aid training, deployment of emergency responders, and conducts of safety inspections/assessment of branches.

In addition, the Bank releases e-mail bulletins regularly to update employees on current natural and / or man-made calamity situations, as well as to provide them with helpful tips on what to do during such scenarios.

Employees appointed by the Bank as Safety Officers at PNB offices and branches are also regularly trained on Basic Occupational Safety and Health Program, Safety Program Audit, Loss Control Management, Standard First Aid and Basic Life Support, and Disaster Preparedness.

Work-related incidents are reported to the (OSHFW) Committee and are covered by the Bank's Guidelines for Notification and Keeping of Records of Accidents or Illnesses at the Workplace.

PNB prioritized employees' safety from possible virus infection. Apart from the work-from home arrangements for certain functions, those who needed to work onsite were provided with sanitation facilities, alcohol supply and face masks.

Moreover, a COVID-19 Task Force was also formed to oversee the Bank's response to the pandemic situation. The task force's role includes (but is not limited to): 1) monitoring the health condition of employees and contact tracing for possible infections; 2) releasing weekly advisories on COVID-19 health reminders; and 3) enforcing health protocols for employees working onsite and at home.

As of December 2020, there were no reported work-related incidents involving employees or any of its outsourced personnel.

Since safety and disaster-response training requires physical demonstration, scheduled training sessions were suspended.

Managing Labor Relations

GRI 103-1, 103-2, 103-3, 102-41, 407-1

UN SDG 8, 16

The industrial peace that characterizes the Bank is a product of the cooperation and collaboration between the top management and the labor union, enabling the Bank to operate smoothly. The Bank strives to maintain this harmonious relationship, anchored on mutual trust and respect, by allowing the labor union to convene and by listening to the union representatives during Labor Management Council Meetings.

These Labor Council Management Meetings are venues for both the employee union and the management to discuss employee concerns, clarify HR policies, and collaborate on initiatives. In addition, the Bank also has a

Grievance Mechanism in place to address or resolve any misunderstanding, dispute, or controversy between the Bank and any covered employee and / or arising from the interpretation and implementation of any provision of the existing Collective Bargaining Agreement (CBA) between the employee union and the Bank, and / or between the Bank and any covered employee.

The Bank's labor union continues to negotiate for better work terms and conditions through collective bargaining and negotiations. In July 2020, the three-year CBA (2017 to 2020) was concluded and a new agreement was forged for two years (from 2020 to 2022) via a virtual meeting. To ensure a successful negotiation meeting, the Bank's management provided the necessary support in the form of online facilities and resources for its negotiating officers and labor union representatives.

Lawful and Ethical Behavior

GRI 103-1, 103-2, 103-3, 102-17, 205-2, 205-3

UN SDG 16

As a financial institution, the Bank is committed to uphold the public's trust by ensuring that the employees, top management, and directors conduct themselves in a lawful and ethical manner.

The Bank developed and disseminated the following policies and guidelines to ensure that all employees conduct themselves ethically: Code of Conduct, Corporate Governance Manual, Policy on Selling PNB Securities, Policy on Soliciting and / or Receiving Gifts, Personal Investment Policy, Whistleblower Policy, and Office Decorum which includes the Anti-Bribery and Anti-Corruption provisions. These policies and guidelines are regularly reviewed and revised as necessary, with the approval of the Board of Directors to ensure its applicability to current work situations.

New employees are required to read and understand the Bank's Code of Conduct, Office Decorum, Whistleblowing Policy and Anti-Bribery / Anti-Corruption Policy during their onboarding. They are also oriented on these policies during the New Hires Orientation Seminar. In addition, all employees can easily access these policies and guidelines through the Bank's intranet facility, and through the PNB website, for some policies.

All related policies are disseminated and discussed during the employee orientation. Good governance reminders are disseminated regularly and whistleblower webinars/seminars are conducted. Employees who violate the policies are sanctioned in accordance with the Bank's Code of Conduct.

PNB has an Ethical Standards Committee (ESC) which functions as the Disciplining Authority of the Bank. It is composed of senior bank officers from various groups and is tasked to convene and investigate serious administrative offenses committed by the employees. Thereafter, it deliberates on the issue presented, particularly on the administrative and financial accountability of the Bank's employees. It is also tasked to recommend policies that will address Bank's concerns, interest, and security. With the established administrative proceedings and in compliance with due process, the Bank ensures the continuous and unwavering support of a highly professionalized, well-trained and disciplined workforce.

The Committee on Decorum and Investigation (CoDI), on the other hand, is the Bank's Disciplining Authority that has an exclusive jurisdiction over sexual harassment cases. This is the Bank's compliance with the mandate of the Anti-Sexual Harassment Law of 1995, as amended. This committee is also composed of various officers, majority of whom are women, and one member representing the labor union.

The Bank's Whistleblower's Policy was amended through the joint effort of the Human Resource Group and the Global Compliance Group. Aside from disseminating the Whistleblower's Policy via internal email blast, the Human Resource Group also ran twelve webinars for

SUSTAINABILITY REPORT

employees. The policy encourages a "speak up" culture and puts in place a mechanism for reporting erring behavior that violates the Bank's policies and code of conduct. Any report shall be handled with the highest level of confidentiality and the reporting employee must be protected from retaliation, reprisal, threat, bullying or intimidation.

Continuous education of employees is an important element of a sound and effective compliance program. Training is one of the tools used to promote strong compliance. It mainly ensures that employees are aware of banking laws, rules, and regulations, as well as policies and procedures relevant to their respective areas of responsibility. The Bank's Global Compliance Group, in coordination with the Human Resource Group, conducts basic compliance awareness training for employees who are required to participate in refresher courses within a period of 18 to 24 months.

For 2020, the Human Resource Group developed three new policies on gender equality, mental health, and telecommuting. These policies were disseminated through internal email blast and posted on the Bank's intranet.

To date, there was no reported incident of bribery and corruption among employees, outsourced personnel, or with the Bank's suppliers / vendors and third-party service providers.

Commitment to Workplace Gender Equality and Inclusion

GRI 103-1, 103-2, 103-3, 406-1

UN SDG 5, 8, 10, 16, 17

The Bank commits to provide a safe and secure work environment for employees as well as uphold an inclusive and gender-balanced workforce. The Bank adopted and implemented relevant policies such as the Policy on Diversity and Inclusion, Policy on Gender Equality, Anti-Sexual Harassment, and the Whistleblower Policy.

Specifically, the Bank adheres to the mandate of the Anti-Sexual Harassment Act and its amendments, which is geared towards adopting concrete actions in preventing the commission of acts of sexual harassment and implementing appropriate rules and regulations in achieving the said objective. In relation to this, the Bank amended its Whistleblower Policy to strengthen existing policies protecting all gender, more particularly women employees.

In addition, the Bank, as embodied in its Board-approved Sustainability Policy, commits to promote gender equality and inclusion principles in its business and operations. To operationalize this, the Bank intends to strengthen support to businesses and enterprises that advocate these causes.

In March 2020, PNB became the first private, universal bank in the Philippines to be certified as gender-equal after receiving its Economic Dividends for Gender Equality (EDGE) first level certification, joining a global community of companies and organizations that are committed to workplace gender equality.

The Bank committed to undertake the EDGE certification in 2019 when it became the first local bank-member of the Philippine Business Coalition for Women Empowerment (PBCWE). EDGE is the leading global assessment methodology and business certification standard for gender equality. It measures where organizations stand in terms of gender balance across their pipeline, pay equity, effectiveness of policies and practices to ensure equitable career flows, as well as inclusiveness of their culture.

The Bank has revisited a number of its policies in the areas of recruitment, succession management, and alternative work arrangements to address gender equality gaps identified during the EDGE certification assessment.

PNB was recognized by the 2020 Asiamoney Awards as one of the Leaders for Women in Asia for having the highest percentage of women in the workforce. PNB's work in promoting and advancing workplace gender equality and inclusion has already caught the attention of the different local and international women advocacy groups as shown by invitations extended to the Bank to join roundtable discussions and even research studies on the said topics.

Recognizing Employee Service Excellence and Living Our Values Everyday

We recognize and celebrate the remarkable and exemplary performance of our employees. We believe that by recognizing their contribution and efforts, they will be inspired to continue doing their best for the Bank and to serve as role models to all Philnabankers.

The Bank, through the Human Resource Group, conducts a bank-wide Service Excellence Award ceremony every quarter to recognize individuals and teams who delivered exceptional results while helping the business and upholding the core values of the Bank. In 2020, the Bank still conducted these awards and recognition activities via MS Teams.

The Retail Banking Sector also holds its own annual awards and recognition event called, "Gabi Ng Parangal", to honor top-performing employees and sales rallies. The events were held via MS Teams in 2020, with attendees coming from different parts of the country and from overseas.

The Human Resource Group continues to implement the following internal campaigns , focused on values-driven behavior:

- **"L.O.V.E. (Living Our Values Everyday) @ PNB"** Email blasts feature inspiring stories of employees who demonstrate and live the core values of the Bank. The campaign aims to inspire Philnabankers to practice PNB's values in their day-to-day experiences to help achieve the Bank's business goals and their own personal aspirations.

- **"Celebrate Love at Work"** A Valentine-themed project that enjoins employees to express their appreciation for the Bank, their fellow Philnabankers, and even to our clients through simple acts such as leaving appreciation notes for work. In February 2020, the Human Resource Group successfully organized a charity auction in which all sales proceeds went to the Pagtutulungan ng Bayan Fund, an in-house fund-raising for the benefit of Philnabankers in times of need.

SUSTAINABILITY REPORT

- **W.O.W. Award** This internal campaign aims to inspire employees through public, on-the-spot recognition. Employees are recognized in front of their colleagues and given tokens of appreciation that they can keep as mementos or use at work. Recognized employees are featured in the L.O.V.E. @ PNB internal email campaign of the Human Resource Group.

Promoting Health and Work-Life Balance

GRI 103-1, 103-2, 103-3, 403-6

UN SDG 2, 3, 8, 12

At PNB, we value the overall well-being of our employees. We do this through activities that allow employees to show and share their talents, hobbies, and time with their work colleagues and even with the communities. In doing so, we do not only help improve the health and wellness of our employees, we also enable camaraderie, strengthen organization commitment, and boost work-life balance.

With the COVID-19 pandemic, all employee activities that require face-to-face interaction were temporarily suspended to safeguard the health and safety of Philnabankers.

Instead, the Bank focused more on taking care of employees' physical and mental health to help them cope with the stress of remote working, physical distancing, and their own issues or concerns at home. This was done by making available medical and mental health consultation hotlines, releasing medical and health bulletins via email on a regular basis, conducting mental health webinars, and establishing mental health referral systems. In addition, existing programs were re-designed to fit online platforms and were conducted online such as the digital wellness and sustainability fair, the e-zumba, and the virtual mass.

- **Health Bulletins and Webinars**

The "Health First Bulletin" is a monthly wellness bulletin disseminated through email blast to all employees. "The Health Bulletin: Building Positivity through Resilience", on the other hand, is a platform where stories of employees who experienced challenges were shared with the PNB community through email. It showcased inspiring stories of employees who experienced health problems and anxiety during the pandemic and how they were able to persevere and ultimately overcome the challenges.

The "Mental Health in a Pocket: Your Guide in Understanding Workplace Well-Being" is a two-hour, bi-weekly webinar that tackles various areas of mental health. It is facilitated by an accredited psychologist and is open to employees.

- **Hotline Tele-Consultation and Tele-Counseling**

The Medical Teleconsultation Hotline is accessible to all employees who would like to consult a medical doctor for any health and medical concerns. Medical doctors from the Bank's HMO provider answer text messages and phone calls from employees who could not go to the hospital or clinic for immediate medical check-ups.

The 24/7 Mental Health Hotline is open to all PNB employees via the Konsulta MD app which is part of the services provided by the Bank's healthcare provider. Employees can reach doctors who are trained to provide mental health support any time of the day, and, if necessary, give a referral to a licensed psychologist or psychiatrist.

The Internal Mental Health Hotline is also open to all employees. Employees can connect with the Bank's in-house Certified Psychosocial Support Facilitator for psychosocial counseling. Since the start of the pandemic until year-end, the hotline has responded to 105 cases with 35 repeat calls.

• **E-Zumba Anniversary Activity**

The E-Zumba Anniversary activity is a one-hour online zumba session conducted by a certified instructor and specifically organized for PNB's anniversary celebration in July 2020. Employees joined the said activity from the safety of their homes. Prior to the pandemic, power classes were conducted at PNB Financial Center in Pasay City on a regular basis.

• **Digital Wellness and Sustainability Fair**

The first online fair of the Bank was held from November 9 to 13, 2020. It covered different areas of wellness through a series of webinars and online catalogues for employees' wellness and sustainable needs.

Resource persons were invited for lunch-time virtual learning sessions to share their knowledge and expertise on physical fitness, mental health care, financial wellness, basics of urban gardening, and sustainable eating.

The Bank also helped small businesses and entrepreneurs by inviting them to join the online catalogue to promote and sell health-related, organic, and sustainably sourced products.

• **Fresh Organic Produce for Bank Employees**

In partnership with Tan Yan Kee Foundation, Inc. (TYKFI), the CSR arm of the Lucio Tan Group of Companies, the Bank gives employees access to affordable but premium-quality organic fresh produce for their personal consumption.

Straight from the farm of TYKFI in Nueva Vizcaya, the harvested organic produce are delivered to employees every Thursday – either at the head office or at their homes. Before the pandemic, TYKFI used to set up a selling booth at the PNB Financial Center's cafeteria. The fresh vegetables are now ordered in advance via e-mail by employees through the help of the Corporate Sustainability Unit and delivered by TYKFI to employees reporting to PNB Financial Centre and Makati Centre. WFH employees can likewise have their orders of fresh vegetables delivered straight to their homes for a minimal delivery fee.

• **Nurturing the Spirituality of Our Employees**

The Bank acknowledges the importance and role of spirituality in the lives of our employees. In support of

SUSTAINABILITY REPORT

this, daily worship services during lunch break were used to be held at the in-house chapel of PNB Financial Center.

Despite the pandemic, the Bank continued to make worship services accessible by livestreaming the mass from the Manila Cathedral every Monday and Friday. In December 2020, the link to the mass was uploaded on the Bank's internal SharePoint channel.

Instead of the usual 3:00 prayer habit, the COVID-19 Command Center holds morning and afternoon prayers every day for employees reporting to work at the Pasay head office.

- **Virtual Meetings and Events**

Prior to the pandemic, the Bank's events and functions such as the company anniversary, Chinese New Year celebration, Christmas parties and the like were usually held in large venues. The regular townhall meetings were usually done face-to-face.

When the pandemic struck, all Bank events and meetings are conducted using online platforms such as MS Teams and Zoom. To ensure the efficient and smooth conduct of virtual meetings, the Bank released guidelines and held webinars on running and managing remote meetings. Aside from using online meeting platforms, Philnabankers also use chat applications to stay connected to each other.

The Bank, through the Public Affairs Group, also developed and made a soft launch of PNB Engage on SharePoint. PNB Engage is the official internal communications channel of PNB. Some of the key features of PNB Engage include: Messages and Updates from the CEO; Philnabanker Communities or the sites containing updates and upcoming activities; HR Connect which features stories upholding the Bank's core values, internal job vacancies, and other HR-related matters; Corporate Sustainability which contains the sustainability activities and initiatives of the Bank; Tech Talks which features the latest and useful tech info; electronic greeting cards that are downloadable; company brief, awards, and press releases; and links to PNB's official Facebook, Instagram and YouTube accounts.

- **Employee Volunteerism**

Despite the COVID-19 pandemic and the government-imposed community quarantine, the spirit of "bayanihan" and volunteerism among the Philnabankers remain alive. Our very own heroes extended their help to others through various ways.

In 2020, the Bank and its employee volunteers implemented CSR initiatives and employee volunteerism activities, including financial literacy activities, for 123 communities in 30 areas nationwide. Overseas, certain PNB branches and offices in Asia (Tokyo, Hongkong, and Singapore) and in the United States conducted activities such as fund-raising for communities affected by the Taal Volcano eruption and Typhoon Ulysses. These PNB overseas offices also organized financial literacy sessions in the form of webinars and Facebook live events for groups such as OFWs, OFW dependents, professionals / service workers, investors, and entrepreneurs.

As of December 2020, there were a total of 1,300 Philnabankers who either rendered volunteer service (an estimated 2,077 volunteer man-hours rendered) in their respective communities or contributed to different fund-raising activities organized by other organizations or by the Bank on specific CSR activities or advocacies.

Responsible Citizenship and Caring for Our Communities

GRI 103-1, 103-2, 103-3, 203-1, 203-2, 413-1

UN SDG 1, 3, 4, 8, 10, 12, 17

Our commitment to incorporate corporate social responsibility (CSR) and sustainability initiatives in our operations is primarily driven by our aspirations to make a positive contribution to society as a partner in social development and nation-building.

The Bank, through the Corporate Sustainability Unit, works closely with the different business units to develop and implement significant initiatives in communities where PNB is present.

Despite the challenges posed by a natural disaster and an ongoing global health crisis in 2020, we still reached out and provided the necessary assistance to the members of our internal and external communities physically on site or remotely.

- **Financial Literacy and Wellness Sessions**

PNB led financial literacy seminars for over a hundred Cooperative Management students, members of the Association of Barangay Treasurers, and LGU employees at the Vigan Culture and Trade Center in Ilocos Sur last February 4, 2020.

Organized by PNB's Corporate Sustainability Unit, in partnership with the Bank's International Banking and Remittance Group and the Tan Yan Kee Foundation, the financial literacy seminars aimed to educate the Ilocanos on basic money management. The series of seminars introduced different options on how the attendees can manage and grow their finances.

The Bank's Branch Banking Group, International Banking and Remittance Group, Trust Banking Group, and Global Banking and Markets Sector also conducted financial wellness webinars and briefings for groups such as existing and potential clients; students, teachers, and parents; and OFWs and their dependents.

Due to the COVID-19 pandemic, however, the usual onsite financial wellness sessions were replaced with webinars and virtual briefing sessions done via MS Teams, Zoom, and even Facebook Live Events which reached thousands of audiences locally and even abroad.

- **Relief Operations for Taal Communities**

On February 27, 2020, PNB, in partnership with the Tan Yan Kee Foundation, distributed home starter kits to families displaced by the Taal Volcano eruption and who are currently staying in evacuation centers in Talisay, Batangas.

Over 40 Branch Banking officers from South Luzon Area trooped to Talisay, Batangas to assemble the kits. With the assistance of the LGU of Talisay, Batangas, these were

SUSTAINABILITY REPORT

distributed to 845 beneficiary families from Barangays Tabla, San Isidro, and Miranda.

Each home starter kit contained a cooking pot, ladle, plates, food utensils, water pail and dipper, among others. Moreover, Allianz PNB Life Insurance, Inc. donated toothbrushes and ecobags while Tanduay Distillers, Inc. donated cleaning tools for the beneficiaries.

- **Waiver of Bank Remittance and Fund Transfer Fees for Filipinos**

To help support our Modern-Day Heroes, our Overseas Filipinos, and their families during the pandemic, PNB launched the "Libre Padala" Promo where remittance fees for various channels are waived from April to May 2020. The waiver applies to cash transfers that will be credited to PNB deposit accounts in the Philippines from anywhere in the world.

In addition, the Bank waived the fees for InstaPay, PesoNet and PNB to PNB fund transfer transactions in March 2020, in support of the directive from the BSP and the national government to help Filipinos during this period of economic hardships due to the pandemic. The waiver of fees for the use of these fund transfer facilities was extended until March 2021.

- **PNB Bigay Tulong for OFWs**

In partnership with the Philippine Coast Guard and Blas Ople Center, PNB distributed care packages to over 1,000 arriving overseas Filipino workers (OFWs) from October to December 2020.

Each care package contained a hygiene kit (face masks, face shield and alcohol) and food items (canned goods and noodles). The OFWs were also provided hot meals upon their arrival at the Eva Macapagal Center in Manila which was used as a quarantine facility for returning OFWs.

Employee volunteers from the International Banking and Remittance Group (IBRG) helped repack and distribute the care packages to the OFW beneficiaries. Proper use of face mask and face shield, as well as physical distancing, were strictly observed during the repacking and distribution of the care packages.

- **PNB Bigay Tulong for Outsourced Personnel**

The PNB Bigay Tulong for Outsourced Personnel is an employee-giving campaign that allows Philnabankers to provide financial assistance to outsourced personnel who were not allowed to go to work due to the community quarantine.

Launched in April 2020, the campaign generated a total of Php893,351.94 from the generous contributions of many Philnabankers done through over-the-counter deposit, online fund transfer, InstaPay and PESONet, PNB credit cards, and conversion of rewards points to cash.

A total of Php689,000 were disbursed to 675 affected outsourced personal in different parts of the country through the assistance of the Bank's Overseas Remittance Division. The remaining funds from the campaign amounting to Php195,351.94 were used to insure the outsourced personal with a one-time group accident insurance coverage good for one year, in partnership with Alliedbankers Insurance Corporation.

The second part of the campaign was launched in December 2020 which raised additional funds to secure the same group accident insurance coverage for the Bank's outsourced personnel assigned in other part of the country.

- **Support for Small Businesses and the Environment**

In support of the Bank's commitment to help small businesses, the Corporate Sustainability Unit and HR Group invited social entrepreneurs to join the online catalogue of the Bank for its first-ever Digital Wellness and Sustainability Fair last November 9 to 13, 2020.

Seventy per cent of the participating entrepreneurs were either owned by or managed by women. The online catalogue featured eco-friendly and sustainably sourced products and organic produce.

- **Formal Turnover of PNB Ambulance to Philippine Red Cross**

PNB donated and formally turned over two fully-equipped ambulance units to Philippine Red Cross (PRC) in a simple ceremony held via Zoom last December 10, 2020. Organized by the PRC-National Headquarters, the virtual turnover activity was attended by PRC Chairperson Senator Richard "Dick" Gordon; PRC Governor and Co-Chair of the PRC Disaster Management and Safety Services, Governor Saeed A. Daof; and PRC Secretary General Elizabeth Zavalla. PNB President and CEO Wick Veloso graced the occasion. The ambulance units were deployed to assigned PRC Chapters in Visayas and Mindanao.

Socio-Economic and Environmental Compliance

GRI 103-1, 103-2, 103-3, 307-1, 419- 1

UN SDG 16

Beyond regulatory compliance, PNB is committed to contribute to the improvement of the social, economic, and environmental areas of its business and operations as part of its continuing journey towards sustainability.

To demonstrate this commitment, and in compliance with BSP Circular 1085, we developed our Sustainability Policy and Three-Year Sustainability Transition Plan. This includes adherence to the economic, social, and environmental laws, rules, regulations, and policies of the locality where we have presence (domestic and overseas). The Bank shall ensure that all offices and branches have the necessary business, labor, and environmental permits and approvals.

The Bank has existing mechanisms in place to monitor its compliance with applicable socio-economic and environmental laws, rules, regulations, and policies. The Corporate Governance and Sustainability Committee reviews the Bank's sustainability performance using various benchmarks, including economic, social and environmental performance indicators. In addition, the Sustainability Project Steering Committee and TWG review and deliberate on all sustainability-related activities and initiatives, as well as endorse and recommend actions to the Office of the President and the Corporate Governance and Sustainability Committee.

At the management level, the Corporate Sustainability Unit (CSU) under the Public Affairs Group, spearheads

SUSTAINABILITY REPORT

various activities and initiatives on social, environmental, and economic areas. CSU works closely with the different units of the Bank such as the Human Resource Group, Administration Group, Risk Management Group, Global Compliance Group, and other relevant parties that play important roles in the effective implementation of the Bank's sustainability agenda.

Minor violations of non-compliance with local environmental laws, regulations, and policies in communities where we have presence are being addressed by the Bank through appropriate channels.

Customer Experience

GRI 103-1, 103-2, 103-3, 102-43, 102-44

PNB aims to provide the best customer experience to our clients. We provide them various channels for their inquiries, requests, and complaints: 24x7 customer care hotline, email, Facetime, Skype and private messaging.

Our Consumer Protection Policy ensures that any reported complaint is recorded, monitored, and addressed in a timely manner. In accordance with the BSP requirement on reporting complaints, a consolidated complaints report is submitted monthly to PNB's Management and Risk Oversight Committee and quarterly to the BSP.

As part of ensuring good service quality, the Customer Experience Division (CED) developed a project called "After Call Survey for 8573-8888" that aims to gather qualitative feedback from customers at point of call.

CED personnel continued to service clients – whether they were working onsite or from home. To catch up on the volume of email inquiries received by CED during the pandemic, a taskforce was organized whereby employee volunteers from other business units were trained on how to respond to simple email inquiries and concerns of the clients. These trained employee volunteers rendered one to two hours every week for customer service shifts, mainly to respond to customer emails.

Marketing and Labeling

GRI 103-1, 103-2, 103-3, 417-1, 417-2, 417-3

UN SDG 12

The Bank's Marketing and Brand Management Sector fully supported the Bank's business units and ensured that all advertising and promotional collaterals strictly adhere to the Bank's branding guidelines and are compliant with all regulatory requirements. The Bank's Social Media Framework is also in place to help us manage our reputational risk across our social media platforms.

Although 2020 was a challenging year, we adapted quickly to address customers' needs: (1) the PNB Bank on Wheels roving ATM service was made available in many areas, allowing customers to withdraw cash and to perform other ATM-related transactions; (2) increased awareness and usage of the Bank's digital channels such as Internet Banking, mobile banking app and InstaPay; and (3) waived remittance for over-the-counter, mail-in, Web Remit and Phone Remit transactions through the Libre Padala promo. And as a Christmas gift for its valued customers, the Bank offered a special housing loan rate of 4.88% for one year, making Filipinos' dream of having their own home a reality.

The Bank relied heavily on its social media platforms such as Facebook, Instagram, Twitter, YouTube, and LinkedIn accounts to share information and updates to its customers. Important updates included the operating schedules of the Bank on Wheels, list of open branches nationwide, and the waived fees for fund transfer, among others. The Bank was also able to launch a new ad campaign and released a new PNB jingle using the same digital platforms. No physical marketing collaterals such as billboards, posters, banners, or tarpaulins were produced for the new ad campaign of the Bank.

As of December 2020, there were no reported incidents of non-compliance in the marketing and labeling efforts of the Bank. There were also no reported incidents of non-compliance with regulations and / or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship.

Digital Transformation and Innovation

GRI 103-1, 103-2, 103-3

UN SDG 9

Currently, the Bank has 1,572 automated teller machines (ATMs), 144 cash accept machines (CAMs), and 7,120 point-of-sales (POS) terminals for the 24-hour banking convenience of customers.

	2020	2019
ATMs	1,572	1,472
CAMs	144	81
POS Terminals	7,1201	100

Source: Digital Innovations Group, PNB

In addition, the Bank's mobile banking application allows our customers to do interbank fund transfers (through PESONet and InstaPay), online bank payments, and viewing of transaction history. Customers can also use our mobile banking application to keep track of their credit card transactions.

To provide a convenient banking experience for our customers especially during the pandemic, we have started automating our Bank forms, shifting our customers to e-SOA, and migrating existing customers to the Bank's digital banking channels. This increased the Bank's digital banking enrollments to up to 42% for 2020 from 2019.

Digital Banking (Mobile and Internet)	2020	2019	% increase
New Enrollments	221,418	188,813	17%
Enrolled Users	749,564	528,146	42%

Source: Marketing Services and Intelligence Analytics and Performance Group, PNB

In 2020, the Bank also started a project to migrate its retail mobile and internet banking system to a new and improved platform with the goal of improving the usability of existing digital services, launching new functionalities to serve the evolving digital banking needs of our customers, and benefitting from a native platform that allows the Bank to release technology improvements more frequently and efficiently. Development and quality assurance of the system was completed by December 2020, and the bank is ready to launch the initial phase of the new platform by first quarter of 2021. Roll-out of new capabilities of the system will continue for the rest of 2021 to meet the fundamental need states of digital banking customers – account access and management, fund disbursement and payment enablement. This new initiative was governed by new disciplines in customer experience design, user interface development, and product usability testing. All these redefine the digital product development process of the bank to ensure a continuous customer-centric design of digital products and services.

The Bank also launched its new corporate internet banking platform called PNB C@shNet Plus to address BSP findings on system obsolescence and to primarily address the evolving needs of our corporate clients to use digital platforms in fulfilling day-to-day business transactions. C@shNet Plus supports interbank (PESONet and InstaPay) and intrabank fund transfers. Customers can also do single and bulk upload transactions for several transactions such as bills payment, payroll,

SUSTAINABILITY REPORT

online authorization for corporate check disbursement instructions (self-service/ outsourced), e-pay, electronic invoice presentment and payment, and payment gateway.

In line with the Bank's transformation initiative, the Institutional Transaction Banking Group (ITBG) was formed from the merger of the Cash Management Solutions Division and Ecosystem Division. The formation of ITBG is crucial in our strategy to address the cash management needs of PNB's corporate clients so PNB can become their main operating bank. To achieve this, the main thrust of ITBG is to drive the usage of PNB's new and revitalized digital cash management platform, C@shNet Plus, as well as the low-touch cash management solutions through existing and new strategic partnership initiatives.

Customer Data Privacy and Security

GRI 103-1, 103-2, 103-3, 418-1

UN SDG 16

We respect and value the right to data privacy and protection of our data subjects (e.g., customers, employees). We take all necessary actions to safeguard our data subjects' information, making sure that personal data collected from them are processed in adherence to the general principles of transparency, legitimate purpose, and proportionality.

Our Enterprise Data Privacy Policy reinforces our commitment to data privacy and security by implementing appropriate organizational, physical, and technical security measures in relation to the processing of personal data. We ensure strict compliance with both local and international laws and regulations as well as global standards, including the compliance checklist of the National Privacy Commission (NPC), among others. To ensure continuous compliance of PNB overseas branches with applicable data privacy legislations, the Data Privacy and Technology Risk Management Division (DPTRMD) started assisting PNB overseas branches in drafting their data privacy manuals that will supplement the PNB Enterprise Data Privacy Policy.

Our Data Protection Officer (DPO), with the assistance of DPTRMD, formerly Data Privacy Management Division (DPMD), works with our Customer Experience Division (CED) to efficiently resolve any data privacy-related concerns directly coming from our data subjects. The DPO and DPTRMD are consistently coordinating with the Enterprise Information Security Group (EISG) to ensure that the Bank's information security is maintained.

Our Bank employees are bound by a confidentiality agreement. DPTRMD regularly sends out data privacy advisories and conduct data privacy awareness training for employees, including third-party service providers, to ensure that all personnel who process personal data understand their responsibilities in the proper handling and protection of personal data. Our DPO and DPTRMD continuously monitor updates and trends on data privacy and security through NPC issuances and participation in various seminars and conferences conducted by professional associations such as Bankers Association of the Philippines and International Association of Privacy Professionals to ensure the continuing suitability, adequacy, and effectiveness of the Bank's data privacy practices.

As part of the Bank's efforts in maintaining transparent processing of personal data, the Bank ensures that all data subjects are informed about how PNB processes and protects personal data. Hence, PNB's Data Privacy Statement is accessible to the public through the PNB website.

For 2020, the goals and targets for ensuring privacy and protection of customer are aligned with the 3-year strategic plan for DPTRMD which is based on Banks Data Privacy Management system in accordance with the Compliance checklist issued by the National Privacy Commission and with Data Privacy Principles.

Given the pandemic situation, the shift to digital banking channels has become a necessity for customers, but it has also posed data privacy and security concerns. In addressing this, the Bank's existing process handled and ensured that all concerns regarding the processing of customers' data were addressed and resolved immediately. In addition, the Bank put in place safeguards to ensure that our customers' data are protected whenever they use any of our digital platforms. Our Bank's mobile and online banking facilities, for instance, have security features that protect personal data and other information such as use of log-in credentials, One-Time-Pin (OTP), Touch ID, and SMS and email alerts, among others. The Bank's Cards Banking and Solutions Group also sends out SMS and email alerts to our customers whenever significant amounts are used on their credit cards or debit cards.

Moreover, the Bank promotes customer privacy and security awareness by sending preventive information and security tips to customers about phishing and online scams via e-mail, SMS, and by posting the same on the official PNB website and social media channels.

Membership in Associations

GRI 102-13

- ACI Philippines
- Association of Certified Fraud Examiners
- Association of Certified Public Accountants in Commerce
- Association of AML Officers (AMLO)
- Association of Bank Compliance Officers (ABCOMP)
- Agusan Chamber
- Asian Bankers Institute
- Asian Bankers Association
- Bankers Institute of the Philippines
- Bankers Association of the Philippines
- Bank Marketing Association of the Philippines
- Bank Security Management Association
- British Chamber
- Credit Management Association of the Philippines
- Credit Card Association of the Philippines
- Executives Finance Management Association
- Federation of the Philippine Industries, Inc.
- Financial Executive Institute of the Philippines
- Financial Technology of the Philippines
- Information Systems, Audit and Control Association
- Institute of Corporate Directors, Inc.
- Institute of Internal Auditors of the Philippines
- Integrated Bar of the Philippines
- Japanese Chamber
- Korean Chamber
- Mabuhay Miles
- Makati Commercial Estate Association, Inc.
- Management Association of the Philippines
- Money Market Association of the Philippines, Inc.
- People Management Association of the Philippines
- Philippine Association of National Advertisers, Inc.
- Philippine Chamber of Commerce and Industries, Inc.
- Philippine Business Coalition for Women Empowerment
- Philippine Payments Management, Inc.
- Public Relations Society of the Philippines
- Rotary Club
- Tax Management Association of the Philippines
- The Financial Markets Association, Inc.
- Trust Officers Association of the Philippines
- Women's Business World

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

FOR "IN ACCORDANCE" -Core Option

GRI 102-55

GRI STANDARD	DISCLOSURE	PAGE NUMBER	OMISSION
GRI 102: ORGANIZATIONAL DISCLOSURES			
Organizational Profile			
102-1	Name of the organization	Front Cover	
102-2	Activities, brands, products, and services	4-5	
102-3	Location of headquarters	Back Cover	
102-4	Location of operations	171-179	
102-5	Ownership and legal form	82-83	
102-6	Markets served	4-5	
102-7	Scale or organization	101-103	
102-8	Information on employees and other workers	101-103	
102-9	Supply chain	79, 95	
102-10	Significant changes to the organization and its supply chain	8-9, 20-25, 85-89, 95	
102-11	Precautionary principle or approach	40-55	
102-12	External initiatives	6-7, 54-55, 56-57, 89,103	
102-13	Membership or associations	119	
Strategy			
102-14	Statement from the senior decision-maker	6-7	
102-15	Key impacts, risks, and opportunities	6-7, 27, 40-55, 96-97	
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviors	3,86-89	
102-17	Mechanisms for advice and concerns about ethics	76-78, 107-108	
Governance			
102-18	Governance Structure	59	
102-20	Executive-level responsibility for economic, environmental, and social topics	56,69,90,115	
102-21	Consulting stakeholders on economic, environmental, and social topics	90-91	
102-22	Composition of the highest governance body	59	
102-23	Chair of the highest governance body	6, 58-59	
102-24	Nominating and selecting the highest governance body	62	
102-25	Conflicts of interest	32-33	
102-26	Role of highest governance body in setting purpose, values, and strategy	58	
102-27	Collective knowledge of the highest governance body	61-62, 64	
102-28	Evaluating the highest governance body's performance	63	
102-29	Identifying and managing economic, environmental, and social topics	92-93	
102-30	Effectiveness of risk management processes	40-55	

102-31	Review of economic, environmental, and social topics	92-93	
102-32	Highest governance body's role in sustainability reporting	69, 90	
102-35	Remuneration policies	80-81	
102-36	Process for determining remuneration	80-81	
Stakeholder Engagement			
102-40	List of stakeholder groups	90-91	
102-41	Collective Bargaining Agreements	101,104, 106	
102-42	Identifying and selecting stakeholders	90-91	
102-43	Approach to stakeholder engagement	90-91,115-116	
102-44	Key topics and concerns raised	90-91, 115-116	
Reporting Practice			
102-46	Defining report content and topic boundaries	92-93	
102-47	List of material topics	93	
102-48	Restatements of information	Total number of reported ATMs should have been 1,472 in 2019 and not 1,553. See page 117.	
102-49	Changes in reporting	There are no changes in the reporting.	
102-50	Reporting period	January to December 2020	
102-51	Date of most recent report	March 2021	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	94	
102-54	Claims of reporting in accordance with the GRI standards	90	
102-55	GRI Content Index	120-125	
102-56	External Assurance	This report is not externally assured	

ECONOMIC PERFORMANCE			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	94-95
	103-2	The management approach and its components	94-95
	103-3	Evaluation of the management approach	94-95
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	94-95
	201-2	Financial implications and other risks and opportunities due to climate change	96-97
	201-3	Defined benefit plan obligations and other retirement plans	81

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX
FOR "IN ACCORDANCE" -Core Option

GRI 102-55

INDIRECT ECONOMIC IMPACTS			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	95-96
	103-2	The management approach and its components	95-96
	103-3	Evaluation of the management approach	95-96
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported	95-96,113-115
	203-2	Significant indirect economic impacts	95-96,113-115
ENERGY EFFICIENCY			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	97-98
	103-2	The management approach and its components	97-98
	103-3	Evaluation of the management approach	97-98
GRI 302: Energy	302-1	Energy Consumption	97-98
	302-4	Reduction of energy consumption	97-98
WATER AND EFFLUENTS			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	97-98
	103-2	The management approach and its components	97-98
	103-3	Evaluation of the management approach	97-98
GRI 303: Water and Effluents	303-1	Interactions with water as a shared resource	97-98
	303-2	Management of water discharge-related impacts	100
	303-4	Water discharge	100
	303-5	Water consumption	97-98
EMISSIONS			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	97-98
	103-2	The management approach and its components	97-98
	103-3	Evaluation of the management approach	97-98
GRI 305: Emissions	305-1	Direct (Scope 1) GHG Emissions	98
	305-2	Indirect (Scope 2) GHG Emissions	98
WASTE MANAGEMENT			
Management Approach	306-1	Waste generation and significant waste-related impacts	99-100
	306-2	Management of significant waste-related impacts	99-100
GRI 306: Waste	306-3	Waste generated	99-100
	306-4	Waste diverted from disposal	99-100
	306-5	Waste directed to disposal	99-100

EMPLOYMENT			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	101-112
	103-2	The management approach and its components	101-112
	103-3	Evaluation of the management approach	101-112
GRI 401: Employment	401-1	New employee hires and employee turnover	101-103
	402-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	80-81,103-104
	403-3	Parental Leave	104
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	61-62,101-104
OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	106
	103-2	The management approach and its components	106
	103-3	Evaluation of the management approach	106
GRI 403: Occupational Health and Safety	403-1	Occupational health and safety management	106
	403-2	Hazard identification, risk management, and incident investigation	106
	403-4	Worker participation, consultation, and communication on occupational health and safety	106
	403-5	Worker training on occupational health and safety	106
	403-6	Promotion of worker health	106, 110-111
TRAINING AND DEVELOPMENT			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	80,104-105
	103-2	The management approach and its components	80,104-105
	103-3	Evaluation of the management approach	80,104-105
GRI 404: Training and Education	404-1	Average hours of training per year per employee	80,104-105
	404-2	Programs for upgrading employee skills and transition assistance program	80,104-105
NON-DISCRIMINATION			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	104,108-109
	103-2	The management approach and its components	104, 108-109
	103-3	Evaluation of the management approach	104, 108-109
GRI 406: Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	104, 108-109

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX
FOR "IN ACCORDANCE" -Core Option

GRI 102-55

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	101, 104 105-106
	103-2	The management approach and its components	101, 104 105-106
	103-3	Evaluation of the management approach	101, 104 105-106
GRI 407: Freedom of Association and Collective Bargaining Agreement	407-1	Collective Bargaining Agreement	101, 104 105-106
ANTI-CORRUPTION			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	77-78, 107-108
	103-2	The management approach and its components	77-78, 107-108
	103-3	Evaluation of the management approach	77-78, 107-108
GRI 205: Anti-Corruption	205-2	Communication and training about anti-corruption policies and procedures	107-108
	205-3	Confirmed incidents of corruption and actions taken	107-108
RESPONSIBLE CORPORATE CITIZENSHIP			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	112-115
	103-2	The management approach and its components	112-115
	103-3	Evaluation of the management approach	112-115
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported	95-96, 112-115
	203-2	Significant indirect economic impacts	95-96, 112-115
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development	112-115
SOCIO- ENVIRONMENTAL COMPLIANCE			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	115
	103-2	The management approach and its components	115
	103-3	Evaluation of the management approach	115
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	115
GRI 419: Socio-economic Compliance	419-1	Non-compliance with the laws and regulations in the social and economic arena	115

CUSTOMER ENGAGEMENT AND SATISFACTION			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	78,115-116
	103-2	The management approach and its components	78, 115-116
	103-3	Evaluation of the management approach	78, 115-116
MARKETING AND LABELING			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	116
	103-2	The management approach and its components	116
	103-3	Evaluation of the management approach	116
GRI 417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	116
	417-2	Incidents of non-compliance concerning product and service information and labeling	116
	417-3	Incidents of non-compliance concerning marketing communications	116
DIGITAL TRANSFORMATION AND INNOVATION			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	117-118
	103-2	The management approach and its components	117-118
	103-3	Evaluation of the management approach	117-118
CUSTOMER DATA PRIVACY AND SECURITY			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	118-119
	103-2	The management approach and its components	118-119
	103-3	Evaluation of the management approach	118-119
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	118-119

BOARD OF DIRECTORS AND BOARD ADVISORS

Florencia G. Tarriela
Chairperson

Felix Enrico R. Alfiler
Vice Chairman

Jose Arnulfo A. Veloso
Director

Leonilo G. Coronel
Director

Edgar A. Cua
Director

Estelito P. Mendoza
Director

Michael G. Tan
Director

Vivienne K. Tan
Director

Domingo H. Yap
Director

Mark M. Chen
Board Advisor

Lucio C. Tan
Director

Carmen K. Tan
Director

Florido P. Casuela
Director

Christopher J. Nelson
Director

Federico C. Pascual
Director

Sheila T. Pascual
Director

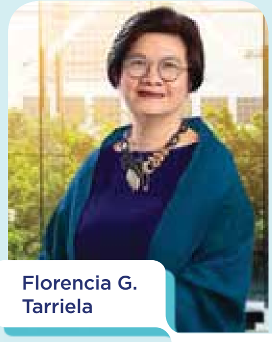
William T. Lim
Board Advisor

Chester Y. Luy
Board Advisor

Harry C. Tan
Board Advisor

Ruth Pamela E. Tanghal
Corporate Secretary

BOARD OF DIRECTORS



Florencia G. Tarriela

Chairperson

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
73	Filipino	Chairperson of the Board/Independent Director

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Business Administration, Major in Economics, University of the Philippines • Masters in Economics, University of California, Los Angeles, where she topped the Masters Comprehensive Examination	• May 29, 2001 (as Director) • May 24, 2005 (as Chairman of the Board) • May 30, 2006 (as Independent Director)

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Independent Director of LT Group, Inc.

OTHER CURRENT POSITIONS

- Chairperson/Independent Director of PNB Capital and Investment Corporation, PNB-Mizuho Leasing and Finance Corporation, and PNB-Mizuho Equipment Rentals Corporation
- Independent Director of PNB International Investments Corp.
- Director of Eton Properties Philippines Inc.
- Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World
- Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation
- Life Sustaining Member of the Bankers Institute of the Philippines
- Trustee of Tulay sa Pag-unlad, Inc. (TSPI) Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc.
- Director of Financial Executive Institute of the Philippines (FINEX) Foundation

OTHER PREVIOUS POSITIONS

- Independent Director of PNB Life Insurance, Inc.
- Director of Bankers Association of the Philippines
- Undersecretary of Finance
- Alternate Monetary Board Member of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation
- Deputy Country Head, Managing Partner and first Filipina Vice President of Citibank N. A.
- Country Financial Controller of Citibank NA Philippines for 10 years
- President, Bank Administration Institute of the Philippines

AWARDS AND CITATIONS

- 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement
- 2018 Go Negosyo Woman Intrapreneur Awardee

Felix Enrico R. Alfiler

Vice-Chairman

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
71	Filipino	Vice Chairman/Independent Director

EDUCATION	DATE OF FIRST APPOINTMENT
Bachelor of Science and Masters in Statistics, University of the Philippines	January 1, 2012

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Chairman/Independent Director of PNB General Insurers Co., Inc., PNB RCI Holdings Co., Ltd. and PNB International Investments Corp.

OTHER PREVIOUS POSITIONS

- Independent Director of PNB-Mizuho Leasing and Finance Corporation and PNB Savings Bank
- Senior Advisor to the World Bank Group Executive Board in Washington, D.C.
- Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization
- Director of the BSP
- Assistant to the Governor of the Central Bank of the Philippines
- Senior Advisor to the Executive Director at the International Monetary Fund
- Associate Director at the Central Bank
- Head of the Technical Group of the CB Open Market Committee
- Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts
- Advisor at Lazaro Bernardo Tiu and Associates, Inc.
- President of Pilgrims (Asia Pacific) Advisors, Ltd.
- President of the Cement Manufacturers Association of the Philippines (CeMAP)
- Board Member of the Federation of Philippine Industries (FPI)
- Vice President of the Philippine Product Safety and Quality Foundation, Inc.
- Convenor for Fair Trade Alliance

Jose Arnulfo A. Veloso

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
55	Filipino	President and Chief Executive Officer

EDUCATION	DATE OF FIRST APPOINTMENT
Bachelor of Science in Commerce - Marketing Management, De La Salle University	November 16, 2018

DIRECTORSHIP IN OTHER LISTED COMPANIES

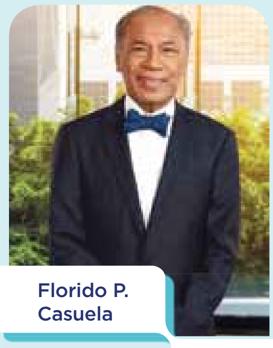
- None

OTHER CURRENT POSITIONS

- Director of Allianz PNB Life Insurance, Inc.
- Director of Bankers Association of the Philippines and Chairman of the BAP Capital Markets Development Committee
- Director of European Chamber of Commerce of the Philippines
- Director of Philippine Payments Management Inc.
- Member of the Asian Bankers Association
- Member of the CIBI Foundation Inc.

OTHER PREVIOUS POSITIONS

- Chairman and Director of HSBC Insurance Brokers (Philippines), Inc. and HSBC Savings Bank (Philippines), Inc.
- Director of PNB Global Remittance & Financial Co. (HK) Ltd.
- Director and Chairperson of the Open Market Committee of Banker's Association of the Philippines
- Director of the Philippine Dealing and Exchange Corporation
- Director of the Philippine Securities Settlement Corporation
- Director of the British Chamber of Commerce Philippines
- President and Chief Executive Officer of HSBC Philippines
- President of the Money Market Association of the Philippines
- Managing Director, Treasurer and Head of Global Banking and Markets of HSBC Global Markets
- Treasurer and Head of Global Markets of HSBC Treasury
- Head of Domestic Treasury of PCI Bank/ PCI-Capital
- Fixed Income Portfolio Head of Citibank
- Fixed Income Trader of Asia Trust
- Supervisor of Urban Bank
- Chairman of the Council of Trustees of the British School Manila
- Member of Assocacion Cambiste Internationale



Florido P. Casuela

Director

AGE	NATIONALITY	GOVERNMENT CIVIL SERVICE ELIGIBILITIES
79	Filipino	Certified Public Accountant, Economist, Commercial Attaché

EDUCATION

- Bachelor of Science in Business Administration, Major in Accounting, University of the Philippines
- Masters in Business Administration, University of the Philippines
- Advanced Management Program for Overseas Bankers, Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania
- Study Tour (Micro Finance Program and Cooperatives), under the Auspices of the United States Agency for International Development

CURRENT POSITION IN THE BANK

Director

DATE OF FIRST APPOINTMENT

May 30, 2006

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Chairman of PNB Securities, Inc.
- Chairman of Casuela Equity Ventures, Inc.
- Director of PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation
- Senior Consultant of the Bank of Makati (a Savings Bank), Inc.

OTHER PREVIOUS POSITIONS

- President of Land Bank of the Philippines, Maybank Philippines, Inc., and Surigao Micro Credit Corporation
- Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc.
- Director of PNB Life Insurance, Inc.
- Director, Meralco
- Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc.
- Director of Sagittarius Mines, Inc.
- Senior Adviser in the Bangko Sentral ng Pilipinas
- Senior Executive Vice President of United Overseas Bank (Westmont Bank)
- Executive Vice President of PDCP (Producers Bank
- Senior Vice President of Philippine National Bank
- Special Assistant to the Chairman of the National Power Corporation
- First Vice President of Bank of Commerce
- Vice President of Metropolitan Bank & Trust Co.
- Staff Officer, BSP
- Audit Staff of Joaquin Cunanan, CPAs (Isla Lipana & Co.)

AWARDS AND CITATIONS

- One of the 10 awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration
- Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter

BOARD OF DIRECTORS

Leonilo G. Coronel

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
74	Filipino	Director

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Arts, Major in Economics, Ateneo de Manila University • Advance Management Program, University of Hawaii	May 28, 2013

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Independent Director of Megawide Construction Corporation

OTHER CURRENT POSITIONS

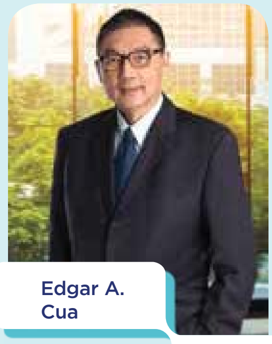
- Independent Director of DBP-Daiwa Capital Markets Phil.
- Director of Software Ventures International

OTHER PREVIOUS POSITIONS

- Chairman of PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation
- Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation
- Director/Treasurer of Philippine Depository and Trust Corporation
- Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council
- Managing Director of BAP-Credit Bureau
- President of Cebu Bankers Association
- Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation
- Worked with Citibank, Manila for 20 years, occupying various positions.

AWARDS AND CITATIONS

- Fellow of the Australian Institute of Company Directors in 2002
- Fellow of the Institute of Corporate Directors



Edgar A. Cua

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
65	Filipino	Independent Director

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Arts in Economics (Honors Program), Ateneo de Manila University • Masters of Arts in Economics, University of Southern California • Masters of Planning Urban and Regional Environment, University of Southern California • Advanced Chinese, Beijing Language and Culture University • Sustainable Development Training Program, Cambridge University	May 31, 2016

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Vice Chairman of PNB Savings Bank
- Independent Director of PNB Capital and Investment Corporation, Allied Commercial Bank, Xiamen, and PNB-Mizuho Leasing and Finance Corp.
- Director of Davao Unicar Corporation

OTHER PREVIOUS POSITIONS

- Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career
- Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC.
- Staff Consultant, SGV & Co.

Estelito P. Mendoza

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
90	Filipino	Director

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Laws (cum laude), University of the Philippines • Master of Laws, Harvard University	January 1, 2009

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Director of San Miguel Corporation and Petron Corporation

OTHER CURRENT POSITIONS

- Chairman of Prestige Travel, Inc.
- Practicing lawyer for more than 60 years

OTHER PREVIOUS POSITIONS

- Professorial Lecturer of law at the University of the Philippines
- Undersecretary of Justice, Solicitor General and Minister of Justice
- Member of the Batasang Pambansa and Provincial Governor of Pampanga
- Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.

AWARDS AND CITATIONS

- Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University (Seoul, Korea), University of Manila, Angeles University Foundation and the University of the East
- Doctor of Humane Letters degree by the Misamis University
- Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns
- University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"

Christopher J. Nelson

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
61	British	Director

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Arts and Masters of Arts in History, Emmanuel College, Cambridge University, U.K. • Diploma in Marketing, Institute of Marketing, Cranfield, U.K.	• March 21, 2013 (Director) • May 27, 2014 (Board Advisor) • May 26, 2015 (Director)

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

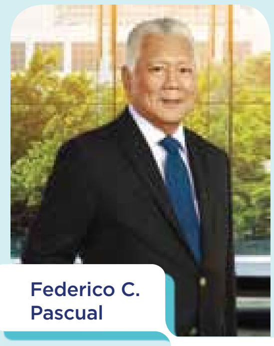
OTHER CURRENT POSITIONS

- Director of the Philippine Band of Mercy and the Federation of Philippine Industries
- Chairman/Trustee of the British Chamber of Commerce
- Trustee of the American Chamber Foundation Philippines, Inc., and Dualtech Training Center
- Member of the Society of Fellows of the Institute of Corporate Directors
- Trustee of Dualtech Training Foundation as of March 2017

OTHER PREVIOUS POSITIONS

- Director of PNB Holdings Corporation
- Trustee of Tan Yan Kee Foundation
- Director of the American Chamber of Commerce of the Philippines, Inc.
- President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years
- Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa
- Trustee of Bellagio 3 Condominium Association, Inc.

BOARD OF DIRECTORS



Federico C. Pascual

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
78	Filipino	Independent Director

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Arts, Ateneo de Manila University • Bachelor of Laws (Member, Law Honors Society), University of the Philippines • Master of Laws, Columbia University	May 27, 2014

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Independent Director of Allianz PNB Life Insurance, Inc., PNB-Mizuho Leasing and Finance Corporation, PNB-Mizuho Equipment Rentals Corporation, PNB International Investments Corporation, PNB Savings Bank and PNB Holdings Corporation
- Chairman of Bataan Peninsula Educational Institution, Inc
- President/Director of Tala Properties, Inc. and Woldingham Realty, Inc.
- Chairman/Director of Apo Reef World Resort
- Director of Sarco Land Resources Ventures Corporation, SCTEX Development and Franchisers Corporation, and Hermosa Golden Rainbow Corporation
- Proprietor of Green Grower Farm
- Partner of the University of Nueva Caceres Bataan Branch
- Member, Multi Sectoral Governing Council of Bureau of Customs

OTHER PREVIOUS POSITIONS

- Chairman/Independent Director of PNB General Insurers Co., Inc.
- President and General Manager of Government Service Insurance System
- President and CEO of Allied Banking Corporation and PNOC Alternative Fuels Corporation
- Director of Global Energy Growth System
- Various positions with PNB for 20 years, including Acting President, CEO and Vice Chairman
- President and Director of Philippine Chamber of Commerce and Industry
- Chairman of National Reinsurance Corporation
- Co-Chairman of the Industry Development Council of the Department of Trade and Industry
- Treasurer of BAP-Credit Guarantee
- Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, and Philippine National Oil Corporation
- Chairman and President of Alabang Country Club

Sheila T. Pascual

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
58	Filipino	Director

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Business Management, Ateneo de Manila University	November 22, 2019

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Business Development Manager of Allied Banking Corporation, Hong Kong

OTHER PREVIOUS POSITIONS

- Marketing Development Officer of Asia Brewery Incorporated

Carmen K. Tan

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK	DATE OF FIRST APPOINTMENT
79	Filipino	Director	May 31, 2016

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Vice Chairman of LT Group, Inc.
- Director of MacroAsia Corporation and PAL Holdings, Inc.

OTHER CURRENT POSITIONS

- Director of Philippine Airlines, Inc.; Air Philippines Corporation; Asia Brewery, Inc.; Buona Sorte Holdings, Inc.; Cosmic Holdings Corporation; The Charter House, Inc.; Dominium Realty and Construction Corporation; Eton City, Inc.; Foremost Farms, Inc.; Fortune Tobacco Corporation; Himmel Industries, Inc.; Lucky Travel Corporation; Manufacturing Services & Trade Corp.; Progressive Farms, Inc.; PMFTC, Inc.; Shareholdings Inc.; Sipalay Trading Corp.; Tanduay Distillers, Inc.; Tangent Holdings Corporation; Trustmark Holdings Corp.; Alliedbankers Insurance Corporation; Zuma Holdings and Management Corp.; Grandspan Development Corp.; Basic Holdings Corp.; Saturn Holdings, Inc.; Paramount Land Equities, Inc.; Interbev Philippines, Inc.; Waterich Resources Corp.; and REM Development Corp.

MAJOR AFFILIATIONS

- Director of Tan Yan Kee Foundation
- Member of Tzu Chi Foundation

Lucio C. Tan

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
86	Filipino	Director

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Chemical Engineering, Far Eastern University • Doctor of Philosophy, Major in Commerce, University of Sto. Tomas	December 8, 1999

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Chairman and CEO of LT Group, Inc.; PAL Holdings, Inc.; and MacroAsia Corporation

OTHER CURRENT POSITIONS

- Chairman and CEO of Philippine Airlines, Inc.; Lucky Travel Corporation; and Tangent Holdings Corporation
- Chairman of Allied Commercial Bank; Allied Banking Corporation (HK) Ltd.; Allianz PNB Life Insurance; Eton Properties Philippines, Inc.; Fortune Tobacco Corporation; PNB Holdings Corporation; Asia Brewery, Inc.; PNB Savings Bank; Tanduay Distillers, Inc.; and Alliedbankers Insurance Corporation
- President of Basic Holdings Corporation; Himmel Industries, Inc.; and Grandspan Development Corporation
- Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc.
- Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc.
- Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President

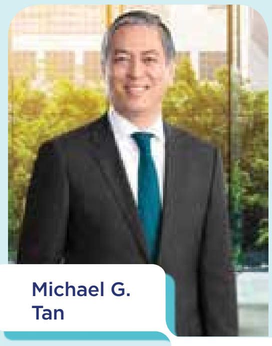
OTHER PREVIOUS POSITIONS

- Chairman of Allied Banking Corporation; PNB Life Insurance, Inc.; and Allied Leasing and Finance Corporation

AWARDS AND CITATIONS

- Honorary degrees from various universities
- Lifetime Achievement Awardee by the Dr. Jose P. Rizal Awards for Excellence
- Adopted to the Ancient Order of the Chamorri and designated Ambassador-at-Large of the U.S. Island-territory of Guam
- Diploma of Merit by the Socialist Republic of Vietnam
- Outstanding Manilan for the year 2000
- UST Medal of Excellence in 1999
- Most Distinguished Bicolano Business Icon in 2005
- 2003 Most Outstanding Member Award by the Philippine Chamber of Commerce and Industry (PCCI)
- Award of Distinction by the Cebu Chamber of Commerce and Industry
- Award for Exemplary Civilian Service of the Philippine Medical Association
- Honorary Mayor and Adopted Son of Bacolod City; Adopted Son of Cauayan City, Isabela and Entrepreneurial Son of Zamboanga
- Distinguished Fellow during the 25th Conference of the ASEAN Federation of Engineering Association
- 2008 Achievement Award for service to the chemistry profession during the 10th Eurasia Conference on Chemical Sciences

BOARD OF DIRECTORS



Michael G. Tan

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
54	Filipino	Director

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, University of British Columbia, Canada	February 9, 2013

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Director, President, and Chief Operating Officer of LT Group, Inc.
- Director of Victorias Milling Company, Inc. and MacroAsia Corporation

OTHER CURRENT POSITIONS

- Director of PNB Savings Bank; Allied Commercial Bank; PNB Global Remittance and Financial Company (HK) Ltd.; and Allied Banking Corp. (Hong Kong) Limited
- Director, President, and Chief Operating Officer of Asia Brewery, Inc.
- Director and Treasurer of Zuma Holdings and Management Corporation
- Director of Philippine Airlines Foundation; Air Philippines Corp.; Absolut Distillers, Inc.; Tanduay Distillers, Inc.; Tanduay Brands International, Inc.; Eton Properties Philippines, Inc.; Shareholdings, Inc.; Lucky Travel Corporation; PMFTC, Inc.; Maranaw Hotel (Century Park Hotel); Pan Asia Securities, Inc.; ALI-Eton Development Corporation; Asia's Emerging Dragon Corporation; Paramount Land Equities, Inc.; Sabre Travel Network (Philippines), Inc.; Saturn Holdings, Inc.; Tangent Holdings Corporation; MacroAsia Corp.; and Trustmark Holdings Corporation

OTHER PREVIOUS POSITIONS

- Chairman of PNB Holdings Corporation
- Director of Philippine Airlines Inc. Bulawan Mining Corporation, PNB Management and Development Corporation, Alliedbankers Insurance Corporation and PNB Forex, Inc.
- Director and Treasurer of PAL Holdings, Inc.
- Director of Allied Banking Corporation from January 30, 2008 until its merger with PNB on February 9, 2013

Vivienne K. Tan

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
52	Filipino	Director

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science - Double Degree in Mathematics and Computer Science, University of San Francisco, U.S.A. • Diploma in Fashion Design and Manufacturing Management, Fashion Institute of Design and Merchandising, Los Angeles, U.S.A.	December 15, 2017

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Director of LT Group, Inc. and MacroAsia Corporation

OTHER CURRENT POSITIONS

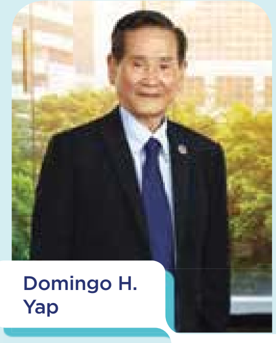
- Director of Eton Properties Philippines, Inc.,
- Executive Director of Dynamic Holdings Limited
- Trustee of University of the East, University of the East Ramon Magsaysay Memorial Medical Center and College of Saint Benilde
- Founding Chairperson of the Entrepreneurs School of Asia (ESA)
- Founding Trustee of the Philippine Center for Entrepreneurship (Go Negosyo)

OTHER PREVIOUS POSITIONS

- Board Advisor of LT Group, Inc.
- Director of PAL Holdings, Inc.
- Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines, Inc.
- Executive Vice President, Commercial Group and Manager, Corporate Development of Philippine Airlines, Inc.
- Director of Bulawan Mining Corporation and PNB Management and Development Corporation
- Founder and President of Thames International Business School
- Owner of Vaju, Inc. (Los Angeles, U.S.A.)
- Systems Analyst/Programmer of Fallon Bixby & Cheng Law Office (San Francisco, U.S.A.)
- Proponent/Partner of various NGO/social work projects like Gawad Kalinga's GK-Batya sa Bagong Simula, livelihood programs thru Teenpreneur Challenge spearheaded by ESA, Conserve and Protect Foundation's artificial reef project in Calatagan, Batangas, Quezon City Sikap-Buhay Project's training and mentorship program for micro-entrepreneurs, and as Chairman of Ten Inspirational Entrepreneur Students Award

AWARDS AND CITATIONS

- Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Excellence in Education and Social Entrepreneurship Award (2007), Leading Women of the World Award (2007), and "People of the Year", People Asia Award (2008)



Domingo H. Yap

Director

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
87	Filipino	Independent Director

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Business Administration Major in Business Management, San Sebastian College Recoletos	August 23, 2019

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- President of H-Chem Industries, Inc.; DHY Realty and Development Inc.; Colorado Chemical Sales Corporation; Universal Paint & Coating Philippines, Inc.; and AllianceLand Development Corporation

OTHER PREVIOUS POSITIONS

- President of the Federation of Filipino-Chinese Chamber of Commerce and Industries, Inc.
- Governor of Y's Men Club Philippines
- President of Y's Men Club Downtown of Manila
- President of Rotary Club of Pasay City

BOARD ADVISORS

Mark M. Chen

Board Advisor

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
46	American	Board Advisor

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Arts in Economics (with Honors), Harvard University - Dean's List and a Harvard College Scholar • Executive Masters in Business Administration, Northwestern Kellogg - Hong Kong University of Science & Technology (HKUST), Graduated top of the class	January 24, 2020

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Director of Philippine Airlines, Inc.
- Chief Executive Officer of Cobalt Equity Partners
- Adjunct Professor of finance/investment at Kellogg Hong Kong University of Science & Technology (HKUST) Business School

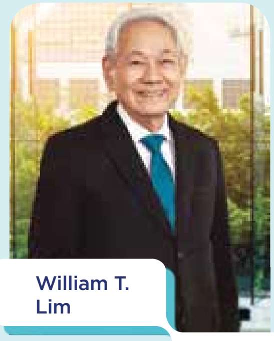
OTHER PREVIOUS POSITIONS

- Chief Executive Officer of General Electric (GE) Equity Asia Pacific, 2006 to 2015
- Senior Vice President of General Electric (GE) Equity Asia Pacific, 2000 to 2005
- Associate of Bankers Trust, 1996 to 1999

AWARDS AND CITATIONS

- United States Presidential Scholar
- United States Byrd Congressional Award

BOARD ADVISORS



William T. Lim

Board Advisor

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
80	Filipino	Board Advisor

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Chemistry, Adamson University	January 25, 2013

DIRECTORSHIP IN OTHER LISTED COMPANIES

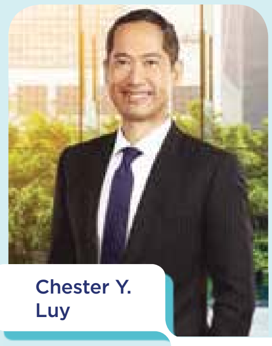
- None

OTHER CURRENT POSITIONS

- President of Jas Lordan, Inc.
- Director of PNB Holdings Corporation; Allied Commercial Bank – Xiamen; General BH Fashion Retailers, Inc.; and Concept Clothing, Co., Inc.
- Board Advisor of PNB Savings Bank
- Advisor to the Chairman of the Board of Directors of Allianz PNB Life Insurance, Inc.

OTHER PREVIOUS POSITIONS

- Director of PNB Life Insurance, Inc.
- Consultant of Allied Banking Corporation
- Director of Corporate Apparel, Inc.
- Director of Concept Clothing
- Director of Freeman Management and Development Corporation
- Worked with Equitable Banking Corporation for 30 years, occupying various positions, including as VP & Head of the Foreign Department



Chester Y. Luy

Board Advisor

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
51	Filipino	Board Advisor

EDUCATION	DATE OF FIRST APPOINTMENT
• Bachelor of Science in Business Administration (Magna Cum Laude), University of the Philippines • Masters in Management, J.L. Kellogg Graduate School of Management at Northwestern University • Chartered Financial Analyst (CFA)	May 11, 2020

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Director of PNB-Mizuho Leasing and Finance Corporation, PNB Europe and PNB Global Remittance and Financial Corporation (Hong Kong)

OTHER PREVIOUS POSITIONS

- EVP and Head of Strategy Sector and Wealth Management Group
- Senior Executive Vice President, Treasurer, and Head for the Financial Advisory and Markets Group of Rizal Commercial Banking Corporation
- Served in leadership roles as Managing Director across a variety of businesses with several international banks and was based in New York, Singapore, and Manila. Worked with JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore, and RCBC
- Member of the Singapore Institute of Directors
- Served on the Board of a Singapore-based Real Estate and Hospitality Entity

AWARDS AND CITATIONS

- Men Who Matter Award (2017) by People Asia Magazine Survey
- Top Senior Analyst in the U.S. by Institutional Investor Magazine Polls for several years
- Most Outstanding Business Administration Student for the University of the Philippines Class of 1990

Harry C. Tan

Board Advisor

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
74	Filipino	Board Advisor
EDUCATION		**DATE OF FIRST APPOINTMENT**
• Bachelor of Science in Chemical Engineering, Mapua Institute of Technology		May 31, 2016

DIRECTORSHIP IN OTHER LISTED COMPANIES

- Director of LT Group, Inc.

OTHER CURRENT POSITIONS

- Chairman of PNB Management Development Corporation and PNB Global Remittance and Financial Company (HK) Limited
- Director of PNB Savings Bank
- Chairman of the Tobacco Board of Fortune Tobacco Corporation
- President of Landcom Realty Corporation
- Vice Chairman of Lucky Travel Corporation; Eton Properties Philippines, Inc.; Belton Communities, Inc.; and Eton City, Inc.
- Managing Director/Vice Chairman of The Charter House, Inc.
- Director of Asia Brewery, Inc.; Dominium Realty and Construction Corporation; Progressive Farms, Inc.; Shareholdings Inc.; Himmel Industries, Inc.; Basic Holdings Corporation; Asian Alcohol Corporation; Pan Asia Securities Inc.; Tanduay Distillers, Inc.; Manufacturing Services and Trade Corporation; Foremost Farms, Inc.; Grandspan Development Corporation; Absolut Distillers, Inc.; Tanduay Brands International Inc.; Allied Bankers Insurance Corp.; Allied Banking Corporation (Hong Kong) Limited; PMFTC, Inc.; and Allied Commercial Bank

OTHER PREVIOUS POSITIONS

- Chairman of Bulawan Mining Corporation
- Director of Philippine National Bank
- Director of Allied Banking Corporation
- Director of Philippine Airlines, Inc.
- Director of MacroAsia Corporation
- President of Century Park Hotel

CORPORATE SECRETARY

Ruth Pamela E. Tanghal

Corporate Secretary

AGE	NATIONALITY	CURRENT POSITION IN THE BANK
52	Filipino	Corporate Secretary
EDUCATION		**DATE OF FIRST APPOINTMENT**
• Bachelor of Science in Mathematics, Notre Dame University, Cotabato City • Bachelor of Laws, Notre Dame University, Cotabato City		September 25, 2020

DIRECTORSHIP IN OTHER LISTED COMPANIES

- None

OTHER CURRENT POSITIONS

- Corporate Secretary of PNB Management and Development Corporation (MADECOR), PNB Holdings Corporation, and PNB Savings Bank
- Director of E.C. Tanghal & Co., Inc. and Palm Tree Bank, Inc.
- Corporate Secretary of Genbancor Condominium Corporation

OTHER PREVIOUS POSITIONS

- Assistant Corporate Secretary of PNB
- Corporate Secretary of Bulawan Mining Corporation
- Documentation Lawyer of PNB Legal Group
- Director/Corporate Secretary of Rural Bank of Cotabato, Inc.
- Director of Rural Bankers Association of the Philippines, Inc.

MANAGEMENT COMMITTEE


Jose Arnulfo A. Veloso


Cenon C. Audencial, Jr.


Roberto D. Baltazar


Manuel C. Bahena, Jr.


Marie Fe Liza S. Jayme


Ma. Adelia A. Joson


Jose German M. Licup


Noel C. Malabag


Michael M. Morallos


Roland V. Oscuro

Isagani A. Cortes

Aida M. Padilla

Nelson C. Reyes

Maria Paz D. Lim

Nanette O. Vergara

Claro P. Fernandez

Joy Jasmin R. Santos

Simeon T. Yap

Socorro D. Corpus

Samuel G. Lazaro

MANAGEMENT COMMITTEE

JOSE ARNULFO A. VELOSO, 55, Filipino. “Wick” is the President and CEO of Philippine National Bank. He is also a Director of Allianz PNB Life Insurance, Inc., the European Chamber of Commerce of the Philippines, the Philippine Payments and Management, Inc., and the Bankers Association of the Philippines, where he likewise serves as concurrent Chair of the Open Market Committee. In addition to these, Wick is a member of the Asian Bankers Association and CIBI Foundation, Inc.

He has 33 years of banking and capital markets experience, garnering various industry recognitions throughout his career. In 2020, PNB was recognized by The Asian Banker as Best Managed Bank and Wick as the Best CEO Response to COVID-19 in the Philippines during its annual Leadership Achievement Awards.

PNB is ranked among the country’s top companies and one of the top scorers in the 2019 ASEAN Corporate Governance Scorecard (ACGS) of the Securities and Exchange Commission (SEC) and the Institute of the Corporate Directors (ICD). The Bank was also named Best Bank for Corporate Social Responsibility (CSR) by Asiamoney on its annual Best Bank Awards, which is the first international recognition of the Bank for its CSR efforts. Likewise, PNB was recognized as a Leader for Women by Asiamoney in its Women In Finance supplement. Among 60 banks in Asia, PNB was one of the banks with the highest percentage of women in the overall workforce.

Prior to his employment in PNB, he was President and CEO of HSBC Philippines, the first Filipino CEO in HSBC’s 144 years of operations in the country. Wick obtained his Bachelor of Science degree in Commerce, Major in Marketing Management from the De La Salle University.

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

ROBERTO D. BALTAZAR, 57, Filipino. “Dondi” is Executive Vice President and Head of Global Banking and Markets Sector. He has over 30 years of banking experience in the financial markets and corporate banking sector and previously headed the Global Markets, Debt Capital Markets, and Securities Services of HSBC Philippines where the said bank was recognized consistently as one of the Top Debt Capital Market houses, Securities Services Operations and leading Foreign Exchange and Bond Trading houses during his tenure. He was also the President of the ACI The Financial Markets Association in 2013. He is an active member of the Bankers Association of the Philippines’ Open Market Committee, specifically the foreign exchange sub-committee. Dondi obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University. He holds a Master’s degree in Business Administration from the University of North Carolina at Chapel Hill, USA.

ISAGANI A. CORTES, 53, Filipino. “Gani” is Executive Vice President and Chief Compliance Officer of PNB effective April 8, 2019. Before joining the Bank, he was the Senior Vice President and Deputy Head of the Regulatory Affairs Group of RCBC, responsible for Compliance, AML, Corporate Governance, Data Privacy, and Tax Transparency. Prior to RCBC, he spent a total of 14 years in HSBC Philippines where his last position was as Senior Vice President and Country Head of Financial Crime Compliance. He also worked for EastWest Bank as its Chief Compliance Officer and ABN AMRO Philippines, handling Legal, Remedial Management, and Acquired Assets. Gani obtained his Bachelor of Arts degree in English from the University of the East and his Bachelor of Laws degree from the University of the Philippines.

AIDA M. PADILLA, 71, Filipino. “Aida” is Executive Vice President and Head of the Enterprise Services Sector. She is the chief strategist for modification of distressed and problem loans, administrator of all Bank-owned real estate properties and building facilities, and Head of the Security Services of PNB. A seasoned professional, she honed her branch banking experience at the Philippine Banking Corporation to become Vice President of Marketing for its Corporate Banking Group. Aida obtained her Bachelor of Science degree in Commerce, Major in Accounting from St. Theresa’s College.

NELSON C. REYES, 57, Filipino. “Sonny” joined PNB as Executive Vice President and Chief Financial Officer on January 1, 2015. Prior to his employment in the Bank, he was the Chief Financial Officer of HSBC Philippines for over 10 years. He also served as Director for HSBC Savings Bank Philippines and HSBC Insurance Brokers Philippines. His banking career covers the areas of corporate banking, credit operations, finance, and treasury operations. In 2018, he became a member of the Board of PNB (Europe) PLC and was appointed Chairman in 2019. Sonny graduated from the De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting. He is a Certified Public Accountant.

MANUEL C. BAHENA, JR., 59, Filipino. “Manny” is First Senior Vice President and Chief Legal Counsel. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of Legal Group in 2009. Prior to his employment in the Bank, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He has also served as corporate secretary and legal counsel to various corporations such as Corporate Partnership for Management in Business, Inc., Orioxy Investment Corporation, Philippine Islands Corporation for Tourism and Development, Cencorp, Inc., and Central Bancorporation General Merchants, Inc. Manny obtained his Bachelor of Science degree in Business Administration from the Lyceum of the Philippines and his Bachelor of Laws degree from Arellano University.

MARIE FE LIZA S. JAYME, 58, Filipino. “Mafe” is First Senior Vice President and Head of Operations Group. She joined PNB in 2007 as Head of Cash Product Management Division, establishing the Bank’s cash management services. She began her career in banking in 1990 occupying various responsibilities in key areas such as account management, cash and trade sales, marketing and product management, and transaction banking. Prior to banking, she held senior staff positions at the Office of the Secretary of Finance, the Department of Trade and Industry, and the former Office of the Prime Minister. Mafe graduated with a Bachelor of Arts degree, Major in Communication Arts and Business Administration from the Assumption College. She completed academic units for the Master’s degree in Business Administration from the Ateneo de Manila University.

MANAGEMENT COMMITTEE

MA. ADELIA A. JOSON, 67, Filipino. "Daday" is First Senior Vice President and Head of the Retail Banking Sector. Daday is a seasoned banker for over 40 years. She started her stint as a research analyst in the Economic Research Department of Commercial Bank and Trust Company in 1974, joined the Officers Training Program in 1978, and was promoted to Branch Cashier of Comtrust, Taft Ave. Branch thereafter. She joined Allied Banking Corporation as Cashier of Roosevelt Branch in 1980. She has developed a high proficiency in all facets of branch banking. She has held various positions in PNB as Branch Head, Area Head, and Region Head prior to her designation as the Head of Branch Banking Group in 2014. In 2017, she was assigned to head the Sector's Sales and Support Group. Daday obtained her degree in A.B. Economics at La Salle College.

JOSE GERMAN M. LICUP, 55, Filipino. "Gerry" is First Senior Vice President and Chief of Staff to the President and CEO. Gerry is a seasoned lawyer and compliance professional, with more than 28 years of experience advising in litigation, banking, securities and corporate law, international financial transactions, debt capital markets, financial derivatives, and regulatory compliance and financial crime risk management. His work experience includes attachments to HSBC offices in the U.S., Singapore, and Australia. As Chief of Staff, he provides leadership to cross-functional teams in PNB to successfully achieve the delivery of key projects of the President and CEO, and is responsible for coordinating the President and CEO's key priorities to ensure that all concerns of the Bank's stakeholders are adequately and seasonably identified and addressed. Prior to joining PNB, he was the Country General Counsel of HSBC Philippines. He is currently an Advisor to the Board of the Association of Bank Compliance Officers (ABCOMP). Gerry obtained his Bachelor of Arts and Bachelor of Laws degrees from the University of the Philippines.

MARIA PAZ D. LIM, 58, Filipino. "Girlie" is First Senior Vice President and Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation. She joined the Bank on June 23, 1981, rose from the ranks occupying various positions covering areas such as branch banking, economics and research, budget, and corporate disbursing. Girlie obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing from the University of the Philippines. She holds a Master's degree in Business Administration from the Ateneo de Manila University.

NANETTE O. VERGARA, 60, Filipino. "Nanette" is First Senior Vice President and Chief Credit Officer. Prior to joining PNB, she was Vice President and Head of Credit Risk Management at United Overseas Bank Philippines. She also held various credit-related positions in Solidbank Corporation, Union Bank of the Philippines, Bank of Commerce, and at the Credit Information Bureau, Inc. Nanette graduated *cum laude* with a Bachelor of Science degree in Statistics from the University of the Philippines.

CLARO P. FERNANDEZ, 58, Filipino. "Claro" is Senior Vice President and Head of Public Affairs Group. He is a communications professional with over 30 years of experience in media, banking, and the government sectors. He was previously connected with PNB from 1997 to 2001 as Vice President of the Corporate Affairs Office and then, Information Technology Group where he was part of the Bank's integrated banking solutions project and the Y2K. In government, he was Press Undersecretary and Deputy Communications Director for the Office of the President from 2002 to 2005; and Executive Director of the Investor Relations Office at the *Bangko Sentral Ng Pilipinas* from 2009 to 2013. Prior to returning to PNB in 2019, he was Head of Communications in HSBC Philippines. Claro holds a Bachelor of Arts degree in Mass Communications, Major in Journalism from the University of the Philippines.

NOEL C. MALABAG, 49, Filipino. "Noel" is Senior Vice President and Head of Global Markets Group. Before joining the Bank, he was the Treasurer of Philippine Veterans Bank, where he spearheaded innovations not only in trading and balance sheet management, but also in and across risk management, compliance, controls, and governance. He likewise spent 19 years in HSBC Philippines, where he honed his expertise on interest rates, foreign exchange, derivatives, and liquidity management. As a respected member of the banking industry with over 25 years of experience, he has been a key resource for reforms and policy-making in the country's financial markets through various industry associations. Noel obtained his Bachelor of Science degree, Major in Marketing Management from the De La Salle University.

MICHAEL M. MORALLOS, 52, Filipino. "Mike" is Senior Vice President and Head of Information Technology Group. Prior to his employment with PNB, he was First Senior Vice President and Head of Technology Platform at the Siam Commercial Bank, the largest bank in Thailand. He was also a Senior FIS Systematics Consultant and brings with him over 27 years of work experience.Mike obtained his Bachelor of Arts degree, Major in Philosophy and Political Science from the University of the Philippines. He completed the Senior Executive Program with Wharton, advanced computer studies at the National Computer Institute of the Philippines, Fidelity Information Services, and IBM.

ROLAND V. OSCURO, 57, Filipino. "Roland" is Senior Vice President and Chief Information Security Officer, and in concurrent capacity, the Chief Security Officer. He is the Head of the Enterprise Information Security Group. Before joining PNB, he held positions in various corporations such as Multi Media Telephony, Inc., Ediserve Corporation, Sterling Tobacco Corporation, Zero Datasoft, Metal Industry Research and Development Center, and Pacific Office Machines, Inc. Roland obtained his Bachelor of Science degree in Electronics and Communications Engineering (ECE) from the Mapua Institute of Technology and completed academic units for the Master's degree in Business Administration from the Ateneo de Manila University. He is an ECE Board passer and an ISACA Certified Information Security Manager (CISM).

MANAGEMENT COMMITTEE

JOY JASMIN R. SANTOS, 47, Filipino. "Jiah" is First Vice President and Chief Trust Officer. She was previously Division Head of Corporate Trust from 2013 to 2018 and Division Head of Business Development in Trust Banking Group from 2010 to 2012. Before joining PNB, she was the International Business Development Head for Asia in Globe Telecom. She also held various positions in Citibank Savings, Inc., Keppel Bank, American Express Bank, and BPI. Jiah graduated *cum laude* with a Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University. She earned her Master's degree in Business Administration from the Australian National University in Canberra, Australia. In 2015, she completed, with distinction, a one-year course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines.

SIMEON T. YAP, 59, Filipino. "Sim" is First Vice President and Chief Risk Officer. Prior to his employment in PNB, he was the Market Risk Officer of Security Bank from 2009 to 2018. He was also connected with Citibank where he held various positions such as Trader, Market Risk Officer, and Money Market Head (Citibank Shanghai). He was the Associate Director for Product Development of Philippine Dealing and Exchange (PDEx) in 2008. Sim earned his degree in Economics from the University of the Philippines' School of Economics.

SOCORRO D. CORPUS, 69, Filipino. "Cora" is the Officer-in-Charge of Human Resources Group of Philippine National Bank. Cora retired from the Bank four years ago as First Senior Vice President after serving the institution for 40 years. She is a graduate of Assumption College with Bachelor of Arts degree, Major in Psychology and an Associate in Commercial Science Degree. She started her career with China Banking Corporation in 1973 prior to joining the Allied Banking Corporation in 1977. Her professional affiliations include the following: Founding member and a Board Member of the Organization Development Professional Network, previous president and member of the Bankers' Council for People Management, member of the Personnel Management Association of the Philippines and she was a regular Bank representative to the Banking Industry Tripartite Council.

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

THE BANK'S SUBSIDIARIES AND AFFILIATE

CHRISTINE GRACE A. BANDOL
PNB-Mizuho Leasing and Finance Corporation

PERFECTO M. DOMINGO
PNB General Insurers Co., Inc.

ALEXANDER GRENZ
Allianz PNB Life Insurance, Inc.

MANUEL ANTONIO G. LISBONA
PNB Securities, Inc.

GERRY B. VALENCIANO
PNB Capital and Investment Corporation

ALLIANZ PNB LIFE INSURANCE, INC.

In December 2015, global insurance firm Allianz SE entered into an agreement with PNB to acquire 51% as well as management control of PNB Life in a 15-year exclusive distribution partnership. The joint venture company operates under the name "Allianz PNB Life Insurance, Inc. (Allianz PNB Life)".

The Allianz Group is a worldwide financial services provider with services predominantly in the insurance and asset management business. It ranked first in insurance brand in the world based on the 2019 and 2020 Interbrand global rankings. It has 92 million retail and corporate clients in 77 countries. Allianz SE, the parent company, is headquartered in Munich, Germany. On the other hand, PNB Life, which began its operations in 2001, is considered one of the major life insurers in the Philippines. The combined entity, Allianz PNB Life, is the leading provider of Variable Life products, complemented by a full line of Life protection offerings for individuals and institutions. It is also one of the world's top sustainable insurers, having been ranked #1 on the Dow Jones Sustainability Index for three straight years (2017-2019).

PNB Branches remain to be the main distribution channel of Allianz PNB Life, with over 400 financial advisors and 1,500 active life changer agents nationwide. Allianz PNB Life also has a distributorship arrangement with HSBC Insurance Brokers Philippines, making its insurance products available to HSBC bank clients as well.

ALLIED BANKING CORPORATION (HONG KONG) LIMITED

Allied Banking Corporation (Hong Kong) Limited (ABCHKL) is a majority-owned (51%) subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation (ABC). ABCHKL is a private limited company incorporated in Hong Kong in 1978. It is a restricted-licensed bank under the Hong Kong Banking Ordinance.

ABCHKL provides a full range of commercial banking services such as deposit taking, lending and trade financing, documentary credits, participation in loan syndications and other risks, money market and foreign exchange operations. ABCHKL has a wholly-owned subsidiary, ACR Nominees Limited, which is a private limited company incorporated in Hong Kong that provides non-banking general services to its customers. It is a Trust or Company Service Provider ("TCSP") licensee in Hong Kong.

ALLIED COMMERCIAL BANK

Allied Commercial Bank (ACB) is a majority-owned (99.04%) subsidiary of PNB. ACB was formerly known as Xiamen Commercial Bank. It obtained its commercial banking license in July 1993 and opened for business in October 1993. ACB maintains its head office in Xiamen, Fujian, China. It has a branch in Chongqing which was established in 2003.

In December 2015, China's banking regulator, the China Banking Regulatory Commission (CBRC), Xiamen Office approved ACB's application to engage in CNY-denominated business for all clients except citizens within the territory of China. On January 16, 2017, the Fujian Administration for Industry and Commerce (FAIC) issued a business license to ACB to engage in foreign currency-denominated business servicing all types of clients and in CNY-denominated business servicing all clients except Chinese resident citizens. The ACB formally launched CNY business on April 12, 2017. In May 2020, China's banking regulator, the China Banking and Insurance Regulatory Commission (CBIRC, formerly CBRC), Xiamen Office allowed ACB to conduct CNY-denominated business serving all clients including Chinese resident citizens. On December 15, 2020, the Market and Quality Supervision Commission of Xiamen Municipality issued a business license to ACB to engage in foreign currency-denominated and CNY-denominated business servicing all types of clients. The ACB formally launched CNY business servicing all types of clients on December 25, 2020.

PNB CAPITAL AND INVESTMENT CORPORATION

PNB Capital and Investment Corporation (PNB Capital) is the wholly-owned investment house subsidiary of PNB with a non-quasi banking license. PNB Capital is a leading player in the country providing a full range of investment banking services such as: loan syndications, retail bond offerings, private placement of shares, public offering of shares, securitization, and financial advisory including liability management, corporate restructuring, pre-IPO preparation, and mergers and acquisitions advisory.

PNB Capital has arranged some of the largest loan syndications in the country. It is also active in Philippine capital markets, having raised large amounts of capital from retail bonds and public offering of shares for its clients.

PNB GENERAL INSURERS CO., INC.

PNB General Insurers Co., Inc. was incorporated in the Philippines on December 29, 1965. PNB has 66% direct ownership in the company while PNB Holdings Corporation, a 100% owned subsidiary of PNB, owns the remaining 34%. The Company is engaged in fire, marine, motor car, personal accident, fidelity and surety, aviation, and all other kinds of non-life insurance business.

On December 11, 2020, the PNB Board of Directors approved the sale of 100% shareholdings of PNB and PNB Holdings in PNB General Insurers Co., Inc. to Alliedbankers Insurance Corporation (ABIC). The Insurance Commission, in its letter to ABIC dated December 29, 2020, interposed no objection to the subject acquisition.

PNB GLOBAL REMITTANCE AND FINANCIAL COMPANY (HK) LIMITED

PNB Global Remittance and Financial Company (HK) Limited (PNB Global HK), a wholly owned subsidiary of PNB, was established in Hong Kong on July 20, 1976. The Company is engaged in providing remittance services bound to the Philippines. It also grants consumer loans not only to Overseas Filipino Workers and professionals in Hong Kong but also to foreign nationals who are interested to purchase real estate properties located in the Philippines.

PNB Global HK's Main Office is in Wanchai District while its six branches are strategically situated in Shatin, Yuen Long, Tsuen Wan, North Point, and two in Worldwide House in Central District.

PNB HOLDINGS CORPORATION

PNB Holdings Corporation (PNB Holdings) is a wholly-owned holding subsidiary of PNB that was established on May 20, 1920. On January 13, 2020, the Securities and Exchange Commission (SEC) approved the increase in PNB Holdings' authorized capital stock by Php50 billion. With the approval, PNB Parent Bank acquired an additional 466.77 million shares of PNB Holdings with a par value of Php100 per share amounting to Php46.67 billion in exchange for certain prime properties of the Parent Bank. This forms part of a series of transactions to realize the market value of the Bank's prime properties.

PNB-MIZUHO LEASING AND FINANCE CORPORATION

PNB-Mizuho Leasing and Finance Corporation (PNB-Mizuho), formerly PNB-IBJL Leasing and Finance Corporation, is a joint venture between Philippine National Bank, one of the country's largest privately-owned commercial bank, and Mizuho Leasing and Finance Corporation, a member of the Mizuho Financial Group, the third largest financial services company in Japan.

As a result of Mizuho Bank Ltd.'s increased shareholding in IBJL Leasing Company, Ltd in March 2019, IBJL Leasing became an equity method affiliate of Mizuho Bank. To reflect this development IBJL Leasing Company, Ltd changed its name to Mizuho Leasing Company, Ltd effective October 1, 2019. Consequently, the corporate names of the following subsidiaries of PNB were changed in March 2020 as reflected in their Amended Articles of Incorporation duly approved by the Securities and Exchange Commission: a) From PNB-IBJL Leasing and Finance Corporation to PNB-Mizuho Leasing and Finance Corporation; and b) From PNB-IBJL Equipment Rentals Corporation to PNB-Mizuho Equipment Rentals Corporation.

PNB-Mizuho is operating as a financing company that provides clients with finance lease, operating lease (through wholly owned subsidiary, PNB-Mizuho Equipment Rentals Corporation), and term loan for productive capital expenditures secured by Chattel Mortgage. Its subsidiary, PNB-Mizuho Equipment Rentals Corporation, was incorporated in the Philippines in July 2008 as a rental company engaged in the business of renting all kinds of real and personal properties.

PNB INTERNATIONAL INVESTMENT CORPORATION

PNB International Investment Corporation (PNB IIC) is a non-bank holding subsidiary and is the parent company of PNB Remittance Centers, Incorporated (PNB RCI). PNB RCI has a network of 16 money transfer offices in six states of the United States of America.

PNB RCI owns PNB RCI Holding Company, Ltd., the holding company for PNB Remittance Company Canada (PNB RCC). PNB RCC has six branches and one sub-branch servicing the remittance requirements of Filipinos in Canada.

PNB EUROPE PLC

PNB Europe PLC is a wholly-owned subsidiary incorporated in the United Kingdom with a full banking license. It is also authorized to provide cross-border services to member states of the European Economic Area. In April 2014, Allied Bank Phils (UK) was merged with PNB Europe Plc.

PNB SECURITIES, INC.

PNB Securities, Inc. is a wholly-owned stock brokerage subsidiary which engages in the brokerage and dealership of the various equity and equity-related securities listed in the Philippine Stock Exchange, including the distribution of Initial Public Offerings in collaboration with PNB Capital and Investment Corporation, tender offer agency, as well as, processing of dividend and pre-emptive rights entitlements in behalf of its clients. PNB Securities, Inc. also offers stock market research products to inform and assist clients in making decisions with their investments in the equities market.

MARKET PRICE OF AND DIVIDENDS ON PNB COMMON EQUITY

Market Price of and Dividends on Registrant's Common Equity and Related Stockholders Matters:

1. **Market Information**

   All issued PNB common shares are listed and traded on the Philippine Stock Exchange, Inc. The high and low sales prices of PNB shares for each quarter for the last two (2) fiscal years are:

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

2. **Holders**

   There are 36,394 shareholders as of December 31, 2020. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

	NAME OF STOCKHOLDER	NATIONALITY	NO. OF SHARES	PERCENTAGE OF OWNERSHIP	VOTING STATUS
1.	PCD Nominee Corporation (Filipino)	Filipino	181,569,676	11.9002398043	*
2.	Key Landmark Investments, Ltd.	Filipino	133,277,924	8.7351549618	*
3.	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	90,879,110	5.9562985738	*
4.	Caravan Holdings Corporation	Filipino	82,017,184	5.3754799765	*
5.	Solar Holdings Corporation	Filipino	82,017,184	5.3754799765	*
6.	True Success Profits Ltd.	Filipino	82,017,184	5.3754799765	*
7.	Prima Equities & Investments Corporation	Filipino	71,765,036	4.7035449794	*
8.	Leadway Holdings, Inc.	Filipino	65,310,444	4.2805052168	*
9.	Infinity Equities, Inc.	Filipino	61,512,888	4.0316099824	*
10.	Pioneer Holdings Equities, Inc.	Filipino	34,254,212	2.2450518506	*

* *Pursuant to Article IV, Section 4.9 of the Bank's By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank. The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Boards of Directors.*

	NAME OF STOCKHOLDER	NATIONALITY	NO. OF SHARES	PERCENTAGE OF OWNERSHIP	VOTING STATUS
11.	Pan Asia Securities Corporation	Filipino	33,126,782	2.1711590747	*
12.	Multiple Star Holdings Corporation	Filipino	30,798,151	2.0185385055	*
13.	Donfar Management Ltd.	Filipino	30,747,898	2.0152448787	*
14.	Uttermost Success, Ltd.	Filipino	30,233,288	1.9815168766	*
15.	Mavelstone Int'l Ltd.	Filipino	29,575,168	1.9383831001	*
16.	Kenrock Holdings Corporation	Filipino	26,018,279	1.7052613973	*
17.	Fil-Care Holdings, Inc.	Filipino	25,450,962	1.6680789310	*
18.	Fairlink Holdings Corporation	Filipino	25,207,795	1.6521415472	*
19.	Purple Crystal Holdings, Inc.	Filipino	24,404,724	1.5995075519	*
20.	Kentron Holdings & Equities Corporation	Filipino	24,361,225	1.5966565883	*

* *Pursuant to Article IV, Section 4.9 of the Bank's By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank. The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Boards of Directors.*

3. Dividends

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

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine National Bank is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years 2020, 2019 and 2018 ended December 31, 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 Philippine National 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 Philippine National Bank or to cease operations, or has no realistic alternative to do so. The Board of Directors is responsible for overseeing the Philippine National 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.

Sycip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders. has audited the financial statements of the Philippine National Bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

FLORENCIA G. TARRIELA
Chairman of the Board

JOSE ARNULFO A. VELOSO
President and Chief Executive Officer

NELSON C. REYES
Executive Vice President and Chief Financial Officer

Pasay City

MAR 22 2021

SUBSCRIBED AND SWORN to before me this ___ day of March 2021 affiants exhibiting to me their Passport Identification No.

Doc. No. 67
Page No. 14
Book No. 25
Series of 2021

ATTY. [illegible] E. DE ALDAY
Notary Public for Pasay City
Until Dec. 31, 2022
Commission No. 21-02
2nd Floor PNB Financial Center
Macapagal Blvd. Pasay City
Roll No. 52308
IBP No. 131778 / Nov. 3, 2020 / RSM
PTR No. 7353062 / Jan. 05, 2021 / Pasay
MCLE Compliance No. VI-0017867; Feb. 14, 2019

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine National Bank

Report on the Consolidated and Parent Company Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

Adequacy of Allowance for Credit Losses on Loans and Receivables

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

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

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

Audit response

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Recognition of Deferred Tax Assets

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

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

Audit Response

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

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

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

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

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-5 (Group A),
April 16, 2019 valid until April 15, 2022
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-053-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534310, January 4, 2021, Makati City

March 15, 2021

Philippine National Bank and Subsidiaries

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2020	2019	**2020**	2019
ASSETS				
Cash and Other Cash Items	**₱25,135,724**	₱30,500,927	**₱25,038,434**	₱29,642,159
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**202,129,356**	105,981,801	**202,129,356**	101,801,597
Due from Other Banks (Note 33)	**19,733,300**	17,758,143	**12,131,726**	10,835,106
Interbank Loans Receivable (Notes 8 and 33)	**39,700,981**	24,831,816	**37,858,670**	23,803,019
Securities Held Under Agreements to Resell (Notes 8 and 35)	**15,819,273**	2,517,764	**15,819,273**	1,149,984
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**23,825,708**	13,468,985	**21,947,640**	11,169,656
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**133,715,352**	123,140,840	**133,263,758**	118,896,564
Investment Securities at Amortized Cost (Note 9)	**95,235,993**	100,464,757	**95,115,642**	99,203,909
Loans and Receivables (Notes 10 and 33)	**599,994,748**	657,923,757	**586,901,861**	587,245,896
Property and Equipment (Note 11)	**19,878,715**	21,168,794	**18,406,981**	18,797,308
Investments in Subsidiaries and an Associate (Note 12)	**2,310,410**	2,605,473	**27,105,550**	28,430,358
Investment Properties (Note 13)	**14,445,756**	15,043,826	**13,921,798**	14,676,387
Deferred Tax Assets (Note 30)	**9,036,908**	2,580,809	**8,522,411**	1,985,597
Intangible Assets (Note 14)	**2,512,013**	2,841,989	**2,438,660**	2,699,154
Goodwill (Note 14)	**13,375,407**	13,375,407	**13,515,765**	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 36)	**7,945,945**	–	**1,136,418**	–
Other Assets (Note 15)	**6,338,210**	8,085,523	**4,947,734**	5,352,763
TOTAL ASSETS	**₱1,231,133,799**	₱1,142,290,611	**₱1,220,201,677**	₱1,069,205,222
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱199,770,048**	₱172,228,956	**₱200,113,465**	₱168,628,123
Savings	**425,611,765**	391,769,777	**424,637,944**	384,773,630
Time	**236,694,042**	226,894,643	**240,584,601**	187,288,142
Long Term Negotiable Certificates	**28,212,034**	35,152,104	**28,212,034**	35,152,104
	890,287,889	826,045,480	**893,548,044**	775,841,999
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**701,239**	245,619	**700,802**	231,992
Bills and Acceptances Payable (Notes 19, 33 and 35)	**87,159,450**	55,963,290	**84,817,360**	48,424,017
Lease Liabilities (Note 29)	**1,366,016**	1,806,409	**1,370,206**	1,633,083
Accrued Taxes, Interest and Other Expenses (Note 20)	**6,449,026**	6,939,726	**6,075,016**	6,058,094
Bonds Payable (Note 21)	**64,056,335**	66,615,078	**64,056,335**	66,615,078
Income Tax Payable	**903,044**	576,156	**842,038**	472,378
Liabilities of Disposal Group Classified as Held for Sale (Note 36)	**6,353,964**	–	**–**	–
Other Liabilities (Note 22)	**17,873,828**	29,123,453	**15,546,894**	17,858,935
	1,075,150,791	987,315,211	**1,066,956,695**	917,135,576
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	**61,030,594**	61,030,594	**61,030,594**	61,030,594
Capital Paid in Excess of Par Value (Note 25)	**32,116,560**	32,116,560	**32,106,560**	32,106,560
Surplus Reserves (Notes 25 and 32)	**5,032,097**	642,018	**5,032,097**	642,018
Surplus (Note 25)	**54,498,066**	56,273,492	**54,843,588**	56,273,735
Net Unrealized Gain on Financial Assets at FVOCI (Note 9)	**3,054,403**	3,250,651	**3,054,403**	3,250,651
Remeasurement Losses on Retirement Plan (Note 28)	**(3,009,452)**	(2,229,220)	**(3,009,452)**	(2,229,220)
Accumulated Translation Adjustment (Note 25)	**717,872**	947,562	**717,872**	947,562
Other Equity Reserves (Notes 12 and 25)	**277,855**	35,466	**419,542**	35,466
Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	**(1,038,838)**	12,280	**(1,038,838)**	12,280
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	**88,616**	–	**88,616**	–
Other Equity Adjustment	**13,959**	13,959	**–**	–
	152,781,732	152,093,362	**153,244,982**	152,069,646
NON-CONTROLLING INTERESTS (Note 12)	**3,201,276**	2,882,038	**–**	–
	155,983,008	154,975,400	**153,244,982**	152,069,646
TOTAL LIABILITIES AND EQUITY	**₱1,231,133,799**	₱1,142,290,611	**₱1,220,201,677**	₱1,069,205,222

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

Philippine National Bank and Subsidiaries

STATEMENTS OF INCOME

(In Thousands, except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019 (As Restated – Note 36)	2018 (As Restated – Note 36)	2020	2019	2018
INTEREST INCOME ON						
Loans and receivables (Notes 10, 27 and 33)	**₱38,254,122**	₱39,852,726	₱30,202,480	**₱37,067,285**	₱35,164,556	₱25,504,159
Investment securities at amortized cost and FVOCI (Note 9)	**6,496,772**	8,737,577	4,534,297	**6,448,100**	8,549,063	4,502,331
Deposits with banks and others (Notes 7 and 33)	**1,290,302**	635,087	775,820	**1,173,981**	432,874	524,723
Financial assets at FVTPL (Note 9)	**665,751**	619,979	120,667	**542,512**	619,979	120,667
Interbank loans receivable and securities held under agreements to resell (Note 8)	**244,007**	668,211	379,378	**186,211**	568,061	350,808
	46,950,954	50,513,580	36,012,642	**45,418,089**	45,334,533	31,002,688
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**7,379,018**	14,024,899	7,871,173	**7,227,056**	12,201,776	6,591,288
Bonds payable (Note 21)	**2,904,528**	1,945,497	477,405	**2,904,528**	1,945,497	477,405
Bills payable and other borrowings (Notes 19, 29 and 33)	**846,642**	2,184,918	662,340	**637,478**	1,740,622	472,111
	11,130,188	18,155,314	9,010,918	**10,769,062**	15,887,895	7,540,804
NET INTEREST INCOME	**35,820,766**	32,358,266	27,001,724	**34,649,027**	29,446,638	23,461,884
Service fees and commission income (Notes 26 and 33)	**4,684,572**	5,169,040	4,251,692	**4,134,519**	3,677,689	3,524,263
Service fees and commission expense (Note 33)	**983,246**	988,164	773,082	**858,182**	800,376	616,207
NET SERVICE FEES AND COMMISSION INCOME	**3,701,326**	4,180,876	3,478,610	**3,276,337**	2,877,313	2,908,056
OTHER INCOME						
Trading and investment securities gains - net (Notes 9 and 33)	**3,337,640**	1,074,384	150,691	**3,456,521**	1,017,155	157,678
Foreign exchange gains - net (Note 23)	**919,555**	1,105,903	942,372	**929,890**	861,143	578,180
Net gains on sale or exchange of assets (Note 26)	**195,842**	690,625	5,861,143	**130,493**	686,441	5,841,136
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	**88,476**	(97,608)	43,847	**95,939**	(345,599)	530,885
Miscellaneous (Note 27)	**1,488,558**	1,464,482	1,425,439	**906,752**	976,822	1,101,875
TOTAL OPERATING INCOME	**45,552,163**	40,776,928	38,903,826	**43,444,959**	35,519,913	34,579,694
OPERATING EXPENSES						
Provision for impairment, credit and other losses (Note 16)	**16,882,621**	2,910,182	1,740,177	**16,534,335**	1,593,219	1,401,528
Compensation and fringe benefits (Notes 25, 28 and 33)	**10,167,273**	9,442,021	9,380,199	**9,313,371**	8,024,694	7,943,135
Taxes and licenses (Note 30)	**4,581,382**	4,812,796	3,729,016	**4,394,703**	4,217,996	3,343,899
Depreciation and amortization (Note 11)	**3,155,279**	2,795,222	1,944,808	**2,607,269**	2,207,071	1,542,712
Occupancy and equipment-related costs (Note 29)	**991,030**	1,022,167	1,716,315	**942,896**	854,334	1,453,341
Miscellaneous (Note 27)	**9,014,911**	7,682,620	6,953,525	**8,637,974**	6,854,659	6,125,334
TOTAL OPERATING EXPENSES	**44,792,496**	28,665,008	25,464,040	**42,430,548**	23,751,973	21,809,949
INCOME BEFORE INCOME TAX	**759,667**	12,111,920	13,439,786	**1,014,411**	11,767,940	12,769,745
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)	**(1,798,238)**	2,452,307	3,663,744	**(1,945,521)**	2,086,464	3,304,670
NET INCOME FROM CONTINUING OPERATIONS	**2,557,905**	9,659,613	9,776,042	**2,959,932**	9,681,476	9,465,075
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**67,583**	101,593	(219,972)	**–**	–	–
NET INCOME	**₱2,625,488**	₱9,761,206	₱9,556,070	**₱2,959,932**	₱9,681,476	₱9,465,075

	2020	2019	2018
ATTRIBUTABLE TO:			
Equity Holders of the Parent Company (Note 31)	**₱2,614,653**	₱9,681,480	₱9,465,022
Non-controlling Interests	**10,835**	79,726	91,048
	₱2,625,488	₱9,761,206	₱9,556,070
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱1.71**	₱7.05	₱7.58
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱1.67**	₱6.98	₱7.75

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

Philippine National Bank and Subsidiaries

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
NET INCOME	**₱2,625,488**	₱9,761,206	₱9,556,070	**₱2,959,932**	₱9,681,476	₱9,465,075
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on debt securities at FVOCI, net of tax (Note 9)	**(578,919)**	5,417,132	(2,133,032)	**(639,403)**	5,507,470	(2,317,417)
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	**662,951**	447,169	(375,390)	**556,246**	590,236	(284,117)
	84,032	5,864,301	(2,508,422)	**(83,157)**	6,097,706	(2,601,534)
Accumulated translation adjustment	**(257,238)**	(924,441)	484,126	**(81,646)**	(264,289)	154,076
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**(148,044)**	(565,072)	204,963
	(173,206)	4,939,860	(2,024,296)	**(312,847)**	5,268,345	(2,242,495)
Items that do not recycle to profit or loss in subsequent periods:						
Share in aggregate losses on life insurance policies (Note 12)	**(1,051,118)**	–	–	**(1,051,118)**	–	–
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**(251,071)**	583,286	–	**(83,882)**	349,881	93,112
Remeasurement gains (losses) on retirement plan (Note 28)	**(725,968)**	(466,926)	193,128	**(710,795)**	(596,589)	109,596
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**4,632**	(234,815)	386,628	**(10,030)**	(105,801)	470,160
	(2,023,525)	(118,455)	579,756	**(1,855,825)**	(352,509)	672,868
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(2,196,731)**	4,821,405	(1,444,540)	**(2,168,672)**	4,915,836	(1,569,627)
TOTAL COMPREHENSIVE INCOME	**₱428,757**	₱14,582,611	₱8,111,530	**₱791,260**	₱14,597,312	₱7,895,448
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱445,981**	₱14,597,316	₱7,895,395			
Non-controlling interests	**(17,224)**	(14,705)	216,135			
	₱428,757	₱14,582,611	₱8,111,530			

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

Philippine National Bank and Subsidiaries

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Consolidated													
	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 32)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Classified as Held for Sale (Note 36)	Other Equity Adjustment	Total	Non-controlling Interests (Note 12)	Total Equity
Balance at January 1, 2020	**₱61,030,594**	**₱32,116,560**	**₱642,018**	**₱56,273,492**	**₱3,250,651**	**(₱2,229,220)**	**₱947,562**	**₱35,466**	**₱12,280**	**₱–**	**₱13,959**	**₱152,093,362**	**₱2,882,038**	**₱154,975,400**
Total comprehensive income (loss) for the year	–	–	–	**2,614,653**	**(167,039)**	**(720,825)**	**(229,690)**	–	**(1,051,118)**	–	–	**445,981**	**(17,224)**	**428,757**
Transfer to surplus reserves (Note 25 and 32)	–	–	**4,390,079**	**(4,390,079)**	–	–	–	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	**248,830**	–	–	–	**248,830**	**95,900**	**344,730**
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	**(6,441)**	–	–	–	**(6,441)**	–	**(6,441)**
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	**(29,209)**	**(59,407)**	–	–	–	**88,616**	–	–	**259,722**	**259,722**
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	**(19,160)**	**(19,160)**
Balance at December 31, 2020	**₱61,030,594**	**₱32,116,560**	**₱5,032,097**	**₱54,498,066**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱277,855**	**(₱1,038,838)**	**₱88,616**	**₱13,959**	**₱152,781,732**	**₱3,201,276**	**₱155,983,008**
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱13,959	₱125,664,159	₱2,894,853	₱128,559,012
Total comprehensive income (loss) for the year	–	–	–	9,681,480	6,447,587	(702,390)	(829,361)	–	–	–	–	14,597,316	(14,705)	14,582,611
Issuance of stock (Note 25)	11,065,007	785,309	–	–	–	–	–	–	–	–	–	11,850,316	–	11,850,316
Transfer to surplus reserves (Note 25 and 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	–	(18,429)	5,262	(13,167)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,372)	(3,372)
Balance at December 31, 2019	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400
Balance at January 1, 2018	₱49,965,587	₱31,331,251	₱597,605	₱37,171,403	(₱688,514)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱–	₱13,959	₱117,785,084	₱2,644,739	₱120,429,823
Total comprehensive income (loss) for the year	–	–	–	9,465,022	(2,508,422)	579,756	359,039	–	–	–	–	7,895,395	216,135	8,111,530
Transfer to surplus reserves (Note 25 and 32)	–	–	22,968	(22,968)	–	–	–	–	–	–	–	–	–	–
Settlement of share-based payments (Note 32)	–	–	–	–	–	–	–	(16,320)	–	–	–	(16,320)	–	(16,320)
Sale of investment in a subsidiary (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	100,000	100,000
Dissolution of a subsidiary (Note 12)	–	–	–	–	–	–	–	–	–	–	–	–	(62,655)	(62,655)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,366)	(3,366)
Balance at December 31, 2018	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱13,959	₱125,664,159	₱2,894,853	₱128,559,012

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands)

Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 32)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Note 36)	Total Equity
Balance at January 1, 2020	**₱61,030,594**	**₱32,106,560**	**₱642,018**	**₱56,273,735**	**₱3,250,651**	**(₱2,229,220)**	**₱947,562**	**₱35,466**	**₱12,280**	**₱–**	**₱152,069,646**
Total comprehensive income (loss) for the year	–	–	–	**2,959,932**	**(167,039)**	**(720,825)**	**(229,690)**	–	**(1,051,118)**	–	**791,260**
Transfer to surplus reserves (Note 32)	–	–	**4,390,079**	**(4,390,079)**	–	–	–	–	–	–	–
Business combination with a subsidiary (Note 12)	–	–	–	–	–	–	–	**390,517**	–	–	**390,517**
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	**(6,441)**	–	–	**(6,441)**
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	**(29,209)**	**(59,407)**	–	–	–	**88,616**	–
Balance at December 31, 2020	**₱61,030,594**	**₱32,106,560**	**₱5,032,097**	**₱54,843,588**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱419,542**	**(₱1,038,838)**	**₱88,616**	**₱153,244,982**
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,704	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱125,650,447
Total comprehensive income (loss) for the year	–	–	–	9,681,476	6,447,587	(702,390)	(829,361)	–	–	–	14,597,312
Issuance of stock (Note 25)	11,065,007	775,309	–	–	–	–	–	–	–	–	11,840,316
Transfer to surplus reserves (Note 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	(18,429)
Balance at December 31, 2019	₱61,030,594	₱32,106,560	₱642,018	₱56,273,735	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱152,069,646
Balance at January 1, 2018	₱49,965,587	₱31,331,251	₱597,605	₱37,171,597	(₱688,514)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱–	₱117,771,319
Total comprehensive income (loss) for the year	–	–	–	9,465,075	(2,508,422)	579,756	359,039	–	–	–	7,895,448
Transfer to surplus reserves (Note 32)	–	–	22,968	(22,968)	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(16,320)	–	–	(16,320)
Balance at December 31, 2018	₱49,965,587	₱31,331,251	₱620,573	₱46,613,704	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱125,650,447

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

Philippine National Bank and Subsidiaries

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱759,667**	₱12,111,920	₱13,439,786	**₱1,014,411**	₱11,767,940	₱12,769,745
Income (loss) before income tax from discontinued operations (Note 36)	**88,001**	120,272	(196,611)	**–**	–	–
Income before income tax	**847,668**	12,232,192	13,243,175	**1,014,411**	11,767,940	12,769,745
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	**16,912,402**	2,909,858	1,752,812	**16,534,335**	1,593,219	1,401,528
Depreciation and amortization (Note 11)	**3,184,141**	2,804,123	1,950,977	**2,607,269**	2,207,071	1,542,712
Unrealized foreign exchange gain on bonds payable	**(2,728,233)**	(1,029,880)	–	**(2,728,233)**	(1,029,880)	–
Gains on financial assets at FVOCI (Note 9)	**(2,455,264)**	(281,340)	(167,902)	**(2,454,697)**	(317,609)	(160,403)
Loss on loan modifications (Note 27)	**1,587,605**	–	–	**1,587,605**	–	–
Unrealized foreign exchange loss (gain) on bills and acceptances payable	**(1,059,619)**	(2,771,182)	1,298,559	**(1,059,379)**	(2,771,182)	1,292,591
Accretion to interest income of loss on loan modifications (Note 27)	**(901,748)**	–	–	**(901,748)**	–	–
Losses (gains) on financial assets at FVTPL (Note 9)	**(882,375)**	(1,355,606)	21,548	**(1,001,823)**	(1,334,550)	10,386
Loss (gain) on mark-to-market of derivatives (Note 23)	**462,496**	666,851	899,614	**480,098**	666,851	899,614
Amortization of transaction costs on borrowings (Notes 17 and 21)	**229,420**	125,596	51,502	**229,420**	125,596	51,502
Net gain on sale or exchange of assets (Note 13)	**(195,842)**	(690,625)	(5,861,143)	**(130,493)**	(686,441)	(5,841,136)
Loss (gain) on disposal of property and equipment (Note 11)	**(7,777)**	8,961	(28,402)	**(1,297)**	(1,023)	(28,402)
Amortization of premium (discount) on investment securities	**(182,716)**	95,849	789,981	**(176,196)**	78,880	1,034,142
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	**(88,476)**	97,608	(43,847)	**(95,939)**	345,599	(530,885)
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**1,126,878**	(1,220,264)	678,014	**1,134,547**	(421,675)	274,268
Financial assets at FVTPL	**(9,938,231)**	(2,769,454)	(8,039,543)	**(10,256,258)**	(518,321)	(8,063,759)
Loans and receivables	**36,534,525**	(75,034,482)	(88,550,600)	**(16,207,664)**	(78,630,395)	(73,115,194)
Other assets	**(366,467)**	(1,679,271)	1,785,717	**(961,959)**	300,791	2,071,977
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**455,620**	(225,029)	127,126	**468,810**	(236,287)	124,863
Deposit liabilities	**64,182,479**	92,702,273	95,341,952	**117,646,115**	92,402,864	86,953,099
Accrued taxes, interest and other expenses	**(2,376,061)**	561,268	1,083,584	**(1,903,084)**	516,800	886,415
Other liabilities	**(5,509,215)**	346,335	825,976	**(2,764,403)**	(301,401)	804,897
Net cash generated from operations	**98,831,210**	25,493,781	17,159,100	**101,059,437**	23,756,847	22,377,960
Income taxes paid	**(1,648,621)**	(3,369,421)	(4,060,889)	**(1,461,890)**	(3,043,713)	(3,314,639)
Net cash provided by operating activities	**97,182,589**	22,124,360	13,098,211	**99,597,547**	20,713,134	19,063,321
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	**159,923,104**	36,239,398	41,459,104	**157,339,946**	34,213,584	41,652,990
Maturities of investment securities at amortized cost (Note 9)	**61,359,649**	81,709,960	19,356,795	**61,359,649**	81,530,081	37,699,516
Disposal of investment properties	**210,936**	712,650	8,456,263	**161,736**	717,677	8,493,918
Disposal of property and equipment (Note 11)	**36,750**	153,182	152,169	**1,322**	4,554	612,103
Acquisitions of:						
Financial assets at FVOCI	**(169,859,472)**	(100,962,284)	(23,729,263)	**(169,859,472)**	(96,281,851)	(25,122,624)
Investment securities at amortized cost	**(56,875,400)**	(81,365,299)	(93,782,890)	**(57,227,468)**	(81,150,541)	(111,057,852)
Property and equipment (Note 11)	**(1,231,247)**	(2,299,285)	(3,026,508)	**(1,027,671)**	(1,634,668)	(2,263,064)
Software cost (Note 14)	**(283,472)**	(334,548)	(169,231)	**(268,768)**	(331,543)	(160,857)
Additional investments in subsidiaries (Note 12)	**–**	–	–	**–**	(180,000)	(266,000)
Net cash used in investing activities	**(6,719,152)**	(66,146,226)	(51,283,561)	**(9,520,726)**	(63,112,707)	(50,411,870)

(Forward)

Philippine National Bank and Subsidiaries

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019	2018 (As restated – Note 36)	**2020**	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of bills and acceptances payable	**₱168,973,402**	₱1,465,130,227	₱187,599,609	**₱155,926,201**	₱1,445,941,174	₱178,534,210
Settlement of bills and acceptances payable	**(136,717,622)**	(1,476,478,591)	(162,732,019)	**(118,473,479)**	(1,457,452,771)	(158,520,810)
Payment of principal portion of lease liabilities (Note 29)	**(664,156)**	(509,952)	–	**(649,402)**	(436,331)	–
Proceeds from issuance of bonds payable (Note 21)	**–**	51,899,720	15,398,696	–	51,899,720	15,398,696
Proceeds from issuance of stocks (Note 25)	–	11,850,316	–	–	11,840,316	–
Net cash provided by financing activities	**31,591,624**	51,891,720	40,266,286	**36,803,320**	51,792,108	35,412,096
NET INCREASE IN CASH AND CASH EQUIVALENTS	**122,055,061**	7,869,854	2,080,936	**126,880,141**	9,392,535	4,063,547
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**30,500,927**	16,825,487	12,391,139	**29,642,159**	15,904,663	11,671,952
Due from Bangko Sentral ng Pilipinas	**105,981,801**	102,723,312	108,743,985	**101,801,597**	98,665,375	105,497,459
Due from other banks	**17,758,143**	21,003,079	22,025,322	**10,835,106**	10,459,496	10,755,260
Interbank loans receivable	**22,943,529**	10,580,432	11,491,684	**22,274,306**	10,581,083	9,700,916
Securities held under agreements to resell	**2,517,764**	20,700,000	14,621,483	**1,149,984**	20,700,000	14,621,483
	179,702,164	171,832,310	169,273,613	**165,703,152**	156,310,617	152,247,070
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**25,135,724**	30,500,927	16,825,487	**25,038,434**	29,642,159	15,904,663
Due from Bangko Sentral ng Pilipinas	**202,129,356**	105,981,801	102,723,312	**202,129,356**	101,801,597	98,665,375
Due from other banks	**19,733,300**	17,758,143	20,525,318	**12,131,726**	10,835,106	10,459,496
Interbank loans receivable (Note 8)	**38,939,572**	22,943,529	10,580,432	**37,464,504**	22,274,306	10,581,083
Securities held under agreements to resell	**15,819,273**	2,517,764	20,700,000	**15,819,273**	1,149,984	20,700,000
	₱301,757,225	₱179,702,164	₱171,354,549	**₱292,583,293**	₱165,703,152	₱156,310,617
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱11,936,540**	₱17,522,121	₱8,151,979	**₱11,494,829**	₱15,188,304	₱6,768,648
Interest received	**47,391,100**	49,063,648	32,969,308	**44,519,365**	43,948,726	28,399,766
Dividends received	–	–	3,366	–	–	3,366

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

PRODUCTS AND SERVICES

A. DEPOSITS AND RELATED SERVICES

The Bank offers a wide range of deposit products and services that make banking easy, convenient, and trouble-free.

Peso Accounts

1. Non-interest- and interest-bearing Current Accounts
2. Interest Bearing Savings Accounts
3. Time Deposit Accounts
4. Prepaid Cards
5. Business Cards

US Dollar Accounts

1. Non-interest-bearing Current Accounts
2. Savings Accounts
3. Time Deposit Accounts

Other Foreign Currency Accounts (Savings and Time)

1. Chinese Yuan (Renminbi)
2. Euro Savings Account
3. Japanese Yen Savings Account
4. Canadian Dollar Savings Account
5. Singaporean Dollar Savings Account
6. Hong Kong Dollar Savings Account
7. Great Britain Pound Savings Account
8. Swiss Franc Savings Account
9. Australian Dollar Savings Account

Cash Management Solutions

PNB offers powerful and efficient cash management solutions that maximize control over business finances. These solutions are supported by an access to the PNB C@shNet Plus facility, PNB's new corporate internet banking platform which offers electronic cash management services like liquidity management services, collections, and disbursements solutions.

Safety Deposit Boxes

Valued Bank clients may rent a Safety Deposit Box where valuables, legal documents, and other prized possessions may be kept. It is located in a secured vault within Bank premises.

PNB Online Banking

PNB Online Banking is the digital banking channel being offered to individual customers through the PNB Mobile Banking App or PNB Online Internet Banking. It allows customers to securely do routine banking transactions like monitoring account balances and transactions, paying bills, transferring money to other PNB accounts or accounts maintained with other local banks, ordering checkbooks, and viewing PNB Credit Card details and transactions. Customers can also open and manage UITF investments online.

B. CARDS SERVICES

Credit Cards

PNB's extensive array of credit card products let customers experience everyday payment convenience in dining, traveling, and shopping. These cards offer specific features and services that cater to its target markets such as flexible rewards options (cash credits or Miles) and Card Protect, among others.

- PNB Mastercard (Ze-Lo, Essentials, and Platinum)
- PNB Visa (Classic and Gold)
- PNB Diamond UnionPay
- PNB Corporate Multi Mastercard
- PNB Personal Installment Credit Card

Co-Branded Credit Cards

These are products resulting from brand collaborations that provide access to exclusive merchant-specific benefits to the cardholders.

- PNB-PAL Mabuhay Miles Mastercard (NOW, Platinum, and World)
- PNB-The Travel Club Mastercard (Platinum)
- PNB-Alturas Visa Card
- PNB-Jewelmer Joaillerie Mastercard (Platinum)
- PNB-AAXS Mastercard (Platinum)
- PNB-ICAAA Mastercard (Platinum)
- PNB-DLSZAA Mastercard (Platinum)
- PNB-AAAIM Mastercard (Platinum)
- PNB-ADZU Mastercard (Platinum)

Debit Cards

- PNB-PAL Mabuhay Miles Debit Mastercard
- PNB-PAL Mabuhay Miles Priority Debit Mastercard

Prepaid Cards

- PNB Prepaid Mastercard
- PNB-PAL Mabuhay Miles Prepaid Mastercard

C. BANCASSURANCE

PNB Bancassurance provides solid financial services to help ensure and protect the future of clients.

Non-Life Insurance

Products being offered through PNB General Insurers Co., Inc. include Property and Natural Perils Insurance, Motor Car Insurance, Personal Accident Insurance, Engineering Insurance, Marine Insurance, among others.

Life Insurance

There is a wide range of life and health insurance products offered by Allianz PNB Life that cater to specific needs such as Savings and Investments, Protection, Health, Education, Retirement, and Estate Planning.

D. REMITTANCE PRODUCTS AND SERVICES

The Bank has various products and services which OFWs and their beneficiaries can rely on for sending and receiving remittances, and other services such as Overseas Bills Payment and Own a Philippine Home Loan (OPHL).

- Advise and Pay Anywhere (Cash Pick-up)
- Global Filipino Card (GFC)
- Door to Door Delivery Remittance
- Overseas Bills Payment (OBP)
- Own A Philippine Home Loan (OPHL)

The channels offered by PNB in the overseas offices:

- Credit to Other Philippine Local Banks
- Web Remit (US and Europe)
- Phone Remit (US and Europe)
- Mobile App (US)

E. TREASURY PRODUCTS AND SERVICES

The Bank offers expertise in Fixed Income Securities and Money Market Instruments, Foreign Exchange Spots, Forwards and Swaps.

F. TRADE FINANCE SERVICES

The Bank offers various modes/arrangements of settling international trade transactions to make it easier for importers and exporters to transact business. Services such as Letters of Credit, Standby Letters of Credit, Bills Purchase, and Trust Receipt Facility are available.

G. LENDING SERVICES

The Bank offers a wide array of attractive and easy loan options consisting of Credit Lines, Bills Purchased Lines, Term Loans, Time Loans, among others, for large corporates, small and medium enterprises (SMEs), and government clients. The Bank also extends consumer loans such as Housing, Auto and Personal loans.

H. TRUST PRODUCTS AND SERVICES

The Bank provides a full range of Trust products and services designed to meet the needs of a broad spectrum of market segments.

Unit Investment Trust Funds (UITF)

UITFs are open-ended trust funds denominated in peso, or any acceptable currency, which pools together the funds of various investors, for investment in different instruments such as government securities, bonds, commercial papers, deposit products, and other similar instruments.

Personal Trust Products

These are trust funds for a client's beneficiary that can be availed through fund management services such as Personal Management Trust, Investment Management Account (IMA), Estate Planning, and Testamentary Trust.

Corporate Trust Products

PNB offers Corporate Fund Management, Employee Benefit Trust / Retirement Fund and Pre-Need Account Fund Management.

Other Fiduciary Trust Products and Services

These include roles such as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank.

For a complete description of the Bank's Products and Services, please visit our website at www.pnb.com.ph.

MANAGEMENT DIRECTORY

OFFICE OF THE PRESIDENT

President
Jose Arnulfo "Wick" Veloso

First Senior Vice President
Jose German Licup

First Vice President
Constantino Yap

Assistant Vice President
Gemma Lim
Lita Victoria Fernandez

Consultant
Zacarias Gallardo, Jr.

CORPORATE SECRETARY'S OFFICE

Vice President
Ruth Pamela Tanghal

Senior Assistant Vice President
Ma. Cristina Advincula

Assistant Vice President
Michelle Pahati-Manuel

CREDIT MANAGEMENT GROUP

First Senior Vice President
Nanette Vergara

Senior Vice President
Ana Rose Kwan

First Vice President
Mario Luis Cruel
Arlene Viernes

Vice President
Neil Campos
Lorna Gamboa
Joy Lalicon
Erwin Rommel Pobeda
Carmencita Karla Sucaldito

Senior Assistant Vice President
Cynthia Dorothy Acorda
Rosario De Leon
Arles Benson Gonzales
Shaun Mar Limcumpao
Alberto Oliveros
Christina Osias
Alexander Sevilla
Ma. Gemma Subiate
Jan John Dennis Villacorte
Charlotte Yu
Dyan Ann Yuson

Assistant Vice President
Michael Jerome Bernardo
Ma. Soledad Cosuco
Cedric Lu
Rafael Montejo
Michael Taasan
Rhodora Pabello

ENTERPRISE INFORMATION SECURITY GROUP

Senior Vice President
Roland Oscuro

Vice President
Ma. Cecilia Regalario

Assistant Vice President
Pat Pio Fondevilla

ENTERPRISE SERVICES SECTOR

Executive Vice President
Aida Padilla

Acquired Assets Management Group

Senior Vice President
Nixon Ngo

Vice President
Jose Marie Erwin Duran

Senior Assistant Vice President
Cesar Sotoza

Administration Group

Vice President
Edgardo Maldonado

Senior Assistant Vice President
Roberto Bartolome

Assistant Vice President
Jose Acap, Jr.
Marilen Natividad
Sophia Monica Ang

Legal Group

First Senior Vice President
Manuel Bahena, Jr.

Senior Vice President
Erwin Go

First Vice President
Antonio Elicano

Vice President
Arlene Guevara
Marila Balaquiot

Senior Assistant Vice President
Edgardo Satur
Janette Adamos
Ronald Franco Cosico

Assistant Vice President
Norman Bueno
Stephanie Canedo
Jocelyn Sarte
Vanessa Neena Andrade

Remedial Accounts Management Group

Senior Vice President
Mariza Tiburcio

First Vice President
Rowena Magpayo

Assistant Vice President
Joseph Raymund Caparros
Mario Alejandro Afurong
Selena Magdalena Madarang
Ma. Leticia Tayag

Corporate Security Group

Vice President
Roderick Soriano

Senior Assistant Vice President
Melvar Benedicto

FINANCIAL MANAGEMENT SECTOR

Executive Vice President
Nelson Reyes

Senior Vice President
Christian Jerome Dobles
Maria Lourdes Donata Gonzales
Mary Ann Santos

First Vice President
Ernesto Vilacorta

Accounting and Controllership Group

Vice President
Araceli Franco
Aidell Amor Gregorio

Senior Assistant Vice President
Generoso Frias
Christine Marzan

Subsidiaries and Affiliate Division

Senior Assistant Vice President
Ma. Corazon Cresencia Contreras

Central Management Information Services Division

Vice President
Geraldine Punzalan

Corporate Planning & Analysis Division

Senior Vice President
Emeline Centeno

Vice President
Jonathan Uy

Assistant Vice President
Janet Antonio
Marcena Puno
Marrita Lim

Research Division

Vice President
Alvin Joseph Arogo

Senior Assistant Vice President
Ma. Luisa Cruz

GLOBAL BANKING AND MARKETS SECTOR

Executive Vice President
Roberto Baltazar

Global Markets Group

Senior Vice President
Ma. Lourdes Liwag
Noel Malabag

First Vice President
Hernando Elmido, Jr.
Mark Angelo Espiritu
John Christopher Lu
Robina Sy
Mary Lourdes Teng

Vice President
Ernee Regala
Inulli Ty

Senior Assistant Vice President
Lester De Alday
Eric Jayson Castro

Assistant Vice President
Cezar Bayonito

Financial Institutions Division

Senior Vice President
Elisa Cua

Vice President
Marie Grace Nina Marcelo

Assistant Vice President
Julie Anne Dimayuga
Katrina Jane Mayoca

Multinational Division

Vice President
Godfrey Paraiso

Wealth Management Group

Senior Vice President
Maria Teresa Velasco

First Vice President
Candice Lim
Don Tamayo

Vice President
Maria Elizabeth Dela Paz

Senior Assistant Vice President
Maria Carmina Poblete
Ma. Sheryll Castro
Kristine Jan Donayre
Ma. Nelsa Trajano

Assistant Vice President
Vanessa Frias
Jennilyn Ann Tio
Criselda Camille Pescante
Maxine Anne Villanueva

GLOBAL COMPLIANCE GROUP

Executive Vice President
Isagani Cortes

Vice President
Daniel Philip Ang
Limwel Caparros
Lorna Santos

Senior Assistant Vice President
Catherine Rose Ramos
Marie Grace Salado

Assistant Vice President
Dereina Lissa Abiog
Marianne Fernandez
Elmer Molit
Joel Jerome Ong
Rona Ronquillo
Alda Aylwyn Sy-Balayan
Harold Taguba
Rusela Maranan

HUMAN RESOURCE GROUP

Officer-In-Charge
Socorro Corpus

Vice President
Ma. Cecilia Lachica
Maria Eloisa Tavera

Senior Assistant Vice President
Mary Ann Labanda
Michael Perpetuo Mariano
Ma. Mercedita Nakpil
Gloria Villa

Assistant Vice President
Maria Cecilia Arenas
Maryknoll H Ibrahim
Juliette Quinsaat

INFORMATION TECHNOLOGY GROUP

Senior Vice President
Michael Morallos

Vice President
Winny Canete
Bonisio Choo
Marlon Subala
Emmanuel Victa

Senior Assistant Vice President
Abigail Baldonado
Edgardo Del Castillo III
Ferdinand Medina
Maria Argerie Esclamado
Joel Maling
Cristina Villena

Assistant Vice President
Alfred Reales
Angeline Dee
Armando Dizon
Arturo Marcos Aguzar
Aurene Valencia
Dinna Palacios
Editha Jose
Eric Alba
Freda Gonzales
Hardy Teng
Jan Henry Roque
Joey Rodriguez
Jonathan Braga
Jose Bancud, Jr
Leonardo Ferrer, Jr.
Loreta Eguia
Lorisyl Cabitac
Manuelito Judilla, Jr.
Mercy Amado
Miraquel Torio
Reginald Mendoza
Rowena Cacdac
Roxanna Lim

MANAGEMENT DIRECTORY

INSTITUTIONAL BANKING SECTOR

Executive Vice President
Cenon Audencial, Jr.

Vice President
Kurt Ellyson Fang

Institutional Transaction Banking Group

Senior Vice President
Mariana Caculitan

First Vice President
Katherine Cabrera

Senior Assistant Vice President
Sheila Marie Fiel

Assistant Vice President
Rainier Raymond Rejano
Analyn Pecate

Structuring & Execution Division

Vice President
Kurt Ellyson Fang
Jam Abu Dharr Usman

Business Information & Support Services Department

Senior Assistant Vice President
Luzviminda Magsino

Metro Manila Commercial Banking Group

First Senior Vice President
Lee Eng So

Provincial Commerical Banking Group

First Vice President
Aaron Astor

Vice President
Kelvin Aquilino
Zorina Jingco
Darius Kenny
Roberto Noceda
Irene Tan
Sharon Marie Ventura

Senior Assistant Vice President
Pamela Benito
Clifford Ilagan
Ma. Eloisa Opena
Ramon Siyluy, Jr.
Mildred Alcantara

Assistant Vice President
Felicitas Flores
Ivo Te
Janette Ardinez
Jayson Siocson
Joselito Napili
Leny Sy
Marjorie Ballesteros
Patricia Santos
Rhizzy Ann Roque
Sidney Gerard Zosa
Sotero Paner, Jr.
Ria Rivera

Corporate Banking Group

First Senior Vice President
Allan Ang

Senior Vice President
Jean Marie Baruelo
Humildad Santelices

Vice President
Ma. Lucia Roderos

Senior Assistant Vice President
Nasor Abdullatif
Patricia Marie De Las Penas
Nikki Angela Orsolino
Janeen Pua

Assistant Vice President
Roselle Ann Aliscad
Ma. Kathelyn Jenica Dela Cruz

INTERNAL AUDIT GROUP

Vice President
Samuel Lazaro

Senior Assistant Vice President
Analisa San Pedro
Eugeniano Catipay
Meylord Capanzana

Assistant Vice President
Donnabel Leal
Elizabeth Sanchez
Joey Bueno
Melani Biri
Miguel Gutierrez
Nilda Dones
Ricardo Dimacali, Jr.

MARKETING AND BRAND MANAGEMENT SECTOR

First Vice President
Damasen Paul Cid

Vice President
Jocelyn Broniola

Senior Assistant Vice President
Josephine Caluag
Christopher Gene Lapuz
Leia Michelle Regala-Teodoro
Catherine Suzette Solomon

Assistant Vice President
Lourdes Atis
Gerald Michael Calaguian
John Robert Gamit
Conrad Paul Pascual, Jr.

OFFICE OF THE CORPORATE TREASURER

First Senior Vice President
Maria Paz Lim

First Vice President
Ginina Trazo

Assistant Vice President
Marrissa Lorenzo

OPERATIONS GROUP

First Senior Vice President
Marie Fe Liza Jayme

First Vice President
Marilyn Prescilla Aguas
Ma. Agnes Almosara
David Stephen Cu

Vice President
Cynthia Molina

Senior Assistant Vice President
Malou Francisco
Maria Fe Tolentino
Marilou Ramos
Mary Rose Rodillas
Rhodora Villanueva
Vic Cobarrubias

Assistant Vice President
Perlita Calangi
Udy Co
Emjay Socorro De Chavez
Noel Go
Maria Mercedes Malaluan
Mimosa Nicdao
Evangeline Roxas
Mariceli Somo
Flordeliza Santillan
Salvy Samuel
Rosalinda Sumaya

PUBLIC AFFAIRS GROUP

Senior Vice President
Claro Fernandez

Assistant Vice President
Maureen Apple Gonzales

RETAIL BANKING SECTOR

First Senior Vice President
Maria Adelia Joson

Branch Banking Group-Metro Manila

First Vice President
Jennifer Ng

Vice President
Carlos Oliver Leytte
Jay Pesigan
Josephine Aurelia Diaz
Marie Therese Montecer
Mary Rose Gonzales
Shirley Ching

Senior Assistant Vice President
Alona Tambunting
Anna Liza Arellano
Aron Bugalon
Arturo Martinez
Bernadette Quizon
Carlo Lucas Buan
Cristina So
Delia Villanueva
Editha Manago
Elaine Tan
Felisabel Taganas
Frederick Manuel Javate
Loreta Trasadas
Mary Jane Dacanay
Rosemary Fernandez
Sharon Marie Magpayo
Sheila Sy
Shella Marie Villacorta
Yvonne Beltran

Assistant Vice President
Alain Dimaunahan
Alan John Ching
Arlene Castro
Arlene Perez
Brigida Lee
Carolyn Lim
Catherine De Ocampo
Cristina Magpantay
Dennis Libor
Edson Lim
Felicitas Castillo
George Clemena
Hyna Uy
Irenio Cain, Jr.
Janeth Nuque
Jose Villamar
Jovilhyn Singcuenco
Julie Sy
Khristine Patena
Lilibeth Landicho
Ma Annaliza Bartolome
Ma Irene Corrales
Ma Rolina Villanueva
Manuelito Chua
Maria Uy
Maria Lizza Mauricio
Maria Luisa Rivera
Maricel Tobias
Marinela Hebron
Melissa Anne Ng
Michael Kalalo
Nicolas Isip
Olga Tongco
Roberto Arellano, Jr
Rosario Tan
Rosemarie Carmona
Therese Ann Algarra
Virle Mae Encisa

Branch Banking Group-Luzon

First Vice President
Bernabe Punsalan

Vice President
Ma. Lelis Singson
Lourdes Valencia

Senior Assistant Vice President
Carlo Salvador Chua
Carolina Conrada Palaroan
Christine Marie Rillera
Gregorio Santiago Jr.
Irma Madonna Leonardo
Jeffrey Querubin
Jerry Rosete
Jo An Isaac
Jocelyn Diawan
Ruth Carrasco
Vito Antonio Rubio

Assistant Vice President
Alvin Pornasdoro
Amor Enriquez
Arlene Morales
Elaine Janiola
Frances Mendoza
Ma Isabel Makayan
Marilyn Fijer
Maximo Magsino
Ramir Garbo

Branch Banking Group-Vis/Min

First Vice President
Carlo Dimaala

Vice President
John Hilarion Salas
Paul Benemerito

Senior Assistant Vice President
Abigail Gironella
Albert Lopez
Blaine Kow
Doris Bargayo
Gino Gonzalez
Ma Jessica Reyes
Maria Russel Lau
Walter Lasaca

Assistant Vice President
Anastasia Angeles
Bonnie Duran
Conrad Limbaga
Elinor Macrohon
Ernest Uy
Janice Bustamante
Joseph Ibuyan
Maria Osilla Molina
Meriam Claridad
Pearcy Joy Salvador
Rommel Remotigue

Cards Banking Solutions Group

Vice President
Ralph Benedict Centeno

Senior Assistant Vice President
Jayson Evangelista
Jocelyn Opaco
Jocelyn Rosal
Joel Escolastico Tirona
Johann Gan
Lennie Hong
Minna Ambas
Sheila Caeg-Bilog

Assistant Vice President
Charles Santiago
Elizabeth Salas
Francis Adofina
Ivy Aquino

MANAGEMENT DIRECTORY

International Banking and Remittance Group

Senior Vice President
Teresita Sebastian

First Vice President
Roderick Enriquez
Cristy Vicentina

Vice President
Julius Rifareal

Senior Assistant Vice President
Arnel Mariano
Elise Rue Ramos
Angelito Maria Rivera

Assistant Vice President
Maricel Prudente
Carissa Caparas
Elmer Querol
Raquel Rabang
Joel Eric Talosig

RBS Sales and Support Group

First Vice President
Ma. Theresa Del Rosario
Carina Salonga

Vice President
Maria Karen Meñez-Rodil
Rowel Bijasa

Senior Assistant Vice President
Ma. Windy Batan
Cesar Engcoy, Jr.
Reyel Lacson
Ma. Luisa Tapang

Assistant vice president
Victoria Aquino
Anthony Asuncion
Winifred Bernardo
Margarette Grace Garces
Reylyn Im
Anne Kristine Ingente
Melanie Mancenido
Melissa Ponce
Rey Posecion

Retail Lending Group

First Vice President
Modette Ines Cariño
Mary Rose Mendez
Jose Ramon Santamaria

Vice President
Rhodora Del Mundo

Senior Assistant Vice President
Dennis Arias
Jaybert Jose Ong
J Carlos Alberto Ortiz
Maria Cecilia Fabella

Assistant Vice President
Arturo Ablan
Christian John Pastoral
Gilbert Guevara
Michael Antonio Garcia
Nomeric Talavera

RISK MANAGEMENT GROUP

First Vice President
Simeon Yap
Jeslyn Bonifacio

Vice President
Juliet Dytoc

Senior Assistant Vice President
Coleen Mejia
Fryda Porciuncula
Jose Benjamin Nuñez III
Pamela Torres

Assistant Vice President
Cecilia Magbanua
Ginalyn Santos

TRUST BANKING GROUP

First Vice President
Joy Jasmin Santos
Dennis Anthony Elayda

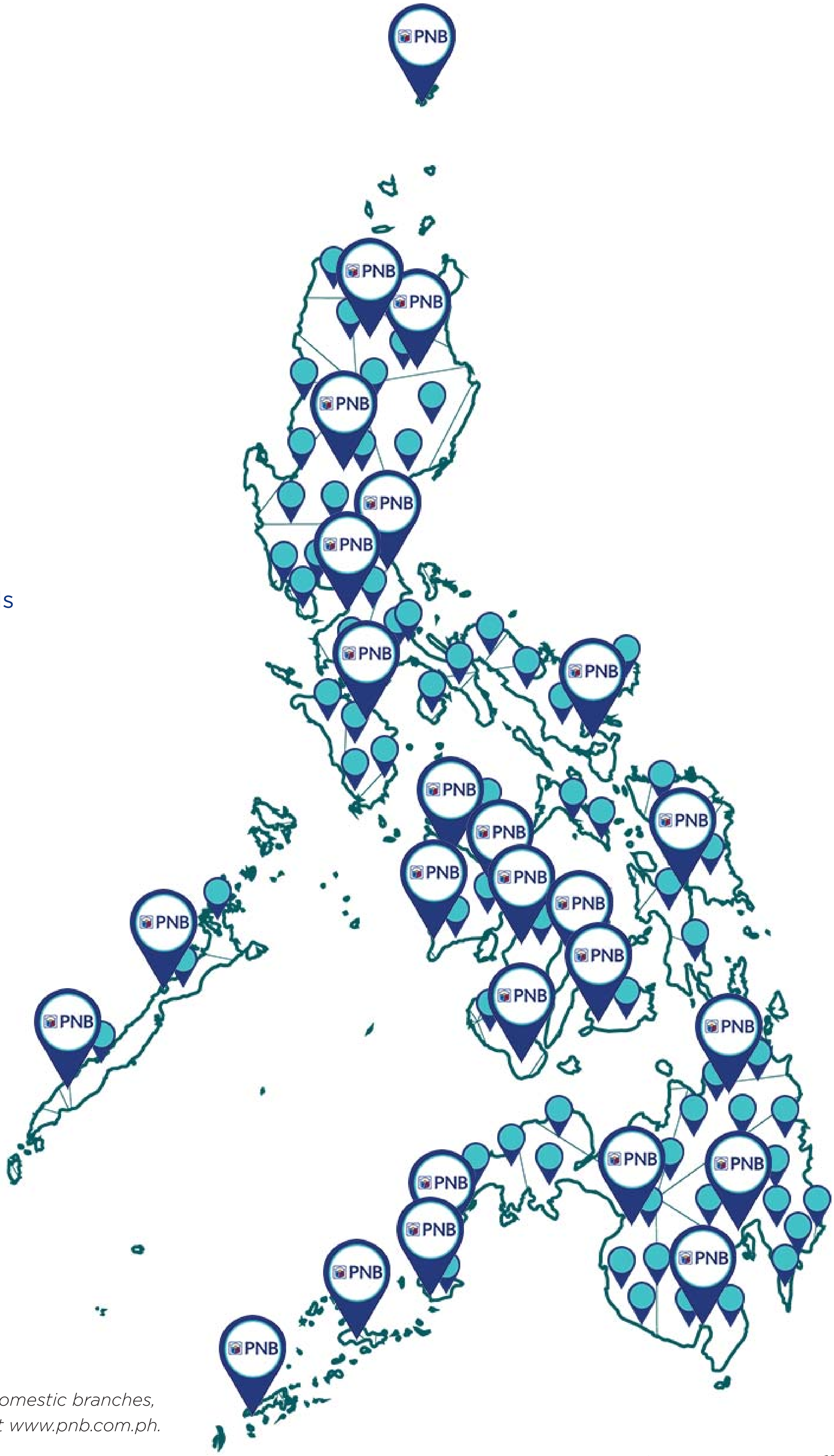
Vice President
Anna Liza Calayan
Immaculada Villanos
Ma. Teresa Tolentino

Senior Assistant Vice President
Jaycee Rivera
Katherine Pagal
Rodney Reyes
Roy Sapanghila

ASSISTANT VICE PRESIDENT
Arlene Dulay
Joanna Florencia Villar
Johanna Michelle Go
Ma. Socorro Unas
Maria Victoria Mendoza
Pierangelo Vengco

716
Total Branches

1,710
ATMs and CAMs



For the complete list of domestic branches, please visit our website at www.pnb.com.ph.

70
Overseas Offices

121
Agents and Partners

For the complete list of overseas branches and offices, please visit our website at www.pnb.com.ph.


MIDDLE EAST
PNB
JAPAN
PNB
CHINA
PNB
GUAM
PNB
SINGAPORE
PNB

OVERSEAS OFFICES

OVERSEAS BRANCHES, REPRESENTATIVE, AND DESK OFFICES

PNB Hong Kong Branch
Unit 02, 9th Floor, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong
Tel. Nos: (852) 2525-1524
2230-2166
Fax No: (852) 2525-3107
E-mail Add.:
pnbhkgrp@pnb.com.ph
deguzmanke@pnb.com.ph

Katherine E. De Guzman
General Manager

PNB Japan - Tokyo Branch
1/F Mita43MT Building
3-13-16 Mita Minato-ku,
Tokyo 108-0073, Japan
Tel. No: (813) 6858-5910
Fax No: (813) 6858-5920
E-mail Add.:
enriquezrt@pnb.com.ph
tokyo@pnb.com.ph
customercare@pnbtokyo.co.jp

Roderick T. Enriquez
Managing Director

PNB Japan - Nagoya Sub-Branch
7/F Nishiki 324 Building,
3-24-24 Nishiki, Naka-Ku,
Nagoya-shi, Aichi-ken
460-0003, Japan
Tel. No: (8152) 968-1800
Fax No: (8152) 968-1900
E-mail Add.:
macaraeg@pnbtokyo.co.jp
macaraegmc@pnb.com.ph
nagoya@pnb.com.ph
pnbnagoya@pnbtokyo.co.jp

Marco C. Macaraeg
Branch Manager

PNB Singapore Branch
304 Orchard Road, #03-02/07
Lucky Plaza Shopping Centre,
Singapore 238863
Tel. No: (65) 6737-4646
Fax No: (65) 6737-4224
E-mail Add.:
pnbsingaporegroup@pnb.com.ph
vicentinacm@pnb.com.ph

Cristy M. Vicentina
General Manager/Region Head for Asia

PNB Singapore - Limited Purpose Branch
130 Jurong Gateway Road
#01-225 Singapore 600130
Tel. No: (65) 6899-6629
E-mail Add.:
mohdfs@pnb.com.ph

Farida Syed Mohd
Officer-In-Charge

PNB Guam Branch
Suite 114/114C, Micronesia Mall,
1088 West Marine Corps Drive,
Dededo, Guam 96929 PO Box CT Agana, Guam 96932
Tel. Nos: (1671) 6469143
OR 6469145
Fax No: (1671) 649 5002
E-mail Add.:
palisocmr@pnb.com.ph
guamboa@pnb.com.ph
bautistaas@pnb.com.ph

Mario R. Palisoc
General Manager

PNB Los Angeles Branch
3435 Wilshire Boulevard,
Suite 104 Los Angeles
CA 90010, U.S.A.
Loans:
(213) 841-3643
(323) 308-8173
Remittance:
(213) 926-8227
(213) 709 -5180
E-mail Add.:
manalader@pnb.com.ph

Editha R. Manalad
General Manager

PNB New York Branch
561 Seventh Avenue,
2F New York, NY 10018
Tel. No: (212) 790-9600
Fax No: (212) 382-2238
E-mail Add.:
bustamanteeb@pnb.com.ph

Eric B. Bustamante
General Manager

PNB New York - Queens Extension Office
69-18 Roosevelt Ave.
Woodside, NY 11377, U.S.A.
Tel. No: (718) 898-6113
Fax No: (718) 898-7838
E-mail Add.:
abieraaf@pnb.com.ph

Anelyn F. Abiera
Operations Officer

PNB Bahrain Representative Office
Al Qasr Tower, Shop Number 5, Building 273, Palace Ave.
Manama 339 Al Qudabaiyah 321, Kingdom of Bahrain
Tel. Nos: (973) 1722 4707
(973) 39417746
(973) 17224710
Fax No: (973) 1721 0506
E-mail Add.:
gasparcj@pnb.com.ph
gasparcj@pnb-sa.net
pnbmeinquiry@pnb-sa.net

Carlito J. Gaspar
Officer-In-Charge

Dubai Representative Office
Room# 202A 2/F Al Nakheel Building, Kuwait Street Corner Zaabel Road, Karama,
Dubai, UAE
Tel. No: (971) 4-3365-940
E-mail Add.:
salomabaosm@pnb.com.ph
salomabaosm@pnb-sa.net

Salimar M. Salombao
General Manager

Abu Dhabi Marketing Office
Tel. No: (971) 506991807
E-mail Add.:
pnbmeinquiry@pnb-sa.net
gaborcb@pnb-sa.net

Cherie Liz Gabor
Officer for Business Development

PNB Hufuf Desk Office - Hufuf TeleMoney Center
Hufuf TeleMoney Center,
Prince Mohamed Street, Hufuf,
Al Hassa, Eastern Region, KSA
Tel. No: +966508486492
E-mail Add.:
pnbmeinquiry@pnb-sa.net

PNB Jeddah Desk Tahweel Al Rajhi
Tahweel Al Rajhi, Balad Corniche, Jeddah, Saudi Arabia
King Abdulaziz Street, Balad Corniche, Jeddah, KSA
Tel. No: +966 53 035 4123
E-mail Add.:
pnbmeinquiry@pnb-sa.net

PNB Desk ANB Batha Riyadh
Arab National Bank Batha Telemoney Center, Riyadh Trading Center, Batha (Filipino Market), Riyadh KSA
Tel. No: +966 53 519 3972
E-mail Add.:
pnbmeinquiry@pnb-sa.net
pascualat@pnb-sa.net

Arvin Ross Pascual
Officer for Business Development

PNB Desk ANB Akaria Riyadh
Arab National Bank Aqaria Telemoney Center, Aqaria Shopping Center, Olaya Road, Riyadh, KSA
Tel. No: +966 53 519 3972
E-mail Add.:
pnbmeinquiry@pnb-sa.net
pascualat@pnb-sa.net

PNB Desk ANB Hera Jeddah
Arab National Bank, Hera Jeddah TeleMoney Center, Jeddah, KSA
Tel. No: +966 50 848 6492
E-mail Add.:
pnbmeinquiry@pnb-sa.net

PNB Desk ANB Balad Jeddah
Arab National Bank
Balad Telemoney Center,
Aswaq Building, Corniche,
Balad District, Jeddah, KSA
Tel. No: +966508486492
E-mail Add.:
macapantonan@pnb-sa.net
macapantona@pnb.com.ph

Abdullah N. Macapanton
Officer for Business Development

PNB Desk ANB Jubail
Arab National Bank
Jubail Telemoney Center,
Jeddah St., Across Riyadh
Bank, P.O. Box 351
Jubail 31941, KSA
Tel. No: +966508486492
E-mail Add.:
pnbmeinquiry@pnb-sa.net

PNB Desk ANB Khobar
Arab National Bank
Al Khobar Telemoney Center,
1st Street, Rahmaniyah,
Alkhobar KSA
Tel. No: +966508486492
E-mail Add.:
pnbmeinquiry@pnb-sa.net

PNB Desk Al-Rajhi Military Hospital Riyadh
Alrazi Street Sulimaniya District
Riyadh KSA.
Tel. No: +966530354123
E-mail Add.:
abong@pnb-sa.net
abong@pnb.com.ph
pnbmeinquiry@pnb-sa.net

Nasser G. Abo
Officer for Business Development

PNB Desk Al-Rajhi Khobar
Alrajhi Bank Tahweel
Alrajhi Alkhobar, 1st Street
Rahmaniyah Alkhobar, KSA
Tel. No: +966530354123
E-mail Add.:
pnbmeinquiry@pnb-sa.net

PNB Desk BAB Batha Riyadh
Bank Albilad - Enjaz Banking
Services P.O. Box 140,
Seteen St., Al Malaz
Riyadh 11411, KSA
Tel. No: +966506032078
E-mail Add.:
pnbmeinquiry@pnb-sa.net

Victorino G. Razalan
Officer for Business Development

PNB Desk BAB Jeddah
Bank Albilad - Enjaz Banking
Services Balad Corniche,
Jeddah, KSA
Tel. No: +966531614901
E-mail Add.:
bagundangae@pnb-sa.net
pnbmeinquiry@pnb-sa.net

Abdulrashid E. Bagundang
Officer for Business Development

PNB Desk BAB Khobar
Bank Albilad - Enjaz Banking
Services, King Fahad Street
Alkhobar, KSA
Tel. No: +966506032078
E-mail Add.:
pnbmeinquiry@pnb-sa.net

Kuwait Desk Office
PNB C/O Philippine Embassy
Kuwait, Block 1, Street
101 Villa 816 and 817Al Siddeeq
Area. P.O. Box 26288 Safat
13123 Safat, Kuwait
Tel. No: +96550698896
E-mail Add.:
gampongab@pnb-sa.net
pnbmeinquiry@pnb-sa.net

Abdulbary B. Gampong
Officer for Business Development

Qatar Desk Office
Doha Bank International
Relations Center, First floor,
Doha Bank D-Ring Road
Branch, D-Ring Road cor. Al
Mansour Street, Matar Qadeem,
Doha, State of Qatar,
P.O. Box 3818
Landline (+974) 4445 6759
Mobile (+974) 7407 4721
Fax No: (+974) 425 7587
E-mail Add.:
GondaMRA@pnb.com.ph
pnbmeinquiry@pnb-sa.net

Marc Rommulus A. Gonda
Officer for Business Development

Oman Desk Office
Muscat, Oman
Tel. No: +971529297277
E-mail Add.:
pnbmeinquiry@pnb-sa.net

Paris Representative Office
18 Rue Pasquier Paris 75008
Paris, France
Tel. No: (0033) 178414272
E-mail Add.:
villacortaen@pnbglobal.com

Rome Representative Office
c/o Global Philippines Limited
SRL Via Dei Mille
30 Rome Italy 00185
Tel. Nos: (3906) 482-7830
(3906) 482-7841
Fax No: (3906) 482-7884

PNB Germany Representative Office
Hohenstauferallee 39,
69181 Leimen, Germany
Tel. No: (00149) 1782453849
E-mail Add.:
pnbgermany@gmail.com
sirlazir@yahoo.de

Mario Rizal P. Victoria
Consultant

OVERSEAS SUBSIDIARIES AND AFFILIATES

Allied Commercial Bank
3/F, The Bank Centre,
189 Xiahe Lu, Xiamen 361003,
People's Republic of China
Tel. Nos: (86592) 239 9316
to 17
Fax No: (86592) 239 9329
E-mail Add.:
zhangyu@alliedbankchina.com.cn

Zhang Yu
General Manager

Allied Commercial Bank - Chongqing Branch
521-522 Hilton Chonqing,
139 Zhong Shan San Lu,
Yu Zhong District,
Chongqing 400015,
People's Republic of China
Tel. No: (8623) 8903 9958
Fax No: (8623) 8903 9961
E-mail Add.:
yangjie@alliedbankchina.com.cn

Yang Jie
Branch Head

Allied Banking Corporation (Hong Kong) Limited
1402 World Wide House 19 Des
Voeux Road Central, Hong Kong
Tel. No: (852) 2846 2288
Fax No: (852) 2846 2299
E-mail Add.:
mail@abchkl.com.hk

Lourdes A. Salazar
Chief Executive

Allied Banking Corporation (Hong Kong) Limited - Kowloon
Shop 264-265 2/F Houston
Center 63 Moody Road
Tsimshatsui East Kowloon,
Hong Kong
Tel. No: (852) 2846 2251
Fax No: (852) 2810 6388
E-mail Add.:
mail@abchkl.com.hk

Andy Ko
Alt. Chief Executive

OVERSEAS OFFICES

PNB Global Remittance & Financial Co. (HK) Ltd.- Head Office
Unit 01 , 9th Floor, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong
Tel. No: (852) 2543-6006
Fax No: (852) 2541-6645
E-mail Add.:
fernandezar@pnb.com.ph

Annabelle R. Fernandez
Officer In Charge

PNB Global North Point
G/F Shop 53 Carson Mansion 113 King's Rd. North Point, Hong Kong
Tel. No: (852) 2887-5967
Fax No: (852) 2807-0298
E-mail Add.:
delalunaic@pnb.com.ph

Imee Dela Luna
Branch Manager

PNB Global Shatin
Shop 66E, Level 3 Hilton Plaza, 3-9 Shatin Centre, Shatin, New Territories, Hong Kong
Tel. No: (852) 2603-2802
Fax No: (852) 2609-3816
E-mail Add.:
biloypp@pnb.com.ph

Paulino Biloy, Jr.
Officer In Charge

PNB Global Tsuen Wan
Shops 226-229, Lik Sang Plaza, 269 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong
Tel. No: (852) 2490-1397
Fax No: (852) 2490-3435
E-mail Add.:
baldonsl@pnb.com.ph

Sofia L. Baldon
Branch Manager

PNB Global Worldwide House 101
Shop 101, 1/F Worldwide House, 19 Des Voeux Road, Central, Hong Kong
Tel. No: (852) 2521-4603
Fax No: (852) 2521-4603
E-mail Add.:
adecermp@pnb.com.ph

Maricel P. Adecer
Branch Manager

PNB Global Worldwide House 122
Shop 122, 1/F Worldwide House, 19 Des Voeux Road, Central, Hong Kong
Tel. No: (852) 2869-8764
Fax No: (852) 2869-8599
E-mail Add.:
lenchicoel@pnb.com.ph

Eduardo L. Lenchico
Branch Manager

PNB Global Yuen Long
Shop 9, 3/F Tung Yik Bldg., No.8 Yu King Square, Yuen Long, New Territories, Hong Kong
Tel. No: (852) 2147-3471
Fax No: (852) 2147-3481
E-mail Add.:
lopezea@pnb.com.ph

Eulogio A. Lopez
Officer In Charge

Philippine National Bank (Europe) Plc
238 Vauxhall Bridge Road London SW1V 1AU, United Kingdom
Tel. No: (0044) 207 3132300
Fax No: (44207) 727 9447
E-mail Add.:
villacortaen@pnbglobal.com

Ernesto N. Villacorta
Managing Director

PNB International Investments Corp. (PNB IIC)
225 W Broadway Suite 301 Glendale, California 91204, U.S.A.
Tel. No: (213) 401-1008 ext 200
Fax No: (213) 401-1208
E-mail Add.:
njavier@pnbrci.com

Nelson V. Javier
President & CEO

PNB RCI Holding Co. Ltd.
225 W Broadway Suite 301 Glendale, California 91204, U.S.A.
Tel. No: (213) 401-1008 ext 200
Fax No: (213) 401-1208
E-mail Add.:
njavier@pnbrci.com

Nelson V. Javier
President & CEO

PNB Remittance Centers, Inc. (RCI) - Head Office
225 W Broadway Suite 301 Glendale, California 91204, U.S.A.
Tel. No: (213) 401-1008 ext 200
Fax No: (213) 401-1208
E-mail Add.:
njavier@pnbrci.com
corporate@pnbrci.com

Nelson V. Javier
President & CEO

PNB RCI Artesia Office
11618 South Street, Suite 213, Artesia CA 90701, U.S.A.
Tel. No: (562) 924-8979
E-mail Add.:
rpadernal@pnbrci.com
artesia@pnbrci.com

Ramon Padernal
Branch Supervisor

PNB RCI Carson
131-F W. Carson St., Carson, CA 90745, U.S.A.
Tel. No: (310) 549-8795
Fax No: (310) 549-8797
E-mail Add.:
jdelena@pnbrci.com
carson@pnbrci.com

Joel Delena
Area Head

PNB RCI - Corporate Branch
225 W Broadway Suite 301 Glendale, California 91204, U.S.A.
Tel. No: (213) 640-4470
Fax No: (213) 640-4460
E-mail Add.:
corporatebranch@pnbrci.com
blanier@pnbrci.com

Barbara Lanier
Designated Branch Manager

PNB RCI Chicago
5033 N Elston Ave., 1st floor Chicago Illinois 60630 (Inside Seafood City Supermarket), U.S.A.
Tel. No: (708) 669-7097
Fax No: (708) 320-2952
E-mail Add.:
aodulio@pnbrci.com
chicago@pnbrci.com

Arsenio Odulio
Area Head

PNB RCI Eagle Rock
2700 Colorado Blvd., #100, Los Angeles, CA 90041, U.S.A.
Tel. No: (323) 254-3507
Fax No: (323) 254-5889
E-mail Add.:
eaglerock@pnbrci.com

Vener Ramos
Person-In-Charge

PNB RCI Honolulu
1122 Fort Street Mall, Honolulu, HI 96813
Tel. No: (808) 521-1493
Fax No: (808) 533-2842
E-mail Add.:
ddahilig@pnbrci.com
honolulu@pnbrci.com

David Dahilig
Area Head

PNB RCI Houston
Beltway Plaza Shopping Center, 8388 West Sam Houston Parkway, Suite 194, Houston, TX 77072, U.S.A.
Tel. No: (281) 988-7575
Fax No: (281) 988-7001
E-mail Add.:
edatuin@pnbrci.com
houston@pnbrci.com

Emily Datuin
Area Head

PNB RCI Las Vegas
3890 S. Maryland Parkway, Suite G, Las Vegas NV 89119, U.S.A.
Tel. No: (702) 836-3386
Fax No: (702) 474-9068
E-mail Add.:
jarticulo@pnbrci.com
lasvegas@pnbrci.com

Jeana Articulo
Area Head

PNB RCI Mira Mesa
9007 Mira Mesa Blvd., San Diego, CA 92126, U.S.A.
Tel. No: (858) 549-1253
Fax No: (858) 549-1346
E-mail Add.:
mbolanos@pnbrci.com
miramesa@pnbrci.com

Menchu Bolanos
Area Head

PNB RCI National City
2220 E. Plaza Blvd. Suite E, National City, CA 91950, U.S.A.
Tel. No: (619) 472-5270
Fax No: (619) 472-5790
E-mail Add.:
nationalcity@pnbrci.com

Stephen Faustino Garcia
Branch Manager

PNB RCI Niles
7144 Dempster Avenue, Ste. 350 Morton Grove, IL 60053, U.S.A.
Tel. No: (847) 583-0352
Fax No: (847) 929-4355
E-mail Add.:
niles@pnbrci.com

Angeles Recto
Branch Supervisor

PNB RCI - North Hills Seafood City
16130 Nordhoff St., North Hills, CA 91343, U.S.A.
Tel. No: (818) 830-9100
Fax No: (818) 830-9119
E-mail Add.:
lmanansala@pnbrci.com
northhills@pnbrci.com

Leonora Manansala
Branch Supervisor

PNB RCI Seattle
Seafood City Market Place (SFC) 1368 Suite 100 Southcenter Mall, Tukwila, Washington, 98188, U.S.A.
Tel. No: (206) 397-4443
Fax No: (206) 397-4443
E-mail Add.:
rsantos@pnbrci.com
seattle@pnbrci.com

Rizza Lyn Santos
Person-In-Charge

PNB RCI Waipahu
94-050 Farrington Highway, Building A Unit C, Waipahu, HI 96797, U.S.A.
Tel. No: (808) 678-3360
Fax No: (808) 378-3302
E-mail Add.:
jmartinez@pnbrci.com
waipahu@pnbrci.com

Jefferson Martinez
Person-In-Charge

PNB RCI Westborough
3569 Callan Blvd., South San Francisco, CA 94080, U.S.A.
Tel. No: (650) 634-8325
Fax No: (650) 737-4795
E-mail Add.:
faguilar@pnbrci.com
westborough@pnbrci.com

Felicisima Aguilar
Person-In-Charge

PNB RCI West Covina
1559-K E. Amar Road, West Covina, CA 91792, U.S.A.
Tel. No: (626) 854-2045
Fax No: (626) 854-2046
E-mail Add.:
mjsotelo@pnbrci.com
westcovina@pnbrci.com

Marj Jane Sotelo-Custodio
Branch Supervisor

PNB Remittance Company (Canada) - Main Office
104-3050 Confederation Parkway Mississauga Ontario L5B 3Z6, Canada
Tel. Nos: (905) 897-9600
(905) 896-4840
(905) 896-9743
Fax Nos: (905) 897-9601
(604) 737-4948
E-mail Add.:
alex.barros@rccmail.com
info@pnbrcc.com

Antonio Alex M. Barros
President & CEO

PNB RCC Mississauga Branch
104-3050 Confederation Parkway Mississauga Ontario L5B 3Z6, Canada
Tel. No: (905) 896-8010
Fax No: (905) 896-9338
E-mail Add.:
mississauga@pnb.com.ph

Julie Santos
Personnel-in-Charge

PNB RCC Seafood City Branch (Mississauga Sub-branch)
800 Boyer Blvd. Unit 300 Mississauga, ON L5V 2Y1, Canada
Tel. No: 905-812-8010
Fax No: 905-812-8011
E-mail Add.:
seafoodcity@pnb.com.ph
seafoodcity@pnbrcc.com

Grace Barlaan
Branch Supervisor

PNB RCC Scarborough Branch
3430 Sheppard Ave., East, Scarborough, Ontario M1T 3K4, Canada
Tel. No: (416) 293-8758
Fax No: (416) 293-7376
E-mail Add.:
scarborough@pnbrcc.com
scarborough@pnb.com.ph

Mercy Grace Letrondo
Branch Supervisor

PNB RCC Surrey Branch
13521-102 Avenue, Surrey British Columbia V3T 4X8, Canada
Tel. No: (604) 581-6762
Fax No: (604) 581-6299
E-mail Add.:
surrey@rccmail.com

Alfredo Asuncion
Branch Supervisor

PNB RCC Vancouver Branch
365 West Broadway, Vancouver, British Columbia V5Y 1P8, Canada
Tel. No: (604) 737-4944
Fax No: (604) 737-4948
E-mail Add.:
vancouver@pnb.com.ph
vancouver@pnbrcc.com

Maria Cristina Martinuk
Operations Officer

PNB RCC Wilson Branch
101-333 Wilson Ave., Toronto, Ontario, M3H 1T2, Canada
Tel. No: (416) 630-1400
Fax No: (416) 630-1406
E-mail Add.:
wilson@pnb.com.ph
wilson@pnbrcc.com

Maria Marivic Funtanilla
Operations Officer

PNB RCC Winnipeg Branch (Satellite Office)
737 Keewatin Street, Unit 7, Winnipeg, Manitoba, Canada R2X 3B9
Tel. No: (204) 697-8860
Fax No: (204) 697-8865
E-mail Add.:
winnipeg@pnb.com.ph
winnipeg@pnbrcc.com

Jo Ann Palabon
Operations Officer

REGION AND AREA HEADS

REGION HEADS

North Metro Manila
Carlos Oliver L.Leytte

Central Metro Manila
Shirley T. Ching

South Metro Manila
Jay B. Pesigan

Northern Luzon
Lourdes M. Valencia

Southern Luzon
Ma. Lelis R. Singson

Visayas
John Hilarion C. Salas

AREA HEADS

NORTH METRO MANILA

NMM 1 Josephine Aurelia V. Diaz
NMM 2 Merly I. Mercado
NMM 3 Editha P. Mañago
NMM 4 Mary Jane M. Dacanay
NMM 5 Frederick Manuel D. Javate
NMM 5 Sharon Marie P. Magpayo

CENTRAL METRO MANILA

CMM 1 Arturo S. Martinez
CMM 2 Yvonne P. Beltran
CMM 3 Felisabel L. Taganas
CMM 4 Manuelito R. Chua
CMM 5 Shella Marie B. Villacorta
CMM 6 Sheila Z. Sy

SOUTH METRO MANILA

SMM 1 Carlo Lucas M. Buan
SMM 2 Marie Therese T. Montecer
SMM 3 Aron B. Bugalon
SMM 4 Mary Rose D. Gonzales
SMM 5 Alona S. Tambunting
SMM 6 Delia F. Villanueva

NORTHERN LUZON

NOL 1 Carolina Conrada B. Palaroan
NOL 2 Jeffrey C. Querubin
NOL 3 Gregorio G. Santiago, Jr.
NOL 4 Arlene B. Morales
NOL 5 Alvin J. Pornasdoro
NOL 6 Christine Marie M. Rillera
NOL 7 Carlo Salvador T. Chua
NOL 8 Ramir E. Garbo

SOUTHERN LUZON

SOL 1 Elaine D. Janiola
SOL 2 Marilyn P. Fijer
SOL 3 Jocelyn C. Diawan
SOL 4 Ruth A. Carrasco
SOL 5 Vito Antonio D. Rubio
SOL 6 Jo-An A. Isaac
SOL 7 Jerry C. Rosete

VISAYAS

VIS 1 Walter T. Lasaca
VIS 2 Gino C. Gonzalez
VIS 3 Doris C. Bargayo
VIS 4 Maria Russel N. Lau
VIS 5 Albert C. Lopez
VIS 6 Tracy Ann S. Sio
VIS 7 Blaine P. Kow
VIS 8 Abigail P. Gironella

MINDANAO

MIN 1 Maria Jessica N. Reyes
MIN 2 John Michael L. Tan
MIN 3 Ernest T. Uy
MIN 4 Rommel T. Remotigue
MIN 5 Elinor A. Macrohon
MIN 6 Bonnie M. Duran
MIN 7 Anastasia N. Angeles

METRO MANILA

MAKATI BUSINESS CENTER
3rd Flr., PNB Makati,
6754 Ayala Avenue
Corner Legaspi Street,
Makati City
Tel. No: (02) 8894-1816
Pamela T. Benito

BINONDO BUSINESS CENTER
PNB Binondo - Quintin Paredes Branch
Alliance Building,
410 Q. Paredes Street,
Binondo, Manila
Tel. Nos: (02) 8241-2377
(02) 8241-2281
Randy T. Lee

CALOOCAN BUSINESS CENTER
PNB Caloocan - Rizal Ave. Ext Branch
1716 Rizal Avenue Extension,
Corner L. Bustamante Street,
Caloocan City
Tel. No: (02) 8361-2888
Irene T. Sih-Tan

QUEZON CITY BUSINESS CENTER
PNB QC-Cubao Main
Mezzanine Floor, Aurora Boulevard cor. G. Araneta St.,
Cubao, Quezon City
Tel. No: (02) 8912-1947
Sharon Marie C. Ventura

GREENHILLS BUSINESS CENTER
PNB Greenhills-Ortigas Ave.
Rm. 205 Limketkai Building,
Ortigas Avenue, Greenhills
(opposite Caltex Station)
San Juan, Metro Manila
Tel. Nos: (02) 8724-3312
(02) 8744-2566
Kelvin S. Aquilino

GREENHILLS BUSINESS CENTER ORTIGAS EXTENSION OFFICE
PNB Pasig- Julia Vargas Branch
2nd Flr. Lot 5, Block 13-A,
Julia Vargas and Jade Drive,
Brgy. San Antonio, Ortigas Center, Pasig City
Tel Nos: (02) 8240-4140
(02) 8240-4179
Kelvin S. Aquilino

LUZON

ANGELES BUSINESS CENTER
PNB Angeles - Sto. Rosario Branch
2nd Floor PNB Building,
730 Sto. Rosario Street,
Angeles City, Pampanga
Tel. Nos: (045) 409-0232
(045) 888-9664
Michael Jose L. De Leon

CAUAYAN BUSINESS CENTER
PNB Isabela-Cauayan Branch
Maharlika Highway corner
Cabatuan Road, San Fermin,
Cauayan City, Isabela
Tel. Nos: (078) 652-1408
(078) 652-2243
Verme F. Fugaban

DAGUPAN BUSINESS CENTER
PNB Dagupan City - A. B. Fernandez Branch
A. B. Fernandez Avenue,
Dagupan City, Pangasinan
Tel. No: (075) 522-0898
Felicitas G. Flores

BATANGAS BUSINESS CENTER
PNB Lipa City - B. Morada Branch
2nd Floor PNB Building,
B. Morada Avenue,
Lipa City, Batangas
Tel. No: (043) 723-1409
Sherlyn C. Nicolas

NAGA BUSINESS CENTER
PNB Naga City - Gen. Luna
3rd Floor PNB Building
General Luna Street,
Brgy. Abella, Naga City
Tel. Nos: (054) 473-0393
(054) 472-9281
Clifford R. Ilagan

CALABARZON BUSINESS CENTER
7th Floor PNB Financial Center
Pres. D. Macapagal Blvd.,
Pasay City
Tel. Nos: (02) 8526-3410
Mildred R. Alcantara

AREA RETAIL LENDING CENTERS

VISAYAS

ILOILO BUSINESS CENTER
2nd Floor, PNB Iloilo - Ledesma Branch Building,
Corner Quezon - Ledesma Street, Iloilo City
Tel. No: (033) 320-0855
Wilfredo C. Hontanar

ILOILO BUSINESS CENTER - BACOLOD EXTENSION OFFICE
PNB Bacolod Branch
Lacson Street, Bacolod City
Tel. Nos: (034) 433-3449
(034) 434-9068
Wilfredo C. Hontanar

CEBU BUSINESS CENTER
2nd Floor, PNB M. C. Briones Branch, Corners M. C. Briones and Jakosalem Streets,
Cebu City
Tel. Nos: (032) 254-6889
(032) 253-6909
(032) 412-1130
Zorina C. Jingco

MINDANAO

CAGAYAN DE ORO BUSINESS CENTER
PNB CDO-Limketkai Drive Branch
2nd Floor PNB Building
Limketkai Drive, Lapasan,
Cagayan De Oro City
Tel. No: (088) 856-3684
Marjorie P. Ballesteros

BUTUAN BUSINESS CENTER PNB BUTUAN CITY - MONTILLA
Montilla Boulevard, Butuan City
Tel. No: (085) 816-2366
Darius C. Kenny

DAVAO BUSINESS CENTER
PNB Davao - San Pedro - C.M. Recto
C. M. Recto Corner San Pedro Streets, Davao City
Tel. Nos: (082) 221-2053
(082) 221-2521
Ma. Eloisa D. Opeña

GENERAL SANTOS BUSINESS CENTER
PNB General Santos - City Hall Drive Branch
2nd Floor PNB Building
City Hall Drive, Osmeňa Street,
General Santos City
Tel. Nos: (083) 553-5344
(083) 553-5343
Ria D. Rivera

ZAMBOANGA BUSINESS CENTER
2F PNB Sucabon Branch
Zone II, Mayor Jaldon Street
Zamboanga City
Tel No: (062) 991-1798
Ramon B. Siyluy, Jr.

LUZON

DAGUPAN
PNB Dagupan Branch
A.B. Fernandez Ave.
Dagupan City, Pangasinan
Tel. No.: (075) 522-0792
Romar Marlo Sison

ISABELA
PNB Cauayan Branch
Maharlika Highway corner Cabatuan Road
Cauayan City, Isabela
Tel. No.: (078) 652-1416
Novella A. Antonio

CABANATUAN
PNB Daan Sarile Branch
Syquio Building,
Maharlika Highway,
Daan Sarile, Cabanatuan City
Tel. No.: (044) 940-9454
Albert A. Corpuz

ANGELES
PNB Angeles Branch
Sto. Rosario St., Angeles City
Tel. No.: (63) 917 507-7219
Raleigh S. Pangan

BATANGAS
PNB Lipa Branch
B. Morada Avenue. Lipa City
Tel. No.: (+63-43) 723-0050
Armand Joseph V. Sabalvaro

SAN PABLO
PNB San Pablo Branch
PNB San Pablo Branch Bldg.,
M. Paulino St., San Pablo City,
Laguna
Tel. No.: (049) 562-0756
Elaine O. Arcega

NAGA
PNB Naga Branch
General Luna Street,
Naga City, Camarines Sur
Tel. No.: (054) 473-1234
Jona Joy S. Palacio

VISAYAS

BACOLOD
PNB Bacolod Branch
Lacson Sts., Bacolod City,
Negros Occidental
Tel. No.: (034) 434-5127
Gy L. Canonero

CEBU
PNB Mabolo Branch
2nd Flr. GPH Central Building,
F. Cabahug St., Mabolo, Cebu
Tel. No.: (032) 422-3103
Mark Ryan E. Sy

ILOILO
PNB Iloilo Branch
2nd Flr. J&B Building,
Mabini St., Iloilo
Tel. No.: (033) 328-1172
Jaybert A. Ong

TACLOBAN
PNB Tacloban Branch
Justice Romualdez St., Tacloban
Tel. No.: (053) 523-2814
Dennis C. Arias

MINDANAO

DAVAO
PNB Davao Branch
San Pedro St. corner CM Recto,
Davao City
Tel. No.: (082) 305-4438
Erwin M. Panimdim

CAGAYAN DE ORO
PNB Limketkai Branch
Lapasan, Cagayan de Oro City
Tel. No.: (082) 231-6369
loc 088
Gervacio Gervie T. Go III

ZAMBOANGA
PNB Zamboanga Branch
J. Alano St., Zamboanga City
Tel. No.: (062) 991-0797
Ronald B. De La Cruz

PNB DOMESTIC SUBSIDIARIES AND AFFILIATE

PNB Capital and Investment Corporation
9th Floor, PNB Financial Center,
Pres. Diosdado Macapagal Blvd.,
Pasay City 1300
Tel Nos.: (02) 8 526-3698
(02) 8 573-4050
(02) 8 573-4293
(02) 8 573-4305
E-mail Add.:
pnbcapital@pnb.com.ph

Florencia G. Tarriela
Chairman

Gerry B. Valenciano
President & CEO

PNB-Mizuho Leasing and Finance Corporation
5th Floor, PNB Makati Center,
6754 Ayala Avenue, corner
Legaspi Street, Makati City 1226
Tel Nos.: (02) 8 892-5555
(02) 8 816-3311
(02) 8 816-3111
Fax No.: (02) 8 893-0032
E-mail Add.:
info@pnb-mizuholeasing.com.ph

Florencia G. Tarriela
Chairman

Christine Grace A. Bandol
President & CEO

PNB-Mizuho Equipment Rentals Corporation
5th Floor, PNB Makati Center,
6754 Ayala Avenue, corner
Legaspi Street, Makati City 1226
Tel Nos.: (02) 8 892-5555
(02) 8 816-3311
(02) 8 816-3111
Fax No.: (02) 8 893-0032
E-mail Add.:
info@pnb-mizuholeasing.com.ph

Florencia G. Tarriela
Chairman

Christine Grace A. Bandol
President & CEO

PNB General Insurers Company, Incorporated
2nd Floor, PNB Financial Center,
Pres. Diosdado Macapagal Blvd.,
Pasay City 1300
Tel Nos.: (02) 8 573-4212
(02) 8 459-4745
Fax No.: (02) 8 526-3640
E-mail Add.:
pnbgen_insurers@pnb.com.ph

Felix Enrico R. Alfiler
Chairman

Perfecto M. Domingo
President

PNB Securities, Inc.
3rd Floor, PNB Financial Center,
Pres. Diosdado Macapagal Blvd.,
Pasay City 1300
Tel Nos.: (02) 8 526-3678
(02) 8 526-3478
(02) 8 526-3510
Trading: (02) 8 839-2629 to 31
(02) 8 817-5186
Fax No.: (02) 8 526-3477
E-mail Add.:
pnbsitrade@pnb.com.ph

Florido P. Casuela
Chairman

Manuel Antonio G. Lisbona
President & CEO

Allianz PNB Life Insurance, Inc.
9th Floor, PNB Makati Center,
6754 Ayala Avenue, corner
Legaspi Street, Makati City 1226
Tel No.: (02) 8 818-LIFE (5433)
(02) 8 818-HELP
(4357)
Fax No.: (02) 8 818-2701
E-mail Add.:
info@allianzpnblife.ph

Lucio C. Tan
Chairman

Alexander Grenz
President & CEO

For a digital copy of the full 2020 Annual Report, Audited Financial Statements and Management's Discussion and Analysis, please download at:
https://l.ead.me/2020PNBAnnualReport

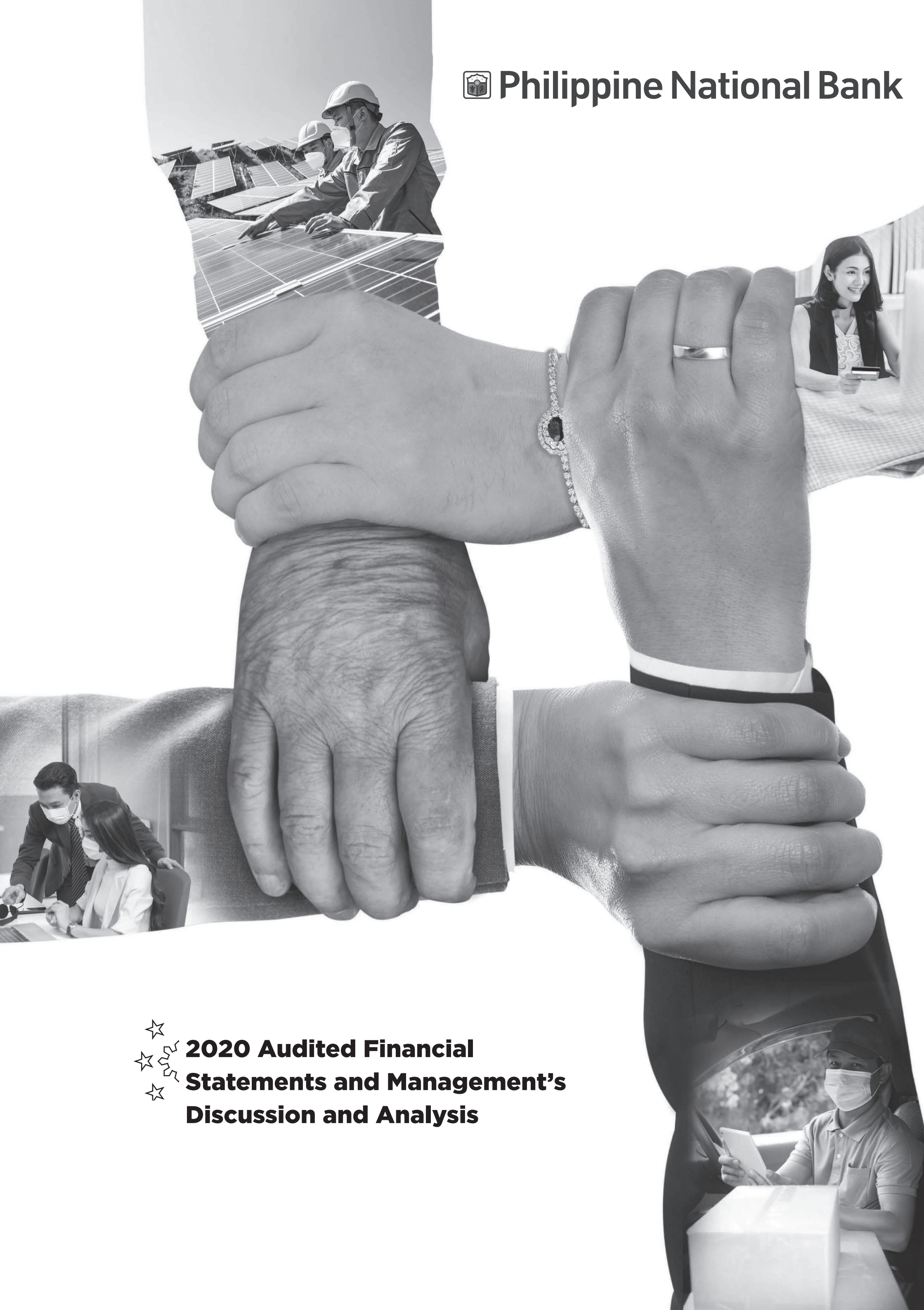
or scan this QR code:

Philippine National Bank

PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila 1300
Tel. No.: (+632) 8526-3131 to 92
(+632) 8891-6040 to 70
www.pnb.com.ph

@PNBph

Philippine National Bank



2020 Audited Financial Statements and Management's Discussion and Analysis

Table of Contents

Statement of Management's Responsibility for Financial Statements

The management of Philippine National Bank is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years 2020, 2019 and 2018 ended December 31, 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 Philippine National 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 Philippine National Bank or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Philippine National 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.

Sycip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders. has audited the financial statements of the Philippine National Bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

FLORENCIA G. TARRIELA
Chairman of the Board

JOSE ARNULFO A. VELOSO
President and Chief Executive Officer

NELSON C. REYES
Executive Vice President and Chief Financial Officer

Pasay City

MAR 22 2021

SUBSCRIBED AND SWORN to before me this ___ day of March 2021 affiants exhibiting to me their Passport Identification No.

Doc. No. 67
Page No. 14
Book No. 25
Series of 2021

ATTY. [illegible] E. DE ALDAY
Notary Public for Pasay City
Until Dec. 31, 2022
Commission No. 21-02
2nd Floor PNB Financial Center
Macapagal Blvd, Pasay City
Roll No. 52308
IBP No. 131778 / Nov. 3, 2020 / RSM
PTR No. 7353062 / Jan. 05, 2021 / Pasay
MCLE Compliance No. VI-0017867; Feb. 14, 2019

Independent Auditor's Report

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

The Stockholders and the Board of Directors
Philippine National Bank

Report on the Consolidated and Parent Company Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-5 (Group A),
April 16, 2019 valid until April 15, 2022
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-053-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534310, January 4, 2021, Makati City

March 15, 2021

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
Statements of Financial Position
(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2020	2019	**2020**	2019
ASSETS				
Cash and Other Cash Items	**₱25,135,724**	₱30,500,927	**₱25,038,434**	₱29,642,159
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**202,129,356**	105,981,801	**202,129,356**	101,801,597
Due from Other Banks (Note 33)	**19,733,300**	17,758,143	**12,131,726**	10,835,106
Interbank Loans Receivable (Notes 8 and 33)	**39,700,981**	24,831,816	**37,858,670**	23,803,019
Securities Held Under Agreements to Resell (Notes 8 and 35)	**15,819,273**	2,517,764	**15,819,273**	1,149,984
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**23,825,708**	13,468,985	**21,947,640**	11,169,656
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**133,715,352**	123,140,840	**133,263,758**	118,896,564
Investment Securities at Amortized Cost (Note 9)	**95,235,993**	100,464,757	**95,115,642**	99,203,909
Loans and Receivables (Notes 10 and 33)	**599,994,748**	657,923,757	**586,901,861**	587,245,896
Property and Equipment (Note 11)	**19,878,715**	21,168,794	**18,406,981**	18,797,308
Investments in Subsidiaries and an Associate (Note 12)	**2,310,410**	2,605,473	**27,105,550**	28,430,358
Investment Properties (Note 13)	**14,445,756**	15,043,826	**13,921,798**	14,676,387
Deferred Tax Assets (Note 30)	**9,036,908**	2,580,809	**8,522,411**	1,985,597
Intangible Assets (Note 14)	**2,512,013**	2,841,989	**2,438,660**	2,699,154
Goodwill (Note 14)	**13,375,407**	13,375,407	**13,515,765**	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 36)	**7,945,945**	–	**1,136,418**	–
Other Assets (Note 15)	**6,338,210**	8,085,523	**4,947,734**	5,352,763
TOTAL ASSETS	**₱1,231,133,799**	₱1,142,290,611	**₱1,220,201,677**	₱1,069,205,222
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱199,770,048**	₱172,228,956	**₱200,113,465**	₱168,628,123
Savings	**425,611,765**	391,769,777	**424,637,944**	384,773,630
Time	**236,694,042**	226,894,643	**240,584,601**	187,288,142
Long Term Negotiable Certificates	**28,212,034**	35,152,104	**28,212,034**	35,152,104
	890,287,889	826,045,480	**893,548,044**	775,841,999
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**701,239**	245,619	**700,802**	231,992
Bills and Acceptances Payable (Notes 19, 33 and 35)	**87,159,450**	55,963,290	**84,817,360**	48,424,017
Lease Liabilities (Note 29)	**1,366,016**	1,806,409	**1,370,206**	1,633,083
Accrued Taxes, Interest and Other Expenses (Note 20)	**6,449,026**	6,939,726	**6,075,016**	6,058,094
Bonds Payable (Note 21)	**64,056,335**	66,615,078	**64,056,335**	66,615,078
Income Tax Payable	**903,044**	576,156	**842,038**	472,378
Liabilities of Disposal Group Classified as Held for Sale (Note 36)	**6,353,964**	–	**–**	–
Other Liabilities (Note 22)	**17,873,828**	29,123,453	**15,546,894**	17,858,935
	1,075,150,791	987,315,211	**1,066,956,695**	917,135,576
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	**61,030,594**	61,030,594	**61,030,594**	61,030,594
Capital Paid in Excess of Par Value (Note 25)	**32,116,560**	32,116,560	**32,106,560**	32,106,560
Surplus Reserves (Notes 25 and 32)	**5,032,097**	642,018	**5,032,097**	642,018
Surplus (Note 25)	**54,498,066**	56,273,492	**54,843,588**	56,273,735
Net Unrealized Gain on Financial Assets at FVOCI (Note 9)	**3,054,403**	3,250,651	**3,054,403**	3,250,651
Remeasurement Losses on Retirement Plan (Note 28)	**(3,009,452)**	(2,229,220)	**(3,009,452)**	(2,229,220)
Accumulated Translation Adjustment (Note 25)	**717,872**	947,562	**717,872**	947,562
Other Equity Reserves (Notes 12 and 25)	**277,855**	35,466	**419,542**	35,466
Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	**(1,038,838)**	12,280	**(1,038,838)**	12,280
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	**88,616**	–	**88,616**	–
Other Equity Adjustment	**13,959**	13,959	**–**	–
	152,781,732	152,093,362	**153,244,982**	152,069,646
NON-CONTROLLING INTERESTS (Note 12)	**3,201,276**	2,882,038	**–**	–
	155,983,008	154,975,400	**153,244,982**	152,069,646
TOTAL LIABILITIES AND EQUITY	**₱1,231,133,799**	₱1,142,290,611	**₱1,220,201,677**	₱1,069,205,222

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
Statements of Income
(In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019 (As Restated – Note 36)	2018 (As Restated – Note 36)	2020	2019	2018
INTEREST INCOME ON						
Loans and receivables (Notes 10, 27 and 33)	**₱38,254,122**	₱39,852,726	₱30,202,480	**₱37,067,285**	₱35,164,556	₱25,504,159
Investment securities at amortized cost and FVOCI (Note 9)	**6,496,772**	8,737,577	4,534,297	**6,448,100**	8,549,063	4,502,331
Deposits with banks and others (Notes 7 and 33)	**1,290,302**	635,087	775,820	**1,173,981**	432,874	524,723
Financial assets at FVTPL (Note 9)	**665,751**	619,979	120,667	**542,512**	619,979	120,667
Interbank loans receivable and securities held under agreements to resell (Note 8)	**244,007**	668,211	379,378	**186,211**	568,061	350,808
	46,950,954	50,513,580	36,012,642	**45,418,089**	45,334,533	31,002,688
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**7,379,018**	14,024,899	7,871,173	**7,227,056**	12,201,776	6,591,288
Bonds payable (Note 21)	**2,904,528**	1,945,497	477,405	**2,904,528**	1,945,497	477,405
Bills payable and other borrowings (Notes 19, 29 and 33)	**846,642**	2,184,918	662,340	**637,478**	1,740,622	472,111
	11,130,188	18,155,314	9,010,918	**10,769,062**	15,887,895	7,540,804
NET INTEREST INCOME	**35,820,766**	32,358,266	27,001,724	**34,649,027**	29,446,638	23,461,884
Service fees and commission income (Notes 26 and 33)	**4,684,572**	5,169,040	4,251,692	**4,134,519**	3,677,689	3,524,263
Service fees and commission expense (Note 33)	**983,246**	988,164	773,082	**858,182**	800,376	616,207
NET SERVICE FEES AND COMMISSION INCOME	**3,701,326**	4,180,876	3,478,610	**3,276,337**	2,877,313	2,908,056
OTHER INCOME						
Trading and investment securities gains - net (Notes 9 and 33)	**3,337,640**	1,074,384	150,691	**3,456,521**	1,017,155	157,678
Foreign exchange gains - net (Note 23)	**919,555**	1,105,903	942,372	**929,890**	861,143	578,180
Net gains on sale or exchange of assets (Note 26)	**195,842**	690,625	5,861,143	**130,493**	686,441	5,841,136
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	**88,476**	(97,608)	43,847	**95,939**	(345,599)	530,885
Miscellaneous (Note 27)	**1,488,558**	1,464,482	1,425,439	**906,752**	976,822	1,101,875
TOTAL OPERATING INCOME	**45,552,163**	40,776,928	38,903,826	**43,444,959**	35,519,913	34,579,694
OPERATING EXPENSES						
Provision for impairment, credit and other losses (Note 16)	**16,882,621**	2,910,182	1,740,177	**16,534,335**	1,593,219	1,401,528
Compensation and fringe benefits (Notes 25, 28 and 33)	**10,167,273**	9,442,021	9,380,199	**9,313,371**	8,024,694	7,943,135
Taxes and licenses (Note 30)	**4,581,382**	4,812,796	3,729,016	**4,394,703**	4,217,996	3,343,899
Depreciation and amortization (Note 11)	**3,155,279**	2,795,222	1,944,808	**2,607,269**	2,207,071	1,542,712
Occupancy and equipment-related costs (Note 29)	**991,030**	1,022,167	1,716,315	**942,896**	854,334	1,453,341
Miscellaneous (Note 27)	**9,014,911**	7,682,620	6,953,525	**8,637,974**	6,854,659	6,125,334
TOTAL OPERATING EXPENSES	**44,792,496**	28,665,008	25,464,040	**42,430,548**	23,751,973	21,809,949
INCOME BEFORE INCOME TAX	**759,667**	12,111,920	13,439,786	**1,014,411**	11,767,940	12,769,745
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)	**(1,798,238)**	2,452,307	3,663,744	**(1,945,521)**	2,086,464	3,304,670
NET INCOME FROM CONTINUING OPERATIONS	**2,557,905**	9,659,613	9,776,042	**2,959,932**	9,681,476	9,465,075
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**67,583**	101,593	(219,972)	**–**	–	–
NET INCOME	**₱2,625,488**	₱9,761,206	₱9,556,070	**₱2,959,932**	₱9,681,476	₱9,465,075
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱2,614,653**	₱9,681,480	₱9,465,022			
Non-controlling Interests	**10,835**	79,726	91,048			
	₱2,625,488	₱9,761,206	₱9,556,070			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱1.71**	₱7.05	₱7.58			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱1.67**	₱6.98	₱7.75			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

Statements of Comprehensive Income

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
NET INCOME	**₱2,625,488**	₱9,761,206	₱9,556,070	**₱2,959,932**	₱9,681,476	₱9,465,075
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on debt securities at FVOCI, net of tax (Note 9)	**(578,919)**	5,417,132	(2,133,032)	**(639,403)**	5,507,470	(2,317,417)
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	**662,951**	447,169	(375,390)	**556,246**	590,236	(284,117)
	84,032	5,864,301	(2,508,422)	**(83,157)**	6,097,706	(2,601,534)
Accumulated translation adjustment	**(257,238)**	(924,441)	484,126	**(81,646)**	(264,289)	154,076
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**(148,044)**	(565,072)	204,963
	(173,206)	4,939,860	(2,024,296)	**(312,847)**	5,268,345	(2,242,495)
Items that do not recycle to profit or loss in subsequent periods:						
Share in aggregate losses on life insurance policies (Note 12)	**(1,051,118)**	–	–	**(1,051,118)**	–	–
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**(251,071)**	583,286	–	**(83,882)**	349,881	93,112
Remeasurement gains (losses) on retirement plan (Note 28)	**(725,968)**	(466,926)	193,128	**(710,795)**	(596,589)	109,596
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**4,632**	(234,815)	386,628	**(10,030)**	(105,801)	470,160
	(2,023,525)	(118,455)	579,756	**(1,855,825)**	(352,509)	672,868
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(2,196,731)**	4,821,405	(1,444,540)	**(2,168,672)**	4,915,836	(1,569,627)
TOTAL COMPREHENSIVE INCOME	**₱428,757**	₱14,582,611	₱8,111,530	**₱791,260**	₱14,597,312	₱7,895,448
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱445,981**	₱14,597,316	₱7,895,395			
Non-controlling interests	**(17,224)**	(14,705)	216,135			
	₱428,757	₱14,582,611	₱8,111,530			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
Statements of Changes in Equity
(In Thousands)

	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 32)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Classified as Held for Sale (Note 36)	Other Equity Adjustment	Total	Non-controlling Interests (Note 12)	Total Equity
Balance at January 1, 2020	**₱61,030,594**	**₱32,116,560**	**₱642,018**	**₱56,273,492**	**₱3,250,651**	**(₱2,229,220)**	**₱947,562**	**₱35,466**	**₱12,280**	**₱–**	**₱13,959**	**₱152,093,362**	**₱2,882,038**	**₱154,975,400**
Total comprehensive income (loss) for the year	–	–	–	**2,614,653**	**(167,039)**	**(720,825)**	**(229,690)**	–	**(1,051,118)**	–	–	**445,981**	**(17,224)**	**428,757**
Transfer to surplus reserves (Note 25 and 32)	–	–	**4,390,079**	**(4,390,079)**	–	–	–	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	**248,830**	–	–	–	**248,830**	**95,900**	**344,730**
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	**(6,441)**	–	–	–	**(6,441)**	–	**(6,441)**
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	**(29,209)**	**(59,407)**	–	–	–	**88,616**	–	–	**259,722**	**259,722**
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	**(19,160)**	**(19,160)**
Balance at December 31, 2020	**₱61,030,594**	**₱32,116,560**	**₱5,032,097**	**₱54,498,066**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱277,855**	**(₱1,038,838)**	**₱88,616**	**₱13,959**	**₱152,781,732**	**₱3,201,276**	**₱155,983,008**
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱13,959	₱125,664,159	₱2,894,853	₱128,559,012
Total comprehensive income (loss) for the year	–	–	–	9,681,480	6,447,587	(702,390)	(829,361)	–	–	–	–	14,597,316	(14,705)	14,582,611
Issuance of stock (Note 25)	11,065,007	785,309	–	–	–	–	–	–	–	–	–	11,850,316	–	11,850,316
Transfer to surplus reserves (Note 25 and 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	–	(18,429)	5,262	(13,167)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,372)	(3,372)
Balance at December 31, 2019	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400
Balance at January 1, 2018	₱49,965,587	₱31,331,251	₱597,605	₱37,171,403	(₱688,514)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱–	₱13,959	₱117,785,084	₱2,644,739	₱120,429,823
Total comprehensive income (loss) for the year	–	–	–	9,465,022	(2,508,422)	579,756	359,039	–	–	–	–	7,895,395	216,135	8,111,530
Transfer to surplus reserves (Note 25 and 32)	–	–	22,968	(22,968)	–	–	–	–	–	–	–	–	–	–
Settlement of share-based payments (Note 32)	–	–	–	–	–	–	–	(16,320)	–	–	–	(16,320)	–	(16,320)
Sale of investment in a subsidiary (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	100,000	100,000
Dissolution of a subsidiary (Note 12)	–	–	–	–	–	–	–	–	–	–	–	–	(62,655)	(62,655)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,366)	(3,366)
Balance at December 31, 2018	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱13,959	₱125,664,159	₱2,894,853	₱128,559,012

See accompanying Notes to Financial Statements.

Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 32)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Note 36)	Total Equity
Balance at January 1, 2020	**₱61,030,594**	**₱32,106,560**	**₱642,018**	**₱56,273,735**	**₱3,250,651**	**(₱2,229,220)**	**₱947,562**	**₱35,466**	**₱12,280**	**₱–**	**₱152,069,646**
Total comprehensive income (loss) for the year	–	–	–	**2,959,932**	**(167,039)**	**(720,825)**	**(229,690)**	–	**(1,051,118)**	–	**791,260**
Transfer to surplus reserves (Note 32)	–	–	**4,390,079**	**(4,390,079)**	–	–	–	–	–	–	–
Business combination with a subsidiary (Note 12)	–	–	–	–	–	–	–	**390,517**	–	–	**390,517**
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	**(6,441)**	–	–	**(6,441)**
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	**(29,209)**	**(59,407)**	–	–	–	**88,616**	–
Balance at December 31, 2020	**₱61,030,594**	**₱32,106,560**	**₱5,032,097**	**₱54,843,588**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱419,542**	**(₱1,038,838)**	**₱88,616**	**₱153,244,982**
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,704	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱125,650,447
Total comprehensive income (loss) for the year	–	–	–	9,681,476	6,447,587	(702,390)	(829,361)	–	–	–	14,597,312
Issuance of stock (Note 25)	11,065,007	775,309	–	–	–	–	–	–	–	–	11,840,316
Transfer to surplus reserves (Note 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	(18,429)
Balance at December 31, 2019	₱61,030,594	₱32,106,560	₱642,018	₱56,273,735	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱152,069,646
Balance at January 1, 2018	₱49,965,587	₱31,331,251	₱597,605	₱37,171,597	(₱688,514)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱–	₱117,771,319
Total comprehensive income (loss) for the year	–	–	–	9,465,075	(2,508,422)	579,756	359,039	–	–	–	7,895,448
Transfer to surplus reserves (Note 32)	–	–	22,968	(22,968)	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(16,320)	–	–	(16,320)
Balance at December 31, 2018	₱49,965,587	₱31,331,251	₱620,573	₱46,613,704	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱125,650,447

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
Statements of Cash Flows
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱759,667**	₱12,111,920	₱13,439,786	**₱1,014,411**	₱11,767,940	₱12,769,745
Income (loss) before income tax from discontinued operations (Note 36)	**88,001**	120,272	(196,611)	**–**	–	–
Income before income tax	**847,668**	12,232,192	13,243,175	**1,014,411**	11,767,940	12,769,745
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	**16,912,402**	2,909,858	1,752,812	**16,534,335**	1,593,219	1,401,528
Depreciation and amortization (Note 11)	**3,184,141**	2,804,123	1,950,977	**2,607,269**	2,207,071	1,542,712
Unrealized foreign exchange gain on bonds payable	**(2,728,233)**	(1,029,880)	–	**(2,728,233)**	(1,029,880)	–
Gains on financial assets at FVOCI (Note 9)	**(2,455,264)**	(281,340)	(167,902)	**(2,454,697)**	(317,609)	(160,403)
Loss on loan modifications (Note 27)	**1,587,605**	–	–	**1,587,605**	–	–
Unrealized foreign exchange loss (gain) on bills and acceptances payable	**(1,059,619)**	(2,771,182)	1,298,559	**(1,059,379)**	(2,771,182)	1,292,591
Accretion to interest income of loss on loan modifications (Note 27)	**(901,748)**	–	–	**(901,748)**	–	–
Losses (gains) on financial assets at FVTPL (Note 9)	**(882,375)**	(1,355,606)	21,548	**(1,001,823)**	(1,334,550)	10,386
Loss (gain) on mark-to-market of derivatives (Note 23)	**462,496**	666,851	899,614	**480,098**	666,851	899,614
Amortization of transaction costs on borrowings (Notes 17 and 21)	**229,420**	125,596	51,502	**229,420**	125,596	51,502
Net gain on sale or exchange of assets (Note 13)	**(195,842)**	(690,625)	(5,861,143)	**(130,493)**	(686,441)	(5,841,136)
Loss (gain) on disposal of property and equipment (Note 11)	**(7,777)**	8,961	(28,402)	**(1,297)**	(1,023)	(28,402)
Amortization of premium (discount) on investment securities	**(182,716)**	95,849	789,981	**(176,196)**	78,880	1,034,142
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	**(88,476)**	97,608	(43,847)	**(95,939)**	345,599	(530,885)
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**1,126,878**	(1,220,264)	678,014	**1,134,547**	(421,675)	274,268
Financial assets at FVTPL	**(9,938,231)**	(2,769,454)	(8,039,543)	**(10,256,258)**	(518,321)	(8,063,759)
Loans and receivables	**36,534,525**	(75,034,482)	(88,550,600)	**(16,207,664)**	(78,630,395)	(73,115,194)
Other assets	**(366,467)**	(1,679,271)	1,785,717	**(961,959)**	300,791	2,071,977
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**455,620**	(225,029)	127,126	**468,810**	(236,287)	124,863
Deposit liabilities	**64,182,479**	92,702,273	95,341,952	**117,646,115**	92,402,864	86,953,099
Accrued taxes, interest and other expenses	**(2,376,061)**	561,268	1,083,584	**(1,903,084)**	516,800	886,415
Other liabilities	**(5,509,215)**	346,335	825,976	**(2,764,403)**	(301,401)	804,897
Net cash generated from operations	**98,831,210**	25,493,781	17,159,100	**101,059,437**	23,756,847	22,377,960
Income taxes paid	**(1,648,621)**	(3,369,421)	(4,060,889)	**(1,461,890)**	(3,043,713)	(3,314,639)
Net cash provided by operating activities	**97,182,589**	22,124,360	13,098,211	**99,597,547**	20,713,134	19,063,321
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	**159,923,104**	36,239,398	41,459,104	**157,339,946**	34,213,584	41,652,990
Maturities of investment securities at amortized cost (Note 9)	**61,359,649**	81,709,960	19,356,795	**61,359,649**	81,530,081	37,699,516
Disposal of investment properties	**210,936**	712,650	8,456,263	**161,736**	717,677	8,493,918
Disposal of property and equipment (Note 11)	**36,750**	153,182	152,169	**1,322**	4,554	612,103
Acquisitions of:						
Financial assets at FVOCI	**(169,859,[illegible]**	(100,962,284)	(23,729,263)	**(169,859,472)**	(96,281,851)	(25,122,624)
Investment securities at amortized cost	**(56,875,[illegible]**	(81,365,299)	(93,782,890)	**(57,227,468)**	(81,150,541)	(111,057,852)
Property and equipment (Note 11)	**(1,231,247)**	(2,299,285)	(3,026,508)	**(1,027,671)**	(1,634,668)	(2,263,064)
Software cost (Note 14)	**(283,472)**	(334,548)	(169,231)	**(268,768)**	(331,543)	(160,857)
Additional investments in subsidiaries (Note 12)	–	–	–	**–**	(180,000)	(266,000)
Net cash used in investing activities	**(6,719,152)**	(66,146,226)	(51,283,561)	**(9,520,726)**	(63,112,707)	(50,411,870)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019	2018 (As restated – Note 36)	**2020**	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of bills and acceptances payable	**₱168,973,402**	₱1,465,130,227	₱187,599,609	**₱155,926,201**	₱1,445,941,174	₱178,534,210
Settlement of bills and acceptances payable	**(136,717,622)**	(1,476,478,591)	(162,732,019)	**(118,473,479)**	(1,457,452,771)	(158,520,810)
Payment of principal portion of lease liabilities (Note 29)	**(664,156)**	(509,952)	–	**(649,402)**	(436,331)	–
Proceeds from issuance of bonds payable (Note 21)	**–**	51,899,720	15,398,696	**–**	51,899,720	15,398,696
Proceeds from issuance of stocks (Note 25)	**–**	11,850,316	–	**–**	11,840,316	–
Net cash provided by financing activities	**31,591,624**	51,891,720	40,266,286	**36,803,320**	51,792,108	35,412,096
NET INCREASE IN CASH AND CASH EQUIVALENTS	**122,055,061**	7,869,854	2,080,936	**126,880,141**	9,392,535	4,063,547
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**30,500,927**	16,825,487	12,391,139	**29,642,159**	15,904,663	11,671,952
Due from Bangko Sentral ng Pilipinas	**105,981,801**	102,723,312	108,743,985	**101,801,597**	98,665,375	105,497,459
Due from other banks	**17,758,143**	21,003,079	22,025,322	**10,835,106**	10,459,496	10,755,260
Interbank loans receivable	**22,943,529**	10,580,432	11,491,684	**22,274,306**	10,581,083	9,700,916
Securities held under agreements to resell	**2,517,764**	20,700,000	14,621,483	**1,149,984**	20,700,000	14,621,483
	179,702,164	171,832,310	169,273,613	**165,703,152**	156,310,617	152,247,070
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**25,135,724**	30,500,927	16,825,487	**25,038,434**	29,642,159	15,904,663
Due from Bangko Sentral ng Pilipinas	**202,129,356**	105,981,801	102,723,312	**202,129,356**	101,801,597	98,665,375
Due from other banks	**19,733,300**	17,758,143	20,525,318	**12,131,726**	10,835,106	10,459,496
Interbank loans receivable (Note 8)	**38,939,572**	22,943,529	10,580,432	**37,464,504**	22,274,306	10,581,083
Securities held under agreements to resell	**15,819,273**	2,517,764	20,700,000	**15,819,273**	1,149,984	20,700,000
	₱301,757,225	₱179,702,164	₱171,354,549	**₱292,583,293**	₱165,703,152	₱156,310,617
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱11,936,540**	₱17,522,121	₱8,151,979	**₱11,494,829**	₱15,188,304	₱6,768,648
Interest received	**47,391,100**	49,063,648	32,969,308	**44,519,365**	43,948,726	28,399,766
Dividends received	–	–	3,366	–	–	3,366

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
Notes to Financial Statements
Amounts in Thousand Pesos except When Otherwise Indicated

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of December 31, 2020 and 2019, the shares of PNB are held by the following:

LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	**59.83%**
PCD Nominee Corporation *	**17.86%**
Other stockholders owning less than 10% each	**22.31%**
	100.00%

** Acts as a trustee-nominee for PNB shares lodged under the PCD system*

PNB's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are also incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, investment banking, treasury operations, fund transfers, remittance and trust services, through its 716 and 715 domestic branches as of December 31, 2020 and 2019, respectively. As of the same dates, the Parent Company has 70 overseas branches, representative offices, remittance centers and subsidiaries in 17 locations in Asia, North America and Europe.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, nonlife insurance, banking, leasing, stock brokerage, foreign exchange trading and/or related services. The Parent Company and the subsidiaries are collectively referred hereinto as the Group.

The principal place of business of the Parent Company is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies

Basis of Preparation of the Financial Statements
The Group prepared the accompanying financial statements on a historical cost basis, except for the following accounts which are measured at fair value:
- financial assets and liabilities at fair value through profit or loss (FVTPL); and
- financial assets at fair value through other comprehensive income (FVOCI).

The financial statements of the Parent Company reflect the accounts maintained in its Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine pesos (₱ or PHP) and United States Dollar (USD), respectively. The individual financial statements of these units are combined and any inter-unit accounts and transactions are eliminated.

The Group presents the amounts in the financial statements to the nearest thousand pesos (₱000), unless otherwise stated.

Statement of Compliance
The Group prepared these financial statements in accordance with Philippine Financial Reporting Standards (PFRS) adopted by the Philippine Securities and Exchange Commission (SEC).

Presentation of the Financial Statements
The Group presents the statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

The Group generally presents financial assets and financial liabilities at their gross amounts in the statement of financial position, unless the offsetting criteria under PFRS are met. The Group does not also set off items of income and expenses, unless offsetting is required or permitted by PFRS, or is specifically disclosed in the Group's accounting policies.

The Group presents its consolidated financial statements and parent company financial statements side-by-side to comply with the requirements of the Bangko Sentral ng Pilipinas (BSP).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. In the consolidation, the Group eliminates in full all significant intra-group balances, transactions, and results of intra-group transactions.

The Group consolidates its subsidiaries from the date on which the Group obtains control over the subsidiary. The Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., those existing rights that give the Group the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, such as contractual arrangements with other voting shareholders of the investee, rights arising from other contractual arrangements, or any potential voting rights of the Group.

For partially-owned subsidiaries, the Group attributes the subsidiary's income, expenses and components of other comprehensive income (OCI) to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in deficit balances of the NCI. NCI represents the portion of profit or loss and the net assets not held by the Group, which are presented separately in the consolidated financial statements. NCI consists of the amount attributed to such interest from the date of business combination and its share in any changes in equity of the subsidiary.

When the Group's ownership interest in a subsidiary changed but it did not result in a loss of control, the Group adjusts the carrying amounts of the controlling interests and the NCI to their new relative interests in the subsidiary. The Group recognizes any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received directly in equity as 'Other equity reserves', which is attributed to the owners of the Parent Company.

Consolidation of a subsidiary ceases when the Group loses control over the subsidiary. In such circumstances, the Group derecognizes the assets (including goodwill), liabilities, NCI, and other components of equity of the subsidiary, and recognizes the consideration received and any investment retained at their fair values. The Group records any resulting difference in the statement of income.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations: Definition of a Business*
  The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, the amendments clarify that a business can exist without including all of the inputs and processes needed to create outputs.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and *PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*
  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*
  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018
  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19 Related Rent Concessions*
  The amendments provide relief to lessees from applying PFRS 16*, Leases*, guidance on lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (COVID-19) pandemic. As a practical expedient, a lessee may elect not to assess

whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification. The amendments had no significant impact on the consolidated financial statements of the Group.

Future Changes in Accounting Standards
Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the 'separately identifiable' requirement when an RFR instrument is designated as a hedge of a risk component

  The amendments also require to disclose information about the nature and extent of risks to which an entity is exposed arising from financial instruments subject to IBOR reform, how the entity manages those risks, their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations: Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was also added to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. The amendments apply prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*
  The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, entities should recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*
  The amendments apply a "directly related cost approach" to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Under this approach, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments apply to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- Annual Improvements to PFRS Standards 2018-2020 Cycle
  - Amendments to PFRS 1, *Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PFRS 16, *Lease incentives*
  - Amendments to PAS 41, *Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- PFRS 17*, Insurance Contracts*
  PFRS 17 is comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted but only if the entity also applies PFRS 9, *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers*.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify: (a) what is meant by a right to defer settlement; (b) that a right to defer must exist at the end of the reporting period; (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and (d) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are applied retrospectively.

Deferred effectivity

- PFRS 10, *Consolidated Financial Statements*, and PAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Significant Accounting Policies

Business Combinations and Goodwill

The Group accounts for business combinations using the acquisition method. Under this method, the Group measures the acquisition cost as the aggregate of the fair value of the consideration transferred and any amount of NCI in the acquiree. The Group then allocates that cost to the acquired identifiable assets and liabilities based on their respective fair values. Any excess acquisition cost over the fair value of the net assets acquired is allocated to goodwill. If the fair value of the net assets acquired exceeds the acquisition cost, the gain is recognized in the statement of income.

The Group recognizes any acquisition-related costs as administrative expenses as they are incurred. The Group also recognizes any contingent consideration to be transferred by the acquirer at its fair value at the acquisition date.

After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. For the purpose of impairment testing, the Group allocates the goodwill acquired in a business combination to each of its cash-generating units (CGUs) that are expected to benefit from the business combination.

In business combinations involving entities under common control, the Group determines whether or not the business combination has commercial substance. When there is commercial substance, the Group accounts for the transaction using the acquisition method as discussed above. Otherwise, the Group accounts for the transaction similar to a pooling of interests (i.e., the assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values, and any resulting difference with the fair value of the consideration given is accounted for as an equity transaction).

Non-current Assets and Disposal Group Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. As such, non-current assets and disposal groups are measured at the lower of their carrying amounts and fair value less costs to sell (i.e., the incremental costs directly attributable to the sale, excluding finance costs and income taxes).

The Group regards the criteria for held for sale classification as met only when:

- the Group has initiated an active program to locate a buyer;
- the Group is committed to the plan to sell the asset or disposal group, which should be available for immediate sale in its present condition;
- the sale is highly probable (i.e, expected to happen within one year from the date of the classification); and
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The Group presents separately the assets and liabilities of disposal group classified as held for sale in the statement of financial position.

The Group classifies a disposal group as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group excludes discontinued operations from the results of continuing operations and presents them as a single amount as profit or loss after tax from discontinued operations in the statement of income.

If the above criteria are no longer met, the Group ceases to classify the asset or disposal group as held for sale. In such cases, the Group measures such asset or disposal group at the lower of its:

- carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had it not been classified as such; and
- recoverable amount at the date of the subsequent decision not to sell.

The Group also amends financial statements for the periods since classification as held for sale if the asset or disposal group that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. Accordingly, for all periods presented, the Group reclassifies and includes in income from continuing operations the results of operations of the asset or disposal group previously presented in discontinued operations.

Foreign Currency Translation

For financial reporting purposes, the Group translates all accounts in the FCDU books and foreign currency-denominated accounts in the RBU books into their equivalents in Philippine pesos. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency.

Transactions and balances

As at reporting date, the Group translates the following foreign currency-denominated accounts in the RBU in Philippine peso using:

Financial statement accounts in RBU	Exchange rate
Monetary assets and liabilities	Bankers Association of the Philippines (BAP) closing rate at end of year
Income and expenses	Rate prevailing at transaction date
Non-monetary items measured at historical cost in a foreign currency	Rate at the date of initial transaction
Non-monetary items measured at fair value in a foreign currency	Rate at the date when fair value is determined

The Group recognizes in the statement of income any foreign exchange differences arising from revaluation of monetary assets and liabilities. For non-monetary items measured at fair values, the Group recognizes any foreign exchange differences arising from revaluation in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

FCDU and overseas branches and subsidiaries

As at the reporting date, the Group translates the assets and liabilities of the FCDU and overseas branches and subsidiaries in Philippine peso at the BAP closing rate prevailing at the reporting date, and their income and expenses at the average exchange rate for the year. Foreign exchange differences arising on translation are taken directly to OCI under 'Accumulated Translation Adjustment'. Upon disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of income.

Insurance Product Classification
Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk, which is the risk of a possible future change in one or more of a specified interest rate, security or commodity price, foreign exchange rate, a credit rating or credit index, or other variables. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts, however, can be reclassified to insurance contracts after inception if the insurance risk becomes significant.
All non-life insurance products issued by the Group meet the definitions of insurance contract.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

Fair Value Measurement
Fair value is the price that the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that these transactions take place either:
- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The Group measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Group uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Group measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

Financial Instruments – Initial Recognition

Date of recognition

The Group recognizes purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace on settlement date (i.e., the date that an asset is delivered to or by the Group), while derivatives are recognized on trade date (i.e., the date that the Group commits to purchase or sell). The Group recognizes deposits, amounts due to banks and customers and loans when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

Financial Instruments – Classification and Subsequent Measurement

The Group classifies and measures financial assets at FVTPL unless these are measured at FVOCI or at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing those financial assets.

The Group first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test ('solely payments of principal and interest' or SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than insignificant exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL. Only financial assets that pass the SPPI test are eligible to be measured at FVOCI or at amortized cost.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

For financial liabilities, the Group classifies them as either financial liabilities at FVTPL or financial liabilities at amortized cost.

Financial assets at FVTPL

Financial assets at FVTPL include the following:
- Financial assets held for trading – those acquired for the purpose of selling or repurchasing in the near term;
- Derivative instruments – contracts entered into by the Group (such as currency forwards, currency swaps, interest rate swaps and warrants) as a service to customers and as a means of reducing or managing their respective financial risk exposures, as well as for trading purposes;
- Financial assets that are not SPPI, irrespective of the business model; or

- Debt financial assets designated upon initial recognition at FVTPL – those assets where the Group applied the fair value option at initial recognition if doing so eliminates or significantly reduces an accounting mismatch

The Group carries financial assets at FVTPL in the statement of financial position at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group recognizes any gains or losses arising from changes in fair values of financial assets at FVTPL directly in the statement of income under 'Trading and investment securities gains - net', except for currency forwards and currency swaps, where fair value changes are included under 'Foreign exchange gains - net'.

Financial assets at FVOCI
Financial assets at FVOCI include debt and equity securities, which are subsequently measured at fair value. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the statement of comprehensive income as 'Net change in unrealized gain (loss) on financial assets at FVOCI, net of tax'.

Debt securities at FVOCI are those that meet both of the following conditions:
- the asset is held within a business model whose objective is to hold the financial asset in order to both collect contractual cash flows and sell the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

The Group reports the effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, in the statement of income. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and securities gain (loss) - net' in the statement of income. The Group recognizes the expected credit losses (ECL) arising from impairment of such financial assets in OCI with a corresponding charge to 'Provision for impairment, credit and other losses' in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. The Group recognizes the dividends earned on holding the equity securities at FVOCI in the statement of income when the right to payment has been established. Gains and losses on disposal of these equity securities at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Surplus' or any other appropriate equity account upon disposal. The Group does not subject equity securities at FVOCI to impairment assessment.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions:
- the asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

This accounting policy relates to the statement of financial position captions 'Due from Bangko Sentral ng Pilipinas', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Investment securities at amortized cost', and 'Loans and receivables'.

The Group subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Group includes the amortization in 'Interest income', and the ECL arising from impairment of such financial assets in 'Provision for impairment, credit and other losses' in the statement of income.

Financial liabilities at amortized cost
The Group classifies issued financial instruments or their components which are not designated at FVTPL, as financial liabilities at amortized cost under 'Deposit liabilities', 'Bills and acceptances payable', 'Bonds payable' or other appropriate financial liability accounts. The substance of the contractual arrangement for these instruments results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Group subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Repurchase and reverse repurchase agreements
The Group does not derecognize from the statement of financial position securities sold under agreements to repurchase at a specified future date ('repos'). Instead, the Group recognizes the corresponding cash received, including accrued interest, as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, the Group does not recognize securities purchased under agreements to resell at a specified future date ('reverse repos'). The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The Group recognizes the corresponding cash paid, including accrued interest, as a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Reclassification of financial instruments
Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

<u>Financial Instruments – Derecognition</u>
Financial assets
The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Group recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous Income' in the statements of income.

Financial liabilities
The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the Group treats such an exchange or modification as a derecognition of the original liability and recognition of a new liability, and Group recognizes the difference in the respective carrying amounts in the statement of income.

<u>Financial Instruments – Impairment</u>
ECL methodology
The Group's loss impairment method on financial instruments applies a forward-looking ECL approach, which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial instrument since origination (12-month ECL). Otherwise, if an SICR is observed, then the Group extends its ECL estimation until the end of the life of the financial instrument (Lifetime ECL). Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Staging assessment
The Group categorizes financial instruments subject to the ECL methodology into three stages:
- Stage 1 – comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Group recognizes 12-month ECL for Stage 1 financial instruments.
- Stage 2 – comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Group recognizes Lifetime ECL for Stage 2 financial instruments.
- Stage 3 – comprised of financial instruments which have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on their estimated future cash flows. The Group recognizes Lifetime ECL for Stage 3 (credit-impaired) financial instruments.

Definition of "default" and "cure"
The Group considers default to have occurred when:
- the obligor is past due for more than 90 days on any material credit obligation to the Group; or
- the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral, as applicable.

The Group no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Determining SICR
At each reporting date, the Group assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Group's assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 30 days ("backstop").

The Group assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management's close attention. Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

The Group looks at the quantitative element through statistical models or credit ratings process or scoring process that captures certain information, which the Group considers as relevant in assessing changes in credit risk. The Group also looks at the number of notches downgrade of credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

Transfer between stages
The Group transfers credit exposures from Stage 1 to Stage 2 if there is an SICR from initial recognition date. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, then the Group reverts them to Stage 1.

The Group transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:
- quantitative – characterized by payments made within an observation period; and
- qualitative – pertain to the results of assessment of the borrower's financial capacity.

Generally, the Group considers that full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or restructured loans and other credit exposures
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule, which may be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If modifications are considered by the Group as substantial based on qualitative factors, the loan is derecognized as discussed under Financial Instruments – Derecognition.

If a loan or credit exposure has been renegotiated or modified without this resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Purchased or originated credit-impaired loans
The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL
ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) – an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) – an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) – an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate – represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

<u>Financial Guarantees and Undrawn Loan Commitments</u>
The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under 'Bills and acceptances payable' or 'Other liabilities' in the statement of financial position. Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

Investments in Subsidiaries, Associates and Joint Ventures

The Group's associate pertains to the entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's joint venture pertains to joint arrangements whereby the Group and other parties have joint control of the arrangement and have rights to the net assets of the arrangement.

The Group accounts for its investments in subsidiaries, associates and joint venture under the equity method of accounting. Under this method, the Group carries the investment in an associate in the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the associate. The Group reflects its share in the results of operations of the associate in the statement of income. When there has been a change recognized in the associate's OCI, the Group recognizes its share in any changes and discloses this in the statement of comprehensive income. The Group eliminates any profits or losses arising from transactions between the Group and the associate to the extent of the interest of the Group in the associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any resulting difference between the aggregate of the associate's carrying amount upon disposal and the fair value of the retained investment, and proceeds from disposal is recognized in the statement of income.

For transactions where ownership interest in a subsidiary that did not result in a loss of control, the Parent Company recognizes the gain or loss in the profit and loss representing the difference between the proceeds from sale and the carrying value of the investee account. The profit and loss treatment of such gains or losses is on the basis that the non-controlling interest is not reflected in the separate financial statements.

Property and Equipment
The Group carries its land at cost less any impairment in value, and its depreciable properties such as buildings, right-of-use assets, furniture, fixtures and equipment, long-term leasehold land, and leasehold improvements at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. See accounting policy on Leases for the recognition and measurement of right-of-use assets included under 'Property and equipment'.

The Group derecognizes an item of property and equipment upon disposal or when no future economic benefits are expected from its use or disposal. The Group includes any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the statement of income in the period the asset is derecognized.

Investment Properties and Chattel Mortgage Properties
The Group initially measures investment properties and chattel mortgage properties initially at cost, including transaction costs. When the investment property or chattel mortgage property is acquired through an exchange transaction, the Group measures the asset at its fair value, unless the fair value of such an asset cannot be reliably measured in which case the asset acquired is measured at the carrying amount of asset given up. The Group recognizes any gain or loss on exchange in the statement of income under 'Net gains on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment properties' upon:
- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, the Group carries the investment properties and chattel mortgage properties at cost less accumulated depreciation (for depreciable properties) and any impairment in value.

The Group derecognizes investment properties and chattel mortgage properties when they have either been disposed of or when the asset is permanently withdrawn from use and no future benefit is expected from its disposal. The Group recognizes any gains or losses on the retirement or disposal of an investment property in the statement of income under 'Net gain on sale or exchange of assets' in the period of retirement or disposal.

The Group transfers assets to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Conversely, the Group transfers out of investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Intangible Assets
The Group initially measures separately acquired intangible assets at cost, and the intangible assets acquired in a business combination at their fair values at the date of acquisition. Following initial recognition, the Group carries intangible assets at cost less any accumulated amortization and accumulated impairment losses. The Group does not capitalize internally generated intangibles,

excluding capitalized development costs, and reflects in profit or loss the related expenditures in the period in which the expenditure is incurred.

The Group measures any gains or losses arising from derecognition of an intangible asset as the difference between the net disposal proceeds and the carrying amount of the asset. The Group recognizes these gains or losses in the statement of income in the period when the intangible asset is disposed of.

Intangibles with finite lives
The Group capitalizes software costs, included in 'Intangible assets', on the basis of the cost incurred to acquire and bring to use the specific software.

Customer relationship intangibles (CRI) and core deposits intangibles (CDI) are the intangible assets acquired by the Group through business combination. The Group initially measures these intangible assets at their fair values at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, intangibles with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Goodwill
The Group initially measures goodwill acquired in a business combination at cost. With respect to investments in an associate, the Group includes goodwill in the carrying amount of the investments. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances that the carrying value may be impaired.

Impairment of Nonfinancial Assets
Property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate
At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate may be impaired. When an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the Group considers the asset as impaired and writes the asset down to its recoverable amount. In assessing value in use, the Group discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group charges the impairment loss against current operations. At each reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount and reverses a previously recognized impairment loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal recognized in the statement of income cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. After such reversal, the Group adjusts the depreciation and amortization in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group determines impairment for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), the Group recognizes an impairment loss immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

<u>Nonlife Insurance Contract Liabilities</u>
The Group recognizes insurance contract liabilities when contracts are entered into and premiums are charged.

Claims provisions and incurred but not reported (IBNR) losses
The Group estimates outstanding claims provisions based on the ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The Group does not discount the liability for the time value of money and includes any provision for IBNR claims. The Group does not also recognize provision for equalization or catastrophic reserves. The Group derecognizes the liability when the contract is discharged or cancelled, and has expired.

Provision for unearned premiums
The Group defers as provision for unearned premiums the proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired. The Group accounts for the portion of the premiums written that relate to the unexpired periods of the policies at the reporting date as provision for unearned premiums and presented under 'Insurance contract liabilities' as part of 'Other liabilities' in the consolidated statement of financial position. Any change in the provision for unearned premiums is taken to the statement of income in the order that revenue is recognized over the period of risk. The Group makes further provisions to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Liability adequacy test
At each reporting date, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related deferred acquisition costs. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Reinsurance
The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. When claims are paid, such reinsurance assets are reclassified to 'Loans and receivables'.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to ceding companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

When the Group enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Group initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability will be withheld and included as part of 'Other liabilities' in the consolidated statement of financial position. The amount withheld is generally released after a year.

Deferred Acquisition Costs (DAC)
Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, these costs are amortized using the 24th method, except for marine cargo where the DAC pertains to the commissions for the last two months of the year. Amortization is charged to 'Service fees and commission expense' in the consolidated statement of income.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount and the impairment loss is charged to the consolidated statement of income. The DAC is also considered in the liability adequacy test for each reporting period.

Equity
The Group measures capital stock at par value for all shares issued and outstanding. When the shares are sold at a premium, the Group credits the difference between the proceeds and the par value to 'Capital paid in excess of par value'. 'Surplus' represents accumulated earnings (losses) of the Group less dividends declared.

The reserves recorded in equity in the statement of financial position include:
- Remeasurement losses on retirement plan – pertains to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets
- Accumulated translation adjustment – used to record exchange differences arising from the translation of the FCDU accounts and foreign operations (i.e., overseas branches and subsidiaries) to Philippine peso

- Net unrealized gain (loss) on financial assets at FVOCI – comprises changes in fair value of financial assets at FVOCI

Dividends
The Group recognizes dividends on common shares as a liability and deduction against 'Surplus' when approved by the Board of Directors (BOD) of the Parent Company. For dividends that are approved after the reporting date, the Group discloses them in the financial statements as an event after the reporting date.

Securities Issuance Costs
The Group capitalizes the issuance, underwriting and other related expenses incurred in connection with the issuance of debt securities (other than debt securities designated at FVTPL) and amortizes over the terms of the instruments using the effective interest method. The Group includes any unamortized debt issuance costs in the carrying value of the related debt instruments in the statement of financial position.

For underwriting, share registration, and other share issuance costs and taxes incurred in connection with the issuance of equity securities, the Group accounts for these costs as reduction of equity against 'Capital paid in excess of par value'. If the 'Capital paid in excess of par value' is not sufficient, the share issuance costs are charged against the 'Surplus'. For transaction costs that relate jointly to the offering and listing of the shares, the Group allocates the costs to those transactions (i.e., reduction against equity for those allocated to offering of shares, and expensed for those allocated to listing of shares) using a basis of allocation that is rational and consistent with similar transactions.

Revenue Recognition
Revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Service fees and commission income
The Group earns fee and commission income from diverse range of services it provides to its customers:

- Fees from services that are provided over a certain period of time
  The Group accrues fees earned for the provision of services over a period of time. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.

- Bancassurance fees
  The Group recognizes non-refundable access fees on a straight-line basis over the term of the period of the provision of the access. Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.

- Fee income from providing transaction services
  The Group recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the Group

recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

The Group recognizes loan syndication fees as revenue when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as the other participants.

Interchange fees and revenue from rewards redeemed
The Group takes up as income the interchange fees under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The Group allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The Group defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points becomes remote. The Group includes the deferred balance under 'Other liabilities' in the statement of financial position.

Commissions on credit cards
The Group recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Other income
The Group recognizes income from sale of properties upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

The following are revenue streams of the Group, which are covered by accounting standards other than PFRS 15:

Interest income
Interest on interest-bearing financial assets at FVTPL and held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVOCI are recognized based on effective interest method of accounting to calculates the amortized cost of a financial asset or a financial liability and allocate the interest income or interest exense.

The Group records interest income using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. In calculating EIR, the Group considers all contractual terms of the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The Group adjusts the carrying amount of the financial instrument through 'Interest income' in the statement of income based on the original EIR.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Commitment fees
The Group defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as revenue over the expected life of the loan.

Commissions on installment credit sales
The Group records the purchases by the credit cardholders, collectible on installment basis, at the cost of the items purchased plus certain percentage of cost. The Group recognizes the excess over cost as 'Unearned and other deferred income', which is shown as a deduction from 'Loans and receivables' in the statement of financial position. The Group amortizes and recognizes as revenue the unearned and other deferred income over the installment terms using the effective interest method.

Insurance premiums and commissions on reinsurance
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. The Group recognizes premiums from short-duration insurance contracts and reinsurance commissions as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The Group recognizes in the statement of income for the period the net changes in provisions for unearned premiums and deferred reinsurance premiums.

Dividend income
The Group recognizes dividend income when the Group's right to receive payment is established.

Trading and investment securities gains - net
The Group recognizes in 'Trading and investment securities gains - net' the results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, and gains and losses from disposal of debt securities at FVOCI.

Rental income
The Group accounts for rental income arising on leased properties on a straight-line basis over the lease terms of ongoing leases, which is recorded in the statement of income under 'Miscellaneous income'.

Income on direct financing leases and receivables financed
The Group recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables' . Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:
- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Expenditures

Borrowing costs

The Group recognizes borrowing costs as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method that the Group incurs in connection with borrowing of funds.

Operating expenses

This encompasses those expenses that arise in the course of the ordinary activities of the Group, as well as any losses incurred. These are recognized in the statement of income as they are incurred.

Taxes and licenses

This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

Depreciation and amortization

The Group computes for depreciation and amortization of depreciable assets using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the depreciable assets follow:

	Years
Property and equipment:	
Buildings	25 - 50
Right-of-use assets	1 - 25 or the lease term, whichever is shorter (provided that lease term is more than one year)
Furniture, fixtures and equipment	5
Long-term leasehold land	46 - 50
Leasehold improvements	10 or the lease term, whichever is shorter
Investment properties	10 - 25
Chattel mortgage properties	5
Intangible assets with finite lives:	
Software costs	5
CDI	10
CRI	3

The Group reviews periodically the useful life and the depreciation and amortization method to ensure that these are consistent with the expected pattern of economic benefits from the depreciable assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Expenditures on nonfinancial assets

The Group charges against current operations the expenditures incurred after the nonfinancial assets (i.e., property and equipment, investment properties, software costs, and chattel mortgage properties) have been put into operation, such as repairs and maintenance. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of these nonfinancial assets beyond their originally assessed standard of performance, the Group capitalizes such expenditures as additional cost.

Retirement Benefits

Defined benefit plan

At the end of the reporting period, the Group determines its net defined benefit liability (or asset) as the difference between the present value of the defined benefit obligation and the fair value of plan assets, adjusted for any effect of asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs recognized in the statement of income consist of the following:

- service costs – include current service costs, past service costs (recognized when plan amendment or curtailment occurs) and gains or losses on non-routine settlements; and
- net interest on the net defined benefit liability or asset – pertains to the change during the period in the net defined benefit liability (or asset) that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Changes in the net defined benefit liability (or asset) also include remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding net interest on defined benefit liability (or asset). The Group recognizes these remeasurements immediately in OCI in the period in which they arise. The Group does not reclassify these remeasurements to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies, and are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group recognizes its right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement

The Group recognizes entitlements of employees to annual leave as a liability when they are accrued to the employees. The Group recognizes the undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period for services rendered by employees up to the end of the reporting period. For leave entitlements expected to be settled for more than 12 months after the reporting date, the Group engages an actuary to estimate the long-term liability, which is reported in ‘Accrued taxes, interest and other expenses’ in the statement of financial position.

Share-based Payment

Employees of the Parent Company receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments. The Parent Company determines the cost of equity-settled transactions at fair value at the date when the grant is made, and recognizes as ‘Compensation and fringe benefits’, together with a corresponding increase in equity (‘Other equity reserves’), over the period in which the service is fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects to the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in the cumulative expense recognized as at the beginning and end of the period.

Leases

Policies applicable effective January 1, 2019

The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

- Right-of-use assets
  At the commencement date of the lease (i.e, the date the underlying asset is available for use), the Group recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Group measures the right-of-use assets at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

  The Group presents the right-of-use assets in 'Property and equipment' and subjects it to impairment in line with the Group's policy on impairment of nonfinancial assets.

- Lease liabilities
  At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Group's incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

  After the commencement date of the lease, the Group measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on bills payable and other borrowings'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets
  The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of ATM offsite locations and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term

leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

Group as a lessor
For finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item, the Group recognizes a lease receivable in the statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Group includes all income resulting from the receivable in 'Interest income on loans and receivables' in the statement of income.

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

In operating leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Group recognizes rental income on a straight-line basis over the lease terms. The Group adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Group recognizes contingent rents as revenue in the period in which they are earned.

<u>Policies applicable prior to January 1, 2019</u>
In determining whether an arrangement was, or contained a lease, the Group assessed the substance of the arrangement whether the fulfillment of the arrangement was dependent on the use of a specific asset or assets, and the arrangement conveyed a right to use the asset. After inception of the lease, the Group reassessed the above basis only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- there is a change in the determination of whether fulfillment is dependent on a specified asset;
- there is a substantial change to the asset; or
- a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term.

Where a reassessment was made, the Group commenced or ceased its lease accounting from the date when the change in circumstances gave rise to the reassessment for first three scenarios above, and at the date of renewal or extension period for last scenario above.

Group as lessee
At the inception of the lease, the Group capitalized finance leases, which are lease arrangements that transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The Group included the amounts capitalized in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities'. The Group apportioned the lease payments between the finance charges (recorded in 'Interest expense on bills payable and other borrowings') and reduction of the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability.

The Group depreciated the leased assets over the shorter of the estimated useful lives of the assets or the respective lease terms, if there was no reasonable certainty that the Group will obtain ownership by the end of the lease term.

For operating leases where the lessor retained substantially all the risks and rewards of ownership of the asset, the Group recognized the lease payments as expense in the statement of income on a straight-line basis over the lease term.

Group as lessor
Policies for lessor accounting under PAS 17 are substantially similar with those under PFRS 16, as described above.

Provisions
The Group recognizes provisions when:
- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the Group recognizes the reimbursement as a separate asset but only when the reimbursement is virtually certain. The Group presents the expense relating to any provision in the statement of income, net of any reimbursement.

If the effect of the time value of money is material, the Group determines provisions by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the Group recognizes the increase in the provision due to the passage as 'Interest expense on bills payable and other borrowings'.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes
Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax
The Group measures current tax assets and liabilities for the current periods at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that are enacted or substantively enacted at the reporting date.

Deferred tax
The Group provides for deferred tax using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The Group recognizes deferred tax liabilities for all taxable temporary differences, including asset revaluations. The Group recognizes deferred tax assets for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

The Group, however, does not recognize deferred tax on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The Group does not also provide deferred tax liabilities on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate. With respect to investments in foreign subsidiaries, the Group does not recognize deferred tax liabilities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the recognized amount to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. The Group reassesses unrecognized deferred tax assets at each reporting date and recognizes amounts to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The Group measures deferred tax assets and liabilities at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

For current and deferred tax relating to items recognized directly in OCI, the Group recognizes them also in OCI and not in the statement of income.

In the consolidated financial statements, the Group offsets deferred tax assets and liabilities if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

When tax treatments involve uncertainty, the Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty for each uncertain tax treatment using the method the Group expects to better predict the resolution of the uncertainty.

Earnings per Share

The Group computes for the basic earnings per share (EPS) by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any bonus issue, share split or reverse share split during the period.

The Group computes for the diluted EPS by dividing the aggregate of net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the effects of any dilutive shares.

Events after the Reporting Date

The Group reflects in the financial statements any post-year-end event that provides additional information about the Group’s position at the reporting date (adjusting event). The Group discloses post-year-end events that are not adjusting events, if any, when material to the financial statements.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Refer to Note 6 for the detailed disclosure on segment information.

Fiduciary Activities
The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts and disclosures. The Group continually evaluates judgments and estimates and uses as basis its historical experience and other factors, including expectations of future events. The Group reflects the effects of any changes in estimates in the financial statements as they become reasonably determinable.

Judgments
(a) Classification of financial assets
The Group classifies its financial assets depending on the results of the SPPI test and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:
- business objectives and strategies for holding the financial assets;
- performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets;
- risks associated to the financial assets and the tools applied in managing those risks;
- compensation structure of business units, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions; and
- frequency and timing of disposals.

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP, particularly the guidelines contained in Circular No. 1011.

(b) Fair valuation of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models (Note 5). The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing

fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives.

(c) *Determination of lease term for lease contracts with renewal and termination options (applicable effective January 1, 2019)*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

(d) *Classification of leases (applicable prior to January 1, 2019)*
In arrangements that are, or contain, leases, the Group determines based on an evaluation of the terms and conditions of the arrangements whether or not the lessor retains all the significant risks and rewards of ownership of the properties which are leased out.

In classifying such arrangements as operating leases, the Group considers the following:
- the lease does not transfer ownership of the asset to the lessee by the end of the lease term;
- the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable;
- the present value of the minimum lease payments is substantially lower than the fair value of the leased asset;
- the losses associated with any cancellation of the lease are borne by the lessor; and
- the lease term is not for the major part of the asset's economic useful life.

When the above terms and provisions do not apply, the Group classifies the lease arrangements as finance leases.

(e) *Assessment of control over entities for consolidation*
Where the Parent Company does not have majority of the voting interest over an investee, it considers all relevant facts and circumstances in assessing whether it has control over the investee. This may include a contractual arrangement with the other voting shareholders of the investee or rights arising from other contractual arrangements which give power to the Parent Company over the investee to affect its returns.

(f) *Contingencies*
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 34).

(g) *Determination of functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the Group to use its judgment to determine the functional currency of the Group, including its foreign operations, such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to each entity or reporting unit.

In making this judgment, the Group considers the following:
- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

<u>Estimates</u>
(a) *Credit losses on financial assets*
The Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:
- segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively;
- quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages;
- determination of expected life of the financial asset and expected recoveries from defaulted accounts;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs; and
- selection of forward-looking information and determination of probability-weightings to derive the ECL.

The ongoing COVID-19 outbreak is widely expected to adversely affect the global economy and financial markets for the foreseeable future. The economic impact of COVID-19 depends on the mutation of the virus and the response of the authorities and the global community. The situation continues to evolve and the impact on the global and Philippine economy and the related government responses and measures depend on future developments that are highly uncertain. In light of the COVID-19 pandemic, the Group reviewed the conduct of its impairment assessment and ECL methodologies. The Group revisited the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations. In assessing forecast conditions to estimate the PDs and LGDs, the Group also considered the significant government measures and plans to support affected and/or vulnerable entities, as well as the impact on the collateral values.

Refer to Note 16 for the details of the carrying value of financial assets subject to ECL and for the details of the ECL.

(b) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates. As the COVID-19 pandemic affected the Group's normal operations, the Group reassessed its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

(c) *Present value of lease liabilities (applicable effective January 1, 2019)*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease). The carrying amount of lease liabilities as of December 31, 2020 and 2019 is disclosed in Note 29.

(d) *Present value of retirement obligation*
The Group determines the cost of defined benefit pension plan and other post-employment benefits using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The Group reviews all assumptions at each reporting date.

The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases are based on the Group's policy considering the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets.

The present value of retirement obligation and fair value of plan assets are disclosed in Note 28.

(e) *Impairment of nonfinancial assets*
The Parent Company assesses impairment on its investments in subsidiaries and an associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the Parent Company considers the following triggers for an impairment review on its investments in subsidiaries and an associate:

- deteriorating or poor financial condition;

- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its property and equipment, investment properties and chattel properties, and intangibles with finite useful lives and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Except for investment properties and land and building where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value-in-use (VIU), which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The VIU calculation is most sensitive to the following assumptions: production volume, price, exchange rates, capital expenditures, and long-term growth-rates.

The carrying values of the Group's property and equipment, investments in subsidiaries and an associate, investment properties, intangible assets, and other nonfinancial assets are disclosed in Notes 11, 12, 13, 14 and 15, respectively.

(f) Impairment of goodwill
The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The recoverable amount of the CGU is determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management and BOD of the Parent Company covering a three-year period. The assumptions used in the calculation of VIU are sensitive to estimates of future cash flows from business, interest margin, discount rate, long-term growth rate (derived based on the forecast local gross domestic product) used to project cash flows.

Estimating future earnings involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment. With the outbreak of COVID-19, the Group revisited its business plan and applied judgment to reassess the projections of future cash flows as of December 31, 2020, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

The carrying values of the Group's goodwill and key assumptions used in determining VIU are disclosed in Note 14.

(g) Valuation of insurance contracts
For insurance contracts, the Group estimates both for the expected ultimate cost of claims reported and the expected ultimate cost of IBNR at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty. In estimating the cost of notified and IBNR claims, the Group uses past claims settlement trends as primary

technique to predict future claims settlement trends. At each reporting date, the Group assesses the estimates for adequacy and charges to provision any changes made to the estimates.

The carrying values of total provisions for claims reported and claims IBNR are included in the 'Insurance contract liabilities' disclosed in Note 22.

4. Financial Risk Management Objectives and Policies

Introduction

The Parent Company's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by senior management. Details of the Parent Company's risk framework are discussed under the Risk Management Disclosure Section of the Parent Company's annual report.

The Group's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Company's capital position to drop below its desired level resulting in either a ₱13.3 billion increase in risk weighted assets or a ₱1.7 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

Resulting from the assessments based on the premise identified above, the Parent Company agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2020-2022, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the Internal Capital Adequacy Assessment Process (ICAAP) document and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

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

Pillar 2 Risks:
4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Cyber Security Risk

The Risk Management Group (RMG) provides the legwork for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Assets and Liabilities Committee (ALCO) on capital management and the Board Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;

- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.

Credit Risk

Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial sector and credit management sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management (if needed).

Among the tools used by the Group in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the CAR report;
- Monitoring of breaches in regulatory and internal limits;
- Credit Risk Management Dashboard;
- Diversification;
- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify: portfolio growth, movement of loan portfolio, adequacy of loan loss reserves, trend of nonperforming loans (NPLs), and concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Group follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward looking conditions.

Credit-related commitments
The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company. To mitigate this risk the Parent Company requires hard collaterals for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Collateral and other credit enhancement
As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); generally, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Asset Management Group which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2020			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱15,819,273**	**₱16,499,434**	**₱–**	**₱15,819,273**
Loans and receivables:				
Receivables from customers*:				
Corporates	**505,179,722**	**193,780,977**	**412,861,814**	**92,317,908**
Local government units (LGU)	**6,371,695**	–	**6,371,695**	–
Credit Cards	**9,942,901**	–	**9,942,901**	–
Retail small and medium enterprises (SME)	**10,630,717**	**9,884,496**	**6,122,742**	**4,507,975**
Housing Loans	**22,738,418**	**5,585,969**	**19,267,060**	**3,471,358**
Auto Loans	**10,054,907**	**4,906,734**	**7,118,837**	**2,936,070**
Others	**19,871,454**	**17,973,895**	**14,025,920**	**5,845,534**
Other receivables	**14,506,955**	–	**14,506,955**	–
	₱615,116,042	**₱248,631,505**	**₱490,217,924**	**₱124,898,118**

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Consolidated 2019			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱2,517,764	₱2,517,745	₱396	₱2,517,368
Loans and receivables:				
Receivables from customers*:				
Corporates	540,584,483	287,490,436	378,128,173	162,456,310
Local government units (LGU)	6,728,852	130,000	6,694,295	34,557
Credit Cards	14,264,195	–	14,264,195	–
Retail small and medium enterprises (SME)	18,942,720	28,248,029	5,493,593	13,449,127
Housing Loans	32,017,146	28,804,731	12,632,623	19,384,523
Auto Loans	12,861,345	13,687,982	9,681,175	3,180,170
Others	10,897,481	18,435,894	2,778,469	8,119,012
Other receivables	20,973,257	5,515,162	18,278,171	2,695,086
	₱659,787,243	₱384,829,979	₱447,951,090	₱211,836,153

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Parent Company 2020			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱15,819,273**	**₱16,499,434**	**₱–**	**₱15,819,273**
Loans and receivables:				
Receivables from customers:				
Corporates	**497,632,975**	**177,319,514**	**411,483,722**	**86,149,253**
LGU	**6,371,695**	**–**	**6,371,695**	**–**
Credit Cards	**9,942,901**	**–**	**9,942,901**	**–**
Retail SME	**7,917,077**	**6,268,900**	**5,591,610**	**2,325,467**
Housing Loans	**22,119,575**	**4,475,206**	**19,267,059**	**2,852,516**
Auto Loans	**10,054,907**	**4,906,734**	**7,118,837**	**2,936,070**
Others	**18,200,510**	**13,309,752**	**14,025,873**	**4,174,637**
Other receivables	**14,662,221**	**–**	**14,662,221**	**–**
	₱602,721,134	**₱222,779,540**	**₱488,463,918**	**₱114,257,216**

	Parent Company 2019			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱1,149,984	₱1,149,588	₱396	₱1,149,588
Loans and receivables:				
Receivables from customers:				
Corporates	528,998,204	265,980,283	377,651,021	151,347,183
LGU	6,728,852	130,000	6,694,295	34,557
Credit Cards	14,264,195	–	14,264,195	–
Retail SME	12,028,359	13,133,414	4,955,295	7,073,064
Housing Loans	3,772,739	2,090,860	2,511,743	1,260,996
Auto Loans	2,710,244	2,743,755	1,079,259	1,630,985
Others	3,910,134	13,656,194	1,079,543	2,830,591
Other receivables	14,833,169	5,515,162	12,138,083	2,695,086
	₱588,395,880	₱304,399,256	₱420,373,830	₱168,022,050

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others.

Excessive risk concentration
Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Group analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Group constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty
For each CRR, the Parent Company sets limits per client or counterparty based on the regulatory Single Borrowers Limit.

For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Geographic Concentration
The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	Consolidated			
	2020			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Philippines	**₱552,879,878**	**₱172,370,408**	**₱219,274,507**	**₱944,524,793**
Asia (excluding the Philippines)	**24,258,857**	**48,309,476**	**23,964,841**	**96,533,174**
United Kingdom	**5,654,986**	**4,645,583**	**13,500,252**	**23,800,821**
USA and Canada	**6,869,301**	**25,055,603**	**9,126,132**	**41,051,036**
Other European Union Countries	**8,077,246**	**3**	**11,605,874**	**19,683,123**
Oceania	**613,813**	**–**	**–**	**613,813**
Middle East	**942,688**	**2,395,980**	**11,213**	**3,349,881**
	₱599,296,769	**₱252,777,053**	**₱277,482,819**	**₱1,129,556,641**

* *Loans and receivables exclude residual value of the leased asset (Note 10)*
** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Consolidated			
	2019			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱613,350,648	₱180,163,688	₱106,987,378	₱900,501,714
Asia (excluding the Philippines)	27,803,805	48,121,090	19,830,279	95,755,174
United Kingdom	14,086,115	626,474	9,041,330	23,753,919
USA and Canada	1,180,327	6,326,757	9,047,586	16,554,670
Other European Union Countries	467	237,953	6,282,610	6,521,030
Middle East	848,117	1,598,620	21,028	2,467,765
Philippines	₱657,269,479	₱237,074,582	₱151,210,211	₱1,045,554,272

* *Loans and receivables exclude residual value of the leased asset. (Note 10)*
** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company			
	2020			
	Loans and receivables	**Trading and investment securities**	**Other financial assets***	**Total**
Philippines	**₱552,079,005**	**₱170,119,011**	**₱220,774,417**	**₱942,972,433**
Asia (excluding the Philippines)	**12,760,255**	**48,304,380**	**15,509,753**	**76,574,388**
United Kingdom	**5,628,921**	**4,572,413**	**12,618,977**	**22,820,311**
USA and Canada	**6,799,933**	**24,935,253**	**7,558,596**	**39,293,782**
Other European Union Countries	**8,077,246**	**3**	**11,552,342**	**19,629,591**
Oceania	**613,813**	**–**	**–**	**613,813**
Middle East	**942,688**	**2,395,980**	**11,213**	**3,349,881**
Philippines	**₱586,901,861**	**₱250,327,040**	**₱268,025,298**	**₱1,105,254,199**

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company			
	2019			
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱555,861,081	₱172,558,374	₱104,106,965	₱832,526,420
Asia (excluding the Philippines)	15,315,885	48,121,056	12,920,104	76,357,045
United Kingdom	14,077,779	626,474	9,041,330	23,745,583
USA and Canada	1,142,567	6,326,757	9,044,290	16,513,614
Other European Union Countries	467	38,848	2,529,297	2,568,612
Middle East	848,117	1,598,620	21,028	2,467,765
Philippines	₱587,245,896	₱229,270,129	₱137,663,014	₱954,179,039

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

c. Concentration by Industry
The tables below show the industry sector analysis of the Group's and Parent Company's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	Consolidated			
	2020			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*****	**Total**
Primary target industry:				
Financial intermediaries	**₱91,848,379**	**₱41,345,803**	**₱60,169,125**	**₱193,363,307**
Wholesale and retail	**82,953,090**	**–**	**–**	**82,953,090**
Electricity, gas and water	**72,565,910**	**4,080,777**	**–**	**76,646,687**
Transport, storage and communication	**54,836,228**	**50,862**	**–**	**54,887,090**
Manufacturing	**46,796,772**	**1,578,584**	**–**	**48,375,356**
Public administration and defense	**12,463,250**	**–**	**–**	**12,463,250**
Agriculture, hunting and forestry	**9,055,935**	**–**	**–**	**9,055,935**
Secondary target industry:				
Government	**5,713,730**	**170,983,272**	**217,088,611**	**393,785,613**
Real estate, renting and business activities	**96,309,149**	**14,857,795**	**–**	**111,166,944**
Construction	**34,184,356**	**–**	**–**	**34,184,356**
Others**	**92,569,970**	**19,879,960**	**225,083**	**112,675,013**
	₱599,296,769	**₱252,777,053**	**₱277,482,819**	**₱1,129,556,641**

	Consolidated			
	2019			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱106,952,236	₱23,768,955	₱42,589,959	₱173,311,150
Wholesale and retail	88,528,876	–	–	88,528,876
Electricity, gas and water	73,286,882	4,618,076	–	77,904,958
Manufacturing	45,365,433	352,344	–	45,717,777
Transport, storage and communication	31,625,156	144,343	–	31,769,499
Public administration and defense	15,627,272	–	–	15,627,272
Agriculture, hunting and forestry	9,715,700	–	–	9,715,700
Secondary target industry:				
Government	–	155,871,181	108,499,565	264,370,746
Real estate, renting and business activities	88,849,358	22,825,652	–	111,675,010
Construction	41,520,498	–	–	41,520,498
Others**	155,798,068	29,494,031	120,687	185,412,786
	₱657,269,479	₱237,074,582	₱151,210,211	₱1,045,554,272

* *Loans and receivables exclude residual value of the leased asset (Note 10)*
** *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
*** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company			
	2020			
	Loans and receivables	**Trading and investment securities**	**Other financial assets****	**Total**
Primary target industry:				
Financial intermediaries	**₱93,716,924**	**₱41,336,164**	**₱50,724,641**	**₱185,777,729**
Wholesale and retail	**79,221,782**	–	–	**79,221,782**
Electricity, gas and water	**72,516,314**	**4,080,724**	–	**76,597,038**
Manufacturing	**43,183,396**	**1,623,974**	–	**44,807,370**
Transport, storage and communication	**54,449,387**			**54,449,387**
Public administration and defense	**12,463,250**	–	–	**12,463,250**
Agriculture, hunting and forestry	**8,866,767**	–	–	**8,866,767**
Secondary target industry:				
Government	**5,713,730**	**170,951,180**	**217,088,611**	**393,753,521**
Real estate, renting and business activities	**93,341,177**	**12,540,208**	**–**	**105,881,385**
Construction	**33,160,413**	–	–	**33,160,413**
Others*	**90,268,721**	**19,794,790**	**212,046**	**110,275,557**
	₱586,901,861	**₱250,327,040**	**₱268,025,298**	**₱1,105,254,199**

* *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

	Parent Company			
	2019			
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	₱109,404,035	₱23,767,548	₱34,638,125	₱167,809,708
Wholesale and retail	82,650,251	–	–	82,650,251
Electricity, gas and water	73,286,882	4,608,032	–	77,894,914
Manufacturing	38,014,828	352,344	–	38,367,172
Transport, storage and communication	29,873,394	–	–	29,873,394
Public administration and defense	15,535,998	–	–	15,535,998
Agriculture, hunting and forestry	9,439,477	–	–	9,439,477
Secondary target industry:				
Government	1,901,507	154,209,813	102,951,581	259,062,901
Real estate, renting and business activities	88,849,358	17,653,676	–	106,503,034
Construction	39,795,803	–	–	39,795,803
Others*	98,494,363	28,678,716	73,308	127,246,387
	₱587,245,896	₱229,270,129	₱137,663,014	₱954,179,039

* *Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*

** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

The internal limit of the Parent Company based on the Philippine Standard Industry Classification sub-industry is 12.00% for priority industry, 8.00% for regular industry, 30.00% for power industry and 25% for activities of holding companies versus total loan portfolio.

Credit quality per class of financial assets
The segmentation of the Group's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

Generally, the Group's exposures can be categorized as either Non-Retail and Retail. Non-Retail portfolio of the Group consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the Group's Non-retail portfolio segments are as follows: Sovereigns, Financial Institutions, Specialised Lending (e.g. Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs. Retail exposures are exposures to individual person or persons or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

Loans and Receivables
The credit quality of Non-Retail portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The Parent Company maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

Specific borrower rating models were developed by the Group to capture specific and unique risk characteristics of each of the Non-Retail segment. The borrower risk rating is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well.

The Group uses a single scale with 26 risk grades for all its borrower risk rating models. The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the Group in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9-grades, i.e. FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g. CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the Group in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the Group's receivables from customers are defined below:

Credit quality	26-grade CRR system
High S&P Equivalent Global Rating: AAA to BBB-	*BRR 1 Excellent* Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low. *BRR 2 Very Strong* Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low. *BRR 3 Strong* Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low. *BRR 4-6 Good* Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low. *BRR 7-9 Satisfactory* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low. *BRR 10-12 Adequate* Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.
Standard S&P Equivalent Global Rating: BB+ to BB-	*BRR 13-15 Average* Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility. *BRR 16-18 Acceptable* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility. *BRR 19-20 Vulnerable* Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility

Credit quality	26-grade CRR system
Substandard S&P Equivalent Global Rating: B+ to CCC-	*BRR 21-22 Weak* Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility. *BRR 23-25 Watchlist* Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.
Impaired S&P Equivalent Global Rating: D	*BRR 26 Default* Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.

For the Retail segment of the portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the Group's and the Parent Company's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31, 2020 and 2019:

	Consolidated			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	**₱147,515,062**	**₱82,461**	**₱–**	**₱147,597,523**
Standard	**248,026,670**	**11,039,396**	**–**	**259,066,066**
Substandard	**46,768,223**	**19,014,224**	**–**	**65,782,447**
Impaired	**–**	**–**	**50,830,167**	**50,830,167**
	442,309,955	**30,136,081**	**50,830,167**	**523,276,203**
Subject to Scoring and Unrated				
Non-Retail	**8,125,501**	**7,450**	**24,916**	**8,157,867**
Corporate	**1,735,479**	**–**	**–**	**1,735,479**
LGU	**6,390,022**	**7,450**	**24,916**	**6,422,388**
Retail	**44,241,440**	**2,175,219**	**15,328,568**	**61,745,227**
Auto Loans	**7,900,760**	**603,828**	**2,694,913**	**11,199,501**
Housing Loans	**16,221,255**	**1,049,729**	**8,073,186**	**25,344,170**
Retail SME	**10,920,558**	**322,035**	**1,428,394**	**12,670,987**
Credit Card	**9,198,867**	**199,627**	**3,132,075**	**12,530,569**
Others	**15,286,939**	**1,537,544**	**5,359,160**	**22,183,643**
	67,653,880	**3,720,213**	**20,712,644**	**92,086,737**
	₱509,963,835	**₱33,856,294**	**₱71,542,811**	**₱615,362,940**

	Consolidated			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱1,568,009	₱–	₱–	₱1,568,009
Standard	450,193,955	2,476,621	19,409	452,689,985
Substandard	65,136,403	13,318,336	310,902	78,765,641
Impaired	–	–	10,654,905	10,654,905
	516,898,367	15,794,957	10,985,216	543,678,540
Subject to Scoring and Unrated				
Non-Retail	11,193,873	357,973	450,150	12,001,996
Corporate	4,490,031	288,929	423,164	5,202,124
LGU	6,703,842	69,044	26,986	6,799,872

(Forward)

	Consolidated			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Retail	₱69,064,486	₱2,795,458	₱11,261,073	₱83,121,017
Auto Loans	11,443,236	458,841	1,066,607	12,968,684
Housing Loans	26,601,243	1,571,291	5,396,497	33,569,031
Retail SME	17,437,236	345,217	2,930,903	20,713,356
Credit Card	13,582,771	420,109	1,867,066	15,869,946
Others	10,698,610	736,977	579,016	12,014,603
	90,956,969	3,890,408	12,290,239	107,137,616
	₱607,855,336	₱19,685,365	₱23,275,455	₱650,816,156

	Parent Company			
	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Subject to CRR				
Non-Retail - Corporate				
High	**₱144,259,859**	**₱82,461**	**₱–**	**₱144,342,320**
Standard	**243,880,794**	**11,039,396**	**–**	**254,920,190**
Substandard	**46,412,887**	**18,941,600**	**–**	**65,354,487**
Impaired	**–**	**–**	**50,825,100**	**50,825,100**
	434,553,540	**30,063,457**	**50,825,100**	**515,442,097**
Subject to Scoring and Unrated				
Non-Retail	**8,125,501**	**7,450**	**24,916**	**8,157,867**
Corporate	**1,735,479**	**–**	**–**	**1,735,479**
LGU	**6,390,022**	**7,450**	**24,916**	**6,422,388**
Retail	**40,039,914**	**2,169,652**	**15,076,051**	**57,285,617**
Auto Loans	**7,900,760**	**603,828**	**2,694,911**	**11,199,499**
Housing Loans	**15,596,141**	**1,049,729**	**8,073,186**	**24,719,056**
Retail SME	**7,344,146**	**316,468**	**1,175,879**	**8,836,493**
Credit Card	**9,198,867**	**199,627**	**3,132,075**	**12,530,569**
Others	**13,615,979**	**1,536,610**	**5,347,939**	**20,500,528**
	61,781,394	**3,713,712**	**20,448,906**	**85,944,012**
	₱496,334,934	**₱33,777,169**	**₱71,274,006**	**₱601,386,109**

	Parent Company			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱–	₱–	₱–	₱–
Standard	437,200,615	2,384,412	–	439,585,027
Substandard	73,375,571	13,624,058	–	86,999,629
Impaired	–	–	7,867,316	7,867,316
	510,576,186	16,008,470	7,867,316	534,451,972
Subject to Scoring and Unrated				
Non-Retail	9,373,707	69,044	26,986	9,469,737
Corporate	2,669,865	–	–	2,669,865
LGU	6,703,842	69,044	26,986	6,799,872
Retail	31,529,302	601,067	2,690,108	34,820,477
Auto Loans	2,550,623	41,958	43,247	2,635,828
Housing Loans	3,698,821	37,740	111,671	3,848,232
Retail SME	11,697,087	101,260	668,124	12,466,471
Credit Card	13,582,771	420,109	1,867,066	15,869,946
Others	3,457,501	421,904	1,462,618	5,342,023
	44,360,510	1,092,015	4,179,712	49,632,237
	₱554,936,696	₱17,100,485	₱12,047,028	₱584,084,209

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	Consolidated 2020				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
LGU	**₱24,916**	**₱–**	**₱–**	**₱–**	**₱ 24,916**
Credit Card	**5,772**	**102,605**	**1,149,930**	**1,929,958**	**3,188,265**
Retail SME	**1,017,410**	**57,348**	**117,735**	**472,398**	**1,664,891**
Housing Loans	**171,132**	**24,241**	**49,569**	**8,755,260**	**9,000,202**
Auto Loans	**252,304**	**64,849**	**103,069**	**2,862,922**	**3,283,144**
Others	**1,913,966**	**57,888**	**67,406**	**3,746,974**	**5,786,234**
Total	**₱3,385,500**	**₱306,931**	**₱1,487,709**	**₱17,767,512**	**₱22,947,652**

	Consolidated 2019				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
LGU	₱–	₱69,044	₱–	₱26,986	₱96,030
Credit Card	–	420,109	–	1,867,066	2,287,175
Retail SME	365,556	345,217	902,794	2,028,109	3,641,676
Housing Loans	422,236	1,571,291	1,339,385	4,057,112	7,390,024
Auto Loans	156,989	458,841	273,445	793,162	1,682,437
Others	66,105	736,977	184,223	394,793	1,382,098
Total	₱1,010,886	₱3,601,479	₱2,699,847	₱9,167,228	₱16,479,440

	Parent Company 2020				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Credit Card	**₱5,772**	**₱102,605**	**₱1,149,930**	**₱1,929,958**	**₱ 3,188,265**
Retail SME	**698,518**	**28,183**	**104,005**	**301,617**	**1,132,323**
Housing Loans	**171,132**	**24,241**	**49,569**	**8,755,260**	**9,000,202**
Auto Loans	**252,304**	**64,849**	**103,069**	**2,862,922**	**3,283,144**
LGU	**24,916**	–	–	–	**24,916**
Others	**1,904,039**	**57,829**	**35,756**	**3,614,926**	**5,612,550**
Total	**₱3,056,681**	**₱277,707**	**₱1,442,329**	**₱17,464,683**	**₱22,241,400**

	Parent Company 2019				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Credit Card	₱–	₱420,109	₱–	₱1,867,066	₱2,287,175
Retail SME	–	101,260	173,634	494,490	769,384
Housing Loans	–	37,740	41,862	69,809	149,411
Auto Loans	–	41,958	12,215	31,032	85,205
LGU	–	69,044	–	26,986	96,030
Others	800	417,564	25,377	1,441,581	1,885,322
Total	₱800	₱1,087,675	₱253,088	₱3,930,964	₱5,272,527

<u>Trading and Investment Securities and Other Financial Assets</u>
In ensuring quality investment portfolio, the Group uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e. Moody's Investors Service) as follows:

Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.

Baa1 and below - represents those investments which fall under any of the following grade:

- Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
- Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
- B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
- Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
- Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the Group and the Parent Company, gross of allowances, excluding receivables from customers, which are monitored using external ratings.

	Consolidated					
	2020					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱202,129,356**	**₱202,129,356**
Due from other banks	**5,813,831**	**10,123,881**	**1,802,421**	**17,740,133**	**2,003,065**	**19,743,198**
Interbank loans receivables	**13,867,302**	**24,308,309**	**1,528,253**	**39,703,864**	**–**	**39,703,864**
Securities held under agreements to resell	**–**	**–**	**–**	**–**	**15,819,273**	**15,819,273**
Financial assets at FVOCI						
Government securities	**85,207**	**–**	**90,319,428**	**90,404,635**	**20,442,131**	**110,846,766**
Private debt securities	**405,322**	**3,231,687**	**1,975,897**	**5,612,906**	**15,805,628**	**21,418,534**
Quoted equity securities	**–**	**–**	**119,170**	**119,170**	**588,188**	**707,358**
Unquoted equity securities	**–**	**–**	**420,683**	**420,683**	**322,011**	**742,694**
Investment securities at amortized cost:						
Government securities	**120,351**	**188,146**	**42,540,628**	**42,849,125**	**226,650**	**43,075,775**
Private debt securities	**1,113,697**	**25,550,637**	**7,650,120**	**34,314,454**	**21,828,162**	**56,142,616**
Financial assets at amortized cost:						
Others [2/]	**–**	**–**	**–**	**–**	**17,813,208**	**17,813,208**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Consolidated					
	2019					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱105,981,801	₱105,981,801
Due from other banks	5,038,372	3,090,447	7,990,152	16,118,971	1,642,531	17,761,502
Interbank loans receivables	9,594,780	13,182,252	434,761	23,211,793	1,626,742	24,838,535
Securities held under agreements to resell	–	–	–	–	2,519,676	2,519,676
Financial assets at FVOCI						
Government securities	460,363	2,124,737	88,335,353	90,920,453	129,262	91,049,715
Private debt securities	3,443,245	3,329,819	6,366,568	13,139,632	17,250,370	30,390,002
Quoted equity securities	–	–	159,725	159,725	911,809	1,071,534
Unquoted equity securities	–	–	–	–	629,589	629,589
Investment securities at amortized cost:						
Government securities	–	–	55,304,814	55,304,814	290,046	55,594,860
Private debt securities	1,407,543	22,281,474	9,288,335	32,977,352	15,677,741	48,655,093
Financial assets at amortized cost:						
Others [2/]	–	–	5,964,656	5,964,656	19,353,086	25,317,742

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Parent Company					
	2020					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱202,129,356**	**₱202,129,356**
Due from other banks	**887,022**	**9,737,045**	**45,577**	**10,669,644**	**1,471,955**	**12,141,599**
Interbank loans receivables	**12,005,750**	**24,308,309**	**1,528,253**	**37,842,312**	**19,240**	**37,861,552**
Securities held under agreements to resell	**–**	**–**	**–**	**–**	**15,819,273**	**15,819,273**
Financial assets at FVOCI						
Government securities	**–**	**–**	**90,319,428**	**90,319,428**	**20,615,597**	**110,935,025**
Private debt securities	**405,322**	**3,231,687**	**1,975,897**	**5,612,906**	**15,805,628**	**21,418,534**
Quoted equity securities	**–**	**–**	**–**	**–**	**588,188**	**588,188**
Unquoted equity securities	**–**	**–**	**–**	**–**	**321,011**	**321,011**
Investment securities at amortized cost						
Government securities	**–**	**188,146**	**42,540,628**	**42,728,774**	**226,650**	**42,955,424**
Private securities	**1,113,697**	**25,550,637**	**7,650,120**	**34,314,454**	**21,828,162**	**56,142,616**
Financial assets at amortized cost: Others [2/]	**–**	**–**	**–**	**–**	**18,148,561**	**18,148,561**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Parent Company					
	2019					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱101,801,597	₱101,801,597
Due from other banks	5,038,372	3,090,447	2,319,497	10,448,316	390,149	10,838,465
Interbank loans receivables	9,594,780	13,182,252	434,761	23,211,793	592,962	23,804,755
Securities held under agreements to resell	–	–	–	–	1,149,984	1,149,984
Financial assets at FVOCI						
Government securities	–	2,124,737	87,992,726	90,117,463	302,728	90,420,191
Private debt securities	580,068	3,329,819	6,323,662	10,233,549	17,248,743	27,482,292
Quoted equity securities	–	–	–	–	596,148	596,148
Unquoted equity securities	–	–	–	–	397,933	397,933
Investment securities at amortized cost						
Government securities	–	–	54,275,608	54,275,608	234,160	54,509,768
Private securities	1,178,170	22,281,474	9,288,335	32,747,979	15,674,405	48,422,384
Financial assets at amortized cost: Others [2/]	–	–	5,964,656	5,964,656	11,856,286	17,820,942

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Group's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the Parent Company on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	Consolidated 2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱25,135,724	₱–	₱–	₱–	₱–	₱25,135,724
Due from BSP and other banks	227,071,689	–	–	–	–	227,071,689
Interbank loans receivable	34,340,204	4,405,439	9,989	747,959	–	39,503,591
Securities held under agreements to resell	15,824,546	–	–	–	–	15,824,546
Financial assets at FVTPL:						
Government securities	76,701	179,570	219,267	365,452	21,495,821	22,336,811
Private debt securities	–	19,488	78,583	98,072	5,098,443	5,294,586
Equity securities	7,974	16,568	4,774	21,580	1,155,708	1,206,604
Investment in UITFs	2,938	–	–	–	–	2,938
Derivative assets:						
Gross contractual receivable	44,836,230	9,157,896	354,321	28,133	143,294	54,519,874
Gross contractual payable	(44,728,121)	(9,045,098)	(347,351)	(35,742)	(165,268)	(54,321,580)
Financial assets at FVOCI:						
Government securities	46,309,951	4,117,305	499,154	4,497,227	66,559,391	121,983,028
Private debt securities	506,753	424,064	1,485,767	3,327,820	18,901,182	24,645,586
Equity securities	–	7,542	8,062	15,605	1,008,477	1,039,686
Investment securities at amortized cost						
Government securities	4,876,875	743,418	5,577,997	2,249,380	32,108,514	45,556,184
Private debt securities	132,997	3,995,388	4,245,417	16,980,507	43,692,410	69,046,719
Financial assets at amortized cost:						
Receivables from customers	95,694,816	77,647,882	33,398,312	23,273,429	484,754,727	714,769,166
Other receivables	9,815,467	185,556	703,382	187,629	7,507,310	18,399,344
Other assets	83,840	–	74	1,775	14,220	99,909
Total financial assets	₱459,988,584	₱91,855,018	₱46,237,748	₱51,758,826	₱682,274,229	₱1,332,114,405
Financial Liabilities						
Deposit liabilities:						
Demand	₱203,249,771	₱–	₱–	₱–	₱–	₱203,249,771
Savings	291,773,202	–	–	–	–	291,773,202
Time and LTNCDs	218,590,031	93,745,837	15,129,795	17,667,067	60,032,618	405,165,348
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	35,770,287	12,482,054	11,301,481	1,516,703	122,084	61,192,609
Gross contractual receivable	(35,497,003)	(12,425,675)	(11,063,446)	(1,476,432)	(165,268)	(60,627,824)
Bills and acceptances payable	45,293,030	25,985,275	237,141	1,552,830	14,242,031	87,310,307
Bonds Payable	–	218,453	15,147,938	1,057,058	58,700,049	75,123,498
Accrued interest payable and accrued other expenses payable	222,243	668,159	415,940	501,250	775,241	2,582,833
Other liabilities	9,341,792	207,577	509,323	460,831	1,877,917	12,397,440
Total financial liabilities	₱768,743,353	₱120,881,680	₱31,678,172	₱21,279,307	₱135,584,672	₱1,078,167,184

	Consolidated 2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱30,500,927	₱–	₱–	₱–	₱–	₱30,500,927
Due from BSP and other banks	123,754,500	–	–	–	–	123,754,500
Interbank loans receivable	19,538,847	2,294,811	1,516,690	–	1,920,879	25,271,227
Securities held under agreements to resell	2,519,956	–	–	–	–	2,519,956
Financial assets at FVTPL:						
Government securities	1,527	–	965,353	–	9,874,107	10,840,987
Private debt securities	–	404,805	8,689	–	3,604,610	4,018,104
Equity securities	–	–	–	–	1,455,435	1,455,435
Investment in UITFs	6,532	–	–	–	–	6,532
Derivative assets:						
Gross contractual receivable	50,516,358	15,144,703	1,050,642	1,089,190	265,690	68,066,583
Gross contractual payable	(50,247,501)	(15,048,665)	(1,034,114)	(1,067,234)	(204,142)	(67,601,656)
Financial assets at FVOCI:						
Government securities	99,825	9,247,044	7,100,100	6,787,541	103,866,790	127,101,300
Private debt securities	289,360	1,254,865	475,396	2,764,029	29,550,648	34,334,298
Equity securities	1,701,123	–	–	–	–	1,701,123
Investment securities at amortized cost						
Government securities	759,187	10,030	2,204,668	1,002,409	67,026,127	71,002,421
Private debt securities	11,016,157	11,617,383	1,275,970	1,149,809	28,510,111	53,569,430
Financial assets at amortized cost:						
Receivables from customers	106,846,648	77,393,306	34,687,983	27,024,646	420,935,000	666,887,583
Other receivables	12,718,210	697,105	2,786,644	201,091	10,698,267	27,101,317
Other assets	420,846	–	–	–	54,930	475,776
Total financial assets	₱310,442,502	₱103,015,387	₱51,038,021	₱38,951,481	₱677,558,452	₱1,181,005,843
Financial Liabilities						
Deposit liabilities:						
Demand	₱172,228,956	₱–	₱–	₱–	₱–	₱172,228,956
Savings	391,769,777	–	–	–	–	391,769,777
Time and LTNCDs	154,612,024	48,316,708	17,170,359	9,753,174	49,383,102	279,235,367
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	34,974,301	15,819,971	840,580	1,069,063	216,301	52,920,216
Gross contractual receivable	(35,113,963)	(15,896,387)	(865,139)	(1,089,099)	(209,867)	(53,174,455)
Bills and acceptances payable	18,063,404	17,835,510	3,221,186	32,778	16,857,628	56,010,506
Bonds Payable	–	–	–	–	75,600,929	75,600,929
Accrued interest payable and accrued other expenses payable	1,254,102	708,438	473,154	403,528	274,852	3,114,074
Other liabilities	11,914,442	–	–	–	1,075,209	12,989,651
Total financial liabilities	₱749,703,043	₱66,784,240	₱20,840,140	₱10,169,444	₱143,198,154	₱990,695,021

	Parent Company 2020					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1year**	**Total**
Financial Assets						
COCI	**₱25,038,434**	**₱–**	**₱–**	**₱–**	**₱–**	**₱25,038,434**
Due from BSP and other banks	**215,736,563**	**–**	**–**	**–**	**–**	**215,736,563**
Interbank loans receivable	**32,985,081**	**4,260,745**	**9,989**	**386,223**	**–**	**37,642,038**
Securities held under agreements to resell	**15,824,546**	**–**	**–**	**–**	**–**	**15,824,546**
Financial assets at FVTPL:						
Government securities	**76,701**	**179,570**	**219,267**	**365,452**	**21,495,821**	**22,336,811**
Private debt securities	**–**	**–**	**53,099**	**53,099**	**2,813,834**	**2,920,032**
Equity securities	**186**	**16,568**	**4,774**	**21,529**	**1,155,708**	**1,198,765**
Derivative assets:						
Gross contractual receivable	**44,836,134**	**9,153,035**	**354,183**	**28,133**	**143,294**	**54,514,779**
Gross contractual payable	**(44,728,121)**	**(9,045,098)**	**(347,351)**	**(35,742)**	**(165,268)**	**(54,321,580)**

(Forward)

	Parent Company 2020					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1year**	**Total**
Financial assets at FVOCI:						
Government securities	**₱46,236,478**	**₱4,117,205**	**₱499,054**	**₱4,497,027**	**₱66,545,692**	**₱121,895,456**
Private debt securities	**506,752**	**424,064**	**1,485,767**	**3,327,820**	**18,901,182**	**24,645,585**
Equity securities	–	–	–	–	**440,899**	**440,899**
Investment securities at amortized cost:						
Government securities	**4,876,830**	**743,372**	**5,577,997**	**2,239,307**	**31,997,363**	**45,434,869**
Private debt securities	**132,997**	**3,995,388**	**4,245,417**	**16,980,507**	**43,692,410**	**69,046,719**
Financial assets at amortized cost:						
Receivables from customers	**90,855,723**	**75,469,612**	**31,519,717**	**21,543,002**	**478,960,310**	**698,348,364**
Other receivables	**9,715,666**	**173,800**	**696,113**	**124,133**	**7,438,848**	**18,148,560**
Other assets	**85,672**	–	**74**	–	**527**	**86,273**
Total financial assets	**₱442,179,642**	**₱89,488,261**	**₱44,318,100**	**₱49,530,490**	**₱673,420,620**	**₱1,298,937,113**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱202,489,354**	**₱–**	**₱–**	**₱–**	**₱–**	**₱202,489,354**
Savings	**290,560,463**	–	–	–	–	**290,560,463**
Time and LTNCDs	**226,707,265**	**91,019,585**	**12,065,239**	**17,198,950**	**59,980,452**	**406,971,491**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	**35,770,120**	**12,482,054**	**11,301,212**	**1,516,703**	**122,084**	**61,192,173**
Gross contractual payable	**(35,497,003)**	**(12,425,675)**	**(11,063,446)**	**(1,476,432)**	**(165,268)**	**(60,627,824)**
Bills and acceptances payable	**45,191,980**	**24,161,984**	**10,337**	**914**	**13,636,850**	**83,002,065**
Bonds payable	–	**218,453**	**15,147,938**	**1,057,058**	**58,700,049**	**75,123,498**
Accrued interest payable and accrued other expenses payable	**253,983**	**628,398**	**400,089**	**471,966**	**772,420**	**2,526,856**
Other liabilities	**8,588,232**	**145,192**	**87,867**	**418,972**	**1,485,536**	**10,725,799**
Total financial liabilities	**₱774,064,394**	**₱116,229,991**	**₱27,949,236**	**₱19,188,131**	**₱134,532,123**	**₱1,071,963,875**

	Parent Company 2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial Assets						
COCI	₱29,642,159	₱–	₱–	₱–	₱–	₱29,642,159
Due from BSP and other banks	112,649,396	–	–	–	–	112,649,396
Interbank loans receivable	18,504,624	2,294,811	1,516,690	–	1,920,879	24,237,004
Securities held under agreements to resell	1,150,112	–	–	–	–	1,150,112
Financial assets at FVTPL:						
Government securities	1,527	–	965,353	–	9,874,107	10,840,987
Private debt securities		404,805	8,689		568,015	981,509
Equity securities	–	–	–	–	1,409,187	1,409,187
Derivative assets:						
Gross contractual receivable	50,488,626	15,144,703	1,043,814	1,089,190	265,690	68,032,023
Gross contractual payable	(50,247,501)	(15,048,665)	(1,034,114)	(1,067,234)	(204,142)	(67,601,656)
Financial Assets at FVOCI:						
Government securities	₱–	₱9,246,968	₱7,000,000	₱6,713,537	₱103,447,269	₱126,407,774
Private debt securities	238,331	1,254,543	366,742	2,615,908	26,353,954	30,829,478
Equity securities	–	–	–	–	994,081	994,081
Investment securities at amortized cost:						
Government securities	759,187	–	2,199,847	679,130	66,163,936	69,802,100
Private debt securities	11,016,157	11,617,383	1,275,970	1,044,553	28,364,719	53,318,782
Financial assets at amortized cost:						
Receivables from customers	101,007,042	74,680,573	30,731,382	23,442,870	366,996,961	596,858,828
Other receivables	6,024,061	528,119	2,701,399	148,302	10,202,633	19,604,514
Other assets	65,729	–	–	–	500	66,229
Total financial assets	₱281,299,450	₱100,123,240	₱46,775,772	₱34,666,256	₱616,357,789	₱1,079,222,507

	Parent Company 2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial Liabilities						
Deposit liabilities:						
Demand	₱168,628,123	₱–	₱–	₱–	₱–	₱168,628,123
Savings	384,773,630	–	–	–	–	384,773,630
Time and LTNCDs	137,087,076	31,516,650	14,106,500	9,269,240	44,734,752	236,714,218
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	34,975,698	15,822,860	849,922	1,069,063	216,301	52,933,844
Gross contractual receivable	(35,113,963)	(15,896,387)	(865,139)	(1,089,099)	(209,867)	(53,174,455)
Bills and acceptances payable	7,153,273	11,859,566	8,857,321	14,325,787	3,538,962	45,734,909
Bonds Payable	–	–	–	–	75,600,929	75,600,929
Accrued interest payable and accrued other expenses payable	1,116,173	701,408	394,596	384,322	273,149	2,869,648
Other liabilities	11,914,442	–	–	–	1,075,209	12,989,651
Total financial liabilities	₱710,534,452	₱44,004,097	₱23,343,200	₱23,959,313	₱125,229,435	₱927,070,497

BSP reporting for liquidity positions and leverage
To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the Group computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2020, LCR reported to the BSP is shown in the table below:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
LCR	**174.72%**	131.93%	**167.92%**	127.48%

The Group also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2020 and 2019, NSFR reported to the BSP is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Available stable funding	**₱845,749**	₱794,378	**₱838,677**	₱760,737
Required stable funding	**617,061**	641,399	**623,071**	603,804
NSFR	**137.06%**	123.85%	**134.60%**	125.99%

Market Risk
Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.

Trading market risk
Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation Methodology (with 99% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 261-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.

Objectives and limitations of the VaR methodology
The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market movements may be under-estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR assumptions/parameters
VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

Backtesting
The validity of the assumptions underlying the Parent Company's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The Parent Company adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results. For the years 2020 and 2019, the number of observations which fell outside the VaR is within the allowable number of exceptions in the green and yellow zones to conclude that there is no problem with the quality and accuracy of the VaR models at 99.00% confidence level. Nonetheless,

closer monitoring and regular review of the model's parameters and assumptions are being conducted.

Stress Testing
To complement the VaR approximations, the Parent Company conducts stress testing on a quarterly basis, the results of which are being reported to the BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

VaR limits
Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the Parent Company. VaR is computed on an undiversified basis; hence, the Parent Company does not consider the correlation effects of the three trading portfolios.

The tables below show the trading VaR (in millions):

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 29, 2020	**₱9.85**	**₱491.44**	**₱22.92**	**₱524.22**
Average Daily	**9.92**	**245.63**	**28.16**	**346.53**
Highest	**26.22**	**608.54**	**36.81**	**746.44**
Lowest	**1.40**	**46.64**	**22.92**	**141.28**

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2019	₱13.13	₱278.29	₱26.39	₱317.81
Average Daily	8.98	472.54	17.44	498.95
Highest	27.50	1160.34	34.89	1,222.73
Lowest	0.54	89.02	2.32	91.89

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Structural Market Risk

<u>Non-trading Market Risk</u>
Interest rate risk
The Group seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Group to interest rate risk. The Group measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Group BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company:

	Consolidated					
	2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	**₱138,408,279**	**₱1,393,036**	**₱440,735**	**₱461,478**	**₱81,169,026**	**₱221,872,554**
Interbank loans receivable and securities held under agreements to resell	**49,388,997**	**4,272,415**	**1,107,414**	**754,311**	**–**	**55,523,137**
Receivables from customers and other receivables - gross**	**118,843,373**	**79,871,415**	**18,556,843**	**15,140,373**	**129,523,589**	**361,935,593**
Total financial assets	**306,640,649**	**85,536,866**	**20,104,992**	**16,356,162**	**210,692,615**	**639,331,284**
Financial Liabilities*						
Deposit liabilities:						
Savings	**79,342,400**	**46,276,884**	**13,997,944**	**20,351,168**	**265,643,369**	**425,611,765**
Time***	**158,208,607**	**60,633,884**	**5,073,362**	**4,599,658**	**8,178,530**	**236,694,041**
Bonds payable	**–**	**–**	**13,852,539**	**–**	**50,203,796**	**64,056,335**
Bills and acceptances payable	**53,199,286**	**32,133,862**	**353,740**	**224,989**	**1,247,573**	**87,159,450**
Total financial liabilities	**₱290,750,293**	**₱139,044,630**	**₱33,277,585**	**₱25,175,815**	**₱325,273,268**	**₱813,521,591**
Repricing gap	**₱15,890,356**	**(₱53,507,764)**	**(₱13,172,593)**	**(₱8,819,653)**	**(₱114,580,653)**	**(₱174,190,307)**
Cumulative gap	**15,890,356**	**(37,617,408)**	**(50,790,001)**	**(59,609,654)**	**(174,190,307)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	Consolidated					
	2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱27,272,787	₱1,575,228	₱563,759	₱127,798	₱94,139,826	₱123,679,398
Interbank loans receivable and securities held under agreements to resell	22,441,750	3,469,416	1,279,275	–	159,139	27,349,580
Receivables from customers and other receivables - gross**	148,095,239	58,597,849	26,796,208	8,019,438	98,959,095	340,467,829
Total financial assets	197,809,776	63,642,493	28,639,242	8,147,236	193,258,060	491,496,807
Financial Liabilities*						
Deposit liabilities:						
Savings	107,428,796	38,894,466	20,765,903	13,055,019	211,625,593	391,769,777
Time***	149,496,035	34,112,039	9,859,180	9,963,553	26,463,836	229,894,643
Bonds payable	–	–	–	–	66,615,078	66,615,078
Bills and acceptances payable	33,717,809	17,038,035	1,837,689	732,345	2,637,412	55,963,290
Total financial liabilities	₱290,642,640	₱90,044,540	₱32,462,772	₱23,750,917	₱307,341,919	₱744,242,788
Repricing gap	(₱92,832,864)	(₱26,402,047)	(₱3,823,530)	(₱15,603,681)	(₱114,083,859)	(₱252,745,981)
Cumulative gap	(92,832,864)	(119,234,911)	(123,058,441)	(138,662,122)	(252,745,981)	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 10).*
***Excludes LTNCD.*

	Parent Company					
	2020					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱134,231,726**	**₱–**	**₱–**	**₱–**	**₱80,039,230**	**₱214,270,956**
Interbank loans receivable and securities held under repurchase agreement	**48,028,366**	**4,157,978**	**1,107,414**	**387,068**	**–**	**53,680,826**
Receivable from customers and other receivables - gross**	**118,343,373**	**79,871,415**	**18,556,843**	**15,140,373**	**129,523,589**	**361,435,593**
Total financial assets	**₱300,603,465**	**₱84,029,393**	**₱19,664,257**	**₱15,527,441**	**₱209,562,819**	**₱629,387,375**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱78,109,443**	**₱46,276,885**	**₱13,997,944**	**₱20,351,168**	**₱265,902,504**	**₱424,637,944**
Time***	**157,099,835**	**57,907,631**	**7,664,018**	**9,786,753**	**8,126,364**	**240,584,601**
Bonds payable	**–**	**–**	**13,852,539**	**–**	**50,203,796**	**64,056,335**
Bills and acceptances payable	**52,786,239**	**32,021,244**	**9,877**	**–**	**–**	**84,817,360**
Total financial liabilities	**₱287,995,517**	**₱136,205,760**	**₱35,524,378**	**₱30,137,921**	**₱324,232,664**	**₱814,096,240**
Repricing gap	**₱12,607,948**	**(₱52,176,367)**	**(₱15,860,121)**	**(₱14,610,480)**	**(₱114,669,845)**	**(₱184,708,865)**
Cumulative gap	**12,607,948**	**(39,568,419)**	**(55,428,540)**	**(70,039,020)**	**(184,708,865)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets (Note 10).*
***Excludes LTNCD.*

	Parent Company					
	2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱20,537,356	₱–	₱–	₱–	₱92,038,801	₱112,576,157
Interbank loans receivable and securities held under repurchase agreement	19,568,861	4,127,027	1,257,115	–	–	24,953,003
Receivable from customers and other receivables - gross**	148,095,239	58,597,849	26,796,208	8,019,438	98,959,095	340,467,829
Total financial assets	₱188,201,456	₱62,724,876	₱28,053,323	₱8,019,438	₱190,997,896	₱477,996,989

(Forward)

	Parent Company					
	2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Liabilities*						
Deposit liabilities:						
Savings	₱106,264,604	₱38,894,466	₱20,765,903	₱13,055,019	₱205,793,638	₱384,773,630
Time***	136,719,939	23,423,637	6,292,260	9,596,231	11,256,075	187,288,142
Bonds payable	–	–	–	–	66,615,078	66,615,078
Bills and acceptances payable	33,426,883	14,260,535	22,229	714,370	–	48,424,017
Total financial liabilities	₱276,411,426	₱76,578,638	₱27,080,392	₱23,365,620	₱283,664,791	₱687,100,867
Repricing gap	(₱88,209,970)	(₱13,853,762)	₱972,931	(₱15,346,182)	(₱92,666,895)	(₱209,103,878)
Cumulative gap	(88,209,970)	(102,063,732)	(101,090,801)	(116,436,983)	(209,103,878)	–

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2020 and 2019:

	Consolidated			
	2020		2019	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱189,181)**	**(₱189,181)**	₱573,536	₱573,536
-50bps	**189,181**	**189,181**	(573,536)	(573,536)
+100bps	**(378,363)**	**(378,363)**	1,147,073	1,147,073
-100bps	**378,363**	**378,363**	(1,147,073)	(1,147,073)

	Parent Company			
	2020		2019	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**(₱209,911)**	**(₱209,911)**	₱492,130	₱492,130
-50bps	**209,911**	**209,911**	(492,130)	(492,130)
+100bps	**(419,823)**	**(419,823)**	984,261	984,261
-100bps	**419,823**	**419,823**	(984,261)	(984,261)

As one of the long-term goals in the risk management process, the Group has also implemented the adoption of the economic value approach in measuring the impact of the interest rate risk in the banking books to complement the earnings at risk approach using the modified duration approach. Cognizant of this requirement, the Group has undertaken the initial activities such as identification of the business requirement and design of templates for each account and the inclusion of this requirement in the Asset Liability Management business requirement definition.

Foreign currency risk
Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.

The table below summarizes the exposure to foreign exchange rate risk. Included in the table are the financial assets and liabilities at carrying amounts, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2020			2019		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱150,688**	**₱467,319**	**₱618,007**	₱149,147	₱334,702	₱483,849
Due from other banks	**10,191,235**	**5,295,532**	**15,486,767**	9,638,368	6,083,847	15,722,215
Interbank loans receivable and securities held under agreements to resell	**4,134,791**	**429,804**	**4,564,595**	4,880,250	2,094,530	6,974,780
Loans and receivables	**24,025,901**	**11,426,030**	**35,451,931**	22,726,294	11,046,642	33,772,936
Financial Assets at FVTPL	**176,502**	**–**	**176,502**	352,344	148	352,492
Financial Assets at FVOCI	**1,948,155**	**1,302,355**	**3,250,510**	1,434,080	502,664	1,936,744
Investment securities at amortized cost	**125,883**	**1,085,208**	**1,211,091**	10,060,514	–	10,060,514
Other assets	**11,341,675**	**1,175,289**	**12,516,964**	5,402,127	2,685,523	8,087,650
Total assets	**52,094,830**	**21,181,537**	**73,276,367**	54,643,124	22,748,056	77,391,180
Liabilities						
Deposit liabilities	**7,198,330**	**7,474,422**	**14,672,752**	7,363,816	5,194,075	12,557,891
Derivative liabilities	**7,031**	**6,814**	**13,845**	6,814	6,814	13,628
Bills and acceptances payable	**62,015,195**	**285,734**	**62,300,929**	27,941,957	13,297,756	41,239,713
Accrued interest payable	**95,373**	**10,284**	**105,657**	154,037	31,771	185,808
Other liabilities	**3,952,102**	**2,011,291**	**5,963,393**	1,217,428	945,273	2,162,701
Total liabilities	**73,268,031**	**9,788,545**	**83,056,576**	36,684,052	19,475,689	56,159,741
Net Exposure	**(₱21,173,201)**	**₱11,392,992**	**(₱9,780,209)**	₱17,959,072	₱3,272,367	₱21,231,439

* *Other currencies include UAE Dirham (AED,) Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).*

	Parent Company					
	2020			2019		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱46,609**	**₱180,870**	**₱227,479**	₱47,384	₱19,219	₱66,603
Due from other banks	**6,818,795**	**899,761**	**7,718,556**	6,259,259	1,557,174	7,816,433
Interbank loans receivable and securities held under agreements to resell	**3,428,109**	**73,449**	**3,501,558**	4,173,568	1,738,175	5,911,743
Loans and receivables	**19,816,024**	**929,981**	**20,746,005**	19,616,324	554,114	20,170,438
Financial assets at FVTPL	**176,502**	**–**	**176,502**	352,344	148	352,492
Financial assets at FVOCI	**1,948,155**	**1,229,185**	**3,177,340**	1,434,080	429,335	1,863,415
Investment securities at amortized cost	**5,532**	**1,085,208**	**1,090,740**	9,934,738	–	9,934,738
Other assets	**11,341,675**	**–**	**11,341,675**	5,402,127	1,589,228	6,991,355
Total assets	**43,581,401**	**4,398,454**	**47,979,855**	47,219,824	5,887,393	53,107,217

(Forward)

	Parent Company					
	2020			2019		
	USD	**Others***	**Total**	USD	Others*	Total
Liabilities						
Deposit liabilities	**₱2,030,840**	**₱3,407,186**	**₱5,438,026**	₱2,187,075	₱1,136,796	₱3,323,871
Derivative liabilities	**217**	**–**	**217**	–	–	–
Bills and acceptances payable	**61,697,679**	**–**	**61,697,679**	27,657,599	12,905,241	40,562,840
Accrued interest payable	**80,607**	**226**	**80,833**	141,059	22,201	163,260
Other liabilities	**2,658,432**	**1,142,058**	**3,800,490**	770,102	79,891	849,993
Total liabilities	**66,467,775**	**4,549,470**	**71,017,245**	30,755,835	14,144,129	44,899,964
Net Exposure	**(₱22,886,374)**	**(₱151,016)**	**(₱23,037,390)**	₱16,463,989	(₱8,256,736)	₱8,207,253

* *Other currencies include AED, AUD, BHD, BND, CAD, CHF, CNY, DKK, EUR, GBP, HKD, IDR, JPY, NZD, PHP, SAR, SEK, SGD, SKW, THB and TWD.*

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2020 and 2019 follow:

	2020	2019
US dollar - Philippine peso exchange rate	**₱48.02 to USD1.00**	₱50.63 to USD1.00

The following tables set forth the impact of the range of reasonably possible changes in the US dollar-Philippine peso exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2019 and 2018:

	2020			
	Consolidated		**Parent Company**	
	Statement of Income	**Equity**	**Statement of Income**	**Equity**
+1.00%	**(₱233,394)**	**₱213,913**	**(₱248,345)**	**₱228,864**
-1.00%	**233,394**	**(213,913)**	**248,345**	**(228,864)**

	2019			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱78,985	₱133,329	₱79,252	₱2,821
-1.00%	(78,985)	(133,329)	(79,252)	(2,821)

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

5. Fair Value Measurement

The Group used the following methods and assumptions in estimating the fair value of its assets and liabilities:

Assets and Liabilities	Fair value methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Derivatives	Based on either: • quoted market prices; • prices provided by independent parties; or • prices derived using acceptable valuation models
Debt securities	For quoted securities – based on market prices from debt exchanges For unquoted securities [1] – estimated using either: • quoted market prices of comparable investments; or • discounted cash flow methodology
Equity securities	For quoted securities – based on market prices from stock exchanges For unquoted securities – estimated using quoted market prices of comparable investments [2]
Investments in UITFs	Based on their published net asset value per share
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology [3] For loans with floating interest rates – at their carrying amounts
Investment properties	Appraisal by independent external and in-house appraisers based on highest and best use of the property (i.e., current use of the properties) [4] using either: • market data approach [5]; or • replacement cost approach [6]
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity
Long-term financial liabilities	For quoted debt issuances – based on market prices from debt exchanges For unquoted debt issuances – estimated using the discounted cash flow methodology [7]

Notes:

[1] *using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation (for government securities) and PHP BVAL rates plus additional credit spread (for corporate/private securities)*

[2] *using the most relevant multiples (e.g., earnings, book value)*

[3] *using the current incremental lending rates for similar loans*

[4] *considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others*

[5] *using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold*

[6] *estimating the investment required to duplicate the property in its present condition*

[7] *using the current incremental borrowing rates for similar borrowings*

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	Consolidated				
	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱18,136,391**	**₱17,657,777**	**₱478,614**	**₱–**	**₱18,136,391**
Private debt securities	**4,296,100**	**3,198,949**	**1,097,151**	**–**	**4,296,100**
Equity securities	**1,019,626**	**1,019,626**	**–**	**–**	**1,019,626**
Derivative assets	**370,653**	**–**	**370,653**	**–**	**370,653**
Investment in UITFs	**2,938**	**–**	**2,938**	**–**	**2,938**
Financial assets at FVOCI:					
Government securities	**110,846,766**	**67,513,412**	**43,333,354**	**–**	**110,846,766**
Private debt securities	**21,418,534**	**9,773,253**	**11,645,281**	**–**	**21,418,534**
Equity securities	**1,450,052**	**302,340**	**540,109**	**607,603**	**1,450,052**
	₱157,541,060	**₱99,465,357**	**₱57,468,100**	**₱607,603**	**₱157,541,060**
Financial Liabilities					
Financial Liabilities at FVTPL:					
Derivative liabilities	**₱701,239**	**₱–**	**₱701,239**	**₱–**	**₱701,239**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱95,235,993**	**₱12,712,144**	**₱86,656,274**	**₱–**	**₱99,368,418**
Receivables from customers**	**585,855,937**	**–**	**–**	**622,821,007**	**622,821,007**
	₱681,091,930	**₱12,712,144**	**₱86,656,274**	**₱622,821,007**	**₱722,189,425**
Nonfinancial Assets					
Investment property:					
Land***	**₱12,488,869**	**₱–**	**₱–**	**₱26,970,597**	**₱26,970,597**
Buildings and improvements***	**1,956,887**	**–**	**–**	**3,947,077**	**3,947,077**
	₱14,445,756	**₱–**	**₱–**	**₱30,917,674**	**₱30,917,674**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱236,694,042**	**₱–**	**₱–**	**₱236,694,042**	**₱236,694,042**
LTNCDs	**28,212,034**	**–**	**28,541,261**	**–**	**28,541,261**
Bonds payable	**64,056,335**	**38,225,468**	**29,503,486**	**–**	**67,728,954**
Bills payable	**83,598,532**	**–**	**–**	**83,600,018**	**83,600,018**
	₱412,560,943	**₱38,225,468**	**₱58,044,747**	**₱320,294,060**	**₱416,564,275**

	Consolidated 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,503,822	₱4,258,245	₱4,245,577	₱–	₱8,503,822
Private debt securities	3,130,156	2,246,515	883,641	–	3,130,156
Equity securities	1,455,435	1,455,435	–	–	1,455,435
Derivative assets	373,040	–	373,040	–	373,040
Investment in UITFs	6,532	1,373	5,159	–	6,532
Financial assets at FVOCI:					
Government securities	91,049,715	66,204,545	24,845,170	–	91,049,715
Private debt securities	30,390,002	9,130,230	18,496,386	2,763,386	30,390,002
Equity securities	1,701,123	428,706	790,013	482,404	1,701,123
	₱136,609,825	₱83,725,049	₱49,638,986	₱3,245,790	₱136,609,825
Financial Liabilities					
Financial Liabilities at FVTPL:					
Derivative liabilities	₱245,619	₱–	₱245,619	₱–	₱245,619
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱100,464,757	₱30,455,373	₱70,924,643	₱200,801	₱101,580,817
Receivables from customers**	636,950,500	–	–	695,304,130	695,304,130
	₱737,415,257	₱30,455,373	₱70,924,643	₱695,504,931	₱796,884,947
Nonfinancial Assets					
Investment property:					
Land***	₱12,917,821	₱–	₱–	₱23,894,410	₱23,894,410
Buildings and improvements***	2,126,005	–	–	4,844,980	4,844,980
	₱15,043,826	₱–	₱–	₱28,739,390	₱28,739,390
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱226,894,643	₱–	₱–	₱226,525,853	₱226,525,853
LTNCDs	35,152,104	–	35,311,473	–	35,311,473
Bonds payable	66,615,078	39,517,123	30,123,807	–	69,640,930
Bills payable	53,270,956	–	–	56,049,095	56,049,095
	₱381,932,781	₱39,517,123	₱65,435,280	₱282,574,948	₱387,527,351

	Parent Company 2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱18,136,391**	**₱17,657,777**	**₱478,614**	**₱–**	**₱18,136,391**
Equity securities	**2,433,904**	**1,336,753**	**1,097,151**	**–**	**2,433,904**
Private debt securities	**1,011,787**	**1,011,787**	**–**	**–**	**1,011,787**
Derivative assets	**365,558**	**–**	**365,558**	**–**	**365,558**
Financial assets at FVOCI:					
Government securities	**110,935,025**	**67,428,205**	**43,506,820**	**–**	**110,935,025**
Private debt securities	**21,418,534**	**9,773,253**	**11,645,281**	**–**	**21,418,534**
Equity securities	**910,199**	**302,170**	**421,109**	**186,920**	**910,199**
	₱155,211,398	**₱97,509,945**	**₱57,514,533**	**₱186,920**	**₱155,211,398**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱700,802**	**₱–**	**₱700,802**	**₱–**	**₱700,802**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	**₱95,115,642**	**₱12,591,794**	**₱86,656,274**	**₱–**	**₱99,248,068**
Receivables from customers**	**572,237,603**	**–**	**–**	**609,202,673**	**609,202,673**
	₱667,353,245	**₱12,591,794**	**₱86,656,274**	**₱609,202,673**	**₱708,450,741**

	Parent Company 2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Nonfinancial Assets					
Investment property:					
Land***	**₱11,971,463**	**₱–**	**₱–**	**₱26,430,230**	**₱26,430,230**
Buildings and improvements***	**1,950,335**	**–**	**–**	**3,642,298**	**3,642,298**
	₱ 13,921,798	**₱–**	**₱–**	**₱30,072,528**	**₱30,072,528**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱240,584,601**	**₱–**	**₱–**	**₱240,584,601**	**₱240,584,601**
LTNCDs	**28,212,034**	**–**	**28,541,261**	**–**	**28,541,261**
Bonds payable	**64,056,335**	**38,225,468**	**29,503,485**	**–**	**67,728,953**
Bills payable	**81,256,442**	**–**	**–**	**81,257,927**	**81,257,927**
	₱414,109,412	**₱38,225,468**	**₱58,044,746**	**₱321,842,528**	**₱418,112,742**

	Parent Company 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,503,822	₱4,258,244	₱4,245,578	₱–	₱8,503,822
Derivative assets	1,409,187	1,409,187	–	–	1,409,187
Private debt securities	883,641	–	883,641	–	883,641
Equity securities	373,006	–	373,006	–	373,006
Financial assets at FVOCI:					
Government securities*	90,420,191	65,753,164	24,667,027	–	90,420,191
Private debt securities*	27,482,292	8,985,905	18,496,387	–	27,482,292
Equity securities	994,081	357,863	385,469	250,749	994,081
	₱130,066,220	₱80,764,363	₱49,051,108	₱250,749	₱130,066,220
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱231,992	₱–	₱231,992	₱–	₱231,992
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱99,203,909	₱29,247,604	₱70,871,451	₱200,801	₱100,319,856
Receivables from customers**	572,412,727	–	–	630,739,252	630,739,252
	₱671,616,636	₱29,247,604	₱70,871,451	₱630,940,053	₱731,059,108
Nonfinancial Assets					
Investment property:					
Land***	₱12,549,288	₱–	₱–	₱23,659,779	₱23,659,779
Buildings and improvements	2,127,099	–	–	4,524,061	4,524,061
	₱14,676,387	₱–	₱–	₱28,183,840	₱28,183,840
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱187,288,142	₱–	₱–	₱187,681,683	₱187,681,683
LTNCDs	35,152,104	–	35,311,473	–	35,311,473
Bonds payable	66,615,078	39,517,123	30,123,807	–	69,640,930
Bills payable	45,731,683	–	–	46,078,492	46,078,492
	₱334,787,007	₱39,517,123	₱65,435,280	₱233,760,175	₱338,712,578

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

As of December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid.

The following table summarizes the significant unobservable inputs used to calculate the fair value of Level 3 financial assets at FVOCI of the Group and the Parent Company as of December 31, 2020 and the range of values indicating the highest and lowest level input used in the valuation techniques.

		Consolidated		Parent Company	
	Significant Unobservable Input	Low	High	Low	High
Private debt securities	Credit spread	₱2,897,178	₱2,994,907	₱–	₱–
Equity securities	Price-to-book multiple	819,591	907,551	417,891	498,126

Credit spreads
The Group differentiates between credit spreads and discount margins/spreads (more widely used to any discounted cash flow type modes). Credit spreads reflect the credit quality of the underlying instrument, by reference to the applicable benchmark reference rates (i.e., PHP BVAL). Credit spreads can be implied from market prices and are usually unobservable for illiquid or complex instruments.

Price-to-book multiples
The price-to-book ratio measures an equity price in relation to its book value. The Group uses price-to-book multiples of comparable instruments as benchmark references.

6. Segment Information

Business Segments
The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group's business segments follow:

- Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;
- Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers;
- Global Banking and Market - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury-bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking; and
- Other Segments - include, but not limited to, insurance, leasing, remittances and other support services. Other support services of the Group comprise of the operations and financial control groups.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, the chief operating decision maker (CODM), is based on the reportorial requirements under the Regulatory Accounting Principles (RAP) of the BSP, which differ from PFRS due to the manner of provisioning for impairment and credit losses, measurement of investment properties, and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

	2020					
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	**Others**	**Adjustments and Eliminations***	**Total**
Net interest margin						
Third party	**₱103,187**	**₱30,817,596**	**₱4,802,612**	**₱140,494**	**(₱43,123)**	**₱35,820,766**
Inter-segment	**17,402,385**	**(17,307,550)**	**(94,835)**	**–**	**–**	**–**
Net interest margin after inter-segment transactions	**17,505,572**	**13,510,046**	**4,707,777**	**140,494**	**(43,123)**	**35,820,766**
Other income	**3,431,422**	**2,194,121**	**3,976,885**	**1,495,997**	**(383,782)**	**10,714,643**
Segment revenue	**20,936,994**	**15,704,167**	**8,684,662**	**1,636,491**	**(426,905)**	**46,535,409**
Other expenses	**14,579,502**	**18,655,970**	**1,152,761**	**772,203**	**(426,905)**	**34,733,531**
Segment result	**₱6,357,492**	**(₱2,951,803)**	**₱7,531,901**	**₱864,288**	**₱–**	**11,801,878**
Unallocated expenses						**11,042,211**
Income before income tax						**759,667**
Income tax						**(1,798,238)**
Net income from continuing operations						**2,557,905**
Net income from discontinued operations						**67,583**
Net income						**2,625,488**
Non-controlling interests						**10,835**
Net income for the year attributable to equity holders of the Parent Company						**₱2,614,653**
Other segment information						
Capital expenditures	**₱631,935**	**₱3,521**	**₱12,986**	**₱202,179**	**₱–**	**₱850,621**
Unallocated capital expenditure						**664,098**
Total capital expenditure						**₱1,514,719**
Depreciation and amortization	**₱949,266**	**₱102,145**	**₱3,281**	**₱504,392**	**₱–**	**₱1,559,084**
Unallocated depreciation and amortization						**1,596,195**
Total depreciation and amortization						**₱3,155,279**
Provision for impairment, credit and other losses	**₱3,054,829**	**₱13,223,352**	**₱269,915**	**₱334,525**	**₱–**	**₱16,882,621**

** The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	2019 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(₱5,844,018)	₱31,918,140	₱5,733,291	₱425,713	₱125,140	₱32,358,266
Inter-segment	23,647,539	(23,030,539)	(617,000)	–	–	–
Net interest margin after inter-segment transactions	17,803,521	8,887,601	5,116,291	425,713	125,140	32,358,266
Other income	3,211,234	2,685,445	1,772,206	1,133,860	604,081	9,406,826
Segment revenue	21,014,755	11,573,046	6,888,497	1,559,573	729,221	41,765,092
Other expenses	11,881,474	5,636,497	472,000	910,370	729,221	19,629,562
Segment result	₱9,133,281	₱5,936,549	₱6,416,497	₱649,203	₱–	22,135,530
Unallocated expenses						10,023,610
Income before income tax						12,111,920
Income tax						2,452,307
Net income from continuing operations						9,659,613
Net income from discontinued operations						101,593
Net income						9,761,206
Non-controlling interests						79,726
Net income for the year attributable to equity holders of the Parent Company						₱9,681,480
Other segment information						
Capital expenditures	₱1,134,511	₱2,327	₱35,242	₱421,317	₱–	₱1,593,397
Unallocated capital expenditure						1,040,436
Total capital expenditure						₱2,633,833
Depreciation and amortization	₱1,201,558	₱138,114	₱1,850	₱586,515	₱–	₱1,928,037
Unallocated depreciation and amortization						867,185
Total depreciation and amortization						₱2,795,222
Provision for (reversal of) impairment, credit and other losses	₱1,671,154	₱1,289,340	₱–	(₱50,312)	₱–	₱2,910,182

	2018 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,287,627	₱21,844,985	₱3,583,152	₱870,455	(₱584,495)	₱27,001,724
Inter-segment	14,775,986	(14,652,247)	(123,739)	–	–	–
Net interest margin after inter-segment transactions	16,063,613	7,192,738	3,459,413	870,455	(584,495)	27,001,724
Other income	2,538,607	8,377,408	485,407	1,535,362	(261,602)	12,675,182
Segment revenue	18,602,220	15,570,146	3,944,820	2,405,817	(846,097)	39,676,906
Other expenses	12,726,476	2,343,403	375,651	1,836,701	(925,897)	16,356,334
Segment result	₱5,875,744	₱13,226,743	₱3,569,169	₱569,116	₱79,800	23,320,572
Unallocated expenses						9,880,786
Income before income tax						13,439,786
Income tax						3,663,744
Net income from continuing operations						9,776,042
Net loss from discontinued operations						(219,972)
Net income						9,556,070
Non-controlling interests						91,048
Net income for the year attributable to equity holders of the Parent Company						₱9,465,022
Other segment information						
Capital expenditures	₱1,241,242	₱2,180	₱268	₱495,658	₱–	₱1,739,348
Unallocated capital expenditure						1,824,707
Total capital expenditure						₱3,564,055
Depreciation and amortization	₱599,118	₱33,299	₱1,192	₱230,306	₱44,873	₱908,788
Unallocated depreciation and amortization						1,042,189
Total depreciation and amortization						₱1,950,977
Provision for (reversal of) impairment, credit and other losses	₱854,341	₱800,926	₱–	₱2,579	₱94,966	₱1,752,812

	As of December 31, 2020					
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱710,168,556**	**₱245,602,089**	**₱188,310,761**	**₱95,801,439**	**(₱16,089,256)**	**₱1,223,793,589**
Unallocated assets						**7,340,210**
Total assets						**₱1,231,133,799**
Segment liabilities	**₱695,809,767**	**₱180,732,406**	**₱125,848,434**	**₱78,210,224**	**(₱12,440,292)**	**₱1,068,160,539**
Unallocated liabilities						**6,990,252**
Total liabilities						**₱1,075,150,791**

** The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	As of December 31, 2019					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	₱700,967,750	₱230,221,786	₱195,813,132	₱81,111,908	(₱71,364,992)	₱1,136,749,584
Unallocated assets						5,541,027
Total assets						₱1,142,290,611
Segment liabilities	₱694,547,248	₱140,490,040	₱190,729,000	₱17,804,392	(₱62,345,117)	₱981,225,563
Unallocated liabilities						6,089,648
Total liabilities						₱987,315,211

**The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in four principal geographical areas of the world. The distribution of assets, liabilities, credit commitments items and revenues by geographic region of the Group follows:

	Non-current Assets*		**Liabilities**		**Capital Expenditures**	
	2020	2019	**2020**	2019	**2020**	2019
Philippines	**₱510,574,534**	₱540,234,814	**₱1,037,677,448**	₱950,248,431	**₱1,511,914**	₱2,625,086
Asia (excluding Philippines)	**11,632,923**	13,031,999	**35,588,190**	34,243,417	**1,726**	2,634
USA and Canada	**107,862,854**	120,835,377	**1,793,735**	2,349,279	**1,079**	3,721
United Kingdom	**1,096,326**	1,228,180	**91,418**	474,084	–	2,392
	₱631,166,637	₱675,330,370	**₱1,075,150,791**	₱987,315,211	**₱1,514,719**	₱2,633,833

** Gross of allowance for impairment and credit losses (Note 16), unearned and other deferred income (Note 10), and accumulated amortization and depreciation (Notes 11, 13, and 14)*

	Credit Commitments		**External Revenues**		
	2020	2019	**2020**	2019 (As restated – Note 36)	2018 (As restated – Note 36)
Philippines	**₱44,036,152**	**₱39,456,355**	**₱56,246,850**	₱57,459,013	₱46,588,071
Asia (excluding Philippines)	**90,715**	–	**867,185**	1,614,370	1,290,100
USA and Canada	–	–	**348,775**	717,489	684,794
United Kingdom	–	–	**202,787**	129,534	124,861
	₱44,126,867	**₱39,456,355**	**₱57,665,597**	₱59,920,406	₱48,687,826

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

The areas of operations include all the primary business segments.

7. Due from Bangko Sentral ng Pilipinas

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Demand deposit (Note 17)	**₱80,029,356**	₱92,181,801	**₱80,029,356**	₱90,394,597
Term deposit facility (TDF)	**122,100,000**	13,800,000	**122,100,000**	11,407,000
	₱202,129,356	₱105,981,801	**₱202,129,356**	₱101,801,597

TDFs bear annual interest rates ranging from to 1.62% to 3.80% in 2020, from 3.50% to 5.23% in 2019 and 3.22% to 5.24% in 2018.

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

Interbank Loans Receivables
Interbank loans receivables of the Group and the Parent Company bear interest ranging from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Peso-denominated	**0.0% - 3.7%**	N/A	3.0% - 3.1%	**0.0% - 3.7%**	N/A	3.0% - 3.1%
Foreign currency-denominated	**0.0% - 2.2%**	0.0% - 5.0%	0.0% - 5.0%	**0.0% - 2.2%**	0.0% - 5.0%	0.0% - 5.0%

The amount of the Group's and the Parent Company's interbank loans receivable considered as cash and cash equivalents follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Interbank loans receivable	**₱39,703,864**	₱24,838,535	**₱37,861,553**	₱23,804,312
Less: Allowance for credit losses (Note 16)	**2,883**	6,719	**2,883**	1,293
	39,700,981	24,831,816	**37,858,670**	23,803,019
Less: Interbank loans receivable not considered as cash and cash equivalents	**761,409**	1,888,287	**394,166**	1,528,713
	₱38,939,572	₱22,943,529	**₱37,464,504**	₱22,274,306

Securities Held under Agreements to Resell
Securities held under agreements to resell bear interest ranging from 2.00% to 3.25%, from 4.00% to 4.75%, and from 3.00% to 4.75% in 2020, 2019 and 2018, respectively. As of December 31, 2020 and 2019, allowance for credit losses on securities held under agreements to resell amounted to nil and ₱1.9 million, respectively.

The fair value of the treasury bills pledged under these agreements as of December 31, 2020 and 2019 amounted to ₱16.5 billion and ₱2.5 billion, respectively, for the Group, and ₱16.5 billion and ₱1.1 billion, respectively, for the Parent Company (Note 35).

In 2020, 2019 and 2018, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱244.0 million, ₱668.2 million, and ₱379.4 million, respectively, for the Group and ₱186.2 million, ₱568.1 million, and ₱350.8 million, respectively, for the Parent Company.

9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial assets at FVTPL	**₱23,825,708**	₱13,468,985	**₱21,947,640**	₱11,169,656
Financial assets at FVOCI	**133,715,352**	123,140,840	**133,263,758**	118,896,564
Investment securities at amortized cost	**95,235,993**	100,464,757	**95,115,642**	99,203,909
	₱252,777,053	₱237,074,582	**₱250,327,040**	₱229,270,129

Financial Assets at FVTPL
This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Government securities	**₱18,136,391**	₱8,503,822	**₱18,136,391**	₱8,503,822
Private debt securities	**4,296,100**	3,130,156	**2,433,904**	883,641
Equity securities	**1,019,626**	1,455,435	**1,011,787**	1,409,187
Derivative assets (Notes 23 and 35)	**370,653**	373,040	**365,558**	373,006
Investment in UITFs	**2,938**	6,532	**–**	–
	₱23,825,708	₱13,468,985	**₱21,947,640**	₱11,169,656

The effective interest rates of debt securities at FVTPL range from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Government securities	**2.6% - 8.0%**	2.8% - 9.5%	2.8% - 8.4%	2.6% - 8.0%	2.8% - 9.5%	2.8% - 8.4%
Private debt securities	**4.9% - 7.0%**	5.5% - 7.4%	3.0% - 7.5%	4.9% - 7.0%	5.5% - 7.4%	3.0% - 7.5%

Financial Assets at FVOCI
This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Government securities (Note 19)	**₱110,846,766**	₱91,049,715	**₱110,935,025**	₱90,420,191
Private debt securities (Note 19)	**21,418,534**	30,390,002	**21,418,534**	27,482,292
Equity securities				
Quoted	**707,358**	1,071,534	**588,188**	596,148
Unquoted	**742,694**	629,589	**322,011**	397,933
	₱133,715,352	₱123,140,840	**₱133,263,758**	₱118,896,564

The nominal interest rates of debt securities at FVOCI range from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Government securities	**0.2% - 18.3%**	0.2% - 18.3%	1.8% - 18.3%	**0.2% - 18.3%**	0.2% - 18.3%	1.8% - 18.3%
Private debt securities	**2.0% - 6.9%**	3.5% - 6.9%	2.6% - 7.4%	**2.0% - 6.9%**	3.5% - 6.9%	2.6% - 7.4%

As of December 31, 2020 and 2019, the fair value of financial assets at FVOCI in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions amounted to ₱44.6 billion and ₱8.2 billion, respectively (Note 19). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the foreign banks have the right to hold the securities and sell them as settlement of the repurchase agreement.

The movements in 'Net unrealized gain (loss) on financial assets at FVOCI' of the Group and the Parent Company are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at the beginning of the year	**₱3,250,651**	(₱3,196,936)	**₱3,250,651**	(₱3,196,936)
Changes in fair values:				
Debt securities	**1,872,952**	5,202,946	**1,815,304**	5,257,015
Equity securities	**(251,071)**	583,286	**(83,882)**	349,881
Expected credit losses (Note 16)	**19,163**	5,290	**15,760**	5,290
Realized losses (gains)	**(2,455,264)**	281,340	**(2,454,697)**	317,609
Share in net unrealized gains of subsidiaries and an associate (Note 12)	**662,951**	447,169	**556,246**	590,236
Effect of disposal group classified as held-for-sale (Note 36)	**(29,209)**	–	**(29,209)**	–
	3,070,173	3,323,095	**3,070,173**	3,323,095
Income tax effect (Note 30)	**(15,770)**	(72,444)	**(15,770)**	(72,444)
	₱3,054,403	₱3,250,651	**₱3,054,403**	₱3,250,651

As of December 31, 2020 and 2019, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on financial assets at FVOCI') amounted to ₱67.4 million and ₱51.6 million, respectively, for the Group and the Parent Company (Note 16). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.

Investment Securities at Amortized Cost
This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Government securities (Notes 19 and 32)	**₱42,713,634**	₱55,594,860	**₱42,593,283**	₱54,509,768
Private debt securities	**56,504,757**	48,655,093	**56,504,757**	48,422,384
	99,218,391	104,249,953	**99,098,040**	102,932,152
Less allowance for credit losses (Note 16)	**3,982,398**	3,785,196	**3,982,398**	3,728,243
	₱95,235,993	₱100,464,757	**₱95,115,642**	₱99,203,909

The effective interest rates of investment securities at amortized cost range from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Government securities	**0.1% - 7.8%**	0.5% - 7.6%	1.1% - 7.5%	**0.1% - 7.8%**	0.5% - 7.6%	1.1% - 7.5%
Private debt securities	**0.3% - 8.3%**	0.3% - 8.3%	0.6% - 8.3%	**0.3% - 8.3%**	0.3% - 8.3%	0.6% - 8.3%

In 2020 and 2019, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which remained in Stage 1.

On various dates in April 2019, the Parent Company sold a portion of its investment securities at amortized cost with a carrying value of ₱29.5 million and corresponding gain of ₱0.2 million as part of its risk management policies.

As of December 31, 2020 and 2019, the carrying value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱26.1 billion and ₱21.0 billion, respectively (Note 19).

Interest Income on Investment Securities at Amortized Cost and FVOCI
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Financial assets at FVOCI	**₱2,746,517**	₱4,221,698	₱2,219,013	**₱2,699,477**	₱4,076,597	₱2,189,159
Investment securities at amortized cost	**3,750,255**	4,515,879	2,315,284	**3,748,623**	4,472,466	2,313,172
	6,496,772	8,737,577	4,534,297	**6,448,100**	8,549,063	4,502,331
Discontinued operations (Note 36):						
Financial assets at FVOCI	**38,256**	67,708	60,477	**–**	–	–
Investment securities at amortized cost	**43,478**	–	–	**–**	–	–
	81,734	67,708	60,477	**–**	–	–
	₱6,578,506	₱8,805,285	₱4,594,774	**₱6,448,100**	₱8,549,063	₱4,502,331

Trading and Investment Securities Gains - net
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Financial assets at FVTPL						
Government securities	**₱395,156**	₱1,199,840	(₱7,668)	**₱395,156**	₱1,199,934	(₱7,616)
Private debt securities	**561,385**	122,502	(13,732)	**673,706**	102,524	(13,782)
Equity securities	**(71,677)**	36,694	4,028	**(64,507)**	35,827	11,013
Derivatives (Note 23)	**(2,532)**	(3,733)	161	**(2,532)**	(3,733)	161
Investment in UITFs	**43**	209	–	**–**	–	–
Financial assets at FVOCI						
Government securities	**2,031,425**	(317,244)	132,670	**2,031,425**	(317,609)	132,670
Private debt securities	**423,839**	35,904	35,232	**423,272**	–	35,232
Investment securities at amortized cost	**1**	212	–	**1**	212	–
	3,337,640	1,074,384	150,691	**3,456,521**	1,017,155	157,678
Discontinued operations (Note 36):						
Financial assets at FVTPL						
Government securities	**–**	94	(4,228)	**–**	–	–
Investment in UITFs	**–**	–	52	**–**	–	–
Financial assets at FVOCI						
Government securities	**8,829**	–	–	**–**	–	–
Investment securities at amortized cost	**294**	–	–	**–**	–	–
	9,123	94	(4,176)	**–**	–	–
	₱3,346,763	₱1,074,478	₱146,515	**₱3,456,521**	₱1,017,155	₱157,678

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Receivables from customers:				
Loans and discounts	**₱587,478,355**	₱620,389,633	**₱576,156,244**	₱556,791,901
Credit card receivables	**12,530,569**	15,869,946	**12,530,569**	15,869,946
Customers' liabilities on letters of credit and trust receipts	**7,675,028**	7,492,970	**7,548,855**	7,345,029
Customers' liabilities on acceptances (Note 19)	**3,560,917**	2,692,334	**3,560,917**	2,692,334
Lease contracts receivable (Note 29)	**3,000,395**	3,079,713	**5,876**	7,150
Bills purchased (Note 22)	**1,815,653**	1,945,838	**1,583,648**	1,377,849
	616,060,917	651,470,434	**601,386,109**	584,084,209

(Forward)

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Less unearned and other deferred income	**₱1,464,726**	₱451,191	**₱1,132,928**	₱366,471
	614,596,191	651,019,243	**600,253,181**	583,717,738
Other receivables:				
Accrued interest receivable	**6,636,538**	7,814,819	**6,546,063**	6,372,891
Sales contract receivables (Note 33)	**6,548,300**	7,173,039	**6,497,901**	7,129,811
Accounts receivable	**4,196,666**	9,932,499	**3,835,436**	3,994,064
Miscellaneous	**431,704**	397,385	**1,269,161**	324,176
	17,813,208	25,317,742	**18,148,561**	17,820,942
	632,409,399	676,336,985	**618,401,742**	601,538,680
Less allowance for credit losses (Note 16)	**32,414,651**	18,413,228	**31,499,881**	14,292,784
	₱599,994,748	₱657,923,757	**₱586,901,861**	₱587,245,896

Below is the reconciliation of loans and receivables as to classes:

	Consolidated 2020								
	Corporate Loans	**LGU**	**Credit Cards**	**Retail SMEs**	**Housing Loans**	**Auto Loans**	**Other Loans**	**Other Receivables**	**Total**
Receivables from customers:									
Loans and discounts	**₱513,285,506**	**₱6,422,388**	**₱–**	**₱10,396,965**	**₱25,344,170**	**₱11,199,499**	**₱20,829,827**	**₱–**	**₱587,478,355**
Credit card receivables	–	–	**12,530,569**	–	–	–	–	–	**12,530,569**
Customers' liabilities on letters of credit and trust receipts	**6,806,450**	–	–	**192,544**	–	–	**676,034**	–	**7,675,028**
Customers' liabilities on acceptances (Note 19)	**3,560,917**	–	–	–	–	–	–	–	**3,560,917**
Lease contracts receivable (Note 29)	**950,542**	–	–	**2,043,976**	–	–	**5,877**	–	**3,000,395**
Bills purchased (Note 22)	**1,106,246**	–	–	**37,502**	–	–	**671,905**	–	**1,815,653**
	525,709,661	**6,422,388**	**12,530,569**	**12,670,987**	**25,344,170**	**11,199,499**	**22,183,643**	–	**616,060,917**
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	**6,636,538**	**6,636,538**
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	**6,548,300**	**6,548,300**
Accounts receivable	–	–	–	–	–	–	–	**4,196,666**	**4,196,666**
Miscellaneous	–	–	–	–	–	–	–	**431,704**	**431,704**
	525,709,661	**6,422,388**	**12,530,569**	**12,670,987**	**25,344,170**	**11,199,499**	**22,183,643**	**17,813,208**	**633,874,125**
Less: Unearned and other deferred income	**611,704**	–	–	**232,078**	**231,866**	**111,788**	**257,424**	**19,866**	**1,464,726**
Allowance for credit losses (Note 16)	**19,220,256**	**50,693**	**2,587,668**	**1,808,192**	**2,373,886**	**1,032,804**	**2,054,765**	**3,286,387**	**32,414,651**
	₱505,877,701	**₱6,371,695**	**₱9,942,901**	**₱10,630,717**	**₱22,738,418**	**₱10,054,907**	**₱19,871,454**	**₱14,506,955**	**₱599,994,748**

	Consolidated 2019								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱537,313,169	₱6,799,872	₱–	₱18,585,473	₱33,569,031	₱12,968,684	₱11,153,404	₱–	₱620,389,633
Credit card receivables	–	–	15,869,946	–	–	–	–	–	15,869,946
Customers' liabilities on letters of credit and trust receipts	6,778,112	–	–	176,144	–	–	538,714	–	7,492,970
Lease contracts receivable (Note 29)	553,114	–	–	2,519,449	–	–	7,150	–	3,079,713
Customers' liabilities on acceptances (Note 19)	2,692,334	–	–	–	–	–	–	–	2,692,334
Bills purchased (Note 22)	1,543,935	–	–	86,568	–	–	315,335	–	1,945,838
	548,880,664	6,799,872	15,869,946	21,367,634	33,569,031	12,968,684	12,014,603	–	651,470,434
Other receivables:									
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	7,173,039	7,173,039
Accounts receivable	–	–	–	–	–	–	–	9,932,499	9,932,499
Accrued interest receivable	–	–	–	–	–	–	–	7,814,819	7,814,819
Miscellaneous	–	–	–	–	–	–	–	397,385	397,385
	548,880,664	6,799,872	15,869,946	21,367,634	33,569,031	12,968,684	12,014,603	25,317,742	676,788,176
Less: Unearned and other deferred income	243,249	3,370	–	288,184	464	(136,504)	47,935	4,493	451,191
Allowance for credit losses (Note 16)	8,052,932	67,650	1,605,751	1,482,452	1,551,421	243,843	1,069,187	4,339,992	18,413,228
	₱540,584,483	₱6,728,852	₱14,264,195	₱19,596,998	₱32,017,146	₱12,861,345	₱10,897,481	₱20,973,257	₱657,923,757

	Parent Company 2020								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱506,062,142	₱6,422,388	₱–	₱8,606,447	₱24,719,056	₱11,199,499	₱19,146,712	₱–	₱576,156,244
Credit card receivables	–	–	12,530,569	–	–	–	–	–	12,530,569
Customers' liabilities on letters of credit and trust receipts	6,680,277	–	–	192,544	–	–	676,034	–	7,548,855
Customers' liabilities on acceptances (Note 19)	3,560,917	–	–	–	–	–	–	–	3,560,917
Bills purchased (Note 22)	874,240	–	–	37,502	–	–	671,906	–	1,583,648
Lease contracts receivable (Note 29)	–	–	–	–	–	–	5,876	–	5,876
	517,177,576	6,422,388	12,530,569	8,836,493	24,719,056	11,199,499	20,500,528	–	601,386,109
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	6,546,063	6,546,063
Sales contract receivables	–	–	–	–	–	–	–	6,497,901	6,497,901
Accounts receivable	–	–	–	–	–	–	–	3,835,436	3,835,436
Miscellaneous	–	–	–	–	–	–	–	1,269,161	1,269,161
	517,177,576	6,422,388	12,530,569	8,836,493	24,719,056	11,199,499	20,500,528	18,148,561	619,534,670
Less: Unearned and other deferred income	516,988	–	–	12,826	231,866	111,788	257,424	2,036	1,132,928
Allowance for credit losses (Note 16)	19,027,613	50,693	2,587,668	906,590	2,367,615	1,032,804	2,042,594	3,484,304	31,499,881
	₱497,632,975	₱6,371,695	₱9,942,901	₱7,917,077	₱22,119,575	₱10,054,907	₱18,200,510	₱14,662,221	₱586,901,861

	Parent Company 2019								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱526,781,899	₱6,799,872	₱–	₱12,245,247	₱3,848,232	₱2,635,828	₱4,480,823	₱–	₱556,791,901
Credit card receivables	–	–	15,869,946	–	–	–	–	–	15,869,946
Customers' liabilities on letters of credit and trust receipts	6,630,171	–	–	176,144	–	–	538,714	–	7,345,029
Lease contracts receivable (Note 29)	–	–	–	–	–	–	7,150	–	7,150
Customers' liabilities on acceptances (Note 19)	2,692,334	–	–	–	–	–	–	–	2,692,334
Bills purchased (Note 22)	1,017,433	–	–	45,080	–	–	315,336	–	1,377,849
	537,121,837	6,799,872	15,869,946	12,466,471	3,848,232	2,635,828	5,342,023	–	584,084,209
Other receivables:									
Sales contract receivables	–	–	–	–	–	–	–	7,129,811	7,129,811
Accrued interest receivable	–	–	–	–	–	–	–	6,372,891	6,372,891
Accounts receivable	–	–	–	–	–	–	–	3,994,064	3,994,064
Miscellaneous	–	–	–	–	–	–	–	324,176	324,176
	537,121,837	6,799,872	15,869,946	12,466,471	3,848,232	2,635,828	5,342,023	17,820,942	601,905,151
Less: Unearned and other deferred income	450,530	3,370	–	15,723	464	(136,504)	30,554	2,334	366,471
Allowance for credit losses (Note 16)	7,673,103	67,650	1,605,751	422,389	75,029	62,088	1,401,335	2,985,439	14,292,784
	₱528,998,204	₱6,728,852	₱14,264,195	₱12,028,359	₱3,772,739	₱2,710,244	₱3,910,134	₱14,833,169	₱587,245,896

Lease contract receivables

An analysis of the Group's and the Parent Company's lease contract receivables follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Minimum lease payments				
Due within one year	**₱1,364,058**	₱1,260,542	**₱3,926**	₱3,250
Due beyond one year but not over five years	**906,513**	1,164,893	**1,950**	3,900
Due beyond five years	**31,845**	–	–	–
	2,302,416	2,425,435	**5,876**	7,150
Residual value of leased equipment				
Due within one year	**374,959**	304,898	–	–
Due beyond one year but not over five years	**323,020**	349,380	–	–
	697,979	654,278	–	–
Gross investment in lease contract receivables (Note 29)	**₱3,000,395**	₱3,079,713	**₱5,876**	₱7,150

Interest income

As of December 31, 2020 and 2019, 68.8% and 71.1%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2020 and 2019, 68.7% and 70.2%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% in 2020, from 1.0% to 9.0% in 2019 and from 1.8% to 9.0% in 2018 for foreign currency-denominated receivables, and from 1.1% to 21.0% in 2020, from 2.5% to 19.4% in 2019 and from 1.5% to 13.0% in 2018 for peso-denominated receivables. Sales contract receivables bear fixed interest rates per annum ranging from 3.3% to 21.0% in 2020, 2019 and 2018.

11. Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated 2020							
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Long-term Leasehold Land**	**Construction in-progress**	**Leasehold Improvements**	**Right-of-Use Asset – Bank Premises**	**Total**
Cost								
Balance at beginning of year	**₱11,677,104**	**₱7,026,901**	**₱7,801,970**	**₱570,456**	**₱793,698**	**₱1,510,890**	**₱2,279,267**	**₱31,660,286**
Additions	**–**	**228,386**	**839,396**	**–**	**–**	**163,465**	**122,420**	**1,353,667**
Disposals	**–**	**–**	**(306,808)**	**–**	**–**	**(2,143)**	**–**	**(308,951)**
Transfers/others	**4,436**	**50,777**	**(267,198)**	**(12,250)**	**(343,245)**	**165,412**	**67,053**	**(335,015)**
Effect of disposal group classified as held for sale (Note 36)	**–**	**–**	**(46,270)**	**–**	**–**	**(6,238)**	**(65,833)**	**(118,341)**
Balance at end of year	**11,681,540**	**7,306,064**	**8,021,090**	**558,206**	**450,453**	**1,831,386**	**2,402,907**	**32,251,646**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**–**	**3,210,442**	**4,257,395**	**51,093**	**–**	**1,289,338**	**568,067**	**9,376,335**
Depreciation and amortization	**–**	**339,006**	**586,637**	**5,561**	**–**	**231,862**	**1,159,449**	**2,322,515**
Disposals	**–**	**–**	**(278,069)**	**–**	**–**	**(1,909)**	**–**	**(279,978)**
Transfers/others	**–**	**(10,036)**	**203,287**	**(5,199)**	**–**	**194,362**	**(527,337)**	**(144,923)**
Effect of disposal group classified as held for sale (Note 36)	**–**	**–**	**(40,212)**	**–**	**–**	**(5,817)**	**(23,876)**	**(69,905)**
Balance at end of year	**–**	**3,539,412**	**4,729,038**	**51,455**	**–**	**1,707,836**	**1,176,303**	**11,204,044**
Allowance for Impairment Losses (Note 16)	**543,175**	**625,712**	**–**	**–**	**–**	**–**	**–**	**1,168,887**
Net Book Value at End of Year	**₱11,138,365**	**₱3,140,940**	**₱3,292,052**	**₱506,751**	**₱450,453**	**₱123,550**	**₱1,226,604**	**₱19,878,715**

	Consolidated 2019							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost								
Balance at beginning of year	₱11,467,244	₱6,464,316	₱6,628,516	₱579,324	₱1,206,057	₱1,557,767	₱1,817,349	₱29,720,573
Additions	–	246,704	1,346,830	–	590,403	115,348	461,918	2,761,203
Disposals	(2)	(72,114)	(304,506)	(8,868)	–	(401,390)	–	(786,880)
Transfers/others	209,862	387,995	131,130	–	(1,002,762)	239,165	–	(34,610)
Balance at end of year	11,677,104	7,026,901	7,801,970	570,456	793,698	1,510,890	2,279,267	31,660,286
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,996,722	3,904,873	48,908	–	999,596	–	7,950,099
Depreciation and amortization	–	293,543	1,032,834	5,697	–	219,182	568,067	2,119,323
Disposals	–	(25,373)	(199,214)	(3,512)	–	(387,677)	–	(615,776)
Transfers/others	–	(54,450)	(481,098)	–	–	458,237	–	(77,311)
Balance at end of year	–	3,210,442	4,257,395	51,093	–	1,289,338	568,067	9,376,335
Allowance for Impairment Losses (Note 16)	543,175	571,982	–	–	–	–	–	1,115,157
Net Book Value at End of Year	₱11,133,929	₱3,244,477	₱3,544,575	₱519,363	₱793,698	₱221,552	₱1,711,200	₱21,168,794

	Parent Company 2020						
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Construction in-progress**	**Leasehold Improvements**	**Right-of-Use Asset – Bank Premises**	**Total**
Cost							
Balance at beginning of year	**₱11,473,905**	**₱6,795,026**	**₱5,637,147**	**₱793,697**	**₱1,498,124**	**₱2,032,318**	**₱ 28,230,217**
Additions	**–**	**228,386**	**636,785**	**–**	**162,500**	**122,420**	**1,150,091**
Disposals	**–**	**–**	**(210,854)**	**–**	**–**	**–**	**(210,854)**
Transfers/others	**207,635**	**210,877**	**154,121**	**(343,245)**	**72,695**	**180,751**	**482,834**
Balance at end of year	**11,681,540**	**7,234,289**	**6,217,199**	**450,452**	**1,733,319**	**2,335,489**	**29,652,288**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**–**	**3,152,505**	**3,686,338**	**–**	**990,738**	**488,171**	**8,317,752**
Depreciation and amortization	**–**	**337,780**	**277,477**	**–**	**216,061**	**1,066,601**	**1,897,919**
Disposals	**–**	**–**	**(210,829)**	**–**	**–**	**–**	**(210,829)**
Transfers/others	**–**	**38,996**	**44,900**	**–**	**439,055**	**(451,373)**	**71,578**
Balance at end of year	**–**	**3,529,281**	**3,797,886**	**–**	**1,645,854**	**1,103,399**	**10,076,420**
Allowance for Impairment Losses (Note 16)	**543,175**	**625,712**	**–**	**–**	**–**	**–**	**1,168,887**
Net Book Value at End of Year	**₱11,138,365**	**₱3,079,296**	**₱ 2,419,313**	**₱450,452**	**₱87,465**	**₱1,232,090**	**₱18,406,981**

	Parent Company 2019						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost							
Balance at beginning of year	₱11,264,043	₱6,216,294	₱4,865,627	₱1,206,056	₱1,206,373	₱1,600,161	₱26,358,554
Additions	–	203,869	789,601	590,403	50,795	432,157	2,066,825
Disposals	–	(13,124)	(140,985)	–	(21)	–	(154,130)
Transfers/others	209,862	387,987	122,904	(1,002,762)	240,977	–	(41,032)
Balance at end of year	11,473,905	6,795,026	5,637,147	793,697	1,498,124	2,032,318	28,230,217
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,929,042	3,158,729	–	836,445	–	6,924,216
Depreciation and amortization	–	291,779	675,761	–	161,217	488,171	1,616,928
Disposals	–	(11,408)	(142,459)	–	(21)	–	(153,888)
Transfers/others	–	(56,908)	(5,693)	–	(6,903)	–	(69,504)
Balance at end of year	–	3,152,505	3,686,338	–	990,738	488,171	8,317,752
Allowance for Impairment Losses (Note 16)	543,175	571,982	–	–	–	–	1,115,157
Net Book Value at End of Year	₱10,930,730	₱3,070,539	₱1,950,809	₱793,697	₱507,386	₱1,544,147	₱18,797,308

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱1.5 billion and ₱1.7 billion as of December 31, 2020 and 2019, respectively.

Gain (loss) on disposal of property and equipment in 2020, 2019 and 2018 amounted to ₱7.8 million, (₱9.0 million), and ₱28.4 million, respectively, for the Group and ₱1.3 million, ₱1.0 million and ₱28.4 million, respectively, for the Parent Company (Note 26).

Depreciation and amortization consists of:

	Consolidated			**Parent Company**		
	2020	2019 (As restated – Note 36	2018 (As restated – Note 36	**2020**	2019	2018
Continuing operations:						
Depreciation						
Property and equipment	**₱2,322,515**	₱2,112,689	₱1,279,116	**₱1,897,919**	₱1,616,928	₱967,456
Investment properties (Note 13)	**259,839**	179,619	177,611	**167,536**	120,604	129,615
Chattel mortgage properties	**14,188**	17,024	27,276	–	–	1,330
Amortization of intangible assets (Note 14)	**558,737**	485,890	460,805	**541,814**	469,539	444,311
	3,155,279	2,795,222	1,944,808	**2,607,269**	2,207,071	1,542,712
Discontinued operations (Note 36):						
Property and equipment	**26,761**	6,634	5,569	–	–	–
Intangible assets	**2,101**	2,267	600	–	–	–
	28,862	8,901	6,169	–	–	–
	₱3,184,141	₱2,804,123	₱1,950,977	**₱2,607,269**	₱2,207,071	₱1,542,712

Certain property and equipment of the Parent Company with carrying amount of ₱92.6 million are temporarily idle as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, property and equipment of the Parent Company with gross carrying amount of ₱8.3 billion and ₱5.1 billion are fully depreciated but are still being used.

On September 10, 2020, the Parent Company's BOD approved the plan to realize the market value of certain real estate properties of the Parent Company with a total carrying value of ₱12.6 billion. The Plan aims to reduce its low-earning assets to strengthen its financial position. As part of a series of transactions which will be carried out to meet the objectives of the said plan, on September 25, 2020, the Parent Company's BOD approved the subscription of additional 466,770,000 shares of PNB Holdings Corporation (PNB Holdings) with a par value of ₱100 per share, to be issued out of an increase in the authorized capital stock of PNB Holdings, at a subscription price of ₱100 per share in exchange for the above real estate properties, subject to regulatory approvals.

In relation to the Parent Company's additional equity investment in PNB Holdings, on December 28, 2020, the Monetary Board of the BSP approved the request of the Parent Company for temporary exemption from prudential limits on its equity investments in PNB Holdings, subject to certain conditions. As of December 31, 2020, PNB Holdings has yet to receive regulatory approvals for the increase in authorized capital stock (Note 37).

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership Direct	Percentage of Ownership Indirect
Subsidiaries					
PNB Savings Bank (PNBSB) [(a)]	Banking	Philippines	Php	**100.00**	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	**100.00**	–
PNB Holdings	Holding Company	- do -	Php	**100.00**	–
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	**100.00**	–
PNB General Insurers, Inc. (PNB Gen) [(b)]	Insurance	- do -	Php	**65.75**	–
PNB Corporation – Guam [(c)]	Remittance	USA	USD	**100.00**	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–
PNB Remittance Centers, Inc. (PNB RCI) [(d)]	Remittance	- do -	USD	–	**100.00**
PNB Remittance Co. (Nevada) [(e)]	Remittance	-do-	USD	–	**100.00**
PNB RCI Holding Co. Ltd. (PNB RHCL) [(e)]	Holding Company	- do -	USD	–	**100.00**
PNB Remittance Co. (Canada) [(f)]	Remittance	Canada	CAD	–	**100.00**
PNB Europe PLC	Banking	United Kingdom	GBP	**100.00**	–
Allied Commercial Bank (ACB)	Banking	China	CNY	**99.04**	–
PNB-Mizuho Leasing and Finance Corporation (PMLFC) (formerly PNB-IBJL Leasing and Finance Corporation)	Leasing/Financing	Philippines	Php	**75.00**	–
PNB-Mizuho Equipment Rentals Corporation (formerly PNB-IBJL Equipment Rentals Corporation [(g)]	Rental	- do -	Php	–	**75.00**
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	**100.00**	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	**51.00**	–
ACR Nominees Limited [(h)]	Banking	- do -	HKD	–	**51.00**
Oceanic Holding (BVI) Ltd.	Holding Company	British Virgin Islands	USD	**27.78**	–
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	- do -	Php	**44.00**	–

[(a)] *Pending SEC approval of change in name and conversion to a holding company as of December 31, 2020 (see further discussion below and Note 37)*
[(b)] *34.25% indirect ownership by the Group as of December 31, 2019 through PNB Holdings was disposed in 2020 (see further discussion below); remaining 65.75% direct ownership was reclassified to 'Assets of disposal group classified as held for sale' (see Note 36).*
[(c)] *Ceased operations on June 30, 2012 and license status became dormant thereafter*
[(d)] *Owned through PNB IIC*
[(e)] *Owned through PNB RCI*
[(f)] *Owned through PNB RHCL*
[(g)] *Owned through PMLFC*
[(h)] *Owned through ABCHKL*

The details of this account follow:

	Consolidated 2020	Consolidated 2019	Parent Company 2020	Parent Company 2019
Investment in Subsidiaries				
PNBSB	**₱–**	₱–	**₱10,935,041**	₱10,935,041
ACB	**–**	–	**6,087,520**	6,087,520
PNB IIC	**–**	–	**2,028,202**	2,028,202
PNB Europe PLC	**–**	–	**1,327,393**	1,327,393
ABCHKL	**–**	–	**947,586**	947,586
PNB Capital	**–**	–	**850,000**	850,000
PNB GRF	**–**	–	**753,061**	753,061
PMLFC	**–**	–	**481,943**	481,943
PNB Holdings	**–**	–	**377,876**	377,876
OHBVI	**–**	–	**291,841**	291,841
PNB Securities	**–**	–	**62,351**	62,351
PNB Corporation – Guam	**–**	–	**7,672**	7,672
PNB Gen (Note 36)	**–**	–	**–**	980,000
	–	–	**24,150,486**	25,130,486
Investment in an Associate – APLII	**2,728,089**	2,728,089	**2,728,089**	2,728,089

(Forward)

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	**₱75,674**	₱173,282	**(₱155,888)**	₱189,711
Equity in net earnings (losses) for the year	**88,476**	(97,608)	**95,939**	(345,599)
Effect of disposal group classified as held for sale (Note 36)	**–**	–	**123,582**	–
	164,150	75,674	**63,633**	(155,888)
Accumulated share in:				
Aggregate reserves (losses) on life insurance policies	**(1,038,838)**	12,280	**(1,038,838)**	12,280
Net unrealized gains (losses) on financial assets at FVOCI (Note 9)	**464,105**	(198,846)	**561,453**	5,207
Accumulated translation adjustments	**–**	–	**478,711**	626,755
Remeasurement gain (loss) on retirement plan	**(7,096)**	(11,724)	**73,400**	83,429
Reserves of a disposal group classified as held for sale (Note 36)	**–**	–	**88,616**	–
	(581,829)	(198,290)	**163,342**	727,671
	₱2,310,410	₱2,605,473	**₱27,105,550**	₱28,430,358

As of December 31, 2020 and 2019, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and are not available for dividend declaration.

Investment in PNBSB

On August 29, 2019, the Monetary Board of BSP approved the integration of PNBSB with the Parent Company. The integration is seen to deliver a more efficient banking experience and serve a wider customer base, while granting the customers of PNBSB access to the Parent Company's diverse portfolio of financial solutions. The consumer lending business, previously operated through PNBSB, will also benefit from the Parent Company's ability to efficiently raise low cost of funds.

On March 1, 2020, the integration of PNBSB to the Parent Company took effect through acquisition of the former's assets and assumption of its liabilities in exchange for cash, equivalent to the fair values of the net assets acquired. The integration was accounted for using the pooling of interests method since it involves business combination between entities under common control. Accordingly, the Parent Company recognized the net assets of PNBSB at their carrying values, and the excess of the carrying values of the net assets acquired over the settlement price amounting to ₱390.5 million is accounted for as 'Other equity reserves' in the parent company financial statements.

On March 5, 2020, PNBSB surrendered its banking license to the BSP.

On October 28, 2020, the BOD of PNBSB approved the following amendments to its Amended Articles of Incorporation and Amended By-Laws:

1. Change in the name of the corporation from "PNB Savings Bank" to "Allied Integrated Holdings, Inc." (Note 37)
2. Change in the primary purpose of the corporation from banking to a holding company
3. Change in all references to, and use of, the word "bank" in the Articles of Incorporation and By-Laws to "corporation"
4. Removal of provisions that are related to banking, unless such provision has already been previously amended and approved by the BOD and stockholders of PNBSB
5. Shortening of the corporation's term to December 31, 2022

On December 3, 2020, the Monetary Board of the BSP approved the conversion of PNBSB to a holding company, a non-bank corporation, under the new name as discussed above.

Investment in PNB Gen
On October 9, 2020 and December 11, the respective BODs of PNB Holdings and the Parent Company approved the sale of all their respective shareholdings in PNB Gen to Alliedbankers Insurance Corporation (ABIC), an affiliate, for a total purchase price of ₱1.5 billion (the Purchase Price), subject to regulatory and other necessary approvals.

Under the Sale and Purchase Agreement (SPA), the Purchase Price shall be payable as follows:

- PNB Holdings Purchase Price (₱521.8 million) – payable in full on PNB Holdings Closing Date (i.e., the completion of the purchase of PNB Holdings Shares by ABIC, which shall be December 28, 2020, or such other date subsequently agreed upon by the parties)
- PNB Purchase Price (₱1.0 billion) – payable in three tranches (10%, 45% and 45%) on January 21, March 21, and June 21, 2021, respectively

The SPA also provides for a grant of an exclusive bancassurance arrangement for the non-life insurance business of the Group to ABIC with a minimum guaranteed term of 15 years. As an additional consideration, ABIC shall pay the Group ₱50.0 million on PNB Closing Date (i.e., the completion of the purchase of PNB Shares by ABIC to coincide with the payment of PNB Tranche 3 or such final installment of the PNB Purchase Price), subject to regulatory approvals.

On December 29, 2020, the Insurance Commission approved the above acquisition of ABIC. Accordingly, PNB Holdings closed and completed the sale of its 34.25% shareholdings in PNB Gen, recognizing gain on sale of ₱344.7 million, which is included under 'Equity in net earnings of subsidiaries' in the parent company financial statements, but treated as an equity transaction in the consolidated financial statements as 'Other equity reserves'. The Group also reclassified the assets and liabilities of PNB Gen to 'Assets and liabilities of disposal group classified as held for sale' in the consolidated statement of financial position as of December 31, 2020 (Note 36).

Investments in PMLFC
On March 3 and March 4, 2020, the SEC approved the change in names of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation (collectively, the PNB-Mizuho Group) to PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation, respectively.

Material Non-controlling Interests
Proportion of equity interest held by material NCI follows:

		Equity interest of NCI		Accumulated balances of material NCI		Profit allocated to material NCI	
	Principal Activities	**2020**	2019	**2020**	2019	**2020**	2019
ABCHKL	Banking	**49.00%**	49.00%	**₱1,760,176**	₱1,777,670	**₱81,187**	₱97,409
OHBVI	Holding Company	**72.22%**	72.22%	**928,071**	973,846	**4,667**	2,909
PNB Gen	Insurance	**34.25%**	–	**519,278**	–	–	–

The following table presents financial information of ABCHKL as of December 31, 2020 and 2019:

	2020	2019
Statement of Financial Position		
Current assets	**₱7,162,167**	₱10,391,232
Non-current assets	**3,180,314**	1,001,907
Current liabilities	**5,924,195**	7,607,263
Non-current liabilities	**826,090**	157,978

	2020	2019
Statement of Comprehensive Income		
Revenues	**₱406,294**	₱467,860
Expenses	**240,606**	269,067
Net income	**165,688**	198,793
Total comprehensive income	**3,915**	89,669
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**(142,489)**	222,734
Net cash used in investing activities	**(782)**	(245)
Net cash used in financing activities	**(6,411)**	(6,730)

The following table presents financial information of OHBVI as of December 31, 2020 and 2019:

	2020	2019
Statement of Financial Position		
Current assets	**₱1,285,061**	₱1,348,444
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive	**6,463**	4,028
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**(63,383)**	(47,717)

The Parent Company determined that it controls OHBVI through its combined voting rights of 70.56% which arises from its direct ownership of 27.78% and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement.

Investment in APLII

On June 6, 2016, the Parent Company entered into agreements with Allianz SE (Allianz), a German company engaged in insurance and asset management, for the sale of the 51.00% interest in PNB Life Insurance, Inc. (PNB Life) for a total consideration of USD66.0 million to form a new joint venture company named "Allianz-PNB Life Insurance, Inc."; and a 15-year exclusive distribution access to the branch network of the Parent Company and PNBSB (Exclusive Distribution Rights or EDR).

The purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in PNB Life and the EDR amounting to USD44.9 million (₱2.1 billion) and USD21.1 million (₱1.0 billion), respectively. The consideration allocated to the EDR was recognized as 'Deferred revenue - Bancassurance' (Note 22) and is amortized to income over 15 years from date of sale. The Parent Company also receives variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

Summarized financial information of APLII as of December 31, 2020 and 2019 follows:

	2020	2019
Current assets	**₱1,697,490**	₱1,691,686
Noncurrent assets	**50,584,277**	35,405,488
Total assets	**52,281,767**	37,097,174
Current liabilities	**2,636,733**	1,551,241
Noncurrent liabilities	**47,905,927**	33,753,969
Total liabilities	**50,542,660**	35,305,210

(Forward)

	2020	2019
Net assets	**₱1,739,107**	₱2,257,365
Percentage of ownership of the Group	**44%**	44%
Share in the net assets of the associate	**₱765,207**	₱993,241

The difference between the share in the net assets of APLII and the carrying value of the investments represents premium on acquisition/retained interest.

Summarized statement of comprehensive income of APLII in 2020 and 2019 follows:

	2020	2019
Revenues	**₱3,132,745**	₱3,721,320
Costs and expenses	**2,846,825**	3,881,720
Net income (loss)	**285,920**	(160,400)
Other comprehensive income	**297,095**	297,095
Total comprehensive income	**₱583,015**	₱136,695
Group's share in comprehensive income for the year	**₱256,527**	₱60,145

Dissolved Subsidiaries
On April 3, 2018, the Parent Company received liquidating dividends amounting to ₱84.0 million from the dissolution of Allied Leasing and Finance Corporation, a 57.21% owned subsidiary. On January 16, 2019, the State of Nevada approved the dissolution of PNB Remittance Co. (Nevada), a wholly-owned indirect subsidiary.

Significant Restrictions
The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

13. Investment Properties

This account consists of real properties as follow:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Foreclosed or acquired in settlement of loans	**₱10,046,604**	₱10,591,598	**₱9,522,646**	₱9,925,490
Held for lease	**4,399,152**	4,452,228	**4,399,152**	4,750,897
Total	**₱14,445,756**	₱15,043,826	**₱13,921,798**	₱14,676,387

The composition of and movements in this account follow:

		Consolidated	
		2020	
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱14,849,087**	**₱4,377,277**	**₱19,226,364**
Additions	**44,736**	**41,957**	**86,693**
Disposals	**(10,827)**	**(12,341)**	**(23,168)**
Transfers/others	**(42,628)**	**(52,155)**	**(94,783)**
Balance at end of year	**14,840,368**	**4,354,738**	**19,195,106**
(Forward)			

	Consolidated 2020		
	Land	**Buildings and Improvements**	**Total**
Accumulated Depreciation			
Balance at beginning of year	**₱–**	**₱2,033,630**	**₱2,033,630**
Depreciation (Note 11)	**–**	**259,839**	**259,839**
Disposals	**–**	**(8,075)**	**(8,075)**
Transfers/others	**–**	**(119,714)**	**(119,714)**
Balance at end of year	**–**	**2,165,680**	**2,165,680**
Allowance for Impairment Losses (Note 16)	**2,351,499**	**232,171**	**2,583,670**
Net Book Value at End of Year	**₱12,488,869**	**₱1,956,887**	**₱14,445,756**

	Consolidated 2019		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,326,994	₱4,278,472	₱18,605,466
Additions	841,422	126,189	967,611
Disposals	(30,663)	(41,195)	(71,858)
Transfers/others	(288,666)	13,811	(274,855)
Balance at end of year	14,849,087	4,377,277	19,226,364
Accumulated Depreciation			
Balance at beginning of year	–	1,833,237	1,833,237
Depreciation (Note 11)	–	179,619	179,619
Disposals	–	(49,833)	(49,833)
Transfers/others	–	70,607	70,607
Balance at end of year	–	2,033,630	2,033,630
Allowance for Impairment Losses (Note 16)	1,931,266	217,642	2,148,908
Net Book Value at End of Year	₱12,917,821	₱2,126,005	₱15,043,826

	Parent Company 2020		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱14,478,418**	**₱4,344,378**	**₱18,822,796**
Additions	**51,053**	**26,973**	**78,026**
Disposals	**(10,827)**	**(12,341)**	**(23,168)**
Transfers/others	**(196,394)**	**(143,239)**	**(339,633)**
Balance at end of year	**14,322,250**	**4,215,771**	**18,538,021**
Accumulated Depreciation			
Balance at beginning of year	**–**	**1,992,096**	**1,992,096**
Depreciation (Note 11)	**–**	**167,536**	**167,536**
Disposals	**–**	**(8,075)**	**(8,075)**
Transfers/others	**–**	**(108,866)**	**(108,866)**
Balance at end of year	**–**	**2,042,691**	**2,042,691**
Allowance for Impairment Losses (Note 16)	**2,350,787**	**222,745**	**2,573,532**
Net Book Value at End of Year	**₱11,971,463**	**₱1,950,335**	**₱13,921,798**

	Parent Company		
	2019		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱13,992,505	₱4,242,719	₱18,235,224
Additions	795,390	90,282	885,672
Disposals	(30,663)	(3,936)	(34,599)
Transfers/others	(278,814)	15,313	(263,501)
Balance at end of year	14,478,418	4,344,378	18,822,796
Accumulated Depreciation			
Balance at beginning of year	–	1,801,399	1,801,399
Depreciation (Note 11)	–	120,604	120,604
Disposals	–	(3,080)	(3,080)
Transfers/others	–	73,173	73,173
Balance at end of year	–	1,992,096	1,992,096
Allowance for Impairment Losses (Note 16)	1,929,130	225,183	2,154,313
Net Book Value at End of Year	₱12,549,288	₱2,127,099	₱14,676,387

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱181.2 million and ₱455.6 million, as of December 31, 2020 and 2019, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties.

The total recoverable value of certain investment properties of the Group that were impaired amounted to ₱4.2 billion and ₱4.7 billion as of December 31, 2020 and 2019, respectively. For the Parent Company, the total recoverable value of certain investment properties that were impaired amounted to ₱4.2 billion and ₱4.6 billion as of December 31, 2020 and 2019, respectively.

For the Group, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses', amounted to ₱6.0 million, ₱12.3 million and ₱58.6 million in 2020, 2019, and 2018, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses', amounted to ₱204.6 million, ₱190.7 million and ₱271.4 million in 2020, 2019, and 2018, respectively.

For the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses', amounted to ₱6.0 million, ₱12.3 million and ₱58.6 million in 2020, 2019 and 2018, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses ', amounted to ₱204.6 million, ₱190.7 million and ₱271.4 million in 2020, 2019, and 2018, respectively.

14. **Goodwill and Intangible Assets**

These accounts consist of:

	Consolidated				
	2020				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱3,918,769**	**₱6,208,501**	**₱13,375,407**
Additions	**–**	**–**	**283,472**	**283,472**	**–**
Others	**–**	**–**	**(47,517)**	**(47,517)**	**–**
Effect of disposal group classified as held for sale (Note 36)	**–**	**–**	**(20,321)**	**(20,321)**	**–**
Balance at end of year	**1,897,789**	**391,943**	**4,134,403**	**6,424,135**	**13,375,407**
Accumulated Amortization					
Balance at beginning of year	**1,308,420**	**391,943**	**1,666,149**	**3,366,512**	**–**
Amortization (Note 11)	**189,779**	**–**	**368,958**	**558,737**	**–**
Others	**–**	**–**	**2,060**	**2,060**	**–**
Effect of disposal group classified as held for sale (Note 36)	**–**	**–**	**(15,187)**	**(15,187)**	**–**
Balance at end of year	**1,498,199**	**391,943**	**2,021,980**	**3,912,122**	**–**
Net Book Value at End of Year	**₱399,590**	**₱–**	**₱2,112,423**	**₱2,512,013**	**₱13,375,407**

	Consolidated				
	2019				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱3,581,616	₱5,871,348	₱13,375,407
Additions	–	–	334,548	334,548	–
Others	–	–	2,605	2,605	–
Balance at end of year	1,897,789	391,943	3,918,769	6,208,501	13,375,407
Accumulated Amortization					
Balance at beginning of year	1,118,641	391,943	1,327,401	2,837,985	–
Amortization (Note 11)	189,779	–	298,378	488,157	–
Others	–	–	40,370	40,370	–
Balance at end of year	1,308,420	391,943	1,666,149	3,366,512	–
Net Book Value at End of Year	₱589,369	₱–	₱2,252,620	₱2,841,989	₱13,375,407

	Parent Company				
	2020				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱4,886,120**	**₱7,175,852**	**₱13,515,765**
Additions	**–**	**–**	**268,768**	**268,768**	**–**
Others	**–**	**–**	**12,643**	**12,643**	**–**
Balance at end of year	**1,897,789**	**391,943**	**5,167,531**	**7,457,263**	**13,515,765**
Accumulated Amortization					
Balance at beginning of year	**1,308,420**	**391,943**	**2,776,335**	**4,476,698**	**–**
Amortization (Note 11)	**189,779**	**–**	**352,035**	**541,814**	**–**
Others	**–**	**–**	**91**	**91**	**–**
Balance at end of year	**1,498,199**	**391,943**	**3,128,461**	**5,018,603**	**–**
Net Book Value at End of Year	**₱399,590**	**₱–**	**₱2,039,070**	**₱2,438,660**	**₱13,515,765**

	Parent Company				
	2019				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,556,717	₱6,846,449	₱13,515,765
Additions	–	–	331,543	331,543	–
Others	–	–	(2,140)	(2,140)	–
Balance at end of year	1,897,789	391,943	4,886,120	7,175,852	13,515,765
Accumulated Amortization					
Balance at beginning of year	1,118,641	391,943	2,456,012	3,966,596	–
Amortization (Note 11)	189,779	–	279,760	469,539	–
Others	–	–	40,563	40,563	–
Balance at end of year	1,308,420	391,943	2,776,335	4,476,698	–
Net Book Value at End of Year	₱589,369	₱–	₱2,109,785	₱2,699,154	₱13,515,765

CDI and CRI

CDI and CRI are the intangible assets acquired through the merger of the Parent Company with Allied Banking Corporation (ABC). CDI includes the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertains to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments. CDI is allocated to Retail Banking CGU while CRI is allocated to Corporate Banking CGU. CDI and CRI are assessed for impairment where indicator(s) of objective evidence of impairment has been identified.

Software cost

Software cost as of December 31, 2020 and 2019 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's new core banking system.

Goodwill

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the NCI in the acquiree at proportionate share of identifiable assets and liabilities. The business combination resulted in the recognition of goodwill amounting to ₱13.4 billion, allocated to the three CGUs which are also reportable segments:

Retail Banking	**₱6,110,312**
Corporate Banking	**4,190,365**
Global Banking and Market	**3,074,730**
	₱13,375,407

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment test is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount allocated to the CGU. The recoverable amount is the higher of a CGU's fair value less costs to sell and its value in use. As of December 31, 2020, the goodwill impairment test did not result in an impairment loss of goodwill of the CGUs as the recoverable amount for these CGUs were higher than their respective carrying amount.

The recoverable amounts of the CGUs have been determined on the basis of value in use calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2020			2019		
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	Retail Banking	Corporate Banking	Global Banking and Market
Pre-tax discount rate	**10.83%**	**10.83%**	**6.95%**	10.29%	10.29%	6.37%
Projected growth rate	**5.00%**	**5.00%**	**5.00%**	4.32%	4.32%	4.32%

The calculation of value in use is most sensitive to interest margin, discount rates, projected growth rates used to extrapolate cash flows beyond the budget period, and projected local gross domestic product applied as long-term growth rate.

The discount rate applied have been determined based on cost of equity for Retail and Corporate Banking segments and weighted average cost of capital for Global Banking and Market segment. The cost of equity was derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor, all of which were obtained from external sources of information.

15. Other Assets

This account consists of:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Financial				
Return checks and other cash items	**₱78,589**	₱58,678	**₱78,589**	₱56,469
Security deposits	**13,080**	44,132	**–**	–
Checks for clearing	**4,904**	7,079	**4,904**	7,079
Receivable from special purpose vehicle (SPV)	**500**	500	**500**	500
Miscellaneous	**2,836**	10,298	**2,280**	9,260
	99,909	120,687	**86,273**	73,308
Non-financial				
Creditable withholding taxes	**2,397,473**	4,103,986	**2,144,781**	3,660,735
Deferred charges	**1,095,022**	743,727	**989,748**	639,625
Documentary stamps on hand	**988,610**	464,616	**986,410**	464,616
Real estate inventories held under development (Note 33)	**638,875**	728,752	**638,875**	728,752
Prepaid expenses	**491,796**	567,137	**431,722**	430,805
Chattel mortgage properties - net of depreciation	**115,356**	168,661	**111,817**	32,401
Input value added tax	**104,096**	101,138	**–**	–
Stationeries and supplies	**81,337**	86,843	**80,924**	85,997
Other investments	**28,617**	21,033	**25,397**	17,652
Deferred reinsurance premiums (Note 36)	**–**	1,135,113	**–**	–
Miscellaneous (Note 28)	**1,337,715**	901,953	**492,000**	247,224
	7,278,897	9,022,959	**5,901,674**	6,307,807
	7,378,806	9,143,646	**5,987,947**	6,381,115
Less allowance for credit and impairment losses (Note 16)	**1,040,596**	1,058,123	**1,040,213**	1,028,352
	₱6,338,210	₱8,085,523	**₱4,947,734**	₱5,352,763

Deferred charges
This account includes the share of the Group in the cost of transportation equipment acquired under the Group's car plan which shall be amortized monthly.

Real estate inventories held under development
This represents parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

Prepaid expenses
This represents expense prepayments expected to benefit the Group for a future period not exceeding one year, such as insurance premiums and taxes.

Chattel mortgage properties
As of December 31, 2020 and 2019, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱140.1 million and ₱94.5 million, respectively. As of December 31, 2020 and 2019, accumulated depreciation on chattel mortgage properties acquired by the Parent Company in settlement of loans amounted to ₱130.3 million and ₱57.9 million, respectively. As of December 31, 2020 and 2019, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱0.9 million .

Deferred reinsurance premiums
The deferred reinsurance premiums of the Group refer to portion of reinsurance premiums ceded that are unexpired as of December 31, 2020 and 2019.

Receivable from SPV
This represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, Opal Portfolio Investing, Inc. (an SPV), relative to the sale of certain non-performing assets of the Group.

Miscellaneous
Other financial assets include revolving fund, petty cash fund and miscellaneous cash and other cash items. Other nonfinancial assets include postages, refundable deposits, notes taken for interest and sundry debits.

16. **Allowance for Impairment and Credit Losses**

Provision for Impairment, Credit and Other Losses
This account consists of:

	Consolidated			**Parent Company**		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36	**2020**	2019	2018
Continuing operations:						
Provision for credit losses	**₱16,054,991**	₱2,481,965	₱1,811,312	**₱15,723,927**	₱1,648,491	₱1,472,663
Provision for (reversal of) impairment	**827,630**	500,253	(71,135)	**810,408**	(55,272)	(71,135)
Reversal of other losses	–	(72,036)	–	–	–	–
	16,882,621	2,910,182	1,740,177	**16,534,335**	1,593,219	1,401,528
Discontinued operations (Note 36):						
Provision for (reversal of) credit losses	**29,781**	(324)	12,635	–	–	–
	₱16,912,402	₱2,909,858	₱1,752,812	**₱16,534,335**	₱1,593,219	₱1,401,528

Changes in the allowance for impairment and credit losses on financial assets follow:

	Consolidated							
	2020							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱1,912	₱3,359	₱6,719	₱51,639	₱3,785,196	₱18,413,228	₱500	₱22,262,553
Provisions:								
Continuing operations	–	6,338	1,610	19,163	197,405	15,830,475	–	16,054,991
Discontinued operation	–	–	–	–	28	30,280	–	30,308
Accounts charged-off	–	–	–	–	–	(749,829)	–	(749,829)
Transfers and others	(1,912)	201	(5,446)	(3,403)	(203)	(849,334)	–	(860,097)
Effect of discontinued operations	–	–	–	–	(28)	(260,168)	–	(260,196)
Balance at end of year	₱–	₱9,898	₱2,883	₱67,399	₱3,982,398	₱32,414,652	₱500	₱36,477,730

	Consolidated							
	2019							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱–	₱–	₱–	₱46,349	₱3,769,264	₱15,267,577	₱500	₱19,083,690
Provisions	1,912	3,359	6,719	5,290	15,932	2,448,429	–	2,481,641
Accounts charged-off	–	–	–	–	–	(577,613)	–	(577,613)
Transfers and others	–	–	–	–	–	1,274,835	–	1,274,835
Balance at end of year	₱1,912	₱3,359	₱6,719	₱51,639	₱3,785,196	₱18,413,228	₱500	₱22,262,553

	Parent Company						
	2020						
	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱3,359	₱1,293	₱51,639	₱3,728,243	₱14,292,784	₱500	₱18,077,818
Provisions	6,334	1,610	15,760	197,405	15,502,818	–	15,723,927
Accounts charged-off	–	–	–	–	(749,829)	–	(749,829)
Transfers and others	180	(20)	–	56,750	2,454,108	–	2,511,018
Balance at end of year	₱9,873	₱2,883	₱67,399	₱3,982,398	₱31,499,881	₱500	₱35,562,934

	Parent Company						
	2019						
	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱–	₱–	₱46,349	₱3,769,264	₱12,625,582	₱500	₱16,441,695
Provisions (reversals)	3,359	1,293	5,290	(41,021)	1,679,570	–	1,648,491
Accounts charged-off	–	–	–	–	(479,032)	–	(479,032)
Transfers and others	–	–	–	–	466,664	–	466,664
Balance at end of year	₱3,359	₱1,293	₱51,639	₱3,728,243	₱14,292,784	₱500	₱18,077,818

Movements in the allowance for impairment losses on nonfinancial assets follow:

	Consolidated							
	2020				2019			
	Property and Equipment	Investment Properties	Other Assets	Total	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	₱1,115,157	₱2,148,908	₱1,057,623	₱4,321,688	₱228,486	₱3,283,363	₱1,178,105	₱4,689,954
Provisions:								
Continuing operations	–	423,952	403,678	827,630	–	500,253	–	500,253
Discontinued operation	–	–	(527)	(527)				
Disposals	–	–	–	–	–	(1,924)	(333)	(2,257)
Transfers and others	53,730	10,810	(391,085)	(326,545)	886,671	(1,632,784)	(120,149)	(866,262)
Effect of discontinued operations	–	–	(29,593)	(29,593)	–	–	–	–
Balance at end of year	₱1,168,887	₱2,583,670	₱1,040,096	₱4,792,653	₱1,115,157	₱2,148,908	₱1,057,623	₱4,321,688

	Parent Company							
	2020				2019			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,115,157**	**₱2,154,313**	**₱1,027,852**	**₱4,297,322**	₱228,034	₱3,284,467	₱1,178,055	₱4,690,556
Provisions (reversals)	**–**	**419,219**	**391,189**	**810,408**	–	(55,272)	–	(55,272)
Disposals	**–**	**–**	**–**	**–**	–	(1,924)	(9)	(1,933)
Transfers and others	**53,730**	**–**	**(379,328)**	**(325,598)**	887,123	(1,072,958)	(150,194)	(336,029)
Balance at end of year	**₱1,168,887**	**₱2,573,532**	**₱1,039,713**	**₱4,782,132**	₱1,115,157	₱2,154,313	₱1,027,852	₱4,297,322

The reconciliation of allowance for the receivables from customers are shown below.

	Consolidated							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱1,351,699**	**₱862,403**	**₱5,838,830**	**₱8,052,932**	₱1,295,286	₱36,592	₱3,828,372	₱5,160,250
Newly originated assets which remained in Stage 1 at yearend	**248,412**	**–**	**–**	**248,412**	858,446	–	–	858,446
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**311,136**	**255,094**	**566,230**	–	602,760	2,185,515	2,788,275
Transfers to Stage 1	**127,422**	**(104,193)**	**(23,229)**	**–**	6,465	(5,342)	(1,123)	–
Transfers to Stage 2	**(49,891)**	**74,188**	**(24,297)**	**–**	(18,613)	45,272	(26,659)	–
Transfers to Stage 3	**(201,545)**	**(65,790)**	**267,335**	**–**	(8,691)	(2,070)	10,761	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(97,153)	(97,153)
Provisions (reversals)	**(741,893)**	**(77,013)**	**12,041,160**	**11,222,254**	(12,038)	30,755	101,466	120,183
Effect of collections and other movements	**(296,571)**	**(310,249)**	**(262,752)**	**(869,572)**	(769,156)	154,436	(162,349)	(777,069)
Ending Balance	**437,633**	**690,482**	**18,092,141**	**19,220,256**	1,351,699	862,403	5,838,830	8,052,932
LGU								
Beginning Balance	**30,089**	**11,092**	**26,469**	**67,650**	41,515	4,190	24,915	70,620
Newly originated assets which remained in Stage 1 at yearend	**2,399**	**–**	**–**	**2,399**	4,480	–	–	4,480
Reversals	**(1,196)**	**(1,226)**	**–**	**(2,422)**	–	–	–	–
Effect of collections and other movements	**(7,252)**	**(8,129)**	**(1,553)**	**(16,934)**	(15,906)	6,902	1,554	(7,450)
Ending Balance	**24,040**	**1,737**	**24,916**	**50,693**	30,089	11,092	26,469	67,650
Credit Cards								
Beginning Balance	**37,867**	**41,397**	**1,526,487**	**1,605,751**	47,670	58,667	969,239	1,075,576
Newly originated assets which remained in Stage 1 at yearend	**4,272**	**–**	**–**	**4,272**	5,432	–	–	5,432
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**3,017**	**33,363**	**36,380**	–	3,930	33,824	37,754
Transfers to Stage 1	**14,459**	**(8,245)**	**(6,214)**	**–**	15,147	(6,325)	(8,822)	–
Transfers to Stage 2	**(631)**	**701**	**(70)**	**–**	(1,004)	1,100	(96)	–
Transfers to Stage 3	**(5,473)**	**(28,914)**	**34,387**	**–**	(2,350)	(19,524)	21,874	–
Accounts charged off	**(1,077)**	**(4,023)**	**(603,693)**	**(608,793)**		–	(328,919)	(328,919)
Provisions	**61,271**	**21,095**	**1,495,684**	**1,578,050**	16,519	19,561	692,661	728,741
Effect of collections and other movements	**(72,464)**	**1,218**	**43,254**	**(27,992)**	(43,547)	(16,012)	146,726	87,167
Ending Balance	**38,224**	**26,246**	**2,523,198**	**2,587,668**	37,867	41,397	1,526,487	1,605,751
Retail SMEs								
Beginning Balance	**377,435**	**73,581**	**1,031,436**	**1,482,452**	199,401	64,134	600,598	864,133
Newly originated assets which remained in Stage 1 at yearend	**2,609**	**–**	**–**	**2,609**	212,530	–	–	212,530
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**1,482**	**171**	**1,653**	–	13,307	55,459	68,766
Transfers to Stage 1	**13,826**	**(706)**	**(13,120)**	**–**	23,983	(2,039)	(21,944)	–
Transfers to Stage 2	**(20,257)**	**31,634**	**(11,377)**	**–**	(178)	2,472	(2,294)	–
Transfers to Stage 3	**(3,530)**	**(3,036)**	**6,566**	**–**	(2,412)	(1,881)	4,293	–
Accounts charged off	**–**	**–**	**(2,477)**	**(2,477)**	–	–	(12,750)	(12,750)
Provisions (reversals)	**249,043**	**(7,814)**	**305,381**	**546,610**	15,170	4,015	236,637	255,822
Effect of collections and other movements	**(257,852)**	**(74,355)**	**109,552**	**(222,655)**	(71,059)	(6,427)	171,437	93,951
Ending Balance	**361,274**	**20,786**	**1,426,132**	**1,808,192**	377,435	73,581	1,031,436	1,482,452

(Forward)

	Consolidated							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Housing Loans								
Beginning Balance	₱889,425	₱547,589	₱114,407	₱1,551,421	₱498,036	₱643,926	₱131,523	₱1,273,485
Newly originated assets which remained in Stage 1 at yearend	1,048	–	–	1,048	501,707	–	–	501,707
Newly originated assets which moved to Stages 2 and 3 at yearend	–	7,586	42,555	50,141	–	16,462	59,779	76,241
Transfers to Stage 1	24,929	(6,896)	(18,033)		173,452	(121,482)	(51,970)	
Transfers to Stage 2	(1,780)	5,252	(3,472)	–	(14,155)	27,900	(13,745)	–
Transfers to Stage 3	(5,524)	(12,767)	18,291	–	(20,109)	(296,405)	316,514	–
Accounts charged off	–	–	–	–	–	–	(39,865)	(39,865)
Provisions (reversals)	(66,831)	83,538	1,109,858	1,126,565	–	51,681	542,813	594,494
Effect of collections and other movements	(741,371)	(516,516)	902,598	(355,289)	(249,506)	225,507	(830,642)	(854,641)
Ending Balance	99,896	107,786	2,166,204	2,373,886	889,425	547,589	114,407	1,551,421
Auto Loans								
Beginning Balance	154,130	45,312	44,401	243,843	114,151	67,820	49,384	231,355
Newly originated assets which remained in Stage 1 at yearend	540	–	–	540	67,305		–	67,305
Newly originated assets which moved to Stages 2 and 3 at yearend	–	872	13,885	14,757	–	4,522	16,728	21,250
Transfers to Stage 1	4,234	(800)	(3,434)	–	28,932	(12,239)	(16,693)	–
Transfers to Stage 2	(1,876)	2,199	(323)	–	(1,063)	4,433	(3,370)	–
Transfers to Stage 3	(4,139)	(3,506)	7,645	–	(1,029)	(12,351)	13,380	–
Accounts charged off	–	–	(1,488)	(1,488)	–	–	–	–
Provisions (reversals)	(6,271)	2,916	770,300	766,945			101,941	101,941
Effect of collections and other movements	(453)	(3,841)	12,501	8,207	(54,166)	(6,873)	(116,969)	(178,008)
Ending Balance	146,165	43,152	843,487	1,032,804	154,130	45,312	44,401	243,843
Other Loans								
Beginning Balance	8,924	62,189	998,074	1,069,187	508,416	119,909	956,201	1,584,526
Newly originated assets which remained in Stage 1 at yearend	7,017	–	–	7,017	214,087	–	–	214,087
Newly originated assets which moved to Stages 2 and 3 at yearend	–	7,649	101,603	109,252	–	1,656	16,845	18,501
Transfers to Stage 1	10,769	(2,287)	(8,482)	–	7,501	(780)	(6,721)	–
Transfers to Stage 2	(958)	15,050	(14,092)	–	(23)	220	(197)	–
Transfers to Stage 3	(1,817)	(7,764)	9,581	–	(97)	(7,184)	7,281	–
Accounts charged off	–	–	(136,732)	(136,732)	–	(33,294)	(16,236)	(49,530)
Provisions (reversals)	(26,947)	29,844	(141,644)	(138,747)	(5,581)	8	23,520	17,947
Effect of collections and other movements	75,439	(45,238)	1,114,587	1,144,788	(715,379)	(18,346)	17,381	(716,344)
Ending Balance	72,427	59,443	1,922,895	2,054,765	8,924	62,189	998,074	1,069,187
Other Receivables								
Beginning Balance	77,497	21,915	4,240,580	4,339,992	1,084,900	2,723,474	1,199,258	5,007,632
Newly originated assets which remained in Stage 1 at yearend	2,449	–	–	2,449	76,724	–	–	76,724
Newly originated assets which moved toStages 2 and 3 at yearend	–	922	20,632	21,554	–	32,200	499,646	531,846
Transfers to Stage 1	186	(23)	(163)	–	16,734	(7,198)	(9,536)	–
Transfers to Stage 2	(1,739)	1,741	(2)	–	(880)	3,599	(2,719)	–
Transfers to Stage 3	(51,149)	(2,811)	53,960	–	(2,227)	(21,054)	23,281	–
Accounts charged off	–	–	336	336	–	–	(49,396)	(49,396)
Provisions	44,946	12,167	674,108	731,221	123,479	21,901	572,768	718,148
Effect of collections and other movements	(2,864)	(14,425)	(1,791,877)	(1,809,166)	(1,221,233)	(2,731,007)	2,007,278	(1,944,962)
Ending Balance	69,326	19,486	3,197,574	3,286,386	77,497	21,915	4,240,580	4,339,992
Total Loans and Receivables								
Beginning Balance	2,927,066	1,665,478	13,820,684	18,413,228	3,789,375	3,718,712	7,759,490	15,267,577
Newly originated assets which remained in Stage 1 at yearend	268,746	–	–	268,746	1,940,711	–	–	1,940,711
Newly originated assets which moved to Stages 2 and 3 at yearend	–	332,664	467,303	799,967	–	674,837	2,867,796	3,542,633
Transfers to Stage 1	195,825	(123,150)	(72,675)	–	272,214	(155,405)	(116,809)	–
Transfers to Stage 2	(77,132)	130,765	(53,633)	–	(35,916)	84,996	(49,080)	–
Transfers to Stage 3	(273,177)	(124,588)	397,765	–	(36,915)	(360,469)	397,384	–
Accounts charged off	(1,077)	(4,023)	(744,054)	(749,154)	–	(33,294)	(544,319)	(577,613)
Provisions (reversals)	(487,878)	63,507	16,254,847	15,830,476	137,549	127,921	2,271,806	2,537,276
Effect of collections and other movements	(1,303,388)	(971,535)	126,310	(2,148,613)	(3,139,952)	(2,391,820)	1,234,416	(4,297,356)
Ending Balance	₱1,248,985	₱969,118	₱30,196,547	₱32,414,650	₱2,927,066	₱1,665,478	₱13,820,684	₱18,413,228

	Parent Company							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱1,223,420**	**₱814,289**	**₱5,635,394**	**₱7,673,103**	₱1,143,785	₱25,894	₱3,814,554	₱4,984,233
Transferred loans	**327**	**37,685**	**102,927**	**140,939**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**247,606**	–	–	**247,606**	819,483	–	–	819,483
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**311,136**	**255,094**	**566,230**	–	599,413	2,122,244	2,721,657
Transfers to Stage 1	**127,731**	**(104,327)**	**(23,404)**	–	5,316	(5,316)		–
Transfers to Stage 2	**(49,902)**	**74,199**	**(24,297)**	–	(14,958)	41,617	(26,659)	–
Transfers to Stage 3	**(201,545)**	**(65,790)**	**267,335**	–	(2,914)	(2,070)	4,984	–
Accounts charged off	–	–	–	–	–	–	(29,922)	(29,922)
Provisions (reversals)	**(741,930)**	**(77,013)**	**12,083,198**	**11,264,255**	18,372	50	47	18,469
Effect of collections and other movements	**(291,583)**	**(310,092)**	**(262,845)**	**(864,520)**	(745,664)	154,701	(249,854)	(840,817)
Ending Balance	**314,124**	**680,087**	**18,033,402**	**19,027,613**	1,223,420	814,289	5,635,394	7,673,103
LGU								
Beginning Balance	**25,236**	**15,945**	**26,469**	**67,650**	41,515	4,190	24,915	70,620
Newly originated assets which remained in Stage 1 at yearend	**2,399**	–	–	**2,399**	4,480	–	–	4,480
Reversals	**(1,196)**	**(1,226)**	–	**(2,422)**	–	11,755	–	11,755
Effect of collections and other movements	**(2,399)**	**(12,982)**	**(1,553)**	**(16,934)**	(20,759)	–	1,554	(19,205)
Ending Balance	**24,040**	**1,737**	**24,916**	**50,693**	25,236	15,945	26,469	67,650
Credit Cards								
Beginning Balance	**37,867**	**41,397**	**1,526,487**	**1,605,751**	47,670	58,667	969,239	1,075,576
Newly originated assets which remained in Stage 1 at yearend	**4,272**	–	–	**4,272**	5,432	–	–	5,432
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**3,017**	**33,363**	**36,380**	–	3,930	33,824	37,754
Transfers to Stage 1	**14,459**	**(8,245)**	**(6,214)**	–	15,147	(6,325)	(8,822)	–
Transfers to Stage 2	**(631)**	**701**	**(70)**	–	(1,004)	1,100	(96)	–
Transfers to Stage 3	**(5,473)**	**(28,914)**	**34,387**	–	(2,350)	(19,524)	21,874	–
Accounts charged off	**(1,077)**	**(4,023)**	**(603,693)**	**(608,793)**	–	–	(328,919)	(328,919)
Provisions	**61,271**	**21,095**	**1,495,684**	**1,578,050**	16,519	19,561	692,661	728,741
Effect of collections and other movements	**(72,464)**	**1,218**	**43,254**	**(27,992)**	(43,547)	(16,012)	146,726	87,167
Ending Balance	**38,224**	**26,246**	**2,523,198**	**2,587,668**	37,867	41,397	1,526,487	1,605,751
Retail SMEs								
Beginning Balance	**85,709**	**14,016**	**322,664**	**422,389**	51,113	7,789	519,467	578,369
Transferred loans	**22,197**	**83**	**336,854**	**359,134**				
Newly originated assets which remained in Stage 1 at yearend	–	–	–	–	81,916	–	–	81,916
Newly originated assets which moved to Stages 2 and 3 at yearend	–	–	–	–	–	9,291	2,750	12,041
Transfers to Stage 1	**5,025**	–	**(5,025)**	–	668	(135)	(533)	–
Transfers to Stage 2	**(19,823)**	**27,019**	**(7,196)**	–	(115)	328	(213)	–
Transfers to Stage 3	**(2,290)**	**(3,036)**	**5,326**	–	(863)	(1,712)	2,575	–
Accounts charged off	–	–	**(2,477)**	**(2,477)**	–	–	(12,750)	(12,750)
Provisions (reversals)	**249,043**	**(7,814)**	**48,875**	**290,104**	330	–	1	331
Effect of collections and other movements	**(2,949)**	**(19,979)**	**(139,632)**	**(162,560)**	(47,340)	(1,545)	(188,633)	(237,518)
Ending Balance	**336,912**	**10,289**	**559,389**	**906,590**	85,709	14,016	322,664	422,389
Housing Loans								
Beginning Balance	**28,924**	**3,684**	**42,421**	**75,029**	21,672	876	35,676	58,224
Transferred loans	**115,826**	**98,765**	**952,480**	**1,167,071**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	–	–	–	–	14,421	–	–	14,421
Newly originated assets which moved to Stages 2 and 3 at yearend	–	**7,586**	**42,555**	**50,141**	–	1,989	382	2,371
Transfers to Stage 1	**24,744**	**(6,711)**	**(18,033)**	–	8,102	(134)	(7,968)	–
Transfers to Stage 2	**(1,780)**	**3,851**	**(2,071)**	–	(273)	273	–	–
Transfers to Stage 3	**(5,450)**	**(12,767)**	**18,217**	–	(71)	(223)	294	–
Accounts charged off	–	–	–	–	–	–	–	–
Provisions (reversals)	**(67,773)**	**83,538**	**1,117,975**	**1,133,740**	32	–	1	33
Effect of collections and other movements	**(3,677)**	**(72,962)**	**18,273**	**(58,366)**	(14,959)	903	14,036	(20)
Ending Balance	**90,814**	**104,984**	**2,171,817**	**2,367,615**	28,924	3,684	42,421	75,029

(Forward)

	Parent Company							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	**₱23,108**	**₱3,558**	**₱35,422**	**₱62,088**	₱3	₱–	₱39,589	₱39,592
Transferred loans	**7,382**	**5,545**	**168,829**	**181,756**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**540**	**–**	**–**	**540**	23,108	–	–	23,108
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**872**	**13,885**	**14,757**	–	3,558	4,391	7,949
Transfers to Stage 1	**4,234**	**(800)**	**(3,434)**	**–**			–	–
Transfers to Stage 2	**(1,876)**	**2,199**	**(323)**	**–**	–	–	–	–
Transfers to Stage 3	**(4,139)**	**(3,506)**	**7,645**	**–**	–	–	–	–
Accounts charged off	**–**	**–**	**(1,488)**	**(1,488)**	–	–	(8,515)	(8,515)
Provisions (reversals)	**(6,271)**	**2,916**	**770,300**	**766,945**	–	–	–	–
Effect of collections and other movements	**(453)**	**(3,841)**	**12,500**	**8,206**	(3)	–	(43)	(46)
Ending Balance	**22,525**	**6,943**	**1,003,336**	**1,032,804**	23,108	3,558	35,422	62,088
Other Loans								
Beginning Balance	**4,565**	**11,318**	**1,385,452**	**1,401,335**	202	57,572	973,358	1,031,132
Transferred loans	**42,188**	**34,499**	**486,804**	**563,491**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**7,017**	**–**	**–**	**7,017**	3,093	–	–	3,093
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**7,649**	**101,603**	**109,252**	–	1,656	16,845	18,501
Transfers to Stage 1	**10,769**	**(2,287)**	**(8,482)**	**–**	960	(170)	(790)	–
Transfers to Stage 2	**(958)**	**15,050**	**(14,092)**	**–**	–	–	–	–
Transfers to Stage 3	**(1,817)**	**(7,764)**	**9,581**	**–**	–	(6,293)	6,293	–
Accounts charged off	**–**	**–**	**(136,736)**	**(136,736)**	–	(33,296)	(16,234)	(49,530)
Provisions (reversals)	**(26,949)**	**29,844**	**(141,570)**	**(138,675)**	–	12	–	12
Effect of collections and other movements	**37,608**	**(28,866)**	**228,168**	**236,910**	310	(8,163)	405,980	398,127
Ending Balance	**72,423**	**59,443**	**1,910,728**	**2,042,594**	4,565	11,318	1,385,452	1,401,335
Other Receivables								
Beginning Balance	**59,453**	**9,761**	**2,916,225**	**2,985,439**	1,104,095	2,644,819	1,038,922	4,787,836
Transferred receivables	**6,614**	**2,152**	**641,639**	**650,405**				
Newly originated assets which remained in Stage 1 at yearend	**1,495**	**–**	**–**	**1,495**	8,279	–	–	8,279
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**922**	**15,546**	**16,468**	–	1,647	14,551	16,198
Transfers to Stage 1	**186**	**(23)**	**(163)**	**–**	594	(142)	(452)	–
Transfers to Stage 2	**(1,739)**	**1,741**	**(2)**	**–**	(750)	1,225	(475)	–
Transfers to Stage 3	**(51,149)**	**(2,811)**	**53,960**	**–**	(1,962)	(349)	2,311	–
Accounts charged off	**–**	**–**	**336**	**336**	–	–	(49,396)	(49,396)
Provisions	**26,685**	**12,167**	**571,969**	**610,821**	321	–	29,778	30,099
Effect of collections and other movements	**32,697**	**(4,516)**	**(808,841)**	**(780,660)**	(1,051,124)	(2,637,439)	1,880,986	(1,807,577)
Ending Balance	**74,242**	**19,393**	**3,390,669**	**3,484,304**	59,453	9,761	2,916,225	2,985,439
Total Loans and Receivables								
Beginning Balance	**1,488,282**	**913,968**	**11,890,534**	**14,292,784**	2,410,055	2,799,807	7,415,720	12,625,582
Transferred Loans	**194,534**	**178,729**	**2,689,533**	**3,062,796**				
Newly originated assets which remained in Stage 1 at yearend	**263,329**	**–**	**–**	**263,329**	960,212	–	–	960,212
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**331,182**	**462,046**	**793,228**	–	621,484	2,194,987	2,816,471
Transfers to Stage 1	**187,148**	**(122,393)**	**(64,755)**	**–**	30,787	(12,222)	(18,565)	–
Transfers to Stage 2	**(76,709)**	**124,760**	**(48,051)**	**–**	(17,100)	44,543	(27,443)	–
Transfers to Stage 3	**(271,863)**	**(124,588)**	**396,451**	**–**	(8,160)	(30,171)	38,331	
Accounts charged off	**(1,077)**	**(4,023)**	**(744,058)**	**(749,158)**	–	(33,296)	(437,221)	(470,517)
Provisions (reversals)	**(507,120)**	**63,507**	**15,946,431**	**15,502,818**	35,574	31,378	722,488	789,440
Effect of collections and other movements	**(303,220)**	**(452,020)**	**(910,676)**	**(1,665,916)**	(1,923,086)	(2,507,555)	2,002,237	(2,428,404)
Ending Balance	**₱973,304**	**₱909,122**	**₱29,617,455**	**₱31,499,881**	₱1,488,282	₱913,968	₱11,890,534	₱14,292,784

Movements of the gross carrying amounts of receivables from customers are shown below:

	Consolidated							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱521,841,837**	**₱16,083,886**	**₱10,711,692**	**₱548,637,415**	₱463,867,001	₱5,792,259	₱6,755,750	₱476,415,010
Newly originated assets which remained in Stage 1 at yearend	**224,883,356**	**–**	**–**	**224,883,356**	303,638,405	–	–	303,638,405
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**11,908,018**	**7,094,061**	**19,002,079**	–	10,959,867	3,700,995	14,660,862
Transfers to Stage 1	**1,769,771**	**(1,711,336)**	**(58,435)**	**–**	1,008,052	(1,012,278)	4,226	–
Transfers to Stage 2	**(16,869,294)**	**16,926,407**	**(57,113)**	**–**	(5,720,152)	5,781,921	(61,769)	–
Transfers to Stage 3	**(32,541,294)**	**(974,321)**	**33,515,615**	**–**	(1,701,453)	(356,342)	2,057,795	–
Accounts charged off	**–**	**–**	**(3)**	**(3)**	–	–	(97,157)	(97,157)
Effect of collections and other movements	**(254,952,984)**	**(12,015,600)**	**(456,306)**	**(267,424,890)**	(239,250,016)	(5,081,541)	(1,648,148)	(245,979,705)
Ending Balance	**444,131,392**	**30,217,054**	**50,749,511**	**525,097,957**	521,841,837	16,083,886	10,711,692	548,637,415
LGU								
Beginning Balance	**6,703,842**	**65,674**	**26,986**	**6,796,502**	6,877,331	17,968	24,916	6,920,215
Newly originated assets which remained in Stage 1 at yearend	**759,563**	**–**	**–**	**759,563**	1,223,390	–	–	1,223,390
Effect of collections and other movements	**(1,073,383)**	**(58,224)**	**(2,070)**	**(1,133,677)**	(1,396,879)	47,706	2,070	(1,347,103)
Ending Balance	**6,390,022**	**7,450**	**24,916**	**6,422,388**	6,703,842	65,674	26,986	6,796,502
Credit Cards								
Beginning Balance	**13,641,354**	**420,109**	**1,808,483**	**15,869,946**	11,802,517	393,493	1,216,053	13,412,063
Newly originated assets which remained in Stage 1 at yearend	**749,939**	**–**	**–**	**749,939**	1,550,335	–	–	1,550,335
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**21,356**	**40,779**	**62,135**	–	54,662	44,797	99,459
Transfers to Stage 1	**96,163**	**(87,508)**	**(8,655)**	**–**	114,740	(104,028)	(10,712)	–
Transfers to Stage 2	**(184,734)**	**184,821**	**(87)**	**–**	(334,322)	334,463	(141)	–
Transfers to Stage 3	**(1,464,762)**	**(291,121)**	**1,755,883**	**–**	(831,146)	(234,001)	1,065,147	–
Accounts charged off	**(209,128)**	**(38,141)**	**(778,559)**	**(1,025,828)**			(328,919)	(328,919)
Effect of collections and other movements	**(3,429,965)**	**(9,889)**	**314,231**	**(3,125,623)**	1,339,230	(24,480)	(177,742)	1,137,008
Ending Balance	**9,198,867**	**199,627**	**3,132,075**	**12,530,569**	13,641,354	420,109	1,808,483	15,869,946
Retail SMEs								
Beginning Balance	**18,808,671**	**207,750**	**2,063,029**	**21,079,450**	10,270,353	200,847	1,472,412	11,943,612
Newly originated assets which remained in Stage 1 at yearend	**5,714,334**	**–**	**–**	**5,714,334**	14,272,023	–	–	14,272,023
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**15,702**	**2,311**	**18,013**	–	315,726	113,566	429,292
Transfers to Stage 1	**850,597**	**(69,149)**	**(781,448)**	**–**	237,154	(181,422)	(55,732)	–
Transfers to Stage 2	**(2,663,688)**	**2,964,354**	**(300,666)**	**–**	(30,160)	35,566	(5,406)	–
Transfers to Stage 3	**(201,733)**	**(13,065)**	**214,798**	**–**	(417,838)	(46,032)	463,870	–
Accounts charged off	**–**	**–**	**(2,477)**	**(2,477)**	–	–	(12,750)	(12,750)
Effect of collections and other movements	**(11,818,411)**	**(2,223,866)**	**(328,134)**	**(14,370,411)**	(5,522,861)	(116,935)	87,069	(5,552,727)
Ending Balance	**10,689,770**	**881,726**	**867,413**	**12,438,909**	18,808,671	207,750	2,063,029	21,079,450
Housing Loans								
Beginning Balance	**26,601,243**	**1,571,291**	**5,396,033**	**33,568,567**	22,772,350	7,737,946	3,333,099	33,843,395
Newly originated assets which remained in Stage 1 as at yearend	**1,729,048**	**–**	**–**	**1,729,048**	11,545,147	–	–	11,545,147
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**77,373**	**177,191**	**254,564**	-	188,203	264,961	453,164
Transfers to Stage 1	**164,876**	**(95,262)**	**(69,614)**	**–**	82,895	(2,382)	(80,513)	–
Transfers to Stage 2	**(285,503)**	**401,919**	**(116,416)**	**–**	(17,456)	17,456	-	–
Transfers to Stage 3	**(819,124)**	**(143,488)**	**962,612**	**–**	(4,068,415)	(513,704)	4,582,119	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(51,500)	(51,500)
Effect of collections and other movements	**(11,506,589)**	**(554,788)**	**1,621,502**	**(10,439,875)**	(3,713,278)	(5,856,228)	(2,652,133)	(12,221,639)
Ending Balance	**15,883,951**	**1,257,045**	**7,971,308**	**25,112,304**	26,601,243	1,571,291	5,396,033	33,568,567
Auto Loans								
Beginning Balance	**11,578,913**	**458,841**	**1,067,434**	**13,105,188**	9,418,556	2,165,913	158,776	11,743,245
Newly originated assets which remained in Stage 1 at yearend	**1,336,675**	**–**	**–**	**1,336,675**	5,884,421	–	–	5,884,421
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**90,892**	**128,170**	**219,062**	–	125,425	127,089	252,514
Transfers to Stage 1	**40,194**	**(25,262)**	**(14,932)**	**–**	582,409	(482,925)	(99,484)	–
Transfers to Stage 2	**(269,948)**	**271,949**	**(2,001)**	**–**	(349,085)	369,715	(20,630)	–
Transfers to Stage 3	**(537,277)**	**(95,211)**	**632,488**	**–**	(368,300)	(507,136)	875,436	–

(Forward)

	Consolidated							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accounts charged off	₱–	₱–	(₱1,488)	(₱1,488)	₱–	₱–	(₱8,515)	(₱8,515)
Effect of collections and other movements	(4,354,547)	(100,568)	883,389	(3,571,726)	(3,589,088)	(1,212,151)	34,762	(4,766,477)
Ending Balance	7,794,010	600,641	2,693,060	11,087,711	11,578,913	458,841	1,067,434	13,105,188
Other Loans								
Beginning Balance	9,065,874	705,435	2,195,359	11,966,668	11,870,519	5,891,187	1,467,505	19,229,211
Newly originated assets which remained in Stage 1 at yearend	4,833,867	–	–	4,833,867	11,803,126	–	–	11,803,126
Newly originated assets which moved to Stages 2 and 3 at yearend	–	609,450	286,341	895,791	–	575,765	458,343	1,034,108
Transfers to Stage 1	54,147	(25,406)	(28,741)	–	65,648	(23,718)	(41,930)	–
Transfers to Stage 2	(109,736)	127,678	(17,942)	–	(26,435)	27,565	(1,130)	–
Transfers to Stage 3	(292,916)	(83,055)	375,971	–	(225,836)	(463,651)	689,487	–
Accounts charged off	–	–	(136,736)	(136,736)	–	(33,296)	(16,234)	(49,530)
Effect of collections and other movements	1,503,757	196,982	2,665,890	4,366,629	(14,421,148)	(5,268,417)	(360,682)	(20,050,247)
Ending Balance	15,054,993	1,531,084	5,340,142	21,926,219	9,065,874	705,435	2,195,359	11,966,668
Other Receivables								
Beginning Balance	16,365,625	5,351,013	3,596,611	25,313,249	22,949,168	4,644,141	833,992	28,427,301
Newly originated assets which remained in Stage 1 at yearend	644,270	–	–	644,270	6,522,346	–	–	6,522,346
Newly originated assets which moved to Stages 2 and 3 at yearend	–	41,154	31,577	72,731	–	449,753	818,513	1,268,266
Transfers to Stage 1	6,091	(5,383)	(708)	–	213,018	(105,355)	(107,663)	–
Transfers to Stage 2	(174,011)	174,390	(379)	–	(59,769)	84,113	(24,344)	–
Transfers to Stage 3	(197,680)	(6,228)	203,908	–	(867,921)	(2,495,196)	3,363,117	–
Accounts charged off	–	–	336	336	–	–	(49,396)	(49,396)
Effect of collections and other movements	(1,797,543)	(6,972,226)	532,525	(8,237,244)	(12,391,217)	2,773,557	(1,237,608)	(10,855,268)
Ending Balance	14,846,752	(1,417,280)	4,363,870	17,793,342	16,365,625	5,351,013	3,596,611	25,313,249
Total Loans and Receivables								
Beginning Balance	624,607,359	24,863,999	26,865,627	676,336,985	559,827,795	26,843,754	15,262,503	601,934,052
Newly originated assets which remained in Stage 1 at yearend	240,651,052	–	–	240,651,052	356,439,193	–	–	356,439,193
Newly originated assets which moved to Stages 2 and 3 at yearend	–	12,763,945	7,760,430	20,524,375	–	12,669,401	5,528,264	18,197,665
Transfers to Stage 1	2,981,839	(2,019,306)	(962,533)	–	2,303,916	(1,912,108)	(391,808)	–
Transfers to Stage 2	(20,556,914)	21,051,518	(494,604)	–	(6,537,379)	6,650,799	(113,420)	–
Transfers to Stage 3	(36,054,786)	(1,606,489)	37,661,275	–	(8,480,909)	(4,616,062)	13,096,971	–
Accounts charged off	(209,128)	(38,141)	(918,927)	(1,166,196)	–	(33,296)	(564,471)	(597,767)
Effect of collections and other movements	(287,429,665)	(21,738,179)	5,231,027	(303,936,817)	(278,945,257)	(14,738,489)	(5,952,412)	(299,636,158)
Ending Balance	₱523,989,757	₱33,277,347	₱75,142,295	₱632,409,399	₱624,607,359	₱24,863,999	₱26,865,627	₱676,336,985

	Parent Company							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱512,864,358	₱16,005,670	₱7,801,279	₱536,671,307	₱446,682,503	₱5,137,582	₱6,218,960	₱458,039,045
Transferred loans	745,960	269,729	220,192	1,235,881	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	219,584,230	–	–	219,584,230	296,460,743	–	–	296,460,743
Newly originated assets which moved to Stages 2 and 3 at yearend	–	11,908,018	7,093,943	19,001,961	–	10,920,510	3,499,281	14,419,791
Transfers to Stage 1	1,743,067	(1,699,147)	(43,920)	–	1,014,922	(1,014,922)	–	–
Transfers to Stage 2	(16,856,122)	16,913,235	(57,113)	–	(5,479,370)	5,541,139	(61,769)	–
Transfers to Stage 3	(32,384,828)	(974,321)	33,359,149	–	(1,316,130)	(356,342)	1,672,472	–
Accounts charged off	–	–	–	–	–	–	(29,922)	(29,922)
Effect of collections and other movements	(249,761,771)	(12,208,745)	2,137,725	(259,832,791)	(224,498,310)	(4,222,297)	(3,497,743)	(232,218,350)
Ending Balance	435,934,894	30,214,439	50,511,255	516,660,588	512,864,358	16,005,670	7,801,279	536,671,307
LGU								
Beginning Balance	6,703,842	65,674	26,986	6,796,502	6,877,331	17,968	24,916	6,920,215
Newly originated assets which remained in Stage 1 at yearend	759,563	–	–	759,563	1,223,390	–	–	1,223,390
Effect of collections and other movements	(1,073,383)	(58,224)	(2,070)	(1,133,677)	(1,396,879)	47,706	2,070	(1,347,103)
Ending Balance	6,390,022	7,450	24,916	6,422,388	6,703,842	65,674	26,986	6,796,502

(Forward)

	Parent Company							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit Cards								
Beginning Balance	₱13,582,771	₱420,109	₱1,867,066	₱15,869,946	₱11,743,934	₱393,493	₱1,274,636	₱13,412,063
Newly originated assets which remained in Stage 1 at yearend	749,939	–	–	749,939	1,550,335	–	–	1,550,335
Newly originated assets which moved to Stages 2 and 3 at yearend	–	21,356	40,779	62,135	–	54,662	44,797	99,459
Transfers to Stage 1	96,163	(87,508)	(8,655)	–	114,740	(104,028)	(10,712)	–
Transfers to Stage 2	(184,734)	184,821	(87)	–	(334,322)	334,463	(141)	–
Transfers to Stage 3	(1,464,762)	(291,121)	1,755,883	–	(831,146)	(234,001)	1,065,147	–
Accounts charged off	(209,128)	(38,141)	(778,559)	(1,025,828)	–	–	(328,919)	(328,919)
Effect of collections and other movements	(3,371,382)	(9,889)	255,648	(3,125,623)	1,339,230	(24,480)	(177,742)	1,137,008
Ending Balance	9,198,867	199,627	3,132,075	12,530,569	13,582,771	420,109	1,867,066	15,869,946
Retail SMEs								
Beginning Balance	11,681,560	101,084	668,104	12,450,748	6,483,477	125,965	1,209,176	7,818,618
Newly originated assets which remained in Stage 1 at yearend	3,834,534	3,063	366,384	4,203,981	10,985,586	–	–	10,985,586
Newly originated assets which moved to Stages 2 and 3 at yearend	5,407,150	–	–	5,407,150	–	68,845	34,775	103,620
Transfers to Stage 1	5,046	–	(5,046)	–	18,549	(9,693)	(8,856)	–
Transfers to Stage 2	(2,623,980)	2,629,989	(6,009)	–	(21,726)	22,576	(850)	–
Transfers to Stage 3	(195,976)	(13,065)	209,041	–	(133,014)	(31,245)	164,259	–
Accounts charged off		–	(2,477)	(2,477)	–	–	(12,750)	(12,750)
Effect of collections and other movements	(10,774,138)	(2,407,241)	(54,356)	(13,235,735)	(5,651,312)	(75,364)	(717,650)	(6,444,326)
Ending Balance	7,334,196	313,830	1,175,641	8,823,667	11,681,560	101,084	668,104	12,450,748
Housing Loans								
Beginning Balance	3,698,821	37,277	111,670	3,847,768	1,397,681	15,850	213,791	1,627,322
Transferred loans	17,204,340	1,118,420	4,063,136	22,385,896	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	1,574,071	–	–	1,574,071	2,516,320	–	–	2,516,320
Newly originated assets which moved to Stages 2 and 3 at yearend	–	77,373	177,191	254,564	–	19,951	1,396	21,347
Transfers to Stage 1	149,616	(80,001)	(69,615)	–	82,895	(2,382)	(80,513)	–
Transfers to Stage 2	(285,503)	294,225	(8,722)	–	(17,456)	17,456	–	–
Transfers to Stage 3	(811,796)	(143,488)	955,284	–	(14,487)	(4,198)	18,685	–
Effect of collections and other movements	(6,156,968)	(262,148)	2,844,007	(3,575,109)	(266,132)	(9,400)	(41,689)	(317,221)
Ending Balance	15,372,581	1,041,658	8,072,951	24,487,190	3,698,821	37,277	111,670	3,847,768
Auto Loans								
Beginning Balance	2,687,127	41,958	43,247	2,772,332	417	–	39,608	40,025
Transferred loans	8,254,512	393,457	943,922	9,591,891	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	1,336,675	–	–	1,336,675	2,550,623	–	–	2,550,623
Newly originated assets which moved to Stages 2 and 3 at yearend	–	90,892	128,170	219,062	–	41,958	12,215	54,173
Transfers to Stage 1	40,195	(25,262)	(14,933)	–				–
Transfers to Stage 2	(269,948)	271,949	(2,001)	–				–
Transfers to Stage 3	(537,277)	(95,211)	632,488	–				–
Accounts charged off	–	–	(1,488)	(1,488)	–	–	(8,515)	(8,515)
Effect of collections and other movements	(3,717,274)	(77,142)	963,655	(2,830,761)	136,087	–	(61)	136,026
Ending Balance	7,794,010	600,641	2,693,060	11,087,711	2,687,127	41,958	43,247	2,772,332
Other Loans								
Beginning Balance	3,447,590	420,820	1,443,059	5,311,469	7,434,165	5,735,761	1,348,266	14,518,192
Transferred loans	10,223,071	397,388	1,869,871	12,490,330	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	4,833,867	–	–	4,833,867	2,990,921	–	–	2,990,921
Newly originated assets which moved to Stages 2 and 3 at yearend	–	609,450	286,341	895,791	–	352,576	18,049	370,625
Transfers to Stage 1	54,147	(25,406)	(28,741)	–	5,892	(2,937)	(2,955)	–
Transfers to Stage 2	(109,736)	127,678	(17,942)	–	(2,161)	2,161	–	–
Transfers to Stage 3	(292,916)	(83,055)	375,971	–	(241)	(436,558)	436,799	–
Accounts charged off	–	–	(136,736)	(136,736)	–	(33,296)	(16,234)	(49,530)
Effect of collections and other movements	(4,770,701)	84,209	1,534,875	(3,151,617)	(6,980,986)	(5,196,887)	(340,866)	(12,518,739)
Ending Balance	13,385,322	1,531,084	5,326,698	20,243,104	3,447,590	420,820	1,443,059	5,311,469

(Forward)

	Parent Company							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Other Receivables								
Beginning Balance	**₱14,046,122**	**₱1,210,740**	**₱2,561,746**	**₱17,818,608**	₱15,771,243	₱4,644,141	₱833,992	₱21,249,376
Transferred receivables	**882,153**	**64,670**	**985,295**	**1,932,118**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**576,857**	–	–	**576,857**	1,406,430	–	–	1,406,430
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	**41,154**	**31,577**	**72,731**	–	28,572	25,570	54,142
Transfers to Stage 1	**6,092**	**(5,383)**	**(709)**	–	90,494	(21,345)	(69,149)	–
Transfers to Stage 2	**(174,011)**	**174,390**	**(379)**	–	(42,700)	57,821	(15,121)	–
Transfers to Stage 3	**(197,680)**	**(6,228)**	**203,908**	–	(32,081)	(2,287,963)	2,320,044	–
Accounts charged off	–	–	**336**	**336**	–	–	(49,396)	(49,396)
Effect of collections and other movements	**(1,528,799)**	**(1,174,710)**	**449,384**	**(2,254,125)**	(3,147,264)	(1,210,486)	(484,194)	(4,841,944)
Ending Balance	**13,610,734**	**304,633**	**4,231,158**	**18,146,525**	14,046,122	1,210,740	2,561,746	17,818,608
Total Loans and Receivables								
Beginning Balance	**568,712,191**	**18,303,332**	**14,523,157**	**601,538,680**	496,390,751	16,070,760	11,163,345	523,624,856
Transferred Loans	**37,310,036**	**2,243,664**	**8,082,416**	**47,636,116**				
Newly originated assets which remained in Stage 1 at yearend	**233,249,736**	**3,063**	**366,384**	**233,619,183**	319,684,348	–	–	319,684,348
Newly originated assets which moved to Stages 2 and 3 as at year-end	**5,407,150**	**12,748,243**	**7,758,001**	**25,913,394**	–	11,487,074	3,636,083	15,123,157
Transfers to Stage 1	**2,094,326**	**(1,922,707)**	**(171,619)**	–	1,327,492	(1,155,307)	(172,185)	–
Transfers to Stage 2	**(20,504,034)**	**20,596,287**	**(92,253)**	–	(5,897,735)	5,975,616	(77,881)	–
Transfers to Stage 3	**(35,885,235)**	**(1,606,489)**	**37,491,724**	–	(2,327,099)	(3,350,307)	5,677,406	–
Accounts charged off	**(209,128)**	**(38,141)**	**(918,924)**	**(1,166,193)**	–	(33,296)	(445,736)	(479,032)
Effect of collections and other movements	**(281,154,416)**	**(16,113,890)**	**8,128,868**	**(289,139,438)**	(240,465,566)	(10,691,208)	(5,257,875)	(256,414,649)
Ending Balance	**₱509,020,626**	**₱34,213,362**	**₱75,167,754**	**₱618,401,742**	₱568,712,191	₱18,303,332	₱14,523,157	₱601,538,680

17. Deposit Liabilities

As of December 31, 2020 and 2019, noninterest-bearing deposit liabilities amounted to ₱30.0 billion and ₱37.5 billion, respectively, for the Group, and ₱29.3 billion and ₱25.5 billion, respectively, for the Parent Company.

The remaining deposit liabilities of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Peso-denominated	**0.10% - 10.00%**	0.10% - 10.00%	0.01% - 10.00%	**0.10% - 10.00%**	0.10% - 10.00%	0.01% - 10.00%
Foreign currency-denominated	**0.01% - 4.75%**	0.01% - 8.00%	0.01% - 8.00%	**0.01% - 4.75%**	0.01% - 8.00%	0.01% - 8.00%

As of December 31, 2020, non-FCDU deposit liabilities of the Parent Company is subject to reserves equivalent to 12.00% reduced from 14.00% as of December 31, 2019.

Available reserves booked under 'Due from BSP' are as follows:

	2020	2019
Parent Company	**₱80,029,356**	₱90,394,597
PNBSB	–	1,787,204
	₱80,029,356	₱92,181,801

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2020	Carrying Value 2019
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,573,124**	₱4,563,212
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	**8,176,616**	8,155,043
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	**6,332,653**	6,323,898
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	**3,756,911**	3,751,954
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	**5,372,730**	5,362,599
December 12, 2014	June 12, 2020	7,000,000	4.13%	Quarterly	–	6,995,398
		₱35,315,000			**₱28,212,034**	₱35,152,104

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Time	**₱2,852,325**	₱5,870,981	₱3,338,531	**₱2,852,325**	₱4,127,553	₱2,079,674
Savings	**2,930,115**	6,706,938	3,240,636	**2,778,153**	6,639,928	3,236,424
LTNCDs	**1,429,301**	1,386,082	1,170,378	**1,429,301**	1,386,082	1,170,378
Demand	**167,277**	60,898	121,628	**167,277**	48,213	104,812
	₱7,379,018	₱14,024,899	₱7,871,173	**₱7,227,056**	₱12,201,776	₱6,591,288

In 2020, 2019 and 2018, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱59.9 million, ₱40.5 million and ₱39.3 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱103.0 million and ₱162.9 million as of December 31, 2020 and 2019, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2020 and 2019, this account consists of derivative liabilities amounting to ₱701.2 million and ₱245.6 million, respectively, for the Group, and ₱700.8 million and ₱232.0 million, respectively, for the Parent Company (Notes 23 and 35).

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Bills payable to:				
Foreign banks	**₱50,482,387**	₱606,585	**₱49,874,309**	₱2,073
BSP and local banks (Note 33)	**33,116,145**	52,664,371	**31,382,133**	45,729,610
	83,598,532	53,270,956	**81,256,442**	45,731,683
Acceptances outstanding (Note 10)	**3,560,918**	2,692,334	**3,560,918**	2,692,334
	₱87,159,450	₱55,963,290	**₱84,817,360**	₱48,424,017

Bills payable of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Peso-denominated	**4.0% - 6.5%**	4.0% - 5.4%	0.6% - 5.4%	**4.0% - 6.5%**	4.0% - 5.4%	0.6% - 5.4%
Foreign currency-denominated	**0.1% - 4.4%**	0.2% - 4.4%	0.0% - 4.4%	**0.1% - 4.4%**	0.2% - 4.4%	0.0% - 4.4%

As of December 31, 2020 and 2019, bills payable with a carrying amount of ₱69.9 billion and ₱29.4 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱44.6 billion and ₱8.2 billion, respectively, and investment securities at amortized cost with carrying values of ₱26.1 billion and ₱21.0 billion, respectively, and fair values of ₱27.6 billion and ₱21.6 billion, respectively (Note 9).

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018	**2020**	2019	2018
Continuing operations:						
Bills payable	**₱663,769**	₱2,034,690	₱600,354	**₱482,810**	₱1,578,614	₱434,650
Lease liabilities (Note 29)	**120,675**	131,661	–	**120,181**	118,365	–
Others	**62,198**	18,567	61,986	**34,487**	43,643	37,461
	846,642	2,184,918	662,340	**637,478**	1,740,622	472,111
Discontinued operations (Note 36):						
Lease liabilities	**2,698**	128	–	**–**	–	–
	₱849,340	₱2,185,046	₱662,340	**₱637,478**	₱1,740,622	₱472,111

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Accrued taxes and other expenses	**₱5,540,591**	₱4,995,519	**₱5,191,696**	₱4,219,587
Accrued interest	**908,435**	1,944,207	**883,320**	1,838,507
	₱6,449,026	₱6,939,726	**₱6,075,016**	₱6,058,094

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial liabilities:				
Promotional expenses	**₱905,470**	₱673,648	**₱905,470**	₱657,373
Information technology-related expenses	**331,627**	182,057	**331,627**	180,952
Rent and utilities payable	**267,559**	127,165	**264,193**	119,128
Management, directors and other professional fees	**88,652**	36,021	**61,831**	11,242
Repairs and maintenance	**81,090**	64,806	**80,415**	62,446
	1,674,398	1,083,697	**1,643,536**	1,031,141
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	**1,859,275**	1,436,248	**1,829,251**	1,376,105
PDIC insurance premiums	**832,069**	843,677	**816,591**	776,578
Other taxes and licenses	**662,446**	894,001	**544,533**	544,137
Employee benefits	**155,450**	139,850	**128,113**	128,218
Other expenses	**356,953**	598,046	**229,672**	363,408
	3,866,193	3,911,822	**3,548,160**	3,188,446
	₱5,540,591	₱4,995,519	**₱5,191,696**	₱4,219,587

'Other expenses' include janitorial, representation and entertainment, communication and other operating expenses.

21. Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2020	Carrying Value 2019
Fixed rate medium term senior notes						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	**₱35,851,428**	₱37,718,077
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	**14,352,368**	15,108,746
		USD1,050,000			**50,203,796**	52,826,823
Fixed rate bonds						
May 8, 2019	May 8, 2021	₱13,870,000	6.30%	Quarterly	**13,852,539**	13,788,255
					₱64,056,335	₱66,615,078

The fixed rate medium term senior notes are drawdowns from the Parent Company's Medium Term Note Programme (the MTN Programme), which was established on April 13, 2018 with an initial nominal size of US$1.0 billion. On June 14, 2019, the Parent Company increased the size of its MTN Programme to US$2.0 billion. Both issued fixed rate medium term senior notes are listed in the Singapore Exchange Securities Trading Limited.

The fixed rate bonds represent the Parent Company's maiden issuance of Philippine peso-denominated bonds in Philippine Dealing & Exchange Corp.

As of December 31, 2020 and 2019, the unamortized transaction costs of bonds payable amounted to ₱252.2 million and ₱421.7 million, respectively. In 2020 and 2019, amortization of transaction costs amounting to ₱169.5 million and ₱98.5 million, were charged to 'Interest expense on bonds payable' in the statements of income.

22. Other Liabilities

This account consists of:

	Consolidated 2020	Consolidated 2019	Parent Company 2020	Parent Company 2019
Financial				
Accounts payable	**₱5,789,144**	₱9,526,347	**₱5,472,811**	₱8,125,229
Bills purchased - contra (Note 10)	**1,548,226**	1,348,148	**1,548,226**	1,348,148
Manager's checks and demand drafts outstanding	**1,302,745**	1,393,535	**1,302,745**	1,332,285
Dormant credits	**1,258,502**	1,100,311	**1,230,991**	972,082
Deposits on lease contracts	**878,193**	833,853	**104,363**	103,127
Due to other banks (Note 33)	**537,116**	538,612	**69,484**	99,776
Accounts payable - electronic money	**448,794**	454,833	**448,794**	454,833
Margin deposits and cash letters of credit	**329,432**	224,873	**267,564**	208,027
Payment order payable	**263,959**	333,909	**263,959**	329,699
Transmission liability	**24,468**	19,225	**–**	–
Deposit for keys on safety deposit boxes	**16,861**	16,473	**16,861**	16,445
Insurance contract liabilities	**–**	5,745,820	**–**	–
Commission payable	**–**	75,467	**–**	–
	12,397,440	21,611,406	**10,725,798**	12,989,651

(Forward)

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Nonfinancial				
Retirement benefit liability (Note 28)	**₱1,213,888**	₱804,733	**₱1,205,212**	₱803,653
Due to Treasurer of the Philippines	**675,835**	681,835	**675,835**	681,343
Deferred revenue - Bancassurance (Note 12)	**646,874**	720,074	**646,874**	720,074
Deferred revenue - Credit card-related	**489,711**	468,238	**489,711**	468,238
Withholding tax payable	**265,884**	385,294	**262,793**	350,389
Provisions (Note 34)	**979,067**	969,106	**979,067**	969,106
Deferred tax liabilities (Note 30)	**161,152**	165,851	**–**	–
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	**37,627**	35,939	**37,359**	35,129
Reserve for unearned premiums	**–**	1,470,274	**–**	–
Miscellaneous	**1,006,350**	1,810,703	**524,245**	841,352
	5,476,388	7,512,047	**4,821,096**	4,869,284
	₱17,873,828	₱29,123,453	**₱15,546,894**	₱17,858,935

'Deferred revenue - Bancassurance' pertains to the allocated portion of the consideration received for the disposal of APLII related to the EDR (Note 12). In 2020 and 2019, amortization of other deferred revenue amounting to ₱73.2 million were recognized under 'Service fees and commission income' (Note 26).

'Deferred revenue - Credit card-related' includes portion of fee allocated to the loyalty points, deferred by the Group and recognized as revenue when the points are redeemed or have expired.

'Miscellaneous' include interoffice floats, remittance-related payables, overages, advance rentals and sundry credits.

23. Derivative Financial Instruments

The tables below show the fair values of the derivative financial instruments entered into by the Group and the Parent Company, recorded as 'Financial assets at FVTPL' (Note 9) or 'Financial liabilities at FVTPL' (Note 18), together with the notional amounts.

The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2020 and 2019 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	2020			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱3,819	₱556,154	48.02	3,088,554
AUD	2,373	–	0.76	68,028
EUR	11	30	1.22	8,216
GBP	–	186	1.35	800
HKD	163	–	0.13	1,584,875
PHP	123	–	1.00	2,401,273
SELL:				
USD	212,405	120	48.02	877,320
AUD	–	200	0.76	400
CAD	91	84	0.78	9,461
EUR	–	3,823	1.22	16,700
GBP	1,163	–	1.35	2,500

(Forward)

	Consolidated 2020			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
HKD	**₱19**	**₱51**	**0.13**	**726,829**
JPY	**12**	**665**	**0.01**	**1,170,000**
NZD	**63**	–	**0.71**	**350**
PHP	**3**	**23**	**1.00**	**7,023**
SGD	–	**440**	**0.75**	**708**
Interest rate swaps	**150,408**	**139,463**		
	₱370,653	**₱701,239**		

	Consolidated 2019			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱23,951	₱179,106	50.64	1,042,766
CNY	39	–	0.14	2,000
EUR	39	2,114	1.11	11,173
GBP	278	–	1.31	1,700
JPY	2	–	0.01	666
SGD	3	–	0.74	23,394
SELL:				
USD	280,652	8,432	50.64	1,677,221
AUD	–	27	0.70	100
CAD	–	809	0.77	1,500
EUR	4,613	51	1.11	28,691
GBP	176	211	1.31	5,150
HKD	–	7,010	0.13	399,627
JPY	2,869	66	0.01	1,152,909
PHP	–	106	1.00	30,000
Interest rate swaps	60,418	47,687		
	₱373,040	₱245,619		

	Parent Company 2020			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
USD	**₱1,272**	**₱556,153**	**48.02**	**1,433,304**
EUR	–	**30**	**1.22**	**254**
GBP	–	**186**	**1.35**	**800**
PHP	**123**	–	**1.00**	**2,401,273**
Currency forwards and spots:				
SELL:				
USD	**212,405**	**37**	**48.02**	**860,806**
AUD	–	**200**	**0.76**	**400**
CAD	**91**	–	**0.78**	**1,500**
EUR	–	**3,823**	**1.22**	**16,700**
GBP	**1,163**	–	**1.35**	**2,500**
HKD	**19**	–	**0.13**	**6,500**
JPY	**12**	**665**	**0.01**	**1,170,000**
NZD	**63**	–	**0.71**	**350**
PHP	**3**	**23**	**1.00**	**7,023**
SGD	–	**440**	**0.75**	**708**
Interest rate swaps	**150,407**	**139,245**		
	₱365,558	**₱700,802**		

	Parent Company 2019			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱23,934	₱179,105	50.64	1,018,425
CNY	39	–	0.14	2,000
EUR	27	2,114	1.11	10,850
GBP	278	–	1.31	1,700

(Forward)

	Parent Company 2019			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
SELL:				
USD	₱280,652	₱1,619	50.64	1,283,875
AUD	–	27	0.70	100
CAD	–	809	0.77	1,500
EUR	4,613	36	1.11	27,500
GBP	176	211	1.31	5,150
HKD	–	278	0.13	8,000
JPY	2,869	–	0.01	1,150,000
PHP	–	106	1.00	30,000
Interest rate swaps	60,418	47,687		
	₱373,006	₱231,992		

**The notional amounts and average forward rates pertain to original currencies.*

The rollforward analysis of net derivative assets in 2020 and 2019 follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at the beginning of the year:				
Derivative assets	**₱373,040**	₱574,629	**₱373,006**	₱572,864
Derivative liabilities	**245,619**	470,649	**231,992**	468,279
	127,421	103,980	**141,014**	104,585
Changes in fair value				
Currency forwards and spots*	**(459,964)**	(663,118)	**(477,566)**	(663,118)
Interest rate swaps and warrants**	**(2,532)**	(3,733)	**(2,532)**	(3,733)
	(462,496)	(666,851)	**(480,098)**	(666,851)
Net availments (settlements)	**4,489**	690,292	**3,840**	703,280
Balance at end of year:				
Derivative assets	**370,653**	373,040	**365,558**	373,006
Derivative liabilities	**701,239**	245,619	**700,802**	231,992
	(₱330,586)	₱127,421	**(₱335,244)**	₱141,014

* *Presented as part of 'Foreign exchange gains - net'*
** *Recorded under 'Trading and investment securities gains - net' (Note 9)*

24. **Maturity Analysis of Assets and Liabilities**

The following tables show an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2020			2019		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱25,135,724**	**₱–**	**₱25,135,724**	₱30,500,927	₱–	₱30,500,927
Due from BSP	**202,129,356**	**–**	**202,129,356**	105,981,801	–	105,981,801
Due from other banks	**19,743,198**	**–**	**19,743,198**	17,761,502	–	17,761,502
Interbank loans receivable (Note 8)	**39,703,864**	**–**	**39,703,864**	23,344,062	1,494,473	24,838,535
Securities held under agreements to resell (Note 8)	**15,819,273**	**–**	**15,819,273**	2,519,676	–	2,519,676
Financial assets at FVTPL (Note 9)	**23,825,708**	**–**	**23,825,708**	13,468,985	–	13,468,985
Financial assets at FVOCI (Note 9)	**57,356,398**	**76,358,954**	**133,715,352**	16,448,728	106,692,112	123,140,840
Investment securities at amortized cost (Note 9)	**39,947,435**	**59,270,956**	**99,218,391**	28,981,027	75,268,926	104,249,953
Loans and receivables (Note 10)	**222,441,041**	**410,735,105**	**633,176,146**	263,166,643	412,967,255	676,133,898
Other assets (Note 15)	**85,689**	**14,220**	**99,909**	420,846	54,930	475,776
	646,187,686	**546,379,235**	**1,192,566,921**	502,594,197	596,477,696	1,099,071,893

(Forward)

	Consolidated					
	2020			2019		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Nonfinancial Assets						
Property and equipment (Note 11)	₱–	₱32,251,646	₱32,251,646	₱–	₱31,660,286	₱31,660,286
Investment in an associate (Note 12)	–	2,310,410	2,310,410	–	2,605,473	2,605,473
Investment properties (Note 13)	–	19,195,106	19,195,106	–	19,226,364	19,226,364
Deferred tax assets (Note 30)	–	9,036,908	9,036,908	–	2,580,809	2,580,809
Goodwill (Note 14)	–	13,375,407	13,375,407	–	13,375,407	13,375,407
Intangible assets (Note 14)	–	6,424,135	6,424,135	–	6,208,501	6,208,501
Residual value of leased assets (Note 10)	374,959	323,020	697,979	304,898	349,380	654,278
Other assets (Note 15)	5,408,127	1,870,770	7,278,897	5,821,416	2,846,454	8,667,870
	5,783,086	84,787,402	90,570,488	6,126,314	78,852,674	84,978,988
Assets of a disposal group classified as held for sale (Note 36)	7,945,945	–	7,945,945	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			41,202,984			26,538,007
Unearned and other deferred income (Note 10)			1,464,726			451,191
Accumulated depreciation and amortization (Notes 11, 13 and 14)			17,281,845			14,771,072
			₱1,231,133,799			₱1,142,290,611
Financial Liabilities						
Deposit liabilities (Note 17)	₱831,907,680	₱58,380,209	₱890,287,889	₱779,949,597	₱46,095,883	₱826,045,480
Financial liabilities at FVTPL (Note 18)	561,995	139,244	701,239	210,265	35,354	245,619
Bills and acceptances payable (Note 19)	84,924,978	2,234,472	87,159,450	51,821,601	4,141,689	55,963,290
Accrued interest payable (Note 20)	778,428	130,007	908,435	1,803,453	140,754	1,944,207
Accrued other expenses payable (Note 20)	1,030,988	643,410	1,674,398	1,035,769	134,098	1,169,867
Bonds payable (Note 31)	13,852,538	50,203,797	64,056,335	–	66,615,078	66,615,078
Other liabilities (Note 22)	10,519,523	1,877,917	12,397,440	19,940,541	1,608,024	21,548,565
	943,576,130	113,609,056	1,057,185,186	854,761,226	118,770,880	973,532,106
Nonfinancial Liabilities						
Lease liabilities (Note 29)	552,617	813,399	1,366,016	559,960	1,246,449	1,806,409
Accrued taxes and other expenses (Note 20)	593,042	3,273,151	3,866,193	596,279	3,229,373	3,825,652
Income tax payable	903,044	–	903,044	576,156	–	576,156
Other liabilities (Note 22)	1,827,690	3,648,698	5,476,388	5,201,424	2,373,464	7,574,888
	3,876,393	7,735,248	11,611,641	6,933,819	6,849,286	13,783,105
Liabilities of a disposal group classified as held for sale (Note 36)	6,353,964	–	6,353,964	–	–	–
	₱953,806,487	₱121,344,304	₱1,075,150,791	₱861,695,045	₱125,620,166	₱987,315,211

	Parent Company					
	2020			2019		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱25,038,434	₱–	₱25,038,434	₱29,642,159	₱–	₱29,642,159
Due from BSP	202,129,356	–	202,129,356	101,801,597	–	101,801,597
Due from other banks	12,141,599	–	12,141,599	10,838,465	–	10,838,465
Interbank loans receivable (Note 8)	37,861,553	–	37,861,553	22,309,839	1,494,473	23,804,312
Securities held under agreements to resell (Note 8)	15,819,273	–	15,819,273	1,149,984	–	1,149,984
Financial assets at FVTPL (Note 9)	21,947,640	–	21,947,640	11,169,656	–	11,169,656
Financial assets at FVOCI (Note 9)	58,640,049	74,623,709	133,263,758	16,018,940	102,877,624	118,896,564
Investment securities at amortized cost (Note 9)	40,524,889	58,573,151	99,098,040	24,830,301	78,101,851	102,932,152
Loans and receivables (Note 10)	217,224,095	402,310,575	619,534,670	257,541,945	344,363,206	601,905,151
Other assets (Note 15)	85,746	527	86,273	72,808	500	73,308
	631,412,634	535,507,962	1,166,920,596	475,375,694	526,837,654	1,002,213,348
Nonfinancial Assets						
Property and equipment (Note 11)	–	29,652,288	29,652,288	–	28,230,217	28,230,217
Investment in subsidiaries and an associate (Note 12)	–	27,105,550	27,105,550	–	28,430,358	28,430,358
Investment properties (Note 13)	–	18,538,021	18,538,021	–	18,822,796	18,822,796
Deferred tax assets (Note 30)	–	8,522,411	8,522,411	–	1,985,597	1,985,597

(Forward)

	Parent Company					
	2020			2019		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Goodwill (Note 14)	**₱–**	**₱13,515,765**	**₱13,515,765**	₱–	₱13,515,765	₱13,515,765
Intangible assets (Note 14)	**–**	**7,457,263**	**7,457,263**	–	7,175,852	7,175,852
Other assets (Note 15)	**4,199,440**	**1,702,234**	**5,901,674**	4,071,106	2,236,701	6,307,807
	4,199,440	**106,493,532**	**110,692,972**	4,071,106	100,397,286	104,468,392
Assets of a disposal group classified as held for sale (Note 36)	**1,136,418**	**–**	**1,136,418**	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			**40,277,667**			22,323,501
Unearned and other deferred income (Note 10)			**1,132,928**			366,471
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**17,137,714**			14,786,546
			₱1,220,201,677			₱1,069,205,222
Financial Liabilities						
Deposit liabilities (Note 17)	**₱835,750,531**	**₱57,797,513**	**₱893,548,044**	₱736,882,795	₱ 38,959,204	₱775,841,999
Financial liabilities at FVTPL (Note 18)	**561,558**	**139,244**	**700,802**	196,638	35,354	231,992
Bills and acceptances payable (Note 19)	**83,135,081**	**1,682,279**	**84,817,360**	44,886,841	3,537,176	48,424,017
Accrued interest payable (Note 20)	**754,310**	**129,010**	**883,320**	1,699,457	139,050	1,838,507
Accrued other expenses payable (Note 20)	**1,000,126**	**643,410**	**1,643,536**	897,043	134,098	1,031,141
Bonds payable (Note 31)	**13,852,538**	**50,203,797**	**64,056,335**	–	66,615,078	66,615,078
Other liabilities (Note 22)	**9,240,263**	**1,485,536**	**10,725,799**	11,914,442	1,075,209	12,989,651
	944,294,407	**112,080,789**	**1,056,375,196**	796,477,216	110,495,169	906,972,385
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**478,204**	**892,002**	**1,370,206**	492,749	1,140,334	1,633,083
Accrued taxes and other expenses (Note 20)	**286,989**	**3,261,171**	**3,548,160**	380,712	2,807,734	3,188,446
Income tax payable	**842,038**	**–**	**842,038**	472,378	–	472,378
Other liabilities (Note 22)	**1,314,107**	**3,506,989**	**4,821,096**	2,663,244	2,206,040	4,869,284
	2,921,338	**7,660,162**	**10,581,500**	4,009,083	6,154,108	10,163,191
	₱947,215,745	**₱119,740,951**	**₱1,066,956,696**	₱800,486,299	₱116,649,277	₱917,135,576

25. Equity

Capital Stock

This account consists of (amounts in thousands, except for par value and number of shares):

	2020		2019	
	Shares	**Amount**	Shares	Amount
Common - ₱40 par value				
Authorized	**1,750,000,001**	**₱70,000,000**	1,750,000,001	₱70,000,000
Issued and outstanding				
Balance at beginning of the year	**1,525,764,850**	**₱61,030,594**	1,249,139,678	₱49,965,587
Issuance of stock	**–**	**–**	276,625,172	11,065,007
Balance at end of the year	**1,525,764,850**	**₱61,030,594**	1,525,764,850	₱61,030,594

The history of share issuances of the Parent Company since its initial public offering follows:

Date	Type of issuance	Number of common shares	Par value	Offer price
July 2019	Stock rights	276,625,172	₱40.00	₱43.38
February 2014	Stock rights	162,931,262	40.00	71.00
February 2013	Share-for-share swap with ABC common and preferred shares *	423,962,500	40.00	97.90
September 2000	Pre-emptive stock rights	71,850,215	100.00	60.00
September 1999	Stock rights	68,740,086	100.00	137.80
December 1995	Third public offering	7,200,000	100.00	260.00
April 1992	Second public offering	8,033,140	100.00	265.00
June 1989	Initial public offering	10,800,000	100.00	100.00

In January 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001

The Parent Company's shares are listed in the PSE. As of December 31, 2020 and 2019, the Parent Company had 36,394 and 36,471 stockholders, respectively.

On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (the Offer) of 276,625,172 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. The Rights Shares were offered to all eligible shareholders of the Parent Company from July 3 to 12, 2019 at the proportion of one Rights Share for every 4.516 existing common shares as of the record date of June 21, 2019. The Parent Company incurred transaction costs of ₱312.5 million, of which ₱159.7 million was deducted against 'Capital paid in excess of par value'. Out of the ₱159.7 million transaction costs, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers of the Offer, was eliminated in the consolidated financial statements.

Surplus

The computation of surplus available for dividend declaration in accordance with the Philippine Securities and Exchange Commission (SEC) Memorandum Circular No. 11-2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2020 and 2019, surplus amounting to ₱9.6 billion, representing the balances of the following equity items that have been applied to eliminate the Parent Company's deficit through quasi-reorganizations in 2002 and 2000, is not available for dividend declaration without prior approval from the Philippine SEC and the BSP:

Revaluation increment on land and buildings	₱7,691,808
Accumulated translation adjustment	1,315,685
Accumulated equity in net earnings of investees	563,048
	₱9,570,541

Surplus Reserves

This account consists of:

	2020	2019
Reserves under BSP Circular 1011	**₱4,369,668**	₱–
Reserves for trust business (Note 32)	**582,429**	562,018
Reserves for self-insurance	**80,000**	80,000
	₱5,032,097	₱642,018

'Reserves under BSP Circular 1011' represents the appropriation for the excess of 1% general loan loss provisions over the computed ECL for Stage 1 accounts in accordance with BSP Circular 1011, *Guidelines on the Adoption of PFRS 9.*

'Reserves for self-insurance' represents the amount set aside to cover losses due to fire or defalcation by, and other unlawful acts of, the Parent Company's personnel or third parties.

Accumulated Translation Adjustment

As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent

Company's remaining deficit of ₱1.3 billion, including ₱0.6 billion accumulated equity in net earnings as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion.

The SEC approval is subject to the following conditions:

- remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC;
- for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

Other Equity Reserves

On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock. The acquisition and distribution of the estimated 3.0 million shares shall be done over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. Grant date is April 27, 2017 when the fair value of the centennial bonus shares is ₱65.20. In 2020, 2019 and 2018, the Parent Company awarded 316 thousand, 277 thousand and 343 million, respectively, centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱6.4 million, ₱18.4 million and ₱16.3 million, respectively.

Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Parent Company and its financial allied subsidiaries are subject to the regulatory requirements of the BSP. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods.

The Group has a nonlife insurance business, through PNB Gen, which is subject to the regulatory requirements of the Insurance Commission (IC).

The Group has complied with all externally imposed capital requirements throughout the year.

BSP reporting for capital management

Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on RAP, which differ from PFRS in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR), expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% at all times for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2020 and 2019, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2020		2019	
Consolidated	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱144,298**		₱146,808	
Less: Regulatory Adjustments to CET 1	**28,838**		22,303	
CET1 Capital (Net)	**115,460**		124,505	
Add: Additional Tier 1 Capital (AT1)	**–**		–	
Tier 1 Capital	**115,460**		124,505	
Add: Tier 2 Capital	**5,377**		6,183	
Total qualifying capital	**₱120,837**	**₱80,581**	₱130,688	₱88,306
Total risk-weighted assets	**₱798,170**		₱883,055	
Tier 1 capital ratio	**14.47%**		14.10%	
Total capital ratio	**15.14%**		14.80%	

	2020		2019	
Parent Company	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱142,235**		₱144,654	
Less: Regulatory Adjustments to CET 1	**42,732**		47,960	
CET1 Capital (Net)	**99,503**		96,694	
Add: AT1	**–**		–	
Tier 1 Capital	**99,503**		96,694	
Add: Tier 2 Capital	**5,236**		5,564	
Total qualifying capital	**₱104,739**	**₱78,674**	₱102,258	₱79,695
Total risk-weighted assets	**₱779,103**		₱796,949	
Tier 1 capital ratio	**12.77%**		12.13%	
Total capital ratio	**13.44%**		12.83%	

The Group considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital.

In line with its ICAAP document, the Parent Company maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

As of December 31, 2020 and 2019, BLR reported to the BSP is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Tier 1 capital	**₱119,279**	₱124,505	**₱103,321**	₱96,694
Total exposure measure	**1,244,747**	1,161,264	**1,226,577**	1,070,585
BLR	**9.58%**	10.72%	**8.42%**	9.03%

BLR is computed based on RAP.

IC reporting for capital management
Under the requirements of the IC and the Insurance Code, PNB Gen should meet the minimum levels set for the following capital requirements:

- minimum statutory net worth of ₱900.0 million by December 31, 2019 and ₱1.3 billion by December 31, 2022;
- risk-based capital (RBC) ratio of 100.00%.

The RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC shall include the aggregate of Tier 1 capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis and additional Tier 2 less certain deductions, subject to applicable limits and determinations. The RBC requirement is the required capital to cover the insurance risks computed using the IC-prescribed regulations.

As of December 31, 2020 and 2019, PNB Gen has an estimated statutory net worth amounting to ₱1,036.2 million and ₱960.6 million, respectively. PNB Gen's RBC ratio as of December 31, 2020 and 2019 is 307.0% and 248.4%, respectively.

26. Other Operating Income

Service Fees and Commission Income
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Loan-related	**₱1,072,459**	₱1,042,011	₱612,058	**₱1,124,608**	₱647,215	₱604,790
Deposit-related	**1,058,033**	1,120,069	1,075,496	**1,054,359**	1,101,249	930,563
Remittance	**646,494**	714,330	766,652	**340,364**	373,330	401,223
Credit card-related	**622,302**	456,176	407,013	**622,302**	456,176	407,013
Interchange fees	**329,059**	506,521	625,059	**329,059**	506,521	625,059
Trust fees (Note 32)	**314,851**	281,228	279,131	**314,851**	281,228	279,131
Underwriting fees	**227,494**	655,450	140,660	–	–	–
Bancassurance (Note 22)	**206,686**	188,263	208,653	**206,686**	188,263	208,653
Miscellaneous	**207,194**	204,992	136,970	**142,290**	123,707	67,831
	4,684,572	5,169,040	4,251,692	**4,134,519**	3,677,689	3,524,263
Discontinued operations:						
Miscellaneous (Note 36)	**19,718**	7,460	7,592	–	–	–
	₱4,704,290	₱5,176,500	₱4,259,284	**₱4,134,519**	₱3,677,689	₱3,524,263

'Interchange fees' and 'Credit card-related fees' were generated from the credit card business of the Parent Company.

'Miscellaneous' includes income from securities brokering activities and other fees and commission.

Net Gains on Sale or Exchange of Assets
This account consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Net gains from sale of receivables	**₱104,181**	₱165,310	₱–	**₱104,181**	₱165,310	₱–
Net gains from foreclosure and repossession of investment properties	**72,109**	482,661	129,218	**13,209**	505,137	129,218
Net gains from sale of investment properties (Note 33)	**11,775**	48,599	5,703,523	**11,806**	6,218	5,683,516
Net gains (losses) from sale of property and equipment (Note 11)	**7,777**	(8,961)	28,402	**1,297**	1,023	28,402
Net gains from sale of other assets	–	3,016	–	–	8,753	–
	₱195,842	₱690,625	₱5,861,143	**₱130,493**	₱686,441	₱5,841,136

27. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Rental income (Note 29)	**₱680,332**	₱731,817	₱541,822	**₱383,733**	₱466,451	₱357,953
Income from assets acquired	**258,708**	100,214	225,683	**253,128**	100,214	225,683
Recoveries	**203,750**	76,362	58,584	**24,685**	66,694	57,767
Dividends	**46,136**	89,528	55,906	**45,811**	60,046	54,520
Miscellaneous - Loan-related	**29,224**	79,409	114,063	**29,224**	79,409	114,063
Miscellaneous - Trade-related	**17,055**	23,588	30,110	**17,055**	23,588	30,110
Miscellaneous - Credit card-related	**8,812**	16,958	12,571	**8,812**	16,958	12,571
Referral fees	**3,188**	2,516	3,011	–	–	–
Others	**241,353**	344,090	383,689	**144,304**	163,462	249,208
	₱1,488,558	₱1,464,482	₱1,425,439	**₱906,752**	₱976,822	₱1,101,875

'Others' consist of income from wire transfers, tellers' overages, and penalty payments received by the Group which are related to loan accounts.

Miscellaneous Expenses
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Insurance	**₱1,833,763**	₱1,851,847	₱1,601,771	**₱1,787,331**	₱1,632,028	₱1,397,590
Secretarial, janitorial and messengerial	**1,631,137**	1,636,755	1,472,872	**1,605,223**	1,521,042	1,379,306
Loss on loan modifications	**1,587,605**	–	–	**1,587,605**	–	–
Information technology	**1,448,623**	811,574	561,597	**1,431,600**	796,016	542,478
Marketing expenses	**738,387**	1,137,757	1,170,997	**732,788**	1,117,113	1,032,695
Management and other professional fees	**363,791**	487,197	413,040	**291,457**	432,425	346,398
Travelling	**289,766**	373,145	324,220	**282,758**	345,626	297,506
Litigation and assets acquired expenses	**248,302**	326,588	490,732	**243,489**	290,775	473,660
Postage, telephone and cable	**163,160**	228,066	215,362	**125,244**	165,533	156,160
Entertainment, amusement and recreation (EAR) (Note 30)	**147,421**	166,089	131,260	**137,152**	153,999	119,713
Repairs and maintenance	**62,161**	73,601	75,235	**62,161**	73,601	75,235
Freight	**30,973**	41,811	28,093	**29,428**	38,003	25,350
Fuel and lubricants	**14,157**	18,671	19,425	**10,931**	12,677	11,541
Others (Notes 13 and 33)	**455,665**	529,519	448,921	**310,807**	275,821	267,702
	9,014,911	7,682,620	6,953,525	**8,637,974**	6,854,659	6,125,334

(Forward)

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Discontinued operations (Note 36):						
Marketing expenses	**₱7,237**	₱3,486	₱7,343	**₱–**	₱–	₱–
Information technology	**6,918**	7,322	6,544	**–**	–	–
Secretarial, janitorial and messengerial	**6,015**	11,467	7,633	**–**	–	–
Postage, telephone and cable	**3,232**	3,108	2,936	**–**	–	–
EAR	**2,575**	888	853	**–**	–	–
Travelling	**2,389**	4,234	4,763	**–**	–	–
Fuel and lubricants	**2,327**	–	–	**–**	–	–
Management and other professional fees	**1,763**	1,298	2,231	**–**	–	–
Insurance	**380**	147	139	**–**	–	–
Others	**10,703**	17,960	13,506	**–**	–	–
	43,539	49,910	45,948	**–**	–	–
	₱9,058,450	₱7,732,530	₱6,999,473	**₱8,637,974**	₱6,854,659	₱6,125,334

'Loss on loan modifications' pertains to the adjustment for the changes in expected cash flows of credit exposures, as a result of modifications in the original terms and conditions of the loan which include, but not limited to, changes in interest rates, principal amount, maturity date, and payment terms. In 2020, the Group accommodated modifications in the terms and conditions of certain loans of borrowers, which have been directly impacted by the COVID-19 pandemic. The loss is computed as the difference between the gross carrying amount of the loan and the present value of the modified contractual cash flows, discounted at the original effective interest rate of the loan. Subsequent accretion to interest income in 2020 amounted to the ₱901.7 million.

'Others' include stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

28. Retirement Plan

The Parent Company and certain subsidiaries of the Group, have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Retirement benefit liability (included in 'Other liabilities')	**₱1,213,888**	₱804,733	**₱1,205,212**	₱803,653
Net plan assets (included in 'Other assets - miscellaneous')	**7,538**	5,003	**–**	–
	₱1,206,350	₱799,730	**₱1,205,212**	₱803,653

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability. The retirement plan provides each eligible employer with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

As of December 31, 2020 and 2019, the Parent Company has two separate regular retirement plans for its employees. In addition, the Parent Company provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).

The changes in the present value obligation and fair value of plan assets are as follows:

Consolidated 2020														
		Net benefit costs *					Remeasurements in other comprehensive income							
	January 1, 2020	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from experience adjustments	Actuarial changes in financial assumptions	Subtotal	Contributions by employer	Effect of disposal group classified as held for sale (Note 36)	December 31, 2020
Present value of pension obligation	**₱8,165,350**	**₱535,165**	**₱25,454**	**₱369,524**	**₱930,143**	**(₱486,637)**	**₱–**	**₱–**	**(₱20,328)**	**₱612,674**	**₱592,346**	**₱–**	**(₱62,899)**	**₱9,138,303**
Fair value of plan assets	**7,365,620**	**–**	**–**	**317,891**	**317,891**	**(486,637)**	**(110,671)**	**–**	**–**	**–**	**(110,671)**	**894,487**	**(48,737)**	**7,931,953**
	₱799,730	**₱535,165**	**₱25,454**	**₱51,633**	**₱612,252**	**₱–**	**₱110,671**	**₱–**	**(₱20,328)**	**₱612,674**	**₱703,017**	**(₱894,487)**	**(₱14,162)**	**₱1,206,350**

**Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income*

Consolidated 2019													
		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2019	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes Arising from demographic assumptions	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2019
Present value of pension obligation	₱6,685,101	₱476,653	₱3,774	₱482,414	₱962,841	(₱369,733)	₱–	₱–	₱71,802	₱815,339	₱887,141	₱–	₱8,165,350
Fair value of plan assets	5,537,780	–	–	400,507	400,507	(369,733)	124,228	–	–	–	124,228	1,672,838	7,365,620
	₱1,147,321	₱476,653	₱3,774	₱81,907	₱562,334	₱–	(₱124,228)	₱–	₱71,802	₱815,339	₱762,913	(₱1,672,838)	₱799,730

**Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income*

Parent Company

2020

	January 1, 2020	**Net benefit costs *: Current service cost**	**Net benefit costs *: Past Service Cost**	**Net benefit costs *: Net interest**	**Net benefit costs *: Subtotal**	**Benefits paid**	**Remeasurements in other comprehensive income: Return on plan asset excluding amount included in net interest)**	**Remeasurements in other comprehensive income: Actuarial changes arising from demographic assumptions**	**Remeasurements in other comprehensive income: Actuarial changes arising from experience adjustments**	**Remeasurements in other comprehensive income: Actuarial changes changes in financial assumptions**	**Remeasurements in other comprehensive income: Subtotal**	**Contributions by employer**	**Transfer of retirement obligation from PNBSB** (Note 12)	**December 31, 2020**
Present value of pension obligation	**₱7,925,817**	**₱520,600**	**₱25,454**	**₱367,429**	**₱913,483**	**(₱475,059)**	**₱–**	**₱–**	**(₱16,388)**	**₱600,958**	**₱584,570**	**₱–**	**₱136,262**	**₱9,085,073**
Fair value of plan assets	**7,122,164**	**–**	**–**	**331,181**	**331,181**	**(475,059)**	**(109,109)**	**–**	**–**	**–**	**(109,109)**	**867,916**	**142,768**	**7,879,861**
	₱803,653	**₱520,600**	**₱25,454**	**₱36,248**	**₱582,302**	**₱–**	**₱109,109**	**₱–**	**(₱16,388)**	**₱600,958**	**₱693,679**	**(₱867,916)**	**(₱6,506)**	**₱1,205,212**

**Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income*

Parent Company

2019

	January 1, 2019	Net benefit costs*: Current service cost	Net benefit costs*: Past Service Cost	Net benefit costs*: Net interest	Net benefit costs*: Subtotal	Benefits paid	Remeasurements in other comprehensive income: Return on plan asset excluding amount included in net interest)	Remeasurements in other comprehensive income: Actuarial changes arising from experience adjustments	Remeasurements in other comprehensive income: Actuarial changes arising from demographic assumptions	Remeasurements in other comprehensive income: Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2019
Present value of pension obligation	₱6,542,733	₱448,582	₱–	₱471,434	₱920,016	(₱360,119)	₱–	₱–	₱62,180	₱761,007	₱823,187	₱–	₱7,925,817
Fair value of plan assets	5,321,028	–	–	384,710	384,710	(360,119)	112,791	–	–	–	112,791	1,663,754	7,122,164
	₱1,221,705	₱448,582	₱–	₱86,724	₱535,306	₱–	(₱112,791)	₱–	₱62,180	₱761,007	₱710,396	(₱1,663,754)	₱803,653

**Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income*

The latest actuarial valuations for these retirement plans were made as of December 31, 2020. The following table shows the actuarial assumptions as of December 31, 2020 and 2019 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
			Regular Plans		EIP	
	2020	2019	**2020**	2019	**2020**	2019
Discount rate	**3.40% - 3.75%**	4.65% - 5.09%	**3.40%**	4.65%	**3.40%**	4.65%
Salary rate increase	**3.00% - 10.00%**	4.00% - 8.00%	**5.00%**	5.00%	**–**	–

The Group and the Parent Company expect to contribute ₱1,411.4 million and ₱1,396.2 million, respectively, to the defined benefit plans in 2021. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2020 is 16 years and 13 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Less than one year	**₱1,549,180**	₱1,334,360	**₱1,546,110**	₱1,325,247
More than one year to five years	**4,637,731**	4,948,248	**4,634,889**	4,888,126
More than five years to 10 years	**4,152,389**	4,103,971	**4,108,665**	3,927,916
More than 10 years to 15 years	**3,169,138**	2,426,245	**3,080,995**	2,092,890
More than 15 years	**7,635,988**	7,030,900	**7,391,744**	4,974,489

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Cash and cash equivalents	**₱3,875,381**	₱2,137,666	**₱3,858,067**	₱2,100,971
Equity investments				
Financial institutions (Note 33)	**256,337**	311,446	**250,215**	305,036
Electricity, gas and water	**287,045**	550,964	**287,045**	550,964
Real estate, renting and business activities	**382,376**	377,240	**382,376**	377,240
Others	**175,535**	76,032	**157,938**	59,245
Debt investment				
Private debt securities	**780,316**	1,513,726	**774,499**	1,505,272
Government securities	**1,306,438**	1,344,608	**1,302,813**	1,329,390
Investment in UITFs	**584,193**	699,511	**582,674**	556,816
Loans and receivables	**208,084**	313,024	**208,084**	313,024
Interest and other receivables	**86,070**	45,974	**85,881**	28,643
	7,941,775	7,370,191	**7,889,592**	7,126,601
Accrued expenses	**(9,822)**	(4,571)	**(9,731)**	(4,437)
	₱7,931,953	₱7,365,620	**₱7,879,861**	₱7,122,164

All equity and debt investments held including investments in UITF have quoted prices in active markets. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2020 and 2019 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱250.2 million and ₱305.0 million, respectively.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2020			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱576,279)**	**+1.00%**	**(₱570,999)**
	-1.00%	**637,229**	**-1.00%**	**630,928**
Salary increase rate	**+1.00%**	**589,766**	**+1.00%**	**583,649**
	-1.00%	**(527,654)**	**-1.00%**	**(522,381)**
Employee turnover rate	**+10.00%**	**(181,668)**	**+10.00%**	**(182,321)**
	-10.00%	**181,668**	**-10.00%**	**182,321**

	2019			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate*	+1.00%	(₱343,444)	+1.00%	(₱318,742)
	-1.00%	574,947	-1.00%	544,780
Salary increase rate*	+1.00%	518,885	+1.00%	489,098
	-1.00%	(472,861)	-1.00%	(447,910)
Employee turnover rate*	+10.00%	(51,084)	+10.00%	(54,224)
	-10.00%	51,084	-10.00%	54,224

**Restated to exclude PNB Gen*

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

The Group and the Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

29. Leases

Group as Lessee

The Group has entered into commercial leases for its branch sites, ATM offsite location and other equipment. These non-canceleable leases have lease terms of 1 to 25 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group ROU asset is composed of the Parent Company's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱580.6 million, ₱581.1 million and ₱844.6 million in 2020, 2019 and 2018, respectively, for the Group, of which ₱532.9 million, ₱454.1 million and ₱808.3 million in 2020, 2019, and 2018, respectively, pertain to the Parent Company. Rent expenses in 2020 and 2019 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2020 and 2019, the Group has no contingent rent payable.

As of December 31, 2020 and 2019, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**₱1,806,409**	₱1,859,717	**₱1,633,083**	₱1,642,529
Additions	**104,330**	456,644	**127,578**	426,885
Transfers	**–**	–	**138,766**	–
Interest expense (Note 19)	**120,675**	131,661	**120,181**	118,365
Payments	**(664,156)**	(641,613)	**(649,402)**	(554,696)
Effects of discontinued operations (Note 36)	**(1,242)**	–	**–**	
	₱1,366,016	₱1,806,409	**₱1,370,206**	₱1,633,083

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Within one year	**₱725,804**	₱777,971	**₱616,688**	₱615,874
Beyond one year but not more than five years	**1,215,693**	1,492,322	**1,065,827**	1,245,792
More than five years	**434,137**	231,550	**334,695**	229,398
	₱2,375,634	₱2,501,843	**₱2,017,210**	₱2,091,064

Group as Lessor

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5% per year). In 2020, 2019 and 2018, total rent income (included under 'Miscellaneous income') amounted to ₱680.3 million, ₱731.8 million and ₱541.8 million, respectively, for the Group and ₱383.7 million, ₱466.5 million and ₱358.0 million, respectively, for the Parent Company (Note 27).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Within one year	**₱164,223**	₱511,055	**₱162,021**	₱171,630
Beyond one year but not more than five years	**583,780**	1,009,932	**583,780**	654,515
More than five years	**156,770**	248,374	**156,770**	248,374
	₱904,773	₱1,769,361	**₱902,571**	₱1,074,519

asset is composed of the Parent Company's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱580.6 million, ₱581.1 million and ₱844.6 million in 2020, 2019 and 2018, respectively, for the Group, of which ₱532.9 million, ₱454.1 million and ₱808.3 million in 2020, 2019, and 2018, respectively, pertain to the Parent Company. Rent expenses in 2020 and 2019 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2020 and 2019, the Group has no contingent rent payable.

As of December 31, 2020 and 2019, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**₱1,806,409**	₱1,859,717	**₱1,633,083**	₱1,642,529
Additions	**104,330**	456,644	**127,578**	426,885
Transfers	**–**	–	**138,766**	–
Interest expense (Note 19)	**120,675**	131,661	**120,181**	118,365
Payments	**(664,156)**	(641,613)	**(649,402)**	(554,696)
Effects of discontinued operations (Note 36)	**(1,242)**	–	**–**	
	₱1,366,016	₱1,806,409	**₱1,370,206**	₱1,633,083

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Within one year	**₱725,804**	₱777,971	**₱616,688**	₱615,874
Beyond one year but not more than five years	**1,215,693**	1,492,322	**1,065,827**	1,245,792
More than five years	**434,137**	231,550	**334,695**	229,398
	₱2,375,634	₱2,501,843	**₱2,017,210**	₱2,091,064

Group as Lessor

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5% per year). In 2020, 2019 and 2018, total rent income (included under 'Miscellaneous income') amounted to ₱680.3 million, ₱731.8 million and ₱541.8 million, respectively, for the Group and ₱383.7 million, ₱466.5 million and ₱358.0 million, respectively, for the Parent Company (Note 27).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Within one year	**₱164,223**	₱511,055	**₱162,021**	₱171,630
Beyond one year but not more than five years	**583,780**	1,009,932	**583,780**	654,515
More than five years	**156,770**	248,374	**156,770**	248,374
	₱904,773	₱1,769,361	**₱902,571**	₱1,074,519

Provision for (benefit from) income tax consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Current						
Regular	**₱3,283,241**	₱1,653,473	₱2,888,800	**₱3,186,427**	₱1,367,233	₱2,610,768
Final	**1,460,027**	1,372,514	720,504	**1,388,839**	1,325,119	692,984
	4,743,268	3,025,987	3,609,304	**4,575,266**	2,692,352	3,303,752
Deferred	**(6,541,506)**	(573,680)	54,440	**(6,520,787)**	(605,888)	918
	(1,798,238)	2,452,307	3,663,744	**(1,945,521)**	2,086,464	3,304,670
Discontinued operations (Note 36):						
Current						
Regular	**768**	–	–	**–**	–	–
Final	**20,418**	18,897	14,298	**–**	–	–
	21,186	18,897	14,298	**–**	–	–
Deferred	**(768)**	(218)	9,063	**–**	–	–
	20,418	18,679	23,361	**–**	–	–
	(₱1,777,820)	₱2,470,986	₱3,687,105	**(₱1,945,521)**	₱2,086,464	₱3,304,670

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Deferred tax assets on:				
Allowance for impairment, credit and other losses	**₱11,148,074**	₱5,761,259	**₱10,898,555**	₱5,234,231
Retirement liability	**838,990**	514,936	**798,947**	514,901
Accumulated depreciation on investment properties and appraisal increment	**729,869**	745,362	**726,928**	709,277
Accrued expenses	**580,572**	484,529	**580,572**	484,529
Unearned interest and discount	**152,211**	–	**152,211**	
Deferred revenues	**130,213**	234,397	**130,213**	234,397
Unrealized losses on financial assets at FVTPL and FVOCI	**–**	694	**–**	694
Others	**311,540**	82,596	**–**	–
	13,891,469	7,823,773	**13,287,426**	7,178,029
Deferred tax liabilities on:				
Revaluation increment on land and buildings [1/]	**3,133,453**	3,133,453	**3,133,453**	3,133,453
Fair value adjustment on investment properties	**1,043,165**	1,077,752	**894,827**	1,048,107
Fair value adjustments due to business combination	**329,723**	405,545	**329,723**	405,545
Gain on remeasurement of previously held interest	**246,651**	164,429	**246,651**	164,429
Unrealized foreign exchange gains	**97,033**	328,812	**97,033**	328,811
Unrealized gains on financial assets at FVTPL and FVOCI	**56,931**	78,637	**56,931**	78,637
Others	**108,757**	220,187	**6,397**	33,450
	5,015,713	5,408,815	**4,765,015**	5,192,432
	₱8,875,756	₱2,414,958	**₱8,522,411**	₱1,985,597

[1/] *Balance includes deferred tax liability amounting to ₱736.4 million acquired from business combination*

As of December 31, 2020 and 2019, the Group's net deferred tax liabilities as disclosed in 'Other

Benefit from deferred tax credited to OCI pertains to deferred tax on remeasurement losses on retirement plan amounting to nil and ₱4.4 million in 2020 and 2019, respectively, for the Group. Provision for deferred tax charged directly to OCI pertains to deferred tax on net unrealized gains on financial assets at FVOCI amounting to ₱15.8 million for the Group and the Parent Company in 202 and ₱73.1 million for the Group and ₱72.4 million for the Parent Company in 2019.

Unrecognized deferred tax assets
The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Retirement liability	**₱1,205,212**	₱803,653	**₱1,205,212**	₱803,653
Derivative liabilities	**558,220**	180,759	**558,220**	180,759
Unamortized past service cost	**332,523**	1,901,476	**332,523**	1,901,476
Lease liabilities	**143,156**	95,209	**138,114**	88,935
NOLCO	**54,823**	196,251	**–**	–
Allowance for impairment and credit losses	**–**	6,998,404	**–**	3,699,850
Provision for IBNR	**–**	111,097	**–**	–
Accrued expenses	**–**	58,711	**–**	–
Others	**–**	14,087	**–**	–
	₱2,293,934	₱10,359,647	**₱2,234,069**	₱6,674,673

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2014	₱108,799	₱60,636	₱48,163	Not applicable
2017	–	–	–	2020
2018	13,259	9,139	4,120	2021
2019	2,540	–	2,540	2022
	₱124,598	₱69,775	₱54,823	

The Group has net operating loss carryforwards for US federal tax purposes of USD8.5 million and USD8.8 million as of December 31, 2020 and 2019, respectively, and net operating loss carryforwar for California state tax purposes of USD5.4 million and USD5.7 million as of December 31, 2020 ar 2019, respectively.

Unrecognized deferred tax liabilities
As of December 31, 2020, there was a deferred tax liability of ₱834.6 million (₱756.0 million in 201 for temporary differences of ₱2.8 billion (₱2.5 billion in 2019) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls wheth the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			**Parent Company**		
	2020	2019	2018	**2020**	2019	2018
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effects of:						
Net unrecognized deferred tax assets	**(844.28)**	(7.68)	0.21	**(635.63)**	(8.98)	(1.06)
Non-deductible expenses	**766.51**	13.52	8.00	**559.12**	12.05	6.27
Tax-exempt income	**(83.86)**	(6.43)	(3.56)	**(65.28)**	(4.94)	(3.69)

The amount of EAR expenses deductible for tax purposes is limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in 'Miscellaneous expenses' in the statements of income) amounted to ₱147.4 million in 2020, ₱166.1 million in 2019, and ₱131.3 million in 2018 for the Group, and ₱137.2 million in 2020, ₱154.0 million in 2019, and ₱119.7 million in 2018 for the Parent Company (Note 27).

31. Earnings Per Share

Earnings per share attributable to equity holders of the Parent Company is computed as follows:

	2020	2019	2018
a) Net income attributable to equity holders of the Parent Company	**₱2,614,653**	₱9,681,480	₱9,465,022
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,372,674	1,249,140
c) Basic/Diluted earnings per share (a/b)	**₱1.71**	₱7.05	₱7.58

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2020	2019	2018
a) Net income attributable to equity holders of the Parent Company from continuing operations	**₱2,547,070**	₱9,579,887	₱9,684,994
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,372,674	1,249,140
c) Basic/Diluted earnings per share (a/b)	**₱1.67**	₱6.98	₱7.75

As of December 31, 2020 and 2019 and 2018, there are no potential common shares with dilutive effect on the basic earnings per share.

32. Trust Operations

Securities and other properties held by the Parent Company through its Trust Banking Group (TBG) in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱154.4 billion and ₱95.9 billion as of December 31, 2020 and 2019, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.9 billion and ₱1.0 billion (included under 'Investment securities at amortized cost') as of December 31, 2020 and 2019, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2020, 2019 and 2018 amounting to ₱314.9 million, ₱281.2 million and ₱279.1 million, respectively, is included under 'Service fees and commission income' (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱20.4 million, ₱21.4 million and ₱23.0 million in 2020, 2019 and 2018, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital (Note 25).

33. Related Party Transactions

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

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

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

	2020		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investors			
Deposit liabilities		**₱132,001**	Peso-denominated savings deposits with annual rates ranging from 0.10 % to 0.125%
Interest expense	**₱854**		Interest expense on deposits
Net withdrawals	**138,543**		Net withdrawals during the period
Subsidiaries			
Receivables from customers		**1,900,695**	Term Loan maturing in 2021 with nominal interest rates ranging from 2.6% to 4.0%; includes domestic bills purchased.
Loan releases	**5,504,833**		
Loan collections	**5,726,814**		
Loan commitments		**14,317,968**	Omnibus line; credit line
Interbank loans receivable		**19,240**	Foreign currency-denominated interbank term loans with interest rates ranging from 0.57% to 1.00% and maturity terms ranging from 33 to 138 days with Allied Commercial Bank Xiamen
Availments	**97,069**		
Settlements	**112,069**		
Due from other banks		**301,782**	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		**1,579**	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		**25,836**	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		**12,664,981**	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.01% to 1.10% and maturities from 8 to 297 days

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			2020
Net deposits	**₱12,610,166**		Net withdrawals during the period
Bills payable		**₱18,827**	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates ranging from 0.5% and 0.8% and maturity terms ranging from 30 to 137 days.
Availments	**95,968**		
Settlements	**111,199**		
Due to other banks			Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		**16,445**	Accrued interest on deposit liabilities and bills payable
Rental deposit		**8,799**	Advance rental deposit received for 2 years and 3 months
Interest income	**51,737**		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	**30,006**		Interest expense on deposit liabilities and bills payable
Rental income	**25,386**		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	**1,295**		Management and other professional fees
Securities transactions			
Purchases	**1,324,331**		Outright purchase of securities
Sales	**1,100,178**		Outright sale of securities
Trading gain	**19,792**		Gain from sale of investment securities
Affiliates			
Receivables from customers		**41,772,870**	Partly secured by real estate and aircraft; With interest rates ranging from 2.2% to 9.7% with maturity terms ranging from 60 days to 12 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱9.6 billion
Loan releases	**10,861,306**		
Loan collections	**20,348,918**		
Loan commitments		**42,236,141**	Omnibus line; credit line
Financial assets at FVOCI		**73,040**	Common shares with acquisition cost of ₱100.00 per share
Sales contract receivable		–	Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	**323,758**		
Accrued interest receivable		**69,040**	Accrued interest on receivables from customers
Rental deposits		**30,535**	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		**21,056,712**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.50% and maturity terms ranging from 30 days to 365 days
Net deposits	**5,918,653**		Net withdrawals during the period
Bonds payable		**72,035**	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		**5,565**	Accrued interest payable from various deposits
Other liabilities		–	Various manager's check related to EISP and premium insurance
Accrued other expenses		**81,410**	Accruals in relation to promotional expenses
Interest income	**1,895,183**		Interest income on receivables from customers
Interest expense	**99,403**		Interest expense on deposit liabilities
Miscellaneous expenses	**67,743**		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	**2,100**		Outright purchase of securities
Sales	**37,500**		Outright sale of securities

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
		2019	
Bills payable		₱34,058	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates ranging from 0.5% and 0.8% and maturity terms ranging from 30 to 137 days.
Availments	₱216,490		
Settlements	220,277		
Due to other banks		31,385	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		212	Accrued interest on deposit liabilities and bills payable
Rental deposit		8,412	Advance rental deposit received for 2 years and 3 months
Interest income	135,383		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	53,653		Interest expense on deposit liabilities and bills payable
Rental income	53,653		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	1,970		Management and other professional fees
Securities transactions			
Purchases	7,221,360		Outright purchase of securities
Sales	383,472		Outright sale of securities
Trading gain	7,356		Gain from sale of investment securities
Affiliates			
Receivables from customers		51,260,482	Secured by real estate; With interest rates ranging from 2.75% to 9.72% with maturity terms ranging from 30 days to 10 years and payment terms of ranging from monthly to quarterly payments.
Loan releases	9,617,440		
Loan collections	6,662,009		
Loan commitments		25,235,370	Omnibus line; credit line
Financial assets at FVOCI		73,140	Common shares with acquisition cost of ₱100.00/share
Sales contract receivable		323,758	Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	4,495,927		
Accrued interest receivable		95,191	Accrued interest on receivables from customers
Rental deposits		30,535	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		15,138,059	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.75% and maturity terms ranging from 30 days to 365 days
Net withdrawals	916,094		Net withdrawals during the period
Bonds payable		75,953	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		25,989	Accrued interest payable from various deposits
Other liabilities		5	Various manager's check related to EISP and premium insurance
Accrued other expenses		318,155	Accruals in relation to promotional expenses
Interest income	1,255,819		Interest income on receivables from customers
Interest expense	246,104		Interest expense on deposit liabilities
Miscellaneous expenses	233,385		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	89,300		Outright purchase of securities
Sales	2,100		Outright sale of securities
Associate			
Deposit liabilities		1,066,858	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Accrued interest payable		31	Accrued interest payable from various deposits

(Forward)

	2019		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Bills payable		₱34,058	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates ranging from 0.5% and 0.8% and maturity terms ranging from 30 to 137 days.
Availments	₱216,490		
Settlements	220,277		
Due to other banks		31,385	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		212	Accrued interest on deposit liabilities and bills payable
Rental deposit		8,412	Advance rental deposit received for 2 years and 3 months
Interest income	135,383		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	53,653		Interest expense on deposit liabilities and bills payable
Rental income	53,653		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	1,970		Management and other professional fees
Securities transactions			
Purchases	7,221,360		Outright purchase of securities
Sales	383,472		Outright sale of securities
Trading gain	7,356		Gain from sale of investment securities
Affiliates			
Receivables from customers		51,260,482	Secured by real estate; With interest rates ranging from 2.75% to 9.72% with maturity terms ranging from 30 days to 10 years and payment terms of ranging from monthly to quarterly payments.
Loan releases	9,617,440		
Loan collections	6,662,009		
Loan commitments		25,235,370	Omnibus line; credit line
Financial assets at FVOCI		73,140	Common shares with acquisition cost of ₱100.00/share
Sales contract receivable		323,758	Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	4,495,927		
Accrued interest receivable		95,191	Accrued interest on receivables from customers
Rental deposits		30,535	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		15,138,059	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.75% and maturity terms ranging from 30 days to 365 days
Net withdrawals	916,094		Net withdrawals during the period
Bonds payable		75,953	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		25,989	Accrued interest payable from various deposits
Other liabilities		5	Various manager's check related to EISP and premium insurance
Accrued other expenses		318,155	Accruals in relation to promotional expenses
Interest income	1,255,819		Interest income on receivables from customers
Interest expense	246,104		Interest expense on deposit liabilities
Miscellaneous expenses	233,385		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	89,300		Outright purchase of securities
Sales	2,100		Outright sale of securities
Associate			
Deposit liabilities		1,066,858	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Accrued interest payable		31	Accrued interest payable from various deposits

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2019		
Rental deposits		₱27	Advance rental and security deposits received for three months
Deferred revenue		841,789	Unamortized portion of income related to the sale of APLII
Interest expense	₱1,523		Interest expense on deposit liabilities
Service fees and commission income	73,199		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		6,499	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	1,209		Settlement of loans and interest
Other equity reserves	77,652		Other employee benefit expense in relation to the grant of centennial bonus based on ₱70.0 per share

The related party transactions shall be settled in cash.

Outsourcing Agreement between the Parent Company and PNB GRF
The 'Pangarap Loans', which are all-purpose credit facilities fully secured by customer's deposits pledged with either PNB Hong Kong Branch or other PNB overseas branches, mainly comprise the consumer lending activity of PNB GRF. PNB GRF calls on the deposits when a Pangarap loan is in default and requests the Parent Bank to credit the peso collateral deposit to their settlement account maintained with the Parent Bank.

Financial Assets at FVTPL Traded through PNB Securities
As of December 31, 2020 and 2019, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱835.3 million and ₱404.8 million, respectively. The Parent Company recognized trading losses amounting to ₱61.5 million in 2020, ₱7.2 million in 2019 and ₱8.4 million in 2018 from the trading transactions facilitated by PNB Securities.

Compensation of Key Management Personnel
The compensation of the key management personnel for the Group and Parent Company follows:

	2020	2019	2018
Short-term employee benefits	**₱481,184**	₱541,386	₱481,011
Post-employment benefits	**55,308**	45,996	60,554
	₱536,492	₱587,382	₱541,565

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2020 and 2019, total per diem given to the BOD amounted to ₱53.0 million and ₱45.5 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all BOD activities and membership of committees and subsidiary companies. In 2020 and 2019, key management personnel received Parent Company shares in relation to the centennial bonus distribution of 21,474 and 29,951, respectively.

Joint Arrangements
The Parent Company and Eton Properties Philippines, Inc. (EPPI) signed two joint venture Agreements (JVAs) for the development of two real estate properties of the Parent Company included under 'Other assets' and with carrying values of ₱1.2 billion at the time of signing. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the joint venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs.

In July 2016, the Parent Company executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

Outsourcing Agreement between the Parent Company and PNBSB
Prior to integration, the Parent Company and PNBSB entered into a servicing agreement pertaining to the purchased loan portfolio. The agreement was valid and binding until terminated by the either party if so required by the BSP or upon a 60-day prior written notice to the other party. The Parent Company charged PNBSB with the amount it charged to its customers. Service charges pertain to outsourced services rendered by the Parent Company, including legal and information technology services. These were payable on a monthly basis.

Transactions with Retirement Plans
Management of the retirement funds of the Group and the Parent Company is handled by its TBG. The fair values and carrying values of the funds of the Group amounted to ₱7.9 billion and ₱7.4 billion as of December 31, 2020 and 2019, respectively and the fair values of the funds of the Parent Company amounted to ₱7.9 billion and ₱7.1 billion as of December 31, 2020 and 2019, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Deposits with PNB	**₱828,287**	₱563,314	**₱824,334**	₱563,314
Investment in UITFs	**760,818**	556,816	**582,674**	556,816
Investment in PNB Shares	**250,215**	305,036	**250,215**	305,036
Investment in PNB Bonds	**141,020**	142,724	**–**	142,724
Total Fund Assets	**₱1,980,340**	₱1,567,890	**₱1,657,223**	₱1,567,890
Unrealized gain on PNB shares	**₱72,941**	(₱73,992)	**₱72,941**	(₱73,992)
Unrealized loss on PNB Bonds	**(1,704)**	–	**–**	–
Interest income	**15,403**	7,454	**15,401**	7,454
	86,640	(66,538)	**88,342**	(66,538)
Trust fees	**(8,518)**	(7,468)	**(8,473)**	(7,468)
Fund gain/(loss)	**₱78,122**	(₱74,006)	**₱79,869**	(₱74,006)

As of December 31, 2020 and 2019, the retirement fund of the Group and the Parent Company includes 8,525,218 and 8,841,622 PNB shares, respectively, classified as financial assets FVTPL. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's EIP.

34. Provisions, Contingent Liabilities and Other Commitments

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

In 2020, the Group and the Parent Company's outstanding provisions for legal claims amounted to ₱0.6 billion as of December 31, 2020 and 2019.

There were no significant settlements made in 2020 and 2019.

Tax Assessment
In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

35. Offsetting of Financial Assets and Liabilities

The Group is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

Consolidated

2020

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure
	[a]	[b]	[c] [a-b]	[d]		[e] [c-d]
Derivative assets	₱58,317,718	(₱57,947,065)	₱370,653	(₱58,699)	₱–	₱311,954
Securities held under agreements to resell (Note 8)	15,819,273	–	15,819,273	–	(16,499,434)	–
Total	₱74,136,991	(₱57,947,065)	₱16,189,926	(₱58,699)	(₱16,499,434)	₱311,954

2019

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure
	[a]	[b]	[c] [a-b]	[d]		[e] [c-d]
Derivative assets	₱74,965,186	(₱74,592,146)	₱373,040	(₱45,891)	₱–	₱327,149
Securities held under agreements to resell (Note 8)	2,517,764	–	2,517,764	–	(2,517,745)	19
Total	₱77,482,950	(₱74,592,146)	₱2,890,804	(₱45,891)	(₱2,517,745)	₱327,168

2020

Financial liabilities recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱65,641,080**	**(₱64,939,841)**	**₱701,239**	**(₱85,540)**	**₱–**	**₱615,699**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**69,906,979**	–	**69,906,979**	–	**(72,585,497)**	–
Total	**₱ 135,548,059**	**(₱64,939,841)**	**₱70,608,218**	**(₱85,540)**	**(₱72,585,497)**	**₱615,699**

2019

Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱60,131,350	(₱59,885,731)	₱245,619	(₱155,245)	₱–	₱90,374
Securities sold under agreements to repurchase (Notes 9 and 19)*	29,042,805	–	29,042,805	–	(29,655,404)	–
Total	₱89,174,155	(₱59,885,731)	₱29,288,424	(₱155,245)	(₱29,655,404)	₱90,374

** Included in bills and acceptances payable in the statements of financial position*

Parent Company

2020

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets	**₱58,312,623**	**(₱57,947,065)**	**₱365,558**	**(₱59,136)**	**₱–**	**₱306,422**
Securities held under agreements to resell (Notes 8 and 19)	**15,819,273**	–	**15,819,273**	–	**(16,499,434)**	–
Total	**₱74,131,896**	**(₱57,947,065)**	**₱16,184,831**	**(₱59,136)**	**(₱16,499,434)**	**₱306,422**

2019

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱74,965,136	(₱74,592,130)	₱373,006	(₱45,571)	₱–	₱327,435
Securities held under agreements to resell (Notes 8 and 19)	1,149,984	–	1,149,984	–	(1,149,588)	396
Total	₱76,115,120	(₱74,592,130)	₱1,522,990	(₱45,571)	(₱1,149,588)	₱327,831

Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
2020						
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱65,640,643**	**(₱64,939,841)**	**₱700,802**	**(₱85,977)**	**₱**	**₱614,825**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**69,906,979**	–	**69,906,979**	–	**(72,585,497)**	–
Total	**₱135,547,622**	**(₱64,939,841)**	**₱70,607,781**	**(₱85,977)**	**(₱72,585,497)**	**₱614,825**

Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
2019						
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱60,117,063	(₱59,885,071)	₱231,992	(₱144,586)	₱	₱87,406
Securities sold under agreements to repurchase (Notes 9 and 19)*	29,042,805	–	29,042,805	–	(29,655,404)	–
Total	₱89,159,868	(₱59,885,071)	₱29,274,797	(₱144,586)	(₱29,655,404)	₱87,406

** Included in bills and acceptances payable in the statements of financial position*

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

36. Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations

As discussed in Note 12, on various dates in 2020, the respective BODs of the Parent Company and PNB Holdings approved the sale of all their holdings in PNB Gen for cash. As a result, the Group reclassified all the assets and liabilities of PNB Gen to ‘Assets of disposal group classified as held for sale’ and ‘Liabilities of disposal group classified as held for sale’, respectively, in the consolidated statement of financial position.

The business of PNB Gen represented the entirety of the Group’s non-life insurance business. PNB Gen was previously presented in the ‘Others’ section of the business segment disclosure. With PNB Gen being classified as a discontinued operation in 2020, the comparative consolidated statements of incomes and comprehensive income and cash flows in 2019 and 2018 have been re-presented to show the discontinued operations separately from the continuing operations.

The results of operation of PNB Gen are presented below:

	2020	2019	2018
Interest Income on			
Loans and receivables	**₱202**	₱275	₱355
Investment securities at amortized cost and FVOCI (Note 9)	**81,734**	67,708	60,477
Deposits with banks and others	**5,087**	17,453	1,994
	87,023	85,436	62,826
Interest Expense on			
Lease liabilities (Note 19)	**2,698**	128	–
Net Interest Income	**84,325**	85,308	62,826
Net Service Fees and Commission Income (Note 26)	**19,718**	7,460	7,592
Net insurance premium	**955,640**	1,151,704	1,228,794
Net insurance benefits and claims	**716,820**	909,974	1,292,949
Net Insurance Premium (Benefits and Claims)	**238,820**	241,730	(64,155)
Other Income			
Trading and investment securities gains (losses) - net (Note 9)	**9,123**	94	(4,176)
Foreign exchange gains (losses) - net	**(2,878)**	15	15,921
Total Operating Income	**349,108**	334,607	18,008
Operating Expenses			
Compensation and fringe benefits	**152,265**	133,896	130,241
Provision for (reversal of) credit losses (Note 16)	**29,781**	(324)	12,635
Depreciation and amortization (Note 11)	**28,862**	8,901	6,169
Taxes and licenses	**4,750**	4,878	931
Occupancy and equipment-related costs	**1,910**	17,074	18,695
Miscellaneous (Note 27)	**43,539**	49,910	45,948
Total Operating Expenses	**261,107**	214,335	214,619
Income (Loss) Before Income Tax	**88,001**	120,272	(196,611)
Provision for Income Tax (Note 30)	**20,418**	18,679	23,361
Net Income (Loss) from Discontinued Operations	**₱67,583**	₱101,593	(₱219,972)

Net Insurance Premium (Benefits and Claims)
This account consists of:

	2020	2019	2018
Net insurance premiums			
Gross earned premium	**₱2,385,857**	₱2,764,108	₱2,501,725
Reinsurer's share of gross earned premiums	**(1,430,217)**	(1,612,404)	(1,272,931)
	955,640	1,151,704	1,228,794
Less net insurance benefits and claims			
Gross insurance contract benefits and claims paid	**2,241,488**	1,598,129	1,711,759
Reinsurer's share of gross insurance contract benefits and claims paid	**(1,983,736)**	(1,262,884)	(606,275)
Gross change in insurance contract liabilities	**1,410,172**	(65,571)	109,703
Reinsurer's share of change in insurance contract liabilities	**(951,104)**	640,300	77,762
	716,820	909,974	1,292,949
	₱238,820	₱241,730	(₱64,155)

The major classes of assets and liabilities of PNB Gen classified as disposal group as follows as of December 31, 2020 follow:

Assets	
Due from other banks	₱164,894
Financial assets at FVTPL	1,387
Financial assets at FVOCI	1,183,355
Investment securities at amortized cost	788,430
Loans and other receivables - net	4,232,047
Deferred reinsurance premium	901,623
Property and equipment - net	48,436
Deferred tax assets	36,475
Intangible assets - net	5,134
Other assets	584,164
	₱7,945,945
Liabilities	
Accrued taxes, interest and other expenses	₱269,100
Insurance contract liabilities	4,360,733
Reserved for unearned reinsurance premium	1,196,273
Accounts payable	142,513
Other liabilities	385,345
	₱6,353,964
Net assets of disposal group held for sale	₱1,591,981
Amounts included in accumulated OCI:	
Remeasurement gain on retirement plan	₱59,407
Net unrealized gain on financial assets at FVOCI	29,209
	₱88,616

Net cash flows of the discontinued operations follow:

	2020	2019	2018
Net cash flows from operating activities	**(₱27,016)**	(₱298,984)	(₱4,227)
Net cash flows from investing activities	**(242,063)**	(8,619)	(51,552)
Net cash flows from financing activities	**(22,648)**	292,789	266,000
	(₱291,727)	(₱14,814)	₱210,221

37. Events After the Reporting Date

On January 13, 2021, the SEC approved the increase in the authorized capital stock of PNB Holdings from ₱500.0 million divided into 5,000,000 shares with par value of ₱100 per share, to ₱50.5 billion divided into 505,000,000 shares with the same par value. On the same date, the Parent Company proceeded with the subscription of additional 466,770,000 shares of PNB Holdings shares in exchange for certain real estate properties with fair values of ₱46.7 billion.

On February 19, 2021, the Parent Company BOD approved the infusion of additional capital of up to ₱515.0 million to PMLFC, subject to regulatory and other necessary approvals. The infusion of additional capital will increase the Parent Company shareholdings in PMLFC from 75.0% to 83.5%.

On February 23, 2021, the SEC approved the change of the corporate name of PNBSB to Allied Integrated Holdings Inc.

38. Notes to Statements of Cash Flows

Cash Flows from Financing Activities
The changes in liabilities arising from financing activities in 2020 and 2019 follow:

	Consolidated			
	2020			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱55,963,290**	**₱32,255,780**	**(₱1,059,619)**	**₱87,159,451**
Bonds payable	**66,615,078**	**–**	**(2,558,743)**	**64,056,335**
Lease liabilities	**1,806,409**	**(664,156)**	**223,763**	**1,366,016**
	₱124,384,777	**₱31,591,624**	**(3,394,599)**	**₱152,581,802**

	Consolidated			
	2019			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱70,082,835	(₱11,348,364)	(₱2,771,181)	₱55,963,290
Bonds payable	15,661,372	51,899,720	(946,014)	66,615,078
Lease liabilities	1,859,717	(641,613)	588,305	1,806,409
	₱87,603,924	₱39,909,743	(₱3,128,890)	₱124,384,777

	Parent Company			
	2020			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱48,424,017**	**₱37,452,722**	**(₱1,059,379)**	**₱84,817,360**
Bonds payable	**66,615,078**	**–**	**(2,558,743)**	**64,056,335**
Lease liabilities	**1,633,083**	**(649,402)**	**386,525**	**1,370,206**
	₱116,672,178	**₱36,803,320**	**(₱3,231,597)**	**₱150,243,901**

	Parent Company			
	2019			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱62,706,795	(₱11,511,597)	(₱2,771,181)	₱48,424,017
Bonds payable	15,661,372	51,899,720	(946,014)	66,615,078
Lease liabilities	1,642,529	(554,696)	545,250	1,633,083
	₱80,010,696	₱39,833,427	(₱3,171,945)	₱116,672,178

Others include the effects of foreign exchange revaluations, amortization of transaction costs, and accretion of interest.

Non-cash Transactions
Effective January 1, 2019, the Group and the Parent Company adopted PFRS 16, in which the Group and the Parent Company recognized right-of-use asset and the corresponding lease liabilities, adjusted for previously recognized prepaid and accrued lease payments. The following are non-cash transactions of the Group and the Parent Company in 2020 and 2019 relating to its long-term leases:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Additions to right-of-use assets (Note 11)	**₱122,420**	₱461,918	**₱122,420**	₱432,157
Additional lease liabilities (Note 29)	**104,330**	456,644	**127,578**	426,885

The Group applied creditable withholding taxes against its income tax payable amounting to ₱2.8 billion, ₱1.3 billion and ₱2.6 billion in 2020, 2019 and 2018, respectively. The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱2.7 billion, ₱1.3 billion and ₱2.6 billion in 2020, 2019, and 2018, respectively.

The Group acquired investment properties through foreclosure and rescission amounting to ₱86.7 million, ₱967.6 million, and ₱833.9 million in 2020, 2019 and 2018, respectively. The Parent Company acquired investment properties acquired through foreclosure and rescission amounted to ₱78.0 million, ₱885.7 million and ₱780.0 million in 2020, 2019 and 2018, respectively.

39. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on March 15, 2021.

40. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010, which provides that the notes to the financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company paid or accrued the following types of taxes for the tax period January to December 2020 (in absolute amounts):

1. Taxes and licenses

	Amount
Gross receipts tax	₱2,053,090,056
Documentary stamp taxes	3,600,000,000
Real estate tax	183,448,761
Local taxes	158,789,950
Others	52,672,125
	₱6,048,000,892

2. Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱923,274,387	₱179,048,072
Final income taxes withheld on interest on deposits and yield on deposit substitutes	1,276,212,607	59,588,881
Expanded withholding taxes	164,046,546	19,377,346
VAT withholding taxes	9,936,947	268,887
Other Final Taxes	89,385,326	5,703,817
	₱2,462,855,813	₱263,987,003

Tax Cases and Assessments
As of December 31, 2020 and 2019, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.

41. Report on the Supplementary Information Required Under BSP Circular No. 1074

Basic Quantitative Indicators of Financial Performance
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Return on average equity (a/b)	**1.69%**	6.89%	7.70%	**1.94%**	6.97%	7.80%
a) Net income	**₱2,625,488**	₱9,761,206	₱9,556,070	**₱2,959,932**	₱9,681,476	₱9,465,075
b) Average total equity	**155,479,204**	141,767,206	124,148,481	**152,657,314**	138,860,047	121,364,946
Return on average assets (c/d)	**0.22%**	0.92%	1.05%	**0.26%**	0.98%	1.12%
c) Net income	**₱2,625,488**	₱9,761,206	₱9,556,070	**₱ 2,959,932**	₱9,681,476	₱9,465,076
d) Average total assets	**1,186,712,205**	1,062,969,399	910,002,446	**1,144,703,450**	990,502,904	845,386,554
Net interest margin on average earning assets (e/f)	**3.31%**	3.31%	3.24%	**3.37%**	3.29%	3.12%
e) Net interest income	**₱35,820,766**	₱32,443,573	₱27,064,550	**₱34,649,027**	₱29,446,638	₱23,461,884
f) Average interest earning assets	**1,081,770,414**	979,672,558	836,422,422	**1,028,955,579**	893,991,058	752,841,931

Note: Average balances are the sum of beginning and ending balances of the respective statement of financial position accounts divided by two (2)

Description of Capital Instruments Issued
As of December 31, 2020 and 2019, the Parent Company has only one class of capital stock, which are common shares.

Significant Credit Exposures as to Industry Sector
An industry sector analysis of the Group's and the Parent Company's receivables from customers before taking into account allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2020		2019		**2020**		2019	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Financial intermediaries	**₱87,326,717**	**14.21**	₱76,954,393	11.82	**₱89,172,974**	**14.86**	₱77,603,235	13.29
Wholesale and retail	**81,092,791**	**13.19**	88,235,702	13.55	**80,881,369**	**13.47**	83,493,048	14.30
Electricity, gas and water	**67,426,509**	**10.97**	74,542,878	11.45	**67,378,423**	**11.22**	72,558,014	12.43
Manufacturing	**46,334,941**	**7.54**	46,563,933	7.15	**45,428,186**	**7.57**	43,165,171	7.40
Transport, storage and communication	**56,286,930**	**9.16**	56,547,999	8.69	**54,935,380**	**9.15**	50,721,683	8.69
Public administration and defense	**10,957,664**	**1.78**	15,363,946	2.36	**10,957,664**	**1.83**	15,363,946	2.63
Agriculture, hunting and forestry	**8,454,141**	**1.38**	10,223,465	1.57	**8,416,224**	**1.40**	9,609,274	1.65
Secondary target industry:								
Real estate, renting and business activities	**85,855,979**	**13.97**	92,425,225	14.20	**85,168,995**	**14.19**	85,511,386	14.65
Construction	**35,794,281**	**5.82**	42,793,188	6.57	**34,852,145**	**5.81**	40,831,711	7.00
Others	**135,066,238**	**21.98**	147,368,514	22.64	**123,061,821**	**20.50**	104,860,270	17.96
	₱614,596,191	**100.00**	₱651,019,243	100.00	**₱600,253,181**	**100.00**	₱583,717,738	100.00

As of December 31, 2020, gross and net NPL ratios of the Group and the Parent Company were 10.20% and 6.99%, and 10.09% and 6.93%, respectively. As of December 31, 2019, gross and net NPL ratios of the Group and the Parent Company were 3.05% and 1.59%, and 1.99% and 0.68%, respectively.

Information on Related Party Loans

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

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2020 and 2019, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	2020		2019	
	DOSRI loans	**Related party loans (inclusive of DOSRI loans)**	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	**₱4,689,334**	**₱52,403,520**	₱7,615,058	₱63,034,358
Percent of DOSRI/related party loans to total loan portfolio	**0.92%**	**8.01%**	1.26%	10.41%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**0.01%**	**68.71%**	–	65.59%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	**–**	–	0.01%	–
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**0.01%**	**31.62%**	0.01%	–

*Includes outstanding unused credit accommodations of ₱583.5 million as of December 31, 2020 and ₱707.1 million as of December 31, 2019.

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

Under BSP regulations, total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the Group's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the Parent Company.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2020 and 2019, 'Bills payable' amounting to ₱69.9 billion and ₱29.4 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱44.6 billion and ₱8.2 billion respectively, and 'Investment securities at amortized cost' amounting to ₱26.1 billion and ₱21.0 billion, respectively.

As of December 31, 2020, gross and net NPL ratios of the Group and the Parent Company were 10.20% and 6.99%, and 10.09% and 6.93%, respectively. As of December 31, 2019, gross and net NPL ratios of the Group and the Parent Company were 3.05% and 1.59%, and 1.99% and 0.68%, respectively.

Information on Related Party Loans

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

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2020 and 2019, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	2020		2019	
	DOSRI loans	**Related party loans (inclusive of DOSRI loans)**	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	**₱4,689,334**	**₱52,403,520**	₱7,615,058	₱63,034,358
Percent of DOSRI/related party loans to total loan portfolio	**0.92%**	**8.01%**	1.26%	10.41%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**0.01%**	**68.71%**	–	65.59%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	**–**	–	0.01%	–
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**0.01%**	**31.62%**	0.01%	–

*Includes outstanding unused credit accommodations of ₱583.5 million as of December 31, 2020 and ₱707.1 million as of December 31, 2019.

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

Under BSP regulations, total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the Group's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the Parent Company.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2020 and 2019, 'Bills payable' amounting to ₱69.9 billion and ₱29.4 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱44.6 billion and ₱8.2 billion respectively, and 'Investment securities at amortized cost' amounting to ₱26.1 billion and ₱21.0 billion, respectively.

Contingencies and Commitments Arising from Off-Balance Sheet Items

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts as reported to BSP:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Trust department accounts	**₱154,372,490**	₱95,875,990	**₱154,372,490**	₱95,875,990
Derivative forwards	**96,670,883**	130,176,855	**91,865,805**	124,729,334
Standby letters of credit	**38,275,186**	40,003,450	**38,078,859**	39,479,985
Unutilized credit card lines	**37,729,069**	37,002,312	**37,729,069**	37,002,312
Derivative spots	**28,346,514**	29,844,753	**28,346,514**	29,844,753
Deficiency claims receivable	**22,434,712**	23,001,760	**22,434,712**	22,951,844
Interest rate swaps	**15,938,316**	29,423,981	**15,938,316**	29,423,981
Inward bills for collection	**574,862**	1,185,972	**574,862**	1,184,071
Items held as collateral	**354,917**	504,210	**354,897**	504,179
Outward bills for collection	**154,661**	192,513	**108,965**	96,832
Unused commercial letters of credit	**35,462**	431,757	**35,462**	431,757
Shipping guarantees issued	**12,691**	84,905	**10,833**	11,223
Other contingent accounts	**23,691**	33,450	**8,332**	29,749
Confirmed export letters of credit	**1,201**	54,686	**1,201**	54,686

Management's Discussion and Analysis

<u>2020 vs 2019</u>

The Group's consolidated total assets stood at ₱1,231.1 billion as of December 31, 2020, 7.8% or ₱88.8 billion higher compared to ₱1,142.3 billion reported as of December 31, 2019. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items as of December 31, 2020 decreased by ₱5.4 billion from ₱30.5 billion as of December 31, 2019. Due from Bangko Sentral ng Pilipinas, Due from Other Banks, Interbank Loans Receivables and Securities Held Under Agreements to Resell as of December 31, 2020 at ₱202.1 billion, ₱19.7 billion, ₱39.7 billion and ₱15.8 billion, respectively, increased by ₱96.1 billion, ₱2.0 billion, ₱14.9 billion and ₱13.3 billion compared to ₱106.0 billion, ₱17.8 billion, ₱24.8 billion and ₱2.5 billion, respectively, as of December 31, 2019.

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

- Trading and investment securities which consist of Financial Assets at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) and Investment Securities at Amortized Cost, representing 20.5% and 20.8% of the Group's total assets as of December 31, 2020 and 2019, respectively, increased by ₱15.7 billion or 6.6%, mainly due to purchases of various investment securities, net of maturities and disposals.

- Loans and Receivables represent 48.7% and 57.6% of the Group's total assets as of December 31, 2020 and 2019, respectively. Loans and Receivables decreased by ₱57.9 billion or 8.8%, at ₱600.0 billion as of December 31, 2020 from ₱657.9 billion as of December 31, 2019, mainly due to ₱41.0 billion net paydowns of loans and receivables and additional provision for impairment, credit and other losses of ₱16.9 billion.

- Investment in an Associate decreased by ₱0.3 billion or 11.3%, at ₱2.3 billion as of December 31, 2020 from ₱2.6 billion as of December 31, 2019, mainly due to additional share in net comprehensive losses of the associate.

- Deferred Tax Assets increased by ₱6.5 billion or 250.2%, at ₱9.0 billion as of December 31, 2020 from ₱2.6 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for expected credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.

- Intangible Assets decreased by ₱0.3 billion or 11.6%, at ₱2.5 billion as of December 31, 2020 from ₱2.8 billion as of December 31, 2019 due to amortization.

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

- Other Assets amounted to ₱6.3 billion as of December 31, 2020 or a decrease of ₱1.7 billion or 21.6% from ₱8.1 billion as of December 31, 2019.

The Group's consolidated total liabilities stood at ₱1,075.2 billion as of December 31, 2020 which increased by 8.9% or ₱87.8 billion from ₱987.3 billion as of December 31, 2019. Major changes in liabilities were registered in the following accounts:

- Deposit Liabilities totaling ₱890.3 billion and ₱826.0 billion which represent 82.8% and 83.7% of the Group's total liabilities as of December 31, 2020 and 2019, respectively, increased by ₱64.2 billion or 7.8%. Demand, Savings and Time Deposits went up by ₱27.5 billion or 16.0%, ₱33.8 billion or 8.6%, ₱9.8 billion or 4.3%, respectively. The increase in total deposits was partially offset by the decline in Long-Term Negotiable Certificates of Deposits (LTNCD) by ₱6.9 billion or 19.7% mainly due to maturities in June 2020.

- Financial Liabilities at FVTPL increased by ₱455.6 million or 185.5% from 2019 year-end balance of ₱245.6 million mainly from the increase in the volume of transactions for the period.

- Lease Liabilities decreased by ₱0.4 million or 24.4% at ₱1.4 billion as of December 31, 2020 mainly due to lease payments.

- Accrued Taxes, Interest and Other Expenses decreased by ₱0.5 billion, from ₱6.9 billion as of December 31, 2019 to ₱6.4 billion as of December 31, 2020, mainly due to lower accrual of expenses.

- Bills and Acceptances Payable increased by ₱31.2 billion or 55.7% from ₱56.0 billion to ₱87.2 billion as of December 31, 2019 and 2020, respectively, brought by the increase in the level of interbank borrowing and repurchase agreements.

- Income Tax Payable increased by ₱326.9 million from ₱576.2 million as of December 31, 2019 to ₱903.0 million as of December 31, 2020.

- Other Liabilities amounted to ₱17.9 billion as of December 31, 2020 or a decrease of ₱11.2 billion or 38.6% from ₱29.1 billion as of December 31, 2019, mainly from the decrease in reclassification of insurance contract liabilities to 'Liabilities of disposal group classified as held for sale' as discussed above.

The Group's consolidated total equity stood at ₱156.0 billion as of December 31, 2020 from ₱155.0 billion as of December 31, 2019, or an increase of ₱1.0 billion attributed mainly to the consolidated net income for the year ended December 31, 2020 amounting to ₱2.6 billion and ₱0.2 billion increase in Other Equity Reserves, offset by the following:

- decline in Net Unrealized Gains on Financial Assets at FVOCI from ₱3.3 billion as of December 31, 2019 to ₱3.1 billion as of December 31, 2020
- decrease in share in Aggregate Reserves on Life Insurance Policies of ₱1.1 billion
- decreases in Remeasurement Losses on Retirement Plan and Accumulated Translation Adjustment of ₱0.8 billion and ₱0.2 billion, respectively.

Further, transfer to surplus reserves in 2020 includes the appropriation of surplus amounting to ₱4.4 billion for the excess of 1% general loan loss provision over the computed expected credit losses for Stage 1 accounts in accordance with BSP Circular 1011.

2019 vs 2018

The Group's consolidated total assets stood at ₱1.1 trillion as of December 31, 2019, 16.1% or ₱158.6 billion higher compared to ₱983.6 billion reported as of December 31, 2018. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items, Due from Bangko Sentral ng Pilipinas (BSP) and Interbank Loans Receivable registered increased by ₱13.7 billion, ₱3.3 billion and by ₱13.6 billion, respectively from ₱16.8 billion, ₱102.7 billion and ₱11.2 billion, respectively as of December 31, 2018.

- Due from Other Banks and Securities Held Under Agreements to Resell as of December 31, 2019 at ₱17.8 billion and ₱2.5 billion, respectively, decreased by ₱3.2 billion and ₱18.2 billion compared to ₱21.0 billion and ₱20.7 billion, respectively, as of December 31, 2018.

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

- Financial Assets at Fair Value Through Profit or Loss (FVTPL) at ₱13.5 billion was higher by 34.7% or ₱3.5 billion from ₱10.0 billion as of December 31, 2018 attributed mainly to higher purchases over securities sold.

- Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) was higher at ₱123.1 billion as of December 31, 2019, an increase of ₱71.0 billion or by 136.2% from the ₱52.1 billion level as of December 31, 2018 due to acquisitions of various investment securities net of securities sold.

- Investment Securities at Amortized Cost amounted to ₱100.5 billion as of December 31, 2019, a decline of ₱0.3 billion from the ₱100.8 billion level as of December 31, 2018 due to sale and maturities of investment securities.

- Loans and Receivables is at ₱657.9 billion or ₱71.3 billion higher than the ₱586.7 billion as of December 31, 2018 level due mainly from increase in corporate loans.

- Property and Equipment went up by ₱1.5 billion from ₱19.7 billion as of December 31, 2018 to ₱21.2 billion as of December 31, 2019, mainly due to the ₱1.5 billion recognition of the right to use asset (ROU) as a result of the adoption of Philippine Financial Reporting Standard (PFRS) 16 – Leases. The transition adjustment at January 1, 2019 resulted in the recognition of ROU and lease liability amounting to ₱1.8 billion and ₱1.9 billion, respectively.

- Investment Properties increased by ₱1.6 billion from ₱13.5 billion as of December 31, 2018 to ₱15.1 billion as of December 31, 2019 due mainly to foreclosures during the year.

- Intangible Assets decreased by ₱0.2 billion from ₱3.0 billion as of December 31, 2018 mainly due to the amortization of core banking integration costs and other IT assets and Software.

- Deferred Tax Assets was higher by ₱0.4 billion from ₱2.1 billion to ₱2.5 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.

- Other Assets amounted to ₱8.1 billion as of December 31, 2019 or an increase of ₱0.7 billion from ₱7.4 billion as of December 31, 2018.

Consolidated liabilities increased by 15.5% or ₱132.2 billion from ₱855.1 billion as of December 31, 2018 to P987.3 billion as of December 31, 2019. Major changes in liability accounts were as follows:

- Deposit Liabilities totaled ₱826.0 billion, ₱92.74 billion or 12.6% higher compared to its year-end 2018 level of ₱733.3 billion. Demand deposits, Time deposits and Long-Term Negotiable Certificate of Deposits (LTNCD) went up by ₱19.2 billion or 12.5%, ₱79.7 billion or 54.1% and ₱3.7 billion or 11.9%, respectively, partially offset by the decrease in Savings deposits by ₱9.9 billion or 2.5%.

- Financial liabilities at FVTPL decreased by ₱0.2 billion from 2018 year-end balance of ₱0.5 billion mainly from the decrease in negative fair value balance of interest rate swaps and forwards.

- Bonds Payable increased by ₱51.0 billion, from ₱15.6 billion as of December 31, 2018 to ₱66.6 billion as of December 31, 2019, mainly accounted for by the Parent Company's issuance of ₱13.7 billion fixed-rate bonds on May 8, 2019 due 2021 and additional issuance of US$750 million fixed-rate senior notes from its Euro Medium Term Note (EMTN) Program on June 27, 2019 maturing on September 27, 2024.

- Bills and Acceptances Payable decreased by ₱14.1 billion or 20.1% from ₱70.1 billion to ₱56.0 billion as of December 31, 2018 and December 31, 2019, respectively, due to settlement of interbank loans from the BSP and local banks.

- Lease liability of ₱1.8 billion pertains to the lease liability of the Group as a result of the adoption of PFRS 16 – Leases. Refer to the Property and Equipment discussion above.

- Accrued Taxes, Interest and Other Expenses was higher by ₱0.5 billion, from ₱6.4 billion as of December 31, 2018 to ₱6.9 billion as of December 31, 2019, mainly due to the increase in accrued interest from deposits and bonds.

- Income Tax Payable decreased by ₱0.3 billion from ₱0.9 billion to ₱0.6 billion as of December 31, 2018 and December 31, 2019, respectively.

Total equity accounts stood at ₱155.0 billion from ₱128.6 billion as of December 31, 2018, or an improvement of ₱26.4 billion attributed mainly to the following:

- Capital Stock and Additional Paid-In Capital increased by ₱11.8 billion from the net proceeds from the 2019 Stock Rights Offering.
- current period's net income attributable to Equity Holders of the Parent Company of ₱9.7 billion.
- decrease in Accumulated Translation Gain of ₱0.8 billion.
- Remeasurement loss ₱0.7 billion
- improvement in Net unrealized gains/(losses) on Financial Assets at FVOCI from a ₱3.2 billion loss as of December 31, 2018 to a gain amounting to ₱3.2 billion as of December 31, 2019, resulting in an unrealized gain of ₱6.4 billion for the period.

2018 vs. 2017

The Group's consolidated total assets stood at ₱983.7 billion as of December 31, 2018, 17.6% or ₱147.5 billion higher compared to ₱836.2 billion reported as of December 31, 2017. Changes (more than 5%) in assets were registered in the following accounts:

- Securities Held Under Agreements to Resell as of December 31, 2018 at ₱20.7 billion, which represents lending transactions of the Bank with the BSP, was higher by ₱6.1 billion compared to ₱14.6 billion as of December 31, 2017.

- Financial Assets at Fair Value Through Profit or Loss at ₱10.0 billion went up by 246.9% or ₱7.1 billion from ₱2.9 billion attributed mainly to the purchases of various investment securities, net of sold and matured securities.

- Investment Securities at Amortized Cost was higher at ₱100.8 billion while Financial Assets at Fair Value Through Other Comprehensive Income was lower at ₱52.1 billion as of December 31, 2018, an increase of ₱74.0 billion or by 276.1% and a decline of ₱17.7 billion or by 25.4% from the ₱26.8 billion and ₱69.8 billion level, respectively, as of December 31, 2017 due to purchases of various investment securities, net of disposals and maturities.

- Loans and Receivables registered an increase at ₱586.7 billion or ₱84.6 billion higher than the ₱502.1 billion as of December 31, 2017 level mainly due to loan releases, net of pay downs, mainly to various corporate and retail borrowers.

- Investment Properties decreased by ₱2.1 billion from ₱15.6 billion as of December 31, 2017 to ₱13.5 billion as of December 31, 2018, mainly due to disposal of foreclosed properties.

- Intangible Assets decreased by ₱0.3 billion from ₱3.3 billion in December 31, 2017 mainly due to the decline in capitalization of core banking integration costs and other software acquisitions.

- Deferred Tax Assets were higher by ₱0.4 billion from ₱1.7 billion to ₱2.1 billion and a decrease in Other Assets of ₱1.5 billion from ₱8.9 billion to ₱7.4 billion. Decline in Other Assets was due to decreases in creditable withholding taxes, deferred charges and outstanding clearing items received as of year-end.

Consolidated liabilities went up by 19.4% or ₱138.7 billion from ₱716.4 billion as of December 31, 2017 to ₱855.1 billion as of December 31, 2018. Major changes in liability accounts were as follows:

- Deposit liabilities totaled ₱733.3 billion, ₱95.4 billion higher compared to its year-end 2017 level of ₱637.9 billion due to increases in Demand deposits by ₱27.5 billion, Savings deposits by ₱50.2 billion, Time deposits by ₱17.6 and LTNCD by ₱0.1 billion.

- Bills and Acceptances Payable increased by ₱26.2 billion, from ₱43.9 billion to ₱70.1 billion, mainly accounted for by borrowings from other banks.

- Accrued Expenses increased by ₱1.1 billion from ₱5.3 billion as of December 31, 2017 to ₱6.4 billion as of December 31, 2018.

- Financial liabilities at Fair value through profit or loss was higher by ₱0.1 billion from 2017 year-end balance of ₱0.4 billion.

- Income Tax Payable decreased by ₱0.1 billion from ₱1.0 billion to ₱0.9 billion, due to the decline in the income tax provisions for the year.

- Other Liabilities increased by ₱0.4 billion, from ₱27.9 billion in December 31, 2017 to ₱28.3 billion as of December 31, 2018.

Total equity accounts stood at ₱128.5 billion from ₱119.7 billion as of December 31, 2017, or an improvement of ₱8.8 billion attributed to current period's net income of ₱8.2 billion, improvement/increase in Net Unrealized Loss on Available-for-Sale Investments, Accumulated Translation Adjustments and Remeasurement Losses on Retirement Plan.

Results of Operations

2020 vs 2019

- For the year ended December 31, 2020, the Group recorded net income of ₱2.6 billion, ₱7.1 billion or 73.1% lower than the ₱9.8 billion net income last year. The Group recognized significant provisions for impairment, credit and other losses of ₱16.9 billion which resulted in lower net income compared to last year. However, the Group's core income comprising primarily of net interest income recorded substantial improvements in the current period. The results for the current period also included significant increase in net gains from trading and investment securities.

- Net interest income amounted to ₱35.8 billion, higher by 10.7% or ₱3.5 billion compared to last year, mainly driven by lower funding costs due to the reduction in levels of high-cost deposits during the year. Total gross interest income decreased by 7.1% or ₱3.6 billion to ₱47.0 billion from ₱50.5 billion last year due to aggregate decreases in interest income from loans and receivables, trading and investment securities, and interbank receivables of ₱4.2 billion, offset by increase in interest income from deposits with banks of ₱0.7 billion. Total gross interest expense decreased to ₱11.1 billion or by ₱7.0 billion from ₱18.2 billion last year primarily due to decline in interest expense from deposit liabilities, bills payable and other borrowings, partially offset by increase in interest expense from bonds payable of 49.3% or ₱1.0 billion from ₱1.9 billion last year to ₱2.9 billion. Net interest margin is at 3.31% in December 31, 2020, higher by .01% compared to last year.

- Net service fees and commission income decreased by ₱0.5 billion or 11.5% at ₱3.7 billion for the year ended December 31, 2020 from ₱4.2 billion last year due to lower transactional volumes and waivers of fees on interbank transfers and overseas remittances.

- Other income increased to ₱6.0 billion compared to ₱4.2 billion last year mainly due to improvement in net gains on trading and investment securities by ₱2.3 billion.

- Administrative and other operating expenses amounted to ₱44.8 billion for the year ended December 31, 2020, ₱16.1 billion or 56.3% higher compared to the same period last year, mainly due to additional provisions for impairment, credit and other losses amounting to ₱16.9 billion in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio.

- Provision for (benefit from) income tax for the year ended December 31, 2020 amounted to ₱1.8 billion net benefit compared to a net provision of ₱2.5 billion last year mainly due to the tax benefit from the recognition of additional deferred tax assets on allowance for credit losses.

- Total comprehensive income for the year ended December 31, 2020 amounted to ₱0.4 billion.

2019 vs 2018

- For the year ended December 31, 2019, the Group registered a net income of ₱9.8 billion, ₱0.2 billion or 2.1% higher than the ₱9.6 billion net income for the same period last year. The Group's core income comprising primarily of net interest income and net service fees and commissions recorded substantial improvements in the current period. Net income for the current period also included increase in net gains from trading and investment securities.

- Net interest income totaled ₱32.4 billion, higher by 19.8% or ₱5.4 billion compared to the same period last year mainly due to the expansion in loan, interbank loans, and trading and investment securities portfolios which accounted for the ₱9.7 billion, ₱0.3 billion, ₱0.5 billion and ₱4.2 billion increase in interest income, respectively, partly offset by the decrease of P0.1 billion in deposits with banks and others. Total interest income increased by 40.3% or ₱14.5 billion from ₱36.0 billion to ₱50.5 billion. Total interest expense also increased to ₱18.2 billion or by ₱9.1 billion from ₱9.0 billion for the same period last year primarily due to growth in deposit liabilities and other borrowings.

- Other income decreased to ₱4.2 billion compared to ₱8.4 billion for the same period last year mainly due to decline in net gains on sale or exchange of assets of ₱5.2 billion, partly offset by higher net gains in trading and investment securities by ₱0.9 billion.

- Net service fees and commission income stood at ₱4.2 billion, 20.2% or ₱0.7 billion higher compared the same period last year driven by growth in deposit and credit card related fees.

- Administrative and other operating expenses amounted to ₱28.7 billion for the year ended December 31, 2019, or 12.6% higher compared to the same period last year as strong revenue growth, particularly in interest income and trading gains, translated to higher business related taxes.

- Total Comprehensive Income for the year ended December 31, 2019 amounted to ₱14.6 billion which is ₱6.5 billion higher than the same period last year due mainly to increase in net unrealized gains on financial assets at FVOCI.

2018 vs 2017

- For the year ended December 31, 2018, the Bank registered a net income of ₱9.6 billion, ₱1.4 billion or 17.2% higher than the ₱8.2 billion net income for the same period last year on account of substantial improvements in core income primarily net interest income and gains from the sale of foreclosed assets.

- Net interest income totaled ₱27.1 billion, higher by 22.6% or ₱5.0 billion compared to the same period last year mainly due to the expansion in the loan and investment securities portfolio which accounted for the ₱7.5 billion and ₱1.5 billion increase in interest income, respectively. This was partly offset by the decrease in interest income of deposits with banks and others by ₱0.6 billion. Total interest income increased by 30.6% or ₱8.5 billion from ₱27.6 billion to P36.1 billion. Total interest expense however, was also higher at ₱9.0 billion or by 62.6% or by ₱3.5 billion from ₱5.5 billion last year.

- Other income increased significantly to ₱8.4 billion compared to ₱7.1 billion for the same period last year mainly due to higher net gain on sale or exchange of assets by ₱1.9 billion and improvement in miscellaneous income by ₱0.5 billion partly offset by ₱0.7 billion decrease in foreign exchange gain and ₱0.4 billion decline in trading and investment securities gains.

- Net service fees and commission income stood at ₱3.5 billion, 12.7% or ₱0.4 billion higher compared the same period last year. The minimal growth was attributed to lower levels of underwriting and investment banking fees.

- Administrative and other operating expenses amounted to ₱25.7 billion for the year ended December 31, 2018.

- Total Comprehensive Income for the year ended December 31, 2018 amounted to ₱8.1 billion.

Key Performance Indicators

- Capital Adequacy/Capital Management

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

  The Sub-Committee shall be responsible for the following:

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

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

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

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

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

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

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

Regulatory Qualifying Capital

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

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

Banks and their subsidiaries are subject to the following risk-based capital adequacy ratios (CARs):

a. Common Equity Tier 1 – must be at least 6.0% of risk weighted assets at all time;
b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

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

a. Common equity Tier 1 capital consists of 1) paid up common stock that meet the eligibility criteria, 2) common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, 3) deposits for common stock subscription, 4) retained earnings, 5) undivided profits, 6) other comprehensive income (net unrealized gains or losses on AFS and cumulative foreign currency translation) and minority interest on subsidiary banks which are less than wholly-owned
b. Additional Tier 1 capital consists of instruments issued by the bank that are not included in CET 1 capital that meet the criteria for inclusion in additional tier 1 capital, meet the required loss absorbency features for instrument classified as liabilities and loss absorbency feature at point of non-viability as defined in the BSP guidelines.

c. Tier 2 capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet criteria for inclusion in Tier 2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) deposits for subscription of T2 capital, 3) appraisal increment reserves on bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

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

The Group's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 15.14%, 14.80%, and 14.35% as of December 31, 2020, 2019 and 2018, respectively, above the minimum 10% required by BSP. For the detailed calculation and discussion kindly refer to Item 1, no. 10 – Risk Management.

- Asset Quality

The Parent Company's non-performing loans (gross of unearned and other deferred income and allowance for credit losses) increased to ₱66.0 billion as of December 31, 2020 compared to ₱12.0 billion as of December 31, 2019. NPL ratios of the Parent Company net of valuation reserves is at 6.93% as at December 31, 2020, compared to 0.68% at end of 2019. Gross NPL ratio is at 10.09% at end of 2020 and 1.99% at end of 2019.

- Profitability

	Years Ended	
	12/31/20	12/31/19
Return on equity (ROE)[1/]	1.69%	6.89%
Return on assets (ROA)[2/]	0.22%	0.92%
Net interest margin (NIM)[3/]	3.31%	3.30%

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

- Liquidity

The ratio of liquid assets to total assets as of December 31, 2020 was 37.37% compared to 27.86% as of December 31, 2019. Ratio of current assets to current liabilities was at 69.19% as of December 31, 2020 compared to 59.04% as of December 31, 2019.

- Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 61.27% for the year ended December 2020 compared to 63.16% last year.

Reconciliation of Regulatory Capital to Audited Financial Statements
(In Thousands)

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

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

For a digital copy of the full 2020 Annual Report, Audited Financial Statements and Management's Discussion and Analysis, please download at:

https:l.ead.me/2020PNBAnnualReport

or scan this QR code:

Philippine National Bank

PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila 1300
Tel. No.: (+632) 8526-3131 to 92
(+632) 8891-6040 to 70
www.pnb.com.ph