Office of the EVP and Chief Financial Officer
Direct Lines: 8573-4074 Fax: 8526-3416
Trunk Lines: 8526-3131 to 70/8891-6040 to 70
Locals: 4074,4499

March 19, 2020

MS. JANET A. ENCARNACION
HEAD, DISCLOSURE DEPARTMENT
Philippine Stock Exchange
6/F PSE Tower
28th Street corner 5th Avenue
BGC, Taguig City

Dear Ms. Encarnacion:

In compliance with the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 177 of the Revised Corporation Code of the Philippines, we provide you the SEC Form 17-A report of Philippine National Bank as of December 31, 2019.

Very truly yours,

NELSON C. REYES
Executive Vice President &
Chief Financial Officer

cc: ATTY. MARIE ROSE M. MAGALLEN-LIRIO
Head – Issuer Compliance and Disclosure Department (ICCD)
Philippine Dealing & Exchange Corporation
37th Floor, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

COVER SHEET

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

S.E.C. Registration Number

PHILIPPINE NATIONAL BANK

Company's Full Name)

PNB FINANCIAL CENTER

PRESIDENT DIOSDADO

MACAPAGAL BLVD., PASAY CITY

(Business Address: No. Street City/Town/ Province)

Aidell Amor R. Gregorio

Contact Person

8891-60-40

Company Telephone Number

1 2 **3 1**

Month *Day*

Fiscal Year

17 - A

FORM TYPE

4 28

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of Borrowings

36,471

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SEC Number AS096-005555
File Number

PHILIPPINE NATIONAL BANK
AND SUBSIDIARIES

(Company's Full Name)

PNB Financial Center,
Pres. Diosdado P. Macapagal Boulevard, Pasay City

(Company's Address)

(632) 8891-6040 to 70

(Telephone Number)

December 31, 2019

(Calendar Year Ended)

SEC FORM 17-A REPORT

Form Type

(Amendment Designation (if applicable)

DECEMBER 31, 2019

Period Ended Date

LISTED

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 177 OF THE REVISED CORPORATION CODE OF THE PHILIPPINES

1.	For the fiscal year ended	:	**December 31, 2019**
2.	Commission Identification No.	:	**AS096-005555**
3.	BIR Tax Identification No.	:	**000-188-209-000**
4.	Exact name of issuer as specified in its charter	:	**Philippine National Bank**
5.	Province, country or other jurisdiction of incorporation or organization	:	**Metro Manila, Philippines**
6.	Industry Classification Code	:	[ ] **(SEC Use Only)**
7.	Address of principal office	:	**PNB Financial Center, Pres. Diosdado P. Macapagal Blvd. Pasay City, 1300**
8.	Issuer's telephone number, including area code	:	**(632) 8891-60-40 up to 70 /(632) 8526-3131 to 70**

9. Former name, former address, and former fiscal year, if changed since last report : **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class	No. of Shares of Common Stock Outstanding	Amount of Debt Outstanding (Unpaid Subscription)
Common Shares	**1,525,764,850**	**None**

11. Are any or all of these securities listed on a Stock Exchange:

Yes [√] **No [ ]**

Stock Exchange : **Philippine Stock Exchange**
Class of Securities : **Common Shares**

12. Indicate by check mark whether the registrant:

a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a) – 1 thereunder, and Sections 25 and 177 of the Revised Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes [√] **No [ ]**

b) has been subject to such filing requirements for the past ninety (90) days.

Yes [√] **No [ ]**

13. Aggregate market value of the voting stock held by non-affiliates: P52,638,887,325*

**1,525,764,850 common shares @ ₱34.50 trading price of PNB shares as of December 27, 2019*

SEC FORM 17-A ANNUAL REPORT

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Business Development

The Philippine National Bank (PNB or the "Bank"), the country's first universal bank, is the fourth largest local private commercial bank in terms of assets, net loans and receivables, capital and deposits. As of December 31, 2019, the Bank has a distribution network of 715 domestic branches and offices and 1,626 automated teller machines (ATM) in the Philippines. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

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

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

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

To support the Bank's efforts to diversify its funding sources to meet the financial needs of its clients, PNB offered Long-Term Negotiable Certificates of Time Deposit (LTNCDs), which extend the maturity profile of the Bank's liabilities as part of overall liability management and to raise long-term funds for general corporate purposes. In October 2016, PNB received the approval from the Bangko Sentral ng Pilipinas (BSP) to issue up to P20.0 billion worth of LTNCDs in tenors of 5.5 to 10 years in multiple tranches over a period of one year. Along this line, PNB launched the initial tranche on December 14, 2016 with an offering of P3.0 billion and this was oversubscribed at P5.38 billion. The said offer has a tenor of 5 years and 6 months and a coupon rate of 3.25%. In 2017, two LTNCD tranches were issued, viz: a) on April 27, 2017, P3.765 billion at 3.75% coupon rate; and b) on October 26, 2017, P6.35 billion at 3.875% coupon rate. The last tranche was oversubscribed at more than double the issue size of P3.0 billion. In October 2018, PNB once again received the approval from BSP to issue up to P20.0 billion worth of LTNCDs. In February 2019, PNB issued the first tranche of 5.5-year LTNCDs totaling P8.2 billion at 5.75% per annum. The original P3.0 billion offering was upsized to meet the 2.7x oversubscription owing to the strong demand from both retail and institutional investors. On October 11, 2019, PNB listed the second tranche of LTNCDs totaling P4.6 billion which was double the announced issue size of P2.0 billion.

As part of the Bank's efforts to diversify its funding sources and support its strategy on safe aggressive growth, PNB also tapped the capital markets. In April 2018, PNB successfully issued in Singapore and Hong Kong its 5-year Fixed Rate Senior Notes worth US$300 million out of its US$1 billion Medium

Term Note (MTN) Program. This marked the first time that PNB tapped the international bond market for medium term dollar funding. Orders for the offering reached approximately $1.2 billion at its peak, equivalent to 4X oversubscription. The high demand for the initial issue underscores the international investors' strong confidence in PNB. In May 2019, the PNB Board of Directors approved the increase in the amount of the Bank's MTN Program to US$2 billion. The following month, PNB issued US$750 million in 5.25-year Fixed Rate Senior Notes priced at 99.47% and carried a yield of 3.39% and a coupon of 3.28%. The transaction was oversubscribed with an orderbook of over US$3.25 billion. The proceeds of the Notes will be used to support PNB's loan expansion as the Bank takes advantage of the country's sustained economic growth.

In April 2019, PNB acting through its Tokyo branch successfully closed and signed a US$250 million 3-year syndicated term loan facility with a group of international and regional Japanese banks. The facility was launched originally at US$200 million and attracted total commitments of US$370 million at close of syndication, representing an oversubscription of about 2.7x with lending commitments received from 14 Japanese and international banks with operations in Japan. The last syndicated loan availed by PNB was in 2015. The diversity of the syndicate of lenders is an affirmation of the growing international market's appetite for assets from the Philippines. The success of the transaction is a strong acknowledgment of the capital market's confidence in the credit strength of the Bank.

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

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

PNB has fully integrated its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB), into the parent bank through acquisition of its assets and assumption of its liabilities in exchange for cash. The BODs of PNB and PNBSB approved the integration last September 28 and October 10, 2018, respectively. Upon integration, PNB will be able to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNBSB will have access to PNB's diverse portfolio of financial solutions. The consumer lending business, currently operated through PNBSB, will also benefit from PNB's ability to efficiently raise low cost of funds. PNB secured the Monetary Board approval last August 29, 2019 for the integration, which was subsequently completed on March 1, 2020. In a letter to the BSP last March 5, 2020, PNBSB has surrendered its banking license to the BSP.

Recognizing the consistent improvement in PNB's credit profile, Moody's upgraded in November 2017 the Bank's foreign currency and local currency deposit ratings to Baa2/P-2 from Baa3/P-3, two notches above investment grade. The upgrade reflects the improvement in financial profile since PNB's merger with ABC. In December 2017, Fitch Ratings also revised upwards the support rating floor (SRF) of PNB to 'BB' from 'BB-', following the upgrade of the Philippine sovereign's rating to 'BBB' from 'BBB-'.

In affirmation of the Bank's well-managed operations, PNB received awards from the BSP and other international award-giving bodies. In the 2017 BSP Stakeholders' Ceremony, PNB was recognized as the Outstanding PhilPass REMIT Participant. On July 31, 2018, PNB was also recognized by the Institute of Corporate Directors (ICD) as among the top performing publicly-listed companies that ranked high under the ASEAN Corporate Governance Scorecard (ACGS). Out of the 245 companies assessed, PNB is among the 21 publicly-listed companies that scored 90 points and above. PNB was also among the top 5 in the financial sector recognized for exemplary corporate governance practices. In June 2019, PNB was recognized for the second straight year by the ICD for being one of the awardees of its ACGS Arrow for 2018.

As a clear demonstration of the Bank's commitment in offering competitive financing structures to clients while contributing to economic development and nation building, PNB and its subsidiaries were recognized internationally in January 2019 by The Asset Triple A Country Awards 2018 with three distinctions, viz: a) Best Syndicated Loan awarded to PNB and PNB Savings for the Bloomberry Resorts and Hotels' P73.5 billion syndicated term loan facility, b) Best Acquisition Financing awarded to PNB and PNB Capital and Investment Corp. as lender and lead arranger, respectively, for the Clark Global Corporation's US$690 million acquisition project, and c) Most Innovative Deal awarded to PNB Capital for being one of the lead underwriters and bookrunners for Ayala Land's P10.0 billion retail bonds.

In recognition of PNB's innovative products, PNB's Bank on Wheels was recognized by three (3) international award-giving bodies: a) the Most Innovative Banking Service - Philippines 2016 award from the Global Business Outlook Awards; b) the Most Innovative Bank, Philippines 2016 award from International Finance Magazine Awards; and c) the Most Innovative Banking Product Philippines 2016 from the Global Banking and Finance Review Awards. PNB relaunched the "Bank-on-Wheels" in December 2015 to meet the evolving needs of its customers and provide them with banking services when and where they need it most.

Last July 20, 2016, PNB received the "New Consumer Lending Product of the Year Award" for its Social Security System (SSS) Pension Loan Program in the Asian Banking and Finance Retail Banking Awards 2016, held in Singapore.

During the SSS Balikat ng Bayan Award Ceremonies last Sept 2, 2016, PNB was awarded as Best OFW Collecting Partner. At the same time, PNB Savings Bank was awarded as Best Collecting Partner in the thrift bank category. The Best Collection Partner distinction is awarded to financial institutions that are consistently among the top with the highest collections; have the biggest volume of transactions and widest coverage. In September 2019, the SSS recognized the Bank once again as its "Best Paying Commercial Bank" partner

In September 28, 2017, the PNB-PAL Mabuhay Mastercard won the "Best Co-Brand Program Award – Philippines" in the Mastercard Innovation Forum 2017 held at Singapore.

PNB received the "Best Brand Initiative award in Philippine Country Awards for 2017" at The Asian Banker's Future of Finance in Philippines Awards Program 2017 last October 6, 2017, due to the following initiatives: a) Launch of "You First" campaign to re-establish PNB in the market; b) The Bank initiated a series of strategically-designed marketing campaigns; and c) PNB's "You First" campaign increased the Bank's auto and home loans bookings for 2016.

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

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

The following presents the Bank's significant subsidiaries:

Domestic Subsidiaries:

PNB Savings Bank (PNBSB)	A wholly-owned thrift bank subsidiary, formerly known as Allied Savings Bank. PNBSB is the Bank's main consumer lending arm that offers retail deposit products as well as personal, housing, auto and small business loans. PNBSB traces its roots from First Malayan Development Bank which ABC bought in 1986 to reinforce its presence in the countryside. On January 17, 1996, it was renamed First Allied Savings Bank following the grant of license to operate as a savings bank. It was in the same year that the Monetary Board of the BSP granted a foreign currency deposit license. In 1998, First Allied Savings Bank changed its name to Allied Savings Bank to further establish its association with the parent ABC. With the merger of PNB and ABC in 2013, Allied Savings Bank became a wholly owned subsidiary of PNB. In November 2014, the Securities and Exchange Commission approved the change of name of Allied Savings Bank to PNB Savings Bank. On September 28, 2018, the Parent Company's BOD approved the full integration of PNBSB through the acquisition of its assets and assumption of its liabilities in exchange for cash. On August 29, 2019, the Monetary Board of BSP, through its Resolution No. 1310, approved the integration of PNBSB with the Parent Company.
PNB Capital and Investment Corporation (PNB Capital)	A wholly-owned subsidiary of the Bank, PNB Capital is licensed by the SEC to operate as an investment house with a non-quasi-banking license. It was incorporated on July 30, 1997 and commenced operations on October 8, 1997.
PNB General Insurers Co., Inc. (PNB Gen)	A non-life insurance company that offers coverage for Fire and Allied Perils, Marine, Motor Car, Aviation, Surety, Engineering, Accident Insurance and other specialized lines, PNB Gen was established in 1991. The Bank directly owns 65.75% of PNB Gen. On April 26, 2018, the BOD of the Parent Company and PNB Holdings approved the exchange of all their holdings in PNB Gen for shares in ABIC. As a result, in 2018, the Group reclassified all the assets and liabilities as held for sale in 2018. On September 13, 2019, ABIC submitted a revised offer to purchase all of the shares of PNB Gen owned by the Parent Company and PNB Holdings through cash acquisition instead, which the latter parties did not assent to. On October 1, 2019, ABIC acknowledged the joint decision of the Parent Company and PNB Holdings, formally closing the former's negotiations to purchase the shares of PNB Gen. With this, the assets and liabilities of PNB Gen were no longer classified as held for sale.
PNB Securities, Inc. (PNB Sec)	A wholly-owned subsidiary incorporated in January 18, 1991, PNB Sec is a member of the Philippine Stock Exchange (PSE). As a securities dealer, it is engaged in the buying and selling of securities listed in the PSE either for its own account as dealer or for the account of its customers as broker.

PNB-IBJL Leasing and Finance Corporation (formerly Japan-PNB Leasing and Finance Corporation)	Incorporated on April 24, 1996 under the auspices of the Provident Fund of the Bank as PF Leasing and Finance Corporation, PNB-IBJL Leasing and Finance Corporation was largely inactive until it was used as the vehicle for the joint venture between the Bank (60%), IBJ Leasing Co Ltd., Tokyo (35%), and Industrial Bank of Japan, now called Mizuho Corporate Bank (5%). The corporate name was changed to Japan-PNB Leasing and Finance Corporation and the joint venture company commenced operations as such in February 1998. Subsequent equity transactions resulted in the current equity ownership of PNB - 75% and IBJL - 25%. PNB-IBJL Leasing and Finance Corporation operates as a financing company under Republic Act No. 8556 (the amended Finance Company Act). Its major activities are financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, PNB-IBJL Equipment Rentals Corporation), term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade receivables and installment papers) and Floor Stock Financing (short-term loan against assignment of inventories, e.g., motor vehicles).
PNB-IBJL Equipment Rentals Corporation (formerly Japan-PNB Equipment Rentals Corporation**)**	A wholly-owned subsidiary of PNB-IBJL Leasing and Finance Corporation. PNB-IBJL Equipment Rentals Corporation was incorporated in the Philippines on July 3, 2008 as a rental company and started commercial operations on the same date. It is engaged in the business of renting all kinds of real and personal properties.
PNB Holdings Corporation (PHC)	A wholly-owned subsidiary of the Bank, PHC was established on May 20, 1920 as Philippine Exchange Co., Inc. In 1991, it was converted into a holding company and was used as a vehicle for the Bank to engage into the insurance business. PHC owns 34.25% of PNB Gen.

Foreign Subsidiaries:

Allied Commercial Bank (ACB)	A 99.04% owned subsidiary and formerly known as Xiamen Commercial Bank, ACB was established in Xiamen, Fujian Province, China in September 1993 as a foreign-owned bank. It obtained its commercial banking license in July 1993 and opened for business in October 1993. In 2003, ACB opened a branch in the southwestern city of Chongqing.
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	ABCHKL is a private limited company incorporated in Hong Kong in 1978 and is licensed as a restricted license bank under the Hong Kong Banking Ordinance. By virtue of the merger between PNB and ABC in February 2013, PNB now owns 51% of ABCHK. It provides a full range of commercial banking services predominantly in Hong Kong, which include lending and trade financing, documentary credits, participation in loans syndications and other risks, deposit-taking, money market and foreign exchange operations, money exchange, investment and general corporate services.

ABCHKL has one branch license and a wholly owned subsidiary incorporated also in Hong Kong, ACR Nominees Limited, which provides non-banking general services to its customers.

Philippine National Bank (Europe) Plc (PNB Europe)

PNB Europe was originally set up as a branch of PNB in London in 1976. In 1997, it was converted as a wholly-owned subsidiary bank of PNB, incorporated in the United Kingdom (UK) with a full banking license. It is also authorized to provide cross-border services to 19 member states of the European Economic Area. In April 2014, Allied Bank Phils. (UK), formerly another subsidiary of PNB in UK, was merged with PNB Europe. PNB Europe is regulated by the Financial Conduct Authority and Prudential Regulation Authority in UK.

PNB Global Remittance & Financial Company (HK) Limited (PNB Global)

PNB Global is a wholly-owned subsidiary of the Bank and is registered with the Registrar of Companies in Hong Kong.

On July 1, 2010, PNB Global assumed the remittance business of PNB Remittance Center, Ltd. with the former as the surviving entity. It now operates as a lending and remittance company. As of December 31, 2019, it maintains seven (7) offices in Hong Kong. Its remittance business is regulated by the Customs and Excise Department of Hong Kong.

PNB International Investment Corporation (PNB IIC)

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

PNBIIC owns PNB Remittance Centers, Inc. (PNBRCI) which was incorporated in California, USA on October 19, 1990. PNBRCI is a company engaged in the business of transmitting money to the Philippines. As of December 31, 2019, PNBRCI has 16 branches in six states in the USA. PNBRCI owns PNBRCI Holding Company, Ltd. which was also incorporated in California, USA on August 18, 1999. PNBRCI Holding Company, Ltd. is the holding company of PNB Remittance Company Canada (PNBRCC). PNBRCC is also a money transfer company incorporated in Canada on April 26, 2000. PNBRCC has 6 branches and 1 sub-branch as of year-end 2019.

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

B. Business Description

1. Products and Services

PNB, through its Head Office and 715 domestic branches/offices and 71 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to large corporate, middle-market, small and medium enterprises (SMEs) and retail customers, including OFWs, as well as to the Philippine National Government, national government agencies (NGAs), local government units (LGUs) and Government Owned and Controlled Corporations (GOCCs) in the Philippines. PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and other related financial services. The Bank and its subsidiaries (the Group) offer a wide range of financial services predominantly in the Philippines.

Its banking activities are undertaken through the following groups within the Bank, namely:

Retail Banking Sector
The Retail Banking Sector (RBS) principally focuses on retail deposit products (i.e., current accounts, savings accounts and high cost accounts), cards products, consumer loan products, cash management solutions and other 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-focused organization.

Retail Lending Group
The Retail Lending Group (RLG) will be the consumer lending arm of the Bank upon the full integration of its wholly-owned thrift bank subsidiary, PNBSB, into the Parent Bank. RLG is tasked to provide the Bank's retail clients with home mortgage loans and car financing.

Institutional Banking Sector
The Institutional Banking Sector (IBS) is responsible for the establishment, expansion and overall management of banking relationships with large corporates, middle market and SME customers as well as with Government entities.

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. Its functions also include providing treasury solutions to clients and an oversight on risk positions of the Bank's foreign branches and subsidiaries. GBMS is likewise responsible for the establishment and maintenance of correspondent banking relationship with foreign and local banks and non-bank financial institutions as well as the acquisition and management of banking relationship with multinational companies.

International Banking & Remittance Group
The International Banking & Remittance Group (IBRG) covers the Bank's overseas offices across Asia, Middle East, North America and Europe. It provides convenient and safe remittance services to overseas Filipino workers (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", a financing facility for overseas Filipinos and non-Filipinos for their real estate investments in the Philippines. IBRG is also responsible in forging and maintaining partnerships with remittance agents to further extend its scope and reach to the OFW market beyond its brick and mortar overseas offices.

Wealth Management Group
The Wealth Management Group (WMG) is responsible for the development of new and non-traditional products for wealth management and strengthening of business relationship with Wealth Management clients. WMG's services include brokering of fixed income securities (e.g., Peso- and USD-denominated government and corporate securities), selling of pooled funds (Unit Investment Trust Funds or UITFs), Variable Unit-Linked Funds, and other investment vehicles that potentially offer higher yields compared to traditional deposit products.

Trust Banking Group
PNB Trust Banking Group (TBG) provides a full range of Trust products and services designed to serve a broad spectrum of market segments. TBG's personal trust products and services include personal management trust, investment management, estate planning, guardianship, life insurance trust, and escrow. Corporate trust services and products include corporate trusteeship, securitization, portfolio management, administration of employee benefit plans, pension and retirement plans, and trust indenture services. Other fiduciary services include such roles as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank. TBG also manages 13 Philippine Peso- and US dollar-denominated UITFs. These include money market funds, bond funds, balanced funds, and equity funds.

2. Competition

In the Philippines, the Bank faces competition in all its principal areas of business, from both Philippine (private and government-owned) and foreign banks, as well as finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry with the entry of foreign banks under Republic Act (R.A.) 7721 in 1994 and R.A. 10641 in 2014, as well as the recent mergers and consolidations in the banking industry. As of the latest available data from the BSP, there were 46 universal and commercial banks, of which 17 are private domestic banks, 3 are government banks and 26 are branches or subsidiaries of foreign banks. Some competitor banks have greater financial resources, wider networks and greater market share than PNB. Said banks also offer a wider range of commercial banking services and products; have larger lending limits; and stronger balance sheets than PNB. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the Lucio Tan Group of Companies and with its Government customers, as well as builds on relationships with the Bank's other key customers.

The Bank also faces competition in its operations overseas. In particular, the Bank's stronghold in the remittance business in 17 countries in North America, Europe, the Middle East and Asia is being challenged by competitor banks and non-banks.

3. **Revenue Derived from Foreign Operations**

The percentage contributions of the Group's offices in Asia, Canada and USA, United Kingdom and Other European Union Countries to the Group's revenue, for the years 2019, 2018, 2017 are as follows:

	2019	2018	2017
Asia (excluding the Philippines)/ Middle East	4%	3%	3%
Canada and USA	2%	1%	2%
United Kingdom & Other European Union Countries	0.5%	0.3%	0.3%

Please refer to Note 6 of the Audited Financial Statements.

4. **New Products and Services**

The Bank launched the following products and services in 2019:

a. PNB, PPS-EPP, and GCash partnership

Through the PNB Connect initiative, a new business opportunity was created between Palawan Pawnshop-Palawan Express Pera Padala (PPS-PEPP) and GCash in March 2019. With the newly forged partnership, GCash transactions will be coursed through PPS-PEPP, while PNB will act as the settlement bank of the partnership's transactions. An estimate of over 15 million GCash users were expected to benefit from this collaboration.

b. ABIC All-in 888 Insurance

ABIC All-in 888 is a personal accident insurance for only P888 with a coverage of P100,000. The affordable insurance protection not only covers death, disability, and dismemberment but it also protects the client while travelling including unforeseen contingencies such as cancellation/ interruption and baggage delay.

c. Enhanced ATMSafe Features and Benefits

The ATMSafe is a non-life insurance product that replaces lost money withdrawn from the ATM due to theft. Effective August 1, 2019, the ATMSafe will also cover replacement of stolen cash from fraudulent transactions done through over-the-counter withdrawals with passbook savings accounts and other fraudulent transactions such as ATM tampering, illegal point-of-sale (POS) transactions and unauthorized electronic banking (e-banking) transactions.

d. PNB Prepaid Mastercard

The PNB Prepaid Mastercard, which allows cardholders to conveniently load and perform online and POS transactions at any Mastercard merchants worldwide, was launched in October 2019. The card can be availed instantly without the need to open a bank account.

e. PNB-PAL Mabuhay Miles Prepaid Mastercard

The new PNB-PAL Mabuhay Miles Prepaid Mastercard is a reloadable prepaid card that enables cardholders to do cashless payments. Launched in October 2019, this card is equipped with a multi-currency feature that provides hassle-free conversions between 10 currencies, good for travelers who prefer to spend on their travel destination's local currency. Cardholders are also entitled to earn points that can be converted to Mabuhay Miles when they use the card for dining, shopping and travel.

f. PNB SEA Games Prepaid Mastercard

As the official Bank partner of the 2019 Southeast Asian (SEA) games, PNB launched the 30th SEA Games Prepaid Card to commemorate the Philippines' 4th time hosting the biennial event. The card sports an exclusive design specific to the 30th SEA games and carries the same features as the PNB-PAL Mabuhay Miles Prepaid Mastercard.

5. Related Party Transactions

(Please refer to Item 12. Certain Relationships and Related Transactions and Note 33 of the audited financial statements)

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

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

7. Government Approval of Principal Products or Services

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

8. Estimate of Amount Spent for Research and Development Activities

The Bank provides adequate budget for the development of new products and services which includes hardware and system development, continuous education and market research. Estimated amount spent for 2019, 2018 and 2017 totaled P622.3 million, P582.2 million and P416.1million, respectively.

9. Number of Employees

As of December 31, 2019	Total
Officers:	
Vice President and up	149
Senior Assistant Vice President to Assistant Manager	4,169
Sub-total	4,318
Rank and File	4,232
Total	**8,550**

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

With regard to the Collective Bargaining Agreement (CBA), the Bank's regular rank and file employees are represented by Philnabank Employees Association (PEMA). The two unions under the merged bank namely: PNB Employees Union (PNBEU) and PEMA merged effective July 1, 2019, with PEMA as the surviving union. Existing CBAs are until June 30, 2020.

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

10. Risk Management

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

Effective risk management is essential to consistent and sustainable performance for all of the Bank's stakeholders and is therefore a central part of the financial and operational management of the PNB

Group. PNB adds value to clients and therefore the communities in which it operates, generating returns for shareholders by taking and managing risk.

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

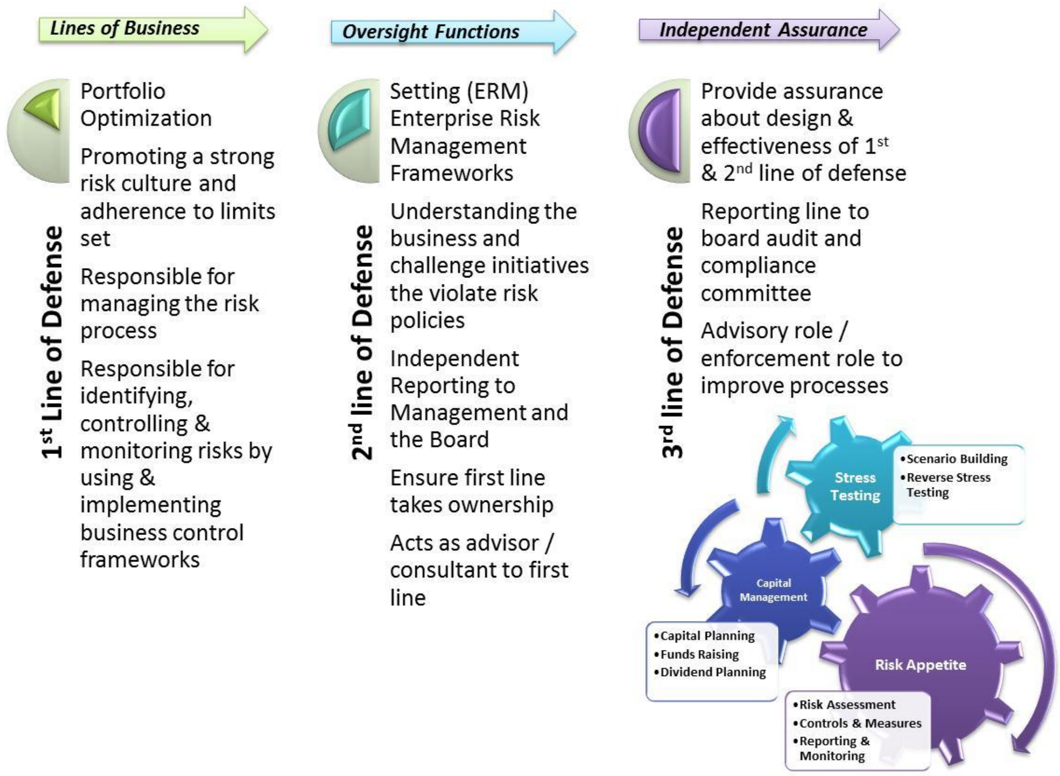
Strong independent oversight has been established at all levels within the Bank. The Bank's BOD has delegated specific responsibilities to various Board Committees, which are integral to PNB's risk governance framework and allow executive management, through management committees, to evaluate the risks inherent in the business and to manage them effectively. The following are the eight (8) Board Committees:

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

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

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

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



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

The risk management framework of the Bank is under the direct oversight of the Chief Risk Officer (CRO) who reports directly to the Risk Oversight Committee. The CRO is supported by Division Heads with specialized risk management functions to ensure that a robust organization is maintained. The Risk Management Group is independent from the business lines and organized into the following divisions: Credit Risk Division, Basel and ICAAP Implementation Division, Market & ALM Division, Operational Risk Division, Information Security /Technology Risk Management Division, Data Privacy Program Division, Trust and Fiduciary Risk Division, and Business Intelligence & Warehouse Division.

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

The Bank's governance policies also provide for the validation, audit and compliance testing to measure the effectiveness and suitability of the risk management structure. RMG also functions as the Secretariat to the ROC, which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the Bank in its Internal Capital Adequacy Assessment Process (ICAAP) document. Further, each risk division engages with all levels of the Bank among its business and support groups. This ensures that the risk management and monitoring are embedded at the moment of origination.

The risk management system and the BOD's criteria for assessing effectiveness are revisited on an annual basis and limit settings are discussed with the Business Units and presented to the ROC for endorsement for final BOD approval.

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

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

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

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP Circular No. 538 using the Standard Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risks.

Risk Categories and Definitions
The Bank broadly classifies and defines risks into the following categories and manages the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2016 program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract. Credit Concentration Risk is part of credit risk that measures the risk concentration to any single customer or group of closely-related customers with the potential threat of losses which are substantial enough to affect the financial soundness of a financial institution (*BSP Circular 414)*.	▪ Loan Portfolio Analysis ▪ Credit Dashboards ▪ Credit Review ▪ Credit Model Validation	▪ Trend Analysis (Portfolio/ Past Due and Non-Performing Loans (NPL) Levels ▪ Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ Credit Risk Rating (CRR) Migration ▪ Movement of Portfolio ▪ Concentrations and Demographics Review ▪ Large Exposure Report ▪ Counterparty Limits Monitoring ▪ Adequacy of Loan Loss Reserves Review ▪ Specialized Credit Monitoring (Power, Real Estate) ▪
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off-	▪ Value-at-Risk (VAR) Utilization ▪ Results of Marking to Market ▪ Risks Sensitivity/ Duration Report	▪ VAR Limits ▪ Stop Loss Limits ▪ Management Triggers ▪ Duration Report ▪ Republic of the Philippines (ROP) Exposure Limit

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position-taking in interest rate, foreign exchange, equity, and commodities markets.	▪ Exposure to Derivatives/ Structured Products	▪ Limit to Structured Products ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance ▪ Stress Testing ▪ BSP Uniform Stress Testing
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from an FI's inability to meet its obligations when they come due.	▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ Maximum Cumulative Outflow (MCO) ▪ Liquid Gap Analysis	▪ MCO Limits ▪ Liquid Assets Monitoring ▪ Stress testing ▪ Large Fund Provider Analysis ▪ Contingency Planning
Interest Rate Risk in the Banking Books (IRRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position *(BSP Circular 510).*	▪ Interest Rate Gap Analysis ▪ Earnings-at-Risk (EAR) Measurement ▪ Duration based Economic Value of Equity	▪ EAR Limits ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis ▪ Duration based Economic Value of Equity ▪ Stress testing ▪ BSP Uniform Stress Testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. This definition includes Legal Risk, but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs *(BSP Circular 900).*	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk; ICAAP Risk Assessment) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk)	▪ Internal Control ▪ Board-Approved Operating Policies and Procedures Manuals ▪ Board-Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Business Continuity Management (BCM) ▪ Statistical Analysis
Included in the Operational Risks:			
Reputational Risk and Customer Franchise Risk Including Social Media Risk and Anti-Money Laundering (AML) Risk	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. Customer franchise risk is defined as the failure to find, attract, and win new clients, nurture and retain those the institution already has,	▪ Risk Identification ▪ Risk Measurement ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk; ICAAP Risk Assessment) ▪ Risk Management (i.e. Monitor,	▪ Account Closures Report ▪ Service Desk Customer Issues Report/Customer Complaints Monitoring Report ▪ Mystery Caller/Shopper ▪ Evaluation/ Risk Mitigation of negative media coverage ▪ Public Relations Campaign

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the institution's products and services. Risks in social media include susceptibility to account takeover, malware distribution, brand bashing, inadvertent disclosure of sensitive information and privacy violation, among other possible threats Risks relating to AML refers to transfers or movement of funds that fall into the following (but not limited to) categories: • Terrorist financing • Unlawful purposes • Transactions over certain amounts as defined by the Ant-Money Laundering Council	Control or Mitigate Risk) Major Factors considered: ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators)	▪ Review of Stock Price Performance ▪ Fraud Management Program ▪ Social Media Management Framework ▪ Social Media Risk Management ▪ AML Compliance Review / Monitoring ▪ Enhanced Due Diligence Program for Customers
Strategic Business Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.		▪ Management Profitability Reports – Budgets vs Actuals ▪ Benchmarking vis-a-vis Industry, Peers ▪ Economic Forecasting ▪ Annual Strategic Planning Exercise
Cyber Security Risk	Cyber security risk is the current and prospective impact on earnings, reputation, customer franchise, and/or capital arising from information security threats of attack on the institution's digital footprint through (but not limited to) the following: • Breaches in data security • Sabotage on online (web-based) activities (distributed-denial-of-service or DDoS attacks, ransomware, etc.) • Common threats (spam, phishing, malware, spoofing viruses, etc.) • Scams and frauds (social engineering, identify thefts, email scams, etc.)		▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Risk Assessment ▪ Information Security Management System Implementation ▪ Continuous Information Security (Infosec) / Cyber Risk Awareness Campaigns ▪ Network Security Protection ▪ Limits on Access Privileges ▪ Scanning of Outbound and Inbound Digital Traffic
Information Security and	Information Security Risk is the risk to organizational operations due to the potential for		▪ Installation of Firewalls, Intrusion Prevention Systems / Intrusion

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Data Privacy Risk	unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability. Social engineering can result in various key risk indicators – phishing, spamming, dumpster diving, direct approach, baiting, spying and eavesdropping, among others. Data Privacy Risk refers to the risk of misuse of personal data that could lead to individual harm which may take the form of loss of income, other financial loss, reputational damage, discrimination, and other harms.		Detection Systems, Enterprise Security Solution (Anti-Virus for Endpoint, e-Mail and Internet) ▪ Enterprise-wide Implementation of the Infosec Management Systems ▪ Education / InfoSec Awareness ▪ Internal and Third Party Vulnerability Assessments and Penetration Testing, including Social Engineering Tests ▪ Follow-through on Remediation of Threats and Risks ▪ Enterprise-wide Data Privacy Risk Management Framework ▪ Data Protection Culture through Regular Awareness Programs
Information Technology (including Core Banking Implementation)	Technology Risk result from human error, malicious intent, or even compliance regulations. It threatens assets and processes vital to the Bank's business and may prevent compliance with regulations, impact profitability, and damage the institution's reputation in the marketplace. Risks in the smooth operation of the newly implemented core banking application may also threaten the delivery of service to clients and customer.	▪ Risk Identification ▪ Risk Measurement ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk)	▪ Risk Asset Register ▪ Risk Awareness Campaigns ▪ IT Risk Assessments ▪ Formal Project Management Program ▪ Vulnerability Assessment and Penetration Testing ▪ Maintenance and Upgrades of Disaster Recovery Sites ▪ Business Users / IT Joint Engagement for Problem Resolution ▪ Technology Operations Management Policies and Guidelines ▪ Vendor Management Process Monitoring

Regulatory Capital Requirements under BASEL III

The Bank's Capital Adequacy Ratio as of end of December 2019 stands at 14.80% on a consolidated basis while the Bank's Risk Weighted Assets (RWA) as of end 2019 amounted to P883.1 billion, composed of P747.9 billion (Credit Risk Weighted Assets-CRWA), P80.7 billion (Market Risk Weighted Assets-MRWA) and P54.5 billion (Operational Risk Weighted Assets-ORWA).

The Bank's total regulatory requirements for the four (4) quarters for 2019 are as follows:

Consolidated	Weighted Exposures (Quarters 2019)			
(Amounts in P millions)	As of Dec 31	As of Sept 30	As of June 30	As of Mar 31
CRWA	747,874	735,604	690,032	673,258
MRWA	80,683	78,652	57,433	44,258
ORWA	54,498	54,498	54,498	63,581
Total Risk-Weighted Assets	**883,055**	**868,754**	**801,963**	**781,097**
Common Equity Tier 1 Ratio	14.10%	13.78%	13.23%	13.23%
Capital Conservation Buffer	8.10%	7.78%	7.23%	7.23%
Tier 1 Capital Ratio	14.10%	13.78%	13.23%	13.23%
Total Capital Adequacy Ratio	14.80%	14.58%	14.00%	13.98%

Credit Risk-Weighted Assets as of December 31, 2019

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

In P Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash and Other Cash Items	27,221	-	27,221	27,221	-	-	-	-	-
Due from BSP	107,653	-	107,653	107,653	-	-	-	-	-
Due from Other Banks	21,339	-	21,339	-	10,255	9,631	-	1,453	-
Financial Asset at FVPL	51	-	51	-	-	-	-	51	-
Available for Sale	4,377	-	4,377	135	2,846	26	-	1,370	-
Held to Maturity (HTM)	100,220	4,798	95,422	30,839	3,928	47,688	-	12,967	0
Loans & Receivables	666,254	13,553	652,700	1,469	44,543	16,292	17,186	561,730	11,481
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	2,519	-	2,519	2,519	-	-	-	-	-
Sales Contracts Receivable	5,672	-	5,672	-	-	-	-	5,112	561
Real & Other Properties Acquired	8,858	-	8,858	-	-	-	-	-	8,858

In P Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Other Assets	37,229	-	37,229	-	-	-	-	37,229	-
Total On-Balance Sheet Asset	981,394	18,352	963,043	169,835	61,573	73,636	17,186	619,913	20,900
Total Risk Weighted Asset - On-Balance Sheet				-	12,315	36,818	12,889	619,913	31,350
Total Risk Weighted Asset - Off-Balance Sheet Asset				-	-	1	472	30,961	-
Counterparty Risk Weighted Asset in Banking Book				-	-	2,138	-	-	-
Counterparty Risk Weighted Asset in Trading Book				-	15	783	-	218	-

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

Market Risk-Weighted Assets as of December 31, 2019

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

Capital Requirements by Market Risk Type under Standardized Approach

(Amounts in P Million)	Capital Charge (a)	Adjusted Capital Charge (b) b= a*125% 1/	Market Risk Weighted Exposures (c) c= b*10 2/
Interest Rate Exposures	5,282.780	6,603.474	66,034.745
Specific Risk	1,860.590	2,325.738	23,257.377
General Market Risk	3,422.189	4,277.737	42,777.368
Equity Exposures	226.709	283.387	2,833.866
Foreign Exchange Exposures	945.122	1,181.403	11,814.025
Total	6,454.611	8,068.264	80,682.636

Notes:

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

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

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

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

Specific Risk

Specific Risk which reflects the type of issuer of the combined portfolio of financial assets at Fair Value through Profit or Loss (FVTPL) and FVOCI is P1,860.59 million and is composed of securities with various tenors that are subjected to risk weight ranging from 0% to 8%. Sixty-five percent (65%) of these securities are issued by the Republic of the Philippines while 22% is attributable to debt securities rated AAA to BBB- issued by other entities. The remaining portfolio consists of all other debt securities that are issued by other entities. Thirty-six percent (36%) of this combined portfolio is composed of USD-denominated debt securities issued by the Philippines with applicable risk weight of 0.25% to 1.6%. On the other hand, the Bank's holding in peso-denominated securities which are estimated at 29% of the portfolio have zero risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in P million)							
		Risk Weight					
	Positions	0.00%	0.25%	1.00%	1.60%	8.00%	Total
Peso-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	76,026.650	-	-	-	-	-
	Short	-	-	-	-	-	-
FCY-denominated debt securities issued by the Philippine NG/BSP	Long	-	1.521	1,370.103	14,180.599	-	-
	Short	-	-	-	-	-	-
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long	-	721.800	132.830	7,721.384	-	-
	Short	-	-	-	-	-	-
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long	-	374.847	4,292.571	10,154.946	-	-
	Short	-	-	-	-	-	-
All other debt securities/derivatives that are below BBB- and unrated	Long	-	-	-	-	16,087.235	-
	Short	-	-	-	-	-	-
Subtotal	Long	76,026.650	1,098.169	5,795.504	32,056.929	16,087.235	-
	Short	-	-	-	-	-	-
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		-	2.745	57.955	512.911	1,286.979	1,860.590
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products		-	-	-	-	-	-
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps		-	-	-	-	-	-
Specific Risk Capital Charge for Debt Securities and Debt Derivatives		-	2.745	57.955	512.911	1,286.979	1,860.590

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is P2,130.947 million. In terms of weighted positions, the greater portion (33%) of the Bank's capital charge comes from the Over 5 years to 7 years bucket at P697.147 million as well as Over 7 years to 10 years bucket (28%) at P586.190 million or a combined capital charge of P1,283.337 million. The remaining weighted positions (39%) are distributed over the remaining buckets.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in P millions)							
	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives Total Individual Positions		Risk Weight	Weighted Positions	
Zone	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	18,928.385	21,870.803	0.00%	-	-
	Over 1M to 3M	Over 1M to 3M	15,081.009	13,227.605	0.20%	30.162	26.455
	Over 3M to 6M	Over 3M to 6M	5,756.828	2,294.975	0.40%	23.027	9.180
	Over 6M to 12M	Over 6M to 12M	6,717.612	1,022.600	0.70%	47.023	7.158
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	5,021.669	-	1.25%	62.771	-
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	11,445.567	-	1.75%	200.297	-
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	327.809	-	2.25%	7.376	-
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	17,874.113	-	2.75%	491.538	-
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	21,450.671	-	3.25%	697.147	-
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	15,631.727	-	3.75%	586.190	-
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	527.416	-	4.50%	23.734	-
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	3.730	-	5.25%	0.196	-
	Over 20Y	Over 10.6Y to 12Y	-	-	6.00%	-	-
		Over 12Y to 20Y	-	-	8.00%	-	-
		Over 20Y	-	-	12.50%	-	-
Total			118,766.536	38,415.983		2,169.461	42.793
Overall Net Open Position							2,126.667
Vertical Disallowance							4.279
Horizontal Disallowance							-
Total General Market Risk Capital Charge							2,130.947

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is P1,272.457 million. The exposure is concentrated under the Over 7 years to 10 years' time bucket with risk weight of 3.75% resulting in a capital charge of P381.080 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from P3.225 million to P296.835 million.

Currency: USD							
PART IV.1d GENERAL MARKET RISK (Amounts in P millions)							
	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives Total Individual Positions		Risk Weight	Weighted Positions	
Zone	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	25,079.380	27,217.867	0.00%	-	-
	Over 1M to 3M	Over 1M to 3M	23,926.152	24,176.896	0.20%	47.852	48.354
	Over 3M to 6M	Over 3M to 6M	4,532.159	1,298.923	0.40%	18.129	5.196
	Over 6M to 12M	Over 6M to 12M	3,823.300	3,480.150	0.70%	26.763	24.361
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	5,301.101	-	1.25%	66.264	-
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	5,432.992	-	1.75%	95.077	-
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	10,384.266	-	2.25%	233.646	-
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	1,344.864	-	2.75%	36.984	-
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	8,188.259	5,219.052	3.25%	266.118	169.619
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	10,162.127	-	3.75%	381.080	-
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	513.546	-	4.50%	23.110	-
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	5,654.009	-	5.25%	296.835	-
	Over 20Y	Over 10.6Y to 12Y	53.756	-	6.00%	3.225	-
		Over 12Y to 20Y	-	-	8.00%	-	-
		Over 20Y	-	-	12.50%	-	-
Total			104,395.910	61,392.888		1,495.083	247.530
Overall Net Open Position							1,247.554
Vertical Disallowance							24.703
Horizontal Disallowance							0.201
Total General Market Risk Capital Charge							1,272.457

General Market Risk – Third Currencies

The Bank is likewise exposed to various third currencies contracts most of them are in less than 30 days thus carries a 0% risk weight. The combined general market risk charge for contracts in Singapore Dollar (SGD), Hong Kong Dollar (HKD), and Euro (EUR) is P18.785 million with risk weight ranging from 0.20% and 0.40%.

PART IV.1d GENERAL MARKET RISK (Amounts in P million)										
		Total Debt Securities & Debt Derivatives/Interest Rate Derivatives			Weighted Positions					
Currency	Time Bands	Long	Short	Risk Weight	Long	Short	Overall Net Open Position	Vertical dis allowance	Horizontal dis allowance within	Total General Market Risk Capital Charge
AUD	1 month or less	-	3.531	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		**-**	**3.531**		-	-	-	-	-	-
SGD	1 month or less	-	76.333	0.00%	-	-				
	Over 1M to 3M	-	254.142	0.20%	-	0.508				
TOTAL		**-**	**330.475**		-	**0.508**	**0.508**	-	-	**0.508**
JPY	1 month or less	1,266.354	1,803.385	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		**1,266.354**	**1,803.385**		-	-	-	-	-	-
HKD	1 month or less	25.559	483.920	0.00%	-	-				
	Over 1M to 3M	-	407.896	0.20%	-	0.816				
	Over 3M to 6M	-	1,884.498	0.40%	-	7.538				
TOTAL		**25.559**	**2,776.314**		**-**	**8.354**	**8.354**	**-**	**-**	**8.354**
EUR	1 month or less	6,867.357	60.293	0.00%	-	-				
	Over 1M to 3M	6,226.852	1,405.754	0.20%	12.454	2.812				
TOTAL		**13,094.209**	**1,466.047**		**12.454**	**2.812**	**9.642**	**0.281**	**-**	**9.923**
GBP	1 month or less	-	165.232	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		**-**	**165.232**		-	-	-	-	-	-
CAD	1 month or less	-	58.161	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		**-**	**58.161**		-	-	-	-	-	-
TOTAL THIRD CURRENCIES										**18.785**

Equity Exposures

The Bank's holdings are in the form of common stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is P88.516 million or total risk-weighted equity exposures of P1,106.456 million.

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	107.184
		Short	6.534
A.9	Others	Long	446.044
		Short	-
A.10	TOTAL	Long	553.228
		Short	6.534
B.	Gross (long plus short) positions (A.10)		559.762
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		44.781
E.	Net long or short positions		546.694
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		43.736
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		88.516
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		110.646
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		1,106.456

Foreign Exchange Exposures

The Bank's exposure to Foreign Exchange (FX) Risk carries a capital charge of P11,814.025 million. This includes P9,494.063 million arising from exposure in Non-Deliverable Forwards (NDFs) which carries a 4% risk weight while P2,319.963 million is from Foreign Exchange Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to JPY, CHF, GBP, EUR, CAD, AUD, SGD and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of Dec 31, 2019)						
	Closing Rate USD/P:					52.58
		In Million USD Equivalent				In Million Pesos
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
		Banks	Subsidiaries /Affiliates			
Nature of Item	Currency	1	2	3	4=1+2+3	5
Currency						
A.1 U.S. Dollar	USD	(46.082)	0.265		(45.817)	(2,319.963)
A.2 Japanese Yen	JPY	0.491	0.000		0.491	24.853
A.3 Swiss Franc	CHF	1.853	0.000		1.853	93.801
A.4 Pound Sterling	GBP	0.163	0.000		0.163	8.237
A.5 Euro	EUR	1.089	0.000		1.089	55.145
A.6 Canadian Dollar	CAD	0.301	0.000		0.301	15.236
A.7 Australian Dollar	AUD	0.571	0.000		0.571	28.911
A.8 Singapore Dollar	SGD	0.730	0.000		0.730	36.951
A.9 Foreign currencies not separately specified above		1.502			1.502	76.060
Arab Emirates Dirham	AED	0.008			0.008	
Bahrain Dinar	BHD	0.002			0.002	
Brunei Dollar	BND	0.004			0.004	
Yuan Renminbi	CNY	0.389			0.389	
Hongkong Dollar	HKD	0.414			0.414	
Korean Won	KRW	0.006			0.006	
Malaysian Ringgit	MYR	0.004			0.004	
Norwegian Krone	NOK	0.000			0.000	
New Zealand Dollar	NZD	0.119			0.119	
Saudi Riyal	SAR	0.543			0.543	
Thai Baht	THB	0.006			0.006	
Taiwan Dollar	TWD	0.009			0.009	
A. 10 Sum of net long positions						339.195
A.11 Sum of net short positions						(2,319.963)
B. Overall net open positions 1/						2,319.963
Risk Weight						8%
Total Capital Charge for Foreign Exchange Exposures (B. times C.)						185.597
Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						231.996
Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						2,319.963

Operational Risk – Weighted Assets

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

(Amounts in P Million) Consolidated as of December 31, 2019	Gross Income	Capital Requirement (15% x Gross Income)
2016 (Year 3)	25,096	3,764
2017 (Year 2)	28,699	4,305
2018 (Last Year)	33,403	5,010
Average for 3 Years		4,360
Adjusted Capital Charge	Average x 125%	5,450
Total Operational Risk Weighted Asset		54,498

Item 2. Properties

PNB's corporate headquarters, the PNB Financial Center, is housed in an eleven (11)-storey building located at a well-developed reclaimed area of 99,999 square meters of land on the southwest side of Roxas Boulevard, Pasay City, Metro Manila, bounded on the west side by the Pres. Diosdado P. Macapagal Boulevard and on the north side by the World Trade Center building. It also houses some of PNB's domestic subsidiaries. Some office spaces are presently leased to various companies/private offices. The said property is in good condition and has no liens and encumbrances.

Disclosed in Exhibit I is the list of Bank-owned properties as of December 31, 2019.

The Bank leases the premises occupied by some of its branches. Lease contracts are generally for periods ranging from one year up to 30 years based on original tenor and are renewable upon mutual agreement of both parties under certain terms and conditions.

Disclosed in Exhibit II is the list of Bank's branches that are under lease as of December 31, 2019.

The Bank does not have any current plans to acquire any property within the next twelve (12) months.

Information related to Property and Equipment is shown under Note 11 of the Audited Financial Statements of the Bank and Subsidiaries.

Item 3. Legal Proceedings

The Bank is a party to various legal proceedings which arise in the ordinary course of its operations. The Bank 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 its Financial Statements.

Item 4. Submission of Matters to a Vote of Security Holders

There was no matter submitted to a vote of the security holders during the fourth (4^{th}) quarter of the year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

A. *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:

	2017		2018		2019	
	High	Low	High	Low	High	Low
Jan – Mar	61.00	53.00	59.15	53.80	60.42	40.98
Apr – Jun	71.00	54.90	56.00	47.95	58.82	47.54
Jul – Sep	68.40	59.15	49.90	43.00	57.35	43.60
Oct – Dec	60.20	55.05	44.60	38.95	45.90	34.00

The trading price of each PNB common share as of December 27, 2019 was ₱34.50.

2. Holders

There are 36,471 shareholders as of December 31, 2019. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

No.	Stockholders	Common Shares	Percentage To Total Outstanding Capital Stock
1	PCD Nominee Corporation (Filipino)	162,534,694	10.6526699707
2	Key Landmark Investments, Ltd.	133,277,924	8.7351549618
3	PCD Nominee Corporation (Non-Filipino)	109,993,293	7.2090593121
4	Caravan Holdings Corporation	82,017,184	5.3754799765
5	Solar Holdings Corporation	82,017,184	5.3754799765
6	True Success Profits Ltd.	82,017,184	5.3754799765
7	Prima Equities & Investments Corporation	71,765,036	4.7035449794
8	Leadway Holdings, Inc.	65,310,444	4.2805052168
9	Infinity Equities, Inc.	61,512,888	4.0316099824
10	Pioneer Holdings Equities, Inc.	34,254,212	2.2450518506
11	Pan Asia Securities Corporation	33,126,782	2.1711590747
12	Multiple Star Holdings Corporation	30,798,151	2.0185385055
13	Donfar Management Ltd.	30,747,898	2.0152448787
14	Uttermost Success, Ltd.	30,233,288	1.9815168766
15	Mavelstone Int'l Ltd.	29,575,168	1.9383831001
16	Kenrock Holdings Corporation	26,018,279	1.7052613973
17	Fil-Care Holdings, Inc.	25,450,962	1.6680789310
18	Fairlink Holdings Corporation	25,207,795	1.6521415472
19	Purple Crystal Holdings, Inc.	24,404,724	1.5995075519
20	Kentron Holdings & Equities Corporation	24,361,225	1.5966565883

3. Dividends

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

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

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

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

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

B. Description of PNB's Securities

- As of December 31, 2019, PNB's authorized capital stock amounted to ₱70,000,000,040.00 divided into 1,750,000,001 common shares having a par value of ₱40.00 per share.

- The total number of common shares outstanding as of December 31, 2019 is 1,525,764,850. This includes the 423,962,500 common shares issued relative to the merger of PNB and Allied Banking Corporation subject of the Registration Statement approved by the Securities and Exchange Commission and listed with the Philippine Stock Exchange.

- As of December 31, 2019, a total of 1,415,603,866 common shares (or 92.78%) are held by Filipino-Private Stockholders, while the remaining 110,160,984 common shares (or 7.22%) are held by Foreign-Private Stockholders. PNB has a total of ₱61,030,594,000.00 subscribed capital.

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

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

- Section 24 of the Corporation Code of the Philippines provides that *"x x x every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed by the by-laws, in his own name on the stock books of the corporation x x x and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal x x x*."

Item 6. Management's Discussion and Analysis

<u>2019 vs 2018</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  - Capital Stock and Additional Paid-In Capital increased by P11.8 billion from the net proceeds from the 2019 Stock Rights Offering.

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

2018 vs. 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>2017 vs. 2016</u>

The Group's consolidated assets reached at P836.2 billion as of December 31, 2017, 10.9% or P82.2 billion higher compared to P754.0 billion reported as of December 31, 2016. Changes (more than 5%) in assets were registered in the following accounts:

- Interbank Loans Receivable registered an increase as of December 31, 2017, by P5.0 billion from P7.8 billion, and decreases in Due from Bangko Sentral ng Pilipinas and Due from Other Banks of P18.6 billion and P0.7 billion, respectively, from P127.3 billion and P22.7 billion, respectively, as of December 31, 2016. On the other hand, Cash and Other Cash Items increased by P1.4 billion from P11.0 as of December 31, 2016.

- Loans and Receivables registered an increase at P502.1 billion or P73.9 billion higher than the P428.2 billion as of December 31, 2016 level mainly due to loan releases in the current year to various corporate borrowers.

- Financial Assets at Fair Value Through Profit or Loss at P2.9 billion as of December 31, 2017 was higher by 52.6% or P1.0 billion from P1.9 billion in 201 attributed mainly due to the sale of various investment securities.

- Securities Held Under Agreements to Resell as of December 31, 2017 of P14.6 billion which represents lending transactions of the Bank with the BSP is higher by P12.6 billion compared to the P2.0 billion as of December 31, 2016.

- Investment Properties decreased by P0.7 billion from P16.3 billion as of December 31, 2016 to P15.6 billion as of December 31, 2017 due to the disposal of foreclosed properties.

- Property and Equipment increased by P0.6 billion from P18.1 billion as of December 31, 2016 to P18.7 billion as of December 31, 2017 mainly due to the additional acquisitions for the year.

- Intangible Assets, Deferred Tax Assets and Other Assets were higher by P0.7 billion, P0.2 billion and P1.8 billion from P2.6 billion to P3.3 billion, P1.5 billion to P1.7 billion and P7.1 billion to P8.9 billion, respectively.

Consolidated liabilities went up by 11.2% or P72.4 billion from P644.0 billion as of December 31, 2016 to P716.4 billion as of December 31, 2017. Major changes in liability accounts were as follows:

- Deposit liabilities totaled P637.9 billion, P67.4 billion higher compared to its year-end 2016 level of P570.5 billion. Increases were registered in Demand, Time and LTNCD by P8.2 billion, P69.6 billion and P7.0 billion, respectively, and an offset in Savings of P17.4 billion.

- Bills and Acceptances Payable increased by P8.0 billion, from P35.9 billion to P43.9 billion, mainly accounted for by various borrowings from other banks.

Results of Operations

2019 vs 2018

- For the year ended December 31, 2019, the Group registered a net income of P9.8 billion, P0.2 billion or 2.1% higher than the P9.6 billion net income for the same period last year. The Group's core income comprising primarily of net interest income and net service fees and commissions recorded substantial improvements in the current period. Net income for the current period also included increase in net gains from trading and investment securities.

- Net interest income totaled P32.4 billion, higher by 19.9% or P5.4 billion compared to the same period last year mainly due to the expansion in loan, interbank loans, and trading and investment securities portfolios which accounted for the P14.5 billion, P9.6 billion, P0.3 billion and P4.2 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 P14.5 billion from P36.1 billion to P50.6 billion. Total interest expense also increased to P18.1 billion or by P9.1 billion from P9.0 billion for the same period last year primarily due to growth in deposit liabilities and other borrowings.

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

- Net service fees and commission income stood at P4.2 billion, 20.1% or P0.7 billion higher compared the same period last year driven by growth in deposit and credit card related fees.

- Administrative and other operating expenses amounted to P28.9 billion for the year ended December 31, 2019, or 12.5% higher compared to the same period last year as strong revenue growth, particularly in interest income and trading gains, translated to higher business related taxes.

- Total Comprehensive Income for the year ended December 31, 2019 amounted to P14.6 billion which is P7.2 billion higher than the same period last year due mainly to increase in net unrealized gains on financial assets at FVOCI.

2018 vs 2017

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

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

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

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

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

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

2017 vs 2016

- For the year ended December 31, 2017, the Bank registered a net income of P8.2 billion, P1.0 billion higher compared to the P7.2 billion net income for the same period last year.

- Net interest income totaled P22.1 billion, higher by 12.8% or P2.5 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio and income from deposits with banks which accounted for P3.0 billion and P0.7 billion increase in interest income, respectively, partly offset by the decline in interest on investment securities and interbank loans receivable by P0.1 billion and P0.3 billion. Total interest income was up by P3.3 billion from P24.3 billion to P27.6 billion. Total interest expense however, was also higher at P5.5 billion or by P0.7 billion from P4.8 billion last year.

- Other income is higher by P0.1 billion at P7.1 billion compared to P7.0 billion for the same period last year.

- Net service fees and commission income at P3.1 billion for the year ended December 31, 2017.

- Administrative and other operating expenses amounted to P22.1 billion for the year ended

December 31, 2017, lower compared to the same period last year mainly due to decrease in provision for impairment, credit and other losses by P2.3 billion. This was partly offset by increases in Compensation and fringe benefits, Taxes and Licenses, Occupancy and equipment related costs, Depreciation and amortization and miscellaneous expenses by P0.6 billion, P0.3 billion, P0.1 billion, P0.2 billion and P0.2 billion, respectively.

- Reported income from discontinued operations in June 2016 pertains to the income from the 51% ownership interest in PNB Life due to classification as a discontinued operation.

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 14.80%, 14.35%, and 15.35% as of December 31, 2019, 2018 and 2017, 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 P12.1 billion as of December 31, 2019 compared to P7.8 billion as of December 31, 2018. NPL ratios of the Bank based on BSP guidelines, net of valuation reserves is better than industry average at 0.68% as at December 31, 2019, compared to 0.34% at end of 2018. Gross NPL ratio is at 1.99% at end of 2019 and 1.76% at end of 2018.

- Profitability

	Years Ended	
	12/31/19	12/31/18
Return on equity (ROE)[1/]	6.89%	7.70%
Return on assets (ROA)[2/]	0.92%	1.05%
Net interest margin (NIM)[3/]	3.31%	3.24%

[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, 2019 was 26.75% compared to 21.82% as of December 31, 2018. Ratio of current assets to current liabilities was at 58.82% as of December 31, 2019 compared to 53.61% as of December 31, 2018.

- Cost Efficiency

  The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 63.17% for the year ended December 2019 compared to 61.47% for the same period last year.

Known trends, demands, commitments, events, and uncertainties

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

Events that will trigger direct or contingent financial obligation

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

Material off-balance sheet transactions, arrangement or obligation

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

Capital Expenditures

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

Significant Elements of Income or Loss

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

Seasonal Aspects

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

Item 7. Financial Statements

The Audited Financial Statements (AFS) of the Bank and its Subsidiaries, which comprise the Statements of Financial Position as of December 31, 2019 and 2018, and the Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for each of the three (3) years in the period ended December 31, 2019, and Notes to the Financial Statements, including a Summary of Significant Accounting Policies and other explanatory information, Independent Auditor’s Report and the Statement of Management’s Responsibility are filed as part of this SEC 17-A report for the year ended December 31, 2019.

Item 8. Information on Independent Accountant and Changes in/disagreements with Accountants on Accounting/Financial Disclosure

A. Independent Public Accountants

SyCip Gorres Velayo & Co., CPAs (SGV) is the external auditor of the Bank and its domestic subsidiaries for the calendar year 2019. Representatives of SGV will be present at the stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. Ms. Janeth T. Nuñez-Javier is the engagement partner of the Bank for the year 2019.

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

After careful reevaluation, management has decided to recommend SGV & Co. for reappointment as external auditor of the Bank and its domestic subsidiaries for the year 2020 subject to BACC endorsement, BOD approval and Stockholders' ratification.

For the years reported, there were no changes in and disagreements with the Bank's external auditors on accounting and financial disclosures.

B. Audit and Other Related Fees

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

2019

Nature of service	Description	Professional fee (in P million)
Audit	The Bank's Consolidated and Separate Financial Statements as of December 31, 2019	12.641
Review	Interim condensed Consolidated Financial Statements of PNB and its Subsidiaries as of March 31, 2019	4.340
Review	Interim condensed Consolidated Financial Statements of PNB and its Subsidiaries as of June 30, 2019	4.200
Due diligence	Issuance of Comfort Letter related to PNB Stock Rights Offering	5.936
Due diligence	Issuance of Comfort Letters related to the issuance of Notes from the Medium-Term Note Programme of the Bank	2.912
Due diligence	Issuance of Comfort Letter related to the offering by PNB of Long-Term Negotiable Certificates of Deposit	3.080
Accounting advisory	Audit Support for the Review of Expected Credit Loss in accordance with PFRS 9	4.144
Tax advisory	Ad-hoc tax advisory for the integration of PNB Savings Bank with the Parent Bank	0.400
TOTAL		**37.653**

2018

Nature of service	Description	Professional fee (in P million)
Audit	The Bank's Consolidated and Separate Financial Statements as of December 31, 2018	22.054
Review	Interim condensed Consolidated Financial Statements of PNB and its Subsidiaries as of September 30, 2018	2.200
Due diligence	Issuance of Comfort Letter related to the proposed offering by PNB of Long-Term Negotiable Certificates of Deposit (1st tranche for 2018-2019)	2.750
Due diligence	Issuance of Comfort Letters related to the issuance of Notes from the Medium-Term Note Programme of the Bank	5.390
Accounting advisory	Advisor for the preparation for the adoption of PFRS 9, 15 and 16	3.385
Taxation compliance	Tax compliance advisory	0.401
IT assurance	Vulnerability Assessment and Penetration Testing	0.246
TOTAL		**36.426**

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

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

C. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the amendments and improvements to Philippine Financial Reporting Standards (PFRS) which are effective beginning on or after January 1, 2019. The changes in the accounting policies that have or did not have any significant impact on the financial position or performance of the Group are discussed under Note 2 (Summary of Significant Accounting Principles) of the audited financial statements of the Group.

D. Disagreements with Accountants

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

In compliance with Revised Securities Regulation Code (SRC) Rule 68 issued by the SEC, and Section 174 of the Manual of Regulations for Banks issued by the BSP, management has decided to recommend SGV & Co. for reappointment as external auditor of the Bank and its domestic subsidiaries for the year 2020, subject to BACC endorsement, BOD approval and Stockholders' ratification. Ms. Janeth T. Nuñez Javier, one of the more experienced audit partners in the banking industry in the Philippines, was the lead audit partner for the year 2019.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

A. Name, position, age, date of assumption and citizenship of Directors and Executive Officers as of December 31, 2019

Board of Directors: [1/]

Name	Position	Age	Date last Elected	Date first Elected	Citizenship
Florencia G. Tarriela	Independent Director [2/] and Chairperson of the Board of Directors Chairman of the Corporate Governance/Nomination/Remuneration and Sustainability Committee Member of the Board Strategy and Policy Committee, Board IT Governance Committee, and Board Audit and Compliance Committee	72	4/30/2019	5/29/2001	Filipino
Felix Enrico R. Alfiler	Independent Director and Vice Chairman of the Board Chairman of the Board Strategy and Policy Committee Member of the Corporate Governance/Nomination/Remuneration and Sustainability Committee, Board Audit and Compliance Committee, and Risk Oversight Committee	70	4/30/2019	1/1/2012	Filipino
Florido P. Casuela	Director Chairman of the Executive Committee Member of the Board Strategy and Policy Committee, Board IT Governance Committee, and Risk Oversight Committee	78	4/30/2019	5/30/2006	Filipino
Leonilo G. Coronel	Director Member of the Executive Committee, Board Strategy and Policy Committee, Board IT Governance Committee, and Risk Oversight Committee	73	4/30/2019	5/28/2013	Filipino
Edgar A. Cua	Independent Director Chairman of the Board Audit and Compliance Committee Member of the Board Strategy and Policy Committee, Board Oversight RPT Committee, and Risk Oversight Committee	64	4/30/2019	5/31/2016	Filipino

[1/] The directors are elected either by the stockholders (under section 5.3 of the PNB By-Laws) or by the Board of Directors (under Section 5.7 of the said By-Laws).

[2/] Independent Director – As used in Section 38 of the Securities Regulation Code, an Independent Director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company.

Name	Position	Age	Date last Elected	Date first Elected	Citizenship
Estelito P. Mendoza	Director	89	4/30/2019	1/1/2009	Filipino
Christopher J. Nelson	Director Chairman of the Trust Committee Member of the Executive Committee, Board Strategy and Policy Committee, and Board IT Governance Committee	60	4/30/2019	5/24/2014	British
Federico C. Pascual	Independent Director Chairman of the Risk Oversight Committee Member of the Corporate Governance/ Nomination/Remuneration and Sustainability Committee, Board Strategy and Policy Committee, Board Oversight RPT Committee, and Trust Committee	77	4/30/2019	5/27/2014	Filipino
Sheila T. Pascual	Director	57	11/22/2019	11/22/2019	Filipino
Carmen K. Tan	Director	78	4/30/2019	5/31/2016	Filipino
Lucio C. Tan	Director	85	4/30/2019	12/8/1999	Filipino
Michael G. Tan	Director Member of the Executive Committee, and Board Strategy and Policy Committee	53	4/30/2019	2/9/2013	Filipino
Vivienne K. Tan	Director Chairman of the Board IT Governance Committee Member of the Executive Committee, Board Strategy and Policy Committee, Risk Oversight Committee, and Trust Committee	51	4/30/2019	12/15/2017	Filipino
Jose Arnulfo A. Veloso	Director/President & CEO Member of the Executive Committee, Board Strategy and Policy Committee, Board IT Governance Committee, and Trust Committee (Ex-Officio)	53	4/30/2019	11/16/2018	Filipino
Domingo H. Yap	Independent Director Chairman of the Board Oversight RPT Committee Member of the Corporate Governance/ Nomination/Remuneration and Sustainability Committee	85	8/23/2019	8/23/2019	Filipino

** None of the above-mentioned Directors is an appointed official or employee of any agency of the Government of the Philippines.*

Name	Position	Age	Date Appointed	Citizenship
Maria Katrina Y. Ilarde	Corporate Secretary	36	6/26/2015	Filipino
Ruth Pamela E. Tanghal	Assistant Corporate Secretary	51	6/29/2015	Filipino
Mark M. Chen	Board Advisor	45	1/24/2020	American
Manuel T. Gonzales	Board Advisor	82	10/01/2013	Filipino
William T. Lim	Board Advisor	79	1/25/2013	Filipino
Harry C. Tan	Board Advisor	73	5/31/2016	Filipino

Executive Officers:

Name	Position	Age	Date of Assumption	Citizenship
Jose Arnulfo A. Veloso	President and Chief Executive Officer	53	11/16/2018	Filipino
Cenon C. Audencial, Jr.	Executive Vice President Head of Institutional Banking Sector	61	8/5/2013	Filipino
Roberto D. Baltazar	Executive Vice President Head of Global Banking and Markets Sector	56	8/1/2019	Filipino
Isagani A. Cortes	Executive Vice President Chief Compliance Officer and Head of Global Compliance Group	52	6/24/2019	Filipino
Chester Y. Luy	Executive Vice President Head of the Strategy and Financial Advisory Sector and concurrent Head of Wealth Management Group	51	01/28/2019	Filipino
Aida M. Padilla	Executive Vice President Head of the Enterprise Services Sector	69	12/15/2017	Filipino
Nelson C. Reyes	Executive Vice President Chief Financial Officer and Head of Financial Management Sector	55	1/1/2015	Filipino
Bernardo H. Tocmo	Executive Vice President Head of Retail Banking Sector	58	10/1/2015	Filipino
Maria Paz D. Lim	First Senior Vice President Corporate Treasurer and Head of Corporate Expense Management Group	58	6/23/2006	Filipino
Nanette O. Vergara	First Senior Vice President Chief Credit Officer and Head of Credit Management Group	59	5/11/2017	Filipino
Schubert Caesar C. Austero	Senior Vice President Head of Human Resource Group	55	1/27/2017	Filipino
Manuel C. Bahena, Jr.	Senior Vice President Chief Legal Counsel and Head of Legal Group	58	2/11/2013	Filipino
Emeline C. Centeno	Senior Vice President Head of Corporate Planning and Research Division and Investor Relations Officer	61	6/1/2003	Filipino
Marie Fe Liza S. Jayme	Senior Vice President Head of Operations Group	57	5/2/2017	Filipino
Michael M. Morallos	Senior Vice President Head of Information Technology Group	51	5/1/2019	Filipino
Roland V. Oscuro	Senior Vice President Chief Information Security Officer and concurrent Chief Security Officer and Head of Enterprise Security Group	55	12/15/2017	Filipino
Joy Jasmin R. Santos	First Vice President Chief Trust Officer and Head of Trust Banking Group	46	11/2/2018	Filipino
Martin G. Tengco, Jr.	First Vice President Chief Audit Executive and Head of Internal Audit Group	54	7/28/2017	Filipino
Simeon T. Yap	First Vice President Chief Risk and Data Protection Officer and Head of Risk Management Group	58	4/1/2019	Filipino

B. Profile of Directors and Executive Officers as of December 31, 2019 together with their business experience covering at least the past five (5) years

<u>Directors:</u>

Name	**FLORENCIA G. TARRIELA**
Age	72
Nationality	Filipino
Education	∗ Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines ∗ Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination
Current Position in the Bank	∗ Chairman of the Board/Independent Director
Date of First Appointment	∗ May 29, 2001 (as Director) ∗ May 24, 2005 (as Chairman of the Board) ∗ May 30, 2006 (as Independent Director)
Directorship in Other Listed Companies	∗ Independent Director of LT Group, Inc.
Other Current Positions	∗ Chairman/Independent Director of PNB Capital and Investment Corporation, PNB-IBJL Leasing and Finance Corporation, and PNB-IBJL Equipment Rentals Corporation ∗ Independent Director of PNB International Investments Corp. ∗ Director of Bankers Association of the Philippines ∗ 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. ∗ Trustee and Life Member of Financial Executive Institute of the Philippines (FINEX) Foundation
Other Previous Positions	∗ Independent Director of PNB Life Insurance, Inc. ∗ 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/Citations	∗ 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement ∗ 2018 Go Negosyo Woman Intrapreneur Awardee

Name	**FELIX ENRICO R. ALFILER**
Age	70
Nationality	Filipino
Education	∗ Bachelor of Science and Masters in Statistics from the University of the Philippines
Current Position in the Bank	∗ Vice Chairman/Independent Director
Date of First Appointment	∗ January 1, 2012
Directorship in Other Listed Companies	∗ None
Other Current Positions	∗ Chairman/Independent Director of PNB General Insurers Co., Inc., PNB RCI Holdings Co., Ltd. and PNB International Investments Corp. ∗ Independent Director of PNB Savings Bank
Other Previous Positions	∗ Independent Director of PNB-IBJL Leasing and Finance Corporation ∗ Senior Advisor to the World Bank Group Executive Board in Washington, D.C. ∗ Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization ∗ Director of the BSP ∗ Assistant to the Governor of the Central Bank of the Philippines ∗ Senior Advisor to the Executive Director at the International Monetary Fund ∗ Associate Director at the Central Bank ∗ Head of the Technical Group of the CB Open Market Committee ∗ Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts ∗ Advisor at Lazaro Bernardo Tiu and Associates, Inc. ∗ President of Pilgrims (Asia Pacific) Advisors, Ltd. ∗ President of the Cement Manufacturers Association of the Philippines (CeMAP) ∗ Board Member of the Federation of Philippine Industries (FPI) ∗ Vice President of the Philippine Product Safety and Quality Foundation, Inc. ∗ Convenor for Fair Trade Alliance.

Name	**FLORIDO P. CASUELA**
Age	78
Nationality	Filipino
Education	* Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines * Masters in Business Administration from the University of the Philippines * Advanced Management Program for Overseas Bankers from the Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania * Study Tour (Micro Finance Program and Cooperatives), under the Auspices of the United States Agency for International Development
Government Civil Service Eligibilities	* Certified Public Accountant, Economist, Commercial Attaché
Current Position in the Bank	* Director
Date of First Appointment	* May 30, 2006
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman of PNB Securities, Inc. * Vice Chairman of PNB Savings Bank * Director of PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation * Senior Adviser of the Bank of Makati (a Savings Bank), Inc.
Other Previous Positions	* President of Land Bank of the Philippines, Maybank Philippines, Inc., and Surigao Micro Credit Corporation * Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc. * Director of PNB Life Insurance, Inc. * Director, Meralco * Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc. * Director of Sagittarius Mines, Inc. * Senior Adviser in the Bangko Sentral ng Pilipinas * Senior Executive Vice President of United Overseas Bank (Westmont Bank) * Executive Vice President of PDCP (Producers Bank) * Senior Vice President of Philippine National Bank * Special Assistant to the Chairman of the National Power Corporation * First Vice President of Bank of Commerce * Vice President of Metropolitan Bank & Trust Co. * Staff Officer, BSP * Audit Staff of Joaquin Cunanan, CPAs (Isla Lipana & Co.)
Awards/Citations	* One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration * Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter

Name	**LEONILO G. CORONEL**
Age	73
Nationality	Filipino
Education	* Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University * Advance Management Program of the University of Hawaii
Current Position in the Bank	* Director
Date of First Appointment	* May 28, 2013
Directorship in Other Listed Companies	* Independent Director of Megawide Construction Corporation
Other Current Positions	* Independent Director of DBP-Daiwa Capital Markets Phil. * Director of Software Ventures International
Other Previous Positions	* Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation * Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation * Director/Treasurer of Philippine Depository and Trust Corporation * Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council * Managing Director of Bankers Association of the Philippines (BAP) – Credit Bureau * President of Cebu Bankers Association * Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation * Worked with Citibank, Manila for twenty (20) years, occupying various positions.
Awards/Citations	* Fellow of the Australian Institute of Company Directors in 2002

Name	**EDGAR A. CUA**
Age	64
Nationality	Filipino
Education	* Bachelor of Arts in Economics degree (Honors Program) from the Ateneo de Manila University * Masters of Arts in Economics degree from the University of Southern California * Masters of Planning Urban and Regional Environment degree from the University of Southern California * Advanced Chinese from the Beijing Language and Culture University * Sustainable Development Training Program, Cambridge University
Current Position in the Bank	* Independent Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of PNB Capital and Investment Corporation and Allied Commercial Bank, Xiamen * Director of Davao Unicar Corporation

Previous Positions	* Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career. * Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC. * Staff Consultant, SGV & Co.

Name	**ESTELITO P. MENDOZA**
Age	89
Nationality	Filipino
Education	* Bachelor of Laws (cum laude) from the University of the Philippines * Master of Laws from Harvard University
Current Position in the Bank	* Director
Date of First Appointment	* January 1, 2009
Directorship in Other Listed Companies	* Director of San Miguel Corporation and Petron Corporation
Other Current Positions	* Chairman of Prestige Travel, Inc. * Practicing lawyer for more than sixty (60) years
Other Previous Positions	* Professorial Lecturer of law at the University of the Philippines * Undersecretary of Justice, Solicitor General and Minister of Justice * Member of the Batasang Pambansa and Provincial Governor of Pampanga * Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.
Awards/Citations	* Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University (Seoul, Korea), University of Manila, Angeles University Foundation and the University of the East * Doctor of Humane Letters degree by the Misamis University * Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns * University of the Philippines Alumni Association’s 1975 “Professional Award in Law” and 2013 “Lifetime Distinguished Achievement Award”

Name	**CHRISTOPHER J. NELSON**
Age	60
Nationality	British
Education	* Bachelor of Arts and Masters of Arts in History from Emmanuel College, Cambridge University, U.K. * Diploma in Marketing from the Institute of Marketing, Cranfield, U.K.
Current Position in the Bank	* Director
Date of First Appointment	* March 21, 2013 (Director) * May 27, 2014 (Board Advisor) * May 26, 2015 (Director)
Directorship in Other Listed Companies	* None
Other Current Positions	* Director of the Philippine Band of Mercy, the Federation of Philippine Industries, and Greenlands Community * Vice President/Member of the Board of Trustees of the American Chamber Foundation Philippines, Inc. * Executive Director of British Chamber of Commerce of the Philippines * Member of the Society of Fellows of the Institute of Corporate Directors * Trustee of Dualtech Training Foundation as of March 2017
Other Previous Positions	* Director of PNB Holdings Corporation * Trustee of Tan Yan Kee Foundation * Director of the American Chamber of Commerce of the Philippines, Inc. * President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years * Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa

Name	**FEDERICO C. PASCUAL**
Age	77
Nationality	Filipino
Education	* Bachelor of Arts, Ateneo de Manila University * Bachelor of Laws (Member, Law Honors Society), University of the Philippines * Master of Laws, Columbia University
Current Position in the Bank	* Independent Director
Date of First Appointment	* May 27, 2014
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of Allianz PNB Life Insurance, Inc., PNB-IBJL Leasing and Finance Corporation, PNB International Investments Corporation and PNB Holdings Corporation * Chairman of Bataan Peninsula Educational Institution, Inc * President/Director of Tala Properties, Inc. and Woldingham Realty, Inc.

	* Director of Apo Reef World Resort and Sarco Land Resources Ventures 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 * Various positions with PNB for twenty (20) years in various positions, 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 * Chairman of Alabang Country Club * President of Alabang Country Club * 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

Name	**SHEILA T. PASCUAL**
Age	57
Nationality	Filipino
Education	* Bachelor of Science in Business Management from the Ateneo de Manila University
Current Position in the Bank	* Director
Date of First Appointment	* November 22, 2019
Directorship in Other Listed Companies	* None
Other Current Positions	* Marketing and Development Officer of Allied Banking Corporation Hong Kong
Other Previous Positions	* Marketing Development Officer of Asia Brewery Incorporated

Name	**CARMEN K. TAN**
Age	78
Nationality	Filipino
Current Position in the Bank	* Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* Director of MacroAsia Corporation, LT Group, Inc., and PAL Holdings, Inc.
Other Current Positions	* Vice Chairman of Philippine Airlines, Inc. * Director: 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., Zuma Holdings and Management Corp., Grandspan Development Corp., Basic Holdings Corp., Saturn Holdings, Inc., Paramount Land Equities, Inc., Interbev Philippines, Inc., Waterich Resources Corp., and REM Development Corp.
Major Affiliations	* Director of Tan Yan Kee Foundation * Member of Tzu Chi Foundation

Name	**LUCIO C. TAN**
Age	85
Nationality	Filipino
Education	* Bachelor of Science in Chemical Engineering degree from Far Eastern University * Doctor of Philosophy, Major in Commerce, from University of Santo Tomas
Current Position in the Bank	* Director
Date of First Appointment	* December 8, 1999
Directorship in Other Listed Companies	* Chairman and CEO: LT Group, Inc., PAL Holdings, Inc., and MacroAsia Corporation
Other Current Positions	* Chairman and CEO of Philippine Airlines, Inc. and University of the East * Chairman and President: Buona Sorte Holdings, Inc., Lucky Travel Corporation, Tangent Holdings Corporation, Trustmark Holdings Corporation, and Zuma Holdings and Management Corporation * Chairman: Absolut Distillers, Inc., AlliedBankers Insurance Corporation, Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Allianz PNB Life Insurance, Air Philippines Corporation, Asian Alcohol Corporation, Belton Communities, Inc., Cosmic Holdings Corporation, Eton Properties Philippines, Inc., Eton City, Inc., Fortune Tobacco

Corporation, PMFTC, Inc., PNB Holdings Corporation, PNB Savings Bank, Tanduay Distillers, Inc., Tanduay Brands International, Inc., The Charter House, Inc., Manufacturing Services & Trade Corp., Foremost Farms, Inc., Dominium Realty & Construction Corp., Shareholdings, Inc., REM Development Corporation, Sipalay Trading Corp., and Progressive Farms, Inc.

- President: 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: Allied Banking Corporation and Allied Leasing and Finance Corporation
Awards/Citations	*	Honorary degrees from various universities
	*	Lifetime Achievement Awardee by the Dr. Jose P. Rizal Awards for Excellence
	*	Adopted to the Ancient Order of the Chamorri and designated Ambassador-at-Large of the U.S. Island-territory of Guam
	*	Diploma of Merit by the Socialist Republic of Vietnam
	*	Outstanding Manilan for the year 2000
	*	UST Medal of Excellence in 1999
	*	Most Distinguished Bicolano Business Icon in 2005
	*	2003 Most Outstanding Member Award by the Philippine Chamber of Commerce and Industry (PCCI)
	*	Award of Distinction by the Cebu Chamber of Commerce and Industry
	*	Award for Exemplary Civilian Service of the Philippine Medical Association
	*	Honorary Mayor and Adopted Son of Bacolod City; Adopted Son of Cauayan City, Isabela and Entrepreneurial Son of Zamboanga
	*	Distinguished Fellow during the 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

Name	**MICHAEL G. TAN**
Age	53
Nationality	Filipino
Education	* Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada
Current Position in the Bank	* Director
Date of First Appointment	* February 9, 2013
Directorship in Other Listed Companies	* Director and President of LT Group, Inc. * Director of Victorias Milling Company, Inc.
Other Current Positions	* Director of PNB Management and Development Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited * President and Chief Operating Officer of Asia Brewery, Inc. * Director of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., Absolut Distillers, Inc., Eton Properties Phils., Inc., Grandway Konstruct, Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Alliedbankers Insurance Corporation
Other Previous Positions	* Chairman of PNB Holdings Corporation * Director of Bulawan Mining Corporation and PNB Forex, Inc. * Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013

Name	**VIVIENNE K. TAN**
Age	51
Nationality	Filipino
Education	* Bachelor of Science - Double Degree in Mathematics and Computer Science from the University of San Francisco, U.S.A * Diploma in Fashion Design and Manufacturing Management from the Fashion Institute of Design and Merchandising, Los Angeles, U.S.A.
Current Position in the Bank	* Director
Date of First Appointment	* December 15, 2017
Directorship in Other Listed Companies	* Director of LT Group, Inc., PAL Holdings, and MacroAsia Corporation
Other Current Positions	* Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines * Director of MMC Management and Development Corp. (formerly PNB Management and Development Corporation) and Eton Properties Philippines, Inc. Board Advisor of LT Group, Inc. * Executive Director of Dynamic Holdings Limited

	* Member of the Board of Trustees of the University of the East and the University of the East Ramon Magsaysay Memorial Medical Center * 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 Bulawan Mining Corporation * Executive Vice President, Commercial Group and Manager, Corporate Development, of Philippine Airlines * 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.) * Member of the Board of Trustees of Bantay Bata (Children's Foundation) * 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 Entreprenuer Students Award
Awards/Citations	* Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Excellence in Education and Social Entrepreneurship Award (2007), Leading Women of the World Award (2007), and "People of the Year", People Asia Award (2008)

Name	**JOSE ARNULFO A. VELOSO**
Age	53
Nationality	Filipino
Education	* Bachelor of Science in Commerce – Marketing Management from De La Salle University
Current Position in the Bank	* President and Chief Executive Officer
Date of First Appointment	* November 16, 2018
Directorship in Other Listed Companies	* None
Other Current Positions	* Director of Allianz PNB Life Insurance Inc. * Director of BancNet, Inc. * Director of European Chamber of Commerce of the Philippines * Director of Phil. Payments Management Inc. * Member of Management Association of the Philippines
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)

- Director and Chairperson of the Open Market Committee of Banker's Association of the Philippines
- Director of the Philippine Dealing and Exchange Corporation
- Member of Management Association of the Philippines
- Director of the British Chamber of Commerce 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 Asiatrust Development Bank
- Supervisor of Urban Bank
- Chairman of the Council of Trustees of the British School Manila
- Member of Association Cambiste Internationale (ACI)

Name	**DOMINGO H. YAP**
Age	86
Nationality	Filipino
Education	* Bachelor of Science in Business Administration major in Business Management from San Sebastian College Recoletos
Current Position in the Bank	* Independent Director
Date of First Appointment	* August 23, 2019
Directorship in Other Listed Companies	* None
Other Current Positions	* President of H-Chem Industries, Inc., DHY Realty and Development Inc., Colorado Chemical Sales Corporation, Universal Paint & Coating Philippines, Inc., and Alliance Land 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:

Name	**MARK M. CHEN**
Age	45
Nationality	American
Education	* Bachelor of Arts in Economics (with Honors), Harvard University – Dean's List and a Harvard College Scholar * Executive Masters in Business Administration from the Northwestern Kellogg – Hong Kong University of Science & Technology (HKUST), graduated top of the class
Current Position in the Bank	* Board Advisor
Date of First Appointment	* January 24, 2020
Other Current Positions	* Director – Philippine Airlines, Inc. * Chief Executive Officer of Cobalt Equity Partners * Adjunct Professor of finance/investment at Kellogg Hong Kong University of Science & Technology (HKUST) Business School
Other Previous Positions	* Chief Executive Officer of General Electric (GE) Equity Asia Pacific, 2006 to 2015 * Senior Vice President of General Electric (GE) Equity Asia Pacific, 2000 to 2005 * Associate – Bankers Trust, 1996 to 1999
Awards/Citations	* United States Presidential Scholar * United States Byrd Congressional Award

Name	**MANUEL T. GONZALES**
Age	82
Nationality	Filipino
Education	* Bachelor of Science in Commerce from the De La Salle University * Masters of Arts in Economics from Ateneo De Manila University
Current Position in the Bank	* Board Advisor
Date of First Appointment	* October 1, 2013
Directorship in Other Listed Companies	* None
Other Current Positions	* Director of PNB Securities, Inc. * Director of Allied Bankers Insurance Corporation * Board Advisor of PNB-IBJL Leasing and Finance Corporation * Board Advisor of PNB-IBJL Equipment Rentals Corporation
Other Previous Positions	* Director of Allied Banking Corporation and Allied Leasing and Finance Corporation * Member, Management Association of the Philippines (MAP) * Member, Financial Executives of the Philippines (FINEX) * Member, European Chamber of Commerce of the Philippines (ECCP) * Member, Bankers Institute of the Philippines

Name	**WILLIAM T. LIM**
Age	79
Nationality	Filipino
Education	* Bachelor of Science in Chemistry from Adamson University
Current Position in the Bank	* Board Advisor
Date of First Appointment	* January 25, 2013
Directorship in Other Listed Companies	* None
Other Current Positions	* President of Jas Lordan, Inc. * Director of PNB Holdings Corporation, Allied Commercial Bank – Xiamen, General BH Fashion Retailers, Inc., and Concept Clothing, Co., Inc. * 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

Name	**HARRY C. TAN**
Age	73
Nationality	Filipino
Education	* Bachelor of Science in Chemical Engineering from the Mapua Institute of Technology
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* Director of LT Group, Inc.
Other Current Positions	* Chairman of PNB Management Development Corporation, and PNB Global Remittance and Financial Company (HK) Limited * Director of PNB Savings Bank * Chairman of the Tobacco Board of Fortune Tobacco Corporation * President of Landcom Realty Corporation and Century Park Hotel * Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City, Inc. * Managing Director/Vice Chairman of The Charter House Inc. * Director of various private firms which include Asia Brewery, Inc., Dominium Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Basic Holdings Corporation, Asian Alcohol Corporation, Pan Asia Securities Inc., Tanduay Distillers, Inc., Manufacturing Services and Trade Corporation, Foremost

		Farms, Inc., Grandspan Development Corporation, Absolut Distillers, Inc., Tanduay Brands International Inc., Allied Bankers Insurance Corp., Allied Banking Corporation (Hong Kong) Limited, PMFTC, Inc., 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
	*	Director of MacroAsia Corporation

Executive Officers:

CENON C. AUDENCIAL, JR., 61, Filipino, Executive Vice President, is the Head of the Institutional Banking Sector. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as a Vice President and Unit Head of Standard Chartered Bank's Relationship Management Group, and was a Relationship Manager in Citytrust Banking Corporation. Before his 25-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Mr. Audencial obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

ROBERTO D. BALTAZAR, 56, Filipino, Executive Vice President, is the Head of Global Banking and Markets Sector. Mr. Baltazar brings with him over 30 years of Banking experience both in the Financial Markets and Corporate Banking Sector. He spent 4 years in Citibank as a foreign exchange trader then moved to Hongkong and Shanghai Banking Corporation (HSBC) in 1994 as head of FX Trading then eventually became Head of Global Markets, Debt Capital Markets and Securities Services in 2014. He sustained Debt Capital Markets and HSS position as the number one Debt Capital Markets and Global Custodianship Business during his tenure. During this time, HSBC was likewise one of the top FX and Bond Trading houses. He was President of ACI Philippines in 2013. He was an active member of the Open Market Committee of the BAP, specifically in the FX subcommittee. He obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University and Masters in Business Administration Degree from the University of North Carolina at Chapel Hill, USA.

ISAGANI A. CORTES, 52, Filipino, Executive Vice President, was appointed as the Chief Compliance Officer of the Bank effective April 8, 2019. He obtained his Bachelor of Arts degree in English from the University of the East and his Bachelor of Laws degree from the University of the Philippines in Diliman. Prior to joining the Bank, Atty. Cortes was the Senior Vice President and Deputy Head of the Regulatory Affairs Group of Rizal Commercial Banking Corporation (RCBC). His group was responsible for corporate governance, data privacy and tax transparency. Prior to RCBC, he spent 14 years in HSBC focusing on compliance. As SVP and Country Head of Financial Crime Compliance of HSBC, he was the subject matter expert and risk steward in financial crime risk. He also held Regulatory Compliance and Legal functions in HSBC. He also worked for East West Bank and ABN AMRO Philippines.

CHESTER Y. LUY, 51, Filipino, Executive Vice President, is the Head of the Strategy Sector and concurrently serves as the Head of the Wealth Management Group. The Strategy Group is responsible for crafting the bank's overall business strategy as well as its competitive positioning within the industry. It is comprised of the Corporate Planning and Analysis Division, the Strategic Initiatives Unit and the Research Division (Macroeconomic, Equity and Fixed Income Research). The Wealth Management Group advises clients on financial investments, helping clients outperform in the financial markets and plan for their and their families' financial future. Mr. Luy serves as a member of the Board of Directors of PNB-IBJL Leasing and Finance Corporation, PNB Europe and PNB Global Remittance and Financial Corporation (HK). Mr. Luy also serves as a member of the PNB Management Committee, PNB ALCO (Asset Liability Committee), and the PNB Procurement Committee. He is a regular participant at the PNB Board Strategy and Policy Committee. Mr. Luy served as the Senior Executive Vice President and Treasurer of RCBC. He served as the Group Head for the Financial Advisory and Markets Group which is comprised of the Treasury Group and the Wealth Management Group at RCBC. Mr. Luy has 27 years of experience in banking and finance. He served in leadership roles as Managing Director across a variety of businesses with several international banks and was based in New York, Singapore and Manila. His leadership experience includes Treasury, Wealth Management and Private Banking, Trust-related businesses like Investment Management and Research, Corporate Finance and Investment Banking and Credit Risk Analysis. Mr. Luy has worked with a number of banks including JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore and RCBC. He graduated from the University of the Philippines with a Bachelor of Science degree in Business Administration (Magna Cum Laude) and was awarded as the "Most Outstanding Business Administration Student for the Class of 1990". He earned his Masters in Management (MBA) degree from the J.L. Kellogg Graduate School of Management at Northwestern University. He is a CFA (Chartered Financial Analyst). During his stint with various global banks in the U.S., for several years, he was consistently awarded as Top Senior Analyst in his field by Institutional Investor Magazine during its annual survey of investors, including money management firms. He served as a member of the Singapore Institute of Directors, an association of independent directors in Singapore and served on the board of a Singapore-based hospitality and real estate entity.

AIDA M. PADILLA, 70, Filipino, Executive Vice President, is the Head of the Enterprise Services Sector. She is the chief strategist for problem and distressed accounts. A seasoned professional, she rose from the branch banking ranks at the Philippine Banking Corporation to become Vice President for Marketing of its Corporate Banking Group. She obtained her Bachelor of Science degree in Commerce, Major in Accounting, from St. Theresa's College.

NELSON C. REYES, 55, Filipino, Executive Vice President, is the Chief Financial Officer and the Head of Financial Management Sector. In 2018, he became a member of the Board of PNB (Europe) PLC and was appointed Chairman in 2019. Prior to joining the Bank in 2015, he was the Chief Financial Officer of HSBC Ltd., Philippine Branch, a position he held for over ten (10) years. He was also a Director for HSBC Savings Bank Philippines, Inc. and HSBC Insurance Brokers Philippines, Inc. His banking career with HSBC spanned twenty-eight (28) years and covered the areas of Credit Operations, Corporate Banking, Treasury Operations and Finance. He gained international banking exposure working in HSBC offices in Australia, Thailand and Hong Kong. Mr. Reyes graduated from De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting, and is a Certified Public Accountant.

BERNARDO H. TOCMO, 57, Filipino, Executive Vice President, is the Head of Retail Banking Sector who manages the RBS Sales & Support Group, three (3) Branch Banking Groups, International Banking and Remittance Group, Cards Banking Solutions Group and Retail Lending Group of the Bank. Mr. Tocmo obtained his Masters in Business Economics from the University of Asia and the Pacific and where he likewise finished the Strategic Business Economics Program. He graduated with a Bachelor of Science in AgriBusiness, major in Management from the Visayas State University. He joined Philippine National Bank in October 1, 2015. Mr. Tocmo is a seasoned banker with over three decades of work experience with the country's top and mid-tier commercial banks. He started his career with United Coconut Planters Bank in 1982. He further honed his skills at Union Bank of the Philippines where he assumed key managerial positions in 1990 to 1996. He left Union Bank as a Senior Manager and joined Security Bank Corporation in 1996 as Assistant Vice President until his promotion to First Vice President in 2005 as Area Business Manager. Subsequently, he joined Metropolitan Bank & Trust

Company in September 2005 as Vice President and was appointed Head of National Branch Banking Sector with the rank of Executive Vice President. He was also a Director of Metrobank Card Corporation from 2012 to 2015.

MARIA PAZ D. LIM, 58, Filipino, First Senior Vice President, is the Corporate Treasurer and Head of Corporate Expense Management Group. She is also concurrently the Treasurer of PNB Capital and Investment Corporation. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

NANETTE O. VERGARA, 59, Filipino, First Senior Vice President, is the Chief Credit Officer and Head of Credit Management Group. She obtained her degree in Bachelor of Science in Statistics (Cum Laude) in 1981 from the University of the Philippines in Diliman. She joined PNB in 2006 and was appointed as First Vice President & Head of Credit Management Division. She started her banking career with Bank of Commerce in 1981. She moved to the Credit Rating Services Department of the Credit Information Bureau in 1983 and went back to banking in 1992 when she joined Union Bank of the Philippines. She later transferred to Solidbank Corporation in 1993 to head various credit-related units. Prior to joining PNB, she worked with United Overseas Bank from 2000-2006 as VP/Head of Credit Risk Management.

SCHUBERT CAESAR C. AUSTERO, 56, Filipino, Senior Vice President, is the Head of Human Resource (HR) Group. He has been connected with PNB since 2006 as Head of Human Capital Development Division and as Deputy HR Head. A Bachelor of Arts graduate at the Leyte Normal University where he earned a number of academic and non-academic distinctions. He has been an HR professional for more than 30 years. Prior to joining PNB, he was connected with the First Abacus Financial Group as Vice President and Group Head of the Human Resources, with the Philippine Bank of Communications as Assistant Vice President and Training Director, and with Solidbank Corporation as Recruitment and Training Manager, and later as Senior Manager and Head of Corporate Communications and Public Affairs. He was National President of the People Management Association of the Philippines in 2011 and continues to be active in the association as Thought Leader for Learning and Development, as Director for Strategic Planning, and as the current Chairperson of the Council of Presidents. He was appointed by President Benigno Aquino as Employer Representative to the National Tripartite Industrial Peace Council in 2012. He currently sits as Director of the Organization Development Practitioners Network.

MANUEL C. BAHENA, JR., 58, Filipino, Senior Vice President, is the Chief Legal Counsel and Head of Legal Group. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of the Legal Group in 2009. Before joining PNB, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He also formerly served as Corporate Secretary and Legal Counsel of various corporations, among which are the Corporate Partnership for Management in Business, Inc.; Orioxy Investment Corporation; Philippine Islands Corporation for Tourism and Development; Cencorp (Trade, Travel and Tours), Inc.; and Central Bancorporation General Merchants, Inc.

EMELINE C. CENTENO, 61, Filipino, Senior Vice President, is the Head of Corporate Planning and Research Division and the Investor Relations Officer of the Bank. She obtained her Bachelor of Science degree in Statistics (Dean's Lister) and completed her Masters of Arts in Economics degree (on scholarship) from the University of the Philippines. She joined PNB in 1983, rose from the ranks and held various positions at the Department of Economics and Research, Product Development, Monitoring and Implementation Division, and the Corporate Planning Division before assuming her present position as Head of the merged Corporate Planning and Analysis Division. Ms. Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

MARIE FE LIZA S. JAYME, 57, Filipino, Senior Vice President, is the Head of Operations Group. She graduated with a degree in Bachelor of Arts, Major in Communication Arts and Business Administration from the Assumption College and completed academic units in Master in Business Administration from the Ateneo de Manila University. She joined PNB in 2007 as Head of Cash Product Management Division to establish the Bank's cash management services. Ms. Jayme began her career in banking in 1990 as an account officer with Land Bank of the Philippines. From then on, she assumed expanded and multiple roles and responsibilities in account management as Senior Manager with United Coconut Planters Bank; risk management, cash and trades sales, cash products as Assistant Vice President in Citibank, N.A.'s Global Transaction Services/E-business; and marketing and product management as Vice President and Head of Marketing and Product Management Group of Export and Industry Bank. Prior to banking, Ms. Jayme held senior staff positions with the Office of the Secretary of Finance, Department of Trade and Industry and former Office of the Prime Minister.

MICHAEL M. MORALLOS, 51, Filipino, Senior Vice President, is the Head of Information Technology Group. He obtained his Bachelor of Arts degree major in Philosophy and Political Science from the University of the Philippines and completed advanced computer studies at the National Computer Institute of the Philippines. His company trainings include Wharton Senior Executive Program, IBM Project Management, Ateneo Banking Principles and extensive systems training at the FIS Training Center, LR, Arkansas. He brings with him over 26 years of work experience and was a Senior FIS Systematics Consultant. Prior to joining PNB, he was First Senior Vice President and Head of Technology Platform at the Siam Commercial Bank, the largest Thai bank with over 28,000 Customer Accounts and 1,200 domestic branches.

ROLAND V. OSCURO, 56, Filipino, Senior Vice President, is the Chief Information Security Officer and, in concurrent capacity, the Chief Security Officer and Head of Enterprise Security Group. He obtained his Bachelor of Science in Electronics and Communications Engineering degree from Mapua Institute of Technology and took up units in Master in Business Administration for Middle Manager at the Ateneo de Manila Graduate School. He is an Electronic and Communications Engineering Board passer. He is also an Information Systems Audit and Control Association's (ISACA) Certified Information Security Manager (CISM). Prior to his present position, Mr. Oscuro was hired as IT Consultant of the Bank on November 2, 2003. In May 2004, he was appointed as the Head of Network Management Division of Information Technology Group with the rank of First Vice President. He was the Operational Support System Group Manager of Multi-Media Telephony, Inc. (Broadband Philippines) prior to joining PNB. He was also connected with various corporations such as Ediserve Corp. (Global Sources), Sterling Tobacco Corporation, Zero Datasoft (Al Bassam), Metal Industry Research and Development Center, and Pacific Office Machines, Inc.

JOY JASMIN R. SANTOS, 46, Filipino, First Vice President, is the Chief Trust Officer and Head of Trust Banking Group. She has served as Vice President and Corporate Trust Division Head from 2013 to 2018 and Business Development Division Head of the Trust Banking Group from 2010 to 2012. Prior to joining PNB in June 2010, she was the International Business Development Head for Asia of Globe Telecom. She was also Vice President for Retail Banking of Citibank Savings, Inc. from 2005 to 2009. She held managerial positions in Keppel Bank, American Express Bank, and Bank of the Philippine Islands. Ms. Santos graduated as Cum Laude in 1994 from the Ateneo de Manila University with a degree of Bachelor of Arts, Major in Management Economics and obtained her Masters in Business

Administration from the Australian National University, Canberra, Australia in 2002. She has completed the One-Year Course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines in 2015 and graduated with Distinction.

MARTIN G. TENGCO, JR., 54, Filipino, First Vice President, is the Chief Audit Executive (CAE) of the Bank and Head of Internal Audit Group. A Certified Public Accountant, he holds a Bachelor of Science in Business Administration degree, Major in Accounting, from the Philippine School of Business Administration. He obtained his Master in Business Administration degree at Ateneo de Manila University under the Ateneo-Regis University MBA program. He started his career as a working student in 1984 as an accountant in a construction company before joining Allied Banking Corporation on June 1, 1992 as a Junior Auditor. He rose from the ranks to become an officer in 1996, and in 2009, was designated as Deputy CAE and Information Systems Audit Division Head until his appointment as CAE of PNB on June 1, 2017. He also served as the Business Continuity Coordinator of Allied Banking Corporation from June 2007 to April 2008. He served as a member of the Audit Committee of Bancnet from 2009 to 2014. He is a member of the Philippine Institute of Certified Public Accountants, Institute of Internal Auditors (IIA), ISACA and Association of Certified Fraud Examiners-Philippines.

SIMEON T. YAP, 58, Filipino, First Vice President, is the Bank's Chief Risk and Data Protection Officer and Head of Risk Management Group. He is an Economics graduate from the University of the Philippines' School of Economics. Prior to joining PNB, he was the Market Risk Officer of Security Bank from 2009 to 2018. He was also the Associate Director for Product Development of PDEx in 2008. He was also with Citibank where he was a trader, Money Market Head of Citibank Shanghai and Market Risk Officer.

C. Independent Directors

In carrying out their responsibilities, the directors must act prudently and exercise independent judgment while encouraging transparency and accountability. The Bank has five (5) independent directors representing 33% of the members of the Board, beyond the 20% requirement of the SEC. The appointment of the 5 independent directors composed of the Board Chairman Florencia G. Tarriela, and Messrs. Felix Enrico R. Alfiler, Edgar A. Cua, Federico C. Pascual and Domingo H. Yap, were approved and confirmed by the appropriate regulatory bodies.

The independent directors act as Chairman of the Board, Corporate Governance/Nomination /Remuneration Committee, Board Oversight Committee – Domestic and Foreign Subsidiaries/ Affiliates, Board Audit and Compliance Committee and Board Oversight Related Party Transaction (RPT) Committee. The independent directors are also members of four other board committees such as the Board ICAAP Steering Committee, Trust Committee, Board IT Governance Committee and the Risk Oversight Committee. The latter board committee Chairman is a non-executive director and former president of a government bank with universal banking license.

D. Identify Significant Employees

All employees of the Bank are valued for their contribution to the business. The management, however, expect the executive officers to make any significant contribution to the business of the Bank.

E. Family Relationship

- Directors Lucio C. Tan and Carmen K. Tan are spouses.
- Directors Vivienne K. Tan, Sheila Tan Pascual, and Michael G. Tan are children of Director Lucio C. Tan.
- Board Advisor Harry C. Tan is the brother of Director Lucio C. Tan.

F. Involvement in Certain Proceedings

Neither the directors nor any of the executive officers have, for a period covering the past five (5) years, reported:

i. any petition for bankruptcy filed by or against a business with which they are related as a general partner or executive officer;
ii. any criminal conviction by final judgment or being subject to a pending criminal proceeding, domestic or foreign;
iii. being subject to any order, judgment, or decree, of a competent court, domestic or foreign, permanently or temporarily enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities; or
iv. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or Foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

G. Brief Description of Any Material Pending Legal Proceedings to which the Registrant or any of its Subsidiaries is a Party

The Bank and some of its subsidiaries are parties to various legal proceedings which arose in the ordinary course of their operations. None of such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Bank and its subsidiaries or their financial condition.

Item No. 10 – Executive Compensation

A. Executive Compensation

The annual compensation of executive officers consists of a 16-month guaranteed cash emolument. There are no other arrangements concerning compensation for services rendered by Directors or executive officers to the Bank and its subsidiaries.

B. Compensation of Directors

The Directors receive a reasonable per diem for each attendance at a Board meeting or any meeting of the Board Committees. Total per diem given to the Board of Directors of the Bank amounted to ₱45.5 million in 2019 from ₱43.0 million in 2018.

C. Summary of Compensation Table

Annual Compensation (in Philippine Pesos)					
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Others**	**Total**
Mr. Jose Arnulfo A. Veloso President and CEO Four most highly compensated executive officers other than the CEO 1. Audencial, Cenon Jr. C. Executive Vice President 2. Luy, Chester Y. Executive Vice President 3. Reyes, Nelson C. Executive Vice President 4. Tocmo, Bernardo H. Executive Vice President					
CEO and Four (4) Most Highly Compensated Executive Officers	Actual 2018	73,547,609	24,911,289	–	98,458,898
	Actual 2019	79,069,694	25,160,854	–	104,230,548
	Projected 2020	86,186,000	27,425,000	–	113,611,000
All other officers and directors (as a group unnamed)	Actual 2018	3,643,289,879	1,050,554,000	–	4,693,843,879
	Actual 2019	3,627,413,255	1,157,568,874	–	4,784,982,129
	Projected 2020	3,953,880,000	1,261,750,000	–	5,215,630,000

D. Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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

E. Warrants and Options Outstanding: Repricing

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

Item No. 10A – Remuneration Policy

PNB's remuneration policy manifests the Bank's belief that the quality of its human resource is a key competitive edge in the industry. As such, the Bank maintains remuneration and benefits program that attracts, motivates, and retains talents and develops their potentials. The Bank's remuneration and benefits program aims to 1) ensure compliance with requirements of labor and other regulatory laws; 2) establish competitiveness with peer groups in the industry; and c) strengthen alignment with and accomplishment of the Bank's business strategies.

The following are the features of the Bank's remuneration policy for Directors and Officers:

I. **Emolument and Fringe Benefits of the Board of Directors**

- Cash Emolument in the form of Per Diem for every Board and Board Committee meeting
- Non-Cash Benefit in the form of Healthcare Plan, Group Life Insurance, and Group Accident Insurance

II. **Officers' Compensation and Benefits**

1. **Monetary Emoluments**

- Monthly compensation in the form of monthly basic pay which is reviewed annually and subject to the adjustment thru merit increase effective July 1 based on Officer's performance and achievements

- Bonuses equivalent to four (4) months Basic Salary per year

- Allowances to cover business-related expenses, official travel, social and recreational activities (i.e., Teambuilding activity / Christmas party), and relocation expenses; other monetary allowances that include annual rice subsidy and annual clothing allowance.

- Service Incentive in the form of cash award upon reaching milestones in length of service (i.e., 10^{th}, 15^{th}, 20^{th}, 25^{th}, 30^{th}, 35^{th} and 40^{th} year of service)

2. **Non-Cash Benefits**

- Healthcare Plan in the form of hospitalization, consultation and other medical benefits for the Officer and two (2) of his/her primary dependents

- Group Life Insurance coverage in amounts based on the Officer's rank

- Group Accident Insurance coverage in amounts based on the officer's rank

- Leave Privileges in the form of leave with pay benefits for the following purposes: a) vacation; b) sick; c) maternity; d) paternity; e) birthday; f) bereavement; g) solo parent; h) emergency; i) special leave for female employees; j) special leave privilege for victims under the "Anti-Violence Against Women and their Children Act".

- Car Plan in the form of car cost-sharing scheme based on the officer's rank

3. **Fringe Benefits**

- Loan Facilities available for the following purposes: a) housing; b) car financing; c) general purpose d) motorcycle loan and e) computer loan

4. **Retirement Benefits**

- Retirement benefits equivalent to applicable monthly pay per year of service for those who attained the required age or minimum length of service under the Plan.

Item 11 – Security Ownership

(1) **Security Ownership of Certain Record and Beneficial Owners (*more than 5% of any class of voting securities as of December 31, 2019)***

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
All Seasons Realty Corporation -Makati City- 10,005,866 shares Shareholder	Owned and Controlled by LT Group, Inc.	Filipino	912,811,179	59.83%
Allmark Holdings Corporation - Quezon City – 20,724,567 shares Shareholder		Filipino		
Caravan Holdings Corporation - Marikina City - 82,017,184 shares Shareholder		Filipino		
Donfar Management Ltd. - Makati City – 30,747,898 shares Shareholder		Filipino		
Dunmore Development Corp. (X-496) - Makati City - 15,140,723 shares Shareholder		Filipino		
Dynaworld Holdings, Inc. - Pasig City - 11,387,569 shares Shareholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Fast Return Enterprises, Ltd. - Makati City - 18,157,183 shares Shareholder	Owned and Controlled by LT Group, Inc	Filipino		
Fil-Care Holdings, Inc. - Quezon City – 25,450,962 shares Shareholder	.	Filipino		
Fragile Touch Investment Ltd. - Makati City – 22,696,137 shares Shareholder		Filipino		
Ivory Holdings, Inc. - Makati City - 20,761,731 shares Shareholder		Filipino		
Kenrock Holdings Corporation - Quezon City – 26,018,279 shares Shareholder		Filipino		
Kentwood Development Corp. - Pasig City – 17,237,017 shares Shareholder		Filipino		

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

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Pioneer Holdings Equities, Inc. - Pasig City – 34,254,212 shares Shareholder	Owned and Controlled by LT Group, Inc.	Filipino		
Profound Holdings, Inc. - Mandaluyong City – 18,242,251 shares Shareholder		Filipino		
Purple Crystal Holdings, Inc. - Mandaluyong City – 24,404,724 shares Shareholder		Filipino		
Safeway Holdings & Equities, Inc. - Quezon City – 12,048,843 shares Shareholder		Filipino		
Society Holdings Corporation - Quezon City – 17,298,825 shares Shareholder		Filipino		
Solar Holdings Corporation - Pasig City – 82,017,184 shares Shareholder		Filipino		
Total Holdings Corporation - Pasig City – 15,995,011 shares Shareholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
True Success Profits, Ltd. - British Virgin Islands – 82,017,184 shares Shareholder	Owned and Controlled by LT Group, Inc.	Filipino		
Uttermost Success, Ltd. - Makati City – 30,233,288 shares Shareholder		Filipino		

(2) **Security Ownership of Management (*Individual Directors and Executive Officers as of 31 December 2019*)**

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Florencia G. Tarriela Chairman Independent Director	2 shares ₱80.00 (R)	Filipino	0.0000001311
Felix Enrico R. Alfiler Independent Director	8,324 shares ₱332,960.00 (R)	Filipino	0.0005455624
Florido P. Casuela Director	162 shares ₱6,480.00 (R)	Filipino	0.0000106176
Leonilo G. Coronel Director	1 share ₱40.00 (R)	Filipino	0.0000000655
Edgar A. Cua Independent Director	100 shares ₱4,000.00 (R)	Filipino	0.0000065541
Estelito P. Mendoza Director	1,150 shares ₱46,000.00 (R)	Filipino	0.0000753720
Christopher J. Nelson Director	100 shares ₱4,000.00 (R)	British	0.0000065541

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Federico C. Pascual Independent Director	39 shares ₱1,560.00 (R)	Filipino	0.0000025561
Sheila T. Pascual Director	110 shares ₱4,400.00 (R)	Filipino	0.0000072095
Carmen K. Tan Director	5,000 shares ₱200,000.00 (R)	Filipino	0.0003277045
Lucio C. Tan Director	14,843,119 shares ₱593,724,760.00 (R)	Filipino	0.9728313639
Michael G. Tan Director	250 shares ₱10,000.00 (R)	Filipino	0.0000163852
Vivienne K. Tan Director	10 shares ₱400.00 (R)	Filipino	0.0000006554
Jose Arnulfo A. Veloso Director	418,395 shares ₱16,735,800.00 (R)	Filipino	0.0274219845
Domingo H. Yap Independent Director	1 share P40.00 (R)	Filipino	0.0000000655
Sub-total	15,276,763 shares ₱611,070,520.00 (R)		1.0012527815
All Directors & Executive Officers as a Group	15,411,580 shares ₱616,463,200.00 (R)		1.0100888089

(3) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more PNB shares.

(4) Changes in Control

There has been no change in control in the bank for the year 2019.

Item 12. Certain Relationships and Related Transactions

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% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2019 and 2018, the Group and Parent Company were in compliance with such regulations.

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

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

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

Information related to transactions with related parties and with certain Directors, Officers, Stockholders and Related Interests (DOSRI) is shown under Note 33 of the Audited Financial Statements of the Bank and Subsidiaries and Exhibit IV of the Supplementary Schedules Required by SRC Rule 68 Annex J.

PART IV - EXHIBITS AND REPORTS ON SEC 17-C

A. Exhibits

Exhibit I	List of Bank Owned Properties as of December 31, 2019
Exhibit II	List of Branches under Lease as of December 31, 2019
Exhibit III	Statement of Management's Responsibility, Independent Auditor's Report and Audited Financial Statements of Philippine National Bank and its Subsidiaries as of December 31, 2019 and 2018 and for each of the three years ended December 31, 2019, 2018 and 2017 and Notes to Financial Statements
Exhibit IV	Independent Auditor's Report on Supplementary Schedules Independent Auditor's Report on Components of Financial Soundness Indicators Reconciliation of Retained Earnings Available for Dividend Declaration Map of Relationships of Companies Within the Group Supplementary Schedules Required by SRC Rule 68 Annex J Financial Soundness Indicators Recent Offering of Securities to the Public Reconciliation Between PFRS and BSP's Financial Reporting Framework
Exhibit V	Sustainability Report for the Year 2019

B. Reports on SEC Form 17-C

LIST OF SEC FORM 17-C REPORTS DURING FOR THE YEAR 2019

DATE	PARTICULARS
January 15, 2019	Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President of the Bank, through acquisition of PNB common shares, with details as follows: Date of Acquisition / No. of PNB shares acquired / Price January 8, 2019 / 500 / ₱43.45 January 8, 2019 / 2,000 / ₱43.50 January 8, 2019 / 2,000 / ₱43.65 January 8, 2019 / 2,000 / ₱43.85 January 8, 2019 / 2,000 / ₱44.05 January 10, 2019 / 1,500 / ₱44.65 January 10, 2019 / 1,500 / ₱44.55 January 10, 2019 / 1,500 / ₱44.45 As a result of the acquisition, Mr. Veloso now has a total of 145,101 indirect PNB shares under his name.
January 25, 2019	Board approval of the following: 1. Holding of the Annual Stockholders' Meeting of the Bank on April 30, 2019 at 8:00 a.m. at the Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo Ocampo Sr. St., Malate, Manila. Only stockholders of record as of April 1, 2019 will be entitled to notice of and to vote at the meeting. The Agenda for the Meeting will be as follows: 1. Call to Order

<table>
<tr>
<td></td>
<td>
2. Secretary’s Proof of Notice and Quorum
3. Approval of the Minutes of the 2018 Annual Stockholders’ Meeting held on April 24, 2018
4. Report of the President on the Results of Operations for the Year 2018
5. Approval of the 2018 Annual Report
6. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2018 Annual Stockholders’ Meeting
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

2. Revised Table of Organization of the Bank to reflect the following:
a. Creation of the Strategy and Financial Advisory Sector (SFAS)
b. Reclassification and renaming of the Marketing and Product Development Group to Marketing and Brand Management Sector (MBMS)
c. Creation of Digital Innovation Group

3. Establishment of a Php Bonds and Commercial Paper program of up to ₱100 Billion to be issued in one or more tranches;

4. Hiring under Management Contract of Mr. Jovencio B. Hernandez as Head of Marketing and Brand Management Sector with the rank of Executive Vice President, effective February 1, 2019;

5. Hiring of Mr. Chester Y. Luy as Head of Strategy and Financial Advisory Sector and concurrent Head of Wealth Management Group, with the rank of Executive Vice President, effective January 28, 2019;

6. Hiring of Mr. Noel C. Malabag as Chief Dealer and Trading Division Head, with the rank of Senior Vice President, effective February 1, 2019;

7. Early retirement of Mr. Ponciano C. Bautista, Senior Vice President and Officer-in-Charge of the Treasury Sector, effective February 17, 2019.
</td>
</tr>
<tr>
<td>January 31, 2019</td>
<td>
Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President of the Bank, through acquisition of PNB common shares, with details as follows:
<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>January 22, 2019</td><td>2,000</td><td>₱45.50</td></tr>
<tr><td>January 25, 2019</td><td>2,000</td><td>₱43.90</td></tr>
</table>
As a result of the acquisition, Mr. Veloso now has a total of 149,101 indirect PNB shares under his name.
</td>
</tr>
<tr>
<td>February 12, 2019</td>
<td>
Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:
<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>February 11, 2019</td><td>2,000</td><td>₱49.00</td></tr>
<tr><td>February 11, 2019</td><td>2,000</td><td>₱49.00</td></tr>
<tr><td>February 11, 2019</td><td>2,000</td><td>₱48.90</td></tr>
</table>
As a result of the acquisition, Mr. Veloso now has a total of 155,101 indirect PNB shares under his name.
</td>
</tr>
</table>

<table>
<tr><td>February 15, 2019</td><td>Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:

<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>February 14, 2019</td><td>2,000</td><td>₱48.60</td></tr>
<tr><td>February 14, 2019</td><td>2,000</td><td>₱48.40</td></tr>
</table>

As a result of the acquisition, Mr. Veloso now has a total of 159,101 indirect PNB shares under his name.</td></tr>
<tr><td>February 21, 2019</td><td>Press Release - PNB Successfully Raises PHP8.22 billion LTNCDs</td></tr>
<tr><td>March 1, 2019</td><td>Board approval of the following:

1. Nominees to the Board of Directors of the Bank for the year 2019-2020, as confirmed by the Corporate Governance/Nomination/Remuneration and Sustainability Committee:

a) Mr. Felix Enrico R. Alfiler
b) Mr. Florido P. Casuela
c) Mr. Edgar A. Cua
d) Mr. Leonilo G. Coronel
e) Mr. Estelito P. Mendoza
f) Mr. Christopher J. Nelson
g) Mr. Federico C. Pascual
h) Mr. Cecilio K. Pedro
i) Ms. Carmen K. Tan
j) Mr. Lucio C. Tan
k) Mr. Lucio K. Tan, Jr.
l) Mr. Michael G. Tan
m) Ms. Vivienne K. Tan
n) Ms. Florencia G. Tarriela
o) Mr. Jose Arnulfo A. Veloso

Mr. Felix Enrico R. Alfiler, Mr. Edgar A. Cua, Mr. Federico C. Pascual, Mr. Cecilio K. Pedro and Ms. Florencia G. Tarriela were nominated as Independent Directors.

2. Designation of Mr. Noel C. Malabag, Senior Vice President, as Officer-in-Charge of the Treasury Sector, effective February 18, 2019;

3. End of Management Contract effective March 31, 2019 of Ms. Carmela Leticia A. Pama, First Senior Vice President, Chief Risk Officer, Data Protection Officer and Head of the Risk Management Group; and

4. Appointment of Mr. Luis Lorenzo T. Africa, Senior Vice President, as Head of the Information Technology Group, effective March 3, 2019.</td></tr>
<tr><td>March 1, 2019</td><td>Appointment of Mr. Simeon T. Yap, First Vice President, as Chief Risk Officer and Head of the Risk Management Group of the Bank took effect today, March 1, 2019.</td></tr>
<tr><td>March 11, 2019</td><td>1. Resignation of Mr. Luis Lorenzo T. Africa, Senior Vice President, and Head of the Information Technology Group, effective March 5, 2019; and

2. Appointment of Mr. Michael M. Morallos, Senior Vice President, as Acting Head of the Information Technology Group, effective March 5, 2019.</td></tr>
</table>

March 18, 2019	2018 Audited Financial Statements of the Bank
March 18, 2019	Press Release - PNB net income up 17% to P9.6B in 2018
March 22, 2019	Board approval of the following: 1. Resignation of Ms. Alice Z. Cordero, First Senior Vice President, Chief Compliance Officer and Head of Global Compliance Group, effective April 8, 2019; 2. Designation of Mr. Benjamin L. Ramos, Jr., Senior Assistant Vice President, as Officer-in-Charge of the Global Compliance Group, effective April 8, 2019; and 3. Appointment of Mr. Simeon T. Yap, First Vice President and Chief Risk Officer, as Data Protection Officer of the PNB Group, effective April 1, 2019.
March 25, 2019	Amended report to reflect the updated information regarding the results of the meeting of the PNB Board of Directors on March 22, 2019, as follows: 1. Resignation of Ms. Alice Z. Cordero, First Senior Vice President, Chief Compliance Officer and Head of Global Compliance Group, effective April 8, 2019; 2. Designation of Mr. Benjamin L. Ramos, Jr., Senior Assistant Vice President, as Officer-in-Charge of the Global Compliance Group, effective April 8, 2019; 3. Appointment of Mr. Simeon T. Yap, First Vice President and Chief Risk Officer, as Data Protection Officer of the PNB Group, effective April 1, 2019; and 4. Hiring of Atty. Isagani A. Cortes as Chief Compliance Officer and Head of Global Compliance Group, with the rank of First Senior Vice President, effective June 24, 2019.
April 2, 2019	Amendment of the effective date of the appointment of Atty. Isagani A. Cortes as Chief Compliance Officer and Head of Global Compliance Group from June 24, 2019 to April 8, 2019. As a result, the appointment of Mr. Benjamin L. Ramos, Jr. as Officer-in-Charge of the Global Compliance Group effective April 8, 2019 has been revoked.
April 3, 2019	SEC approval of the Bank's application to amend its Amended By-Laws
April 3, 2019	Receipt of the Certificate of Filing of Amended By-Laws issued by the Commission on March 29, 2019.
April 16, 2019	Furnished a copy of the advertisement regarding the PNB Peso Fixed Rate Bond Due 2021 published in the official website of the Bank at www.pnb.com.ph and in social media websites.
April 16, 2019	Board approval of following: 1. The Bank shall conduct a Stock Rights Offering (the "Offer") to strengthen its Common Equity Tier 1 and enable the Bank to sustain its asset growth; 2. Subject to regulatory approvals as may be required, such as but not limited to the Securities and Exchange Commission (the SEC) and the Bangko Sentral ng Pilipinas (the BSP), and the approval for listing of the Philippine Stock Exchange (the PSE), the Bank has been authorized to issue shares (the "Offer Shares") from its authorized but unissued capital stock by way of the Offer; and 3. The Offer, which is expected to raise approximately Php12.0 Billion, shall be conducted upon such terms and conditions including the final issue size, entitlement ratio, offer price, record date, appointment of the parties and other terms as may hereafter be finally determined by Management. The Bank shall promptly disclose to the Exchange the terms of the Offer.

<table>
<tr><td>April 24, 2019</td><td>Notice of Analysts’ Briefing</td></tr>
<tr><td>April 26, 2019</td><td>Board approval of the following:

1. Appointment of Mr. Michael M. Morallos, Senior Vice President, as Head of the Information Technology Group, effective May 1, 2019; and

2. Hiring of Ms. Maria Lourdes Donata C. Gonzales as Division Head of the Corporate Banking Division Team F, with the rank of Senior Vice President, effective May 2, 2019.</td></tr>
<tr><td>April 30, 2019</td><td>Results of the 2019 Annual Stockholders’ Meeting and the Board of Directors’ Organizational Meeting</td></tr>
<tr><td>May 2, 2019</td><td>Press Release - PNB breaks trillion mark in assets, 1Q19 profits up 30%</td></tr>
<tr><td>May 8, 2019</td><td>Press Release - PNB Inks First Syndicated Loan for Tokyo Branch</td></tr>
<tr><td>May 8, 2019</td><td>Press Release - PNB successfully issues maiden peso bond offer</td></tr>
<tr><td>May 15, 2019</td><td>Change in the shareholdings of Mr. Simeon T. Yap, Chief Risk and Data Protection Officer of the Bank, through acquisition of PNB common shares, with details as follows:

<table><tr><td>Date of Acquisition</td><td>No. of PNB shares acquired</td><td>Price</td></tr><tr><td>May 14, 2019</td><td>300</td><td>₱52.60</td></tr></table></td></tr>
<tr><td>May 24, 2019</td><td>Board approval of the following:

1. Issuance of USD300M, with option to upsize, out of the Bank's USD1B Euro Medium Term Note Programme;

2. Revised Table of Organization of the Bank;

3. 2019 Manual of Corporate Governance; and

4. Appointment of Mr. Norman Martin C. Reyes, Senior Vice President, as Digital Innovations Group Head, effective May 24, 2019.</td></tr>
<tr><td>June 3, 2019</td><td>Board approval of the increase in the amount of the Bank’s Euro Medium Term Note (EMTN) Programme from USD1.0 Billion to USD2.0 Billion.</td></tr>
<tr><td>June 3, 2019</td><td>Philippine Stock Exchange’s (PSE) approval of the Bank’s application for the additional shares of up to 300,000,000 common shares covering its stock rights offering (the “Offer”) to all stockholders as of the proposed record date of June 21, 2019. The Bank expects to raise gross proceeds of up to Php12 Billion from the Offer. The Offer Price will be determined on Pricing Date by computing the volume-weighted average price of the Bank’s common shares on the PSE for each of the fifteen (15) consecutive trading days immediately prior to (and excluding) the Pricing Date, subject to a discount to be determined through discussions among the Bank, the Sole Domestic Underwriter and the Joint International Lead Managers and International Underwriters.

Further, the PSE’s approval of the listing of the Offer Shares is subject to the Bank's compliance with all applicable post-approval requirements of the PSE.</td></tr>
<tr><td>June 7, 2019</td><td>Approval of the Board of Directors of the Philippine Stock Exchange (PSE), on the Bank’s application for the listing of the additional 423,962,500 common shares (the “Merger Shares”) relative to its merger with Allied Banking Corporation</td></tr>
</table>

<table>
<tr><td>June 7, 2019</td><td>The Bank will conduct a presentation to investors and trading participants in relation to its proposed Stock Rights Offering on Thursday, June 13, 2019, at 2:30 in the afternoon, at the Kachina Room (Upper Lobby), Century Park Hotel, 55 P. Ocampo Street, Malate, Manila</td></tr>
<tr><td>June 14, 2019</td><td>Completion of the update of its Medium Term Note Programme (the “Programme”) which includes an increase in the amount of the Programme to Two Billion US Dollars (USD2,000,000,000.00).</td></tr>
<tr><td>June 21, 2019</td><td>Copy of the final Offer Term Sheet of the Bank’s Stock Rights Offering.</td></tr>
<tr><td>June 21, 2019</td><td>Press Release - PNB to issue USD750 million Notes</td></tr>
<tr><td>July 1, 2019</td><td>Board approval of the following:

1. Hiring of Mr. Roberto D. Baltazar as Head of Global Banking and Market Sector, with the rank of Executive Vice President, effective August 1, 2019;

2. Hiring of Mr. Jose German M. Licup as Chief of Staff to the President, with the rank of First Senior Vice President, effective August 1, 2019;

3. Hiring of Mr. Claro P. Fernandez as Head of Public Affairs Group, with the rank of Senior Vice President, effective July 1, 2019;

4. Hiring of Mr. Rommel B. Narvaez as Head of Marketing Services/Intelligence Analytics and Performance Group, with the rank of Senior Vice President, effective August 1, 2019;

5. Hiring of Ms. Maria Teresa C. Velasco as Head of Wealth Management Group, with the rank of Senior Vice President, effective July 16, 2019; and

6. Promotion of the following officers, effective July 1, 2019:
<table>
<tr><th>Name</th><th>Rank</th><th>No. of PNB Shareholdings (common shares)</th></tr>
<tr><td>1. Aida M. Padilla</td><td>Executive Vice President</td><td>2,536</td></tr>
<tr><td>2. Maria Paz D. Lim</td><td>First Senior Vice President</td><td>1,500</td></tr>
<tr><td>3. Lee Eng Y. So</td><td>First Senior Vice President</td><td>1,390</td></tr>
<tr><td>4. Christian Eugene S. Quiroz</td><td>Senior Vice President</td><td>810</td></tr>
<tr><td>5. Maila Katrina Y. Ilarde</td><td>First Vice President</td><td>810</td></tr>
</table>
</td></tr>
<tr><td>July 2, 2019</td><td>Amended report to reflect the updated information regarding the results of the meeting of the PNB Board of Directors on June 28, 2019, as follows:

1. Hiring of Mr. Roberto D. Baltazar as Head of Global Banking and Market Sector, with the rank of Executive Vice President, effective August 1, 2019. Mr. Baltazar has 32 years of relevant experience in the banking industry. He earned his degree in Bachelor of Arts in Economics from the Ateneo de Manila University, and his Master’s degree in Business Administration major in Finance from the University of North Carolina in Chapel Hill.

2. Hiring of Mr. Jose German M. Licup as Chief of Staff to the President, with the rank of First Senior Vice President, effective August 1, 2019. Mr. Licup graduated from the University of the Philippines with a Degree in Bachelor of Arts in Philippine Studies. He also obtained his Juris Doctor from the University of the Philippines. He has extensive experience in the fields of Risk Management, Compliance and Legal.

3. Hiring of Mr. Claro P. Fernandez as Head of Public Affairs Group, with the rank of Senior Vice President, effective July 1, 2019. Mr. Fernandez has over 35 years of experience gained</td></tr>
</table>

<table>
<tr><td></td><td>
from various companies, both local and multinational. He obtained his Bachelor's Degree in Mass Communications major in Journalism from the University of the Philippines.

4. Hiring of Mr. Rommel B. Narvaez as Head of Marketing Services/Intelligence Analytics and Performance Group, with the rank of Senior Vice President, effective August 1, 2019. Mr. Narvaez graduated in 1995 with a degree in Bachelor of Science in Commerce major in Marketing at the De La Salle University. Prior to moving to the banking industry, he was connected with a leading FMCG for 16 years where he honed his skills in marketing and product development.

5. Hiring of Ms. Maria Teresa C. Velasco as Deputy Group Head of Wealth Management Group, with the rank of Senior Vice President, effective July 16, 2019. Ms. Velasco earned her Bachelor of Arts degree in Economics from the Ateneo De Manila University. She brings with her 21 years of solid experience in the banking industry. She is also a licensed SEC Fixed Income Market Salesman.

6. Promotion of the following officers, effective July 1, 2019:
<table>
<tr><th>Name</th><th>Rank</th><th>No. of PNB Shareholdings (common shares)</th></tr>
<tr><td>1. Aida M. Padilla</td><td>Executive Vice President</td><td>2,536</td></tr>
<tr><td>2. Maria Paz D. Lim</td><td>First Senior Vice President</td><td>1,500</td></tr>
<tr><td>3. Lee Eng Y. So</td><td>First Senior Vice President</td><td>1,390</td></tr>
<tr><td>4. Christian Eugene S. Quiros</td><td>Senior Vice President</td><td>810</td></tr>
<tr><td>5. Maila Katrina Y. Ilarde</td><td>First Vice President</td><td>810</td></tr>
</table>
</td></tr>
<tr><td>July 16, 2019</td><td>Completion of the pre-emptive rights offering of 276,625,172 common shares (the "Offer") at the price of ₱43.38 per share of the Bank on July 15, 2019. The total number of shares issued pursuant to Securities Regulation Code Section 10.1 (e) is 276,625,172 common shares.</td></tr>
<tr><td>July 23, 2019</td><td>PNB caused the purchase of 335,929 PNB shares at a price of P54.70 per share on behalf of eligible PNB officers and employees pursuant to the grant of the PNB Centennial Anniversary Bonus.</td></tr>
<tr><td>July 26, 2019</td><td>Board approval of the appointment of Mr. Noel C. Malabag, Senior Vice President, as Head of the Global Markets Group, effective August 1, 2019.</td></tr>
<tr><td>July 29, 2019</td><td>Amended report of the Board approval of the appointment of Mr. Noel C. Malabag, Senior Vice President, as Head of the Global Markets Group, effective August 1, 2019.</td></tr>
<tr><td>July 29, 2019</td><td>Change in the shareholdings of Mr. Martin G. Tengco, Jr., FVP and Chief Audit Executive of the Bank, through acquisition of PNB common shares, with details as follows:
<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>July 22, 2019</td><td>157</td><td>₱43.38</td></tr>
<tr><td>July 22, 2019</td><td>355</td><td>₱54.70</td></tr>
</table>
As a result of the acquisition, Mr. Tengco now has a total of 1,322 PNB shares under his name.</td></tr>
<tr><td>August 1, 2019</td><td>Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:
<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>July 31, 2019</td><td>4,000</td><td>₱49.60</td></tr>
<tr><td>July 31, 2019</td><td>2,000</td><td>₱49.50</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><td></td><td>As a result of the acquisition, Mr. Veloso now has a total of 353,995 indirect PNB shares under his name.</td></tr>
<tr><td>August 5, 2019</td><td>Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:
<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>August 1, 2019</td><td>2,400</td><td>₱49.00</td></tr>
<tr><td>August 1, 2019</td><td>4,000</td><td>₱49.10</td></tr>
<tr><td>August 1, 2019</td><td>2,000</td><td>₱49.20</td></tr>
<tr><td>August 1, 2019</td><td>4,000</td><td>₱49.35</td></tr>
<tr><td>August 1, 2019</td><td>4,000</td><td>₱49.60</td></tr>
<tr><td>August 2, 2019</td><td>1,000</td><td>₱48.80</td></tr>
<tr><td>August 2, 2019</td><td>1,000</td><td>₱48.60</td></tr>
</table>
As a result of the acquisition, Mr. Veloso now has a total of 372,395 indirect PNB shares under his name.</td></tr>
<tr><td>August 7, 2019</td><td>Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:
<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>August 5, 2019</td><td>1,000</td><td>₱48.80</td></tr>
<tr><td>August 5, 2019</td><td>1,000</td><td>₱48.75</td></tr>
<tr><td>August 5, 2019</td><td>1,000</td><td>₱48.70</td></tr>
<tr><td>August 6, 2019</td><td>1,000</td><td>₱47.50</td></tr>
<tr><td>August 6, 2019</td><td>1,000</td><td>₱47.25</td></tr>
<tr><td>August 6, 2019</td><td>1,000</td><td>₱47.00</td></tr>
<tr><td>August 6, 2019</td><td>200</td><td>₱47.45</td></tr>
</table>
As a result of the acquisition, Mr. Veloso now has a total of 378,595 indirect PNB shares under his name.</td></tr>
<tr><td>August 13, 2019</td><td>Press Release - PNB core income up 45% for the first half of 2019, Asset grow by 24% to 1.09 trillion pesos</td></tr>
<tr><td>August 15, 2019</td><td>Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:
<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>August 14, 2019</td><td>2,000</td><td>₱47.50</td></tr>
</table>
As a result of the acquisition, Mr. Veloso now has a total of 380,395 indirect PNB shares under his name.</td></tr>
<tr><td>August 16, 2019</td><td>Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:
<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>August 15, 2019</td><td>2,000</td><td>₱46.70</td></tr>
</table>
As a result of the acquisition, Mr. Veloso now has a total of 382,395 indirect PNB shares under his name.</td></tr>
</table>

August 19, 2019	Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows: Date of Acquisition / No. of PNB shares acquired / Price August 16, 2019 / 6,000 / ₱46.35 August 16, 2019 / 2,000 / ₱46.50 August 16, 2019 / 200 / ₱46.30 As a result of the acquisition, Mr. Veloso now has a total of 390,595 indirect PNB shares under his name.
August 19, 2019	Board and stockholders of PNB Capital and Investment Corporation, a subsidiary of the Bank, approved the declaration of stock dividends to all stockholders of record in the amount of Php650,000,000 equivalent to 6,500,000 shares, payable on or before December 31, 2019, to be taken from the increase in its authorized capital stock upon approval by the Securities and Exchange Commission.
August 22, 2019	Certification of Independent Director Domingo H. Yap
August 23, 2019	Board approval of the following: 1. Resignation of Mr. Cecilio K. Pedro as Independent Director of the Bank, effective at the close business hours on August 31, 2019; and 2. Election and appointment of Mr. Domingo H. Yap as an Independent Director of the Bank, vice Mr. Cecilio K. Pedro, effective September 1, 2019.
August 22, 2019	Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows: Date of Acquisition / No. of PNB shares acquired / Price August 22, 2019 / 2,000 / ₱45.10 As a result of the acquisition, Mr. Veloso now has a total of 392,595 indirect PNB shares under his name.
August 27, 2019	Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows: Date of Acquisition / No. of PNB shares acquired / Price August 23, 2019 / 2,000 / ₱45.00 August 23, 2019 / 2,000 / ₱44.85 As a result of the acquisition, Mr. Veloso now has a total of 396,595 indirect PNB shares under his name.
September 6, 2019	Bangko Sentral ng Pilipinas, Monetary Board, in its Resolution No. 1310 dated August 29, 2019, approved the integration of PNB Savings Bank ("PNBSB") with Philippine National Bank ("PNB") through PNB's acquisition of the assets and assumption of the liabilities of PNBSB.

<table>
<tr><td>September 13, 2019</td><td>Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:

<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>September 11, 2019</td><td>2,000</td><td>₱46.65</td></tr>
</table>

As a result of the acquisition, Mr. Veloso now has a total of 398,795 indirect PNB shares under his name.</td></tr>
<tr><td>September 25, 2019</td><td>On September 24, 2019, Mr. Rommell B. Narvaez was appointed as SVP and OIC-Marketing and Brand Management Sector, effective September 25, 2019, vice Mr. Jovencio B. Hernandez, in view of the termination of the Management Contract of the latter, effective September 25, 2019.</td></tr>
<tr><td>September 27, 2019</td><td>Press Release - PNB to offer PhP 2.0 Billion LTNCDs</td></tr>
<tr><td>September 27, 2019</td><td>Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:

<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>September 25, 2019</td><td>2,000</td><td>₱43.85</td></tr>
</table>

As a result of the acquisition, Mr. Veloso now has a total of 400,795 indirect PNB shares under his name.</td></tr>
<tr><td>September 30, 2019</td><td>Board approval of the following:

1. Appointment of Mr. Domingo H. Yap as Chairman of the Board Oversight RPT Committee, and member of the Corporate Governance and Sustainability Committee;

2. Appointment of Mr. Federico C. Pascual as Chairman of the Risk Oversight Committee; and

3. Promotion of the following Senior Officers of the Bank:

a. Mr. Isagani A. Cortes from First Senior Vice President to Executive Vice President; and
b. Ms. Nanette O. Vergara from Senior Vice President to First Senior Vice President</td></tr>
<tr><td>October 4, 2019</td><td>Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:

<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>September 30, 2019</td><td>1,000</td><td>₱43.70</td></tr>
<tr><td>October 1, 2019</td><td>1,000</td><td>₱43.55</td></tr>
<tr><td>October 2, 2019</td><td>1,000</td><td>₱43.50</td></tr>
<tr><td>October 3, 2019</td><td>3,400</td><td>₱43.35</td></tr>
</table>

As a result of the acquisition, Mr. Veloso now has a total of 407,195 indirect PNB shares under his name.</td></tr>
<tr><td>October 11, 2019</td><td>Press Release - PNB lists PhP 4.6 Billion LTNCDs.</td></tr>
<tr><td>October 25, 2019</td><td>Bank’s Revised Related Party Transactions (RPT) Policy Manual in Compliance with SEC Memorandum Circular no. 10, Series of 2019.</td></tr>
</table>

<table>
<tr><td>October 25, 2019</td><td>Board approval of the following:

1. Amendments to the Board IT Governance Committee Charter; and
2. Amendments to the Related Party Transactions (RPT) Policy Manual.</td></tr>
<tr><td>October 29, 2019</td><td>Notice of Analysts' Briefing</td></tr>
<tr><td>November 12, 2019</td><td>Passing of Mr. Lucio K. Tan, Jr., a director of the Philippine National Bank, on November 11, 2019</td></tr>
<tr><td>November 13, 2019</td><td>Press Release - PNB net profit hikes 17% for the 3rd quarter of 2019.</td></tr>
<tr><td>November 22, 2019</td><td>Board approval on the election of Ms. Sheila Tan Pascual as a Director of the Bank, vice Mr. Lucio K. Tan, Jr.</td></tr>
<tr><td>November 25, 2019</td><td>Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:

<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>November 20, 2019</td><td>2,000</td><td>₱41.80</td></tr>
<tr><td>November 21, 2019</td><td>2,000</td><td>₱41.60</td></tr>
<tr><td>November 21, 2019</td><td>1,700</td><td>₱41.40</td></tr>
<tr><td>November 21, 2019</td><td>300</td><td>₱41.20</td></tr>
</table>

As a result of the acquisition, Mr. Veloso now has a total of 413,195 indirect PNB shares under his name.</td></tr>
<tr><td>December 5, 2019</td><td>Change in the shareholdings of Mr. Jose Arnulfo A. Veloso, Director/President and Chief Executive Officer of the Bank, through acquisition of PNB common shares, with details as follows:

<table>
<tr><th>Date of Acquisition</th><th>No. of PNB shares acquired</th><th>Price</th></tr>
<tr><td>December 2, 2019</td><td>1,300</td><td>₱36.50</td></tr>
<tr><td>December 2, 2019</td><td>1,300</td><td>₱36.40</td></tr>
<tr><td>December 2, 2019</td><td>1,300</td><td>₱36.30</td></tr>
<tr><td>December 2, 2019</td><td>1,300</td><td>₱36.20</td></tr>
</table>

As a result of the acquisition, Mr. Veloso now has a total of 418,395 indirect PNB shares under his name.</td></tr>
<tr><td>December 23, 2019</td><td>Change in the shareholdings of Ms. Sheila Tan Pascual, Director of the Bank, with details as follows:

<table>
<tr><th>Date</th><th>No. of PNB</th><th>Price</th></tr>
<tr><td>December 17, 2019</td><td>100</td><td>₱34.60</td></tr>
</table>

As a result, Ms. Pascual now has a total of 10 indirect and 100 direct PNB shares under his name.</td></tr>
</table>

Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Philippine National Bank by the undersigned, thereunto duly authorized in the City of Pasay on March ___, 2020.

JOSE ARNULFO A. VELOSO
President and Chief Executive Officer

NELSON C. REYES
Executive Vice President and Chief Financial Officer

MARIE FE LIZA S. JAYME
Senior Vice President
Operations Group Head
(Principal Operating Officer)

AIDELL AMOR R. GREGORIO
Vice President, Controller and
Deputy Chief Financial Officer
(Principal Accounting Officer)

MAILA KATRINA Y. ILARDE
Corporate Secretary

MAR 18 2020

SUBSCRIBED AND SWORN to before me this ___ day of March 2020 affiants exhibiting to me their Passport Identification No.

Doc. No. 311
Page No. 64
Book No. IV
Series of 2020

ATTY. MICHELLE A. PAHATI NOTARY PUBLIC ROLL NO. 45737 PASAY CITY, PHILIPPINES

ATTY. MICHELLE A. PAHATI
Notary Public for Pasay City until 12/31/20; Commission No. 19-40
Roll No. 45737/IBP Lifetime Member No. 013500
PTR No. 7036050 / 07 January 2020 / Pasay City
9F PNB Financial Center, Pres. D. Macapagal Blvd., Pasay City

EXHIBIT I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES
Metro Manila	
BINONDO-PLAZA DEL CONDE	San Fernando Towers, Plaza del Conde. Binondo Manila
BINONDO-QUINTIN PAREDES	Alliance Bldg., 410 Quintin Paredes St., Binondo, Manila
CAINTA-FELIX AVE.-SAN ISIDRO	F. P. Felix Avenue, Brgy. San Isidro, Cainta, Rizal 1900
CALOOCAN-RIZAL AVE. EXT.	1716 Rizal Ave. Ext., cor. L. Bustamante St., Caloocan City
CALOOCAN-SANGANDAAN	Gen. San Miguel St., Brgy. 4, Zone 1, Sangandaan, Dist. II, Caloocan City
DIVISORIA-STO. CRISTO	Sto. Cristo cor. M. delos Santos Sts., Divisoria, Metro Manila
HEAD OFFICE CENTER	G/F, PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City
LAS PIÑAS-CITY HALL	#19 Alabang Zapote Road, Pamplona II, Las Piñas City
MAKATI-ALLIED BANK CENTER	G/F Allied Bank Center, 6754 Ayala Ave. cor. Legazpi St., Makati City
MAKATI-AYALA AVE.	G/F, VGP Center, 6772 Ayala Avenue, Makati City
MAKATI-AYALARUFINO	Unit1-B,G/F, Rufino Tower, Ayala Ave. cor. Rufino St., Makati City
MAKATI-BENAVIDEZ	Unit G-1D, G/F BSA Mansion, 108 Benavidez St., Legaspi Village, Makati City
MAKATI-BUENDIA-DIAN	56 Gil Puyat Ave., Buendia, Makati City
MAKATI-BUENDIA-PETRON MEGA PLAZA	G/F, Petron Mega Plaza Bldg., 358 Sen. Gil Puyat Avenue, Makati City
MAKATI–C. PALANCA	G/F, Unit G1 and G2, BSA Suites, G103 C. Palanca cor. dela Rosa Sts., Makati City
MAKATI-LEGASPI SOTTO	Legazpi and Sotto Streets, Legazpi Village, Makati City
MAKATI-POBLACION	1204 JP Rizal St., corner Angono & Cardona Streets, Makati City
MAKATI-SAN LORENZO	G/F, Jackson Bldg., 926 A. Arnaiz Avenue, Makati City
MALABON – RIZAL AVE.	701 Rizal Ave., cor. Magsaysay St., Malabon, Metro Manila
MALABON-F. SEVILLA	F. Sevilla Blvd., Brgy. Tañong, Malabon City
MANDALUYONG-CENTERA-RELIANCE	G/F. Unit 1c-03, Avida Towers Centera, EDSA corner Reliance St., Brgy. Highway Hills, Mandaluyong City
MANDALUYONG-HIGHWAY HILLS	471 Shaw Blvd., Mandaluyong City
MANDALUYONG-WACK-WACK	Summit One Tower, Shaw Blvd., Wack-Wack, Mandaluyong City
MANILA-ARRANQUE	Soler Citiriser Building, 1427 Soler St., Sta. Cruz, Manila
MANILA-DAPITAN	Dapitan St. cor. M. dela Fuente St., Metro Manila

EXHIBIT I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES
MANILA-EARNSHAW	Earnshaw corner Jhocson Sts., Sampaloc, Manila
MANILA-J. ABAD SANTOS-BAMBANG	Unit B, Dynasty Towers, J. Abad Santos corner Bambang Sts., Manila
MANILA-PACO-PEDRO GIL	Pedro Gil cor. Pasaje-Rosario Sts., Paco, Metro Manila
MANILA-RIZAL AVE.-HERRERA	Rizal Avenue corner Saturnino Herrera St., Sta. Cruz, Manila
MARIKINA-A. TUAZON	Mayor Gil Fernando Ave. (Angel Tuason Ave.), cor. Chestnut St. San Roque, Marikina City
NAVOTAS-M. NAVAL	865 M. Naval St., Navotas, Metro Manila
PARAÑAQUE-BETTER LIVING	ABC Bldg., Doña soledad Ave., Better Living Subd., Parañaque City
PASAY-BACLARAN	2976 Mexico Avenue, Pasay City
PASIG-JULIA VARGAS	Lot 5, Block 13-A, Julia Vargas & Jade Drive, Brgy. San Antonio, Ortigas Center, Pasig City
PASIG-ORTIGAS CENTER	G/F, JMT Bldg., ADB Avenue, Ortigas Center, Pasig City
PASIG-SHAW	Jade Center Condominium, 105 Shaw Blvd., Pasig City
Q.C.-CUBAO MAIN	Aurora Blvd. cor. Gen. Araneta St., Araneta Center, Cubao, Quezon City 1109
Q.C.-ELLIPTICAL ROAD	Elliptical Road cor. Kalayaan Avenue, Diliman, Quezon City
Q.C.-KAMUNING	118 Kamuning Road, Quezon City
Q.C.-NEW MANILA	322 E. Rodriguez Sr. Ave., New Manila, Quezon City
Q.C.-NOVALICHES-GULOD	Quirino Hi-way cor. Sarmiento St., Novaliches, Quezon City
Q.C.-P. TUAZON	279 P. Tuazon Blvd., Cubao, Quezon City
Q.C.-PROJECT 3-AURORA BLVD.	1003 Aurora Blvd., cor. Lauan St., Quirino Dist., Quezon City
Q.C.-QUADRANGLE	Unit I Paramount Condominium, EDSA corner West Ave., Quezon City
Q.C.-WEST AVENUE	92 West Ave., Quezon City
Q.C.-WEST TRIANGLE	1396 Quezon Ave., Quezon City
RIZAL-ANGONO	Quezon Ave. cor. E. Dela Paz St., Brgy. San Pedro, Angono, Rizal
VALENZUELA – MC ARTHUR	101 McArthur Hi-way, Bo. Marulas, Valenzuela City
VALENZUELA-KARUHATAN	313 San Vicente St. corner Mc Arthur Highway, Karuhatan, Valenzuela City

EXHIBIT I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES
Northern Luzon	
ABRA-BANGUED	McKinley corner Peñarrubia Streets, Zone 4, Bangued, Abra , 2800
ABRA-BANGUED-MAGALLANES	Cor. Taft & Magallanes Sts., Bangued, Abra
AGOO-CONSOLACION	Verceles St., Consolacion, Agoo, La Union
ALAMINOS CITY-QUEZON AVE.	Quezon Avenue, Poblacion, Alaminos City, Pangasinan
ANGELES-STO. ROSARIO	730 Sto. Rosario St., Angeles City, Pampanga 2009
BAGUIO CITY-SESSION ROAD	51 Session Road,Corner Upper Mabini St., Baguio City
BATAAN-BALANGA	Zulueta St., Poblacion, Balanga, Bataan 2100
BATANES-BASCO	NHA Bldg., Caspo Fiesta Road Kaychanarianan, Basco, Batanes
BULACAN-BALIUAG	015 Rizal St., San Jose, Baliuag, Bulacan
CABANATUAN-CENTRAL MARKET	Corner Paco Roman and Del Pilar Sts., Cabanatuan City, Nueva Ecija
CAGAYAN-APARRI	J.P.Rizal St., Aparri, Cagayan 3515
CAGAYAN-TUGUEGARAO-BONIFACIO	Bonifacio St., Tuguegarao City, Cagayan 3500
CANDON CITY-NAT'L. HI-WAY	National Hi-way, Candon, Ilocos Sur
CANDON CITY-SAN ANTONIO	National Highway cor. Dario St., San Antonio, Candon City 2700
DAGUPAN CITY-A.B. FERNANDEZ	A.B. Fernandez Ave., Dagupan City
ILOCOS NORTE-BATAC	cor San Marcelino and Concepcion Sts., Batac, Ilocos Norte
ISABELA-CAUAYAN	Maharlika Hi-way cor Cabanatuan Rd., Cauayan, Isabela 3305
ISABELA-ILAGAN	Old Capitol Site Calamagui 2, Ilagan City, Isabela 3300
ISABELA-ROXAS	Cor. Don Mariano Marcos Ave. & Bernabe Sts., Roxas, Isabela 3320
ISABELA-SANTIAGO-MAHARLIKA	Marcos Highway cor. Camacam St., Centro East, Santiago City, Isabela 3311
LA UNION-SAN FERNANDO PLAZA	Quezon Ave., City of San Fernando, La Union
LA UNION-SAN FERNANDO-QUEZON AVE.	612 Quezon Ave., San Fernando, La Union
LAOAG CITY-J.P. RIZAL	Brgy. 10, Trece Martires St. Corner J.P. Rizal St., Laoag City 2900
MALOLOS CITY-STO. NIÑO	Sto. Niño, Malolos City, Bulacan
NUEVA ECIJA-GAPAN-POBLACION	Tinio Street, Poblacion, Gapan City, Nueva Ecija
NUEVA ECIJA-GAPAN-SAN VICENTE	Tinio Street, San Vicente, Gapan City, Nueva Ecija
NUEVA ECIJA-MUÑOZ	D. Delos Santos St. cor. Tobias St., Science City of Muñoz, Nueva Ecija
NUEVA ECIJA-SAN JOSE	Maharlika Hi-way Cor. Cardenas St., San Jose City, Nueva Ecija 3121

EXHIBIT I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES
NUEVA VIZCAYA-BAYOMBONG	J.P. Rizal St., District 4, Bayombong, Nueva Vizcaya
NUEVA VIZCAYA-SOLANO	Maharlika National Highway, Solano, Nueva Vizcaya
OLONGAPO CITY-RIZAL AVE.	2440 Rizal Ave., East Bajac-Bajac, Olongapo City, Zambales 2200
PAMPANGA-GUAGUA	Ziga Avenue, Cor. Bonifacio St., Tayhi, Tabaco City
PAMPANGA-MABALACAT-DAU	MacArthur Highway, Dau, Mabalacat, Pampanga 2010
PANGASINAN-LINGAYEN	Avenida Rizal East cor. Maramba Blvd., Lingayen, Pangasinan
PANGASINAN-ROSALES	MC Arthur Highway, Carmen East, Rosales, Pangasinan
PANGASINAN-TAYUG	PNB Tayug Branch Bldg., Zaragoza Street, Poblacion, Tayug, Pangasinan 2445
SAN FERNANDO CITY-A. CONSUNJI	A. Consunji St., Sto. Rosario, City of San Fernando, Pampanga
TARLAC CITY-F. TAÑEDO	F. Tanedo St., San Nicolas, Tarlac City
TARLAC-CONCEPCION	A. Dizon St., San Nicolas, Concepcion, Tarlac 2316
TARLAC-PANIQUI	M.H. Del Pilar St., corner Mc Arthur Hi-way, Paniqui Tarlac
URDANETA CITY-NANCAYASAN	Mc Arthur Highway, Nancayasan, Urdaneta City, Pangasinan 2428
VIGAN CITY-FLORENTINO	Leona Florentino St., Vigan City, Ilocos Sur 2700
ZAMBALES-IBA-R. MAGSAYSAY AVE.	1032 Magsaysay Ave., Iba Zambales 2201

EXHIBIT I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES
Southern Luzon	
ALBAY-DARAGA	Baylon Compound, Market Site, Rizal St. Daraga, Albay
ALBAY-TABACO	Ziga Avenue, Cor. Bonifacio St., Tayhi, Tabaco City
BACOOR CITY-AGUINALDO HI-WAY	KM 17, Aguinaldo Highway, Bacoor, Cavite
BATANGAS-BALAYAN	147 Plaza Mabini, Balayan, Batangas
CAMARINES NORTE-DAET-CARLOS II	Carlos II St., Brgy, 3, Daet, Camarines Norte
CAVITE CITY-CARIDAD	P. Burgos Avenue, Caridad, Cavite City
CAVITE-KAWIT-BINAKAYAN	Allied Bank Bldg., Gen. Tirona Highway, Binakayan, Kawit, Cavite
CAVITE-SILANG	166 J.P. Rizal St., Silang, Cavite
IRIGA CITY-SAN ROQUE	Highway 1, San Roque, Iriga City, Camarines Sur
LAGUNA-CALAMBA-POBLACION	Burgos St., Calamba City
LAGUNA-SAN PABLO CITY	M. Paulino St., San Pablo City, Laguna
LAGUNA-SAN PEDRO	KM 30 National Hi-way, San Pedro, Laguna
LAGUNA-STA. CRUZ-P. GUEVARRA	Pedro Guevarra Avenue Brgy. Uno Sta. Cruz, Laguna
LEGAZPI CITY-DON B. ERQUIAGA	Corner Rizal and Gov. Forbes Sts., Brgy. Baybay, Legaspi City
LIPA CITY-B. MORADA	B. Morada Ave., Lipa City, Batangas
LUCENA CITY-QUEZON AVE.	Quezon Ave., Brgy IX, Lucena City
MASBATE CITY	Quezon St., Brgy. Pating, Masbate City, Masbate
NAGA CITY-GEN. LUNA	Gen. Luna St., Brgy. Abella, Naga City, Camarines Sur
OCC. MINDORO-MAMBURAO	National Road, Brgy. Payompon, Mamburao, Occidental Mindoro
OCC. MINDORO-SAN JOSE	Quirino corner M.H. Del Pilar Sts., Brgy. 6, San Jose, Occidental Mindoro 5100
OR. MINDORO-CALAPAN	J.P.Rizal St. Camilmil, Calapan City, Oriental Mindoro
QUEZON-CANDELARIA	National Road, Poblacion, Candelaria, Quezon
QUEZON-LOPEZ	San Francisco St. Talolong Lopez Quezon
ROMBLON-ODIONGAN	#15 J.P. Laurel St., cor M. Formilleza St., Ligaya, Odiongan, Romblon
SORSOGON CITY-RIZAL	Rizal St., Sorsogon City
TAGAYTAY-AGUINALDO	E. Aguinaldo Hi-way, Tagaytay City, Cavite

EXHIBIT I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES
Visayas	
AKLAN-KALIBO-PASTRANA	0508 G. Pastrana St., Kalibo, Aklan
ANTIQUE-T. A. FORNIER	T. A. Fornier St., Bantayan, San Jose, Antique 5700
BACOLOD- ARANETA	Araneta Ave., near cor. Luzuriaga St., Bacolod City, Negros Occidental
BACOLOD-LUZURIAGA	Cor Luzuriaga and Araneta Sts., Bacolod City
BACOLOD -LACSON	10th Lacson St., Bacolod City
BILIRAN-NAVAL	Ballesteros St., Naval, Biliran
BOHOL-TUBIGON	Corner Cabangbang Avenue & Jesus Vaño Street, Centro, Tubigon, Bohol, Philippines
BORACAY-STATION 2	Branch – Brgy. Balabag, Boracay Island, Malay, Aklan FX Counter I - Oro Beach Resort, Station III, Boracay Island, Malay, Aklan
CAPIZ ROXAS DOWNTOWN	Roxas Ave., Roxas City, Capiz
CAPIZ ROXAS-C.M. RECTO	Cor. CM Recto & G. Del Pilar Streets, Brgy. III, Roxas City, Capiz 5800
CEBU-DANAO	Beatriz VIII & Juan Luna ST., Cebu City
CEBU-JAKOSALEM	D. Jakosalem cor. Legaspi Sts., Cebu City
CEBU-LAPU-LAPU-PAJO	Manuel L. Quezon National Highway, Pajo, Lapulapu City
CEBU-M.C. BRIONES	Corner M.C. Briones and Jakosalem Streets, Cebu City
CEBU-TOLEDO	Rafols St., Poblacion, Toledo City, Cebu
DUMAGUETE CITY-LOCSIN	33 Dr. V. Locsin St., Dumaguete City, Negros Oriental
DUMAGUETE CITY-SILLIMAN AVE.	Siliman Avenue cor Real St., Dumaguete City, Negros Orriental
EASTERN SAMAR-BORONGAN CITY	Real St., Brgy Songco, Borongan City, Eastern Samar
ILOILO - IZNART BRANCH	Iznart cor. Montinola Sts., Pres. Roxas, City Proper, Iloilo City
ILOILO-LEDESMA	Ledesma Corner Quezon Streets, Brgy. Ed Ganzon, Iloilo City 5000
ILOILO-PASSI CITY	F. Palmares Street, Passi City, Iloilo 5037 (beside St. William Parish Church)
ILOILO-PLAZA LIBERTAD	JM Basa Street, Iloilo City 5000
ILOILO-POTOTAN	Guanco St., Pototan, Iloilo
LEYTE-BAYBAY CITY	148 R. Magsaysay Ave., Baybay City, Leyte
LEYTE-ORMOC CITY-BONIFACIO	Cor. Cata-ag & Bonifacio Sts., Ormoc City, Leyte
NEGROS OCC.-BINALBAGAN	Don Pedro R. Yulo St., Binalbagan, Negros Occidental 6107
NEGROS OCC.-CADIZ CITY	Corner Luna and Cabahug Streets, Cadiz City, Negros Occidental

EXHIBIT I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES
NEGROS OCC.-KABANKALAN CITY	NOAC National Highway cor Guanzon St., Kabankalan City
NEGROS OCC.-SAN CARLOS CITY	V. Gustilo St., San Carlos City
NEGROS OCC.-SILAY CITY	Rizal St., Silay City
NEGROS OCC.-VICTORIAS CITY	Cor. Ascalon and Montinola Sts., Victorias City
NEGROS OR.-BAYAWAN	National Highway cor Mabini St., Brgy. Suba, Bayawan City
NEGROS OR.-TANJAY	Magallanes cor. E. Romero Sts (formerly Lopez Jaena), Tanjay City, Negros Or.
NORTHERN SAMAR-CATARMAN	Cor. Garcia & Jacinto Sts., Brgy. Narra, Catarman, Northern Samar 6400
PALAWAN-PUERTO PRINCESA-RIZAL AVE.	Rizal Ave., Mangahan, Puerto Princesa, Palawan
PALAWAN-PUERTO PRINCESA-VALENCIA	Valencia St. cor. Rizal Avenue, Brgy. Tagumpay, Puerto Princesa City, Palawan
SAMAR-CALBAYOG CITY	Maharlika Highway, Brgy Obrero, Calbayog City, Samar
SAMAR-CATBALOGAN CITY	Del Rosario St., Allen Avenue, Catbalogan City, Samar
SIQUIJOR-LARENA	Roxas St., Larena, Siquijor
SOUTHERN LEYTE-MAASIN CITY	Cor. Juan Luna & Allen Streets, Tunga-Tunga, Maasin City, 6600 Southern Leyte
TACLOBAN CITY-JUSTICE ROMUALDEZ	J. Romualdez St., Tacloban City
TACLOBAN CITY-ZAMORA	Zamors St, Tacloban City, Leyte
TAGBILARAN-C.P. GARCIA AVE.	C. P. Garcia Ave. cor. J. A. Clarin St., Poblacion, Tagbilaran City, Bohol

EXHIBIT I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES
Mindanao	
AGUSAN DEL SUR-SAN FRANCISCO	Roxas St., Brgy 4, San Francsico, Agusan del Sur
BASILAN-ISABELA-ROXAS	Roxas Ave., Isabela City, Basilan Province
BASILAN-ISABELA-STRONG BLVD.	Strong Blvd., Isabela, Basilan
BUTUAN CITY-MONTILLA	Montilla Blvd., Brgy. Dagohoy, Butuan City, Agusan del Norte
CAMIGUIN-MAMBAJAO	Cor. Gen. Aranas & Burgos Sts., Brgy. Poblacion, Mambajao, Camiguin
CDO-COGON	JR Borja cor. V. Roa Sts., CDO City, Misamis Oriental
CDO-CORRALES-CHAVES	Corrales Ave., cor. T. Chavez St., Cagayan de Oro City, Misamis Oriental
CDO-LIMKETKAI DRIVE	Limketkai Center, Lapasan, Cagayan de Oro City, Misamis Oriental
CDO-TIANO	Tiano Brothers cor., Cruz Taal Sts., CDO City
COTABATO CITY-DOROTHEO	Alejandro Dorotheo St. cor. Corcuera St., Cotabato City, North Cotabato
COTABATO CITY-MAKAKUA	39 Makakua St., Cotabato City, Maguindanao
COTABATO CITY-S.K. PENDATUN	Quezon Ave., Cotabato City
DAVAO DEL NORTE-TAGUM-RIZAL	Rizal St., Magugpo, Poblacion, Tagum City, Davao del Norte
DAVAO DEL SUR-DIGOS	Quezon Avenue, Digos, Davao del Sur
DAVAO ORIENTAL-MATI	Rizal Ext., Brgy. Central, Mati, Davao Oriental
DAVAO-C.M. RECTO	G/F Imperial Hotel, CM Recto St., Davao City, Davao
DAVAO-SAN PEDRO	San Pedro St., Davao City
DAVAO-SAN PEDRO-C.M. RECTO	San Pedro St., cor. C.M. Recto St., Davao City, Davao del Sur
DIPOLOG CITY-GEN. LUNA	Gen. Luna St. cor. C.P. Garcia Sts., Dipolog City, Zamboanga del Norte
GENERAL SANTOS-CITY HALL DRIVE	Osmena St., City Hall Drive, General Santos City, South Cotabato
ILIGAN CITY-AGUINALDO	Cor. Gen. Aguinaldo & Labao Sts., Poblacion, Iligan City, Lanao del Norte
JOLO-AROLAS	Gen. Arolas corner Magno Sts., Jolo, Sulu
KORONADAL CITY-MORROW	Morrow St., Koronadal, South Cotabato
KORONADAL CITY-POBLACION	Gen. Santos Drive, Brgy. Zone 1, Koronadal City, South Cotabato
LANAO DEL NORTE-MARANDING	National Highway, Maranding, Lala, Lanao del Norte
MISAMIS ORIENTAL-GINGOOG CITY	National Highway, Brgy. 23, Gingoog City, Misamis Oriental
NORTH COTABATO-KIDAPAWAN	Quezon Blvd., Kidapawan City, North Cotabato
NORTH COTABATO-MIDSAYAP	Quezon Avenue, Midsayap, North Cotabato

EXHIBIT I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES
OROQUIETA CITY-SEN. JOSE OZAMIS	Sen. Jose Ozamis St., Lower Lamac, Oroquieta City, Misamis Occidental
OZAMIS CITY-RIZAL AVE.	Rizal Ave., Aguada, Ozamis City, Misamis Occidental
PAGADIAN CITY-PAJARES	F.S. Pajares St., cor Cabrera Sts., San Francisco District, Pagadian City, Zamboanga Del Sur
PAGADIAN CITY-RIZAL AVE.	Rizal Avenue, Balangasan District, Pagadian City, Zamboanga del Sur
SULTAN KUDARAT-TACURONG	Alunan Drive, Poblacion, Tacurong, Sultan Kudarat
SURIGAO CITY-RIZAL	45 Rizal St., Brgy. Washington, Surigao City, Surigao del Norte
SURIGAO DEL SUR-BISLIG CITY	Cor. Abarca & Espiritu Sts., Mangagoy, Bislig, Surigao del Sur
SURIGAO DEL SUR-TANDAG CITY	Napo, National Highway, Tandag, Surigao del Sur
TAWI-TAWI-BONGAO	Datu-Halun St., Bongao, Tawi-Tawi
ZAMBOANGA DEL SUR-MOLAVE	Mabini St., Molave, Zamboanga del Sur
ZAMBOANGA SIBUGAY-BUUG	National Highway, Poblacion, Buug, Zamboanga, Sibugay
ZAMBOANGA SIBUGAY-IPIL	National Hi-way, Poblacion, Ipil, Zamboanga Sibugay
ZAMBOANGA-J.S. ALANO	J.S. Alano St., Zamboanga City, Zamboanga del Sur
ZAMBOANGA-SUCABON	Mayor MS Jaldon St., Zamboanga City, Zamboanga del Sur

EXHIBIT II

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
Metro Manila			
ANTIPOLO-CIRCUMFERENTIAL	Circumferential Road, Barangay Dalig, Antipolo City, Rizal	100,000.00	April 21, 2021
ANTIPOLO-P. OLIVEROS	89 P. Oliveros Street, Kapitolyo Arcade, San Roque, Antipolo City, Rizal	97,240.50	December 31, 2024
ANTIPOLO-SUMULONG-MASINAG	F. N. Crisostomo Bldg. 2, Sumulong Highway, Mayamot, Antipolo City, Rizal	84,000.00	February 28, 2020
BGC- 7TH AVENUE	Twenty-Four Seven Mckinley Building, 24th St. cor 7th Ave., Bonifacio Global City, Taguig	369,969.60	December 28, 2026
BGC-BURGOS CIRCLE	Unit GF-4, The Fort Residences, 30th St., corner 2nd Avenue, Padre Burgos Circle, Bonifacio Global City, Taguig	262,000.00	November 30, 2023
BGC-INFINITY	G/F, 101 The Infinity Tower, 26th Street, Fort Bonifacio, Taguig City	271,959.19	May 15, 2021
BGC-LUXE RESIDENCES	Shop 2, The Luxe Residences 28th Street, corner 4th Avenue, Bonifacio Global City, Taguig City	400,896.00	November 30, 2024
BGC-MCKINLEY HILL	G/F, Unit B 8/10 Bldg., Upper McKinley Road, McKinley Town Center, Fort Bonifacio, Taguig City	572,862.40	January 31, 2021
BGC-MENARCO	G/F, Unit C. The Menarco Tower, 32nd St., Bonifacio Global City, Taguig City	527,625.00	December 31, 2024
BGC-ONE MCKINLEY PLACE	Unit 6, G/F, One Mckinley Place, 26th St. cor. 4th Ave., BGC, Taguig City	221,000.00	May 31, 2022
BGC-ORE CENTRAL	Unit 6, G/F Ore Central, 9th Ave. cor. 31st St., BGC, Taguig City	371,430.00	September 14, 2022
BGC-W CITY CENTER	Unit A, G/F W City Center, 7th Ave. cor. 30th St., BGC, Taguig City	512,337.00	May 31, 2022
BGC-WORLD PLAZA	Unit 3, G/F World Plaza, 5th Ave., Bonifacio Global City, Taguig	753,750.00	August 31, 2027
BINONDO-MASANGKAY	916 G. Masangkay St. Binondo Manila	170,772.62	November 30, 2021
BINONDO-NUEVA	Lot 17-18, Blk. 2037, Yuchengco (formerly Nueva) and Tomas Pinpin Streets, Binondo, Manila	158,260.50	November 30, 2020
BINONDO-REINA REGENTE	1067 Felipe II St., Binondo, Manila (near 168 Mall)	72,930.37	March 31, 2021
BINONDO-SAN FERNANDO	452 San Fernando Street corner Elcano Street, Binondo, Manila	180,000.00	December 31, 2021
BINONDO-SAN NICOLAS	Gedisco Tower, 534 Asuncion St., San Nicolas, Manila City	196,904.01	March 31, 2024
CAINTA-ORTIGAS AVE. EXT.	Paramount Plaza, Km. 17, Ortigas Ave. Ext., Brgy. Sto. Domingo, Cainta, Rizal	110,617.50	January 31, 2021
CAINTA-SAN ISIDRO	RRCG Transport Building, Km. 18 Ortigas Avenue Extension, Barangay San Isidro, Cainta, Rizal	87,053.57	September 08, 2021
CAINTA-VILLAGE EAST	G/F Arellano Bldg., Felix Ave., cor. Village East Ave., Cainta, Rizal	56,453.33	February 15, 2022
CALOOCAN-A. MABINI	451 A. Mabini corner J. Rodriguez Street, Caloocan City	98,214.29	February 13, 2021
CALOOCAN-EDSA BALINTAWAK	337 - 339 EDSA Cor. Don Vicente Ang St., Caloocan City	116,160.00	June 10, 2024
CALOOCAN-GRACE PARK-10TH AVE.	354 A-C 10th Avenue corner 2nd street., Grace Park, Caloocan City	82,687.50	May 13, 2019
CALOOCAN-GRACE PARK-3RD AVE.	126 Rizal Avenue Extension, Grace Park, Caloocan City	90,000.00	October 31, 2021
CALOOCAN-GRACE PARK-7TH AVE.	322 Rizal Ave. Ext. near cor. 7th Ave., Grace Park, Caloocan City	70,000.00	July 31, 2022
CALOOCAN-MCARTHUR HIGHWAY	G/F. The Grandz Commercial Building, 1798 Mac Arthur Highway cor. Calle Cuatro, Bgy. 81, Caloocan City	200,000.00	January 29, 2027
CALOOCAN-MONUMENTO	419 D&I Building, EDSA, Caloocan City	126,315.79	June 30, 2022
CALOOCAN-SAMSON ROAD	149 Samson Road corner P. Bonifacio St. Caloocan City	98,546.78	January 31, 2024
DIVISORIA-168 MALL	Stall 3S-04, 168 Shopping Mall, Sta. Elena, Soler Street, Binondo, Manila	170,059.40	September 30, 2022
DIVISORIA-ELCANO	706-708 Elcano St, Manila	201,916.00	November 30, 2022
DIVISORIA-JUAN LUNA	CK Bldg., 750 Juan Luna St., Binondo Manila	131,580.02	March 31, 2023
DIVISORIA-STO. CRISTO-C.M. RECTO	869 Sto. Cristo Street, Binondo, Manila	100,000.00	September 06, 2020
DOUBLE DRAGON MERIDIAN CENTER WEST	Double Dragon Center West, EDSA corner Macapagal Avenue, Pasay City	184,600.00	August 27, 2024
GREENHILLS-CLUB FILIPINO DRIVE	G/F, One Kennedy Place, Club Filipino Drive, Greenhills, San Juan City	273,346.70	May 31, 2025
GREENHILLS-ORTIGAS AVE.	G/F Limketkai Bldg., Ortigas Ave., Greenhills, San Juan, MM	338,033.33	June 18, 2023
LAS PIÑAS-AGUILAR AVENUE	G/F, Las Piñas Doctors' Hospital, Aguilar Avenue, Citadella Subdivision, Las Piñas City	158,279.00	March 14, 2021
LAS PIÑAS-ALMANZA	Consolidated Asiatic Proj., Inc. Bldg., Alabang-Zapote Road, Bgy. Almanza, Las Pinas City	154,355.41	March 31, 2022
LAS PIÑAS-ALMANZA UNO	Hernz Arcade, Alabang-Zapote Road, Almanza, Las Piñas City	144,090.93	March 31, 2023
LAS PIÑAS-NAGA ROAD	Lot 2A, Naga Road corner DBP Extension, Pulang Lupa Dos, Las Piñas City	40,000.00	April 12, 2022
LAS PIÑAS-ONE TOWNSQUARE PLACE	G/F, Unit A101 One Townsquare Place, Alabang-Zapote Road, Las Piñas City	165,750.00	January 31, 2023
LAS PIÑAS-PAMPLONA	267 Alabang-Zapote Road, Pamplona Tres, Las Piñas City	114,280.00	February 07, 2023
LAS PIÑAS-ZAPOTE	99 Real Street, Alabang-Zapote Road, Pamplona 1, Las Piñas City	53,425.00	November 26, 2020
MAKATI-AGUIRRE	G/F RICOGEN Bldg., 112 Aguirre St., Legaspi Village, Makati City	138,352.77	September 26, 2024
MAKATI-AMORSOLO	114 Don Pablo Building, Amorsolo Street, Legazpi Village, Makati City	203,912.89	July 31, 2023
MAKATI-BANGKAL	G/F, E. P. Hernandez Building, 1646 Evangelista Street, Bangkal, Makati City	101,580.96	October 31, 2022
MAKATI-BEL-AIR	52 Jupiter Street, Bel-Air, Makati City	250,000.00	June 05, 2021
MAKATI-BUENDIA-EDISON	Visard Bldg, #19 Senator Gil Puyat Avenue (formerly Buendia), Makati City	85,344.00	February 07, 2021
MAKATI-CHINO ROCES AVE. EXT.	GA Building, 2303 Don Chino Roces Ave. Ext., Makati City	191,664.00	May 15, 2022

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
MAKATI-DASMARIÑAS VILLAGE	2284 Allegro Center, Chino Roces Avenue Extension, Makati City	122,492.50	October 31, 2020
MAKATI-DELA COSTA	Classica Towers, 114 HV dela Costa St., Salcedo Village, Makati City	113,880.00	September 30, 2024
MAKATI-ETON YAKAL	Unit 14, G/F, Ewest Mall, Chino Roces Avenue corner Yakal Street, Makati City	142,430.00	September 14, 2024
MAKATI-GREENBELT	G/F The Charter House 114 Legaspi Street, Makati City	117,911.87	September 30, 2026
MAKATI-GUADALUPE	Pacmac Building, 23 EDSA Guadalupe Nuevo, Makati City	111,887.70	October 18, 2021
MAKATI-LEVISTE ST.-SALCEDO VILLAGE	G/F, LPL Mansions Condominium, 122 L.P. Leviste Street, Salcedo Village, Makati City	181,738.00	April 19, 2021
MAKATI-METROPOLITAN AVENUE	Unit 102, BUMA Bldg., 1012 Metropolitan Avenue, San Antonio Village, Makati City	108,803.26	October 18, 2023
MAKATI-PASONG TAMO	2233 Pasong Tamo Ave., Makati City	137,359.62	June 30, 2021
MAKATI-ROCKWELL CENTER	Stall No. RS-03, G/F Manansala Tower, Estrella Street corner Joya Drive Rockwell Center, Makati City	235,092.00	March 31, 2022
MAKATI-SALCEDO ST.-LEGASPI VILLAGE	First Life Center, 174 Salcedo Street, Legazpi Village, Makati City	149,921.50	October 15, 2024
MAKATI-SAN LORENZO-ARNAIZ	G/F, Power Realty Building, 1012 A. Arnaiz Avenue, Barangay San Lorenzo, Makati City	98,497.03	June 30, 2021
MALABON-GOV. PASCUAL	157 Gov. Pascual Avenue, Acacia, Malabon City	51,973.21	June 15, 2023
MALABON-POTRERO	A & S Building, 189 MacArthur Highway, Potrero, Malabon City	78,100.34	February 11, 2020
Mandaluyong Shaw-Starmall	Unit G06, Global Link Center, No. 710-712 Shaw Boulevard, Barangay Wack-Wack, Mandaluyong City	227,438.40	September 30, 2023
MANDALUYONG SHAW-ACACIA LANE	2 Acacia Lane corner Shaw Boulevard and Pinagtipunan Sts, Mandaluyong City	162,289.28	June 15, 2024
MANDALUYONG-BONI AVENUE	No. 654 Boni Avenue, Mandaluyong City	135,223.44	December 31, 2021
MANDALUYONG-D. GUEVARRA	16 Domingo M. Guevarra St., Brgy. Highway Hills, Mandaluyong City	192,000.00	November 17, 2024
MANDALUYONG-PIONEER	G/F, B. Guerrero Complex, 123 Pioneer Street, Mandaluyong City	153,153.79	April 14, 2024
MANDALUYONG-SHANGRI-LA PLAZA	Unit AX 116 P3 Carpark Building, Shangri-la Annex Plaza Mall, Edsa corner Shaw Boulevard, Mandaluyong City	131,054.00	September 30, 2020
MANILA BENAVIDEZ - LA TORRE	G/F, Oxford Parksuites, La Torre cor. Benavidez and Masangkay Sts., Sta. Cruz, Manila	176,280.00	November 27, 2022
MANILA-ADRIATICO-HARRISON PLAZA	Rizal Memorial Sports Complex, A. Adriatico St., Malate, Manila	-00	January 09, 2020
MANILA-BAMBANG-MASANGKAY	G/F ST Condominium, 1480 G. Masangkay St., Sta. Cruz, Manila	137,280.00	February 28, 2021
MANILA-BLUMENTRITT-L. RIVERA	Citidorm Blumentritt, 1848 Blumentritt corner Leonor Rivera Streets, Sta. Cruz, Manila	109,394.88	November 30, 2024
MANILA-BSP	G/F, Cafetorium Building, BSP Complex, A. Mabini corner P. Ocampo Streets, Malate, Manila	127,579.01	June 30, 2020
MANILA-C.M. RECTO	G/F, Dr. Lucio C. Tan Building, UE Manila Annex, C.M. Recto, Manila	89,984.07	July 13, 2020
MANILA-CENTURY PARK HOTEL	G/F Century Park Hotel, P. Ocampo (Vito Cruz Ext.) cor. M. Adriatico Sts., Malate, Manila	256,363.29	February 29, 2024
MANILA-ERMITA U.N. AVE.	Physician's Tower United Nations Avenue corner San Carlos Street, Ermita, Manila	171,993.24	January 31, 2023
MANILA-ERMITA-ROXAS BLVD.	Roxas Boulevard corner Arquiza Street, Ermita, Manila	243,581.00	January 15, 2021
MANILA-ESCOLTA	G/F, Regina Building, Escolta, Manila	202,447.00	September 30, 2020
MANILA-ESPAÑA	Unit 104, Street Thomas Square, 1150 España Boulevard corner Padre Campa Street, Sampaloc East, Manila	66,885.28	March 15, 2023
MANILA-FLORENTINO TORRES	740 Florentino Torres St., Sta. Cruz, Manila 1003	130,000.00	September 14, 2022
MANILA-FUGOSO ST.	JT Centrale, No. 1686, Brgy. 311, Zone 31, V. Fugoso cor. Felix Huertas Sts., Sta. Cruz, Manila	134,928.00	October 23, 2026
MANILA-G. TUAZON	Greeny Rose Residences Inc., G. Tuazon cor. 311 Algeciras Sts., Balic-Balic Sampaloc, Manila	103,056.40	September 22, 2027
MANILA-INTRAMUROS-CATHEDRAL	707 Aduana cor Cabildo Shipping Center Condominium, Intramuros, Manila	117,350.46	November 30, 2024
MANILA-INTRAMUROS-FORT SANTIAGO	G/F, Marine Technology Building corner A. Soriano Avenue & Arzobispo Streets, Intramuros, Manila	216,377.70	June 30, 2020
MANILA-J.P. LAUREL	G/F Gama Bldg., J. P. Laurel cor. Minerva Sts., San Miguel, Manila	122,321.43	February 28, 2024
MANILA-JOSE ABAD SANTOS	1450-1452 Coyuco Building, Jose Abad Santos, Tondo, Manila	70,858.77	August 31, 2021
MANILA-LEON GUINTO	G/F, Marlow Building, 2120 Leon Guinto Street, Malate, Manila	187,393.34	July 15, 2020
MANILA-LUNETA-T.M. KALAW	National Historical Institute (NHI) Compound, T.M. Kalaw St., Ermita, Manila	renewal on process	April 26, 2018
MANILA-MACEDA-LAON LAAN	G/F, Maceda Place Building, Laong-Laan corner Maceda Streets, Sampaloc, Manila	91,251.10	July 29, 2022
MANILA-MALATE-ADRIATICO	G/F, Pearl Garden Hotel, 1700 M. Adriatico corner Malvar Streets, Malate, Manila	173,571.43	June 30, 2024
MANILA-MALATE-TAFT	Mark 1 Building, 1971 Taft Avenue, Malate , Manila	170,800.00	July 17, 2021
MANILA-MORAYTA	Consuelo Building, 929 N. Reyes St., (Formerly Morayta), Sampaloc, Manila	155,707.00	July 31, 2022
MANILA-NORTH BAY	511 Honorio Lopez Boulevard, Balut, Tondo, Manila	38,408.48	October 31, 2020
MANILA-PADRE FAURA	PAL Learning Center Bldg., 540 Padre Faura cor. Adriatico Sts., Ermita, Manila	86,908.70	June 30, 2026
MANILA-PADRE RADA	RCS Bldg., Padre Rada St., Tondo, Manila	213,516.97	October 31, 2024
MANILA-PANDACAN	Jesus corner T. San Luis Sts, Pandacan, Manila	63,720.22	October 31, 2020
MANILA-PGH	PGH Compound, Taft Avenue, Ermita, Manila	182,661.86	November 08, 2020

EXHIBIT II

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
MANILA-PORT AREA	G/F, Bureau of Customs Compound, South Harbor, Port Area, Manila Temporary Site: (Manila-Intramuros-Fort Santiago Branch) G/F, Marine Technology Building corner A Soriano Avenue & Arzobispo Street, Intramuros, Manila Effective: February 26, 2019	100,607.52	November 23, 2023
MANILA-PRITIL-CAPULONG	MTSC Building, Juan Luna corner Capulong Extension, Tondo, Manila	102,678.57	October 31, 2020
MANILA-QUIAPO-C. PALANCA	C. Palanca St. cor Quezon Boulevard, Quiapo Manila	146,700.00	November 30, 2023
MANILA-REMEDIOS	Unit G07 Ground Floor, Royal Plaza Twin Towers, 648 Remedios cor. Ma. Orosa Sts., Malate, Manila	104,047.28	August 31, 2020
MANILA-RIZAL AVE.-LAGUNA	2229-2231 Rizal Avenue (between Batangas & Laguna Sts.), Blumentritt, Sta. Cruz, Manila	92,610.00	December 31, 2022
MANILA-SAN ANDRES	Linao Street, San Andres, Metro Manila	110,000.00	July 30, 2020
MANILA-STA.ANA	G/F, Real Casa de Manila Building Lot 2, Blk 1416, Pedro Gil St., Sta. Ana, Manila	126,385.00	August 31, 2027
MANILA-T. ALONZO	905 T. Alonzo cor. Ongpin Sts., Sta. Cruz, Manila	175,029.00	March 31, 2020
MANILA-TAFT AVE.-ONE ARCHERS	G/F, One Archers' Place Condominium, 2311 Taft Avenue, Malate, Manila	114,595.38	November 30, 2020
MANILA-TONDO-JUAN LUNA	1941-1943 Juan Luna St., Tondo, Manila	109,059.84	October 31, 2022
MANILA-TUTUBAN MALL	G/F & Podium Level, Prime Block Mall, Tutuban Center, Divisoria, Manila	123,602.16	December 31, 2020
MANILA-U.E. RECTO	G/F Dalupan Bldg., Unversity of the East Campus, Claro M. Recto Ave., Manila	61,528.50	March 31, 2020
MANILA-U.N. AVE.	G/F, UMC Building, 900 U.N. Avenue, Ermita, Manila	93,537.16	November 30, 2022
MARIKINA-CALUMPANG	268 J. P. Rizal St., Bgy. Sta. Elena, Marikina City	160,000.00	September 13, 2021
MARIKINA-CONCEPCION	Bayan-bayanan Ave. cor. Eustaquio St., Concepcion, Marikina, Metro Manila	178,697.41	June 30, 2022
MARIKINA-LILAC	G/F, Paulmarcs Centre, Lot 1 Blk. 11 Lilac Street corner Rancho Avenue, Hacienda Heights Village, Concepcion Dos, Marikina City	95,000.00	January 07, 2024
MARIKINA-SHOE AVE.	Shoe Avenue corner W. Paz Street, Sta. Elena, Marikina City	205,838.29	November 13, 2020
MUNTINLUPA-ALABANG-AYALA SOUTH PARK	GF, Ayala Malls South Park, Alabang Muntinlupa	86,723.00	December 31, 2021
MUNTINLUPA-ALABANG-MADRIGAL BUSINESS PAR	G/F, Page 1 Building, 1215 Acacia Avenue, Madrigal Business Park, Ayala Alabang, Muntinlupa	188,301.40	May 14, 2022
MUNTINLUPA-BELLEVUE-FILINVEST	G/F, Bellevue Hotel, North Bridgeway, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City	208,372.50	July 31, 2024
MUNTINLUPA-EAST SERVICE ROAD	Uratex Building, Km. 23, East Service Road, Barangay Cupang, Muntinlupa City	72,000.00	August 13, 2023
MUNTINLUPA-FILINVEST AVENUE	BC Group Center Filinvest AvenueFilinvest Corporate City Muntinlupa City	184,137.86	January 15, 2022
MUNTINLUPA-POBLACION	G/F, Arbar Building, National Highway, Poblacion, Muntinlupa City	100,000.00	June 18, 2024
MUNTINLUPA-STARMALL ALABANG	Upper Ground Level, Starmall Alabang, South Superhighway, Alabang, Muntinlupa City	69,573.60	July 18, 2021
NAIA 1-DEPARTURE AREA	Departure Area, NAIA Terminal Bldg., Imelda Ave., Paranaque, Metro Manila	28,927.80	December 31, 2017
NAIA 2-DEPARTURE AREA	NAIA Centennial Terminal II Northwing Level Departure Intl.,Bldg., Pasay City	21,438.56	December 31, 2017
NAIA 3-ARRIVAL AREA	Arrival Area , NAIA Terminal 3, Pasay City	22,170.72	December 31, 2019
NAVOTAS-FISH PORT	Bulungan corner Daungan Avenue, Navotas Fish Port Complex, North Bay Boulevard South, Navotas City	17,947.20	March 15, 2023
PARAÑAQUE-ASEANA CITY	G/F, Space 127, Monarch Parksuites, Bradco Ave., Aseana Business Park, Parañaque City	190,250.00	November 20, 2022
PARAÑAQUE-BF HOMES-AGUIRRE AVENUE	47 Aguirre Ave. cor. Tirona St., BF Homes, Parañaque City	87,939.85	July 12, 2022
PARAÑAQUE-BF HOMES-PHASE 3	CFB Building, 322 Aguirre Avenue, BF Homes, Paranaque	109,395.54	March 31, 2023
PARAÑAQUE-BF HOMES-PRES. AVE.	43 President's Ave., BF Homes, Paranaque City	103,317.99	December 01, 2023
PARAÑAQUE-BICUTAN-DOÑA SOLEDAD	VCD Building, 89 Doña Soledad Avenue Betterliving Subdivision, Bicutan, Parañaque City	72,930.33	May 24, 2026
PARAÑAQUE-EAST SERVICE ROAD	Iba cor. Malugay Sts., East Service Road, Barangay San Martin de Porres, United Paranaque	80,223.42	November 30, 2022
PARAÑAQUE-OYSTER PLAZA	Unit D1, Oyster Plaza Building, Ninoy Aquino Avenue, Barangay San Dionisio, Paranaque City	72,930.38	October 31, 2020
PARAÑAQUE-SUCAT-A. SANTOS	G/F, Kingsland Building, Dr. A. Santos Avenue, Sucat, Parañaque City	127,310.00	October 31, 2020
PARAÑAQUE-SUCAT-EVACOM	AC Raftel Center, 8193 Dr. A. Santos Ave., Sucat, P'que City	157,000.00	May 31, 2029
PASAY-CARTIMAR	SATA Corp. Building, 2217 Cartimar-Taft Avenue, Pasay City	134,188.48	October 15, 2024
PASAY-DOMESTIC AIRPORT RD.	G/F, PAL Data Center Bldg., Domestic Airport Road, Pasay City	-00	August 31, 2019
PASAY-EDSA EXTENSION	235 EDSA Extension corner Loring St., Pasay City	189,910.69	May 27, 2024
PASAY-GSIS	Level 1 GSIS Building, Financial Center, Roxas Boulevard, Pasay City	148,765.58	May 31, 2023
PASAY-LIBERTAD	277 P. Villanueva Street, Libertad, Pasay City	98,273.69	December 31, 2021
PASAY-ROXAS BLVD.	Suite 101, CTC Building, 2232 Roxas Boulevard, Pasay City	142,950.00	February 28, 2022
PASAY-TAFT	2482 Taft Avenue, Pasay City	185,220.00	January 31, 2023
PASAY-VILLAMOR AIR BASE	G/F, Airmens Mall Building corner Andrews & Sales Streets, Villamor Air Base, Pasay City	27,000.00	December 31, 2019
PASIG - C. RAYMUNDO	G/F JG. Bldg., C. Raymundo Avenue, maybunga, Pasig City	69,128.13	August 03, 2020
PASIG-CAPITOL COMMONS	Unit 2, G/F, Unimart Capitol Commons, Shaw Boulevard corner Meralco Avenue, Barangay Oranbo, Pasig City	327,000.00	December 14, 2022

EXHIBIT II

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
PASIG-KAPASIGAN	Emiliano A. Santos Building, A. Mabini corner Dr. Sixto Antonio Avenue, Pasig City	210,000.00	September 30, 2020
PASIG-ORTIGAS EXT.	103 B. Gan Building, Ortigas Ave. Ext., Rosario, Pasig City	155,000.00	August 31, 2023
PASIG-ORTIGAS GARNET	Unit 104, Taipan Place, Emerald Ave., Ortigas Center, Pasig	133,705.69	October 15, 2022
PASIG-SANTOLAN	Amang Rodriguez Avenue, Barangay Dela Paz, Santolan, Pasig City	178,571.43	December 07, 2023
PASIG-TIENDESITAS	G/F, Units 4-5, Silver City Building, No. 03, Frontera Verde Drive, Ortigas Center, Pasig City	176,100.00	September 29, 2020
Q.C. – UERMMMC	UERMMMC, No. 64 Aurora Blvd., Brgy. Doña Imelda, Quezon City	132,628.76	May 31, 2021
Q.C. DON ANTONIO HEIGHTS	G/F Puno Foundation Bldg., Holy Spirit Drive, Don Antonio Heights, Quezon City	51,243.50	November 30, 2011
Q.C. E. RODRIGUEZ-G. ARANETA	599 Araneta Ave. cor. E. Rodriguez Ave.,Quezon City	44,669.86	August 31, 2022
Q.C.-A. BONIFACIO	789 A. Bonifacio Avenue Barangay Pag-Ibig sa Nayon, Balintawak, Quezon City	107,520.00	May 14, 2024
Q.C.-ACROPOLIS	251 TriQuetra Building, E. Rodriguez Jr. Avenue, Barangay Bagumbayan, Quezon City	170,000.00	October 31, 2020
Q.C.-ARANETA CENTER	Unit 5, G/F, Manhattan Heights, Araneta Center, Cubao, Quezon City	151,860.00	June 30, 2022
Q.C.-BANAWE	210 Banawe Street, Brgy. Tatalon, Quezon City	140,000.00	December 31, 2019
Q.C.-BANAWE-N. ROXAS	Prosperity Bldg. 395 Banawe cor. N. Roxas Street, Quezon City	200,000.00	December 31, 2019
Q.C.-BATASANG PAMBANSA	Main Entrance, Batasan Pambansa Complex, Constitutional Hills, Quezon City	3,400.00	February 12, 2022
Q.C.-BSP	Bangko Sentral ng Pilipinas, Security Plant Complex, East Avenue, Diliman, Quezon City	12,000.00	June 30, 2020
Q.C.-COA	COA Building, Commonwealth Avenue, Quezon City	86,571.43	December 31, 2023
Q.C.-COMMONWEALTH AVENUE	G/F, KC Square Building, 529 Commonwealth Avenue, Diliman, Quezon City	109,395.56	December 01, 2024
Q.C.-CUBAO-HARVARD	SRMC Bldg. 901 Aurora Blvd. Cor Harvard & Stanford Sts., Cubao, Quezon City	100,000.00	September 30, 2021
Q.C.-DEL MONTE	116 Del Monte Ave., Quezon City	115,173.79	July 31, 2026
Q.C.-DEL MONTE-FRISCO	972 Del Monte Ave., corner San Pedro Bautista St., SFDM, Quezon City	91,162.96	January 23, 2023
Q.C.-DELTA	101-N dela Merced Building, West Avenue corner Quezon Avenue, Quezon City	121,768.85	December 31, 2022
Q.C.-E. RODRIGUEZ SR. AVENUE	1706 Rimando Building, E. Rodriguez Sr. Ave., Cubao, Quezon City	94,317.91	May 31, 2026
Q.C.-EASTWOOD	MDC 100 Building, Mezzanine Level, Unit M3, E. Rodriguez Jr. Avenue, corner Eastwood Avenue, Barangay Bagumbayan, Quezon City	287,143.23	June 06, 2024
Q.C.-EDSA ROOSEVELT	1024 Global Trade Center Building, EDSA, Quezon City	200,725.00	January 31, 2024
Q.C.-EDSA-ETON CENTRIS	One Cyberpod Centris, G/F Eton Centris, EDSA cor. Quezon Avenue, Quezon City	108,050.60	March 31, 2020
Q.C.-ETON-CORINTHIAN	Unit 78 E-Life, Eton Cyberpod Corinthian, EDSA corner Ortigas Avenue, Barangay Ugong Norte, Quezon City	129,109.50	March 14, 2020
Q.C.-EVER COMMONWEALTH	Lower G/F, Stall No. 20, Ever Commonwealth Mall, Commonwealth Avenue, Quezon City	268,119.00	March 06, 2021
Q.C.-FAIRVIEW COMMONWEALTH	70 Commonwealth Ave., Fairview Park Subd., Fairview, Quezon City	86,900.00	March 31, 2023
Q.C.-FAIRVIEW-REGALADO AVE.	No. 41, Regalado Avenue, West Fairview, Quezon City	120,598.24	May 31, 2021
Q.C.-FRISCO	136 Roosevelt Avenue, Barangay Paraiso, San Francisco del Monte, Quezon City	60,000.00	October 19, 2024
Q.C.-GALAS	20 A. Bayani Street, corner Bustamante, Galas, Quezon City	93,578.48	May 31, 2021
Q.C.-GRACE VILLAGE	G/F TSPS Condominium Bldg., Christian cor. Grace Avenue, Grace Village, QC	113,246.76	December 31, 2021
Q.C.-GRANADA	Xavier Hill Tower 1, Granada cor. N. Domingo Sts., Quezon City	134,361.51	February 28, 2020
Q.C.-KATIPUNAN-AURORA BLVD.	Aurora Boulevard, near PSBA, Barangay Loyola Heights, Quezon City	42,542.72	November 15, 2021
Q.C.-KATIPUNAN-LOYOLA HEIGHTS	335 Agcor Building, Katipunan Avenue, Loyola Heights, Quezon City	174,889.36	December 31, 2021
Q.C.-KATIPUNAN-ST. IGNATIUS	G/F Linear Building, 142 Katipunan,Quezon City	124,437.00	January 31, 2024
Q.C.-LAGRO	BDI Center Inc., Lot 33, Blk. 114, Regalado Avenue, Greater Lagro, Quezon City	183,680.00	September 16, 2023
Q.C.-LAGRO-QUIRINO	Km. 21, Lester Bldg., Quirino Highway, Lagro, Quezon City	140,000.00	June 30, 2024
Q.C.-MATALINO	Tempus I Bldg., Matalino St., Diliman, Quezon City	95,667.06	June 30, 2021
Q.C.-MINDANAO AVENUE	Yrreverre Square Building, 888 Mindanao Ave., Brgy. Talipapa, Novaliches, Quezon City	89,385.54	June 30, 2021
Q.C.-MWSS	MWSS Compound, Katipunan Road, Balara, Quezon City	128,250.00	April 30, 2024
Q.C.-N.S. AMORANTO	Unit 103, "R" Place Building255 NS Amoranto St.,Quezon City	108,484.29	May 31, 2023
Q.C.-NFA	SRA Building, Barangay Vastra, North Avenue, Quezon City	36,416.32	August 31, 2021
Q.C.-NOVALICHES-TALIPAPA	513 Quirino Highway, Talipapa, Novaliches, Quezon City	53,000.00	February 24, 2020
Q.C.-NPC	Agham Road, Diliman, Quezon City	240,975.00	November 25, 2020
Q.C.-PROJECT 8	Mecca Trading Building, Congressional Avenue, Project 8, Quezon City	82,142.00	May 31, 2021
Q.C.-RETIRO	422 Edificio Enriqueta Building, N.S. Amoranto Street, Sta. Mesa Heights, Quezon City	154,017.86	April 14, 2023
Q.C.-ROCES AVENUE	Units 16 (Block 9;Lot 17)& 17 (Block 9 Lot 18) , The Arcade at 68 Roces, Don Alejandro Roces Avenue, Brgy. Obrero, Quezon City	215,550.00	April 05, 2021
Q.C.-ROOSEVELT AVE.	256 Roosevelt Avenue, San Francisco del Monte, Quezon City	175,000.00	April 30, 2024
Q.C.-SSS DILIMAN	G/F, SSS Building, East Avenue Diliman, Quezon City	162,838.50	January 31, 2023

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
Q.C.-TANDANG SORA	102 Tandang Sora Avenue corner San Miguel Village, Barangay Pasong Tamo, Quezon City	66,549.56	September 25, 2021
Q.C.-TIMOG	G/F, Newgrange Building, 32 Timog Avenue, Barangay Laging Handa, Quezon City	85,500.00	November 14, 2021
Q.C.-TIMOG EDSA	Upper G/F, Caswynn Building, 134 Timog Avenue, Quezon City	134,000.00	June 26, 2027
Q.C.-TOMAS MORATO	114 Tomas Morato Avenue, Barangay Kamuning, Quezon City	85,110.00	April 10, 2024
Q.C.-UP CAMPUS	No. 3 Apacible Street, UP Campus, Diliman, Quezon City	372,286.13	December 31, 2021
Q.C.-VISAYAS AVENUE	Wilcon City Center, No. 121 Visayas Avenue, Brgy. Bahay Toro, Quezon City	70,911.93	April 28, 2021
Q.C.-VISAYAS CONGRESSIONAL	22 Congressional Avenue near corner Visayas Avenue, Quezon City	98,062.45	March 15, 2021
Q.C.-WELCOME ROTONDA	Dona Natividad Bldg., Espana-Quezon Blvd., Rotonda, Quezon city	68,240.48	February 28, 2021
Q.C.-ZABARTE	1131 Quirino Hi-way, Bgy. Kaligayahan, Novaliches, Quezon City	107,143.40	July 31, 2021
RIZAL-MONTALBAN	E. Rodriguez Ave., corner Midtown Subdivision, Rosario, Rodriguez, Rizal	76,576.00	May 31, 2021
RIZAL-SAN MATEO	19 Gen. Luna St., Banaba, San Mateo, Rizal	52,327.50	October 31, 2021
RIZAL-TANAY	Tanay New Public Market Road, Barangay Plaza Aldea, Tanay, Rizal	42,000.00	October 29, 2022
RIZAL-TAYTAY	Ilog Pugad National Road, Barangay San Juan, Taytay, Rizal	49,217.03	October 22, 2023
SAN JUAN–ANNAPOLIS	G/F, Continental Plaza, Annapolis Street, Greenhills, San Juan City	151,938.28	February 28, 2023
SAN JUAN-F. BLUMENTRITT	213 F. Blumentritt Street corner Lope K. Santos, San Juan City	79,996.82	March 31, 2023
SAN JUAN-JOSE ABAD SANTOS	G/F, TNA Building #17 Jose Abad Santos Street, Little Baguio, San Juan City	205,722.44	March 31, 2027
TAGUIG- FTI COMPLEX	Lot 55, G/F, Old Admin Building, FTI Complex,Taguig City	98,452.12	July 07, 2020
TAGUIG-BAYANI ROAD	G/F GPI Building , 53 Bayani Road, Fort Bonifacio, Taguig City	158,760.00	March 31, 2027
TAGUIG-MCKINLEY WEST	G/F, Unit A108, West Campus Bldg., Mckinley West, Taguig City	340,500.00	July 31, 2022
VALENZUELA-GEN. T. DE LEON	4024 Gen. T. De Leon St., Barangay Gen. T. De Leon, Valenzuela City	68,068.80	July 31, 2021
VALENZUELA-MALINTA	Moira's Building, 407 Mc Arthur Highway, Malinta, Valenzuela City	88,853.90	August 31, 2020
VALENZUELA-PASO DE BLAS	292 Paso de Blas, Valenzuela, Metro Manila	133,100.00	May 31, 2024
Northern Luzon			
AGOO – SAN ANTONIO	B&D Building National Highway, San Antonio, Agoo, La Union	100,000.00	December 31, 2024
ANGELES-MACARTHUR HIGHWAY	V&M Building Barangay Sto Cristo, MacArthur Highway, Angeles City, Pampanga	98,405.36	July 14, 2021
BAGUIO CITY-CENTER MALL	G/F, Baguio Center Mall, Magsaysay Avenue, Baguio City	153,153.60	March 31, 2024
BAGUIO CITY-MAGSAYSAY AVE.	G/F, Lyman Ogilby Centrum Building, 358 Magsaysay Avenue, Baguio City	88,682.88	June 30, 2027
BAGUIO CITY-NAGUILIAN ROAD	G/F High Country Inn, Naguilian Road, Baguio City	81,033.68	October 31, 2026
BAGUIO CITY-RIZAL PARK	G/F, Travelite Express Hotel, Shuntug Street corner Fernando G. Bautista Drive, Baguio City	213,678.00	July 31, 2026
BATAAN-DINALUPIHAN	BDA Building, San Ramon Highway, Dinalupihan, Bataan	51,680.00	March 20, 2022
BATAAN-MARIVELES-BEPZ	Bataan Economic Zone, Luzon Avenue, Freeport Area of Bataan, Mariveles, Bataan	67,768.00	March 06, 2024
BATAAN-ORANI	Agustina Building, MacArthur Highway, Parang-Parang, Orani, Bataan	41,674.50	November 17, 2023
BENGUET-LA TRINIDAD	Benguet State University Compound, Barangay Balili, KM. 5, La Trinidad, Benguet	46,080.00	October 05, 2027
BULACAN-BALAGTAS	G/F D & A Building, MacArthur Highway, San Juan, Balagtas, Bulacan	45,982.14	June 30, 2020
BULACAN-BOCAUE	JM Mendoza Building, McArthur Hi-way, Lolomboy, Bocaue, Bulacan	80,405.72	October 07, 2022
BULACAN-PLARIDEL	Cagayan Valley Road, Banga 1st, Plaridel, Bulacan	53,571.43	July 30, 2022
BULACAN-ROBINSONS PULILAN	Robinsons Mall Pulilan, Maharlika Highway, Cutcut, Pulilan, Bulacan	41,110.69	December 31, 2019
BULACAN-SAN RAFAEL	San Rafael Public Market, Cagayan Valley Road, Barangay Cruz na Daan, San Rafael, Bulacan	60,115.50	October 07, 2025
BULACAN-STA. MARIA	Jose Corazon De Jesus Street, Poblacion, Santa Maria, Bulacan	85,464.80	September 30, 2023
CABANATUAN-DICARMA	R. Macapagal Building, Barangay Dicarma, Maharlika Highway, Cabanatuan City, Nueva Ecija	78,828.75	August 31, 2024
CABANATUAN-MAHARLIKA	Km. 114 Maharlika Highway, Cabanatuan City, Nueva Ecija	69,457.50	May 15, 2024
CAGAYAN-SANCHEZ MIRA	C-2 Maharlika Highway, Sanchez Mira, Cagayan	26,785.71	December 01, 2022
CAGAYAN-TUAO	G/F, Villacete Building, National Highway, Pata, Tuao, Cagayan	18,000.00	September 23, 2023
CAGAYAN-TUGUEGARAO-BRICKSTONE MALL	G/F, Brickstone Mall, KM. 482, Maharlika Highway, Pengue Ruyu, Tuguegarao City, Cagayan	72,201.07	November 15, 2020
DAGUPAN CITY-A.B. FERNANDEZ-NABLE	A. B. Fernandez Ave., cor. Noble St., Dagupan City	88,785.04	December 31, 2019
DAGUPAN CITY-PEREZ BLVD.	Orient Pacific Center Building Perez Blvd. cor. Rizal St. Extension, Dagupan City	76,000.00	March 31, 2022
IFUGAO-LAGAWE	JDT Building, Inguiling Drive, Poblacion East, Lagawe, Ifugao	16,069.48	November 10, 2023
ILOCOS NORTE-PASUQUIN	Farmers Trading Center Building, Maharlika Hi-way, Poblacion 1, Pasuquin, Ilocos Norte	20,000.00	December 12, 2022
ILOCOS SUR-NARVACAN	Annex Building, Narvacan Municipal Hall, Sta. Lucia, Narvacan, Ilocos Sur	53,571.43	December 31, 2022

EXHIBIT II

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
ISABELA-ALICIA	Armando & Leticia de Guia Building, San Mateo Road, Antonino, Alicia, Isabela	46,728.97	November 30, 2020
ISABELA-CAUAYAN-MAHARLIKA HI-WAY	Isidro A. Dy Bldg., Highway, Brgy. San Fermin, Cauayan, Isabela 3505	64,285.71	March 31, 2024
ISABELA-CENTRO ILAGAN	J. Rizal Street, Centro, Ilagan City, Isabela	32,710.28	August 04, 2023
KALINGA-TABUK	I-Square Building, Provincial Road, Poblacion Centro, Tabuk City, Kalinga	49,098.00	December 20, 2020
LAOAG CITY-CASTRO	F.R. Castro Ave. (formerly A. Bonifacio St.), Laoag City, Ilocos Norte	120,607.72	March 31, 2025
MALOLOS CITY-MCARTHUR HI-WAY	FC Bldg., Km 40, McArthur Hi-way, Sumapang Matanda, Malolos City, Bulacan	80,223.41	December 31, 2021
MEYCAUAYAN CITY- MCARTHUR-SALUYSOY	GF Maryville Square Annex, McArthur Highway, Saluysoy, Meycauayan, Bulacan	96,753.25	November 17, 2029
MEYCAUAYAN CITY-ESPERANZA MALL	GF Stalls 8 & 9 Esperanza Mall, Mc Arthur Highway, Brgy. Calvario, Meycauayan, Bulacan	59,640.00	September 30, 2021
MOUNTAIN PROVINCE-BONTOC	G/F, Mount Province Commercial Center, Poblacion, Bontoc, Mountain Province	28,453.05	September 10, 2026
NUEVA ECIJA - STA. ROSA	G/F, JNB Bldg., Bgy. Cojuangco, Cagayan Valley Road, Sta. Rosa, NE	45,600.00	September 30, 2021
NUEVA ECIJA-GUIMBA	CATMAN Building, Provincial Road corner Faigal Street, Saranay District, Guimba, Nueva Ecija	44,657.36	September 30, 2022
OLONGAPO CITY-MAGSAYSAY DRIVE	YBC Leisure Center, 97 Magsaysay Drive, East Tapinac, Olongapo City	170,170.88	May 31, 2023
OLONGAPO CITY-SUBIC BAY	Lot 5 Retail 2, Times Square Mall, Sta. Rita Road, Subic Bay Freeport Zone, Olongapo City, Zambales	66,862.50	October 08, 2021
PAMPANGA-APALIT	G/F, Primemed Quest Alliance Building, MacArthur Highway, San Vicente, Apalit, Pampanga	97,500.00	September 30, 2028
PAMPANGA-CLARK FIELD	Clark Center II, Retail 4 & 5. Berthaphil III, Jose Abad Santos Avenue Clark Freeport Zone, Pampanga	$2,316.00 (Tax Exempt)	May 31, 2029
PAMPANGA-LUBAO	OG Road, Ela Paz Arcade, Barangay Santa Cruz, Lubao, Pampanga	42,990.65	December 31, 2020
PAMPANGA-MABALACAT-MABIGA	National Highway, Brgy. Mabiga, Mabalacat, Pampanga	45,994.80	January 31, 2021
PAMPANGA-MACABEBE	SGB Building, San Gabriel, Macabebe, Pampanga	40,000.00	March 27, 2021
PAMPANGA-SAN SIMON	Quezon Road, San Simon, Pampanga	52,906.00	November 17, 2024
PANGASINAN-BAYAMBANG	Prime Bldg., Rizal St., Zone 2, Bayambang, Pangasinan	64,448.00	August 11, 2020
PANGASINAN-MANGALDAN	G/F Abad Biascan Bldg., 5 Rizal Ave., Poblacion, Mangaldan, Pang.	55,315.15	March 31, 2020
PANGASINAN-SAN CARLOS CITY	Plaza Jaycee St., San Carlos City, Pangasinan	86,450.00	August 14, 2024
SAN FERNANDO CITY-DOLORES	Units 4 & 5, G/F, Peninsula Plaza Building, MacArthur Highway, Dolores, City of San Fernando, Pampanga	80,155.20	May 31, 2024
SAN FERNANDO CITY-EAST GATE	East Gate City Walk Commercial Building, Olongapo-Gapan Road, San Jose, City of San Fermando, Pampanga	64,285.71	June 15, 2023
SAN FERNANDO CITY-MCARTHUR HI-WAY	LNG Bldg., Mc Arthur Highway, Brgy. Dolores, City of San Fernando, Pampanga	85,596.25	July 31, 2023
SAN FERNANDO CITY-SINDALAN	G/F, Sindalan Commercial Building, Brgy. Sindalan, City of San Fernando, Pampanga	85,000.00	August 31, 2027
SAN JOSE DEL MONTE-QUIRINO HI-WAY	Dalisay Bldg., Quirino Hi-way, Tungkong Mangga, City of San Jose Del Monte, Bulacan	150,000.00	December 31, 2024
SANTIAGO – PANGANIBAN	Municipal Integrated Parking Bldg., Panganiban St., Brgy. Centro East, Santiago City, Isabela	renewal on process	-
TARLAC CITY-ZAMORA	A & E Bldg., Unit 123, #06 Zamora St., Brgy. San Roque, Tarlac City	79,360.46	October 31, 2022
TARLAC-CAMILING	Rizal St., Camiling, Tarlac	59,998.95	March 15, 2022
TARLAC-CAPAS-STO. DOMINGO	Capas Commercial Complex, Barrio Sto. Domingo, Capas, Tarlac	66,950.00	October 15, 2021
URDANETA CITY-ALEXANDER	AAG Bldg. 2, Alexander St., Urdaneta City, Pangasinan	78,500.00	January 31, 2023
ZAMBALES-STA. CRUZ	Barangay Hall, Poblacion South, Sta. Cruz, Zambales	25,000.00	December 31, 2020

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
Southern Luzon			
ALBAY-LIGAO	San Jose Street, Dunao, Ligao City, Albay	68,750.00	September 30, 2022
ALBAY-POLANGUI	National Road, Ubaliw, Polangui, Albay	35,714.29	April 30, 2023
BACOOR CITY-MOLINO	I.K. Commercial Building, Molino III, Paliparan Highway, Bacoor, Cavite	86,640.40	May 31, 2024
BACOOR CITY-PANAPAAN	San Miguel Commercial Building, 215 E. Aguinaldo Highway, Barangay Panapaan I, Bacoor, Cavite	20,944.00	May 13, 2017
BATANGAS CITY-KUMINTANG	JPA AMA Bldg., Kumintang Ilaya, Batangas City, Batangas	60,000.00	February 28, 2020
BATANGAS CITY-P. BURGOS	Unit G1E, G/F Expansion Area, Nuciti Central Mall, P. Burgos St., Batangas City, Batangas	-00	March 22, 2020
BATANGAS-BAUAN-J.P. RIZAL	G/F, ADD Building, J.P. Rizal Street, Poblacion, Bauan, Batangas	50,526.56	August 02, 2021
BATANGAS-LEMERY	Humarang Building corner Ilustre Avenue and P. De Joya Street, Lemery, Batangas	87,978.65	June 30, 2021
BATANGAS-NASUGBU	JP Laurel corner F. Alix Sts., Nasugbu, Batangas	70,000.00	May 31, 2019
BATANGAS-PALLOCAN WEST	G/F MAJ Building National Nighway, Pallocan West, Batangas City	70,000.00	June 26, 2019
BATANGAS-TANAUAN	G/F, V. Luansing Bldg, J.P. Laurel Highway, Tanauan City, Batangas	81,396.00	August 21, 2021
CAMARINES NORTE-DAET-PIMENTEL AVE.	Pimentel Ave., cor. Dasmarinas St., Daet, Camarines Norte	79,000.00	March 16, 2020
CAMARINES SUR-GOA	Juan Go Building, corner Rizal & Bautista Streets, Goa, Camarines sur	50,139.29	May 31, 2024
CAMARINES SUR-PILI	Cu Building, Old San Roque, Pili, Camarines Sur	66,019.42	August 31, 2022
CATANDUANES-VIRAC	G/F, Johnson Building, Rizal Avenue Santa Cruz, Virac, Catanduanes	80,000.00	April 27, 2028
CAVITE-CARMONA	9767 Barangay Maduya, Carmona,Cavite	76,576.88	April 30, 2023
CAVITE-GEN. TRIAS	129 Governor's Drive, Manggahan, General Trias, Cavite City	68,860.61	February 27, 2024
CAVITE-IMUS BAYAN	GF, J. Antonio Building 1167 Gen. Aguinaldo Highway, Bayan Luma 7, Imus, Cavite	152,369.46	November 10, 2021
CAVITE-IMUS-AGUINALDO	Sayoc-Abella Blsg., E. Aguinaldo Hi-way, Imus, Cavite	-00	August 31, 2020
CAVITE-NAIC	P. Poblete Street, Ibayo Silangan, Naic, Cavite	70,284.20	February 14, 2022
CAVITE-ROSARIO-CEPZ	General Trias Drive, Rosario, Cavite	28,700.00	February 12, 2042
CAVITE-TANZA	G/F, Annie's Plaza Building, A. Soriano Highway, Daang Amaya, Tanza, Cavite	62,400.00	October 15, 2020
DASMARIÑAS-AGUINALDO HI-WAY	G/F, LCVM Building, Aguinaldo Hi-Way, Zone IV, Dasmariñas, Cavite City	143,545.76	December 20, 2020
DASMARIÑAS-SALITRAN	Michael's Building, Aguinaldo Highway, Salitran, Dasmariñas City, Cavite	63,520.00	September 20, 2020
LAGUNA- SOUTHWOODS	G/F, Southwoods Mall, Brgy. San Francisco, Binan, Laguna	225,342.00	September 29, 2022
LAGUNA-BIÑAN	Ammar Commercial Center, Nepa National Highway, Barangay Sto. Domingo, Biñan, Laguna	76,500.00	March 31, 2023
LAGUNA-CABUYAO-ABI	Asia Brewery Complex, National Hi-way, Bgy. Sala, Cabuyao, Laguna	40,717.46	March 31, 2021
LAGUNA-CABUYAO-CENTRO MALL	Unit 124, Centro Mall, Brgy. Pulo, Cabuyao, Laguna	76,788.00	June 21, 2020
LAGUNA-CALAMBA CROSSING	G/F, Unit Building, J. Alcasid Business Center, Crossing Calamba City, Laguna	98,154.00	March 14, 2021
LAGUNA-CALAMBA-BUCAL	G/F, Prime Unit 103 Carolina Center Building, corner Ipil-ipil Street, Barangay Bucal, Calamba, Laguna	84,078.20	November 30, 2023
LAGUNA-CALAMBA-PARIAN	G/F Sta. Cecilia Business Center, Nat'l Hi-way, Bgy. Parian, Calamba, Laguna	46,546.03	October 15, 2021
LAGUNA-PASEO DE SANTA ROSA	Blk. 5 Lot 3B, Sta. Rosa Estate 2-A, Balibago, Tagaytay Road, Barangay Sto. Domingo, Sta. Rosa City, Laguna	164,250.00	May 14, 2021
LAGUNA-SAN PABLO CITY COLAGO	Mary Grace Building, Colago Avenue cor Quezon Avenue, San Pablo City, Laguna	54,897.50	November 30, 2021
LAGUNA-SAN PEDRO-NAT'L. HI-WAY	Km. 31, National Highway, Brgy. Nueva, San Pedro, Laguna	43,500.98	February 28, 2023
LAGUNA-SINILOAN	G. Redor Street, Siniloan, Laguna	77,058.80	January 17, 2021
LAGUNA-STA. CRUZ-REGIDOR	137 A. Regidor St., Sta. Cruz, Manila	104,186.25	February 21, 2024
LAGUNA-STA. ROSA	Old National Hi-way, Balibago, Sta Rosa City, Laguna	104,654.55	June 09, 2021
LAGUNA-UPLB	Andres Aglibut Avenue UPLB Batong Malake, Los Baños, Laguna	88,282.11	November 30, 2023
LEGAZPI CITY-ALBAY CAPITOL	ANST Building II, Rizal Street, Barangay 14, Albay District, Legaspi City, Albay	80,905.46	April 30, 2024
LEGAZPI CITY-IMPERIAL	35 F. Imperial St., Legaspi City, Albay	115,000.00	May 31, 2020
LIPA CITY-AYALA HIGHWAY	High 5 Sqaure, Ayala Highway, Mataas na Lupa, Lipa City, Batangas	91,065.80	June 05, 2027
LUCENA CITY-ENRIQUEZ	Enriquez corner Enverga Sts., Poblacion, Lucena City, Quezon	70,000.00	September 15, 2022
MARINDUQUE-BOAC	Governor Damian Reyes Street, Barangay Murallon, Boac, Marinduque	34,821.43	July 31, 2024
MARINDUQUE-STA. CRUZ	G/F, RMR Building, Quezon Street, Barangay Maharlika, Santa Cruz, Marinduque	38,750.00	November 17, 2020
NAGA CITY-MAGSAYSAY AVE.	G-Square Building Magsaysay Avenue cor Catmon II St., Balatas, Naga City	86,366.07	April 14, 2024
NAGA CITY-PANGANIBAN	DECA Corporate Center Panganiban Drive,Barangay Tinago, Naga City,Camarines Sur	87,516.45	March 13, 2023
OR. MINDORO-PINAMALAYAN	G/F, San Agustin Building, Mabini Street, Zone IV, Pinamalayan, Oriental Mindoro	27,000.00	September 30, 2020
QUEZON-ATIMONAN	Our Lady of the Angels Parish Compund, Quezon Street, Atimonan,Quezon	35,000.00	July 15, 2020
QUEZON-GUMACA	Andres Bonifacio Street, Barangay San Diego Poblacion, Gumaca, Quezon	80,000.00	November 29, 2020

EXHIBIT II

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
ROMBLON-REPUBLIKA	Republika Street, Barangay 1, Romblon, Romblon	21,495.33	October 11, 2024
SORSOGON CITY-MAGSAYSAY	Doña Nening Building, R. Magsaysay St., Sorsogon City, Sorsogon	113,953.71	December 15, 2023
SORSOGON-BULAN	Zone 4 Tomas de Castro St., Bulan, Sorsogon	45,000.00	July 31, 2022
TAGAYTAY-MENDEZ	Vistamart Building, Gen. E. Aguilnado Highway, Mendez Crossing West, Tagaytay City	100,000.00	November 29, 2024
Visayas			
AKLAN-KALIBO-MARTELINO	0624 S. Martelino Street, Kalibo, Aklan	37,685.24	November 30, 2020
ANTIQUE-SAN JOSE	San Isidro St., San Jose	61,990.00	June 11, 2020
BACOLOD-EAST-BURGOS	G/F, Besca Properties Building, Burgos Extension, Bacolod City, Negros Occidental	68,857.15	October 02, 2024
BACOLOD-HILADO	Hilado corner L.N. Agustin Streets, Bacolod City, Negros Occidental	44,100.00	February 19, 2022
BACOLOD-LIBERTAD	Penghong Building, Poinsetia Street, Libertad Extension, Bacolod City, Negros Occidental	54,697.79	November 03, 2021
BACOLOD–NEGROS CYBER CENTRE	Negros First Cyber Centre Building, Lacson corner Hernaez Streets, Bacolod City, Negros Occidental	58,000.00	June 30, 2023
BOHOL-PANGLAO ISLAND	G/F, Cherry's Home Too Bldg., Hontanosas Road, Bgry. Tawala, Panglao Island, Bohol	104,000.00	January 31, 2029
BOHOL-TALIBON	Alturas Talibon, Poblacion, Talibon, Bohol	38,392.86	December 19, 2024
BOHOL-UBAY	G/F LM Commercial Bldg.,National Hi-way Cor.Tan Pentong St.,Poblacion, Ubay, Bohol	50,711.88	June 10, 2022
BORACAY-STATION 1	Venue One Hotel, Main Road, Station I, Balabag, Boracay Island, Malay, Aklan	159,940.00	April 03, 2021
CEBU BUSINESS PARK	Unit F, Upper G/F, FLB Corporate Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City	139,782.50	September 30, 2020
CEBU I.T. PARK	G/F, TGU Tower, Cebu IT Park, Salinas Drive corner J.M del Mar Street, Apas, Cebu City	233,000.00	December 15, 2022
CEBU UPTOWN	G/F, Visayas Community Medical Center Mixed Use Bldg., Osmeña Blvd., Cebu City	127,542.86	February 29, 2020
CEBU-BANAWA	One Pavilion Mall, R. Duterte Street, Banawa, Cebu City	92,694.06	October 07, 2022
CEBU-BANILAD-FORTUNA	AS Fortuna St., Banilad, Mandaue City, Cebu	-00	March 31, 2020
CEBU-BANILAD-MA. LUISA PARK	Gov. M. Cuenco Avenue corner Paseo Saturnino Street, Banilad, Cebu City	117,315.00	February 28, 2020
CEBU-BANTAYAN	J.P. Rizal St., Ticad, Bantayan, Cebu City	53,340.00	June 21, 2025
CEBU-BOGO	Corner R. Fernan & San Vicente Streets, Bogo City, Cebu	32,709.48	April 16, 2021
CEBU-CARBON	41-43 Plaridel St., Carbon District, Cebu City, Cebu	108,000.00	October 31, 2019
CEBU-CARCAR	Rotonda, Carcar Cebu	72,748.80	February 21, 2021
CEBU-COLON	G/F J. Avila Bldg., Collonade Mall Oriente, Colon St., Cebu City	134,300.00	December 31, 2019
CEBU-CONSOLACION	Consolacion Government Center Extension , Poblacion , Oriental , Consolacion , Cebu.	66,000.00	August 02, 2020
CEBU-ESCARIO	G/F Capitol Square, N. Escario Street, Cebu City	52,673.96	August 27, 2020
CEBU-FUENTE OSMEÑA	BF Paray Building, Osmeña Boulevard, Cebu city	140,186.92	May 31, 2023
CEBU-LAHUG	G/F, Juanita Building, Escario Street corner Gorordo Avenue, Barangay Camputhaw, Lahug, Cebu City	72,187.20	February 07, 2021
CEBU-LAPU-LAPU MARKET	Mangubat cor. Rizal Sts., Lapu-Lapu City, Cebu	25,639.73	December 31, 2023
CEBU-LAPU-LAPU-PUSOK	Highway, Pusok, Lapu-Lapu City	24,758.45	February 28, 2021
CEBU-LILOAN	Units 11-12, G/F, Gaisano Grand Liloan, Barangay Poblacion, Liloan, Cebu	56,250.00	February 28, 2021
CEBU-MACTAN INT'L AIRPORT	Lower Ground, Waterfront Mactan, Airport Road, Pusok, Lapu-Lapu City, Cebu	30,567.69	November 30, 2022
CEBU-MAMBALING	G/F Super Metro Mambaling, F. Llamas St., Basak, San Nicolas, Cebu City	68,000.00	October 28, 2021
CEBU-MANDAUE CENTRO	G/F, Gaisano Grand Mall, Mandaue Centro, A. Del Rosario Street, Mandaue City, Cebu	112,868.44	February 28, 2022
CEBU-MANDAUE-A. CORTES	A. C. Cortes Avenue, Ibabaw, Mandaue City, Cebu	66,000.00	February 28, 2021
CEBU-MANDAUE-LOPEZ JAENA	J. D. Bldg., Lopez Jaena St., Highway, Tipolo, Mandaue City	84,918.88	April 14, 2020
CEBU-MANDAUE-NORTH ROAD	Unit 101A Ground Floor , Insular Square, Northroad Basak Mandaue City	83,638.00	February 28, 2023
CEBU-MANDAUE-SUBANGDAKU	KRC Bldg., National Highway, Subangdaku, Mandaue City, Cebu	66,008.65	August 15, 2021
CEBU-MEPZ	1st Avenue, MEPZ 1, Ibo, Lapu-lapu City, Cebu	10,745.00	July 19, 2019
CEBU-MINGLANILLA	Ward 4, Poblacion, Minglanilla, Cebu City	63,206.32	October 14, 2022
CEBU-MOALBOAL	G/F, Stall MBL-GFS 7, 8 & 9, Gaisano Grand Mall, Poblacion East, Moalboal, Cebu	54,000.00	April 30, 2020
CEBU-TABUNOK NAT'L. HI-WAY	G/F, Paul Sy Building, National Highway, Tabunok, Talisay City, Cebu	80,454.00	January 16, 2021
CEBU-TABUNOK-TALISAY	National South Highway, Tabunok, Talisay, Cebu	56,000.00	April 30, 2019
CEBU-TALAMBAN	Leyson St., Talamban, Cebu City	81,648.00	August 15, 2019
DUMAGUETE CITY-SOUTH ROAD	Manhattan Suites, South Road, Calindagan, Dumaguete City, Negros Oriental	70,499.37	October 14, 2023
EASTERN SAMAR-GUIUAN	Guimbaolibot Avenue, Brgy. Lactason, Guiuan, Eastern Samar	50,400.00	November 30, 2024
ILOILO-ALDEGUER	St. Catherine Arcade, Aldeguer St.,Iloilo City	80,000.00	November 15, 2021

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
ILOILO-DIVERSION ROAD	G/F, Unicom Building, Senator Benigno Aquino Avenue (Diversion Road), Barangay San Rafael, Mandurriao, Iloilo City	66,000.00	October 31, 2024
ILOILO-GEN. LUNA	Go Sam Building, Gen. Luna St., Iloilo City	71,500.00	December 17, 2021
ILOILO-JARO	#8 Lopez Jaena Street, Jaro, Iloilo City	70,500.00	May 02, 2021
ILOILO-JARO HECHANOVA	P.T. Española Building, Gran Plains Subdivision, Brgy. M.V. Hechanova, Tabuk Suba, Jaro, Iloilo City 5000	66,325.51	August 31, 2021
ILOILO-LA PAZ	G/F, Inayan Building, Rizal Street, La Paz, Iloilo City	58,035.71	December 31, 2023
ILOILO-MIAG-AO	One TGN Building, corner Noble & Santo Tomas Streets, Miag-ao, Iloilo	41,580.00	May 14, 2023
ILOILO-STA. BARBARA	Liz Complex, Bangga Dama, Brgy. Bolong Oeste, Sta. Barbara, Iloilo	74,699.45	October 31, 2023
LEYTE-BAYBAY CITY-VSU BRANCH	G/F, Technology Business Incubation Center Bldg., Visayas State University, Brgy. Pangasungan, Baybay City, Leyte	7,000.00	August 02, 2028
LEYTE-ORMOC COGON	G/F, Gabas Building, Lilia Avenue, Brgy. Cogon, Ormoc City, Leyte	60,607.50	October 14, 2027
LEYTE-PALOMPON	G/F, Municipal Building, Rizal Street, Palompon, Leyte	28,000.00	May 16, 2028
NEGROS OCC.-LA CARLOTA CITY	Corner La Paz & Rizal Streets, Barangay I, La Carlota City, Negros Occidental	48,210.20	May 31, 2026
NEGROS OR.-BAIS CITY	Rosa Dy-Teves Building, Quezon Street, Bais City, Negros Oriental	37,500.00	November 30, 2021
NEGROS OR.-GUIHULNGAN	New Guihulngan Public Market, S. Villegas Street, Guihulngan, Negros Oriental	25,000.00	February 08, 2021
SOUTHERN LEYTE - HINUNANGAN BRANCH	Corner National Highway and Washington Street, Brgy. Salog, Hinunangan, Southern Leyte	None for 01-12 months	August 19, 2043
SOUTHERN LEYTE-SOGOD	No. 006 Osmeña St., Brgy Zone 2, Sogod, Southern Leyte	50,415.00	November 30, 2020
TACLOBAN CITY-RIZAL AVE.	G/F, Washington Building, Rizal Avenue, Tacloban City, Leyte	115,747.62	October 22, 2021
TAGBILARAN-ALTURAS MALL	G/F, Stall 10, Alturas Mall, C.P. Garcia Ave., M.H. del Pilar & B. Inting Sts., Tagbilaran City, Bohol	82,643.98	March 20, 2021
TAGBILARAN-ISLAND CITY MALL	Upper Ground Floor 33-34, Island City Mall, Dampas District, Tagbilaran City, Bohol	73,269.55	July 31, 2021
Mindanao			
AGUSAN DEL SUR-BAYUGAN CITY	Mendoza Square, Narra Avenue, Poblacion, Bayugan City, Agusan del Sur (Old Site 358 Narra Ave., Bayugan, Agusan del Sur	52,673.96	August 31, 2024
BUKIDNON-MARAMAG	J. Tan, Building, Sayre Highway, North Poblacion, Maramag, Bukidnon	61,000.00	September 30, 2021
BUTUAN CITY-J.C. AQUINO	J.C. Aquino Avenue, Butuan City, Agusan del Norte	75,700.93	May 31, 2023
CDO-CARMEN	REGO Building, 296 Agoho Drive, Carmen, Cagayan de Oro City, Misamis Oriental	71,428.57	July 31, 2020
CDO-LAPASAN HIGHWAY	G/F, RMT Building, Lapasan Highway, Cagayan De Oro	112,739.55	January 17, 2027
CDO-LIMKETKAI MALL NORTH CONCOURSE	G/F, North Concourse Limketkai Mall, Limketkai Center, Lapasan, Cagayan de Oro City, Misamis Oriental	174,567.97	October 31, 2021
DAVAO - SAMAL ISLAND	Purok 1, Sitio Pantalan, Barangay Miranda, Babak District Island Garden City of Samal, Davao del Norte	50,106.40	July 31, 2023
DAVAO DEL NORTE-PANABO	G/F, Gaisano Grand Mall of Panabo, Quezon Street, Barangay Sto. Niño, Panabo City, Davao Del Norte	66,145.00	November 30, 2021
DAVAO DEL NORTE-TAGUM-APOKON	GL 04-06 Gaisano Grand Arcade,Apokon Road corner Lapu-Lapu Ext., Brgy. Visayan Village, Tagum City, Davao Del Norte	57,432.68	September 15, 2022
DAVAO-AGDAO	G/F, Chavez Building, Lapu-Lapu Street, Agdao, Davao City	100,000.00	November 30, 2024
DAVAO-ATENEO	G/F, Community Center, Ateneo de Davao University, Jacinto Street, Davao City	61,800.00	October 31, 2025
DAVAO-BANGOY	G/F, Roman Paula Building, C. Bangoy Street, Davao City	75,892.86	July 20, 2024
DAVAO-CABAGUIO AVE.	HPC Bldg., Cabaguio Avenue, Bgry. Gov. Paciano Bangoy, Davao City	52,487.60	October 16, 2021
DAVAO-CALINAN	LTH Building, Davao-Bukidnon Highway, Calinan, Davao City	38,896.20	November 30, 2022
DAVAO-DIVERSION ROAD	D3G Y10 Building, Davao Diversion Road, Carlos P. Garcia Hi-way, Buhangin, Davao City	60,613.25	July 14, 2024
DAVAO-GAISANO-CABANTIAN	G/F, Units 22-24, Gaisano Grand Citygate Mall, Tigatto cor. Cabantian Road, Davao City	84,000.00	October 31, 2028
DAVAO-J.P. LAUREL AVE.	Upper Ground Floor, Units 1A & 1B, Robinsons Cybergate Delta, J.P. Laurel Avenue, Bajada, Davao City	132,996.00	December 01, 2022
DAVAO-LANANG	ABI Compound, Km. 7, Lanang, Davao City	56,000.00	July 24, 2019
DAVAO-MAGSAYSAY-LIZADA	R. Magsaysay Ave. cor. Lizada St., Davao City	115,473.00	May 09, 2022
DAVAO-MATINA-GSIS	G/F, HIJ Building, MacArthur Highway, Barangay Matina, Davao City	62,304.95	May 01, 2023
DAVAO-MATINA-MCARTHUR HIGHWAY	80 Lua Building, MacArthur Highway, Matina, Davao City	60,000.00	September 15, 2020
DAVAO-MONTEVERDE CHINATOWN	42 T.Monteverde Avenue cor. S. Bangoy Sts., Davao City	106,777.63	March 13, 2020
DAVAO-MONTEVERDE-SALES	G/F, Mintrade Building, Monteverde Street corner Sales Street, Davao City	120,000.00	March 31, 2022
DAVAO-OBRERO	G/F, JJ's Commune Building, Loyola Street, Barangay Obrero, Davao City	64,000.00	July 31, 2020
DAVAO-PANACAN	Units 11-13, G/F, GRI Business Center, Maharlika Highway, Barangay Panacan, Davao City	56,074.77	April 30, 2027
DAVAO-SASA	G/F, Carmart Building, Km 8, Sasa, Davao City	53,003.67	November 14, 2023
DAVAO-STA. ANA	G/F, Bonifacio Tan Building, Rosemary corner Bangoy Streets, Santa Ana Dist., Davao City	63,112.50	April 30, 2023
DAVAO-TORIL	G/F, Anecita G. Uy Building, Saavedra Street, Toril, Davao City	58,878.50	June 01, 2022
DIPOLOG CITY-RIZAL	Rizal Ave., cor. Osmena St., Dipolog City, Zamboanga del Norte	103,318.03	April 16, 2022
GENERAL SANTOS-KCC MALL	Unit 018 Lower G/F KCC Mall of Gensan, Jose Catolico Sr. Ave. General Santos City, South Cotabato	128,620.80	May 31, 2021

EXHIBIT II

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2019

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
GENERAL SANTOS-P. ACHARON	Pedro Acharon Blvd., General Santos City, South Cotabato	26,173.98	June 30, 2020
GENERAL SANTOS-SANTIAGO	G/F, RD Realty Development Building, Santiago Boulevard, General Santos City, South Cotabato	67,005.00	February 28, 2023
ILIGAN CITY-PALA-O	G/F, Iligan Day Inn Building, Benito S. Ong Street, Pala-O, Iligan City, Lanao del Norte	53,125.20	September 30, 2020
ILIGAN CITY-QUEZON	Quezon Ave., Poblacion, Iligan City, Lanao del Norte	98,215.00	October 31, 2021
MALAYBALAY CITY-FORTICH	Fortich corner Kapitan Juan Melendez Sts., Malaybalay, Bukidnon	46,585.00	March 31, 2023
MALAYBALAY CITY-RIZAL	G/F, Flores Building, corner Rizal & Tabios Streets, Barangay 5, Malaybalay City, Bukidnon	65,420.56	December 31, 2022
MARAWI CITY-MSU CAMPUS	Dimaporo Gymnasium, MSU-Main Campus, Barangay Rapasun/Sikap, Marawi City, Lanao del Sur	25,000.00	January 23, 2039
OZAMIS CITY-BURGOS	Ortega Building, Gomez cor. Burgos Sts., Ozamis City, Misamis Occidental	70,000.00	September 30, 2023
PAGADIAN CITY-GAISANO CAPITAL	G/F, Gaisano Capital Pagadian, Rizal Avenue, San Pedro District, Pagadian City, Zamboanga del Sur	25,287.00	January 02, 2021
SIARGAO ISLAND - DAPA	G/F, Dapa Commercial Center, Juan Luna Street, Barangay 7 Poblacion, Dapa, Siargao Island, Surigao del Norte	14,000.00	May 20, 2028
SULTAN KUDARAT-ISULAN	Senator Ninoy Aquino Avenue, Barangay Kalawag III, Isulan, Sultan Kudarat	50,000.00	October 02, 2023
SURIGAO CITY-SAN NICOLAS	San Nicolas St., Washington, Surigao City, Surigao del Norte	146,659.50	March 31, 2021
VALENCIA CITY-MABINI	Tamaylang Bldg., Mabini Street, Poblacion, Valencia City, Bukidnon	73,242.19	February 28, 2021
ZAMBOANGA - CANELAR	Mayor Jaldon St., Canelar, Zamboanga City	30,000.00	August 31, 2022
ZAMBOANGA DEL NORTE-LILOY	G/F, Venus Uy Building, Liloy-Labason Road, Baybay, Liloy, Zamboanga del Norte	40,000.00	April 30, 2024
ZAMBOANGA DEL NORTE-SINDANGAN	Corner Rizal & Bonifacio Streets, Poblacion, Sindangan, Zamboanga del Norte	6,000.00	August 11, 2022
ZAMBOANGA-CLIMACO	G/F, JNB Building, Buenavista Street, Zamboanga City, Zamboanga del Sur	97,070.33	June 24, 2022
ZAMBOANGA-KCC MALL	Upper Ground Floor, KCC Mall de Zamboanga, Governor Camins Street, Barangay Camino Nuevo, Zamboanga City, Zamboanga del Sur	229,350.00	December 20, 2020
ZAMBOANGA-MCLL HIGHWAY	G/F, AUROMA Building, Maria Clara Lorenzo Lobregat Highway, Guiwan District, Zamboanga City 7000	60,000.00	September 24, 2027
ZAMBOANGA-SAN JOSE	San Jose, Zamboanga City, Zamboanga del Sur	35,000.00	April 21, 2029
ZAMBOANGA-TETUAN	G/F, AL Gonzalez & Sons Building, Veterans Avenue, Zamboanga City, Zamboanga del Sur	84,368.16	May 15, 2022
ZAMBOANGA-VETERANS AVENUE	Zamboanga Doctors' Hospital, G/F Annex Bldg., Veterans Ave., Zamboanga City, Zamboanga del Sur	81,426.76	May 15, 2022

Exhibit III

PNB
you first.

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 2019, 2018 and 2017 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

MAR 0 2 2020

SUBSCRIBED AND SWORN to before me this ___ day of February 2020 affiants exhibiting to me their Passport Identification No.

ATTY. SHERRYL M. BLANQUISCO-SANTIAGO, CPA
Notary Public for Pasay City
Commission No. 20-02 until December 31, 2021
9F PNB Financial Center
Pres. D.P. Macapagal Blvd., Pasay City
Roll No. 55787 / IBP Lifetime Member No. 07522
PTR No. 7036075 / 01-07-2020 / Pasay City
MCLE Compliance No. VI-0019678 / 03-01-19

Doc. No. 325
Page No. 66
Book No. X
Series of 2020

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine National Bank and Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2019 and 2018 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, 2019, 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, 2019 and 2018, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2019 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

Adoption of PFRS 16, Leases
Effective January 1, 2019, the Group and the Parent Company adopted PFRS 16, Leases, under the modified retrospective approach which resulted in significant changes in the Group's and the Parent Company's accounting policy for leases. The Group's and the Parent Company's adoption of PFRS 16 is significant to our audit because the Group and the Parent Company have high volume of lease agreements; the recorded amounts are material to the consolidated and parent company financial statements; and adoption involves application of significant judgment and estimation in determining the lease term, including evaluating whether the Group and the Parent Company are reasonably certain to exercise options to extend or terminate the lease, and in determining the incremental borrowing rate. This resulted in the recognition of right-of-use assets amounting to ₱1.8 billion and ₱1.6 billion for the Group and Parent Company, respectively, and lease liability amounting to ₱1.9 billion and ₱1.6 billion for the Group and the Parent Company, respectively, as of January 1, 2019, recognition of depreciation expense of ₱568.1 million and ₱488.2 million for the Group and the Parent Company, respectively, and interest expense of ₱131.7 million and ₱118.4 million and for the Group and the Parent Company, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Notes 2, 11 and 29 to the financial statements.

Audit response

We obtained an understanding of the Group's and the Parent Company's process in implementing the new standard, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term lease and low value assets exemptions, the selection of the transition approach and any election of available practical expedients. We tested the completeness of the population of lease agreements by comparing the number of leases per operational report against the lease contract database. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements) from the contract database, identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of the financial impact of PFRS 16, including the transition adjustments.

For selected lease contracts with renewal and/or termination option, we reviewed the management's assessment of whether it is reasonably certain that the Group and the Parent Company will exercise the option to renew or not exercise the option to terminate. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

Recognition 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 determining 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; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

The allowance for credit losses as of December 31, 2019 amounted to ₱18.4 billion and ₱14.3 billion for the Group and the Parent Company, respectively. Provision for credit losses in 2019 amounted to ₱2.5 billion and ₱1.6 billion for the Group and the Parent Company, respectively.

Refer to Note 16 of the financial statements for the disclosure on the details of the allowance for credit losses using the ECL model.

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 and credit risk management policies and practices in place, (c) tested the Group's and the Parent Company's application of internal credit risk rating system 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; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the reasonableness of forward-looking information used through corroboration using publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge; 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 checked the appropriateness of the transition adjustments and reviewed the completeness of the disclosures made in the financial statements.

We involved our internal specialists in the performance of the above procedures.

Recoverability of Deferred Tax Assets
As of December 31, 2019, the deferred tax assets of the Group and the Parent Company amounted to ₱2.6 billion and ₱2.0 billion, respectively. The analysis of the recoverability of deferred tax assets was 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 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 with that of the industry and the historical performance of the Group. We also reviewed the timing of the reversal of future taxable and deductible temporary differences.

Impairment Testing of Goodwill
As at December 31, 2019, the Group and the Parent Company has goodwill amounting to ₱13.4 billion as a result of the acquisition of Allied Banking Corporation in 2013. Under PFRS, the Group is required annually to test the amount of goodwill for impairment. Goodwill has been allocated to three cash generating units (CGUs) namely retail banking, corporate banking and global banking and market. The Group performed the impairment testing using the value in use calculation. The annual impairment test was significant to our audit because it involves significant judgment and is based on assumptions such as estimates of future cash flows from business, interest margin, discount rate, current local gross domestic product and long-term growth rate used to project cash flows.

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. These assumptions include estimates of future cash flows from business, interest margin, discount rate and long-term growth rate used to project cash flows. We compared the interest margin and long-term growth rate to the historical performance of the CGUs and to economic and industry forecasts. We tested the current local gross domestic product and parameters used in the derivation of the discount rate against market data.

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, 2019, 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, 2019 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 group 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 39 and the Bangko Sentral ng Pilipinas Circular No. 1074 in Note 40 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
Janeth T. Nuñez-Javier.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-AR-2 (Group A),
July 9, 2019, valid until July 8, 2022
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125274, January 7, 2020, Makati City

February 28, 2020

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2019	2018 (As restated – Note 36)	**2019**	2018
ASSETS				
Cash and Other Cash Items	**₱30,500,927**	₱16,825,487	**₱29,642,159**	₱15,904,663
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**105,981,801**	102,723,312	**101,801,597**	98,665,375
Due from Other Banks (Note 33)	**17,758,143**	21,003,079	**10,835,106**	10,459,496
Interbank Loans Receivable (Notes 8 and 33)	**24,831,816**	11,248,455	**23,803,019**	11,689,414
Securities Held Under Agreements to Resell (Notes 8 and 35)	**2,517,764**	20,700,000	**1,149,984**	20,700,000
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**13,468,985**	10,000,776	**11,169,656**	9,983,636
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**123,140,840**	52,129,821	**118,896,564**	50,656,893
Investment Securities at Amortized Cost (Note 9)	**100,464,757**	100,805,861	**99,203,909**	99,586,329
Loans and Receivables (Notes 10 and 33)	**657,923,757**	586,666,475	**587,245,896**	510,999,274
Property and Equipment (Note 11)	**21,168,794**	19,724,639	**18,797,308**	17,606,143
Investments in Subsidiaries and an Associate (Note 12)	**2,605,473**	2,418,842	**28,430,358**	28,645,807
Investment Properties (Note 13)	**15,043,826**	13,488,866	**14,676,387**	13,149,358
Deferred Tax Assets (Note 30)	**2,580,809**	2,112,689	**1,985,597**	1,452,153
Intangible Assets (Note 14)	**2,841,989**	3,033,363	**2,699,154**	2,879,853
Goodwill (Note 14)	**13,375,407**	13,375,407	**13,515,765**	13,515,765
Other Assets (Note 15)	**8,085,523**	7,391,114	**5,352,763**	5,906,427
TOTAL ASSETS	**₱1,142,290,611**	₱983,648,186	**₱1,069,205,222**	₱911,800,586
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱172,228,956**	₱153,065,163	**₱168,628,123**	₱149,539,540
Savings	**391,769,777**	401,622,361	**384,773,630**	394,004,547
Time	**226,894,643**	147,210,729	**187,288,142**	108,450,094
Long Term Negotiable Certificates	**35,152,104**	31,403,225	**35,152,104**	31,403,225
	826,045,480	733,301,478	**775,841,999**	683,397,406
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**245,619**	470,648	**231,992**	468,279
Bills and Acceptances Payable (Notes 19, 33 and 35)	**55,963,290**	70,082,835	**48,424,017**	62,706,795
Lease Liabilities (Notes 2 and 29)	**1,806,409**	–	**1,633,083**	–
Accrued Taxes, Interest and Other Expenses (Note 20)	**6,939,726**	6,397,124	**6,058,094**	5,559,960
Bonds Payable (Note 21)	**66,615,078**	15,661,372	**66,615,078**	15,661,372
Income Tax Payable	**576,156**	900,693	**472,378**	823,739
Other Liabilities (Note 22)	**29,123,453**	28,275,024	**17,858,935**	17,532,588
	987,315,211	855,089,174	**917,135,576**	786,150,139
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	**61,030,594**	49,965,587	**61,030,594**	49,965,587
Capital Paid in Excess of Par Value (Note 25)	**32,116,560**	31,331,251	**32,106,560**	31,331,251
Surplus Reserves (Notes 25 and 32)	**642,018**	620,573	**642,018**	620,573
Surplus (Note 25)	**56,273,492**	46,613,457	**56,273,735**	46,613,704
Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	**3,250,651**	(3,196,936)	**3,250,651**	(3,196,936)
Remeasurement Losses on Retirement Plan (Note 28)	**(2,229,220)**	(1,526,830)	**(2,229,220)**	(1,526,830)
Accumulated Translation Adjustment (Note 25)	**947,562**	1,776,923	**947,562**	1,776,923
Other Equity Reserves (Note 25)	**35,466**	53,895	**35,466**	53,895
Share in Aggregate Reserves on Life Insurance Policies (Note 12)	**12,280**	12,280	**12,280**	12,280
Other Equity Adjustment	**13,959**	13,959	–	–
	152,093,362	125,664,159	**152,069,646**	125,650,447
NON-CONTROLLING INTERESTS (Note 12)	**2,882,038**	2,894,853	–	–
	154,975,400	128,559,012	**152,069,646**	125,650,447
TOTAL LIABILITIES AND EQUITY	**₱1,142,290,611**	₱983,648,186	**₱1,069,205,222**	₱911,800,586

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					
	2019	2018 (As Restated – Note 36)	2017 (As Restated – Note 36)	**2019**	2018	2017
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 33)	**₱39,853,001**	₱30,202,835	₱22,669,476	**₱35,164,556**	₱25,504,159	₱19,245,810
Investment securities at amortized cost and FVOCI, available-for-sale (AFS) and held-to-maturity (HTM) investments (Note 9)	**8,805,285**	4,594,775	3,099,911	**8,549,063**	4,502,331	3,033,843
Deposits with banks and others (Notes 7 and 33)	**652,539**	777,813	1,330,144	**432,874**	524,723	1,053,354
Interbank loans receivable and securities held under agreements to resell (Note 8)	**668,211**	379,378	480,021	**568,061**	350,808	446,134
Financial assets at FVTPL (Note 9)	**619,979**	120,667	38,808	**619,979**	120,667	38,809
	50,599,015	36,075,468	27,618,360	**45,334,533**	31,002,688	23,817,950
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**14,024,899**	7,871,173	4,794,227	**12,201,776**	6,591,288	4,104,798
Bonds payable (Note 21)	**1,945,497**	477,405	–	**1,945,497**	477,405	–
Bills payable and other borrowings (Notes 19, 29 and 33)	**2,185,046**	662,340	747,481	**1,740,622**	472,111	650,724
	18,155,442	9,010,918	5,541,708	**15,887,895**	7,540,804	4,755,522
NET INTEREST INCOME	**32,443,573**	27,064,550	22,076,652	**29,446,638**	23,461,884	19,062,428
Service fees and commission income (Notes 26 and 33)	**5,176,500**	4,259,284	4,180,861	**3,677,689**	3,524,263	3,130,783
Service fees and commission expense (Note 33)	**988,164**	773,082	1,087,498	**800,376**	616,207	592,427
NET SERVICE FEES AND COMMISSION INCOME	**4,188,336**	3,486,202	3,093,363	**2,877,313**	2,908,056	2,538,356
Net insurance premium (Note 26)	**1,151,705**	1,228,794	656,329	–	–	–
Net insurance benefits and claims (Note 26)	**909,975**	1,292,949	322,244	–	–	–
NET INSURANCE PREMIUM (BENEFITS AND CLAIMS) (Note 26)	**241,730**	(64,155)	334,085	–	–	–
OTHER INCOME						
Foreign exchange gains - net (Note 23)	**1,105,918**	954,064	1,674,370	**861,143**	578,180	1,675,985
Trading and investment securities gains - net (Notes 9 and 33)	**1,074,478**	150,743	559,758	**1,017,155**	157,678	556,429
Net gains on sale or exchange of assets (Note 26)	**690,625**	5,861,143	3,921,136	**686,441**	5,841,136	3,862,341
Equity in net earnings/(losses) of subsidiaries and an associate (Note 12)	**(97,608)**	43,847	59,215	**(345,599)**	530,885	498,254
Miscellaneous (Note 27)	**1,464,482**	1,425,439	893,517	**976,822**	1,101,875	592,041
TOTAL OPERATING INCOME	**41,111,534**	38,921,833	32,612,096	**35,519,913**	34,579,694	28,785,834
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	**9,575,917**	9,510,440	9,108,837	**8,024,694**	7,943,135	7,754,566
Taxes and licenses (Note 30)	**4,817,674**	3,729,947	2,492,392	**4,217,996**	3,343,899	2,222,755
Provision for impairment, credit and other losses (Note 16)	**2,909,858**	1,752,812	884,133	**1,593,219**	1,401,528	161,877
Depreciation and amortization (Note 11)	**2,804,123**	1,950,977	1,684,391	**2,207,071**	1,542,712	1,385,357
Occupancy and equipment-related costs (Note 29)	**1,039,241**	1,735,010	1,596,066	**854,334**	1,453,341	1,343,021
Miscellaneous (Note 27)	**7,732,529**	6,999,472	6,367,519	**6,854,659**	6,125,334	5,634,019
TOTAL OPERATING EXPENSES	**28,879,342**	25,678,658	22,133,338	**23,751,973**	21,809,949	18,501,595
INCOME BEFORE INCOME TAX	**12,232,192**	13,243,175	10,478,758	**11,767,940**	12,769,745	10,284,239
PROVISION FOR INCOME TAX (Note 30)	**2,470,986**	3,687,105	2,322,213	**2,086,464**	3,304,670	2,123,676
NET INCOME	**₱9,761,206**	₱9,556,070	₱8,156,545	**₱9,681,476**	₱9,465,075	₱8,160,563
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱9,681,480**	₱9,465,022	₱8,160,570			
Non-controlling Interests	**79,726**	91,048	(4,025)			
	₱9,761,206	₱9,556,070	₱8,156,545			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱7.05**	₱7.58	₱6.53			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018 (As restated – Note 36)	2017 (As restated – Note 36)	**2019**	2018	2017
NET INCOME	**₱9,761,206**	₱9,556,070	₱8,156,545	**₱9,681,476**	₱9,465,075	₱8,160,563
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)	**5,417,132**	(2,226,145)	–	**5,507,470**	(2,317,417)	–
Net change in unrealized gain on AFS investments, net of tax	**–**	–	454,188	–	–	468,861
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Note 9)	**447,169**	(375,389)	–	**590,236**	(284,117)	–
Share in changes in net unrealized gains (losses) on AFS investments of subsidiaries and an associate	**–**	–	(24,756)	–	–	(39,429)
	5,864,301	(2,601,534)	429,432	**6,097,706**	(2,601,534)	429,432
Accumulated translation adjustment	**(924,441)**	484,289	504,736	**(264,289)**	154,076	(5,932)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**(565,072)**	204,963	508,594
	4,939,860	(2,117,245)	934,168	**5,268,345**	(2,242,495)	932,094
Items that do not recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**583,286**	93,112	–	**349,881**	93,112	–
Remeasurement gains (losses) on retirement plan (Note 28)	**(466,926)**	192,965	952,697	**(596,589)**	109,596	973,728
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**(234,815)**	386,628	(236,632)	**(105,801)**	470,160	(258,461)
Share in aggregate reserves on life insurance policies	**–**	–	9,193	**–**	–	9,193
	(118,455)	672,705	725,258	**(352,509)**	672,868	724,460
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**4,821,405**	(1,444,540)	1,659,426	**4,915,836**	(1,569,627)	1,656,554
TOTAL COMPREHENSIVE INCOME	**₱14,582,611**	₱8,111,530	₱9,815,971	**₱14,597,312**	₱7,895,448	₱9,817,117
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱14,597,316**	₱7,895,395	₱9,817,124			
Non-controlling interests	**(14,705)**	216,135	(1,153)			
	₱14,582,611	₱8,111,530	₱9,815,971			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Consolidated													
	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Note 25)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	Net Unrealized Loss on AFS Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Note 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Other Equity Adjustment	Total	Non-controlling Interests (Note 12)	Total Equity
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**
Other equity reserve (Note 32)	–	–	–	–	–	–	–	–	**(18,429)**	–	–	**(18,429)**	**5,262**	**(13,167)**
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	**(3,372)**	**(3,372)**
Transfer to surplus reserves (Note 32)	–	–	**21,445**	**(21,445)**	–	–	–	–	–	–	–	–	–	–
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 December 31, 2017	₱49,965,587	₱31,331,251	₱597,605	₱38,831,522	₱–	(₱3,040,507)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱13,959	₱117,093,210	₱2,644,739	₱119,737,949
Effect of adoption of Philippine Financial Reporting Standard (PFRS) 9, *Financial Instruments*	–	–	–	(1,660,119)	(688,514)	3,040,507	–	–	–	–	–	691,874	–	691,874
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
Sale of investment in a subsidiary (Note 12)	–	–	–	–	–	–	–	–	–	–	–	–	100,000	100,000
Dissolution of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(62,655)	(62,655)
Other equity reserve (Note 32)	–	–	–	–	–	–	–	–	(16,320)	–	–	(16,320)	–	(16,320)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,366)	(3,366)
Transfer to surplus reserves (Note 32)	–	–	22,968	(22,968)	–	–	–	–	–	–	–	–	–	–
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
Balance at January 1, 2017	₱49,965,587	₱31,331,251	₱573,658	₱30,694,899	₱–	(₱3,469,939)	(₱2,821,853)	₱915,222	₱105,670	₱3,087	₱13,959	₱107,311,541	₱2,649,162	₱109,960,703
Total comprehensive income (loss) for the year	–	–	–	8,160,570	–	429,432	715,267	502,662	–	9,193	–	9,817,124	(1,153)	9,815,971
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,270)	(3,270)
Other equity reserves (Note 25)	–	–	–	–	–	–	–	–	(35,455)	–	–	(35,455)	–	(35,455)
Transfer to surplus reserves (Note 32)	–	–	23,947	(23,947)	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2017	₱49,965,587	₱31,331,251	₱597,605	₱38,831,522	₱–	(₱3,040,507)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱13,959	₱117,093,210	₱2,644,739	₱119,737,949

See accompanying Notes to Financial Statements.

Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Note 25)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	Net Unrealized Loss on AFS Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Note 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Total Equity
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)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other equity reserves (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 December 31, 2017	₱49,965,587	₱31,331,251	₱597,605	₱38,831,716	₱–	(₱3,040,507)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱117,079,445
Effect of adoption of PFRS 9	–	–	–	(1,660,119)	(688,514)	3,040,507	–	–	–	–	691,874
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)	–	–	–	–	–	–	–
Other equity reserves (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
Balance at January 1, 2017	₱49,965,587	₱31,331,251	₱573,658	₱30,695,100	₱–	(₱3,469,939)	(₱2,821,853)	₱915,222	₱105,670	₱3,087	₱107,297,783
Total comprehensive income for the year	–	–	–	8,160,563		429,432	715,267	502,662		9,193	9,817,117
Other equity reserves (Note 25)	–	–	–	–	–	–	–	–	(35,455)	–	(35,455)
Transfer to surplus reserves (Note 32)	–	–	23,947	(23,947)	–	–	–	–	–		–
Balance at December 31, 2017	₱49,965,587	₱31,331,251	₱597,605	₱38,831,716	₱–	(₱3,040,507)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱117,079,445

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018 (As restated – Note 36)	2017 (As restated – Note 36)	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱12,232,192**	₱13,243,175	₱10,478,758	**₱11,767,940**	₱12,769,745	₱10,284,239
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	**2,909,858**	1,752,812	884,133	**1,593,219**	1,401,528	161,877
Depreciation and amortization (Note 11)	**2,804,123**	1,950,977	1,684,391	**2,207,071**	1,542,712	1,385,357
Unrealized foreign exchange loss (gain) on bills and acceptances payable	**(2,771,182)**	1,298,559	–	**(2,771,182)**	1,292,591	–
Losses (gains) on financial assets at FVTPL (Note 9)	**(1,355,606)**	21,548	(61,485)	**(1,334,550)**	10,386	58,156
Unrealized foreign exchange gain on bonds payable	**(1,029,880)**	–	–	**(1,029,880)**	–	–
Net gain on sale or exchange of assets (Note 13)	**(690,625)**	(5,861,143)	(3,921,136)	**(686,441)**	(5,841,136)	(3,862,341)
Realized trading gain on financial assets at FVOCI (Note 9)	**(317,609)**	(167,902)	–	**(317,609)**	(160,403)	
Amortization of transaction costs on borrowings (Notes 17 and 21)	**125,596**	51,502	60,239	**125,596**	51,502	60,239
Equity in net (earnings)loss of subsidiaries and an associate (Note 12)	**97,608**	(43,847)	(59,215)	**345,600**	(530,885)	(498,254)
Amortization of premium on investment securities	**95,849**	789,981	1,383,338	**78,880**	1,034,142	1,375,100
Loss (gain) on mark-to-market of derivatives (Note 23)	**(44,060)**	899,614	(128,417)	**(44,060)**	899,614	(124,679)
Realized trading gain on AFS investments (Note 9)	**–**	–	(506,238)	**–**	–	(506,238)
Amortization of fair value loss of HTM investments reclassified to AFS investments (Note 9)	**–**	–	141,802	**–**	4,945	141,802
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**(1,220,264)**	678,014	(798,815)	**(421,675)**	274,268	(828,073)
Financial assets at FVTPL	**(2,068,543)**	(8,039,543)	(778,629)	**192,590**	(8,063,759)	(808,168)
Loans and receivables	**(75,034,482)**	(88,550,600)	(75,945,020)	**(78,630,395)**	(73,115,194)	(63,393,954)
Other assets	**(1,679,271)**	2,269,350	(777,538)	**300,790**	2,071,977	(2,103,444)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**(225,029)**	127,126	–	**(236,287)**	124,863	–
Deposit liabilities	**92,702,273**	95,341,952	67,387,302	**92,402,864**	86,953,099	54,189,539
Accrued taxes, interest and other expenses	**561,268**	1,073,637	379,861	**516,800**	886,415	441,930
Other liabilities	**356,335**	548,819	(187,798)	**(301,401)**	804,897	(1,129,101)
Net cash generated from (used in) operations	**25,448,551**	17,384,031	(764,467)	**23,757,870**	22,411,307	(5,156,013)
Income taxes paid	**(3,369,421)**	(3,779,657)	(1,524,208)	**(3,043,713)**	(3,314,639)	(1,350,866)
Net cash provided by (used in) operating activities	**22,079,130**	13,604,374	(2,288,675)	**20,714,157**	19,096,668	(6,506,879)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of investment securities at amortized cost (Note 9)	**81,709,960**	19,356,795	–	**81,530,081**	37,694,571	–
Disposal/maturities of financial assets at FVOCI/AFS investments	**36,239,398**	41,459,104	199,856,642	**34,213,584**	41,652,990	199,690,619
Disposal of property and equipment (Note 11)	**162,143**	123,767	29,719	**3,531**	583,701	172,226
Disposal of investment properties	**712,650**	8,456,263	5,570,269	**717,677**	8,493,918	5,119,922
Share in dividends from subsidiaries (Note 12)	**–**	–	–	**–**	–	1,333,350
Acquisitions of:						
Financial assets at FVOCI/AFS investments	**(100,926,015)**	(23,729,263)	(202,587,314)	**(96,281,851)**	(25,122,624)	(201,794,860)
Investment securities at amortized cost	**(81,365,299)**	(93,782,890)	–	**(81,150,541)**	(111,057,852)	–
Property and equipment (Note 11)	**(2,299,285)**	(3,026,508)	(1,964,768)	**(1,634,668)**	(2,263,064)	(1,658,985)
Software cost (Note 14)	**(334,548)**	(169,231)	(1,162,121)	**(331,543)**	(160,857)	(1,045,743)
HTM investments	**–**	–	(2,801,983)	**–**	–	(2,726,786)
Additional investments in subsidiaries (Note 12)	**–**	–	–	**(180,000)**	(266,000)	(700,000)
Closure of subsidiaries (Note 12)	**–**	–	–	**–**	–	50,000
Net cash used in investing activities	**(66,100,996)**	(51,311,963)	(3,059,556)	**(63,113,730)**	(50,445,217)	(1,560,257)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018 (As restated – Note 36)	2017 (As restated – Note 36)	**2019**	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of bills and acceptances payable	**₱1,465,130,227**	₱187,599,609	₱164,866,720	**₱1,445,941,174**	₱178,534,210	₱159,025,830
Proceeds from issuance of bonds payable (Note 21)	**51,899,720**	15,398,696	–	**51,899,720**	15,398,696	–
Settlements of:						
Bills and acceptances payable	**(1,476,478,591)**	(162,732,019)	(157,020,131)	**(1,457,452,771)**	(158,520,810)	(151,794,765)
Subordinated debt	**–**	–	(3,500,000)	**–**	–	(3,500,000)
Proceeds from issuance of stocks (Note 25)	**11,850,316**	–	–	**11,840,316**	–	–
Payment of principal portion of lease liabilities (Note 29)	**(509,952)**	–	–	**(436,331)**	–	–
Dividends paid to non-controlling interest	**–**	–	(3,270)	–	–	–
Net cash provided by financing activities	**51,891,720**	40,266,286	4,343,319	**51,792,108**	35,412,096	3,731,065
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,869,854**	2,558,697	(1,004,912)	**9,392,535**	4,063,547	(4,336,071)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**16,825,487**	12,391,139	11,014,663	**15,904,663**	11,671,952	10,626,525
Due from Bangko Sentral ng Pilipinas	**102,723,312**	108,743,985	127,337,861	**98,665,375**	105,497,459	123,799,952
Due from other banks	**21,003,079**	22,025,322	22,709,805	**10,459,496**	10,755,260	12,831,514
Interbank loans receivable	**10,580,432**	11,491,684	7,243,886	**10,581,083**	9,700,916	7,352,840
Securities held under agreements to resell	**20,700,000**	14,621,483	1,972,310	**20,700,000**	14,621,483	1,972,310
	171,832,310	169,273,613	170,278,525	**156,310,617**	152,247,070	156,583,141
CASH AND CASH EQUIVALENTS AT END 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 (Note 8)	**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
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱17,522,121**	₱8,151,979	₱5,317,161	**₱15,188,304**	₱6,768,648	₱4,617,444
Interest received	**49,063,648**	32,969,308	28,559,267	**43,948,726**	28,399,766	25,320,173
Dividends received	–	3,366	3,270	–	3,366	32,417

See accompanying Notes to Financial Statements.

(Amounts in Thousand Pesos except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of December 31, 2019 and 2018, the shares of PNB are held by the following:

	2019	2018
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	**59.83%**	59.83%
PCD Nominee Corporation	**17.86%**	17.33%
Other stockholders owning less than 10% each	**22.31%**	22.84%
	100.00%	100.00%

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 715 and 711 domestic branches as of December 31, 2019 and 2018, respectively. As of the same dates, the Parent Company has 71 overseas branches, representative offices, remittance centers and subsidiaries in 16 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.

Merger with Allied Banking Corporation
On March 6, 2012, the respective shareholders of PNB and Allied Banking Corporation (ABC), another listed universal bank, representing at least 2/3 of the outstanding capital stock of both banks, approved the Plan of Merger of the two banks. Under the Plan of Merger, PNB will be the surviving entity and it will issue to ABC shareholders 130 PNB common shares for every ABC common share and 22.763 PNB common shares for every ABC preferred share. Merger and business combination are terms used interchangeably within the accompanying financial statements and have the same meaning.

On February 9, 2013 (the acquisition date), PNB concluded its merger with ABC with a purchase consideration amounting to ₱41.5 billion, representing 423,962,500 common shares at the fair value of ₱97.90 per share in exchange for the 100.00% voting interest in ABC at the share swap ratio above (Note 14). The fair value of the shares is the published price of the shares of PNB as of February 9, 2013. There are no contingent considerations arrangements as part of the merger.

On March 2, 2017, the Bureau of Internal Revenue (BIR) issued a final confirmation ruling that the statutory merger of PNB and ABC is a tax-free merger under Section 40(C)(2) of the National Internal Revenue Code of 1997 as amended (Tax Code).

In connection with the merger, the BSP gave certain incentives to PNB, which include, among others:
- recognition of the fair value adjustments in both books prepared under Philippine Financial Reporting Standards (PFRS) and Regulatory Accounting Principles (RAP);
- full recognition of appraisal increment from the revaluation of premises, improvements and equipment in the computation of its capital adequacy ratio (CAR).

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 and PNB Savings Bank (PNBSB) reflect the accounts maintained in their 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 PFRS.

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.

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 adjustment', 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

Starting January 1, 2019, the Group applied for the first time the following new and amended accounting standards and interpretations.

New Standard and Interpretation

- PFRS 16, *Leases*

  PFRS 16 supersedes Philippine Accounting Standards (PAS) 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases–Incentives*, and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

  Group as lessor

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. The Group continues to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact on leases where the Group is the lessor.

  Group as lessee

  The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the Group applied PFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient to no longer reassess whether a contract is, or contains, a lease at January 1, 2019. Instead, the Group applied PFRS 16 only to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4 at January 1, 2019.

The Group has entered into property lease contracts for some of its branch and office premises. Before the adoption of PFRS 16, the Group classified each of its leases at the inception date as either a finance lease or an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

Refer to the significant accounting policies prior to and beginning January 1, 2019.

Leases previously accounted for as operating leases
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:
- relied on its assessment of whether leases are onerous immediately before the date of initial application
- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at January 1, 2019, the Group and the Parent Company recognized the following accounts in the statement of financial position:

	Consolidated	**Parent Company**
Right-of-use assets (included under 'Property and equipment') (Note 11)	**₱1,817,349**	**₱1,600,161**
Lease liabilities (Note 29)	**1,859,717**	**1,642,529**
Accrued rent (under 'Accrued taxes, interest and other expenses')	**(42,368)**	**(42,368)**
Prepayments (under 'Other assets')	**(5,272)**	**(5,272)**

As of January 1, 2019, the weighted average incremental borrowing rate applied by the Group to the lease liabilities ranges from 4.75% to 8.06%. The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as at December 31, 2018, as follows:

	Consolidated	**Parent Company**
Operating lease commitments as at December 31, 2018	**₱2,784,650**	**₱2,115,826**
Commitments relating to:		
Leases of short-term and low-value assets	**(679,474)**	**(366,091)**
Renewal periods not included in operating lease commitments as at December 31, 2018	**15,149**	**–**
Total gross lease payments as of January 1, 2019	**2,120,325**	**1,749,735**
Incremental borrowing rate	**4.75% to 8.06%**	**8.06%**
Lease liabilities as at January 1, 2019	**₱1,859,717**	**₱1,642,529**

The adoption of PFRS 16 had no impact on the Group's Statement of income, comprehensive income, changes in equity and cash flows. It has also no material impact on the Group's CAR and Common Equity Tier 1 (CET1) ratio.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatment*
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
  - whether the Group considers uncertain tax treatments separately;
  - the assumptions the Group makes about the examination of tax treatments by taxation authorities;
  - how the Group determines taxable income (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
  - how the Group considers changes in facts and circumstances

  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. The Group assumes that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the Group expects to better predict the resolution of the uncertainty.

  Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position and applies significant judgment in identifying uncertainties over its income tax treatments. Since the Group operates in a complex and regulated environment, it assessed whether the Interpretation had an impact on its financial statements. Based on its assessment and in consultation with its tax counsel, the Group determined that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the Interpretation did not have an impact on the financial statements of the Group.

Amendments to Accounting Standards
The adoption of the following amendments and improvements to accounting standards as at January 1, 2019 did not have an impact on the financial statements of the Group:

- Amendments to PFRS 9, *Financial Instruments: Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits: Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to PFRS 2015 to 2017 Cycle
  - PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements–Previously held interest in a joint operation*
  - PAS 12, *Income Taxes–Income tax consequence of payments on financial instruments classified as equity*
  - PAS 23, *Borrowing Costs–Borrowing costs eligible for capitalization*

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, 2020

- Amendments to PFRS 3, *Business Combinations: Definition of a Business*
  The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments will apply to future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8*, Accounting Policies*, *Changes in Accounting Estimates and Errors: Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRS and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

Effective beginning on or after January 1, 2021 (subject to Board of Accountancy's approval)

- 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, 2021, with comparative figures required. On November 14, 2019, the International Accounting Standards Board (IASB) proposed to extend the effective date to January 1, 2022. Early application is permitted but only if the entity also applies PFRS 9 and PFRS 15. The Group is still assessing the impact of adopting this standard.

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 Bangko Sentral ng Pilipinas (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 requirement.

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 'Change in net unrealized loss on financial assets at FVOCI'.

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 BSP', '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.

Policies on subsequent measurement of financial instruments affecting the 2017 financial statements
Prior to its adoption of PFRS 9 in January 1, 2018, the Group classified certain investment securities as available-for-sale (AFS) investments, which was the residual classification of financial assets under previous accounting policies. The Group recognized the unrealized gains and losses arising from the fair valuation of AFS investments, net of tax, in OCI, which is similar to the treatment of fair value changes of financial assets at FVOCI under PFRS 9. However, unlike financial assets at FVOCI, when the securities are disposed of, the Group recognized the cumulative gain or loss of AFS investments previously recognized in OCI as 'Trading and investment securities gains - net' in the statement of income, regardless whether the AFS investment is a debt or an equity security. The Group also subjected both AFS debt and equity securities to impairment assessment.

Subsequent measurement of loans and receivables and held-to-maturity (HTM) investments under PAS 39 were similar to that of financial assets at amortized cost under PFRS 9 (i.e., using effective interest method of amortization and subject to impairment). Further, there was no change in the subsequent measurement of financial assets at FVTPL from PAS 39 to PFRS 9, where all changes in fair values are recognized directly 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.

Financial Instruments – Derecognition

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 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.

Financial Instruments – Impairment

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. Such modifications can 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 a loan or credit exposure has been renegotiated or modified, and was not derecognized, the Group shall assess 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.

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 effective interest rate (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.

Policies on impairment of financial instruments affecting the 2017 financial statements
Prior to adoption of PFRS 9 on January 1, 2018, the Group applied the incurred loss approach by assessing impairment only when there had been an objective evidence of impairment, such as indications that the borrower was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicated that there was measurable decrease in the estimated future cash flows.

For financial assets carried at amortized cost (such as loans and receivables and HTM investments), AFS debt securities, and reinsurance assets, the Group first assessed impairment for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there was an objective evidence of incurred impairment, the Group measured the amount of the impairment loss as the difference between the asset's carrying amount and the present value of the estimated future cash flows computed using the financial asset's original EIR. If the Group determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics (such as internal credit risk rating, collateral type, past-due status or term) and collectively assessed them for impairment based on historical loss experience.

The methodology and assumptions used by the Group for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The Group assessed for impairment its consumer loans and credit card receivables on a collective basis using a net flow rate methodology. Net flow tables were derived from account-level monitoring of monthly movements between different stage buckets, from one-day past due to 180-days past due. The net flow rate methodology relied on the last 60 months for consumer loans and 24 months for credit card receivables of net flow tables to establish a percentage (net flow rate) of receivables that are current or in any state of delinquency (i.e., 30, 60, 90, 120, 150 and 180 days past due) as of the reporting date that will eventually result in write-off. The Group then computed the gross provision based on the outstanding balances of the receivables as of the reporting date and the net flow rates were determined for the current and each delinquency bucket.

For AFS equity securities, the Group assessed impairment whether there was a significant or prolonged decline in the fair value of the investments below their cost. The Group treated 'significant' generally as 20.00% or more and 'prolonged' greater than 12 months. In addition, the Group evaluated other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities. When there was evidence of impairment, the Group excludes the cumulative loss on the AFS equity securities from OCI and recognized them in the statement of income. The Group did not reverse impairment losses on AFS equity securities through the statement of income and any increases in fair value after impairment were recognized directly in OCI.

Financial Guarantees and Undrawn Loan Commitments

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 'Miscellaneous liabilities' under 'Other liabilities'.

Investments in Subsidiaries in the Parent Company Financial Statements
In the separate financial statements of the Parent Company, the Parent Company accounts for its investments in subsidiaries under the equity method of accounting as discussed below.

Investment in an Associate
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 accounts for its investment in an associate 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.

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 ‘Miscellaneous income’.

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.

<u>Intangible Assets</u>
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 adjust 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.

Nonlife Insurance Contract Liabilities
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
Prior to January 1, 2018, under PAS 18, *Revenue*, revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

Upon adoption of PFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018, 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.

The Group assessed that there is no difference in accounting for the above service fees and commission income under PFRS 15 and PAS 18.

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.

Prior to January 1, 2018, the Group allocates the consideration received between the discounts earned, interchange fee and the loyalty points earned, with the consideration allocated to the loyalty points equal to its fair value. The fair value is determined by applying statistical analysis. The Group then defers the fair value of the points issued and recognizes revenue only when the loyalty points are redeemed or have expired.

Effective January 1, 2018, 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 (i.e., upon transfer of control under PFRS 15 and transfer of risks and rewards under PAS 18) 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
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI/AFS investments, 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.

Under PFRS 9, 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. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, the

Group continues to recognize interest income using the original EIR applied to the new carrying amount.

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 (under PFRS 9) and AFS investments (under PAS 39).

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

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	More than 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.

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.

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 theses remeasurements immediately in OCI in the period in which they arise. The Group does not reclassify these remeasurements to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies, and are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group recognizes its right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement

The Group recognizes entitlements of employees to annual leave as a liability when they are accrued to the employees. The Group recognizes the undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period for services rendered by employees up to the end of the reporting period. For leave entitlements expected to be settled for more than 12 months after the reporting date, the Group engages an actuary to estimate the long-term liability, which is reported in ‘Accrued taxes, interest and other Expenses’ in the statement of financial position.

Share-based Payment

Employees of the Parent Company receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments. The Parent Company determines the cost of equity-settled transactions at fair value at the date when the grant is made, and recognizes as ‘Compensation and fringe benefits’, together with a corresponding increase in equity (‘Other equity reserves’), over the period in which the service is fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects to the extent to which the vesting period has expired and the Parent Company’s best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in the cumulative expense recognized as at the beginning and end of the period.

Leases

Policies applicable effective January 1, 2019

The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

- Right-of-use assets
  At the commencement date of the lease (i.e, the date the underlying asset is available for use), the Group recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Group measures the right-of-use assets at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

  The Group presents the right-of-use assets in 'Property and equipment' and subjects it to impairment in line with the Group's policy on impairment of nonfinancial assets.

- Lease liabilities
  At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Group's incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

  After the commencement date of the lease, the Group measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on bills payable and other borrowings'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets
  The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of ATM offsite locations and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term

leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

Group as a lessor
For finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item, the Group recognizes a lease receivable in the statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Group includes all income resulting from the receivable in 'Interest income on loans and receivables' in the statement of income.

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

In operating leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Group recognizes rental income on a straight-line basis over the lease terms. The Group adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Group recognizes contingent rents as revenue in the period in which they are earned.

Policies applicable prior to January 1, 2019
In determining whether an arrangement was, or contained a lease, the Group assessed the substance of the arrangement whether the fulfillment of the arrangement was dependent on the use of a specific asset or assets, and the arrangement conveyed a right to use the asset. After inception of the lease, the Group 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.

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 (applicable effective January 1, 2018)
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) *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).

(f) *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.

Estimates

(a) *Credit losses on financial assets effective January 1, 2018*

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.

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) *Credit losses on loans and receivables prior to January 1, 2018*

The Group reviews its impaired loans and receivables on a quarterly basis to assess whether additional provision for credit losses should be recorded in the statement of income. In particular, judgment by the management is required in the estimating the amount and timing of future cash flows to determine the required level of allowance. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Estimated future cash flows of a collateralized loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The Group takes into account the latest available information of the borrower's financial condition, industry risk and market trends.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. For the purpose of a collective impairment, loans and receivables are grouped on the basis of their credit risk characteristics such as internal credit risk rating, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Refer to Note 16 for the details of the provision for credit losses recognized in 2017.

(c) *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 .

(d) *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, 2019 is disclosed in Note 29.

(e) *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.

(f) *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.

(g) *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.

The carrying values of the Group's goodwill and key assumptions used in determining VIU are disclosed in Note 14.

(h) *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 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 2019-2021, these are based on the following nine (11) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the 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 the following:
    a. portfolio growth
    b. movement of loan portfolio
    c. adequacy of loan loss reserves
    d. trend of nonperforming loans (NPLs)
    e. 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, as discussed under *Collateral and other credit enhancement*, 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.); as a general rule, 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 Sector 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			
	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).*

	Consolidated			
	2018			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱20,700,000	₱19,947,247	₱752,753	₱19,947,247
Loans and receivables:				
Receivables from customers*:				
Corporates	471,254,760	349,173,297	413,164,650	58,090,110
LGU	6,849,595	203,000	6,646,595	203,000
Credit Cards	12,336,487	–	12,336,487	–
Retail SME	11,079,479	19,751,481	5,448,270	5,631,209
Housing Loans	32,569,910	32,010,871	12,442,493	20,127,417
Auto Loans	11,511,890	10,948,300	8,409,930	3,101,960
Others	16,995,348	13,688,546	12,984,529	4,010,819
Other receivables	23,419,669	11,841,204	12,645,429	10,774,240
	₱606,717,138	₱457,563,946	₱484,831,136	₱121,886,002

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	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**

	Parent Company			
	2018			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱20,700,000	₱19,947,247	₱752,753	₱19,947,247
Loans and receivables:				
Receivables from customers:				
Corporates	453,054,812	323,072,021	409,334,975	43,719,837
LGU	6,849,595	203,000	6,646,595	203,000
Credit Cards	12,336,487	–	12,336,487	–
Retail SME	7,240,249	6,387,250	4,993,424	2,246,825
Housing Loans	1,569,098	1,405,724	1,469,991	99,107
Auto Loans	433	4,074	–	433
Others	13,487,060	13,480,147	9,557,934	3,929,126
Other receivables	16,461,540	11,835,919	5,692,585	10,768,955
	₱531,699,274	₱376,335,382	₱450,784,744	₱80,914,530

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			
	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**
	₱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)*

	Consolidated			
	2018			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱555,861,986	₱121,072,569	₱127,163,463	₱804,098,018
Asia (excluding the Philippines)	27,523,240	34,425,377	13,337,474	75,286,091
USA and Canada	909,044	7,058,104	6,360,517	14,327,665
United Kingdom	38,764	340,809	8,069,032	8,448,605
Oceania	1,684,104	–	–	1,684,104
Other European Union Countries	–	39,599	1,532,835	1,572,434
Middle East	–	–	16,530	16,530
	₱586,017,138	₱162,936,458	₱156,479,851	₱905,433,447

* *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			
	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**
	₱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)*

	Parent Company			
	2018			
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱493,829,414	₱118,495,863	₱122,138,458	₱734,463,735
Asia (excluding the Philippines)	14,645,344	34,423,612	6,792,458	55,861,414
United Kingdom	840,412	6,926,975	4,617,267	12,384,654
Other European Union Countries	–	340,809	7,155,383	7,496,192
Oceania	1,684,104	–	–	1,684,104
USA and Canada	–	39,599	1,465,439	1,505,038
Middle East	–	–	16,530	16,530
	₱510,999,274	₱160,226,858	₱142,185,535	₱813,411,667

**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			
	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**

	Consolidated 2018 Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱91,279,698	₱32,395,927	₱133,431,421	₱257,107,046
Wholesale and retail	82,869,619	–	–	82,869,619
Electricity, gas and water	72,395,370	3,825,413	–	76,220,783
Manufacturing	49,141,768	446,044	–	49,587,812
Transport, storage and communication	41,994,136	393,279	–	42,387,415
Public administration and defense	18,007,819	–	–	18,007,819
Agriculture, hunting and forestry	7,279,632	–	–	7,279,632
Secondary target industry:				
Government	961,957	101,365,868	22,148,910	125,441,825
Real estate, renting and business activities	83,004,427	14,604,914	–	83,362,991
Construction	25,852,120	358,564	–	40,457,034
Others**	113,230,592	9,546,449	899,520	122,711,471
	₱586,017,138	₱162,936,458	₱156,479,851	₱905,433,447

* *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 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).*

	Parent Company			
	2018			
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	₱91,254,439	₱32,382,583	₱22,148,910	₱145,785,932
Wholesale and retail	78,593,080	–	–	78,593,080
Electricity, gas and water	72,366,879	3,825,374	–	76,192,253
Transport, storage and communication	40,749,110	–	–	40,749,110
Manufacturing	45,073,568	446,044	–	45,519,612
Public administration and defense	18,007,819	–	–	18,007,819
Agriculture, hunting and forestry	7,274,620	–	–	7,274,620
Secondary target industry:				
Government	961,957	99,421,494	119,365,375	219,748,826
Real estate, renting and business activities	79,407,958	14,604,914	–	94,012,872
Construction	25,173,391	–	–	25,173,391
Others*	52,136,453	9,546,449	671,250	62,354,152
	₱510,999,274	₱160,226,858	₱142,185,535	₱813,411,667

* *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 (PSIC) 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

In 2018, the Group re-evaluated the segmentation of its loan portfolio so that it is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions. Moreover, the Group has aligned the portfolio segmentation to sound practice guidelines of internal ratings-based banks.

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 (GOCC) 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. In 2018, the Parent Company transitioned to a new internal credit risk rating system but maintained the 2-dimensional structure; that is, there is still a borrower risk rating (BRR) and the 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.

Facility Risk Rating 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 Parent Company's and PNBSB receivables from customers are defined below:

Credit quality	**26-grade CRR system Used beginning January 1, 2018**
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 BRR 8 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.

Credit quality	26-grade CRR system Used beginning January 1, 2018
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
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, 2019 and 2018:

	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 & 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**
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**

	Consolidated			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail – Corporate				
High	₱246,664,735	₱1,157,818	₱–	₱247,822,553
Standard	160,962,888	3,171,281	–	164,134,169
Substandard	39,018,920	844,624	–	39,863,544
Impaired	–	–	4,724,646	4,724,646
	446,646,543	5,173,723	4,724,646	456,544,912
Subject to Scoring & Unrated				
Non-Retail	22,672,264	4,808,639	64,611	27,545,514
Corporate	15,794,933	4,790,671	39,695	20,625,299
LGU	6,877,331	17,968	24,916	6,920,215
Retail	80,944,934	1,175,205	7,623,691	89,743,830
Auto Loans	11,682,195	21,442	39,608	11,743,245
Housing Loans	33,649,887	36,453	157,056	33,843,395
Retail SME	10,067,819	138,835	1,192,164	12,048,154
Credit Card	11,748,103	393,450	1,270,510	13,412,063
Others	13,796,930	585,025	4,964,353	19,346,308
	103,617,198	5,983,844	7,688,302	117,289,344
	₱550,263,741	₱11,157,567	₱12,412,948	₱573,834,256

	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 & 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**

	Parent Company			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱234,340,295	₱1,112,772	₱–	₱235,453,067
Standard	160,962,888	3,171,281	–	164,134,169
Substandard	39,018,920	844,624	–	39,863,544
Impaired	–	–	4,723,905	4,723,905
	434,322,103	5,128,677	4,723,905	444,174,685

(Forward)

	Parent Company			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Subject to Scoring & Unrated				
Non-Retail	₱16,806,236	₱4,457,670	₱66,810	₱21,330,716
Corporate	9,928,905	4,439,702	41,894	14,410,501
LGU	6,877,331	17,968	24,916	6,920,215
Retail	19,744,284	535,608	2,629,113	22,909,005
Auto Loans	417	–	39,608	40,025
Housing Loans	1,483,609	15,850	127,863	1,627,322
Retail SME	6,512,155	126,308	1,191,132	7,829,595
Credit Card	11,748,103	393,450	1,270,510	13,412,063
Others	11,829,729	526,282	2,279,277	14,635,288
	48,380,248	5,519,561	4,975,200	58,875,009
	₱482,702,351	₱10,648,238	₱9,699,105	₱503,049,694

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	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**

	Consolidated				
	2018				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
LGU	₱2,601,143	₱17,968	₱ 24,916	₱–	₱2,644,027
Credit Card	857	393,450	1,230,921	39,589	1,664,817
Retail SME	448,609	138,835	304,719	887,445	1,779,608
Housing Loans	149	15,850	151,639	5,417	173,055
Auto Loans	1,005	21,442	3,276	36,332	62,055
Others	101,342	585,025	1,385,452	3,578,901	5,650,720
Total	₱3,153,105	₱1,172,570	₱3,100,923	₱4,547,684	₱11,974,282

	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**
Others	**800**	**417,564**	**25,377**	**1,441,581**	**1,885,322**
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**
Total	**₱800**	**₱1,087,675**	**₱253,088**	**₱3,930,964**	**₱5,272,527**

	Parent Company				
	2018				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
LGU	₱2,601,143	₱17,968	₱24,916	₱–	₱2,644,027
Auto Loans	417	–	–	39,608	40,025
Housing Loans	–	15,850	127,863	–	143,713
Retail SME	448,609	126,308	476,453	714,679	1,766,049
Credit Card	–	393,450	1,230,921	39,589	1,663,960
Others	81,491	526,282	1,205,780	1,073,497	2,887,050
Total	₱3,265,691	₱1,079,858	₱3,065,933	₱1,867,373	₱9,144,824

Trading and Investment Securities and Other Financial Assets
In ensuring quality investment portfolio, the Group uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e. Moody's Investors Service) as follows:

Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.

Baa1 and below - represents those investments which fall under any of the following grade:

- Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
- Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
- B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
- Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
- Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the Group and the Parent Company, gross of allowances, excluding receivables from customers, which are monitored using external ratings.

	Consolidated					
	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**

	Consolidated					
	2019					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
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).

	Consolidated					
	2018					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP[1/]	₱–	₱–	₱4,057,938	₱4,057,938	₱98,665,374	₱102,723,312
Due from other banks	8,756,826	5,844,679	2,843,242	17,444,747	3,558,332	21,003,079
Interbank loans receivables	3,260,308	7,385,582	453,379	11,099,269	149,186	11,248,455
Securities held under agreements to resell	–	–	–	–	20,700,000	20,700,000
Financial assets at FVOCI						
Government securities	1,078,129	–	32,446,636	33,524,795	–	33,524,795
Private debt securities	403,960	4,794,125	4,447,168	9,645,253	8,073,591	17,718,844
Quoted equity securities	–	–	183,148	183,148	616,911	800,059
Unquoted equity securities	–	–	–	–	86,123	86,123
Investment securities at amortized cost:						
Government securities	2,251,479	1,260,957	50,972,703	54,485,139	5,793,063	60,278,202
Private debt securities	151,666	–	2,737,374	2,889,040	41,407,883	44,296,923
Financial assets at amortized cost:						
Others[2/]	–	–	–	–	28,430,139	28,430,139

[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 and financial assets under other assets (Note 10).

	Parent Company					
	2018					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP[1/]	₱–	₱–	₱–	₱–	₱98,665,375	₱98,665,375
Due from other banks	3,275,420	3,838,006	792,377	7,905,803	2,553,693	10,459,496
Interbank loans receivables	3,260,308	7,385,582	453,379	11,099,269	590,145	11,689,414
Securities held under agreements to resell	–	–	–	–	20,700,000	20,700,000
Financial assets at FVOCI						
Government securities	783,879	–	31,913,930	32,697,809	–	32,697,809
Private debt securities	–	4,794,125	4,447,168	9,241,293	8,073,591	17,314,884
Quoted equity securities	–	–	–	–	558,077	558,077
Unquoted equity securities	–	–	–	–	86,123	86,123
Investment securities at amortized cost						
Government securities	2,251,479	1,260,957	49,884,300	53,396,736	6,695,084	60,091,820
Private securities	20,537	–	2,737,374	2,757,911	40,505,862	43,263,7736
Financial assets at amortized cost:						
Others[2/]	–	–	–	–	21,252,214	21,252,214

[/] '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 and financial assets under other assets (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					
	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)
	268,857	96,038	16,528	21,956	61,548	464,927
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)
	(139,662)	(76,416)	(24,559)	(20,036)	6,434	(254,239)
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	₱742,190,438	₱66,700,873	₱26,476,275	₱24,462,453	₱130,520,643	₱990,695,021

	Consolidated					
	2018					
	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	₱16,825,487	₱–	₱–	₱–	₱–	₱16,825,487
Due from BSP and other banks	123,248,630	–	–	–	–	123,248,630
Interbank loans receivable	9,054,007	3,700,078	4,155	411,573	16,187,338	29,357,151
Securities held under agreements to resell	20,713,656	–	–	–	–	20,713,656
Financial assets at FVTPL:						
Government securities	116,041	301,268	134,906	682,305	10,119,980	11,354,500
Private debt securities	7,632	–	–	39	537,478	545,149
Equity securities	938	4,407	53,730	63,546	415,007	537,628
Investment in UITFs	6,375	–	–	–	1,362	7,737
Derivative assets:						
Gross contractual receivable	27,666,556	10,536,098	60,497	112,041	683,409	39,058,601
Gross contractual payable	(27,520,484)	(10,490,192)	(42,937)	(81,911)	(411,484)	(38,547,008)
	146,072	45,906	17,560	30,130	271,925	511,593
Financial Assets at FVOCI:						
Government securities	315,913	553,618	3,725,942	1,192,976	28,389,989	34,178,438
Private debt securities	319,173	152,913	484,719	2,756,936	14,374,652	18,088,393
Equity securities	–	–	–	–	886,182	886,182
Investment securities at amortized cost						
Government securities	684,637	1,140,676	1,740,843	7,563,320	60,259,803	71,389,279
Private debt securities	1,237,106	12,857,236	1,430,423	2,469,149	31,928,967	49,922,881
Financial assets at amortized cost:						
Receivables from customers	91,596,975	71,842,884	29,824,138	15,111,527	471,459,416	679,834,940
Other receivables	3,246,225	246,010	88,776	3,807,172	19,045,403	26,433,586
Other assets	669,790	–	–	–	135,215	805,005
Total financial assets	₱268,188,657	₱90,844,996	₱37,505,192	₱34,088,673	₱654,012,717	₱1,084,640,233
Financial Liabilities						
Deposit liabilities:						
Demand	₱153,065,163	₱–	₱–	₱–	₱–	₱153,065,163
Savings	401,622,361	–	–	–	–	401,622,361
Time and LTNCDs	60,076,025	48,435,639	19,755,960	12,647,731	46,732,131	187,647,486
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	21,312,878	4,168,069	59,131	112,041	625,556	26,277,675
Gross contractual receivable	(21,151,285)	(4,103,918)	(43,927)	(84,634)	(431,172)	(25,814,936)
	161,593	64,151	15,204	27,407	194,384	462,739
Bills and acceptances payable	21,220,087	31,470,973	7,650,651	1,731,191	9,251,132	71,324,034
Bonds Payable	–	–	335,198	335,198	18,044,999	18,715,395
Accrued interest payable and accrued other expenses payable	530,393	545,676	318,565	478,357	719,006	2,591,997
Other liabilities	9,374,656	79,932	10,663	4,958,474	1,483,565	15,907,290
Total financial liabilities	₱646,050,278	₱890,596,371	₱28,086,241	₱20,178,358	₱76,425,717	₱851,336,464

	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)**
	241,125	**96,038**	**9,700**	**21,956**	**61,548**	**430,367**

(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 1year**	**Total**
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**
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 receivable	**34,975,698**	**15,822,860**	**849,922**	**1,069,063**	**216,301**	**52,933,844**
Gross contractual payable	**(35,113,963)**	**(15,896,387)**	**(865,139)**	**(1,089,099)**	**(209,867)**	**(53,174,455)**
	(138,265)	**(73,527)**	**(15,217)**	**(20,036)**	**6,434**	**(240,611)**
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**

	Parent Company					
	2018					
	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	₱15,904,663	₱–	₱–	₱–	₱–	₱15,904,663
Due from BSP and other banks	109,124,871	–	–	–	–	109,124,871
Interbank loans receivable	9,054,007	3,700,078	4,155	411,573	16,187,338	29,357,151
Securities held under agreements to resell	20,713,656	–	–	–	–	20,713,656
Financial assets at FVTPL:						
Government securities	116,041	301,268	134,906	682,305	10,119,980	11,354,500
Private debt securities	938	4,407	53,730	63,546	415,007	537,628
Equity securities	–	–	–	–	537,478	537,478
Derivative assets:						
Gross contractual receivable	27,666,538	10,535,716	59,131	112,041	683,409	39,056,835
Gross contractual payable	(27,520,484)	(10,490,192)	(42,937)	(81,911)	(411,484)	(38,547,008)
	146,054	45,524	16,194	30,130	271,925	509,827
Financial Assets at FVOCI:						
Government securities	188,653	553,410	3,676,724	1,118,623	27,737,653	33,275,063
Private debt securities	319,173	152,913	594,186	2,756,936	14,102,844	17,926,052
Equity securities	–	–	–	–	644,200	644,200
Investment securities at a mortized cost:						
Government securities	653,485	1,117,154	1,668,329	7,306,538	59,680,400	70,425,906
Private debt securities	1,275,473	12,857,236	1,430,423	2,469,149	31,666,253	49,698,534
Financial assets at amortized cost:						
Receivables from customers	81,472,022	68,788,473	27,138,592	10,523,511	418,403,360	606,325,958
Other receivables	5,433,667	16,076	15,730	74,065	18,678,032	24,217,570
Other assets	670,750	–	–	–	500	671,250
Total financial assets	₱245,073,453	₱87,536,539	₱34,732,969	₱25,436,376	₱598,444,970	₱991,224,307

	Parent Company 2018					
	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	₱149,539,540	₱–	₱–	₱–	₱–	₱149,539,540
Savings	394,004,547	–	–	–	–	394,004,547
Time and LTNCDs	46,928,129	30,903,441	17,218,753	11,293,593	38,173,888	144,517,804
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	21,312,878	4,168,069	59,131	112,041	625,556	26,277,675
Gross contractual receivable	(21,152,094)	(4,104,998)	(44,407)	(84,634)	(431,172)	(25,817,305)
	160,784	63,071	14,724	27,407	194,384	460,370
Bills and acceptances payable	21,130,622	27,986,302	6,850,651	92,303	7,451,938	63,511,816
Bonds Payable	–	–	335,198	335,198	18,044,999	18,715,395
Accrued interest payable and accrued other expenses payable	375,980	504,207	309,134	424,874	688,624	2,302,819
Other liabilities	11,748,075	–	–	–	1,052,542	12,800,617
Total financial liabilities	₱623,887,677	₱59,457,021	₱24,728,460	₱12,173,375	₱65,606,375	₱785,852,908

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, 2019, LCR reported to the BSP is 127.48% and 131.93% for the Group and the Parent Company, respectively.

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, 2019, NSFR reported to the BSP is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated	**Parent Company**
Available stable funding	**₱794,378**	**₱760,737**
Required stable funding	**641,399**	**603,804**
NSFR	**123.85%**	**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 moves 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 2019 and 2018, 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, 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*

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2018	₱5.27	₱523.30	₱4.59	₱533.16
Average Daily	3.49	292.78	2.98	299.25
Highest	14.85	574.50	5.04	594.39
Lowest	0.45	93.54	0.48	94.47

* *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 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					
	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**	**226,894,643**
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**	**₱304,341,919**	**₱741,242,788**
Repricing gap	**(₱92,893,364)**	**(₱26,402,046)**	**(₱3,823,531)**	**(₱15,603,680)**	**(₱111,083,859)**	**(₱249,745,981)**
Cumulative gap	**(92,893,364)**	**(119,234,911)**	**(123,058,441)**	**(138,662,122)**	**(249,745,981)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	Consolidated 2018					
	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	₱17,188,885	₱2,226,848	₱358,643	₱114,017	₱103,360,241	₱123,248,634
Interbank loans receivable and securities held under agreements to resell	27,252,060	4,293,432	–	402,963	–	31,948,455
Receivables from customers and other receivables - gross**	133,599,243	49,477,333	14,250,209	10,655,001	85,551,833	293,533,619
Total financial assets	₱178,040,188	₱55,997,613	₱14,608,852	₱11,171,981	₱188,912,074	₱448,730,708
Financial Liabilities*						
Deposit liabilities:						
Savings	₱103,372,627	₱51,010,318	₱17,409,707	₱9,855,407	₱219,974,302	₱401,622,361
Time***	54,243,105	29,114,902	12,695,184	7,290,497	43,867,041	147,210,729
Bonds payable	–	–	–	–	15,661,372	15,661,372
Bills and acceptances payable	26,009,666	29,625,656	9,334,172	438,375	4,674,965	70,082,834
Total financial liabilities	₱183,625,398	₱109,750,876	₱39,439,063	₱17,584,279	₱284,177,680	₱634,577,296
Repricing gap	(₱5,585,210)	(₱53,753,263)	(₱24,830,211)	(₱6,412,298)	(₱95,265,605)	₱(185,846,588)
Cumulative gap	(5,585,210)	(59,338,473)	(84,168,684)	(90,580,982)	(185,846,588)	–

* *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 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**
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**	**₱283,664,792**	**₱687,100,867**
Repricing gap	**(₱88,209,969)**	**(₱13,853,763)**	**₱972,931**	**(₱15,346,182)**	**(₱92,666,895)**	**(₱209,103,878)**
Cumulative gap	**(88,209,969)**	**(102,763,732)**	**(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.*

	Parent Company 2018					
	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	₱11,459,496	₱–	₱–	₱–	₱97,665,375	₱109,124,871
Interbank loans receivable and securities held under repurchase agreement	27,525,060	4,734,391	–	402,963	–	32,662,414
Receivable from customers and other receivables - gross**	133,599,243	49,477,333	14,250,209	10,655,001	85,551,833	293,533,619
Total financial assets	₱172,583,799	₱54,211,724	₱14,250,209	₱11,057,964	₱183,217,208	₱435,320,904

	Parent Company					
	2018					
	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	₱100,441,913	₱51,010,318	₱17,409,707	₱9,855,407	₱215,287,201	₱394,004,546
Time***	49,533,469	25,235,898	10,842,175	10,433,332	12,405,219	108,450,093
Bonds payable					15,661,372	15,661,372
Bills and acceptances payable	25,718,272	29,020,039	7,065,172	161,502	741,810	62,706,795
Total financial liabilities	₱175,693,654	₱105,266,255	₱35,317,054	₱20,450,241	₱244,095,602	₱580,822,806
Repricing gap	(₱3,109,855)	(₱51,054,531)	(₱21,066,845)	(₱9,392,277)	(₱60,878,394)	(₱145,501,902)
Cumulative gap	(3,109,855)	(54,164,386)	(75,231,231)	(84,623,508)	(145,501,902)	

* *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, 2019 and 2018:

	Consolidated			
	2019		2018	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱573,536**	**₱573,536**	₱321,344	₱321,344
-50bps	**(573,536)**	**(573,536)**	(321,344)	(321,344)
+100bps	**1,147,073**	**1,147,073**	642,687	642,687
-100bps	**(1,147,073)**	**(1,147,073)**	(642,687)	(642,687)

	Parent Company			
	2019		2018	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱492,130**	**₱492,130**	₱293,938	₱293,938
-50bps	**(492,130)**	**(492,130)**	(293,938)	(293,938)
+100bps	**984,261**	**984,261**	587,876	587,876
-100bps	**(984,261)**	**(984,261)**	(587,876)	(587,876)

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 and PNBSB'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					
	2019			2018		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱149,147**	**₱334,702**	**₱483,849**	₱137,978	₱330,617	₱468,595
Due from other banks	**9,638,368**	**6,083,847**	**15,722,215**	8,777,120	9,814,266	18,591,386
Interbank loans receivable and securities held under agreements to resell	**4,880,250**	**2,094,530**	**6,974,780**	2,869,290	1,950,059	4,819,349
Loans and receivables	**22,726,294**	**11,046,642**	**33,772,936**	18,453,000	11,376,886	29,829,886
Financial Assets at FVTPL	**352,344**	**148**	**352,492**	446,926	882	447,808
Financial Assets at FVOCI	**1,434,080**	**502,664**	**1,936,744**	4,180,482	1,325,930	5,506,412
Investment securities at amortized cost	**10,060,514**	**–**	**10,060,514**	10,206,937	775,295	10,982,232
Other assets	**5,402,127**	**2,685,523**	**8,087,650**	3,539,425	1,238,191	4,777,616
Total assets	**54,643,124**	**22,748,056**	**77,391,180**	48,611,158	26,812,126	75,423,284
Liabilities						
Deposit liabilities	**7,363,816**	**5,194,075**	**12,557,891**	9,288,237	9,261,411	18,549,648
Derivative liabilities	**6,814**	**6,814**	**13,628**	1,184	2,300	3,484
Bills and acceptances payable	**27,941,957**	**13,297,756**	**41,239,713**	8,548,504	26,777,697	35,326,201
Accrued interest payable	**154,037**	**31,771**	**185,808**	75,571	107,362	182,933
Other liabilities	**1,217,428**	**945,273**	**2,162,701**	1,390,598	1,135,891	2,526,489
Total liabilities	**36,684,052**	**19,475,689**	**56,159,741**	19,304,094	37,284,661	56,588,755
Net Exposure	**₱17,959,072**	**₱3,272,367**	**₱21,231,439**	₱29,307,064	(₱10,472,535)	₱18,834,529

* *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					
	2019			2018		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱47,384**	**₱19,219**	**₱66,603**	₱81,634	₱328,417	₱410,051
Due from other banks	**6,259,259**	**1,557,174**	**7,816,433**	4,264,743	2,861,495	7,126,238
Interbank loans receivable and securities held under agreements to resell	**4,173,568**	**1,738,175**	**5,911,743**	2,869,290	1,950,059	4,819,349
Loans and receivables	**19,616,324**	**554,114**	**20,170,438**	15,902,948	540,618	16,443,566
Financial Assets at FVTPL	**352,344**	**148**	**352,492**	446,044	–	446,044
Financial Assets at FVOCI	**1,434,080**	**429,335**	**1,863,415**	4,154,658	1,252,187	5,406,845
Investment securities at amortized cost	**9,934,738**	**–**	**9,934,738**	10,153,480	775,295	10,928,775
Other assets	**5,402,127**	**1,589,228**	**6,991,355**	3,512,644	28,210	3,540,854
Total assets	**47,219,824**	**5,887,393**	**53,107,217**	41,385,441	7,736,281	49,121,722

(Forward)

	Parent Company					
	2019			2018		
	USD	**Others***	**Total**	USD	Others*	Total
Liabilities						
Deposit liabilities	**₱2,187,075**	**₱1,136,796**	**₱3,323,871**	₱2,156,093	₱4,118,554	₱6,274,647
Derivative liabilities	**–**	**–**	**–**	–	1,116	1,116
Bills and acceptances payable	**27,657,599**	**12,905,241**	**40,562,840**	8,379,264	26,425,533	34,804,797
Accrued interest payable	**141,059**	**22,201**	**163,260**	58,511	17,325	75,836
Other liabilities	**770,102**	**79,891**	**849,993**	992,992	141,222	1,134,214
Total liabilities	**30,755,835**	**14,144,129**	**44,899,964**	11,586,860	30,703,750	42,290,610
Net Exposure	**₱16,463,989**	**(₱8,256,736)**	**₱8,207,253**	₱29,798,581	(₱22,967,469)	₱6,831,112

* *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.*

Information relating to the Parent Company's currency derivatives is contained in Note 23. The Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱9.5 billion (sold) and ₱9.5 billion (bought) as of December 31, 2019 and ₱4.7 billion (sold) and ₱5.4 billion (bought) as of December 31, 2018.

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, 2019 and 2018 follow:

	2019	2018
US dollar - Philippine peso exchange rate	**₱50.63 to USD1.00**	₱52.58 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:

	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)**

	2018			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱251,592	₱293,071	₱256,439	₱297,986
-1.00%	(251,592)	(293,071)	(256,439)	(297,986)

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				
	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**

* *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)*

	Consolidated				
	2018 (As restated – Note 36)				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,457,711	₱7,127,592	₱1,330,119	₱–	₱8,457,711
Derivative assets	574,629	–	516,775	57,854	574,629
Private debt securities	415,583	–	415,583	–	415,583
Equity securities	545,149	545,149	–	–	545,149
Investments in UITFs	7,704	1,329	6,375	–	7,704
Financial assets at FVOCI:					
Government securities*	33,524,795	19,824,000	13,700,795	–	33,524,795
Private debt securities*	17,718,844	5,628,559	12,090,285	–	17,718,844
Equity securities	886,182	488,548	397,634	–	886,182
	₱62,130,597	₱33,615,177	₱28,457,566	₱57,854	₱62,130,597
Financial Liabilities					
Financial Liabilities at FVTPL:					
Derivative liabilities	₱470,648	₱–	₱470,648	₱–	₱470,648
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱100,805,861	₱88,039,346	₱8,980,697	₱200,702	₱97,220,745
Receivables from customers**	563,246,806			563,776,759	563,776,759
	₱664,052,667	₱88,039,346	₱8,980,697	₱563,977,461	₱683,237,883
Nonfinancial Assets					
Investment property:					
Land***	₱11,298,258	₱–	₱–	₱22,583,028	₱22,583,028
Buildings and improvements***	2,190,608	–	–	2,662,848	2,662,848
	₱13,488,866	₱–	₱–	₱25,245,876	₱25,245,876
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱147,210,729	₱–	₱–	₱144,481,264	₱144,481,264
LTNCDs	31,403,225	28,517,657	–	–	28,517,657
Bonds payable	15,661,372	16,019,776	–	–	16,019,776
Bills payable	68,316,974	–	–	60,436,716	60,436,716
	₱262,592,300	₱44,537,433	₱–	₱204,917,980	₱249,455,413

* *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)*

	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**
Equity securities	**1,409,187**	**1,409,187**	**–**	**–**	**1,409,187**
Private debt securities	**883,641**	**–**	**883,641**	**–**	**883,641**
Derivative assets	**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**

	Parent Company				
	2019				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
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**	**₱338,992,252**

* *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)*

	Parent Company				
	2018				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,457,711	₱7,127,592	₱1,330,119	₱–	₱8,457,711
Derivative assets	572,864	–	515,010	57,854	572,864
Private debt securities	415,583	–	415,583	–	415,583
Equity securities	537,478	537,478	–	–	537,478
Financial assets at FVOCI:					
Government securities*	32,697,809	19,040,788	13,657,021	–	32,697,809
Private debt securities*	17,314,884	5,534,891	11,779,993	–	17,314,884
Equity securities	644,200	353,853	175,190	115,157	644,200
	₱60,640,529	₱32,594,602	₱27,872,916	₱173,011	₱60,640,529
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱468,279	₱–	₱468,279	₱–	₱468,279
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱99,586,329	₱86,862,640	₱9,181,399	₱200,702	₱96,244,741
Receivables from customers**	494,537,734	–	–	497,752,999	497,752,999
	₱594,124,063	₱86,862,640	₱9,181,399	₱497,953,701	₱593,997,740
Nonfinancial Assets					
Investment property:					
Land***	₱10,963,770	₱–	₱–	₱22,008,927	₱22,008,927
Buildings and improvements	2,185,588			2,286,209	2,286,209
	₱13,149,358	₱–	₱–	₱24,295,136	₱24,295,136
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱108,450,094	₱–	₱–	₱105,450,094	₱105,450,094
LTNCDs	31,403,225	28,517,657	–	–	28,517,657
Bonds payable	15,661,372	16,019,776	–	–	16,019,776
Bills payable	60,940,934	–	–	60,928,743	60,928,743
	₱216,455,625	₱44,537,433	₱–	₱166,378,837	₱210,916,270

* *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, 2019 and 2018, 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, 2019 and the range of values indicating the highest and lowest level input used in the valuation techniques.

	Significant Unobservable Input	Consolidated Low	Consolidated High	Parent Company Low	Parent Company High
Private debt securities	Credit spread	₱2,732,039	₱2,845,789	₱–	₱–
Equity securities	Price-to-book multiple	826,758	914,718	420,823	₱510,059

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.

Fair values of Level 3 financial assets measured at fair value as of December 31, 2018 are not material to the consolidated financial statements.

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 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:

	2019					
	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	₱511,020	₱125,140	₱32,443,573
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	511,020	125,140	32,443,573
Other income	3,211,234	2,685,445	1,772,206	2,293,134	604,081	10,566,100
Segment revenue	21,014,755	11,573,046	6,888,497	2,804,154	729,221	43,009,673
Other expenses	11,881,474	5,636,497	472,000	(77,794)	729,221	18,641,398
Segment result	₱9,133,281	₱5,936,548	₱6,416,498	₱2,881,948	₱–	24,368,275
Unallocated expenses						12,136,083
Income before income tax						12,232,192
Income tax						2,470,986
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	₱595,416	₱–	₱1,936,938
Unallocated depreciation and amortization						867,185
Total depreciation and amortization						₱2,804,123
Provision for (reversal of) impairment, credit and other losses	₱1,671,154	₱1,289,340	₱–	(₱50,636)	₱–	₱2,909,858

** The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	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	₱933,281	(₱584,495)	₱27,064,550
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	933,281	(584,495)	27,064,550
Other income	2,538,607	8,377,408	485,407	2,783,494	(261,602)	13,923,314
Segment revenue	18,602,220	15,570,146	3,944,820	3,716,775	(846,097)	40,987,864
Other expenses	12,726,476	2,343,403	375,651	3,344,266	(925,897)	17,863,899
Segment result	₱5,875,744	₱13,226,743	₱3,569,169	₱372,509	₱79,800	23,123,965
Unallocated expenses						9,880,790
Income before income tax						13,243,175
Income tax						3,687,105
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						1,456,391
Total capital expenditure						₱3,195,739
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

	2017 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,404,759	₱17,112,989	₱3,313,723	₱123,190	₱121,991	₱22,076,652
Inter-segment	9,459,213	(9,193,733)	(265,480)	–	–	–
Net interest margin after inter-segment transactions	10,863,972	7,919,256	3,048,243	123,190	121,991	22,076,652
Other income	1,881,418	4,934,247	1,916,159	3,337,214	(123,852)	11,945,186
Segment revenue	12,745,390	12,853,503	4,964,402	3,460,404	(1,861)	34,021,838
Other expenses	11,519,652	2,025,522	168,908	1,688,555	68,159	16,157,702
Segment result	₱1,225,738	₱10,827,981	₱4,795,493	₱1,771,849	(₱70,020)	₱17,864,136
Unallocated expenses						7,385,378
Income before income tax						10,478,758
Income tax						2,322,213
Net income						8,156,545
Non-controlling interest						4,025
Net income for the year attributable to equity holders of the Parent Company						₱8,160,570
Other segment information						
Capital expenditures	₱820,121	₱4,278	₱–	₱282,846	₱–	₱1,107,245
Unallocated capital expenditure						2,019,644
Total capital expenditure						₱3,126,889
Depreciation and amortization	₱520,812	₱138,463	₱1,478	₱281,698	₱–	₱942,451
Unallocated depreciation and amortization						741,940
Total depreciation and amortization						₱1,684,391
Provision for (reversal of) impairment, credit and other losses	(₱1,477)	₱599,901	(₱41,417)	₱182,333	₱334,193	₱884,133

** 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**	**(₱71,364,991)**	**₱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*

	As of December 31, 2018					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	₱675,593,916	₱192,740,146	₱129,761,319	₱53,314,794	(₱71,435,872)	₱979,511,948
Unallocated assets						4,136,238
Total assets						₱983,648,186
Segment liabilities	₱649,898,976	₱138,236,987	₱102,725,318	₱23,225,342	(₱62,465,415)	₱851,621,208
Unallocated liabilities						3,467,966
Total liabilities						₱855,089,174

**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**	
	2019	2018	**2019**	2018	**2019**	2018
Philippines	**₱550,854,343**	₱451,576,392	**₱950,248,431**	₱821,782,475	**₱2,625,086**	₱3,555,349
Asia (excluding Philippines)	**13,031,999**	5,828,575	**34,243,417**	30,496,429	**2,634**	8,053
USA and Canada	**120,835,377**	127,628,675	**2,349,279**	2,311,128	**3,721**	632
United Kingdom	**1,228,180**	1,731,423	**474,084**	499,142	**2,392**	21
	₱685,949,899	₱586,765,065	**₱987,315,211**	₱855,089,174	**₱2,633,833**	₱3,564,055

** 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**		
	2019	2018	**2019**	2018	2017
Philippines	**₱39,456,355**	₱44,358,069	**₱58,703,722**	₱47,899,027	₱37,887,854
Asia (excluding Philippines)	**–**	881,144	**1,614,370**	1,290,100	1,021,619
USA and Canada	**–**	–	**717,489**	684,794	543,158
United Kingdom	**–**	–	**129,534**	124,861	110,915
	₱39,456,355	₱45,239,213	**₱61,165,115**	₱49,998,782	₱39,563,546

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	
	2019	2018	**2019**	2018
Demand deposit (Note 17)	**₱92,181,801**	₱101,027,312	**₱90,394,597**	₱97,665,375
Term deposit facility (TDF)	**13,800,000**	1,696,000	**11,407,000**	1,000,000
	₱105,981,801	₱102,723,312	**₱101,801,597**	₱98,665,375

TDFs bear annual interest rates ranging from to 3.50% to 5.23% in 2019, from 3.22% to 5.24% in 2018 and from 3.45% to 3.50% in 2017.

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

Interbank loans receivables of the Group and the Parent Company bear interest ranging from:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Peso-denominated	**N/A**	3.0% - 3.1%	2.6%	**N/A**	3.0% - 3.1%	2.6%
Foreign currency-denominated	**0.0% - 5.0%**	0.0% - 5.0%	0.2% - 4.4%	**0.0% - 5.0%**	0.0% - 5.0%	0.2% - 4.4%

The amount of the Group's and the Parent Company's interbank loans receivable considered as cash and cash equivalents follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Interbank loans receivable	**₱24,838,535**	₱11,248,455	**₱23,804,312**	₱11,689,414
Less: Allowance for credit losses (Note 16)	**6,719**	–	**1,293**	–
	24,831,816	11,248,455	**23,803,019**	11,689,414
Less: Interbank loans receivable not considered as cash and cash equivalents	**1,888,287**	668,023	**1,528,713**	1,108,331
	₱22,943,529	₱10,580,432	**₱22,274,306**	₱10,581,083

Securities held under agreements to resell bear interest ranging from 4.00% to 4.75%, from 3.00% to 4.75%, and 3.00% in 2019, 2018 and 2017, respectively. As of December 31, 2019, allowance for credit losses on securities held under agreements to resell amounted to ₱1.9 million.

In 2019, 2018 and 2017, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱668.2 million, ₱379.4 million, and ₱480.0 million, respectively, for the Group and ₱568.1 million, ₱350.8 million, and ₱446.1 million, respectively, for the Parent Company.

The fair value of the treasury bills pledged under these agreements as of December 31, 2019 and 2018 amounted to ₱2.5 billion and ₱19.9 billion, respectively, for the Group, and ₱1.1 billion and ₱19.9 billion, respectively, for the Parent Company (Note 35).

9. **Trading and Investment Securities**

This account consists of:

	Consolidated		Parent Company	
	2019	2018 (As restated – Note 36)	**2019**	2018
Financial assets at FVTPL	**₱13,468,985**	₱10,000,776	**₱11,169,656**	₱9,983,636
Financial assets at FVOCI	**123,140,840**	52,129,821	**118,896,564**	50,656,893
Investment securities at amortized cost	**100,464,757**	100,805,861	**99,203,909**	99,586,329
	₱237,074,582	₱162,936,458	**₱229,270,129**	₱160,226,858

Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2019	2018 (As restated – Note 36)	**2019**	2018
Government securities	**₱8,503,822**	₱8,457,711	**₱8,503,822**	₱8,457,711
Private debt securities	**3,130,156**	415,583	**883,641**	415,583
Equity securities	**1,455,435**	545,149	**1,409,187**	537,478
Derivative assets (Notes 23 and 35)	**373,040**	574,629	**373,006**	572,864
Investment in UITFs	**6,532**	7,704	**–**	–
	₱13,468,985	₱10,000,776	**₱11,169,656**	₱9,983,636

The effective interest rates of debt securities at FVTPL range from:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Government securities	**2.8% - 9.5%**	2.8% - 8.4%	2.1% - 6.1%	**2.8% - 9.5%**	2.8% - 8.4%	2.1% - 6.1%
Private debt securities	**5.5% - 7.4%**	3.0% - 7.5%	5.2% - 6.6%	**5.5% - 7.4%**	3.0% - 7.5%	5.2% - 6.6%

Financial Assets at FVOCI

This account consists of:

	Consolidated		Parent Company	
	2019	2018 (As restated – Note 36)	**2019**	2018
Government securities (Note 19)	**₱91,049,715**	₱33,524,795	**₱90,420,191**	₱32,697,809
Private debt securities (Note 19)	**30,390,002**	17,718,844	**27,482,292**	17,314,884
Equity securities				
Quoted	**1,071,534**	800,059	**596,148**	558,077
Unquoted	**629,589**	86,123	**397,933**	86,123
	₱123,140,840	₱52,129,821	**₱118,896,564**	₱50,656,893

The nominal interest rates of debt securities at FVOCI range from:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Government securities	**0.2% - 9.5%**	1.8% - 11.6%	1.1% - 10.6%	**0.2% - 9.5%**	1.8% - 11.6%	1.1% - 10.6%
Private debt securities	**3.5% - 6.9%**	2.6% - 7.4%	5.5% - 7.4%	**3.5% - 6.9%**	2.6% - 7.4%	5.5% - 7.4%

As of December 31, 2019 and 2018, 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 with foreign banks amounted to ₱8.1 billion and ₱11.3 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	
	2019	2018 (As restated – Note 36)	**2019**	2018
Balance at the beginning of the year	**(₱3,196,936)**	(₱688,514)	**(₱3,196,936)**	(₱688,514)
Changes in fair values:				
Debt securities	**5,202,946**	(2,046,092)	**5,257,015**	(2,137,364)
Equity securities	**583,286**	93,112	**349,881**	93,112
Expected credit losses (reversals of provision)	**5,290**	(12,151)	**5,290**	(12,151)
Realized losses (gains)	**281,340**	(167,902)	**317,609**	(167,902)
Share in net unrealized gains (losses) of subsidiaries and an associate (Note 12)	**447,169**	(375,389)	**590,236**	(284,117)
	3,323,095	(3,196,936)	**3,323,095**	(3,196,936)
Income tax effect	**(72,444)**	–	**(72,444)**	–
	₱3,250,651	(₱3,196,936)	**₱3,250,651**	(₱3,196,936)

As of December 31, 2019 and 2018, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on financial assets at FVOCI') amounted to ₱51.6 million and ₱46.3 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	
	2019	2018 (As restated – Note 36)	**2019**	2018
Government securities (Notes 19 and 32)	**₱55,594,860**	₱60,278,202	**₱54,509,768**	₱60,091,820
Private debt securities	**48,655,093**	44,296,923	**48,422,384**	43,263,773
	104,249,953	104,575,125	**102,932,152**	103,355,593
Less allowance for credit losses (Note 16)	**3,785,196**	3,769,264	**3,728,243**	3,769,264
	₱100,464,757	₱100,805,861	**₱99,203,909**	₱99,586,329

In 2019 and 2018, 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 and amortization of the corresponding gross figures.

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, 2019 and 2018, 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 ₱21.0 billion and ₱36.7 billion, respectively (Note 19).

Interest Income on Investment Securities at Amortized Cost and FVOCI/AFS and HTM Investments
This account consists of:

	Consolidated			Parent Company		
	2019	2018 (As restated – Note 36)	2017	**2019**	2018	2017
Financial assets at FVOCI	**₱4,289,406**	₱2,279,491	₱–	**₱4,076,597**	₱2,189,159	₱–
Investment securities at amortized cost	**4,515,879**	2,315,284	–	**4,472,466**	2,313,172	–
AFS investments	**–**	–	2,121,231	**–**	–	2,056,124
HTM investments	**–**	–	978,680	**–**	–	977,719
	₱8,805,285	₱4,594,775	₱3,099,911	**₱8,549,063**	₱4,502,331	₱3,033,843

Trading and Investment Securities Gains - net
This account consists of:

	Consolidated			Parent Company		
	2019	2018 (As restated – Note 36)	2017 (As restated – Note 36)	**2019**	2018	2017
Financial assets at FVTPL						
Government securities	**₱1,199,934**	(₱7,616)	₱27,940	**₱1,199,934**	(₱7,616)	₱27,940
Private debt securities	**122,502**	(13,732)	17,197	**102,524**	(13,782)	17,197
Equity securities	**36,694**	4,028	8,347	**35,827**	11,013	5,111
Derivatives (Note 23)	**(3,733)**	161	(57)	**(3,733)**	161	(57)
Investment in UITFs	**209**	**–**	93	**–**	–	–
Financial assets at FVOCI						
Government securities	**(317,244)**	132,670	–	**(317,609)**	132,670	–
Private debt securities	**35,904**	35,232	–	**–**	35,232	–
Investment securities at amortized cost	**212**	–	–	**212**	–	–
AFS investments	**–**	–	506,238	**–**	–	506,238
	₱1,074,478	₱150,743	₱559,758	**₱1,017,155**	₱157,678	₱556,429

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2019	2018 (As restated – Note 36)	**2019**	**2018**
Receivables from customers:				
Loans and discounts	**₱620,389,633**	₱541,940,938	**₱556,791,901**	₱474,384,927
Credit card receivables	**15,869,946**	13,412,063	**15,869,946**	13,412,063
Customers' liabilities on letters of credit and trust receipts	**7,492,970**	12,230,782	**7,345,029**	12,046,744
Lease contracts receivable (Note 29)	**3,079,713**	2,928,339	**7,150**	9,618
Customers' liabilities on acceptances (Note 19)	**2,692,334**	1,765,861	**2,692,334**	1,765,861
Bills purchased (Note 22)	**1,945,838**	2,205,608	**1,377,849**	1,430,481
	651,470,434	574,483,591	**584,084,209**	503,049,694
Less unearned and other deferred income	**451,191**	979,678	**366,471**	677,052
	651,019,243	573,503,913	**583,717,738**	502,372,642
Other receivables:				
Sales contract receivables (Note 33)	**7,173,039**	12,296,470	**7,129,811**	12,242,869
Accounts receivable	**9,932,499**	9,015,490	**3,994,064**	3,433,521
Accrued interest receivable	**7,814,819**	6,551,255	**6,372,891**	5,065,963
Miscellaneous	**397,385**	566,924	**324,176**	509,861
	25,317,742	28,430,139	**17,820,942**	21,252,214
	676,336,985	601,934,052	**601,538,680**	523,624,856
Less allowance for credit losses (Note 16)	**18,413,228**	15,267,577	**14,292,784**	12,625,582
	₱657,923,757	₱586,666,475	**₱587,245,896**	₱510,999,274

Below is the reconciliation of loans and receivables as to classes:

	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	–	–	–	–	–	–	–	**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**

	Consolidated								
	2018 (As restated – Note 36)								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱468,488,623	₱6,920,215	₱–	₱11,820,434	₱33,843,395	₱11,743,245	₱9,125,026	₱–	₱541,940,938
Credit card receivables	–	–	13,412,063	–	–	–	–	–	13,412,063
Customers' liabilities on letters of credit and trust receipts	6,183,217	–	–	208,255	–	–	5,839,310	–	12,230,782
Lease contracts receivable (Note 29)	–	–	–	–	–	–	2,928,339	–	2,928,339
Customers' liabilities on acceptances (Note 19)	983,637	–	–	2,637	–	–	779,587	–	1,765,861
Bills purchased (Note 22)	1,514,735	–	–	16,828	–	–	674,045	–	2,205,608
	477,170,212	6,920,215	13,412,063	12,048,154	33,843,395	11,743,245	19,346,307	–	574,483,591
Other receivables:									
Sales contract receivables	–	–	–	–	–	–	–	12,296,470	12,296,470
Accounts receivable	–	–	–	–	–	–	–	9,015,490	9,015,490
Accrued interest receivable	–	–	–	–	–	–	–	6,551,255	6,551,255
Miscellaneous	–	–	–	–	–	–	–	566,924	566,924
	477,170,212	6,920,215	13,412,063	12,048,154	33,843,395	11,743,245	19,346,307	28,430,139	602,913,730
Less: Unearned and other deferred income	755,202	–	–	104,542	–	–	117,096	2,838	979,678
Allowance for credit losses (Note 16)	5,160,250	70,620	1,075,576	864,133	1,273,485	231,355	1,584,526	5,007,632	15,267,577
	₱471,254,760	₱6,849,595	₱12,336,487	₱11,079,479	₱32,569,910	₱11,511,890	₱17,644,685	₱23,419,669	₱586,666,475

	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**

	Parent Company								
	2018								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱450,849,723	₱6,920,215	₱–	₱7,614,915	₱1,627,322	₱40,025	₱7,332,727	₱–	₱474,384,927
Credit card receivables	–	–	13,412,063	–	–	–	–	–	13,412,063
Customers' liabilities on letters of credit and trust receipts	6,012,028	–	–	195,405	–	–	5,839,311	–	12,046,744
Lease contracts receivable (Note 29)	–	–	–	–	–	–	9,618	–	9,618
Customers' liabilities on acceptances (Note 19)	983,637	–	–	2,637	–	–	779,587	–	1,765,861
Bills purchased (Note 22)	739,798	–	–	16,638	–	–	674,045	–	1,430,481
	458,585,186	6,920,215	13,412,063	7,829,595	1,627,322	40,025	14,635,288	–	503,049,694
Other receivables:									
Sales contract receivables	–	–	–	–	–	–	–	12,242,869	12,242,869
Accrued interest receivable	–	–	–	–	–	–	–	5,065,963	5,065,963
Accounts receivable	–	–	–	–	–	–	–	3,433,521	3,433,521
Miscellaneous	–	–	–	–	–	–	–	509,861	509,861
	458,585,186	6,920,215	13,412,063	7,829,595	1,627,322	40,025	14,635,288	21,252,214	524,301,908
Less: Unearned and other deferred income	546,141	–	–	10,977	–	–	117,096	2,838	677,052
Allowance for credit losses (Note 16)	4,984,233	70,620	1,075,576	578,369	58,224	39,592	1,031,132	4,787,836	12,625,582
	₱453,054,812	₱6,849,595	₱12,336,487	₱7,240,249	₱1,569,098	₱433	₱13,487,060	₱16,461,540	₱510,999,274

Lease contract receivables

An analysis of the Group's and the Parent Company's lease contract receivables follows:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Minimum lease payments				
Due within one year	**₱1,260,542**	₱1,101,635	**₱3,250**	₱3,118
Due beyond one year but not over five years	**1,164,893**	1,151,333	**3,900**	6,500
Due beyond five years	–	26,034	–	–
	2,425,435	2,279,002	**7,150**	9,618
Residual value of leased equipment				
Due within one year	**304,898**	298,725	–	–
Due beyond one year but not over five years	**349,380**	350,612	–	–
	654,278	649,337	–	–
Gross investment in lease contract receivables (Note 29)	**₱3,079,713**	₱2,928,339	**₱7,150**	₱9,618

Interest income

Interest income on loans and receivables consists of:

	Consolidated			**Parent Company**		
	2019	2018 (As restated – Note 36)	2017 (As restated – Note 36)	**2019**	2018	2017
Receivables from customers and sales contract receivables	**₱39,853,001**	₱30,202,835	₱22,523,464	**₱35,164,556**	₱25,504,159	₱19,100,932
Unquoted debt securities	–	–	146,012	–	–	144,878
	₱39,853,001	₱30,202,835	₱22,669,476	**₱35,164,556**	₱25,504,159	₱19,245,810

As of December 31, 2019 and 2018, 71.1% and 64.1%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2019 and 2018, 70.2% and 61.7%, 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 1.0% to 9.0% in 2019, from 1.8% to 9.0% in 2018 and from 1.9% to 9.0% in 2017 for foreign currency-denominated receivables, and from 2.5% to 19.4% in 2019, from 1.5% to 13.0% in 2018 and from 1.9% to 8.0% in 2017 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 3.3% to 21.0%, 3.3% to 21.0% and 2.7% to 21.0% in 2019, 2018 and 2017, respectively.

11. Property and Equipment

The composition of and movements in property and equipment follow:

	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, as previously reported	₱11,467,244	₱6,464,316	₱6,628,516	₱579,324	₱1,206,057	₱1,557,767	₱–	₱27,903,224
Effect of adoption of PFRS 16 (Note 2)	–	–	–	–	–	–	1,817,349	1,817,349
Balance at beginning of year, as restated	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

	Consolidated						
	2018 (As restated – Note 36)						
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Total
Cost							
Balance at beginning of year	₱11,469,376	₱6,043,314	₱5,599,720	₱566,245	₱856,472	₱1,351,284	₱25,886,411
Additions	–	418,578	1,345,486	–	1,048,288	214,156	3,026,508
Disposals	–	(57,419)	(304,963)	–	–	(3,595)	(365,977)
Transfers/others	(2,132)	59,843	(11,727)	13,079	(698,703)	(4,078)	(643,718)
Balance at end of year	11,467,244	6,464,316	6,628,516	579,324	1,206,057	1,557,767	27,903,224
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,803,449	3,338,151	38,435	–	813,533	6,993,568
Depreciation and amortization	–	257,784	823,696	5,688	–	197,517	1,284,685
Disposals	–	(14,414)	(256,198)	–	–	–	(270,612)
Transfers/others	–	(50,097)	(776)	4,785	–	(11,454)	(57,542)
Balance at end of year	–	2,996,722	3,904,873	48,908	–	999,596	7,950,099
Allowance for Impairment Losses (Note 16)	90,116	138,370	–	–	–	–	228,486
Net Book Value at End of Year	₱11,377,128	₱3,329,224	₱2,723,643	₱530,416	₱1,206,057	₱558,171	₱19,724,639

	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, as previously reported	₱11,264,043	₱6,216,294	₱4,865,627	₱1,206,056	₱1,206,373	₱–	₱24,758,393
Effect of adoption of PFRS 16 (Note 2)	–	–	–	–	–	1,600,161	1,600,161
Balance at beginning of year, as restated	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

	Parent Company 2018					
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱11,266,176	₱5,801,707	₱4,347,447	₱856,473	₱1,059,955	₱23,331,758
Additions	–	375,743	687,937	1,048,288	151,096	2,263,064
Disposals	–	(19,117)	(163,932)	–	–	(183,049)
Transfers/others	(2,133)	57,961	(5,825)	(698,705)	(4,678)	(653,380)
Balance at end of year	11,264,043	6,216,294	4,865,627	1,206,056	1,206,373	24,758,393
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	2,750,464	2,760,305	–	698,718	6,209,487
Depreciation and amortization	–	256,337	561,787	–	149,331	967,455
Disposals	–	(14,414)	(162,596)	–	–	(177,010)
Transfers/others	–	(63,345)	(767)	–	(11,604)	(75,716)
Balance at end of year	–	2,929,042	3,158,729	–	836,445	6,924,216
Allowance for Impairment Losses (Note 16)	89,664	138,370	–	–	–	228,034
Net Book Value at End of Year	₱11,174,379	₱3,148,882	₱1,706,898	₱1,206,056	₱369,928	₱17,606,143

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 ₱1.7 billion and ₱2.6 billion as of December 31, 2019 and 2018, respectively.

Gain (loss) on disposal of property and equipment in 2019, 2018 and 2017 amounted to (₱9.0 million), ₱28.4 million, and ₱4.3 million, respectively, for the Group and ₱1.0 million, ₱28.4 million and ₱2.0 million, respectively, for the Parent Company (Note 26).

Depreciation and amortization consists of:

	Consolidated			**Parent Company**		
	2019	2018 (As restated – Note 36	2017 (As restated – Note 36	**2019**	2018	2017
Depreciation						
Property and equipment	**₱2,119,323**	₱1,284,685	₱1,091,437	**₱1,616,928**	₱967,456	₱886,788
Investment properties (Note 13)	**179,619**	177,611	152,894	**120,604**	129,615	136,507
Chattel mortgage properties	**17,024**	27,276	33,009	**–**	1,330	8,122
Amortization of intangible assets (Note 14)	**488,157**	461,405	407,051	**469,539**	444,311	353,940
	₱2,804,123	₱1,950,977	₱1,684,391	**₱2,207,071**	₱1,542,712	₱1,385,357

Certain property and equipment of the Parent Company with carrying amount of ₱92.6 million and ₱98.3 million are temporarily idle as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, property and equipment of the Parent Company with gross carrying amount of ₱5.1 billion are fully depreciated but are still being used.

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)*	Banking	Philippines	Php	**100.00**	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	**100.00**	–
PNB Holdings Corporation (PNB Holdings)	Holding Company	- do -	Php	**100.00**	–
PNB General Insurers, Inc. (PNB Gen)	Insurance	- do -	Php	**65.75**	**34.25**
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	**100.00**	–
PNB Corporation – Guam [(a)]	Remittance	USA	USD	**100.00**	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–
PNB Remittance Centers, Inc. (PNB RCI) [(b)]	Remittance	- do -	USD	–	**100.00**
PNB Remittance Co. (Nevada) [(c)]	Remittance	-do-	USD	–	**100.00**
PNB RCI Holding Co. Ltd. (PNB RHCL) [(c)]	Holding Company	- do -	USD	–	**100.00**
PNB Remittance Co. (Canada) [(d)]	Remittance	Canada	CAD	–	**100.00**
PNB Europe PLC	Banking	United Kingdom	GBP	**100.00**	–
Allied Commercial Bank (ACB)*	Banking	People's Republic of China	CNY	**99.04**	–
PNB-IBJL Leasing and Finance Corporation (PILFC)	Leasing/Financing	Philippines	Php	**75.00**	–
PNB-IBJL Equipment Rentals Corporation [(e)]	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 [(f)] *	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**	–

** Subsidiaries acquired as a result of the merger with ABC*
[(a)] *Ceased operations on June 30, 2012 and license status became dormant thereafter*
[(b)] *Owned through PNB IIC*
[(c)] *Owned through PNB RCI*
[(d)] *Owned through PNB RHCL*
[(e)] *Owned through PILFC*
[(f)] *Owned through ABCHKL*

The details of this account follow:

	Consolidated 2019	Consolidated 2018	Parent Company 2019	Parent Company 2018
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
PNB Gen (Note 36)	**–**	–	**980,000**	800,000
ABCHKL	**–**	–	**947,586**	947,586
PNB Capital	**–**	–	**850,000**	850,000
PNB GRF	**–**	–	**753,061**	753,061
PILFC	**–**	–	**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
	–	–	**25,130,486**	24,950,486
Investment in an Associate – APLII	**2,728,089**	2,728,089	**2,728,089**	2,728,089
Accumulated equity in net earnings of subsidiaries and an associate:				
Balance at beginning of year	**173,282**	129,435	**189,711**	(389,781)
Equity in net earnings (losses) for the year	**(97,608)**	43,847	**(345,599)**	530,885
Dissolution of a subsidiary	**–**	–	**–**	48,607
	75,674	173,282	**(155,889)**	189,711

(Forward)

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Accumulated share in:				
Net unrealized gains (losses) on financial assets at FVOCI (Note 9)	**(₱198,846)**	(₱646,013)	**₱5,207**	(₱585,029)
Remeasurement gain (loss) on retirement plan	**(11,724)**	151,204	**83,429**	158,444
Aggregate reserves on life insurance policies	**12,280**	12,280	**12,280**	12,280
Accumulated translation adjustments	**–**	–	**626,755**	1,191,826
	(198,290)	(482,529)	**727,671**	777,521
	₱2,605,473	₱2,418,842	**₱28,430,358**	₱28,645,807

As of December 31, 2019 and 2018, 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 September 28, 2018, the Parent Company's BOD approved the full integration of PNBSB through the acquisition of its assets and assumption of its liabilities in exchange for cash.

On August 29, 2019, the Monetary Board of BSP, through its Resolution No. 1310, approved the integration of PNBSB with the Parent Company. Once integration is rolled out, the Parent Company will be able to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNBSB will have access to the Parent Company's diverse portfolio of financial solutions. The consumer lending business, currently operated through PNBSB, will also benefit from the Group's ability to efficiently raise low cost of funds.

The proposed integration shall take effect on March 1, 2020.

Investment in PNB Gen
On April 26, 2018 and May 26, 2018, the BODs of the Parent Company and its subsidiary, PNB Holdings, respectively, approved the exchange of all their holdings in PNB Gen with shares in Alliedbankers Insurance Corporation (ABIC), an affiliate. On September 13, 2019, ABIC revised its offer to purchase all of the shares of PNB Gen through cash acquisition instead, which superseded ABIC's initial offer of exchange of shares. As a result, the proposed merger of PNB Gen with ABIC did not materialize (Note 36).

On November 21, 2018, the Parent Company's BOD approved the capital infusion of ₱180.0 million to PNB Gen as part of the latter's capital build-up and minimum net worth requirements as an insurance company doing business in the Philippines. On January 31, 2019, the Parent Company received BSP's approval of the additional capital infusion.

On January 24, 2020, the Parent Company received BSP's approval for another round of additional capital infusion of the Group to PNB Gen of up to ₱300.0 million.

Investments in PILFC
On January 22, 2018, the Parent Company's Board of Directors (BOD) approved the capital infusion of ₱400.0 million to PILFC. This resulted in an increase in the ownership interest of the Parent Company to PILFC from 75% to 85%. The remaining interest is owned by IBJ Leasing Co., Ltd (IBJLC), a foreign company incorporated in Japan.

On July 27, 2018, the BOD approved the sale of 1,000,000 common shares of the Parent Company in PILFC to IBJLC for ₱100.0 million at par, which was consummated on August 29, 2018 via a deed of assignment, reverting the Parent Company's ownership in PILFC to 75%.

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	**2019**	2018	**2019**	2018	**2019**	2018
ABCHKL	Banking	**49.00%**	49.00%	**₱1,777,670**	₱1,731,842	**₱97,409**	₱80,595
OHBVI	Holding Company	**72.22%**	72.22%	**973,846**	1,008,307	**2,909**	9,602

The following table presents financial information of ABCHKL as of December 31, 2019 and 2018:

	2019	2018
Statement of Financial Position		
Current assets	**₱10,391,232**	₱11,079,475
Non-current assets	**1,001,907**	1,007,236
Current liabilities	**7,607,263**	8,396,635
Non-current liabilities	**157,978**	155,705
Statement of Comprehensive Income		
Revenues	**467,860**	444,968
Expenses	**269,067**	280,490
Net income	**198,794**	164,478
Total comprehensive income	**89,669**	319,254
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**222,734**	(274,555)
Net cash used in investing activities	**(245)**	(891)
Net cash used in financing activities	**(6,730)**	(6,971)

The following table presents financial information of OHBVI as of December 31, 2019 and 2018:

	2019	2018
Statement of Financial Position		
Current assets	**₱1,348,444**	₱1,396,160
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive	**4,028**	13,296
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**(47,717)**	68,649

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, 2019 and 2018 follows:

	2019	2018
Current assets	**₱1,287,221**	₱1,260,591
Noncurrent assets	**35,866,453**	28,363,443
Current liabilities	**1,130,146**	1,079,194
Noncurrent liabilities	**33,766,163**	26,504,728

	2019	2018
Total assets	**₱37,153,674**	₱29,624,034
Total liabilities	**34,896,309**	27,583,922
	2,257,365	2,040,112
Percentage of ownership of the Group	**44%**	44%
Share in the net assets of the associate	**₱993,241**	₱897,649

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 2019 and 2018 follows:

	2019	2018
Revenues	**₱3,721,320**	₱2,752,253
Costs and expenses	**3,881,720**	(2,602,153)
Net income (loss)	**(160,400)**	150,100
Other comprehensive income	**297,095**	128,595
Total comprehensive income	**₱136,695**	₱278,695
Group's share of comprehensive income for the period	**₱60,145**	₱122,626

Dissolved Subsidiaries

The following are the dissolved subsidiaries of the Group from 2017 to 2019:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership Direct	Percentage of Ownership Indirect	Date of Regulatory Approval for Dissolution
Subsidiaries						
PNB Forex, Inc.	FX Trading	Philippines	Php	100.00	–	August 24, 2017
Allied Leasing and Finance Corporation (ALFC)	Rental	- do -	Php	57.21	–	December 18, 2017
PNB Remittance Co. (Nevada)	Remittance	USA	Php	–	100.00	January 16, 2019

On April 3, 2018, the Parent Company received liquidating dividends amounting to ₱84.0 million from the dissolution of ALFC.

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	
	2019	2018	**2019**	2018
Foreclosed or acquired in settlement of loans	**₱10,591,598**	₱8,773,682	**₱9,925,490**	₱8,129,625
Held for lease	**4,452,228**	4,715,184	**4,750,897**	5,019,733
Total	**₱15,043,826**	₱13,488,866	**₱14,676,387**	₱13,149,358

The composition of and movements in this account follow:

	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**

	Consolidated		
	2018		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱15,864,125	₱4,474,906	₱20,339,031
Additions	518,404	315,460	833,864
Disposals	(2,050,017)	(581,409)	(2,631,426)
Transfers/others	(5,518)	69,515	63,997
Balance at end of year	14,326,994	4,278,472	18,605,466
Accumulated Depreciation			
Balance at beginning of year	–	1,725,681	1,725,681
Depreciation (Note 11)	–	177,611	177,611
Disposals	–	(243,085)	(243,085)
Transfers/others	–	173,030	173,030
Balance at end of year	–	1,833,237	1,833,237
Allowance for Impairment Losses (Note 16)	3,028,736	254,627	3,283,363
Net Book Value at End of Year	₱11,298,258	₱2,190,608	₱13,488,866

	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**

	Parent Company 2018		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱15,535,748	₱4,515,886	₱20,051,634
Additions	500,445	279,554	779,999
Disposals	(2,050,017)	(581,409)	(2,631,426)
Transfers/Others	6,329	28,688	35,017
Balance at end of year	13,992,505	4,242,719	18,235,224
Accumulated Depreciation			
Balance at beginning of year	–	1,713,804	1,713,804
Depreciation (Note 11)	–	129,615	129,615
Disposals	–	(243,085)	(243,085)
Transfers/others	–	201,065	201,065
Balance at end of year	–	1,801,399	1,801,399
Allowance for Impairment Losses (Note 16)	3,028,735	255,732	3,284,467
Net Book Value at End of Year	₱10,963,770	₱2,185,588	₱13,149,358

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱455.6 million and ₱307.8 million, as of December 31, 2019 and 2018, 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 ₱4.7 billion and ₱4.3 billion as of December 31, 2019 and 2018, respectively. For the Parent Company, the total recoverable value of certain investment properties that were impaired amounted to ₱4.6 billion and ₱4.2 billion as of December 31, 2019 and 2018, 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 - others', amounted to ₱12.3 million, ₱58.6 million and ₱27.5 million in 2019, 2018, and 2017, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - others', amounted to ₱190.7 million, ₱271.4 million and ₱173.9 million in 2019, 2018, and 2017, 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 - others', amounted to ₱12.3 million, ₱58.6 million and ₱27.5 million in 2019, 2018, and 2017, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱190.7 million, ₱271.4 million and ₱167.1 million in 2019, 2018, and 2017, respectively.

14. Goodwill and Intangible Assets

These accounts consist of:

	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**

	Consolidated				
	2018 (As restated – Note 36)				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱3,432,798	₱5,722,530	₱13,375,407
Additions	–	–	169,231	169,231	–
Others	–	–	(20,413)	(20,413)	–
Balance at end of year	1,897,789	391,943	3,581,616	5,871,348	13,375,407
Accumulated Amortization					
Balance at beginning of year	928,862	391,943	1,067,924	2,388,729	–
Amortization (Note 11)	189,779	–	271,626	461,405	–
Others	–	–	(12,149)	(12,149)	–
Balance at end of year	1,118,641	391,943	1,327,401	2,837,985	–
Net Book Value at End of Year	₱779,148	₱–	₱2,254,215	₱3,033,363	₱13,375,407

	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**

	Parent Company				
	2018				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱ 391,943	₱4,395,633	₱6,685,365	₱13,515,765
Additions	–	–	160,857	160,857	–
Others	–	–	227	227	–
Balance at end of year	1,897,789	391,943	4,556,717	6,846,449	13,515,765
Accumulated Amortization					
Balance at beginning of year	928,862	391,943	2,201,317	3,522,122	–
Amortization (Note 11)	189,779	–	254,532	444,311	–
Others	–	–	163	163	–
Balance at end of year	1,118,641	391,943	2,456,012	3,966,596	–
Net Book Value at End of Year	₱779,148	₱–	₱2,100,705	₱2,879,853	₱13,515,765

CDI and CRI
CDI and CRI are the intangible assets acquired through the merger of the Parent Company with 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.

Software cost
Software cost as of December 31, 2019 and 2018 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's new core banking system.

Goodwill
As discussed in Note 1, on February 9, 2013, the Parent Company acquired 100.00% of voting common stock of ABC, a listed universal bank. The acquisition of ABC was made to strengthen the Parent Company's financial position and enlarge its operations.

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the non-controlling interest 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.

Goodwill acquired through the above business combination has been allocated to three CGUs which are also reportable segments, namely: Retail Banking, Corporate Banking and Global Banking and Market. Goodwill allocated to the CGUs amounted to ₱6.1 billion, ₱4.2 billion and ₱3.1 billion, respectively. CDI is allocated to Retail Banking while CRI is allocated to Corporate Banking.

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. CDI and CRI, on the other hand, are assessed for impairment where indicator(s) of objective evidence of impairment has been identified. Impairment testing 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. 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:

	2019			2018		
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	Retail Banking	Corporate Banking	Global Banking and Market
Pre-tax discount rate	**10.29%**	**10.29%**	**6.37%**	11.90%	11.90%	7.76%
Projected growth rate	**4.32%**	**4.32%**	**4.32%**	6.50%	6.50%	6.50%

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 current local gross domestic product.

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.

Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the units to exceed their recoverable amount.

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2019	2018 (As restated – Note 36	**2019**	2018
Financial				
Checks for clearing	**₱7,079**	₱499,792	**₱7,079**	₱499,792
Return checks and other cash items	**58,678**	169,997	**56,469**	166,992
Security deposits	**44,132**	129,309	**–**	–
Receivable from special purpose vehicle (SPV)	**500**	500	**500**	500
Miscellaneous	**10,298**	5,407	**9,260**	3,966
	120,687	805,005	**73,308**	671,250
Non-financial				
Creditable withholding taxes	**4,103,986**	4,046,130	**3,660,735**	4,018,405
Deferred reinsurance premiums (Note 36)	**1,135,113**	985,966	**–**	–
Deferred benefits	**743,727**	622,035	**639,625**	540,328
Real estate inventories held under development (Note 33)	**728,752**	728,752	**728,752**	728,752
Prepaid expenses	**567,137**	501,478	**430,805**	382,146
Documentary stamps on hand	**464,616**	438,312	**464,616**	431,751
Chattel mortgage properties - net of depreciation	**168,661**	109,264	**32,401**	32,437
Input value added tax	**101,138**	99,817	**–**	–
Stationeries and supplies	**86,843**	99,176	**85,997**	93,594
Miscellaneous (Note 28)	**922,986**	133,784	**264,876**	186,319
	9,022,959	7,764,714	**6,307,807**	6,413,732
	9,143,646	8,569,719	**6,381,115**	7,084,982
Less allowance for credit and impairment losses (Note 16)	**1,058,123**	1,178,605	**1,028,352**	1,178,555
	₱8,085,523	₱7,391,114	**₱5,352,763**	₱5,906,427

Deferred reinsurance premiums
The deferred reinsurance premiums of the Group refer to portion of reinsurance premiums ceded that are unexpired as of December 31, 2019 and 2018.

Deferred benefits
This represents 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, 2019 and 2018, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱94.5 million and ₱105.9 million, respectively. As of December 31, 2019 and 2018, accumulated depreciation on chattel mortgage properties acquired by the Parent Company in settlement of loans amounted to ₱57.9 million and ₱58.2 million, respectively.

As of December 31, 2019 and 2018, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱0.9 million .

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		
	2019	2018 (As restated – Note 36	2017 (As restated – Note 36	**2019**	2018	2017
Provision for (reversal of) impairment	**₱500,253**	(₱71,135)	₱421,792	**(₱55,272)**	(₱71,135)	₱422,451
Provision for credit losses	**2,481,641**	1,823,947	793,523	**1,648,491**	1,472,663	70,609
Reversal of other losses (Note 34)	**(72,036)**	–	(331,182)	**–**	–	(331,183)
	₱2,909,858	₱1,752,812	₱884,133	**₱1,593,219**	₱1,401,528	₱161,877

Changes in the allowance for impairment and credit losses on financial assets follow:

	Consolidated												
	2019								2018 (As restated – Note 36)				
	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**	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**	₱58,500	₱3,711,523	₱14,851,170	₱500	₱18,621,693
Provisions (reversals)	**1,912**	**3,359**	**6,719**	**5,290**	**15,932**	**2,448,429**	**–**	**2,481,641**	(12,151)	57,741	1,778,357	–	1,823,947
Accounts charged-off	**–**	**–**	**–**	**–**	**–**	**(577,613)**	**–**	**(577,613)**	–	–	(328,251)	–	(328,251)
Transfers and others	**–**	**–**	**–**	**–**	**–**	**1,274,835**	**–**	**1,274,835**	–	–	(1,033,699)	–	(1,033,699)
Balance at end of year	**₱1,912**	**₱3,359**	**₱6,719**	**₱51,639**	**₱3,785,196**	**₱18,413,228**	**₱500**	**₱22,262,553**	₱46,349	₱3,769,264	₱15,267,577	₱500	₱19,083,690

	Parent Company											
	2019							2018				
	Due from Other Banks	**Interbank Loans Receivable**	**Financial Assets at FVOCI**	**Investment Securities at Amortized Cost**	**Loans and Receivables**	**Other Assets**	**Total**	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**	₱58,500	₱3,711,523	₱12,730,628	₱500	₱16,501,151
Provisions (reversals)	**3,359**	**1,293**	**5,290**	**(41,021)**	**1,679,570**	**–**	**1,648,491**	(12,151)	57,741	1,427,073	–	1,472,663
Accounts charged-off	**–**	**–**	**–**	**–**	**(479,032)**	**–**	**(479,032)**	–	–	(420,193)	–	(420,193)
Transfers and others	**–**	**–**	**–**	**–**	**466,664**	**–**	**466,664**	–	–	(1,111,926)	–	(1,111,926)
Balance at end of year	**₱3,359**	**₱1,293**	**₱51,639**	**₱3,728,243**	**₱14,292,784**	**₱500**	**₱18,077,818**	₱46,349	₱3,769,264	₱12,625,582	₱500	₱16,441,695

Movements in the allowance for impairment losses on nonfinancial assets follow:

	Consolidated							
	2019				2018 (As restated – Note 36)			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱228,486**	**₱3,283,363**	**₱1,178,105**	**₱4,689,954**	₱228,486	₱3,018,965	₱954,090	₱4,201,541
Provisions (reversals)	**–**	**500,253**	**–**	**500,253**	–	13,221	(84,356)	(71,135)
Disposals	**–**	**(1,924)**	**(333)**	**(2,257)**	–	(25,274)	(301)	(25,575)
Transfers and others	**886,671**	**(1,632,784)**	**(120,149)**	**(866,262)**	–	276,451	308,672	585,123
Balance at end 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

	Parent Company							
	2019				2018			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱228,034**	**₱3,284,467**	**₱1,178,055**	**₱4,690,556**	₱228,034	₱3,019,422	₱922,032	₱4,169,488
Provisions (reversals)	**–**	**(55,272)**	**–**	**(55,272)**	–	13,221	(84,356)	(71,135)
Disposals	**–**	**(1,924)**	**(9)**	**(1,933)**	–	(25,274)	(301)	(25,575)
Transfers and others	**887,123**	**(1,072,958)**	**(150,194)**	**(336,029)**	–	277,098	340,680	617,778
Balance at end 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

The reconciliation of allowance for the receivables from customers are shown below.

	Consolidated							
	2019				2018 (As restated – Note 36			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans*								
Beginning Balance	**₱1,295,286**	**₱36,592**	**₱3,828,372**	**₱5,160,250**	₱1,469,029	₱23,150	₱3,850,384	₱5,342,563
Newly originated assets which remained in Stage 1 as at year-end	**858,446**	**–**	**–**	**858,446**	477,090	–	–	477,090
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**602,760**	**2,185,515**	**2,788,275**	–	30,229	499,307	529,536
Transfers to Stage 1	**6,465**	**(5,342)**	**(1,123)**	**–**	1,082	(921)	(161)	–
Transfers to Stage 2	**(18,613)**	**45,272**	**(26,659)**	**–**	(4,437)	4,437	–	–
Transfers to Stage 3	**(8,691)**	**(2,070)**	**10,761**	**–**	(2,163)	(5,012)	7,175	–
Accounts charged off	**–**	**–**	**(97,153)**	**(97,153)**	–	–	(94,461)	(94,461)
Provisions (reversals)	**(12,038)**	**30,755**	**101,466**	**120,183**	82,761	136,288	440,496	659,545
Effect of collections and other movements	**(769,156)**	**154,436**	**(162,349)**	**(777,069)**	(728,076)	(151,579)	(874,368)	(1,754,023)
Ending Balance	**1,351,699**	**862,403**	**5,838,830**	**8,052,932**	1,295,286	36,592	3,828,372	5,160,250
LGU								
Beginning Balance	**41,515**	**4,190**	**24,915**	**70,620**	3,510	5,415	24,915	33,840
Newly originated assets which remained in Stage 1 as at year-end	**4,480**	**–**	**–**	**4,480**	7,430	–	–	7,430
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**–**	**–**	**–**	–	–	–	–
Transfers to Stage 1	**–**	**–**	**–**	**–**	–	–	–	–
Transfers to Stage 2	**–**	**–**	**–**	**–**	–	–	–	–
Transfers to Stage 3	**–**	**–**	**–**	**–**	–	–	–	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	–	–
Provisions	**–**		**–**	**–**	–	–	–	–
Effect of collections and other movements	**(15,906)**	**6,902**	**1,554**	**(7,450)**	30,575	(1,225)	–	29,350
Ending Balance	**30,089**	**11,092**	**26,469**	**67,650**	41,515	4,190	24,915	70,620
Credit Cards								
Beginning Balance	**138,090**	**398,114**	**539,372**	**1,075,576**	36,041	42,372	501,035	579,448
Newly originated assets which remained in Stage 1 as at year-end	**5,432**	**–**	**–**	**5,432**	18,591	–	–	18,591
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**3,930**	**33,824**	**37,754**	–	13,923	67,864	81,787
Transfers to Stage 1	**15,147**	**(6,325)**	**(8,822)**	**–**	83,458	(38,154)	(45,304)	–
Transfers to Stage 2	**(1,004)**	**1,100**	**(96)**	**–**	–	–	–	–
Transfers to Stage 3	**(2,350)**	**(19,524)**	**21,874**	**–**	–	(106,197)	106,197	–
Accounts charged off			**(328,919)**	**(328,919)**	–	(132,531)	–	(132,531)
Provisions	**16,519**	**19,561**	**692,661**	**728,741**	–	–	–	–
Effect of collections and other movements	**15,036**	**(16,012)**	**88,143**	**87,167**	–	618,701	(90,420)	528,281
Ending Balance	**186,870**	**380,844**	**1,038,037**	**1,605,751**	138,090	398,114	539,372	1,075,576
Retail SMEs								
Beginning Balance	**199,401**	**64,134**	**600,598**	**864,133**	156,783	6,190	558,726	721,699
Newly originated assets which remained in Stage 1 as at year-end	**212,530**	**–**	**–**	**212,530**	46,891	–	–	46,891
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**13,307**	**55,459**	**68,766**	–	8,304	68,455	76,759
Transfers to Stage 1	**23,983**	**(2,039)**	**(21,944)**	**–**	–	–	–	–
Transfers to Stage 2	**(178)**	**2,472**	**(2,294)**	**–**	(187)	187	–	–
Transfers to Stage 3	**(2,412)**	**(1,881)**	**4,293**	**–**	–	–	–	–
Accounts charged off	**–**	**–**	**(12,750)**	**(12,750)**	–	–	(27,833)	(27,833)
Provisions	**15,170**	**4,015**	**236,637**	**255,822**	486	1,532	9,799	11,817
Effect of collections and other movements	**(71,059)**	**(6,427)**	**171,437**	**93,951**	(4,572)	47,921	(8,549)	34,800
Ending Balance	**377,435**	**73,581**	**1,031,436**	**1,482,452**	199,401	64,134	600,598	864,133

(Forward)

	Consolidated							
	2019				2018 (As restated – Note 36			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Housing Loans								
Beginning Balance	**₱498,036**	**₱643,926**	**₱131,523**	**₱1,273,485**	₱ 400,894	₱40,247	₱374,370	₱ 815,511
Newly originated assets which remained in Stage 1 as at year-end	**501,707**	–	–	**501,707**	35,622	–	–	35,622
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	**16,462**	**59,779**	**76,241**	–	37,823	11,149	48,972
Transfers to Stage 1	**173,452**	**(121,482)**	**(51,970)**		7,215	(7,137)	(78)	–
Transfers to Stage 2	**(14,155)**	**27,900**	**(13,745)**	–	(435,782)	534,643	(98,861)	–
Transfers to Stage 3	**(20,109)**	**(296,405)**	**316,514**	–	(51,117)	(70,076)	121,193	–
Accounts charged off	–	–	**(39,865)**	**(39,865)**	–	–	–	–
Provisions	–	**51,681**	**542,813**	**594,494**	13,748	22,392	17,529	53,669
Effect of collections and other movements	**(249,506)**	**225,507**	**(830,642)**	**(854,641)**	527,456	86,034	(293,779)	319,711
Ending Balance	**889,425**	**547,589**	**114,407**	**1,551,421**	498,036	643,926	131,523	1,273,485
Auto Loans								
Beginning Balance	**114,151**	**67,820**	**49,384**	**231,355**	70,682	5,117	74,066	149,865
Newly originated assets which remained in Stage 1 as at year-end	**67,305**		**–**	**67,305**	8,863	–	–	8,863
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**4,522**	**16,728**	**21,250**	–	4,962	1,623	6,585
Transfers to Stage 1	**28,932**	**(12,239)**	**(16,693)**	**–**	2,293	(2,206)	(87)	–
Transfers to Stage 2	**(1,063)**	**4,433**	**(3,370)**	**–**	(2,576)	3,386	(810)	–
Transfers to Stage 3	**(1,029)**	**(12,351)**	**13,380**	**–**	(3,926)	(7,332)	11,258	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(5,416)	(5,416)
Provisions			**101,941**	**101,941**	7,067	6,516	3,281	16,864
Effect of collections and other movements	**(54,166)**	**(6,873)**	**(116,969)**	**(178,008)**	31,748	57,377	(34,531)	54,594
Ending Balance	**154,130**	**45,312**	**44,401**	**243,843**	114,151	67,820	49,384	231,355
Other Loans								
Beginning Balance	**508,416**	**119,909**	**956,201**	**1,584,526**	734,409	363,554	1,219,525	2,317,488
Newly originated assets which remained in Stage 1 as at year-end	**214,087**	**–**	**–**	**214,087**	304	–	–	304
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**1,656**	**16,845**	**18,501**	–	4,999	940	5,939
Transfers to Stage 1	**7,501**	**(780)**	**(6,721)**	**–**	–	–	–	–
Transfers to Stage 2	**(23)**	**220**	**(197)**	**–**	(19,120)	52,355	(33,235)	–
Transfers to Stage 3	**(97)**	**(7,184)**	**7,281**	**–**	(5,529)	(3,368)	8,897	–
Accounts charged off	**–**	**(33,294)**	**(16,236)**	**(49,530)**	–	–	(38,601)	(38,601)
Provisions (reversals)	**(5,581)**	**8**	**23,520**	**17,947**	168,037	16,882	18,330	203,249
Effect of collections and other movements	**(715,379)**	**(18,346)**	**17,381**	**(716,344)**	(369,685)	(314,513)	(219,655)	(903,853)
Ending Balance	**8,924**	**62,189**	**998,074**	**1,069,187**	508,416	119,909	956,201	1,584,526
Other Receivables								
Beginning Balance	**1,084,900**	**2,723,474**	**1,199,258**	**5,007,632**	2,715,351	923,602	1,025,211	4,664,164
Newly originated assets which remained in Stage 1 as at year-end	**76,724**	**–**	**–**	**76,724**	12,478	–	–	12,478
Newly originated assets which moved toStages 2 and 3 as at year-end	**–**	**32,200**	**499,646**	**531,846**	–	75,814	89,550	165,364
Transfers to Stage 1	**16,734**	**(7,198)**	**(9,536)**	**–**	936	(171)	(765)	–
Transfers to Stage 2	**(880)**	**3,599**	**(2,719)**	**–**	(2,364)	2,364	–	–
Transfers to Stage 3	**(2,227)**	**(21,054)**	**23,281**	**–**	–	(457)	457	–
Accounts charged off	**–**	**–**	**(49,396)**	**(49,396)**	–	–	(29,409)	(29,409)
Provisions	**123,479**	**21,901**	**572,768**	**718,148**	76,395	–	28,333	104,728
Effect of collections and other movements	**(1,221,233)**	**(2,731,007)**	**2,007,278**	**(1,944,962)**	(1,717,896)	1,722,322	85,881	90,307
Ending Balance	**77,497**	**21,915**	**4,240,580**	**4,339,992**	1,084,900	2,723,474	1,199,258	5,007,632
Total Loans and Receivables								
Beginning Balance	**3,789,375**	**3,718,712**	**7,759,490**	**15,267,577**	5,586,699	1,409,647	7,628,232	14,624,578
Newly originated assets which remained in Stage 1 as at year-end	**1,940,711**	–	–	**1,940,711**	607,269	–	–	607,269
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	**674,837**	**2,867,796**	**3,542,633**	–	176,054	738,888	914,942

(Forward)

	Consolidated							
	2019				2018 (As restated – Note 36			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 1	**₱272,214**	**(₱155,405)**	**(₱116,809)**	**₱–**	₱153,567	(₱17,902)	(₱135,665)	₱–
Transfers to Stage 2	**(35,916)**	**84,996**	**(49,080)**	–	(464,466)	597,372	(132,906)	–
Transfers to Stage 3	**(36,915)**	**(360,469)**	**397,384**	–	(62,735)	(192,442)	255,177	–
Accounts charged off	–	**(33,294)**	**(544,319)**	**(577,613)**	–	(132,531)	(195,720)	(328,251)
Provisions	**137,549**	**139,676**	**2,271,806**	**2,549,031**	348,494	183,610	517,768	1,049,872
Effect of collections and other movements	**(3,144,805)**	**(2,398,722)**	**1,234,416**	**(4,309,111)**	(2,379,453)	1,694,904	(916,284)	(1,600,833)
Ending Balance	**₱2,922,213**	**₱1,670,331**	**₱13,820,684**	**₱18,413,228**	₱3,789,375	₱3,718,712	₱7,759,490	₱15,267,577

* Allowance for ECL on corporate loans includes ECL on undrawn loan commitment. The balance of commitments as of December 31, 2019 and 2018 are ₱339.2 million and ₱151.2 million, respectively. Movements during the year were mostly driven by new loan facility availments in 2019.

	Parent Company							
	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans*								
Beginning Balance	**₱1,143,785**	**₱25,894**	**₱3,814,554**	**₱4,984,233**	₱1,405,697	₱22,673	₱3,839,860	₱5,268,230
Newly originated assets which remained in Stage 1 as at year-end	**819,483**	–	–	**819,483**	476,383	–	–	476,383
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	**599,413**	**2,122,244**	**2,721,657**	–	19,531	498,861	518,392
Transfers to Stage 1	**5,316**	**(5,316)**		–	1,319	(1,319)	–	–
Transfers to Stage 2	**(14,958)**	**41,617**	**(26,659)**	–	(4,442)	4,442	–	–
Transfers to Stage 3	**(2,914)**	**(2,070)**	**4,984**	–	(2,167)	(5,012)	7,179	–
Accounts charged off	–	–	**(29,922)**	**(29,922)**	–	–	(94,461)	(94,461)
Provisions	**18,372**	**50**	**47**	**18,469**	7,958	136,288	437,473	581,719
Effect of collections and other movements	**(745,664)**	**154,701**	**(249,854)**	**(840,817)**	(740,963)	(150,709)	(874,358)	(1,766,030)
Ending Balance	**1,223,420**	**814,289**	**5,635,394**	**7,673,103**	1,143,785	25,894	3,814,554	4,984,233
LGU								
Beginning Balance	**41,515**	**4,190**	**24,915**	**70,620**	3,510	5,415	24,915	33,840
Newly originated assets which remained in Stage 1 as at year-end	**4,480**	–	–	**4,480**	7,430	–	–	7,430
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	–	–	–	–	–	–	–
Transfers to Stage 1	–	–	–	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–	–	–	–
Accounts charged off	–	–	–	–	–	–	–	–
Provisions	–	**11,755**	–	**11,755**	–	–	–	–
Effect of collections and other movements	**(20,759)**	–	**1,554**	**(19,205)**	30,575	(1,225)	-	29,350
Ending Balance	**25,236**	**15,945**	**26,469**	**67,650**	41,515	4,190	24,915	70,620
Credit Cards								
Beginning Balance	**47,670**	**58,667**	**969,239**	**1,075,576**	36,041	42,372	501,035	579,448
Newly originated assets which remained in Stage 1 as at year-end	**5,432**	**–**	**–**	**5,432**	18,591	–	–	18,591
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**3,930**	**33,824**	**37,754**	–	13,923	67,864	81,787
Transfers to Stage 1	**15,147**	**(6,325)**	**(8,822)**	**–**	142,041	(7,467)	(134,574)	–
Transfers to Stage 2	**(1,004)**	**1,100**	**(96)**	**–**	–	–	–	–
Transfers to Stage 3	**(2,350)**	**(19,524)**	**21,874**	**–**	–	(106,197)	106,197	–
Accounts charged off	**–**	**–**	**(328,919)**	**(328,919)**	–	(132,531)	–	(132,531)
Provisions	**16,519**	**19,561**	**692,661**	**728,741**	–	–	–	–
Effect of collections and other movements	**(43,547)**	**(16,012)**	**146,726**	**87,167**	(149,003)	248,567	428,717	528,281
Ending Balance	**37,867**	**41,397**	**1,526,487**	**1,605,751**	47,670	58,667	969,239	1,075,576
Retail SMEs								
Beginning Balance	**51,113**	**7,789**	**519,467**	**578,369**	74,686	5,935	483,607	564,228
Newly originated assets which remained in Stage 1 as at year-end	**81,916**	–	–	**81,916**	44,940	–	–	44,940
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	**9,291**	**2,750**	**12,041**	–	2,418	35,319	37,737

(Forward)

	Parent Company							
	2019				2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 1	**₱668**	**(₱135)**	**(₱533)**	**₱–**	₱50	₱–	(₱50)	₱–
Transfers to Stage 2	**(115)**	**328**	**(213)**	–	(593)	908	(315)	–
Transfers to Stage 3	**(863)**	**(1,712)**	**2,575**	–	(547)	–	547	–
Accounts charged off	–	–	**(12,750)**	**(12,750)**	–	–	(27,833)	(27,833)
Provisions	**330**	–	**1**	**331**	361	337	28,362	29,060
Effect of collections and other movements	**(47,340)**	**(1,545)**	**(188,633)**	**(237,518)**	(67,784)	(1,809)	(170)	(69,763)
Ending Balance	**85,709**	**14,016**	**322,664**	**422,389**	51,113	7,789	519,467	578,369
Housing Loans								
Beginning Balance	**21,672**	**876**	**35,676**	**58,224**	1,398	678	40,245	42,321
Newly originated assets which remained in Stage 1 as at year-end	**14,421**	–	–	**14,421**	6	–	–	6
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**1,989**	**382**	**2,371**	–	3	4,497	4,500
Transfers to Stage 1	**8,102**	**(134)**	**(7,968)**	**–**	134	(38)	(96)	–
Transfers to Stage 2	**(273)**	**273**	**–**	**–**	–	–	–	–
Transfers to Stage 3	**(71)**	**(223)**	**294**	**–**	(207)	(89)	296	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	–	–
Provisions	**32**	**–**	**1**	**33**	–	–	252	252
Effect of collections and other movements	**(14,959)**	**903**	**14,036**	**(20)**	20,341	322	(9,518)	11,145
Ending Balance	**28,924**	**3,684**	**42,421**	**75,029**	21,672	876	35,676	58,224
Auto Loans								
Beginning Balance	**3**	–	**39,589**	**39,592**	17	38	43,120	43,175
Newly originated assets which remained in Stage 1 as at year-end	**23,108**	**–**	**–**	**23,108**	–	–	–	–
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**3,558**	**4,391**	**7,949**	–	–	–	–
Transfers to Stage 1			**–**	**–**	17	(17)	–	–
Transfers to Stage 2	**–**	**–**	**–**	**–**	–	–	–	–
Transfers to Stage 3	**–**	**–**	**–**	**–**	–	–	–	–
Accounts charged off	**–**	**–**	**(8,515)**	**(8,515)**	–	–	–	–
Provisions	**–**	**–**	**–**	**–**	–	–	–	–
Effect of collections and other movements	**(3)**	**–**	**(43)**	**(46)**	(31)	(21)	(3,531)	(3,583)
Ending Balance	**23,108**	**3,558**	**35,422**	**62,088**	3	–	39,589	39,592
Other Loans								
Beginning Balance	**202**	**57,572**	**973,358**	**1,031,132**	2,142	362,248	1,194,078	1,558,468
Newly originated assets which remained in Stage 1 as at year-end	**3,093**	**–**	**–**	**3,093**	154	–	–	154
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**1,656**	**16,845**	**18,501**	–	141	–	141
Transfers to Stage 1	**960**	**(170)**	**(790)**	**–**	404	(335)	(69)	–
Transfers to Stage 2	**–**	**–**	**–**	**–**	(411)	757	(346)	–
Transfers to Stage 3	**–**	**(6,293)**	**6,293**	**–**	(40)	(303)	343	–
Accounts charged off	**–**	**(33,296)**	**(16,234)**	**(49,530)**	–	–	(38,601)	(38,601)
Provisions	**–**	**12**	**–**	**12**	–	13,480	37,683	51,163
Effect of collections and other movements	**310**	**(8,163)**	**405,980**	**398,127**	(2,047)	(318,416)	(219,730)	(540,193)
Ending Balance	**4,565**	**11,318**	**1,385,452**	**1,401,335**	202	57,572	973,358	1,031,132
Other Receivables								
Beginning Balance	**1,104,095**	**2,644,819**	**1,038,922**	**4,787,836**	2,613,376	920,913	936,791	4,471,080
Newly originated assets which remained in Stage 1 as at year-end	**8,279**	**–**	**–**	**8,279**	–	–	–	–
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**1,647**	**14,551**	**16,198**	–	–	–	–
Transfers to Stage 1	**594**	**(142)**	**(452)**	**–**	–	–	–	–
Transfers to Stage 2	**(750)**	**1,225**	**(475)**	**–**	–	–	–	–
Transfers to Stage 3	**(1,962)**	**(349)**	**2,311**	**–**	–	–	–	–
Accounts charged off	–	–	**(49,396)**	**(49,396)**	–	–	(29,409)	(29,409)
Provisions	**321**	**–**	**29,778**	**30,099**	–	–	28,333	28,333
Effect of collections and other movements	**(1,051,124)**	**(2,637,439)**	**1,880,986**	**(1,807,577)**	(1,509,281)	1,723,906	103,207	317,832
Ending Balance	**59,453**	**9,761**	**2,916,225**	**2,985,439**	1,104,095	2,644,819	1,038,922	4,787,836

(Forward)

	Parent Company							
	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Loans and Receivables								
Beginning Balance	**₱2,410,055**	**₱2,799,807**	**₱7,415,720**	**₱12,625,582**	₱4,136,867	₱1,360,272	₱7,063,651	₱12,560,790
Newly originated assets which remained in Stage 1 as at year-end	**960,212**	**–**	**–**	**960,212**	547,504	–	–	547,504
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**621,484**	**2,194,987**	**2,816,471**	–	36,016	606,541	642,557
Transfers to Stage 1	**30,787**	**(12,222)**	**(18,565)**	**–**	143,965	(9,176)	(134,789)	–
Transfers to Stage 2	**(17,100)**	**44,543**	**(27,443)**	**–**	(5,446)	6,107	(661)	–
Transfers to Stage 3	**(8,160)**	**(30,171)**	**38,331**		(2,961)	(111,601)	114,562	–
Accounts charged off	**–**	**(33,296)**	**(437,221)**	**(470,517)**	–	(132,531)	(190,304)	(322,835)
Provisions	**35,574**	**31,378**	**722,488**	**789,440**	8,319	150,105	532,103	690,527
Effect of collections and other movements	**(1,923,086)**	**(2,507,555)**	**2,002,237**	**(2,428,404)**	(2,418,193)	1,500,615	(575,383)	(1,492,961)
Ending Balance	**₱1,488,282**	**₱913,968**	**₱11,890,534**	**₱14,292,784**	₱2,410,055	₱2,799,807	₱7,415,720	₱12,625,582

*Allowance for ECL on corporate loans includes ECL on undrawn loan commitment. The balance of commitments as of December 31, 2019 and 2018 are ₱339.2 million and ₱151.2 million, respectively. Movements during the year were mostly driven by new loan facility availments in 2019.

Movements of the gross carrying amounts of receivables from customers are shown below:

	Consolidated							
	2019				2018 (As restated – Note 36			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans*								
Beginning Balance	**₱463,867,001**	**₱5,792,259**	**₱6,755,750**	**₱476,415,010**	₱384,446,065	₱3,003,511	₱6,000,790	₱393,450,366
Newly originated assets which remained in Stage 1 as at year-end	**303,638,405**	**–**	**–**	**303,638,405**	231,847,502	–	–	231,847,502
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**10,959,867**	**3,700,995**	**14,660,862**	–	4,519,519	1,334,506	5,854,025
Transfers to Stage 1	**1,008,052**	**(1,012,278)**	**4,226**	**–**	296,280	(296,280)	–	–
Transfers to Stage 2	**(5,720,152)**	**5,781,921**	**(61,769)**	**–**	(545,396)	839,071	(293,675)	–
Transfers to Stage 3	**(1,701,453)**	**(356,342)**	**2,057,795**	**–**	(393,213)	(251,314)	644,527	–
Accounts charged off	**–**	**–**	**(97,157)**	**(97,157)**	(8,352)	–	(94,461)	(102,813)
Effect of collections and other movements	**(239,250,016)**	**(5,081,541)**	**(1,648,148)**	**(245,979,705)**	(151,775,885)	(2,022,248)	(835,937)	(154,634,070)
Ending 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
LGU								
Beginning Balance	**6,877,331**	**17,968**	**24,916**	**6,920,215**	7,017,292	23,227	24,916	7,065,435
Newly originated assets which remained in Stage 1 as at year-end	**1,223,390**	**–**	**–**	**1,223,390**	6,877,331	–	–	6,877,331
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**–**	**–**	**–**	–	16,070	24,916	40,986
Transfers to Stage 1	**–**	**–**	**–**	**–**	–	–	–	–
Transfers to Stage 2	**–**	**–**	**–**	**–**	–	–	–	–
Transfers to Stage 3	**–**	**–**	**–**	**–**	–	–	–	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	–	–
Effect of collections and other movements	**(1,396,879)**	**47,706**	**2,070**	**(1,347,103)**	(7,017,292)	(21,329)	(24,916)	(7,063,537)
Ending Balance	**6,703,842**	**65,674**	**26,986**	**6,796,502**	6,877,331	17,968	24,916	6,920,215
Credit Cards								
Beginning Balance	**11,802,517**	**393,493**	**1,216,053**	**13,412,063**	9,184,514	294,477	666,483	10,145,474
Newly originated assets which remained in Stage 1 as at year-end	**1,550,335**	**–**	**–**	**1,550,335**	2,894,354	–	–	2,894,354
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**54,662**	**44,797**	**99,459**	–	76,426	81,210	157,636
Transfers to Stage 1	**114,740**	**(104,028)**	**(10,712)**	**–**	142,041	(78,154)	(63,887)	–
Transfers to Stage 2	**(334,322)**	**334,463**	**(141)**	**–**	(263,134)	271,709	(8,575)	–
Transfers to Stage 3	**(831,146)**	**(234,001)**	**1,065,147**	**–**	(620,055)	(162,122)	782,177	–
Accounts charged off			**(328,919)**	**(328,919)**	(137,452)	(42,326)	(182,554)	(362,332)
Effect of collections and other movements	**1,339,230**	**(24,480)**	**(177,742)**	**1,137,008**	602,249	33,483	(58,801)	576,931
Ending Balance	**13,641,354**	**420,109**	**1,808,483**	**15,869,946**	11,802,517	393,493	1,216,053	13,412,063

(Forward)

	Consolidated							
	2019				2018 (As restated – Note 36)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Retail SMEs								
Beginning Balance	₱10,270,353	₱200,847	₱1,472,412	₱11,943,612	₱11,648,490	₱337,636	₱488,606	₱12,474,732
Newly originated assets which remained in Stage 1 as at year-end	14,272,023	–	–	14,272,023	8,237,072	–	–	8,237,072
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	315,726	113,566	429,292	–	188,861	1,443,678	1,632,539
Transfers to Stage 1	237,154	(181,422)	(55,732)	–	–	–	–	–
Transfers to Stage 2	(30,160)	35,566	(5,406)	–	(191,176)	191,176	–	–
Transfers to Stage 3	(417,838)	(46,032)	463,870	–	–	–	–	–
Accounts charged off	–	–	(12,750)	(12,750)	–	–	–	–
Effect of collections and other movements	(5,522,861)	(116,935)	87,069	(5,552,727)	(9,424,033)	(516,826)	(459,872)	(10,400,731)
Ending Balance	18,808,671	207,750	2,063,029	21,079,450	10,270,353	200,847	1,472,412	11,943,612
Housing Loans								
Beginning Balance	22,772,350	7,737,946	3,333,099	33,843,395	16,469,522	8,717,747	1,676,936	26,864,205
Newly originated assets which remained in Stage 1 as at year-end	11,545,147	–	–	11,545,147	6,773,796	–	–	6,773,796
Newly originated assets which moved to Stages 2 and 3 as at year-end	-	188,203	264,961	453,164	–	355,084	46,294	401,378
Transfers to Stage 1	82,895	(2,382)	(80,513)	–	2,066,914	(2,038,294)	(28,620)	–
Transfers to Stage 2	(17,456)	17,456	-	–	(4,814,883)	5,904,269	(1,089,386)	–
Transfers to Stage 3	(4,068,415)	(513,704)	4,582,119	–	(282,094)	(385,334)	667,428	–
Accounts charged off	–	–	(51,500)	(51,500)	–	–	–	–
Effect of collections and other movements	(3,713,278)	(5,856,228)	(2,652,133)	(12,221,639)	2,559,095	(4,815,526)	2,060,447	(195,984)
Ending 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
Auto Loans								
Beginning Balance	9,418,556	2,165,913	158,776	11,743,245	6,251,527	2,757,834	218,887	9,228,248
Newly originated assets which remained in Stage 1 as at year-end	5,884,421	–	–	5,884,421	5,171,719	–	–	5,171,719
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	125,425	127,089	252,514	–	338,571	12,530	351,101
Transfers to Stage 1	582,409	(482,925)	(99,484)	–	887,495	(853,998)	(33,497)	–
Transfers to Stage 2	(349,085)	369,715	(20,630)	–	(1,407,767)	1,847,521	(439,754)	–
Transfers to Stage 3	(368,300)	(507,136)	875,436	–	(21,707)	(40,541)	62,248	–
Accounts charged off	–	–	(8,515)	(8,515)	–	–	(5,416)	(5,416)
Effect of collections and other movements	(3,589,088)	(1,212,151)	34,762	(4,766,477)	(1,462,711)	(1,883,474)	343,778	(3,002,407)
Ending Balance	11,578,913	458,841	1,067,434	13,105,188	9,418,556	2,165,913	158,776	11,743,245
Other Loans								
Beginning Balance	11,870,519	5,891,187	1,467,505	19,229,211	19,627,677	696,618	1,350,439	21,674,734
Newly originated assets which remained in Stage 1 as at year-end	11,803,126	–	–	11,803,126	7,296,449	–	–	7,296,449
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	575,765	458,343	1,034,108	–	6,463,430	3,695	6,467,125
Transfers to Stage 1	65,648	(23,718)	(41,930)	–	19,194	–	(19,194)	–
Transfers to Stage 2	(26,435)	27,565	(1,130)	–	(76,478)	114,267	(37,789)	–
Transfers to Stage 3	(225,836)	(463,651)	689,487	–	(8,273)	–	8,273	–
Accounts charged off	–	(33,296)	(16,234)	(49,530)	–	–	(38,601)	(38,601)
Effect of collections and other movements	(14,421,148)	(5,268,417)	(360,682)	(20,050,247)	(14,988,050)	(1,383,128)	200,682	(16,170,496)
Ending Balance	9,065,874	705,435	2,195,359	11,966,668	11,870,519	5,891,187	1,467,505	19,229,211
Other Receivables								
Beginning Balance	22,949,168	4,644,141	833,992	28,427,301	16,740,788	4,723,127	833,454	22,297,369
Newly originated assets which remained in Stage 1 as at year-end	6,522,346	–	–	6,522,346	11,275,032	–	–	11,275,032
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	449,753	818,513	1,268,266	–	143,045	130,350	273,395
Transfers to Stage 1	213,018	(105,355)	(107,663)	–	131,651	(52,696)	(78,955)	–
Transfers to Stage 2	(59,769)	84,113	(24,344)	–	(33,598)	57,500	(23,902)	–
Transfers to Stage 3	(867,921)	(2,495,196)	3,363,117	–	(20,443)	(3,999)	24,442	–
Accounts charged off	–	–	(49,396)	(49,396)	–	–	(29,408)	(29,408)
Effect of collections and other movements	(12,391,217)	2,773,557	(1,237,608)	(10,855,268)	(5,144,262)	(222,836)	(21,989)	(5,389,087)
Ending Balance	16,365,625	5,351,013	3,596,611	25,313,249	22,949,168	4,644,141	833,992	28,427,301

(Forward)

	Consolidated							
	2019				2018 (As restated – Note 36			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Loans and Receivables								
Beginning Balance	₱559,827,795	₱26,843,754	₱15,262,503	₱601,934,052	₱471,385,875	₱20,554,177	₱11,260,511	₱503,200,563
Newly originated assets which remained in Stage 1 as at year-end	356,439,193	–	–	356,439,193	280,373,255	–	–	280,373,255
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	12,669,401	5,528,264	18,197,665	–	12,101,006	3,077,179	15,178,185
Transfers to Stage 1	2,303,916	(1,912,108)	(391,808)	–	3,543,575	(3,319,422)	(224,153)	–
Transfers to Stage 2	(6,537,379)	6,650,799	(113,420)	–	(7,332,432)	9,225,513	(1,893,081)	–
Transfers to Stage 3	(8,480,909)	(4,616,062)	13,096,971	–	(1,345,785)	(843,310)	2,189,095	–
Accounts charged off	–	(33,296)	(564,471)	(597,767)	(145,804)	(42,326)	(350,440)	(538,570)
Effect of collections and other movements	(278,945,257)	(14,738,489)	(5,952,412)	(299,636,158)	(186,650,889)	(10,831,884)	1,203,392	(196,279,381)
Ending 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

	Parent Company							
	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans*								
Beginning Balance	₱446,682,503	₱5,137,582	₱6,218,960	₱458,039,045	₱377,379,028	₱2,170,755	₱4,950,332	₱384,500,115
Newly originated assets which remained in Stage 1 as at year-end	296,460,743	–	–	296,460,743	229,278,616	–	–	229,278,616
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	10,920,510	3,499,281	14,419,791	–	4,333,052	1,328,441	5,661,493
Transfers to Stage 1	1,014,922	(1,014,922)	–	–	300,679	(300,679)	–	–
Transfers to Stage 2	(5,479,370)	5,541,139	(61,769)	–	(925,229)	925,229	–	–
Transfers to Stage 3	(1,316,130)	(356,342)	1,672,472	–	(458,770)	(251,314)	710,084	–
Accounts charged off	–	–	(29,922)	(29,922)	–	–	(94,461)	(94,461)
Effect of collections and other movements	(224,498,310)	(4,222,297)	(3,497,743)	(232,218,350)	(158,891,821)	(1,739,461)	(675,436)	(161,306,718)
Ending 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
LGU								
Beginning Balance	6,877,331	17,968	24,916	6,920,215	7,017,292	23,227	24,916	7,065,435
Newly originated assets which remained in Stage 1 as at year-end	1,223,390	–	–	1,223,390	6,877,331	–	–	6,877,331
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	–	–	–	–	16,070	24,916	40,986
Transfers to Stage 1	–	–	–	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–	–	–	–
Accounts charged off	–	–	–	–	–	–	–	–
Effect of collections and other movements	(1,396,879)	47,706	2,070	(1,347,103)	(7,017,292)	(21,329)	(24,916)	(7,063,537)
Ending Balance	6,703,842	65,674	26,986	6,796,502	6,877,331	17,968	24,916	6,920,215
Credit Cards								
Beginning Balance	11,743,934	393,493	1,274,636	13,412,063	9,184,514	294,477	666,483	10,145,474
Newly originated assets which remained in Stage 1 as at year-end	1,550,335	–	–	1,550,335	2,894,354	–	–	2,894,354
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	54,662	44,797	99,459	–	76,426	81,210	157,636
Transfers to Stage 1	114,740	(104,028)	(10,712)	–	83,458	(78,154)	(5,304)	–
Transfers to Stage 2	(334,322)	334,463	(141)	–	(263,134)	271,709	(8,575)	–
Transfers to Stage 3	(831,146)	(234,001)	1,065,147	–	(620,055)	(162,122)	782,177	–
Accounts charged off	–	–	(328,919)	(328,919)	(137,452)	(42,326)	(182,554)	(362,332)
Effect of collections and other movements	1,339,230	(24,480)	(177,742)	1,137,008	602,249	33,483	(58,801)	576,931
Ending Balance	13,582,771	420,109	1,867,066	15,869,946	11,743,934	393,493	1,274,636	13,412,063
Retail SMEs								
Beginning Balance	6,483,477	125,965	1,209,176	7,818,618	9,352,537	77,189	324,783	9,754,509
Newly originated assets which remained in Stage 1 as at year-end	10,985,586	–	–	10,985,586	6,494,319	–	–	6,494,319
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	68,845	34,775	103,620	–	125,965	1,383,885	1,509,850

(Forward)

	Parent Company							
	2019				2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 1	**₱18,549**	**(₱9,693)**	**(₱8,856)**	**₱–**	₱833	₱–	(₱833)	₱–
Transfers to Stage 2	**(21,726)**	**22,576**	**(850)**	–	(105,242)	105,242	–	–
Transfers to Stage 3	**(133,014)**	**(31,245)**	**164,259**	–	(186,948)	(14,410)	201,358	–
Accounts charged off	–	–	**(12,750)**	**(12,750)**	–	–	(27,833)	(27,833)
Effect of collections and other movements	**(5,651,312)**	**(75,364)**	**(717,650)**	**(6,444,326)**	(9,072,022)	(168,021)	(672,184)	(9,912,227)
Ending Balance	**11,681,560**	**101,084**	**668,104**	**12,450,748**	6,483,477	125,965	1,209,176	7,818,618
Housing Loans								
Beginning Balance	**1,397,681**	**15,850**	**213,791**	**1,627,322**	1,272,340	7,848	247,536	1,527,724
Newly originated assets which remained in Stage 1 as at year-end	**2,516,320**	–	–	**2,516,320**	8,644	–	–	8,644
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	**19,951**	**1,396**	**21,347**	–	63	16,830	16,893
Transfers to Stage 1	**82,895**	**(2,382)**	**(80,513)**	–	947	(421)	(526)	–
Transfers to Stage 2	**(17,456)**	**17,456**	–	–	(18,313)	18,313	–	–
Transfers to Stage 3	**(14,487)**	**(4,198)**	**18,685**	–	(6,190)	(2,909)	9,099	–
Accounts charged off	–	–	–	–	–	–	–	–
Effect of collections and other movements	**(266,132)**	**(9,400)**	**(41,689)**	**(317,221)**	140,253	(7,044)	(59,148)	74,061
Ending Balance	**3,698,821**	**37,277**	**111,670**	**3,847,768**	1,397,681	15,850	213,791	1,627,322
Auto Loans								
Beginning Balance	**417**	–	**39,608**	**40,025**	3,506	420	47,776	51,702
Newly originated assets which remained in Stage 1 as at year-end	**2,550,623**	–	–	**2,550,623**	–	–	–	–
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**41,958**	**12,215**	**54,173**	–	–	–	–
Transfers to Stage 1				**–**	–	–	–	–
Transfers to Stage 2				**–**	–	–	–	–
Transfers to Stage 3				**–**	(130)	–	130	–
Accounts charged off	**–**	**–**	**(8,515)**	**(8,515)**	–	–	(5,416)	(5,416)
Effect of collections and other movements	**136,087**	**–**	**(61)**	**136,026**	(2,959)	(420)	(2,882)	(6,261)
Ending Balance	**2,687,127**	**41,958**	**43,247**	**2,772,332**	417	–	39,608	40,025
Other Loans								
Beginning Balance	**7,434,165**	**5,735,761**	**1,348,266**	**14,518,192**	10,609,247	492,402	1,173,090	12,274,739
Newly originated assets which remained in Stage 1 as at year-end	**2,990,921**	**–**	**–**	**2,990,921**	5,576,195	–	–	5,576,195
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**352,576**	**18,049**	**370,625**	–	6,420,312	–	6,420,312
Transfers to Stage 1	**5,892**	**(2,937)**	**(2,955)**	**–**	2,712	(2,251)	(461)	–
Transfers to Stage 2	**(2,161)**	**2,161**	**–**	**–**	(109,767)	111,665	(1,898)	–
Transfers to Stage 3	**(241)**	**(436,558)**	**436,799**	**–**	(8,268)	(3,750)	12,018	–
Accounts charged off	**–**	**(33,296)**	**(16,234)**	**(49,530)**	–	–	(38,602)	(38,602)
Effect of collections and other movements	**(6,980,986)**	**(5,196,887)**	**(340,866)**	**(12,518,739)**	(8,635,954)	(1,282,617)	204,119	(9,714,452)
Ending Balance	**3,447,590**	**420,820**	**1,443,059**	**5,311,469**	7,434,165	5,735,761	1,348,266	14,518,192
Other Receivables								
Beginning Balance	**15,771,243**	**4,644,141**	**833,992**	**21,249,376**	10,519,844	4,723,127	833,454	16,076,425
Newly originated assets which remained in Stage 1 as at year-end	**1,406,430**	**–**	**–**	**1,406,430**	10,495,560	–	–	10,495,560
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**28,572**	**25,570**	**54,142**	–	143,045	130,350	273,395
Transfers to Stage 1	**90,494**	**(21,345)**	**(69,149)**	**–**	131,651	(52,696)	(78,955)	–
Transfers to Stage 2	**(42,700)**	**57,821**	**(15,121)**	**–**	(33,598)	57,500	(23,902)	–
Transfers to Stage 3	**(32,081)**	**(2,287,963)**	**2,320,044**	**–**	(20,443)	(3,999)	24,442	–
Accounts charged off	**–**	**–**	**(49,396)**	**(49,396)**	**–**	**–**	(29,408)	(29,408)
Effect of collections and other movements	**(3,147,264)**	**(1,210,486)**	**(484,194)**	**(4,841,944)**	(5,321,771)	(222,836)	(21,989)	(5,566,596)
Ending Balance	**14,046,122**	**1,210,740**	**2,561,746**	**17,818,608**	15,771,243	4,644,141	833,992	21,249,376
Total Loans and Receivables								
Beginning Balance	**496,390,751**	**16,070,760**	**11,163,345**	**523,624,856**	425,338,308	7,789,445	8,268,370	441,396,123
Newly originated assets which remained in Stage 1 as at year-end	**319,684,348**	**–**	**–**	**319,684,348**	261,625,019	–	–	261,625,019
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**11,487,074**	**3,636,083**	**15,123,157**	–	11,114,933	2,965,632	14,080,565

(Forward)

	Parent Company							
	2019				2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 1	**₱1,327,492**	**(₱1,155,307)**	**(₱172,185)**	**₱–**	₱520,280	(₱434,201)	(₱86,079)	₱–
Transfers to Stage 2	**(5,897,735)**	**5,975,616**	**(77,881)**	**–**	(1,455,283)	1,489,658	(34,375)	–
Transfers to Stage 3	**(2,327,099)**	**(3,350,307)**	**5,677,406**	**–**	(1,300,804)	(438,504)	1,739,308	–
Accounts charged off		**(33,296)**	**(445,736)**	**(479,032)**	(137,452)	(42,326)	(378,274)	(558,052)
Effect of collections and other movements	**(240,465,566)**	**(10,691,208)**	**(5,257,875)**	**(256,414,649)**	(188,199,317)	(3,408,245)	(1,311,238)	(192,918,799)
Ending 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

17. **Deposit Liabilities**

As of December 31, 2019 and 2018, noninterest-bearing deposit liabilities amounted to ₱37.5 billion and ₱28.6 billion, respectively, for the Group, and ₱25.5 billion and ₱25.2 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		
	2019	2018	2017	**2019**	2018	2017
Peso-denominated	**0.10% - 6.00%**	0.01% - 10.00%	0.01% - 4.13%	**0.10% - 10.00%**	0.01% - 10.00%	0.01% - 4.13%
Foreign currency-denominated	**0.01% - 5.75%**	0.01% - 8.00%	0.01% - 2.10%	**0.01% - 8.00%**	0.01% - 8.00%	0.01% - 2.10%

As of December 31, 2019, non-FCDU deposit liabilities of the Parent Company and PNBSB are subject to reserves equivalent to 13.84% and 3.89%, respectively (reduced from 18.00% and 8.00%, respectively, as of December 31, 2018).

Available reserves booked under 'Due from BSP' are as follows:

	2019	2018
Parent Company	**₱90,394,597**	₱97,665,375
PNBSB	**1,787,204**	3,361,937
	₱92,181,801	₱101,027,312

LTNCDs issued by the Parent Company consist of:

Issue Date	**Maturity Date**	**Face Value**	**Coupon Rate**	**Interest Repayment Terms**	**Carrying Value 2019**	**Carrying Value** 2018
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,563,212**	₱–
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	**8,155,043**	–
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	**6,323,898**	6,316,699
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	**3,751,954**	3,747,669
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	**5,362,599**	5,355,858
December 12, 2014	June 12, 2020	7,000,000	4.13%	Quarterly	**6,995,398**	6,985,553
October 21,2013	April 22, 2019	4,000,000	3.25%	Quarterly	–	3,998,167
August 5, 2013	February 5, 2019	5,000,000	3.00%	Quarterly	–	4,999,279
		₱44,315,000			**₱35,152,104**	₱31,403,225

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Savings	**₱6,706,938**	₱3,240,636	₱1,940,283	**₱6,639,928**	₱3,236,424	₱1,904,459
Time	**5,870,981**	3,338,531	1,815,853	**4,127,553**	2,079,674	1,169,541
LTNCDs	**1,386,082**	1,170,378	933,632	**1,386,082**	1,170,378	933,631
Demand	**60,898**	121,628	104,459	**48,213**	104,812	97,167
	₱14,024,899	₱7,871,173	₱4,794,227	**₱12,201,776**	₱6,591,288	₱4,104,798

In 2019, 2018 and 2017, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱40.5 million, ₱39.3 million and ₱32.1 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱162.9 million and ₱91.8 million as of December 31, 2019 and 2018, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2019 and 2018, this account consists of derivative liabilities amounting to ₱245.6 million and ₱470.6 million, respectively, for the Group, and ₱232.0 million and ₱468.3 million, respectively, for the Parent Company (Notes 23 and 35).

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Bills payable to:				
BSP and local banks (Note 33)	**₱52,664,371**	₱67,792,569	**₱45,729,610**	₱60,940,934
Foreign banks	**606,585**	521,405	**2,073**	–
Others	**–**	3,000	**–**	–
	53,270,956	68,316,974	**45,731,683**	60,940,934
Acceptances outstanding (Note 10)	**2,692,334**	1,765,861	**2,692,334**	1,765,861
	₱55,963,290	₱70,082,835	**₱48,424,017**	₱62,706,795

Bills payable of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Peso-denominated	**4.0% - 5.4%**	0.6% - 5.4%	0.6%	**4.0% - 5.4%**	0.6% - 5.4%	0.6%
Foreign currency-denominated	**0.2% - 4.4%**	0.0% - 4.4%	0.1% - 3.6%	**0.2% - 4.4%**	0.0% - 4.4%	0.1% - 3.6%

As of December 31, 2019 and 2018, bills payable with a carrying amount of ₱23.3 billion and ₱48.0 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱8.1 billion and ₱11.3 billion, respectively, and investment securities at amortized cost with carrying values of ₱21.0 billion and ₱36.7 billion, respectively, and fair values of ₱21.6 billion and ₱39.5 billion, respectively (Note 9).

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Bills payable	**₱2,034,818**	₱653,391	₱600,334	**₱1,578,614**	₱434,650	₱507,332
Lease liabilities (Note 29)	**131,661**	–	–	**118,365**	–	–
Subordinated debt (Note 21)	**–**	–	75,314	**–**	–	75,314
Others	**18,567**	8,949	71,833	**43,643**	37,461	68,078
	₱2,185,046	₱662,340	₱747,481	**₱1,740,622**	₱ 472,111	₱650,724

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2019	2018 (As restated – Note 36	**2019**	2018
Accrued taxes and other expenses	**₱4,995,519**	₱4,960,643	**₱4,219,587**	₱4,295,448
Accrued interest	**1,944,207**	1,436,481	**1,838,507**	1,264,512
	₱6,939,726	₱6,397,124	**₱6,058,094**	₱5,559,960

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2019	2018 (As restated – Note 36	**2019**	2018
Financial liabilities:				
Promotional expenses	**₱673,648**	₱628,733	**₱657,373**	₱592,769
Information technology-related expenses	**182,057**	145,206	**180,952**	127,914
Rent and utilities payable	**127,165**	164,640	**119,128**	139,511
Repairs and maintenance	**64,806**	94,353	**62,446**	93,996
Management, directors and other professional fees	**36,021**	125,861	**11,242**	84,117
	1,083,697	1,158,793	**1,031,141**	1,038,307
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	**1,436,248**	1,671,002	**1,376,105**	1,635,451
Other taxes and licenses	**894,001**	738,499	**544,137**	515,292
PDIC insurance premiums	**843,677**	716,041	**776,578**	667,982
Employee benefits	**139,850**	236,698	**128,218**	127,374
Other expenses	**598,046**	439,610	**363,408**	311,042
	3,911,822	3,801,850	**3,188,446**	3,257,141
	₱4,995,519	₱4,960,643	**₱4,219,587**	₱4,295,448

'Other expenses' include janitorial, representation and entertainment, communication and other operating expenses.

21. **Bonds Payable and Subordinated Debt**

Bonds Payable
This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2019	Carrying Value 2018
Fixed rate medium term senior notes						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	**₱37,718,077**	₱–
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	**15,108,746**	15,661,372
		USD1,050,000			**52,826,823**	15,661,372
Fixed rate bonds						
May 8, 2019	May 8, 2021	₱13,870,000	6.30%	Quarterly	**13,788,255**	–
					₱66,615,078	₱15,661,372

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, 2019 and 2018, the unamortized transaction costs of bonds payable amounted to ₱421.7 million and ₱112.6 million, respectively. In 2019 and 2018, amortization of transaction costs amounting to ₱98.5 million and ₱15.9 million, were charged to 'Interest expense on bonds payable' in the statement of income.

Subordinated Debt
On May 9, 2012, the Parent Company issued unsecured subordinated notes (the 2012 Notes) amounting to ₱3.5 billion, with original maturity of May 9, 2022, but redeemable at the option of the Parent Company on May 10, 2017. The 2012 Notes carried interest at the rate of 5.88% per annum, payable quarterly. The 2012 Notes qualified as Lower Tier 2 capital of the Parent Company.

On May 10, 2017, the Parent Company exercised its call option at an amount equal to the aggregate issue price of the 2012 Notes plus accrued and unpaid interest as approved by the MB of the BSP on January 26, 2017.

In 2017, amortization of transaction costs amounting to ₱2.2 million is charged to 'Interest expense on bills payable and other borrowings' in the statement of income (Note 19).

22. **Other Liabilities**

This account consists of:

	Consolidated		Parent Company	
	2019	2018 (As restated – Note 36	**2019**	2018
Financial				
Accounts payable	**₱9,526,347**	₱9,181,245	**₱8,125,229**	₱7,398,716
Insurance contract liabilities	**5,745,820**	5,420,538	**–**	–
Manager's checks and demand drafts outstanding	**1,393,535**	1,545,888	**1,332,285**	1,217,043
Bills purchased - contra (Note 10)	**1,348,148**	1,396,318	**1,348,148**	1,396,128
Dormant credits	**1,100,311**	946,354	**972,082**	922,167
Deposits on lease contracts	**833,853**	823,968	**103,127**	130,375
Due to other banks (Note 33)	**538,612**	919,838	**99,776**	538,861
Accounts payable - electronic money	**454,833**	519,810	**454,833**	519,810
Payment order payable	**333,909**	632,477	**329,699**	630,395
Margin deposits and cash letters of credit	**224,873**	44,383	**208,027**	31,651
Commission payable	**75,467**	81,108	**–**	–
Transmission liability	**19,225**	25,896	**–**	–
Deposit for keys on safety deposit boxes	**16,473**	15,493	**16,445**	15,471
	21,611,406	21,553,316	**12,989,651**	12,800,617
Nonfinancial				
Reserve for unearned premiums	**1,470,274**	1,304,143	**–**	–
Provisions (Note 34)	**969,106**	969,106	**969,106**	969,106
Retirement benefit liability (Note 28)	**804,733**	1,223,830	**803,653**	1,221,705
Deferred revenue - Bancassurance (Note 12)	**720,074**	793,274	**720,074**	793,274
Due to Treasurer of the Philippines	**681,835**	571,235	**681,343**	570,742
Deferred revenue - Credit card-related	**468,238**	260,969	**468,238**	260,969
Withholding tax payable	**385,294**	518,233	**350,389**	476,196
Deferred tax liabilities (Note 30)	**165,851**	166,979	**–**	–
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	**35,939**	28,599	**35,129**	28,160
Miscellaneous	**1,810,703**	885,340	**841,352**	411,819
	7,512,047	6,721,708	**4,869,284**	4,731,971
	₱29,123,453	₱28,275,024	**₱17,858,935**	₱17,532,588

'Deferred revenue - Bancassurance' pertains to the allocated portion of the consideration received for the disposal of APLII related to the EDR (Note 12). In 2019 and 2018, 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, 2019 and 2018 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	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**		

	Consolidated			
	2018			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱1,710	₱97,106	53.11	482,974
CNY	33	–	0.14	1,000
EUR	60,822	74,001	1.15	385,712
GBP	211	–	1.26	1,100
HKD	874	36	0.13	219,355
JPY	24,985	16	0.01	6,018,002
SELL:				
USD	119,480	2,965	52.98	690,340
AUD	72	–	0.71	500
CAD	1,365	–	0.75	2,005
CHF	7	–	0.99	200
EUR	–	432	1.14	3,618
GBP	–	428	1.27	3,700
HKD	36	1,222	0.13	276,171
JPY	91	9,469	0.01	1,121,000
SGD	–	14	0.73	200
Interest rate swaps	307,089	284,959		
Warrants	57,854	–		
	₱574,629	₱470,648		

	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**		

	Parent Company			
	2018			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱828	₱97,106	53.11	266,500
CNY	33	–	0.14	1,000
EUR	60,813	74,001	1.15	384,781
GBP	211	–	1.26	1,100
HKD	–	36	0.13	3,912
JPY	24,985	16	0.01	6,018,002
SELL:				
USD	119,480	1,781	53.11	418,613
AUD	72		0.71	500
CAD	1,365	–	0.75	2,005
CHF	7	–	0.99	200
EUR	–	421	1.14	2,150
GBP	–	428	1.27	3,700
HKD	36	47	0.13	5,912
JPY	91	9,470	0.01	1,121,000
SGD	–	14	0.73	200
Interest rate swaps	307,089	284,959		
Warrants	57,854	–		
	₱572,864	₱468,279		

**The notional amounts and average forward rates pertain to original currencies.*

The rollforward analysis of net derivative assets in 2019 and 2018 follows:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Balance at the beginning of the year:				
Derivative assets	**₱574,629**	₱562,984	**₱572,864**	₱559,692
Derivative liabilities	**470,649**	343,522	**468,279**	343,416
	103,980	219,462	**104,585**	216,276
Changes in fair value				
Currency forwards and spots*	**(663,118)**	(723,087)	**(663,118)**	(723,087)
Interest rate swaps and warrants**	**(3,733)**	161	**(3,733)**	161
	(666,851)	(722,926)	**(666,851)**	(722,926)
Net availments (settlements)	**690,292**	607,444	**703,280**	611,235
Balance at end of 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

* *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					
	2019			2018 (As restated – Note 36		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱30,500,927**	**₱–**	**₱30,500,927**	₱16,825,487	₱–	₱16,825,487
Due from BSP	**105,981,801**	**–**	**105,981,801**	102,723,312	–	102,723,312
Due from other banks	**17,761,502**	**–**	**17,761,502**	21,003,079	–	21,003,079
Interbank loans receivable (Note 8)	**23,344,062**	**1,494,473**	**24,838,535**	161,630	11,086,825	11,248,455
Securities held under agreements to resell (Note 8)	**2,519,676**	**–**	**2,519,676**	20,700,000	–	20,700,000
Financial assets at FVTPL (Note 9)	**13,468,985**	**–**	**13,468,985**	1,129,002	8,871,774	10,000,776
Financial assets at FVOCI (Note 9)	**16,448,728**	**106,692,112**	**123,140,840**	9,684,883	42,444,938	52,129,821
Investment securities at amortized cost (Note 9)	**28,981,027**	**75,268,926**	**104,249,953**	26,223,677	78,351,448	104,575,125
Loans and receivables (Note 10)	**263,166,643**	**412,967,255**	**676,133,898**	210,367,043	391,897,350	602,264,393
Other assets (Note 15)	**420,846**	**54,930**	**475,776**	669,790	135,215	805,005
	502,594,197	**596,477,696**	**1,099,071,893**	409,487,903	532,787,550	942,275,453
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**31,660,286**	**31,660,286**	–	27,903,223	27,903,223
Investment in an associate (Note 12)	**–**	**2,605,473**	**2,605,473**	–	2,418,842	2,418,842
Investment properties (Note 13)	**–**	**19,226,364**	**19,226,364**	–	18,605,466	18,605,466
Deferred tax assets (Note 30)	**–**	**2,580,809**	**2,580,809**	–	2,112,689	2,112,689
Goodwill (Note 14)	**–**	**13,375,407**	**13,375,407**	–	13,375,407	13,375,407
Intangible assets (Note 14)	**–**	**6,208,501**	**6,208,501**	–	5,871,348	5,871,348
Residual value of leased assets (Note 10)	**304,898**	**349,380**	**654,278**	298,725	350,612	649,337
Other assets (Note 15)	**5,821,416**	**2,846,454**	**8,667,870**	5,881,365	1,883,349	7,764,714
	6,126,314	**78,852,674**	**84,978,988**	6,180,090	72,520,936	78,701,026
Less: Allowance for impairment and credit losses (Note 16)			**26,538,007**			23,727,295
Unearned and other deferred income (Note 10)			**451,191**			979,678
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**14,771,072**			12,621,320
			₱1,142,290,611			₱983,648,186
Financial Liabilities						
Deposit liabilities (Note 17)	**₱779,949,597**	**₱46,095,883**	**₱826,045,480**	₱686,082,355	₱47,219,123	₱733,301,478
Financial liabilities at FVTPL (Note 18)	**210,265**	**35,354**	**245,619**	470,648	–	470,648
Bills and acceptances payable (Note 19)	**51,821,601**	**4,141,689**	**55,963,290**	60,549,245	9,533,590	70,082,835
Accrued interest payable (Note 20)	**1,803,453**	**140,754**	**1,944,207**	1,408,168	28,313	1,436,481
Accrued other expenses payable (Note 20)	**1,035,769**	**134,098**	**1,169,867**	631,748	690,693	1,322,441
Bonds payable (Note 31)	–	**66,615,078**	**66,615,078**	–	15,661,372	15,661,372
Other liabilities (Note 22)	**19,940,541**	**1,608,024**	**21,548,565**	20,079,891	1,468,695	21,548,586
	854,761,226	**118,770,880**	**973,532,106**	769,222,055	74,601,786	843,823,841
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**559,960**	**1,246,449**	**1,806,409**	–	–	–
Accrued taxes and other expenses (Note 20)	**3,825,652**	–	**3,825,652**	3,638,202	–	3,638,202
Income tax payable	**576,156**	–	**576,156**	900,693	–	900,693
Other liabilities (Note 22)	**5,201,424**	**2,373,464**	**7,574,888**	1,548,903	5,177,535	6,726,438
	10,163,192	**3,619,913**	**13,783,105**	6,087,798	5,177,535	11,265,333
	₱864,924,418	**₱122,390,793**	**₱987,315,211**	₱775,309,853	₱79,779,321	₱855,089,174

	Parent Company					
	2019			2018		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱29,642,159**	**₱–**	**₱29,642,159**	₱15,904,663	₱–	₱15,904,663
Due from BSP	**101,801,597**	**–**	**101,801,597**	98,665,375	–	98,665,375
Due from other banks	**10,838,465**	**–**	**10,838,465**	10,459,496	–	10,459,496
Interbank loans receivable (Note 8)	**22,309,839**	**1,494,473**	**23,804,312**	161,630	11,527,784	11,689,414
Securities held under agreements to resell (Note 8)	**1,149,984**	**–**	**1,149,984**	20,700,000	–	20,700,000
Financial assets at FVTPL (Note 9)	**11,169,656**	**–**	**11,169,656**	9,983,636	–	9,983,636
Financial assets at FVOCI (Note 9)	**16,018,940**	**102,877,624**	**118,896,564**	9,369,217	41,287,676	50,656,893
Investments securities at amortized cost (Note 9)	**24,830,301**	**78,101,851**	**102,932,152**	25,839,002	77,516,591	103,355,593
Loans and receivables (Note 10)	**257,541,945**	**344,363,206**	**601,905,151**	191,004,032	335,730,751	526,734,783
Other assets (Note 15)	**72,808**	**500**	**73,308**	670,750	500	671,250
	475,375,694	**526,837,654**	**1,002,213,348**	382,757,801	466,063,302	848,821,103

	Parent Company					
	2019			2018		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Nonfinancial Assets						
Property and equipment (Note 11)	**₱–**	**₱28,230,217**	**₱28,230,217**	₱–	₱24,758,393	₱24,758,393
Investment properties (Note 13)	**–**	**18,822,796**	**18,822,796**	–	18,235,224	18,235,224
Deferred tax assets (Note 30)	**–**	**1,985,597**	**1,985,597**	–	1,452,153	1,452,153
Investments in subsidiaries and an associate (Note 12)	**–**	**28,430,358**	**28,430,358**	–	28,645,807	28,645,807
Goodwill (Note 14)	**–**	**13,515,765**	**13,515,765**	–	13,515,765	13,515,765
Intangible assets (Note 14)	**–**	**7,175,852**	**7,175,852**	–	6,846,449	6,846,449
Other assets (Note 15)	**4,071,106**	**2,236,701**	**6,307,807**	5,081,853	1,331,879	6,413,732
	4,071,106	**100,397,286**	**104,468,392**	5,081,853	94,785,670	99,867,523
Less: Allowance for impairment and credit losses (Note 16)			**22,323,501**			21,085,902
Unearned and other deferred income (Note 10)			**366,471**			677,052
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**14,786,546**			12,692,211
			₱1,069,025,222			₱911,800,586
Financial Liabilities						
Deposit liabilities (Note 17)	**₱736,882,795**	**₱ 38,959,204**	**₱775,841,999**	₱644,774,714	₱38,622,692	₱683,397,406
Financial liabilities at FVTPL (Note 18)	**196,638**	**35,354**	**231,992**	468,279	–	468,279
Bills and acceptances payable (Note 19)	**44,886,841**	**3,537,176**	**48,424,017**	55,747,402	6,959,393	62,706,795
Accrued interest payable (Note 20)	**1,699,457**	**139,050**	**1,838,507**	1,236,200	28,312	1,264,512
Accrued other expenses payable (Note 20)	**897,043**	**134,098**	**1,031,141**	377,996	660,311	1,038,307
Bonds payable (Note 21)	**–**	**66,615,078**	**66,615,078**	–	15,661,372	15,661,372
Other liabilities (Note 22)	**11,914,442**	**1,075,209**	**12,989,651**	11,748,075	1,052,542	12,800,617
	796,477,216	**110,495,169**	**906,972,385**	714,352,666	62,984,622	777,337,288
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**492,749**	**1,140,334**	**1,633,083**	–	–	–
Accrued taxes and other expenses (Note 20)	**3,188,446**	**–**	**3,188,446**	3,257,141	–	3,257,141
Income tax payable	**472,378**	**–**	**472,378**	823,739	–	823,739
Other liabilities (Note 22)	**2,663,244**	**2,206,040**	**4,869,284**	1,169,596	3,562,375	4,731,971
	6,816,817	**3,346,374**	**10,163,191**	5,250,476	3,562,375	8,812,851
	₱803,294,033	**₱113,841,543**	**₱917,135,576**	₱719,603,142	₱66,546,997	₱786,150,139

25. Equity

Capital Stock

This account consists of (amounts in thousands, except for par value and number of shares):

	2019		2018	
	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	**1,249,139,678**	**₱49,965,587**	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**	1,249,139,678	₱49,965,587

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, 2019 and 2018, the Parent Company had 36,471 and 36,940 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, 2019 and 2018, 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

In addition, surplus amounting to ₱705.9 million and ₱1.0 billion as of December 31, 2019 and 2018, respectively, corresponding to the undistributed equity in net earnings of investees, is not available for dividend declaration until realized by the Parent Company through dividends from the investees.

Surplus Reserves
This account consists of:

	2019	2018
Reserve for trust business (Note 32)	**₱562,018**	₱540,573
Reserve for self-insurance	**80,000**	80,000
	₱642,018	₱620,573

Reserve for self-insurance represents the amount set aside to cover losses due to fire, 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 2019, 2018 and 2017, the Parent Company awarded 277 thousand, 343 thousand and 1.12 million, respectively, centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱18.4 million, ₱16.3 million and ₱35.45 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, 2019 and 2018, CAR reported to the BSP is shown in the table below (amounts, except ratios, are expressed in millions):

	2019		2018	
Consolidated	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱146,808**		₱121,744	
Less: Regulatory Adjustments to CET 1	**22,303**		22,110	
CET1 Capital (Net)	**124,505**		99,634	
Add: Additional Tier 1 Capital (AT1)	**–**		–	
Tier 1 Capital	**124,505**		99,634	
Add: Tier 2 Capital	**6,183**		5,882	
Total qualifying capital	**₱130,688**	**₱88,306**	₱105,516	₱73,533
Total risk-weighted assets	**₱883,055**		₱735,332	
Tier 1 capital ratio	**14.10%**		13.55%	
Total capital ratio	**14.80%**		14.35%	

	2019		2018	
Parent Company	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱144,654**		₱117,541	
Less: Regulatory Adjustments to CET 1	**47,960**		46,665	
CET1 Capital (Net)	**96,694**		70,876	
Add: AT1	**–**		–	
Tier 1 Capital	**96,694**		70,876	
Add: Tier 2 Capital	**5,564**		5,079	
Total qualifying capital	**₱102,258**	**₱79,695**	₱75,955	₱65,309
Total risk-weighted assets	**₱796,949**		₱653,088	
Tier 1 capital ratio	**12.13%**		10.85%	
Total capital ratio	**12.83%**		11.63%	

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 Internal Capital Adequacy Assessment Process (ICAAP), 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, 2019, BLR reported to the BSP is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated	Parent Company
Tier 1 capital	₱124,505	₱96,694
Total exposure measure	1,161,264	1,070,585
BLR	10.72%	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, 2019 and 2018, PNB Gen has an estimated statutory net worth amounting to ₱960.6 million and ₱597.1 million, respectively. PNB Gen's RBC ratio as of December 31, 2019 and 2018 is 248.43% and 165.00%, respectively.

26. **Other Operating Income**

Service Fees and Commission Income
This account consists of:

	Consolidated			Parent Company		
	2019	2018 (As restated – Note 36)	2017 (As restated – Note 36)	**2019**	2018	2017
Deposit-related	**₱1,120,069**	₱1,075,496	₱889,067	**₱1,101,249**	₱930,563	₱866,454
Credit-related	**1,042,011**	612,058	554,608	**647,215**	604,790	547,618
Remittance	**714,330**	766,652	819,689	**373,330**	401,223	430,324
Underwriting fees	**655,450**	140,660	389,283	–	–	–
Interchange fees	**506,521**	625,059	503,133	**506,521**	625,059	503,133
Credit card-related	**456,176**	407,013	278,579	**456,176**	407,013	278,579
Trust fees (Note 32)	**281,228**	279,131	300,047	**281,228**	279,131	300,047
Bancassurance (Note 22)	**188,263**	208,653	130,450	**188,263**	208,653	130,450
Miscellaneous	**212,452**	144,562	316,005	**123,707**	67,831	74,178
	₱5,176,500	₱4,259,284	₱4,180,861	**₱3,677,689**	₱3,524,263	₱3,130,783

'Interchange fees' and 'Credit card-related fees' were generated from the credit card business by the Parent Company.

'Miscellaneous' includes income from security brokering activities and other fees and commission.

Net Insurance Premium (Benefits and Claims)
This account consists of:

	Consolidated		
	2019	2018	2017
Net insurance premiums			
Gross earned premium	**₱3,221,128**	₱2,501,725	₱2,291,986
Reinsurer's share of gross earned premiums	**(2,069,423)**	(1,272,931)	(1,635,657)
	1,151,705	1,228,794	656,329
Less net insurance benefits and claims			
Gross insurance contract benefits and claims paid	**299,815**	1,711,759	428,225
Reinsurer's share of gross insurance contract benefits and claims paid	**(236,927)**	(606,275)	(86,845)
Gross change in insurance contract liabilities	**81,550**	109,703	147,880
Reinsurer's share of change in insurance contract liabilities	**765,537**	77,762	(167,016)
	909,975	1,292,949	322,244
	₱241,730	(₱64,155)	₱334,085

Net Gains on Sale or Exchange of Assets
This account consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Net gains from foreclosure and repossession of investment properties	**₱482,661**	₱129,218	₱162,125	**₱505,137**	₱129,218	₱162,125
Net gains (losses) from sale of receivables	**165,310**	–	(804)	**165,310**	–	–
Net gains from sale of investment properties (Note 33)	**48,599**	5,703,523	3,755,533	**6,218**	5,683,516	3,698,236
Net gains from sale of other assets	**3,016**	–	–	**8,753**	–	–
Net gains (losses) from sale of property and equipment (Note 11)	**(8,961)**	28,402	4,282	**1,023**	28,402	1,980
	₱690,625	₱5,861,143	₱3,921,136	**₱686,441**	₱5,841,136	₱3,862,341

27. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Rental income (Note 29)	**₱832,031**	₱767,505	₱424,758	**₱566,665**	₱583,636	₱290,562
Recoveries	**76,362**	58,584	73,845	**66,694**	57,767	72,990
Dividends	**89,528**	55,906	33,577	**60,046**	54,520	32,417
Referral fees	**2,516**	3,011	3,448	–	–	–
Miscellaneous Income-Credit Card Related	**16,958**	12,571	7,662	**16,958**	12,571	7,662
Miscellaneous Income-Trade Related	**23,588**	30,110	26,454	**23,588**	30,110	26,454
Miscellaneous Income-Loan Related	**79,409**	114,063	22,284	**79,409**	114,063	22,284
Others	**344,090**	383,689	301,489	**163,462**	249,208	139,672
	₱1,464,482	₱1,425,439	₱893,517	**₱976,822**	₱1,101,875	₱592,041

'Others' consist of income from wire transfers, tellers' overages and penalty payments received by the Bank which are related to loan accounts.

Miscellaneous Expenses
This account consists of:

	Consolidated			Parent Company		
	2019	2018 (As restated – Note 36)	2017 (As restated – Note 36)	**2019**	2018	2017
Insurance	**₱1,851,994**	₱1,601,910	₱1,428,680	**₱1,632,028**	₱1,397,590	₱1,287,724
Secretarial, janitorial and messengerial	**1,648,222**	1,480,505	1,283,655	**1,521,042**	1,379,306	1,199,446
Marketing expenses	**1,141,243**	1,178,340	928,613	**1,117,113**	1,032,695	836,491
Information technology	**818,896**	568,141	446,393	**796,016**	542,478	418,954
Management and other professional fees	**488,495**	415,271	431,312	**432,425**	346,398	359,078
Travelling	**377,379**	328,983	290,850	**345,626**	297,506	262,954
Litigation and assets acquired expenses	**326,588**	490,732	290,044	**290,775**	473,660	268,075
Postage, telephone and cable	**231,174**	218,298	187,953	**165,533**	156,160	132,872
Entertainment, amusement and recreation (EAR) (Note 30)	**166,977**	132,113	136,825	**153,999**	119,713	123,130
Repairs and maintenance	**73,601**	75,235	86,787	**73,601**	75,235	86,787
Freight	**41,811**	28,093	57,039	**38,003**	25,350	54,456
Fuel and lubricants	**18,671**	19,425	16,774	**12,677**	11,541	10,879
Others (Notes 13 and 33)	**547,478**	462,426	782,594	**275,821**	267,702	593,173
	₱7,732,529	₱6,999,472	₱6,367,519	**₱6,854,659**	₱6,125,334	₱5,634,019

'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	
	2019	2018 (As restated – Note 36)	2019	2018
Retirement benefit liability (included in 'Other liabilities')	**₱804,733**	₱1,223,830	**₱803,653**	₱1,221,705
Net plan assets (included in 'Other assets - miscellaneous')	**5,003**	76,509	**–**	–
	₱799,730	₱1,147,321	**₱803,653**	₱1,221,705

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, 2019 and 2018, the Parent Company has two separate regular retirement plans for the employees of PNB and ABC. 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 latest actuarial valuations for these retirement plans were made as of December 31, 2019. The following table shows the actuarial assumptions as of December 31, 2019 and 2018 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company					
			ABC		PNB		EIP	
	2019	2018*	2019	2018	2019	2018	2019	2018
Discount rate	**4.65%-5.09%**	7.23%-8.11%	**4.65%**	7.23%	**4.65%**	7.23%	**4.65%**	7.23%
Salary rate increase	**4.00%-8.00%**	4.00%-8.00%	**5.00%**	6.00%	**5.00%**	6.00%	**–**	–

**Restated to include PNB Gen*

The changes in the present value obligation and fair value of plan assets are as follows:

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*

Consolidated

2018 (As restated – Note 36)

		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2018	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, 2018
Present value of pension obligation	₱6,824,948	₱481,108	₱352,310	₱312,712	₱1,146,130	(₱585,194)	₱–	₱–	₱126,538	(₱827,321)	(₱700,783)	₱–	₱6,685,101
Fair value of plan assets	5,287,162	–	–	243,130	243,130	(585,194)	(467,664)	–	–	–	(467,664)	1,060,346	5,537,780
	₱1,537,786	₱481,108	₱352,310	₱69,582	₱903,000	₱–	₱467,664	₱–	₱126,538	(₱827,321)	(₱233,119)	(₱1,060,346)	₱1,147,321

**Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income*

Parent Company
2019

		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2019	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2019
Present value of pension obligation	₱6,542,733	₱448,582	₱–	₱471,434	₱920,016	(₱360,119)	₱–	₱–	₱62,180	₱761,007	₱823,187	₱–	₱7,925,817
Fair value of plan assets	5,321,028	–	–	384,710	384,710	(360,119)	112,791	–	–	–	112,791	1,663,754	7,122,164
	₱1,221,705	₱448,582	₱–	₱86,724	₱535,306	₱–	(₱112,791)	₱–	₱62,180	₱761,007	₱710,396	(₱1,663,754)	₱803,653

**Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income*

Parent Company
2018

		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2018	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2018
Present value of pension obligation	₱6,544,823	₱432,091	₱352,310	₱ 368,296	₱ 1,152,697	(₱578,307)	₱–	₱152,146	₱–	(₱728,626)	(₱576,480)	₱–	₱6,542,733
Fair value of plan assets	5,059,397	–	–	280,697	280,697	(578,307)	(460,592)	–	–	–	(460,592)	1,019,833	5,321,028
	₱1,485,426	₱432,091	₱352,310	₱87,599	₱872,000	₱–	₱460,592	₱152,146	₱–	(₱728,626)	(₱115,888)	(₱1,019,833)	₱1,221,705

**Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income*

The Group and the Parent Company expect to contribute ₱1,148.1 million and ₱1,089.5 million, respectively, to the defined benefit plans in 2020. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2019 is 16.0 years and 13.0 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2019	2018 (As restated – Note 36)	**2019**	2018
Less than one year	**₱1,334,360**	₱1,095,158	**₱1,325,247**	₱1,077,394
More than one year to five years	**4,948,248**	4,160,409	**4,888,126**	4,115,892
More than five years to 10 years	**4,103,971**	4,522,095	**3,927,916**	4,370,627
More than 10 years to 15 years	**2,426,245**	3,265,337	**2,092,890**	2,960,912
More than 15 years	**7,030,900**	8,856,164	**4,974,489**	6,705,994

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2019	2018 (As restated – Note 36)	**2019**	2018
Cash and cash equivalents	**₱2,137,666**	₱1,011,495	**₱2,100,971**	₱974,608
Equity investments				
Financial institutions (Note 33)	**311,446**	321,213	**305,036**	321,213
Electricity, gas and water	**550,964**	–	**550,964**	–
Real estate, renting and business activities	**377,240**	254,683	**377,240**	254,683
Others	**76,032**	77,834	**59,245**	63,241
Debt investment				
Private debt securities	**1,513,726**	2,323,954	**1,505,272**	2,312,092
Government securities	**1,344,608**	1,026,787	**1,329,390**	1,017,080
Investment in UITFs	**699,511**	480,687	**556,816**	352,144
Loans and receivables	**313,024**	13,903	**313,024**	248
Interest and other receivables	**45,974**	29,268	**28,643**	27,692
	7,370,191	5,539,824	**7,126,601**	5,323,001
Accrued expenses	**(4,571)**	(2,044)	**(4,437)**	(1,973)
	₱7,365,620	₱5,537,780	**₱7,122,164**	₱5,321,028

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, 2019 and 2018 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱305.0 million and ₱321.2 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:

	2019			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱347,506)**	**+1.00%**	**(₱318,742)**
	-1.00%	**579,626**	**-1.00%**	**544,780**
Salary increase rate	**+1.00%**	**523,547**	**+1.00%**	**489,098**
	-1.00%	**(477,056)**	**-1.00%**	**(447,910)**
Employee turnover rate	**+10.00%**	**(40,580)**	**+10.00%**	**(54,224)**
	-10.00%	**40,580**	**-10.00%**	**54,224**

	2018			
	Consolidated*		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱390,188)	+1.00%	(₱375,372)
	-1.00%	434,571	-1.00%	417,013
Salary increase rate	+1.00%	401,417	+1.00%	383,553
	-1.00%	(376,934)	-1.00%	(361,488)
Employee turnover rate	+10.00%	(47,273)	+10.00%	(64,019)
	-10.00%	47,273	-10.00%	64,019

**Restated to include 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 ₱581.1 million, ₱844.6 million and ₱787.1 million in 2019, 2018 and 2017, respectively, for the Group, of which ₱454.1 million, ₱808.3 million and ₱668.7 million in 2019, 2018, and 2017, respectively, pertain to the Parent Company. Rent expense in 2019 pertains to expenses from short-term leases and leases of low-value assets.

As of December 31, 2019 and 2018, the Group has no contingent rent payable.

As of December 31, 2019, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated	Parent Company
Balance at beginning of year	₱1,859,717	₱1,642,529
Additions	456,644	426,885
Interest expense (Note 19)	131,661	118,365
Payments	(641,613)	(554,696)
	₱1,806,409	₱1,633,083

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Within one year	**₱777,971**	₱803,019	**₱615,874**	₱595,764
Beyond one year but not more than five years	**1,492,322**	1,569,722	**1,245,792**	1,176,135
More than five years	**231,550**	411,909	**229,398**	343,927
	₱2,501,843	₱2,784,650	**₱2,091,064**	₱2,115,826

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 2019, 2018 and 2017, total rent income (included under 'Miscellaneous income') amounted to ₱832.0 million, ₱767.5 million and ₱424.8 million, respectively, for the Group and ₱566.7 million, ₱583.6 million and ₱290.6 million, respectively, for the Parent Company (Note 27).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Within one year	**₱511,055**	₱492,548	**₱171,630**	₱219,106
Beyond one year but not more than five years	**1,009,932**	1,130,331	**654,515**	786,391
More than five years	**248,374**	401,779	**248,374**	401,779
	₱1,769,361	₱2,024,658	**₱1,074,519**	₱1,407,276

Finance Lease

Group as Lessor

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease (effective interest method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

The future minimum lease receivables under finance leases are disclosed under 'Loans and Receivables' in Note 10.

30. **Income and Other Taxes**

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

RCIT rate is 30.00% and interest allowed as a deductible expenses is reduced by 33.00% of interest income subjected to final tax. MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the Parent Company and certain subsidiaries are allowed to deduct NOLCO from taxable income for the next three years from the period of incurrence. FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for income tax consists of:

	Consolidated			Parent Company		
	2019	2018 (As restated – Note 36)	2017 (As restated – Note 36)	**2019**	2018	2017
Current						
Regular	**₱1,653,473**	₱2,888,800	₱1,898,387	**₱1,367,233**	₱2,610,768	₱1,577,777
Final	**1,391,411**	734,802	636,353	**1,325,119**	692,984	548,095
	3,044,884	3,623,602	2,534,740	**2,692,352**	3,303,752	2,125,872
Deferred	**(573,898)**	63,503	(212,527)	**(605,888)**	918	(2,196)
	₱2,470,986	₱3,687,105	₱2,322,213	**₱2,086,464**	₱3,304,670	₱2,123,676

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Deferred tax assets on:				
Allowance for impairment, credit and other losses	**₱5,761,259**	₱5,528,194	**₱5,234,231**	₱4,951,145
Accumulated depreciation on investment properties and appraisal increment	**745,362**	673,617	**709,277**	648,712
Accrued expenses	**484,529**	738,651	**484,529**	738,651
Retirement liability	**514,936**	296,942	**514,901**	272,723
Deferred revenues	**234,397**	183,340	**234,397**	168,330
Unrealized losses on financial assets at FVTPL and FVOCI	**694**	25,996	**694**	25,289
Others	**82,596**	83,641	–	–
	7,823,773	7,530,381	**7,178,029**	6,804,850
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	**1,077,752**	1,248,724	**1,048,107**	1,245,547
Fair value adjustments due to business combination	**405,545**	620,039	**405,545**	620,039
Unrealized foreign exchange gains	**328,812**	124,651	**328,811**	124,651
Gain on remeasurement of previously held interest	**164,429**	164,429	**164,429**	164,429
Unrealized gains on financial assets at FVTPL and FVOCI	**78,637**	–	**78,637**	–
Others	**54,336**	126,396	**33,450**	64,578
	5,242,964	5,417,692	**5,192,432**	5,352,697
	₱2,580,809	₱2,112,689	**₱1,985,597**	₱1,452,153

[1/] *Balance includes deferred tax liability amounting to ₱736.4 million acquired from business combination*

As of December 31, 2019 and 2018, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million and on accelerated depreciation on property and equipment amounting to ₱6.8 million and ₱7.9 million, respectively.

Benefit from /Provision for deferred tax credited/debited directly to OCI pertains to deferred tax on remeasurement losses/gain on retirement plan amounting to ₱4.4 million and ₱2.9 million in 2019 and 2018, 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 in 2019 amounting to ₱73.1 million for the Group and ₱72.4 million for the Parent Company.

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	
	2019	2018	**2019**	2018
Allowance for impairment and credit losses	**₱6,998,404**	₱4,734,474	**₱3,699,850**	₱3,769,234
Unamortized past service cost	**1,901,476**	1,974,207	**1,901,476**	1,973,506
Retirement liability	**803,653**	1,221,835	**803,653**	1,221,707
Derivative liabilities	**180,759**	182,903	**180,759**	182,903
NOLCO	**196,251**	260,537	**–**	–
Provision for IBNR	**111,097**	42,025	**–**	–
Lease liabilities	**95,209**	–	**88,935**	–
Accrued expenses	**58,711**	1,118	**–**	–
Unrealized loss on financial assets at FVOCI	**–**	1,173,243	**–**	1,173,243
Other equity reserves	**–**	70,213	**–**	70,213
Others	**14,087**	105	**–**	–
	₱10,359,647	₱9,660,660	**₱6,674,673**	₱8,390,806

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2014	₱103,937	₱23,807	₱80,130	Not applicable
2016	2,668	2,668	–	2019
2017	2,968	2,968	–	2020
2018	305,055	188,934	116,121	2021
	₱414,628	₱218,377	₱196,251	

The Group has net operating loss carryforwards for US federal tax purposes of USD9.8 million and USD8.7 million as of December 31, 2019 and 2018, respectively, and net operating loss carryforwards for California state tax purposes of USD5.8 million and USD5.2 million as of December 31, 2019 and 2018, respectively.

Unrecognized deferred tax liabilities

As of December 31, 2019, there was a deferred tax liability of ₱756.0 million (₱674.6 million in 2018) for temporary differences of ₱2.5 billion (₱2.2 billion in 2018) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effects of:						
Non-deductible expenses	**13.52**	8.00	2.51	**10.68**	6.27	1.98
Net unrecognized deferred tax assets	**(7.68)**	0.21	2.44	**(8.98)**	(1.06)	0.73
Tax-paid income	**(7.05)**	(2.61)	(6.76)	**(7.23)**	(2.36)	(6.80)
Tax-exempt income	**(6.43)**	(3.56)	(4.11)	**(4.94)**	(3.69)	(3.49)
FCDU income before tax	**(1.74)**	(4.20)	(1.67)	**(1.80)**	(3.28)	(1.78)
Optional standard deduction	**(0.42)**	–	(0.25)	**–**	–	–
Effective income tax rate	**20.20%**	27.84%	22.16%	**17.73%**	25.88%	20.64%

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 ₱167.0 million in 2019, ₱132.1 million in 2018, and ₱136.8 million in 2017 for the Group, and ₱154.0 million in 2019, ₱119.7 million in 2018, and ₱123.1 million in 2017 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:

		2019	2018	2017
a)	Net income attributable to equity holders of the Parent Company	**₱9,681,480**	₱9,465,022	₱8,160,570
b)	Weighted average number of common shares for basic earnings per share (Note 25)	**1,372,674**	1,249,140	1,249,140
c)	Basic/Diluted earnings per share (a/b)	**₱7.05**	₱7.58	₱6.53

As of December 31, 2019 and 2018 and 2017, 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 Baking 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 ₱95.9 billion and ₱87.7 billion as of December 31, 2019 and 2018, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.0 billion and ₱941.5 million (included under ‘Investment securities at amortized cost’) as of December 31, 2019 and 2018, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2019, 2018 and 2017 amounting to ₱281.2 million, ₱279.1 million and ₱300.0 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 ₱21.4 million, ₱23.0 million and ₱23.9 million in 2019, 2018 and 2017, 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.

	2019		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investors			
Deposit liabilities		**₱270,544**	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125%
Interest expense	**₱13,976**		Interest expense on deposits
Net withdrawals	**222,636**		Net withdrawals during the period
Subsidiaries			
Receivables from customers		**2,122,676**	Term Loan maturing in 2020 with nominal interest rates ranging from 3.87% to 5.75%. Domestic Bills Purchased.
Loan releases	**16,205,901**		
Loan collections	**14,341,029**		
Loan commitments		**6,270,640**	Omnibus line; credit line
Interbank loans receivable		**34,240**	Foreign currency-denominated interbank term loans with interest rates ranging from 0.57% to 1.00% and maturity terms ranging from 33 to 138 days with Allied Commercial Bank Xiamen
Availments	**216,849**		
Settlements	**623,568**		
Due from other banks		**336,879**	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		**1,886**	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		**222,770**	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		**54,815**	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.01% to 1.10% and maturities from 8 to 297 days
Net withdrawals	**1,641,715**		Net withdrawals during the period
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

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2019		
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		**39,487,080**	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 per 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
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

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2019		
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
Transactions of subsidiaries with other related parties			
Due from banks		**653,468**	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Accrued interest receivable		**5,420**	Interest accrual on receivables from customers
Deposit liabilities		**1,298,894**	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Accrued interest payable		**5,580**	Accrued interest payable from various deposits
Other liabilities		**1**	Various manager's check
Interest income	**23,090**		Interest income on receivables from customers
Interest expense	**28,483**		Interest expense on Deposit liabilities.

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2018		
Significant Investors			
Deposit Liabilities		₱493,180	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125%
Interest expense	₱15,976		Interest expense on deposits
Net withdrawals	311,740		Net withdrawals during the period
Subsidiaries			
Receivables from customers		257,804	Term loan maturing in 2018 with 3.85% nominal rate;
Loan releases	8,146,771		Revolving credit lines with interest rate of 2.90%
Loan collections	10,152,899		maturity of three months; Unsecured
Loan commitments		10,914,480	Omnibus line; credit line
Interbank loans receivable		440,959	Foreign currency-denominated interbank term loans
Availments	5,130,011		with interest rates ranging from 0.65% to 1.00% and
Settlements	4,815,791		maturity terms ranging from 33 to 172 days
Due from other banks		471,229	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%
Accrued interest receivable		3,616	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		176,041	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		5,624,250	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.01% to 1.10% and maturities from 8 to 297 days
Net deposits	796,930		Net withdrawals during the period
Bills payable		37,846	Foreign currency-denominated bills payable with
Availments	274,350		interest rates ranging from 0.87% to 1.90% and
Settlements	423,095		maturity terms ranging from 30 to 172 days
Due to other banks		26,748	Foreign currency-denominated clearing accounts used for funding and settlement of remittances

Category	Amount/ Volume (2018)	Outstanding Balance (2018)	Nature, Terms and Conditions (2018)
Accounts payable		₱12	Loan repayments received on behalf of subsidiary clients
Accrued interest payable		28,123	Accrued interest on deposit liabilities and bills payable
Rental deposit		8,412	Advance rental deposit received for 2 years and 3 months
Interest income	₱70,926		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	41,018		Interest expense on deposit liabilities and bills payable
Rental income	47,985		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	1,614		Management and other professional fees
Securities transactions			
Purchases	2,589,086		Outright purchase of securities
Sales	424,196		Outright sale of securities
Trading loss	8,398		Loss from sale of investment securities
Affiliates			
Receivables from customers		38,793,646	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.82% to 6.00% with maturity terms ranging from 90 days to 12 years and payment terms of ranging from monthly to quarterly payments.
Loan releases	20,240,654		
Loan collections	17,978,657		
Loan commitments		13,934,400	Omnibus line; credit line
Investment in non-marketable equity securities		20,000	Common shares with acquisition cost of ₱100.00 per share
Sales contract receivable		4,819,685	Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	52,692		
Gain on sale of investment properties	3,942,967		Sale of investment properties with interest rate of 4.5% for the first year and quarterly repricing of PDST-R2 for three months plus 1% for the succeeding years.
Accrued interest receivable		211,965	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		16,054,153	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 deposits	2,557,541		Net withdrawals during the period
Bonds payable		104,409	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years
Accrued interest payable		29,014	Accrued interest payable from various deposits
Other liabilities		3	Various manager's check related to EISP and premium insurance
Accrued other expenses		371,416	Accruals in relation to promotional expenses
Interest income	1,194,578		Interest income on receivables from customers
Interest expense	191,663		Interest expense on deposit liabilities
Service fees and commission income			Bancassurance fees earned based on successful referrals and other milestones
Rental expense	18,242		Monthly rent payments with term ranging from 24 to 240 months
Miscellaneous expenses	324,938		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	41,500		Outright purchase of securities
Sales	501,800		Outright sale of securities
Trading gains	7,793		Gain from sale of investment securities

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2018		
Associate			
Deposit liabilities		₱836,717	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		775	Accrued interest payable from various deposits
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		914,988	Unamortized portion of income related to the sale of APLII
Interest expense	₱2,923		Interest expense on deposit liabilities
Service fees and commission income	217,532		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		7,708	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	5,035		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
Transactions of subsidiaries with other related parties			
Due from banks		773,853	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Deposit liabilities		2,721,772	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Accrued interest payable		2,503	Accrued interest payable from various deposits
Interest income	36,893		Interest income on receivables from customers
Interest expense	75,436		Interest expense on bills payable

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, 2019 and 2018, the Parent Company’s financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱404.8 million and ₱231.4 million, respectively. The Parent Company recognized trading losses amounting to ₱7.2 million in 2019, ₱8.4 million in 2018 and ₱16.6 million in 2017 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:

	2019	2018	2017
Short-term employee benefits	**₱541,386**	₱519,441	₱481,011
Post-employment benefits	**45,996**	47,215	60,554
	₱587,382	₱566,656	₱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 2019 and 2018, total per diem given to the BOD amounted to ₱45.5 million and ₱43.0 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 2019 and 2018, key management personnel received Parent Company shares in relation to the centennial bonus distribution of 29,951 and 36,262, 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
PNBSB and the Parent Company entered into a servicing agreement pertaining to the purchased loan portfolio. The agreement shall be 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. As to the amount of service fee, the Parent Company shall charge PNBSB with the amount it charges it customers.

Service charges pertain to outsourced services rendered by the Parent Company, including legal and information technology services. These are payable on a monthly basis.

PNBSB has available credit lines with the Parent Company amounting to ₱750.0 million as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the credit lines remain undrawn.

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 Parent Company amounted to ₱7.1 billion and ₱5.3 billion as of December 31, 2019 and 2018, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Deposits with PNB	**₱563,314**	₱102,689	**₱563,314**	₱102,326
Investment in UITFs	**556,816**	476,336	**556,816**	352,144
Investment in PNB Shares	**305,036**	321,213	**305,036**	321,213
Investment in PNB bonds	**142,724**	–	**142,724**	–
Total Fund Assets	**₱1,567,890**	₱900,238	**₱1,567,890**	₱775,683
Unrealized loss on PNB shares	**(₱73,992)**	(₱124,241)	**(₱73,992)**	(₱124,241)
Interest income	**7,454**	1,293	**7,454**	850
	(66,538)	(122,948)	**(66,538)**	(123,391)
Trust fees	**(7,468)**	(6,449)	**(7,468)**	(6,288)
Fund loss	**(₱74,006)**	(₱129,397)	**(₱74,006)**	(₱129,679)

As of December 31, 2019 and 2018, the retirement fund of the Group and the Parent Company includes 8,841,622 and 7,513,746 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 employee investment plans.

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, *Provisions, Contingent Liabilities and Contingent Assets.* The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

In 2019, the Group and the Parent Company's outstanding provisions for legal claims remained at ₱0.5 billion as of December 31, 2019 and 2018.

There were no significant settlements made in 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

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	**₱74,965,186**	**(₱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)**	**396**
Total	**₱77,482,950**	**(₱74,592,146)**	**₱2,890,804**	**(₱45,891)**	**(₱2,517,745)**	**₱327,545**

2018

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	₱46,075,448	(₱45,569,485)	₱505,963	(₱58,838)	₱–	₱447,125
Securities held under agreements to resell (Note 8)	20,700,000	–	20,700,000	–	(19,947,247)	752,753
Total	₱ 66,775,448	(₱45,569,485)	₱ 21,205,963	(₱58,838)	(₱19,947,247)	₱ 1,199,878

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)*	**23,268,257**	–	**23,268,257**	–	**(29,655,404)**	**–**
Total	**₱83,399,607**	**(₱59,885,731)**	**₱23,513,876**	**(₱155,245)**	**(₱29,655,404)**	**₱90,374**

2018

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	₱32,870,042	(₱33,325,851)	(₱455,809)	(₱92,025)	₱–	(₱363,784)
Securities sold under agreements to repurchase (Notes 9 and 19)*	48,035,239	–	48,035,239	–	(50,776,539)	–
Total	₱80,905,281	(₱33,325,851)	₱47,579,430	(₱92,025)	(₱50,776,539)	(₱363,784)

** Included in bills and acceptances payable in the statements of financial position*

Parent Company

2019

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral**	**Net exposure [c-d]**
	[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**

2018

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱46,075,448	(₱45,569,485)	₱505,963	(₱58,838)	₱–	₱447,125
Securities held under agreements to resell (Notes 8 and 19)	20,700,000	–	20,700,000	–	(19,947,247)	752,753
Total	₱ 66,775,448	(₱45,569,485)	₱ 21,205,963	(₱58,838)	(₱19,947,247)	₱ 1,199,878

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: Financial instruments**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱60,117,063**	**(₱59,885,071)**	**₱231,992**	**(₱144,586)**	**₱**	**₱87,406**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**23,268,257**	–	**23,268,257**	–	**(29,655,404)**	**–**
Total	**₱83,385,320**	**(₱59,885,071)**	**₱23,500,429**	**(₱144,586)**	**(₱29,655,404)**	**₱87,406**

2018

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	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱32,870,042	(₱33,325,851)	(₱455,809)	(₱92,025)	₱–	(₱363,784)
Securities sold under agreements to repurchase (Notes 9 and 19)*	48,035,239	–	48,035,239	–	(50,776,539)	–
Total	₱80,905,281	(₱33,325,851)	₱47,579,430	(₱92,025)	(₱50,776,539)	(₱363,784)

** 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. Restatements of Prior Year Financial Statements

On April 26, 2018, the BOD of the Parent Company and PNB Holdings approved the exchange of all their holdings in PNB Gen for shares in ABIC. As a result, in 2018, the Group reclassified all the assets and liabilities of PNB Gen to ‘Assets of disposal group classified as held for sale’ amounting to ₱8.2 billion and ‘Liabilities of disposal group classified as held for sale’ amounting to ₱7.2 billion, respectively, in the consolidated statement of financial position as of December 31, 2018. The business of PNB Gen represents the Group’s non-life insurance business, included in the ‘Others’ business segment.

On September 13, 2019, ABIC submitted a revised offer to purchase all of the shares of PNB Gen owned by the Parent Company and PNB Holdings through cash acquisition instead. The Parent Company and PNB Holdings did not assent to ABIC’s revised offer due to certain regulatory requirements for the parties to undergo a price discovery process with other possible acquirers. On October 1, 2019, ABIC acknowledged the joint decision of the Parent Company and PNB Holdings, formally closing the former’s negotiations to purchase the shares of PNB Gen. With this, the Group reverted the assets and liabilities of PNB Gen from ‘Assets and liabilities of disposal group classified as held for sale’ of the Group to their respective accounts in the consolidated statements of financial position. Likewise, the results of its operations in 2018 and 2017 amounting to ₱220.0 million (net loss) and ₱70.4 million (net income), respectively, were also reverted from discontinued operations to continuing operations.

The tables below present the impact of the restatements in each line item in the consolidated statement of financial position as of December 31, 2018 and consolidated statements of income and comprehensive income for the years ended December 31, 2018 and 2017:

	As of December 31, 2018		
Consolidated Statement of Financial Position	**As previously reported**	**Restatements**	**As restated**
Assets			
Due from other banks	₱20,525,318	₱477,761	₱21,003,079
Financial assets at FVTPL	9,999,447	1,329	10,000,776
Financial assets at FVOCI	51,674,167	455,654	52,129,821
Investment securities at amortized cost	99,772,711	1,033,150	100,805,861
Loans and receivables	581,695,477	4,970,998	586,666,475
Property and equipment	19,710,145	14,494	19,724,639
Deferred tax assets	2,086,510	26,179	2,112,689
Intangible assets	3,025,157	8,206	3,033,363
Assets of disposal group classified as held for sale	8,238,623	(8,238,623)	–
Other assets	6,140,262	1,250,852	7,391,114
Liabilities			
Accrued taxes, interest and other expenses	6,167,398	229,726	6,397,124
Liabilities of disposal group classified as held for sale	7,237,811	(7,237,811)	–
Other liabilities	21,266,939	7,008,085	28,275,024

(Forward)

Consolidated Statement of Financial Position	As of December 31, 2018 As previously reported	Restatements	As restated
Equity			
Net unrealized loss on financial assets at FVOCI	(₱3,181,335)	(₱15,601)	(₱3,196,936)
Remeasurement losses on retirement plan	(1,520,538)	(6,292)	(1,526,830)
Reserves of a disposal group classified as held for sale	(21,893)	21,893	–
Net impact in the consolidated statement of financial position	₱–	₱–	₱–

Consolidated Statement of Income	2018 As previously reported	2018 Restatements	2018 As restated	2017 As previously reported	2017 Restatements	2017 As restated
Interest income on:						
Loans and receivables	₱30,202,480	₱355	₱30,202,835	₱22,669,107	₱369	₱22,669,476
Investment securities at amortized cost and FVOCI/AFS and HTM investments	4,534,297	60,478	4,594,775	3,053,243	46,668	3,099,911
Deposits with banks and others	775,820	1,993	777,813	1,324,526	5,618	1,330,144
Interest income	36,012,642	62,826	36,075,468	27,565,676	52,684	27,618,360
Net interest income	27,001,724	62,826	27,064,550	22,023,968	52,684	22,076,652
Service fees and commission income	4,251,692	7,592	4,259,284	3,982,496	198,365	4,180,861
Net service fees and commission income	3,478,610	7,592	3,486,202	3,195,579	(102,216)	3,093,363
Net insurance premium	–	1,228,794	1,228,794	–	656,329	656,329
Net insurance benefits and claims	–	1,292,949	1,292,949	–	322,244	322,244
Net insurance premium (benefits and claims)	–	(64,155)	(64,155)	–	334,085	334,085
Other income						
Foreign exchange gains - net	942,372	11,692	954,064	1,676,926	(2,556)	1,674,370
Trading and investments securities gains - net	150,691	52	150,743	559,758	–	559,758
Total operating income	38,903,826	18,007	38,921,833	32,330,099	281,997	32,612,096
Operating expenses						
Compensation and fringe benefits	9,380,199	130,241	9,510,440	8,959,754	149,083	9,108,837
Taxes and licenses	3,729,016	931	3,729,947	2,489,342	3,050	2,492,392
Provision for impairment, credit and other losses	1,740,177	12,635	1,752,812	903,595	(19,462)	884,133
Depreciation and amortization	1,944,808	6,169	1,950,977	1,678,227	6,164	1,684,391
Occupancy and equipment-related costs	1,716,315	18,695	1,735,010	1,577,367	18,699	1,596,066
Miscellaneous	6,953,525	45,947	6,999,472	6,320,707	46,812	6,367,519
Total operating expenses	25,464,040	214,618	25,678,658	21,928,992	204,346	22,133,338
Income before income tax	13,439,786	(196,611)	13,243,175	10,401,107	77,651	10,478,758
Provision for income tax	3,663,744	23,361	3,687,105	2,314,934	7,279	2,322,213
Net income (loss) from discontinued operations, net of tax	(219,972)	219,972	–	70,372	(70,372)	–
Basic/diluted EPS attributable to equity holders of the Parent Company from continuing operations	7.75	(0.17)	7.58	6.48	0.05	6.53

Consolidated Statement of Comprehensive Income	2018 As previously reported	2018 Restatement	2018 As restated	2017 As previously reported	2017 Restatement	2017 As restated
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized loss on debt securities at FVOCI, net of tax	(₱1,610,066)	(₱616,079)	(₱2,226,145)	₱–	₱–	₱–
Items that do not recycle to profit or loss in subsequent periods:						
Remeasurement gains on retirement plan	199,257	(6,292)	192,965	952,697	–	952,697

37. Notes to Statements of Cash Flows

Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2019 and 2018 follow:

	Consolidated 2019			
	Beginning balance (As restated – Note 2)	**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**

	Consolidated 2018			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱43,916,687	₱24,867,590	₱1,298,558	₱70,082,835
Bonds payable	–	15,398,696	262,676	15,661,372
	₱43,916,687	₱40,266,286	₱1,561,234	₱85,744,207

	Parent Company 2019			
	Beginning balance (As restated – Note 2)	**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**

	Parent Company 2018			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱41,400,804	₱20,013,400	₱1,292,591	₱62,706,795
Bonds payable	–	15,398,696	262,676	15,661,372
	₱41,400,804	₱35,412,096	₱1,555,267	₱78,368,167

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. Additions to the right-of-use assets of the Group and the Parent Company in 2019 amounted to ₱461.9 million and ₱432.2 million, respectively. The Group and the Parent Company recognized additional lease liabilities in 2019 amounting to ₱456.6 million and ₱426.9 million, respectively.

The Group applied creditable withholding taxes against its income tax payable amounting to ₱1.3 billion, ₱2.6 billion and ₱1.6 billion in 2019, 2018 and 2017, respectively. The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱1.3 billion, ₱2.6 billion and ₱1.5 billion in 2019, 2018, and 2017, respectively.

The Group acquired investment properties through foreclosure and rescission amounting to ₱1.0 billion, ₱0.8 billion, and ₱0.6 billion in 2019, 2018 and 2017, respectively. The Parent Company, acquired investment properties acquired through foreclosure and rescission amounted to ₱0.9 billion, ₱0.8 billion and ₱0.5 billion in 2019, 2018 and 2017, respectively.

38. 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 February 28, 2020.

39. 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 2019 (in absolute amounts):

1. Taxes and licenses

	Amount
Gross receipts tax	₱1,937,257,636
Documentary stamp taxes	4,250,000,000
Real estate tax	174,928,125
Local taxes	119,691,567
Others	55,151,088
	₱6,537,028,416

2. Withholding taxes

	Remitted	Outstanding
Withholding Taxes on compensation and benefits	₱854,049,580	₱172,269,329
Final income taxes withheld on interest on deposits and yield on deposit substitutes	1,880,365,194	142,015,074
Expanded withholding taxes	205,833,103	18,021,257
VAT withholding taxes	11,406,259	
Other final taxes	99,941,955	18,666,231
	₱3,051,596,091	₱350,971,891

Tax Cases and Assessments

As of December 31, 2019 and 2018, 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.

40. Report on the Supplementary Information Required Under BSP Circular No. 1074

On February 7, 2020, the BSP issued Circular No. 1074 which amends certain provisions of Section 174 of the Manual of Regulations for Banks relating to the audited financial statements. It also required banks to disclose the following supplementary information in the financial statements:

Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			**Parent Company**		
	2019	2018 (As restated – Note 36)	2017 (As restated – Note 36)	**2019**	2018	2017
Return on average equity (a/b)	**6.89%**	7.70%	7.10%	**6.97%**	7.80%	7.27%
a) Net income	**₱9,761,206**	₱9,556,070	₱8,156,545	**₱9,681,476**	₱9,465,075	₱8,160,563
b) Average total equity	**141,767,206**	124,148,481	114,849,326	**138,860,047**	121,364,946	112,188,614
Return on average assets (c/d)	**0.92%**	1.05%	1.03%	**0.98%**	1.12%	1.10%
c) Net income	**₱9,761,206**	₱9,556,070	₱8,156,545	**₱9,681,476**	₱9,465,076	₱8,160,563
d) Average total assets	**1,062,969,399**	910,002,446	795,169,171	**990,502,904**	845,386,554	745,248,937
Net interest margin on average earning assets (e/f)	**3.31%**	3.24%	3.06%	**3.29%**	3.12%	2.92%
e) Net interest income	**₱32,443,573**	₱27,064,550	₱22,076,652	**₱29,446,638**	₱23,461,884	₱19,062,428
f) Average interest earning assets	**979,672,558**	836,422,422	722,399,466	**893,991,058**	752,841,931	651,934,531

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, 2019 and 2018, 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 the unearned and other deferred income and allowance for credit losses as reported to BSP is shown below.

	Consolidated				Parent Company			
	2019		2018		**2019**		2018	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Financial intermediaries	**₱94,291,450**	**14.47**	₱96,285,130	16.76	**₱94,956,862**	**16.26**	₱92,274,585	18.34
Wholesale and retail	**93,349,206**	**14.33**	87,989,193	15.32	**84,529,429**	**14.47**	79,904,533	15.88
Electricity, gas and water	**80,217,983**	**12.31**	75,194,463	13.09	**78,190,318**	**13.39**	73,139,221	14.54
Manufacturing	**50,291,571**	**7.72**	51,156,432	8.90	**43,338,738**	**7.42**	45,848,301	9.11
Transport, storage and communication	**55,776,211**	**8.56**	44,401,302	7.73	**50,923,236**	**8.72**	41,374,773	8.22
Public administration and defense	**17,576,928**	**2.70**	18,034,106	3.14	**16,037,308**	**2.75**	18,034,106	3.58
Agriculture, hunting and forestry	**10,328,197**	**1.59**	8,072,538	1.41	**9,707,810**	**1.66**	7,290,142	1.45
Secondary target industry:								
Real estate, renting and business activities	**108,814,797**	**16.70**	84,432,904	14.70	**98,413,311**	**16.85**	75,432,007	15.00
Construction	**43,098,605**	**6.62**	27,489,273	4.79	**41,037,785**	**7.03**	25,562,907	5.08
Others	**97,725,487**	**15.00**	81,428,251	14.16	**66,949,412**	**11.45**	44,189,119	8.80
	₱651,470,435	**100.00**	₱574,483,592	100.00	**₱584,084,209**	**100.00**	₱503,049,694	100.00

Breakdown of Total Loans as to Security

The information (gross of unearned and other deferred income and allowance for credit losses) relating to receivables from customers as to secured and unsecured and as to collateral as reported to BSP follows:

	Consolidated				Parent Company			
	2019		2018		**2019**		2018	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱93,532,178**	**14.36**	₱90,848,090	15.81	**₱55,931,416**	**9.58**	₱57,344,870	11.40
Chattel mortgage	**28,529,391**	**4.38**	28,854,626	5.02	**17,742,678**	**3.04**	13,791,833	2.74
Bank deposit hold-out	**13,769,941**	**2.11**	22,786,131	3.97	**13,631,552**	**2.33**	22,305,850	4.43
Shares of stocks	**1,703,980**	**0.26**	–	–	**–**	**–**	–	–
Others	**12,502,005**	**1.66**	81,550,765	14.20	**9,096,231**	**1.55**	78,199,196	15.55
	148,333,515	**22.77**	224,039,612	39.00	**96,401,878**	**16.50**	171,641,749	34.12
Unsecured	**503,136,920**	**77.23**	350,443,980	61.00	**487,682,331**	**83.50**	331,407,945	65.88
	₱651,470,435	**100.00**	₱574,483,592	100.00	**₱584,084,209**	**100.00**	₱503,049,694	100.00

Breakdown of Total Loans as to Status

The table below shows the status of the Group and the Parent Company's loans (gross of unearned and other deferred income and allowance for credit losses) as to performing and non-performing loans (NPL) per product line as reported to BSP:

	Consolidated			
	2019		2018	
	Performing	**NPL**	Performing	NPL
Corporate	**₱53,570,857**	**₱9,170,391**	₱477,052,004	₱7,175,576
Commercial	**19,172,710**	**2,149,979**	16,567,663	1,200,891
Credit cards	**13,828,905**	**2,041,041**	11,966,721	1,445,342
Consumer	**11,841,323**	**916,448**	6,071,843	630,272
Others	**50,287,499**	**6,491,281**	49,972,905	2,400,375
	₱630,701,294	**₱20,769,140**	₱561,631,136	₱12,852,456

	Parent Company			
	2019		2018	
	Performing	**NPL**	Performing	NPL
Corporate	**₱520,149,958**	**₱8,509,588**	₱454,947,414	₱4,807,867
Commercial	**15,217,135**	**835,311**	14,854,964	707,934
Credit cards	**13,828,905**	**2,041,041**	11,966,721	1,445,342
Consumer	**6,884,924**	**266,265**	1,765,336	362,488
Others	**15,899,116**	**451,966**	11,739,392	452,236
	₱571,980,038	**₱12,104,171**	₱495,273,826	₱7,775,867

Loans and receivables are considered NPL, even without any missed contractual payments, when considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, are considered NPL if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics are considered NPL after contractual due date or after they have become past due. Restructured loans are considered NPL. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

NPLs remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

As of December 31, 2019, gross and net NPL ratios of the Group and the Parent Company as reported to BSP were 3.05% and 1.59%, and 1.99% and 0.68%, respectively. As of December 31, 2018, gross and net NPL ratios of the Group and the Parent Company were 2.87% and 1.69% and 1.76% and 0.34%, respectively. Most of the NPLs are secured by real estate or chattel mortgages.

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, 2019 and 2018, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company as reported to BSP follows:

	2019		2018	
	DOSRI loans	**Related party loans (inclusive of DOSRI loans)**	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	**7,615,058**	**63,034,358**	7,888,476	57,138,672
Percent of DOSRI/related party loans to total loan portfolio	**1.26%**	**10.41%**	1.47%	10.65%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**–**	**65.59%**	–	38.95%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	**0.01%**	**–**	0.01%	–
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**0.01%**	**–**	0.01%	–

**Includes outstanding unused credit accommodations of ₱707.1 million as of December 31, 2019 and ₱860.0 million as of December 31, 2018.*

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, 2019 and 2018, 'Bills payable' amounting to ₱23.3 billion and ₱48.0 billion, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱8.1 billion and ₱19.7 billion respectively, and 'Investment securities at amortized cost' amounting to ₱21.0 billion and ₱36.7 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**	
	2019	2018	**2019**	2018
Derivative forwards	**₱130,176,855**	₱90,091,191	**₱124,729,334**	₱83,530,898
Trust department accounts	**95,875,990**	87,746,184	**95,875,990**	87,746,184
Standby letters of credit	**40,003,450**	43,503,980	**39,479,985**	43,503,980
Unutilized credit card lines	**37,002,312**	42,577,148	**37,002,312**	42,577,148
Derivative spots	**29,844,753**	12,069,390	**29,844,753**	12,069,390
Interest rate swaps	**29,423,981**	31,587,678	**29,423,981**	31,587,678
Deficiency claims receivable	**23,001,760**	22,671,321	**22,951,844**	22,621,405
Inward bills for collection	**1,185,972**	560,885	**1,184,071**	558,506
Items held as collateral	**504,210**	1,577,577	**504,179**	1,577,550
Unused commercial letters of credit	**431,757**	278,721	**431,757**	278,721
Outward bills for collection	**192,513**	229,428	**96,832**	101,345
Shipping guarantees issued	**84,905**	11,510	**11,223**	11,510
Confirmed export letters of credit	**54,686**	3,944	**54,686**	3,944
Other contingent accounts	**33,450**	62,059	**29,749**	39,306

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

Exhibit IV

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine National Bank and Subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated February 28, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-AR-2 (Group A),
July 9, 2019, valid until July 8, 2022
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125274, January 7, 2020, Makati City

February 28, 2020

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine National Bank and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 28, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-AR-2 (Group A),
July 9, 2019, valid until July 8, 2022
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125274, January 7, 2020, Makati City

February 28, 2020

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2019

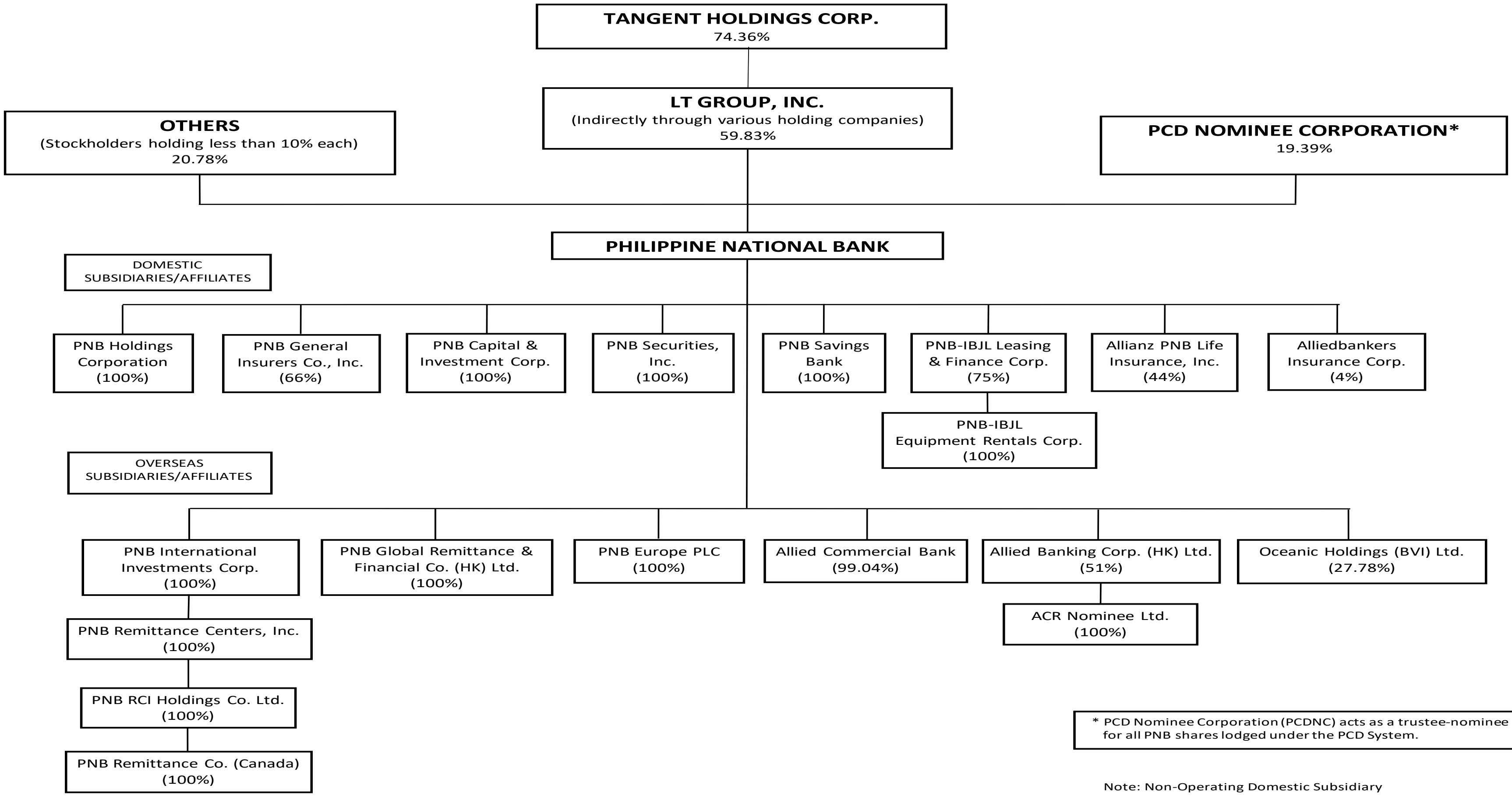
PART I
Schedule A

PHILIPPINE NATIONAL BANK (PARENT COMPANY)
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2019
(In thousands)

Retained Earnings, January 1, 2019, as unadjusted		**₱46,613,704**
Adjustments *(see adjustments in previous years reconciliation)*		
Appraisal increment closed to capital on quasi-reorganization	(7,691,808)	
Translation adjustment applied to deficit on quasi-reorganization	(1,315,685)	
Accumulated equity in net earnings applied to deficit on quasi-reorganization	(563,048)	
Fair value adjustment on foreclosed properties - net gain	(3,744,855)	
Unrealized foreign exchange gain	(3,697,482)	
Deferred tax assets	(1,179,430)	
Gain on remeasurement from investment in associate	(1,644,339)	
Accretion on off-market transactions-SCR	(433,509)	
Depreciation on revaluation increment	361,308	
		(19,908,847)
Retained Earnings, as adjusted, beginning		**26,704,857**
Net Income per audited financial statements	**9,681,476**	
Less: Non-actual/unrealized income/expenses		
Equity in net income of subsidiaries/associate	345,600	
Unrealized foreign exchange gains-net	(824,192)	
Gain on foreclosure on investment properties for the period	(505,137)	
Accretion on off-market transactions-SCR	(33,970)	
Unrealized loss on fair value through profit or loss	(86,427)	
Provision for gross deferred tax assets	(605,888)	
Depreciation on revaluation increment	11,268	
Sub-total	**(1,698,745)**	
Net income actually earned during the year		**7,982,731**
Less: Appropriation to surplus reserves		**(21,445)**
Total Retained Earnings, End Available for Dividend, December 31, 2019		**₱34,666,142**

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
December 31, 2019

Conglomerate Map/ Organizational Structure



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

Note: Non-Operating Domestic Subsidiary
1. PNB Management and Development Corporation

Dormant Overseas Subsidiaries
1. PNB Corp. Guam
2. PNB Investment Ltd.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2019

Financial Assets at Fair Value through Profit or Loss
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government securities				
Fixed Rate Treasury Notes	–	₱5,542,424	₱5,971,556	₱410,797
Republic of the Philippines (ROP) Bonds	–	382,750	430,626	14,622
Retail Treasury Bonds	–	1,054,400	1,126,271	157,029
Treasury Bills	–	976,290	965,353	–
Development Bank Of The Phils.	–	9,621	10,016	374
	–	**7,965,485**	**8,503,822**	**582,822**
Private debt securities				
Ayala Land Inc	–	20,100	20,750	1,093
AC Energy	–	557,542	566,056	2,463
Sm Prime Holdings Inc.	–	950	983	286
San Miguel Global Power Holdings Corp	–	280,950	293,292	17,501
International Container Terminal Services Inc.	–	2,532	2,560	190
Security Bank	–	–	–	112
Phoenix Petroleum Phils.	–	–	–	757
Petron	–	–	–	14,884
SMC Global Power Bond	–	–	–	29,646
VLL Bonds - VLL2FXBD2025	–	2,247,600	2,246,515	4,270
	–	**3,109,674**	**3,130,156**	**71,202**
Equity securities				
Ayala Corp	30,000	24,903	46,345	–
Ayala Land Inc	100,000	4,550	24,299	–
Bank of the Philippine Island	3,759	353	4,725	–
DMCI Holdings	1,664,000	–	10,999	–
D & L Industries Inc	2,449,600	–	23,271	–
First Gen	365,000	–	8,815	–
Filinvest Land Inc	7,800,000	–	11,700	–
GT Capital	6,500	824	6,501	–
International Container Terminal Services	168,670	–	21,691	–
Jollibee Food Corp	82,160	–	17,747	–
Metro Pacific Investment Corporation	68,670	–	4,553	–
Mega World Corp	2,080,900	4,078	12,354	–
MERALCO	11,500	–	3,646	–
Petron Preffered Shares	866,370	–	893,227	–
SM Prime Holdings	10,000	–	421	–

(Forward)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Del Monte	34,208,196	₱–	₱352,344	₱–
San Miguel Corp - Pref 2H	26,000	1,937	1,953	–
San Miguel Corp - Pref 2I	25,970	1,909	1,953	–
San Miguel Corp - Pref 2G	19,100	1,431	1,434	–
ALCO Preferred	7,000	679	709	–
Union Bank Of The Philippines	3,385	216	195	–
Forest Hills Golf And Country Club	1	170	170	–
Rizal Commercial Banking Corp	3,946	112	94	–
Petro Energy Resources Corp	6,289	–	26	–
Global Ferro	10,375	–	19	–
Philippine Savings Bank	5,497	308	316	–
Philippine Long Distance Telephone Company	6,000	5,994	5,928	–
	50,028,888	**47,464**	**1,455,435**	–
Derivatives				
Asia United Bank	–	50,665	31	–
Atlas Fertilizer Corporation	–	44,545	241	–
Australia And N. Zealand Bk	–	2,829,440	44,319	–
Banco De Oro Universal Bank	–	8,421,950	13,310	–
Bank Sentral ng Pilipinas	–	3,808,193	10,580	–
Bank Of China-Manila	–	38,249	52	–
Bank Of The Philippine Islands	–	3,296,035	3,690	–
Bank of Tokyo-Mitsubishi Manila Br.	–	1,779,040	6,573	–
Bank of Tokyo-Mitsubishi LTD	–	1,265,875	11,859	–
BNP Paribas Paris	–	3,817,551	22,724	–
Central Lumber Corp	–	1,730	9	–
Chase Manhattan Bank Singapore	–	5,168,788	45,270	–
China Banking Corporation	–	1,427,225	1,417	–
ChinaTrust Commercial Bank Manila	–	203,295	758	–
Deutsche Bank Ag Mla Br	–	4,268,160	14,787	–
Deutsche Bank London	–	4,837	4,837	–
Doha Bank LTD	–	10,127	9	–
East West Banking Corp	–	304,955	1,149	–
Ecossential Foods Corp.	–	2,840,421	11,142	–
General Metal Container Corp	–	22,267	102	–
Hongkong And Shanghai Banking Corp.	–	661,610	2,882	–
Internationale Nederlanden Bk Mla.	–	202,660	123	–
Maybank Phils. Inc.	–	5,338,270	20,778	–
Metropolitan Bank And Trust Company	–	5,453,775	31,814	–
Mizuho Bank Ltd Manila	–	203,695	1,158	–
Nomura International PLC	–	3,881	3,881	–
Phoenix Petroleum Phils Inc.	–	430,617	2,180	–
PLDT	–	2,405,163	7,165	–
PNB Europe - Victoria Br	–	56,179	139	–
PNB Europe Plc	–	56,179	139	–
PNB Europe Plc in favor of GPL	–	19,753	27	–
Rizal Commercial Banking Corp	–	152,230	327	–

(Forward)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Robinsons Bank Corp	–	₱101,830	₱561	₱–
SCB London	–	4,697,658	48,766	–
Security Bank Corporation	–	1,928,030	3,608	–
Standard Chartered Bank Ldn	–	1,268,547	3,346	–
Standard Chartered Bank Manila Br.	–	2,131,110	4,299	–
Sterling bank of Asia Inc	–	50,880	246	–
Sumitomo Mitsui Banking	–	610,260	2,649	–
UBS AG	–	3,182,531	12,327	–
Union Bank of the Philippines	–	1,884,688	9,247	–
United Coconut Planters Bank	–	1,727,485	5,724	–
Wells Fargo Bank Na	–	2,794,807	18,612	–
Allied Bank Hongkong	–	–	35	–
PNB Hongkong Branch	–	–	148	–
	–	**74,965,186**	**373,040**	**–**
Investment in UITFs				
Prime Peso MMF	**4,222,886**	**5,977**	**6,532**	**–**
Financial Assets at Fair Value through Profit or Loss	**54,251,774**	**₱86,093,786**	**₱13,468,985**	**₱654,024**

Financial Assets at Fair Value Through Other Comprehensive Income
(Amounts in thousands, except for number of shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government Securities				
Fixed Rate Treasury Notes	–	₱33,678,686	₱36,437,004	₱10,104
Power Sector Assets and Liabilities Management Corporation	–	–	–	34
Republic of the Philippines (ROP) Bonds	–	12,942,833	15,044,181	669
Retail Treasury Bonds	–	22,131,705	23,481,890	20,213
Republic of Indonesia	–	5,551,004	6,158,155	133
U.S. Treasury	–	293,683	291,551	8,136
Small Business Loan asset backed securities	–	151,652	11,178	649
Treasury Bills - SGD	–	430,219	429,335	7,033
Philippine Sovereign Bonds (USD)	–	75,953	77,416	8
Treasury Gilts	–	73,324	73,329	475
Treasury Bills	–	7,152,480	7,097,235	2,697
Kingdom of Saudi Arabia	–	1,519,050	1,598,620	–
United Kingdom	–	85,606	86,261	281
Development Bank Of The Philippines	–	253,175	263,560	6
	–	**84,339,370**	**91,049,715**	**50,438**
Private Debt Securities				
Aboitiz Power Corp	–	562,300	562,934	7
AC Energy Finance International Limited	–	2,440,607	2,494,832	32
AT&T Inc.	–	658,255	682,011	19
Ayala Land Inc	–	833,590	863,604	62
Banco De Oro	–	1,878,812	1,885,995	47
Bank of the Philippine Island	–	408,371	431,216	8
China National Offshore Oil Corp Ltd	–	1,012,700	1,028,042	34
Energy Development Corp	–	224,660	233,608	8
Export-Import Bank Of Korea	–	253,175	254,514	6
Filinvest Development Cayman Islands	–	349,382	350,335	12
Filinvest Land Inc	–	106,200	107,613	9
Hutchison Whampoa Limited	–	405,080	422,555	14
Icici Bank Limited	–	101,270	103,841	3
Industrial And Com Bank Of China Asia	–	202,540	221,674	10
International Container Terminal Services Inc.	–	5,467,415	5,723,312	156
Korea Development Bank	–	172,159	172,868	3
Megaworld Corp	–	860,000	874,732	46
Metropolitan Bank & Trust Co.	–	3,000,000	3,099,376	151
Philippine Savings Bank	–	–	–	3
Phoenix Petroleum	–	2,418,500	2,349,465	30
Rizal Commercial Banking Corp	–	610,911	615,725	17
San Miguel Corp	–	94,900	99,161	6
Security Bank Corp	–	435,562	454,407	10
Sinopec Corp	–	1,879,824	1,879,222	52
SM Investments Corp	–	218,013	229,099	45
SM Prime Holdings	–	53,716	53,662	2

(Forward)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
South Luzon Tollway Corp	–	₱254,340	₱259,489	₱5,025
State Bank Of India	–	430,398	434,727	13
STI Education	–	50,000	50,783	3
Union Bank Of The Phil.	–	1,463,908	1,494,065	52
Westpac Bk Sydney	–	151,905	152,686	3
Vista Land	–	2,700,000	2,761,759	114,762
Investment in Management Account (IMA#263929)	–	–	42,689	121
	–	**29,698,493**	**30,390,001**	**120,771**
Equity Securities				
Apo Golf & Country Club	2	100	315	–
Aptrudev	1	1,500	1	–
Bacnotan Steel Industries	3,345,000	0	0	–
Baguio City Country Club	1	60	3,535	–
Baguio Gold Mining (Now:Pal Holdings)	8,452,500	99	–	–
Bayantel	8,244	8	–	–
Bayantel 31% Tranche B Conv Eqty 83997Shs Bod Apprvl 112414	83,997	14,851	–	–
Camp John Hay	3	650	250	–
Camp John Hay Golf Club	3	160	500	–
Club Filipino	2	12	1,050	–
Cruz Tel Co.	30	3	1	–
Development Academy Of The Philippines	–	1,500	–	–
Eagle Ridge Golf & Country Club	30	3,450	3,000	–
Eastridge Golf Course & Village	2	1,800	340	–
Evercrest Golf	2	500	1,000	–
Fairways &Bluewater Resort	294	359,695	56,550	–
Fastech Synergy	1,337,807	8,519	–	–
Fil-Am Resources	2,500,000	27	–	–
Iligan Golf & Country Club	1	1	1	–
Iloilo Golf & Country Club	1	88	–	–
Inco Mining	46,875	2	–	–
Infanta Minerals	1,000,000	10	–	–
Lepanto Consolidated Mining Co."A"	4,973	1	2	–
Lepanto Consolidated Mining Co."B"	1,776	0	2	–
Lgu Guarantee Corp	100,000	5,000	2	–
Luisita Golf & Country Club	1	840	250	–
Manila Golf Country Club-Corporate	200	27	152,000	–
Manila Polo Club	1	2,600	23,000	–
Marikudo Country Club Of Iloilo City	1	18	–	–
Meralco	34,741	89	11,012	
Mimosa Golf & Country Club	2	952	401	–
Manila Southwoods Golf & Country Club A	1	850	1,100	–
Manila Southwoods Golf & Country Club B	1	1,500	–	–
Mount Malarayat Golf & Country Club	17	35,380	5,100	–
Mount Malarayat I	17	1,512	–	–
Negros Occidental Golf & Country Club	1	100	300	–

(Forward)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Northern Tel Co.	1,800	₱18	₱1	₱–
Orchard Golf & Country Club	2	2,200	1,000	–
PAL Holdings Inc	9,988,772	53,040	78,412	–
Paper Industries Corporation of the Philippines	13,525	19	–	–
PCDI Preferred Shares	3,855	23	22	–
Phil Dealing System-Fixed Income	73,000	7,300	15,695	–
Phil. Central Depository Inc.	24,436	3,669	1	–
Phil. Clearing House	21,000	2,100	54,346	–
Phil. Electric Corp Shares	202,440	95	1	–
Phil. Oil Development Company, Inc.	500,000	13	–	–
Philex Mining	151	0	–	–
Philippine Long Distance Company	3,829	44	–	–
Picop Resources	19,021,252	798	–	–
Piltel (Phil Tel Corp.)	650	10	0	–
PLDT Comm. And Energy Venture	20	9	1	–
PLDT Preferred Shares	108,375	1,084	1	–
Primo Oleo Chemicals	6,638,151	66,382	–	–
Proton Chemical Industries Comm Shares	44,419	–	–	–
Pt&T	5,000,000	–	–	–
Pueblo De Oro Golf Country Club	2	1,411	1	–
Puerto Azul Sports & Beach Club	2	170	499	–
Quezon City Sports Club	1	32	–	–
Retelco	20	5	1	–
Riviera Golf & Country Club	7	2,727	1,330	–
Rural Bank Of Ibajay	1	11	570	–
Santa Elena Golf & Country Club	4	852	2,832	–
Small Business Guarantee	400,000	40,000	40,000	–
Southern Iloilo Telephone Co.	1	2	1	–
Subic Bay Golf & Country Club	1	950	4,867	–
Subic Bay Yatch Club	58	93,000	20,300	–
Swift - ABC	8	–	–	–
Swift Shareholders - PNB	9	–	–	–
Tagaytay Highlands	1	500	700	–
Tagaytay Midlands	1	500	500	–
Tayud Golf & Country Club	1	6	–	–
Universal Rightfield Prop. Inc.	2,883,000	69	–	–
Valley Golf & Country Club	4	106	4,500	–
Victorias Golf & Country Club	1	110	3,411	–
Wack Wack Golf & Country Club	6	21,360	185,000	–
Wack Wack Golf & Country Club	13	130	70,325	–
Western Minolco Corp.	11,382,000	17	–	–
Allied Banker Insu.	200,000	–	694	–
Alphaland Balesin Island Resort Corp.	1	–	2,500	–
Bancnet, Inc.	49,999	–	54,039	–
BAP Credit Guaranty	29,800	–	1,138	–
Capitol Hills Golf Club	10	–	1,100	–
Evercrest Golf Club-A	2	–	–	–
Heavenly Garden	5,000	–	500	–
Makati Sports Club-A	1	–	900	–
Mount Malarayat Golf Club-C	1	–	–	–

(Forward)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Phil Columbian Assoc	2	₱–	₱–	₱–
Phil. Dealing House	97,436	–	7,300	–
Phil. Depository & Trust Corp.-BAP as trustee	31,690	–	2,392	–
Philippine Racing Club	30,331,103	–	368,106	–
Philodril	695,625	–	8	–
Sierra Grande Country	100	–	32	–
Sta Elena Golf Club-A	4	–	22,000	–
Ternate Dev't Corporation	1	–	170	–
Manila Golf & Country Club, Inc. (Corp)	1	13,700	78,000	–
PA Alvarez Perpetual Notes	–	386,250	409,797	–
NRCP Common stock	1,000	1	1	–
PLDT SIP	1,600	16	19	–
PNB Management and Devt Corp (Madecor)	313,879	–	3,336	–
PNB Venture	1	–	5,062	–
	104,984,601	**1,140,633**	**1,701,123**	**–**
Total Financial Assets at Fair Value Through Other Comprehensive Income	**104,984,601**	**₱115,178,496**	**₱123,140,840**	**₱171,209**

Investment Securities at Amortized Cost
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government Securities				
Republic of the Philippines (ROP) Bonds	–	₱5,674,749	₱6,574,369	₱170,745
Fixed Rate Treasury Notes	–	17,772,999	18,652,019	1,026,646
Bangko Sentral ng Pilipinas	–	202,540	270,366	9,180
Province of Aklan (Caticlan Super Marina)	–	14,444	14,438	2,043
Landbank of the Phils	–	184,778	184,698	12,851
Home Guaranty Corp	–	1,668	3,874	96
Power Sector Assets and Liabilities Management Corporation	–	4,602,570	5,597,742	171,435
Retail Treasury Bonds	–	13,141,195	11,519,511	539,094
Republic of Indonesia	–	9,058,285	9,270,192	253,988
Treasury Bills	–	1,072,072	1,052,744	247,978
US Treasury Notes	–	126,588	125,776	3,357
Federal Reserve - U102 acct.	–	–	5,426	–
Development Bank of the Philippines	–	2,162,317	2,242,157	55,562
	–	**54,014,205**	**55,513,312**	**2,492,975**
Private Debt Securities				
Apple Incorporated	–	506,350	508,630	9,590
AC Energy Finance International Limited	–	627,874	628,925	26,843
Agricultural Bank Of China Limited	–	1,519,050	1,510,519	120,790
Ayala Land Incorporated	–	797,350	797,896	33,508
Alibaba Group Holdings	–	–	–	7,129
Alsons Consolidated	–	–	–	8,297
Alsons Consolidated	–	–	–	6,899
Bank of China	–	7,240,805	7,240,384	115,303
Banco De Oro	–	2,880,119	2,851,089	94,603
Bank of China Limited, Singapore Branch	–	1,519,050	1,515,503	–
China Construction Bank	–	9,114,300	9,090,753	69,508
China National Offshore Oil Corp Limited	–	202,540	197,465	8,078
Cyberzone Properties Incorporated	–	803,680	803,333	40,583
Export-Import Bank of Korea	–	455,715	458,834	11,883
Filinvest Development Cayman Islands	–	1,290,567	1,261,767	48,247
FPC Capital Limited	–	2,073,200	2,024,526	118,867
Filinvest Land Incorporated	–	501,590	504,256	25,393
FPC Treasury Limited	–	458,696	445,104	21,367
Global Steel (NSC)	–	3,676,245	–	–
Hutchison Whampoa	–	1,045,929	1,065,796	26,798
Industrial And Commercial Bank of China Asia	–	–	–	–
Icici Bank Limited	–	871,428	876,152	26,792
International Container Terminal Services Incorporated	–	150,386	154,211	6,059
Korea Development Bank	–	202,540	210,706	4,889
Pilipinas Hino Incorporated	–	6,988	–	9,769
Philippine Savings Bank	–	400,000	399,827	129,587

(Forward)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Rizal Commercial Banking Corporation	–	₱2,372,614	₱2,365,758	₱123,407
Security Bank Corporation	–	149,272	162,656	3,485
Sinopec Corporation	–	1,620,320	1,661,054	52,177
South Luzon Tollway Corporation	–	101,640	102,022	4,374
SM Prime Holdings	–	325,000	324,852	19,432
AT&T Incorporated	–	810,160	813,981	23,059
Union Bank	–	2,029,957	1,967,611	77,936
Vista Land and Lifescapes	–	5,000,000	4,997,842	405,000
Petron Corporation	–	10,000	9,993	400
	–	**48,763,365**	**44,951,445**	**1,680,052**
Investment Securities at Amortized Cost	**–**	**₱102,777,570**	**₱100,464,757**	**₱4,173,027**

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2019

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/18)	Releases	(Collections)/ Movements	Amounts Written Off	Status	Balance at Ending of Period (12/31/19)	Due Dates	Interest Rates	Terms of Payment	Collateral
Subsidiary										
PNB-IBJL Leasing and Finance Corp	₱255,589	₱11,788,209	(₱11,291,200)	–	Current	₱752,598	01/13/2020 to 01/24/2020	3.87% to 5.00%	Monthly	Unsecured
PNB Gen Insurers Co. Inc.	2,215	61,692	(58,829)	–	Current	5,078	12/27/2019	0.00%	–	–
PNB Securities	–	126,000	(126,000)	–	Current	–				
PNB Capital and Investment Corporation	–	4,230,000	(2,865,000)	–	Current	1,365,000	01/15/2020	5.75%		
				–						
				–						
Related Party				–						
Philippine Airlines Inc.	3,299,816	617,453	(307,014)	–	Current	3,610,255	02/20/2020 to 02/26/2020	4.00%		
Victorias Milling Company Inc.	450,000	169,072	(566,700)	–	Current	52,372	12/27/2019			
Absolut Distillers, Inc.	200,000	600,000	(600,000)	–	Current	200,000	03/11/2020 to 03/25/2020	6.25%		
Horizon Global Investment	7,892,500	–	(127,000)	–	Current	7,765,500	09/12/2020	4.14%	Quarterly	Unsecured
Eton Properties Philippines Inc	4,220,600	–	(651,050)	–	Current	3,569,550	05/31/2023	5.00%	Monthly	Real Estate
Eton Properties (Xiamen) Ltd.	578,380	–	(36,586)	–	Current	541,794				
Asia Brewery (xiamen) Ltd.	444,785	–	(54,061)	–	Current	390,724				
Lufthansa Teknik	446,930	–	(117,803)	–	Current	329,127	03/28/2023	4.21%	Quarterly	Unsecured
Macroasia Airport Services Corporation	227,990	344,340	(247,382)	–	Current	324,948	11/09/2022 to 04/15/2024	4.00% to 6.28%		Unsecured
Major Win Enterprises Limited	1,088,860	1,068,520	(484,510)	–	Current	1,672,870	08/17/2027	5.15%	Quarterly	Unsecured
Maranaw Hotel & Resort Corp	59,035	–	(12,429)	–	Current	46,606	08/08/2023	5.66%	Quarterly	
Golden Investments TMK	11,041,800	4,825,218	(1,337,020)	–	Current	14,529,998	6/26/2020	4.00%	Monthly	Various
Alset Property Ventures, Inc.	9,150	–	(9,150)	–	Current	–				
Bonifacio Landmark Realty And Development Corporation	3,692,858	–	(671,429)	–	Current	3,021,429	6/2/2024	6.58%		
Cathay Metal Corporation	150,000	20,000	(170,000)	–	Current	–				
Christine International Philippines Inc	900	–	(900)	–	Current	–				

Name and Designation of Debtor	Balance at Beginning of Period (12/31/18)	Releases	(Collections)/ Movements	Amounts Written Off	Status	Balance at Ending of Period (12/31/19)	Due Dates	Interest Rates	Terms of Payment	Collateral
Coffee Table Inc	244,958	–	(89,696)	–	Current	155,262	02/06/2020 to 03/23/2023	7.24% to 9.72%		
Dvm Car Craft Inc	4,850	12,530	(17,380)	–	Current	–				
Full Circle Craft Distillers Co., Inc.	13,000	13,000	(13,000)	–	Current	13,000	11/27/2020 to 12/03/2020	2.75%		
Macroasia Sats Food Industries Corp	400,000	275,000	(33,333)	–	Current	641,667	01/22/2020 to 02/15/2027	6.75% to 7.10%		
Majent Management Development Corporation	557,869	589,868	(557,868)	–	Current	589,869	01/06/2020 to 01/24/2020	4.20%		
Menarco Development Corporation	1,440,000	780,109	(400,000)	–	Current	1,820,109	01/10/2020 to 07/04/2029	4.20% to 6.25%		
The Table Group, Inc.	65,000	290,000	(143,000)	–	Current	212,000	01/29/2020 to 04/30/2029	6.75% to 7.25%		
U-Hop Transportation Network Vehicle System Inc.	2,368	12,330	(14,698)	–	Current	–				
Key Management Personnel	7,708	–	(1,209)	–	Current	6,499	Various	Various	Payable on demand	Various
	₱36,797,161	₱25,823,341	(₱21,004,247)	₱–		₱41,616,255				

The related party transactions indicated above are within the ordinary course of business of the Bank and shall be settled in cash.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2019

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/18)	Releases	(Collections)/ Movements	Amounts Written Off	Status	Balance at Ending of Period (12/31/19)	Due Dates	Interest Rates	Terms of Payment	Collateral
PNB-IBJL Leasing and Finance Corp	₱255,590	₱11,788,209	(₱11,291,200)	₱–	Current	₱752,599	01/13/2020 to 01/24/2020	3.87% to 5.00%	Monthly	Unsecured
PNB Capital and Investment Corporation	–	4,230,000	(2,865,000)	–	Current	1,365,000	01/15/2020	5.75%	–	–
PNB Gen Insurers Co. Inc.	2,215	61,692	(58,829)	–	Current	5,078	12/27/2019	–	–	–
Total	₱257,805	₱16,018,209	(₱ 14,158,415)	₱–		₱ 2,117,599				

The related party transactions indicated above are within the ordinary course of business of the Bank and shall be settled in cash.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE D – LONG TERM DEBT
DECEMBER 31, 2019

(In thousands)

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current Portion of Long-Term Debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Long Term Negotiable Certificates of Deposits	₱4,600,000	₱–	₱4,563,212	4.38%	Interest is payable quarterly	4/11/2025
Long Term Negotiable Certificates of Deposits	8,220,000	–	8,155,043	5.75%	Interest is payable quarterly	8/27/2024
Long Term Negotiable Certificates of Deposits	6,350,000	–	6,323,898	3.88%	Interest is payable quarterly	4/26/2023
Long Term Negotiable Certificates of Deposits	3,765,000	–	3,751,954	3.75%	Interest is payable quarterly	10/27/2022
Long Term Negotiable Certificates of Deposits	5,380,000	–	5,362,599	3.25%	Interest is payable quarterly	6/6/2022
Long Term Negotiable Certificates of Deposits	7,000,000	6,995,398	–	4.13%	Interest is payable quarterly	6/12/2020
Bills Payable	4,894,523	752,834	4,141,689	0.78% to 6.25%	Various	Various
Fixed rate bonds	13,870,000	–	13,788,255	6.30%	Interest is payable quarterly	5/8/2021
Fixed rate medium term senior notes	USD750,000	–	37,718,077	3.28%	Interest is payable semi-annually	9/27/2024
Fixed rate medium term senior notes	USD300,000	–	15,108,746	4.25%	Interest is payable semi-annually	4/27/2023

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2019

(In thousand pesos)

Name of Related Parties [(i)]	Balance at Beginning of Period	Balance at Ending of Period [(ii)]	Nature, Terms and Conditions

None to report

(i) The related parties named shall be grouped as in Schedule D. The information called shall be stated for any persons whose investments shown separately in such related schedule.
(ii) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2019

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding (i)	Amount owned by person of which statement is filed	Nature of Guarantee (ii)

None to report

(i) Indicate in a note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidation balance sheet.

(ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", "Guarantee of Dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guarantee.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2019

(Absolute number of shares)

Title of Issue (i)	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees	Others (iii)
Common shares	1,750,000,001	1,525,764,850	-	-	15,411,580	276,625,172 additional common shares issued in July 2019

Required information is contained in Note 25: Equity to the Audited Financial Statements of the Bank and Subsidiaries.

(i) Include in this column each type of issue authorized.
(ii) Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security
(iii) Indicate in a note any significant changes since the date of the last balance sheet filed.

PART III

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019 AND 2018

Ratios	**CONSOLIDATED**	
	2019	**2018**
[i] Liquidity Ratios		
a. Current Ratio	**58.82%**	**53.61%**
Current Assets / Current Liabilities	508,720,511 / 864,924,418	415,667,993 / 775,309,853
b. Liquid assets ratio-net	**24.57%**	**22.39%**
Liquid Assets [1/] - net / Liquid Liabilities [2/]	210,025,681 / 854,761,226	172,227,393 / 769,222,055
c. Net loans to total deposit liabilities	**77.11%**	**76.81%**
Net Loans [3/] / Total deposit liabilities	636,950,500 / 826,045,480	563,246,806 / 733,301,478
[ii] Solvency Ratios		
a. Debt to equity ratio	**637.08%**	**665.13%**
Total Liabilities / Total Equity	987,315,211 / 154,975,400	855,089,174 / 128,559,012
[iii] Asset-to-Equity Ratios		
a. Asset to Equity Ratio	**737.08%**	**765.13%**
Total Assets / Total Equity	1,142,290,611 / 154,975,400	983,648,186 / 128,559,012
[iv] Interest Rate Coverage Ratio		
a. Times interest earned ratio	**167.37%**	**246.97%**
Earnings before interest and taxes / Interest Expense	30,387,634 / 18,155,442	22,254,093 / 9,010,918
[v] Profitability Ratios		
a. Return on Assets	**0.92%**	**1.05%**
Net Income / Average total Assets	9,761,206 / 1,062,969,399	9,556,070 / 910,002,446
1.1 Average total Assets	**1,062,969,399**	**910,002,446**
Total Assets, Beg. + Total Assets, End. / 2	983,648,186+1,1422,290,611 / 2	836,356,705+983,648,186 / 2

Ratios	CONSOLIDATED	
	2019	2018
b. Return on Equity	**6.89%**	**7.70%**
Net Income / Average total Equity	9,761,206 / 141,767,206	9,556,070 / 124,148,481
a. Average total Equity	**141,767,206**	**124,148,481**
Total Equity, Beg. + Total Equity, End. / 2	128,559,012+154,975,400 / 2	119,737,949+128,559,012 / 2
[vi] Capital Adequacy Ratios		
a. Tier 1 Capital Ratio	**14.10%**	**13.55%**
Tier 1 Capital / Total Risk-Weighted Assets	124,505 / 883,055	99,634 / 735,332
b. Capital Risk Asset Ratio	**14.80%**	**14.35%**
Total Qualifying Capital / Total Risk-Weighted Assets	130,688 / 883,055	105,516 / 735,332
[vii] Other Ratios		
a. Net Interest Margin on average earning assets	**3.31%**	**3.24%**
Net Interest Income / Average interest earning Assets	32,443,573 / 979,672,558	27,064,550 / 836,422,422
b. Efficiency Ratio	**63.17%**	**61.47%**
Total Operating Expenses (excluding provision for impairment, credit and other losses) / Total Operating Income	25,969,484 / 41,111,534	23,925,846 / 38,921,833
Total Operating Expenses (excluding provision for impairment, credit and other losses)	**25,969,484**	**23,925,846**
Total Operating Expenses-Provision for impairment, credit and other losses	28,879,342-2,909,858	25,678,658-1,752,812
c. Allowance for credit losses – loans to total loans ratio	**2.16%**	**1.79%**
Allowance for credit losses - loans / Total Loans	14,073,236 / 651,470,434	10,259,945 / 574,483,591
d. Allowance for credit losses – loans to Non-performing loans ratio	**67.76%**	**79.83%**
Allowance for credit losses - loans / Non-performing Loans	14,073,236 / 20,769,140	10,259,945 / 12,852,456

1/ Composed of cash and other cash items, due from Bangko Sentral ng Pilipinas, due from other banks, interbank loans receivable, securities held under agreements to resell, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income, net of applicable allowance for credit losses, that are due within one year.

2/ Composed of financial liabilities that are due within one year.

3/ 'Loans' caption refers to receivables from customers.

PHILIPPINE NATIONAL BANK
RECENT OFFERING OF SECURITIES TO THE PUBLIC
FOR THE PERIOD ENDED DECEMBER 31, 2019

1. Gross and net proceeds as disclosed in the final prospectus

Gross proceeds	₱11,999,999,961
Less estimated offer expenses	224,187,500
Estimated net proceeds	₱11,775,812,461

2. Actual gross and net proceeds

Gross proceeds	₱11,999,999,961
Less actual offer expenses	279,035,736
Actual net proceeds	₱11,720,964,225

3. Each expenditure line item where the proceeds were used

None *

** All of the net proceeds have been invested to loans.*

4. Balance of the proceeds as of end of the reporting period NIL

PHILIPPINE NATIONAL BANK
STATEMENTS OF CONDITION (Reconciliation to Audited Financial Statements)
December 31, 2019
(In Thousand Pesos)

ASSETS				
Cash and Cash Items	27,221,208	30,500,927	3,279,719	1/
Due from Bangko Sentral ng Pilipinas	107,628,648	105,981,801	(1,646,847)	2/
Due from Other Banks	21,300,812	17,758,143	(3,542,669)	3/
Financial Assets at Fair Value through Profit or Loss	13,502,393	13,468,985	(33,408)	4/
Available-for-Sale Financial Assets-Net	123,120,704	-	(123,120,704)	5/
Financial Assets at Fair Value Through Other Comprehensive Income	-	123,140,840	123,140,840	6/
Held-to-Maturity (HTM) Financial Assets-Net	99,384,650	-	(99,384,650)	7/
Investment Securities at Amortized Cost	-	100,464,757	100,464,757	8/
Loans and Receivables - Net				
Interbank Loans Receivable	24,016,151	24,831,816	815,665	9/
Loans and Receivables	636,983,418	657,923,757	20,940,339	10/
Loans and Receivables Arising from Repo, CA/Participationwith Recourse, and SLB Transactions	2,517,764	-	(2,517,764)	11/
General Loan Loss Provision	(5,891,705)	-	5,891,705	12/
Securities Held Under Agreements to Resell	-	2,517,764	2,517,764	13/
Other Financial Assets	12,170,669	-	(12,170,669)	14/
Equity Investment in Subsidiaries, Associates and Joint Ventures-Net	3,752,707	2,605,473	(1,147,234)	15/
Bank Premises, Furniture, Fixture and Equipment-Net	24,564,722	21,168,794	(3,395,928)	16/
Real and Other Properties Acquired-Net	8,858,091	15,043,826	6,185,735	17/
Deferred Tax Assets	-	2,580,809	2,580,809	18/
Intangible Assets	-	2,841,989	2,841,989	19/
Goodwill	-	13,375,407	13,375,407	20/
Other Assets-Net	32,336,424	8,085,523	(24,250,901)	21/
TOTAL ASSETS	1,131,466,656	1,142,290,611	10,823,955	
LIABILITIES				
Financial Liabilities at Fair Value through Profit or Loss	215,555	245,619	30,064	22/
Deposit Liabilities	825,291,897	826,045,480	753,583	23/
Due to Other Banks	1,146,619	-	(1,146,619)	24/
Bills Payable	-	55,963,290	55,963,290	25/
a) BSP (Rediscounting and Other Advances)	-	-	-	
b) Interbank Loans Payable	22,460,958	-	(22,460,958)	25/
c) Other Deposit Substitute	25,300,041	-	(25,300,041)	25/
d) Others	5,512,089	-	(5,512,089)	25/
Bonds Payable-Net	66,615,078	66,615,078	(0)	
Other Financial Liabilities	9,305,975	-	(9,305,975)	26/
Lease Liability	-	1,806,409	1,806,409	27/
Accrued Taxes, Interest and Other Expenses (Note 20)	-	6,939,726	6,939,726	28/
Income Tax Payable	-	576,156	576,156	29/
Other Liabilities	28,518,558	29,123,453	604,895	30/
TOTAL LIABILITIES	984,366,772	987,315,211	2,948,439	
STOCKHOLDER'S EQUITY				
Capital Stock	93,137,154	61,030,594	(32,106,560)	31/
Capital Paid in Excess of Par Value	-	32,116,560	32,116,560	
Surplus Reserves	-	642,018	642,018	32/
Net Unrealized Loss on Financial Assets at FVOCI	-	3,250,651	3,250,651	33/
Remeasurement Losses on Retirement Plan	-	(2,229,220)	(2,229,220)	34/
Accumulated Translation Adjustment	-	947,562	947,562	35/
Other Equity Reserves	-	35,466	35,466	36/
Share in Aggregate Reserves on Life Insurance Policies	-	12,280	12,280	37/
Other Equity Adjustment	-	13,959	13,959	38/
Other Capital Accounts	2,262,795	-	(2,262,795)	39/
Retained Earnings	48,834,775	56,273,491	7,438,716	40/
Minority Interest in Subsidiaries	2,865,161	2,882,039	16,878	41/
TOTAL STOCKHOLDERS' EQUITY	147,099,885	154,975,400	7,875,515	42/
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	1,131,466,656	1,142,290,611	10,823,955	

FRP - Financial Reporting Package to the Bangko Sentral ng Pilipinas
AFS - Audited Financial Statements

PHILIPPINE NATIONAL BANK
NOTES TO FRP TO AFS RECONCILIATION
PHILIPPINE NATIONAL BANK

1/ Cash and Cash Items	
To close Cash in Transit as of year-end	(22,726)
To recognize deposit transactions from December 28 – 31, 2019	1,665,320
To reclass checks for clearing to its proper account	1,637,125
	3,279,719
2/ Due from Bangko Sentral ng Pilipinas (BSP)	
To reclass checks for clearing to its proper account	(1,646,847)
	(1,646,847)
3/ Due from Other Banks	
To reclassify Due from Other Banks	(2,718,087)
To record adjustment of Due from Othe Banks	(834,782)
To adjust Allowance for Probable Losses	(3,539)
To adjust Due from Othe Banks of Subsidiaries	13,739
	(3,542,669)
4/ Financial Assets at Fair Value thru Profit or Loss	
Mark-to-market adjustments to FVPTL	(108,418)
To reclassify to Other Assets - Net	75,010
	(33,408)
5/ Available-for-Sale Financial Assets - Net	
To reclassify to FVOCI	(123,120,704)
6/ Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	
To reclassify from Available-for-Sale Securities - Net	123,120,704
To reclassify to Equity Investment in Subsidiaries, Associates and Joint Ventures - Net	1,933
Mark-to-market adjustments of investment securities	18,203
	123,140,840
7/ Held-to-Maturity (HTM) Financial Assets - Net	
To reclassify from Held-to-Maturity (HTM) Financial Assets - Net	(99,384,650)
8/ Investment securities at Amortized Cost	
To reclassify from Held-to-Maturity (HTM) Financial Assets - Net	99,384,650
Adjustment to expected credit losses	(1,773)
HTC of PNB General Insurer's Corp.	1,081,880
	100,464,757
9/ Interbank Loans Receivable	
To reclassify from Due from Other Banks	2,718,087
To reclassify transaction with BNP Paribas from IBLR to Loans	(579,443)
To reclassify transaction with BNPP (Emirates Deal) from IBLR to Loans	(1,322,129)
To adjust Allowance for Probable Losses	(850)
	815,665

PHILIPPINE NATIONAL BANK
NOTES TO FRP TO AFS RECONCILIATION
PHILIPPINE NATIONAL BANK

10/	Loans and Receivables - Net	
	To adjust loans due to foreclosures/Reclassifications to ROPA	(131,882)
	To reclassify interbank loans to its proper account	1,901,572
	To reclassify to Other Assets - Net	1,226,377
	To recognize credit card cut off transactions	653,789
	To book reconciling items in 2019 subsequently adjusted in 2020	(103,046)
	To reclassify from Other Financial Assets - AIR and SCR	11,572,503
	Mark-to-market adjustment of investment securities	(541,453)
	To close to AR account net balance of DTO & DFR of ATMOC	294,487
	To record amortization of interest	1,971,761
	To adjust expected credit losses	3,303,131
	Various adjustments to Loan	42,103
	To reclassify to Other Liabilities	(1,010,517)
	To transfer deferred portion of gain on sale of PNB life shares from other deferred to misce	834,431
	Loans and Receivebles of PNB General Insurer's Corp.	5,300,980
	To adjust loans and Receivables of Subsidiaries	(4,373,897)
		20,940,339
11/	Loans and Receivables Arising from Repo, CA/Participationwith Recourse, and SLB Transactions	
	To reclassify from Securities Held Under Agreements to Resell	(2,517,764)
12/	General Loan Loss Provision	
	To reclassify to Loans and Other Receivables	5,891,705
13/	Securities Held Under Agreements to Resell	
	To reclassify to Loans and Receivables - Net	2,517,764
14/	Other Financial Assets	
	Represents AIR and SCR reclassified to Loans and Receivable	(12,170,669)
15/	Equity Investment in Subsidiaries, Associates & Joint Ventures - Net	
	To reclassify from Equity Investment in Subsidiaries, Associates and Joint Ventures - Net	(1,933)
	To adjust Equity Investment in Subsidiaries, Associates and Joint Ventures - Net	(1,145,301)
		(1,147,234)
16/	Bank Premises, Furniture, Fixture and Equipment - Net	
	To reclassify Properties Held Under Lease to Real and Other Properties Acquired-Net	(4,452,228)
	To recognize right of use asset under PFRS 16 (net of depreciation)	1,711,200
	To recognize impairment and other reclassifications	(654,900)
		(3,395,928)
17/	Real and Other Properties Acquired - Net	
	To Reclassify Properties Held Under Lease to Real and Other Properties Acquired-Net	4,452,228
	To recognize adjustments to fair value adjustments on investments properties, net of relate	1,733,507
		6,185,735
18/	Deferred Tax Assets	
	To reclassify to Other Assets - Net	2,580,809

PHILIPPINE NATIONAL BANK

19/ Intangible Assets	
To reclassify from Other Assets - Net	2,841,989
20/ Goodwill	
To reclassify from Other Assets - Net	13,375,407
21/ Other Assets - Net	
To reclassify to Intangible Assets	(2,841,989)
To reclassify to Goodwill	(13,375,407)
Other reclassifications to various accounts and varous PFRS adjustments	(8,033,505)
	(24,250,901)
22/ Financial Liabilities at Fair Value thru Profit or Loss	
To reclassify to Other Liabilities	30,151
Adjustments of accrual on interest-bearing liabilities	(87)
	30,064
23/ Deposit Liabilities	
To adjust deposit liabilities	(106,000)
To recognize deposit cut off transactions	1,613,166
To adjust deposit liabilities of subsidiaries	(753,583)
	753,583
24/ Due to Other Banks	
To reclassify to Bills Payable	(1,146,619)
25/ Bills Payable	
To reclassify Other Financial Liabilities	2,690,201
26/ Other Financial Liabilities	
Represents AIP reclassified to its proper PFRS account	(1,856,434)
Represents DTOP, Managers Check, POP and others reclassified to its proper PFRS accounts	(3,828,145)
Represents Other Taxes and Licenses reclassified to its proper PFRS account	(2,748,753)
Various othe reclassification including subsidiaries accounts	(872,643)
	(9,305,975)
27/ Lease liabilities	
To recognize lease liabilities in accordance with PFRS 16	1,806,409
28/ Accrued Taxes, Interest and Other Expenses	
Reclassified from Other Financial Liabilities	2,748,753
Reclassified from Other Liabilities	4,360,005
To adjust accrual of various accounts	(1,050,664)
To adjust accrual of various accounts of Subsidiaries	881,632

		6,939,726
29/	Income Tax Payable	
	Reclassification from Other Financial Liabilities	515,833
	To finalize tax provisions	60,323
		576,156
30/	Other Liabilities	
	Reclassifications toOther Liabilities	4,929,629
	To reclassify to Other Financial Liabilities	(2,551,354)
	To reclass A/P Collection to SCR (JV Avida)	591,121
	To recognize credit card transactions from December 28 – 31, 2019	(653,789)
	To book reconciling items in 2019 subsequently adjusted in 2020	(17,956)
	To off-set sundry debits and sundry credits.	(359)
	To reclassify to Due to Other Banks	(761,135)
	To close to AR account net balance of DTO & DFR of ATMOC	661,360
	To adjust accrued retirement benefits	104,068
	To correct retirement liabiliability based on 2019 AVR	(568,996)
	Adjustments of accrual of interest-bearing liabilities	613,608
	To reverse over reclass of Accrual for Estimated Litigation Losses from Accrued Other Expenses to Other Liabilities	(1,492,192)
	To reclass to misc. liab amortization of deferred credits re: Gain on sale of PNB life	73,199
	To reclass the booked retrirement liability on other liabilities	1,334,973
	To reclassify Interoffice float items	6,091,434
	To record Other Liabilities of PNB Gen.	(6,744,595)
	To reclassify to Other Assets	31,576
	To adjust Other Liabilities of Subsidiaries	(1,035,697)
	Various adjustments and reclassifications	604,895
31/	Capital Stock and Capital Paid in Excess of Par Value	10,000
32/	Surplus Reserves	
	Reclassed from Retained earnings	642,018
33/	Net Unrealized Loss on Financial Assets at FVOCI	
	To reclassify Other Comprehensive Income	3,693,983
	To book share of Parent in accumulated OCI of subsidiaries	(270,759)
	Mark-to-market adjustments of investment securities	(172,573)
		3,250,651
34/	Remeasurement Losses on Retirement Plan	
	To reclassify to Other Comprehensive Income	(2,714,925)
	To book share of Parent in accumulated other comprehensive income of subsidiaries	(676,947)
	To adjust accrued retirement benefits	1,162,652
		(2,229,220)

PHILIPPINE NATIONAL BANK
NOTES TO FRP TO AFS RECONCILIATION
PHILIPPINE NATIONAL BANK

35/ Accumulated Transalation Adjustment	
To reclassify to Other Comprehensive Income	306,818
To adjust cumulative translation adjustment of various accounts	640,744
	947,562
36/ Other Equity Reserves	
To record additional Equity reserves	35,466
37/ Share in Aggregate Reserves on Life Insurance Policies	
To record Other Comprehensive Income	12,280
38/ Other Equity Adjustment	13,959
39/ Other Capital Accounts	(2,262,795)
40/ Retained Earnings	
Fair value adjustment, depreciation and impairment loss on ROPA	6,305,917
Other adjustments	(166,559)
	6,139,358
41/ Minority Interest in Subsidiaries	
To record share in minority interest of subsidiary	16,878

PHILIPPINE NATIONAL BANK
NET INCOME (Reconciliation to the Audited Financial Statements
For the Year Ended December 31, 2019
(In Thousand Pesos)

Net income, per BSP Financial Reporting Package		**8,461,848**
Adjustments to income:		
Adjustment on retirement and other employee benefits under PAS 19	520,336	
Net adjustments on deferred tax assets	507,693	
Fair value adjustments on investment properties, net of depreciation	406,726	
Adjustment on loan service fees	(367,775)	
True-up of accrued expenses	164,310	
Day-1 adjustments on interest	(124,082)	
Net income of PNB General Insurers Co., Inc.	101,593	
Reversal of final tax on amortization of premium on trading securities	101,205	
Various PFRS adjustments	(75,117)	
Adjustment on expected credit losses under PFRS 9	46,508	
Accretion of interest on sales contract receivable	33,970	
Adjustment on current income taxes	24,302	
Net impact to income of PFRS 16	(19,153)	
Other adjustments	(21,158)	1,299,358
Net income, per Audited Financial Statements		**9,761,206**

Exhibit V

SUSTAINABILITY REPORT

Introduction

We strongly believe that the success of our Bank is defined by the health of its business, the well-being of its employees, customers, and stakeholders, and the good future of generations to come. It is our aim to contribute positively to the country's economy, our society, and the environment by focusing on initiatives which promote ethical business practices, strong corporate governance, and sound risk management.

PNB's Sustainability Policy, illustrating our mission, was developed to guide us in conducting our business responsibly. This Policy is aligned with the United Nations' Sustainable Development Goals (SDGs). The Corporate Sustainability Unit of Public Affairs Group, formally established in August 2019, proactively engages employees in living out this mission.

Moreover, we are committed to embodying the values of diversity and inclusion as part of our culture. In August 2019, we joined the Philippine Business Coalition for Women Empowerment (PBCWE) which makes us the first local universal bank to undergo the Economic Dividends for Gender Equality (EDGE) assessment in preparation for our EDGE Certification.

Our Sustainability Policy

PNB is a Filipino, private, universal bank with a global presence committed to provide relevant financial solutions to customers anywhere in the world. We generate value through our strategy focused on Safe, Aggressive, and Profitable Growth.

Our capacity to grow and sustain our business are contingent on the quality of our human capital, the condition of our physical resources, the viability of our initiatives, and our relationship with customers, employees, and stakeholders.

We believe that Sustainability starts from within, that is, by cultivating an inclusive and collaborative work culture, helping all employees, regardless of gender and background, have 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.

Hence, for PNB, Sustainability means:

- Ensuring the longevity of our business by maintaining profitability, attracting and retaining the right talents, providing relevant financial solutions, caring for our tangible and intangible resources, and upholding a culture of continuous improvement;

- Providing our employees 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; and

- Promoting the well-being of our stakeholders by keeping a healthy ecosystem of customers and partners.

Our Sustainability Pillars

Our economic, social, and environmental responsibility includes complying with the relevant laws, rules, and regulations. Hence, our focus on the following Pillars:

1. **Economic**
   - Revenue growth, profitability, and business continuity.
   - Financial wellness and long-term value for customers, employees, and stakeholders.
   - Financial inclusion through available products and services.

2. **Social**
   - Succession planning through capability building, leadership development, and strategic talent acquisition.
   - Improvement in our employees' quality of life.
   - An empowering and non-discriminatory culture where our employees, customers, and stakeholders are treated fairly and given equal opportunities.
   - Positive contributions to communities through employee volunteerism and other initiatives imbibing responsible corporate citizenship.

3. **Environmental**
   - Efficient use of natural and man-made resources.
   - Reduced environmental footprint of the Bank and our employees.

4. **Governance**
   - Compliance with all applicable laws, rules, and regulations that govern our business.
   - Transparency and accountability in all areas of our operations.

Our Commitment

1. **For our people, we will:**
   - Provide a safe, respectful, and collaborative work environment that cultivates personal and professional growth.
   - Educate, encourage, and inspire employees in contributing positively to their respective communities.
   - Provide access to various skills development and learning programs relevant to our employees' existing functions and target roles.
   - Provide equal opportunities for candidates to be hired without biases 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 gender equality in employment and in the workplace.

2. **For our customers and stakeholders, we will:**
   - Ensure the continuity of our business through strategic succession planning.
   - Support businesses and projects that foster economic and inclusive growth, social development, environmental protection, and nation-building.
   - Promote financial wellness and create value through tailor-fit products and services.

3. **<u>For our shareholders and regulators, we will:</u>**
   - Adhere to all applicable laws, rules, and regulations governing our scope of business and areas of operations.
   - Report the progress and milestones of our Sustainability Programs to the Board of Directors at least semi-annually.
   - Review and update our Sustainability Policy at least annually.

4. **<u>For our environment, we will:</u>**
   - Reduce the environmental impact of our operations through the efficient use of natural or man-made resources.
   - Adapt eco-friendly technologies.

Our Contribution to the United Nations' Sustainable Development Goals (SDGs)

Realizing our capacity for contributing to sustainable development, we will align our initiatives with the United Nations' SDGs to ensure the success of our business, the well-being of our employees, customers, and stakeholders, and the future of generations to come.

Setting the Tone from the Top
GRI 102-29, 102-32

Driving our Sustainability thrusts are the Chairperson of the Board of Directors and the President & CEO. As our Sustainability Champions, both play vital roles by influencing the Bank's Management Team on integrating aspects of Sustainability in our scope of business and areas of operations.

To centralize all our efforts, the Corporate Sustainability Unit was established in August 2019. Reporting under the Public Affairs Group, the unit is tasked to develop and implement the Bank's Sustainability initiatives with guidance from the Office of the President and the Corporate Governance & Sustainability Committee, a Board-level committee tasked to promote environmental, social, and governance advocacies and exercise corporate governance oversight functions.

Report Coverage and Parameters
GRI 102-50, 102-54

This 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, 2019.

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

At PNB, we do not only aim to meet the fast-paced and ever-changing needs of the market but we also endeavor for our company to grow and stay relevant in the banking industry while contributing positively to the country's economy, our society, and the environment.

We recognize that the health of our business and the Sustainability of our company are connected with the long-term interests of our stakeholders; hence, we are cognizant of their concerns and expectations which influence our strategy, business operations, and work culture.

OUR STAKEHOLDERS	MODE OF ENGAGEMENT	KEY CONCERNS AND EXPECTATIONS	OUR RESPONSE
Employees	• Regular meetings • Letters / correspondences • Emails • Townhall meetings / events • Surveys	• Work-life balance • Competitive compensation and benefits • Training and development • Career progression • Improvement of infrastructure and facilities • Opportunities for volunteerism and community engagement	• Year-round initiatives and programs to promote employee well-being: training and development, employee welfare and wellness, employee recognition, and enhanced performance appraisal by our Human Resource Group • Volunteerism or community outreach opportunities for our employees in partnership with Corporate Sustainability Unit, Human Resource Group, and other units of the Bank.
Customers	• Face-to-face contact with Relationship Managers and Branch personnel • Telephone calls • Letters • Website • Emails • Social Media • Special events	• Products and services that are responsive to their needs • Efficient customer service • Protection of client information • Accessibility and convenience of customer touchpoints • Competence of Bank personnel to 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.

Investors / Shareholders	• Letters/ Correspondences • Emails • Special events • Annual Stockholders' Meeting • Investor Briefings • Investor Relations Program	• Strong financial performance • Shareholder returns • Corporate governance • Transparency and disclosure • Continued business growth • Compliance with globally accepted financial reporting standards	• Established a corporate governance framework in accordance with global standards and best practices • Strong Board and Management oversight • Transparency and accountability
Regulators	• Periodic examinations • Letters / Correspondences • Meetings	• Conduct of sound business practices • 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 regulatory reports • Transparency and accountability • Proactive dialogue • Full compliance / adherence to banking laws, rules and regulations in the country and overseas
Communities	• Financial Literacy / Financial Wellness Seminars or Caravans • Charitable / Philanthropic Contributions • Environmental and sustainability 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 • Support / assistance during times of man-made or natural disasters	• 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 of charitable and philanthropic causes on education, environment, and social welfare development. • Support of affected communities where the Bank has presence during times of natural and man-made calamities (i.e., relief operations) with assistance from our employees, our subsidiaries, and affiliates.

Reporting Process

GRI 102-21,102-29,102-31, 102-32, 102-46, 102-47

Our Sustainability Report was prepared in coordination with the Lucio Tan Group of Companies (LTG) and SGV & Co.

In mid-2019, LTG and its subsidiaries, including PNB, enlisted the services of SGV & Co. to assist in the prioritization of each member company's material sustainability issues to drive the framework and content of their respective reports.

In preparation for our Sustainability Report, the Corporate Sustainability Unit worked closely with LTG and SGV & Co., from the task of engaging our stakeholders, identifying and prioritizing issues that are important to Bank and our stakeholders to gathering relevant data and information from our concerned units.

By going through our preparations, we developed an appreciation for our existing best practices as well as an understanding of the gaps and challenges that we are facing. Our company's and stakeholders' focus and interests change overtime. In order to stay relevant in the banking industry, we recognize our capacity to improve on how we do our business and how we operate. Likewise, we recognize the importance of addressing the needs of our stakeholders, caring for our environment, and contributing significantly to social welfare development and nation-building.

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 dscuss the GRI report template	• Conducted a desktop assessment of internal documents and external sources to understand the relative importance of the preliminary material issues • Developed a preliminary materiality matrix from the review of internal and external documents of the Bank • Conducted a materiality assessment workshop with key stakeholders in which attendees voted on the importance of the preliminary listing of material issues • Developed the final matrix of material topics from the desktop assessment and workshop conducted • Conducted a meeting with the management to validate the top material sustainabbility issues of the Bank	• SGV & Co developed and provided a report template for PNB and other LTG member companies to use in gathering data • Using the GRI reporting standards, relevant data and information pertaining to the Bank's existing and future economic, environmental and social initiatives were collected and collated	• Upon completion, the report went through a 3-level review and affirmation of disclosures: (1) concerned participating business units; (2) Global Compliance Group; and (3) Corporate Governance / Nomination / Remuneration and Sustainability Committee.

Our final materiality assessment matrix outlines all topics crucial to our company and our stakeholders. Based on the results, a total of 37 issues were originally identified covering economic, social, environmental, and governance categories. The table adjacent to the matrix lists down the top 10 key material issues for prioritization. Economic performance, employment, and risk management are considered as the highest-ranking issues of the Bank.

KEY MATERIAL ISSUES	RANK
Economic Performance	1
Employment	2
Risk Management	3
Socio-economic Compliance	4
Customer Data Privacy and Security	5
Anti-corruption	6
Digital Transformation and Innovation	7
Customer Engagement and Satisfaction	8
Learning and Development	9
Indirect Economic Impact	10

It is important to note that the list of top topics relevant to our stakeholders this year is the same with the previous year's, except for the inclusion of topics such as Digital Transformation and Innovation and Customer Engagement and Satisfaction. This is consistent with the Bank's vision to use digital to connect and help support the economy, keeping in mind our customers and their needs in this fast-paced and ever-changing times.

Topics related to environment such as energy efficiency, water and waste management, greenhouse gas emissions and climate change, on the other hand, were also considered important this year but ranked lower compared to other topics that concern the business, our customers, our employees, and society in general.

Our final materiality assessment this year reflects the Bank's focus on improving our business performance while working on equipping our employees with the necessary skills and tools useful for contributing to the growth and longevity of our business and operations.

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 Centre, Pres. Diosdado Macapagal Boulevard, Pasay City
Tel. No.: (+632) 8 526-3131 local 4106
Stockholder Relations Officer: Atty. Maila Katrina Y. Ilarde
Email: ilardemky@pnb.com.ph

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

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

ECONOMIC PERFORMANCE
GRI 103-1, 103-2, 103-3, 201-1
UN SDG 1, 8, 10

Economic Performance ranked as the top material issue for the Bank and our stakeholders since 2017, when we first began our Sustainability reporting.

As a financial institution, the Bank generates and distributes economic values to various stakeholders, namely: salaries and benefits of employees, taxes paid to the government, payments to suppliers and service providers for products and services rendered, dividends for shareholders, and donations or charitable contributions for disadvantaged and marginalized sectors in the society.

The table below shows that the Bank's economic value for the society significantly increased in 2019 from 2018 as we became more active in our Sustainability efforts and as we began to position ourselves as a Partner of the government in social welfare development and nation-building.

<u>**Economic Value Distribution Table**</u>

Economic Impact (In Philippine Peso)	***2018 In Millions***	***% of Total***	***2019 In Millions***	***% of Total***
Amount paid to suppliers / vendors	3,753	22.21%	4,358	23.20%
Consolidated membership fees and dues	17	0.10%	18	0.10%
Consolidated charitable contributions and sustainability-related activities and initiatives	15	0.09%	46	0.24%
Wages and benefits paid to employees	9,380	55.52%	9,547	50.82%
Dividends paid to stockholders	0	0.00%	0	0.00%
Taxes paid to government	3,729	22.07%	4,818	25.64%
TOTAL	**16,894**	**100.00%**	**18,787**	**100.00%**

Dividend Policy

We 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".

Supply Chain Management
GRI 102-9
UN SDG 10, 12

We adhere to the Vendor Management Policy which requires business owners to periodically evaluate the capacity and technical capability of their external vendors and suppliers. The Bank's Procurement Committee, which is composed of senior management officers from different sectors, convene regularly to review and deliberate on each submitted bids of accredited suppliers and vendors.

The Bank, through Corporate Services Division, follows a simple procurement process of (1) sourcing from accredited suppliers and vendors, (2) canvassing and bidding, (3) review / assessment of bids, (4) and awarding of contracts. However, there are cases that non-accredited suppliers and vendors are engaged by the Corporate Services Division and this is only allowed if the purchase / sourcing is seasonal / occasional, one-time, or considered an emergency.

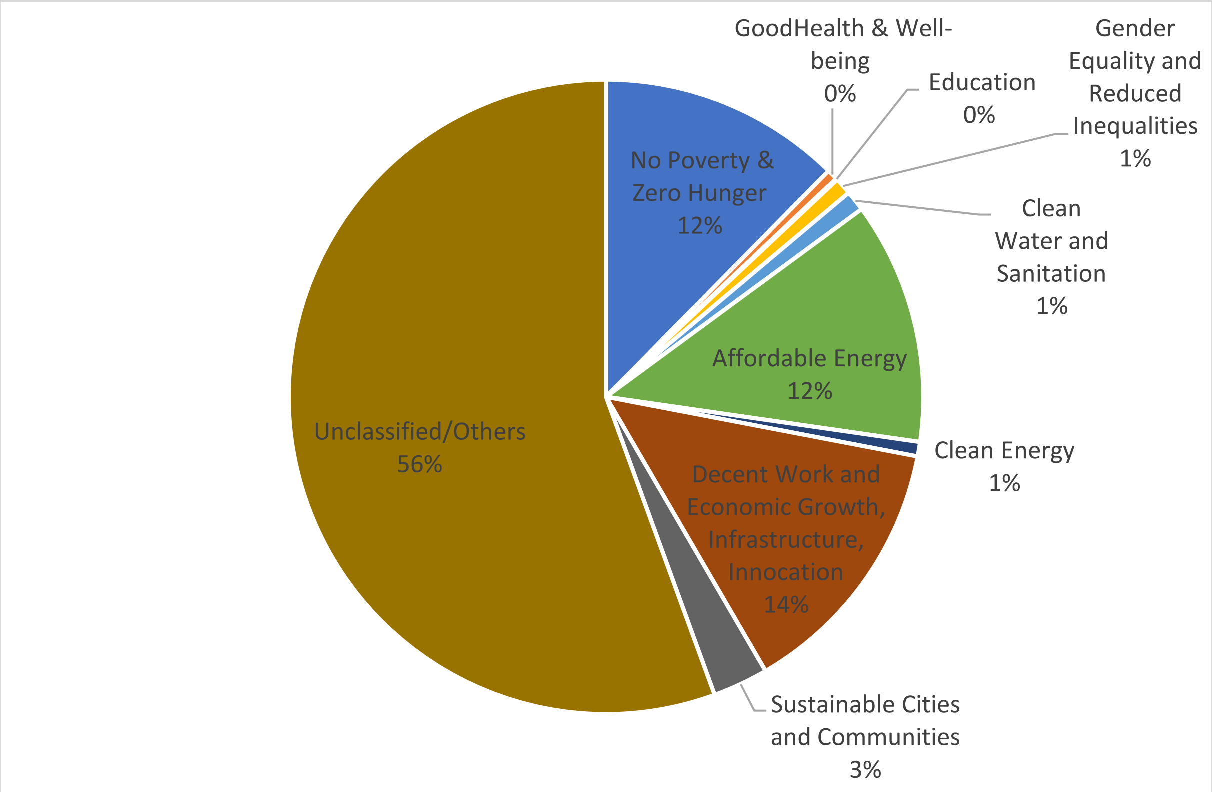
To ensure consistency of standard and specification of all our offices and branches, the Bank sources its purchases and services from Metro Manila-based suppliers and vendors. Some purchases and services, however, are sourced from local suppliers and vendors (province-based) to minimize the logistical costs.

Supporting Businesses Contributing to Sustainable Development & Nation-Building
GRI 103-1, 103-2, 103-3, 203-1, 203-2
UN SDG 1, 2, 3, 6, 7, 8, 9, 11, 12, 17

The Bank's Institutional Banking Sector (IBS) adheres to the principle of Cognizant ESG Lending supporting businesses and industries that promote and contribute to countryside development and nation-building, environmental protection and conservation, and sustainable development. As with the other loan accounts, these type of businesses and projects for the Bank's financing are evaluated in compliance with regulatory and internal requirements and requires the necessary committee approvals.

The chart below shows the Bank's portfolio geared to support the achievement of the United Nations' SDGs. Over 40% of the total loans of the Bank in 2019 was used to finance business and projects that support and contribute to sustainable development.

Identified UN SDG to Total Bank Portfolio



The Bank has supported more business and industries that are into (1) food manufacturing and production; (2) energy transmission, generation, distribution; and (3) infrastructure development.

In compliance with the BSP's 2019 Circular requiring all banks to integrate environmental, social, and governance financing guidelines in their business operations, we drafted our own Sustainable Financing Policy and Framework for lending and investing. Once approved, the said policy and framework will allow the Bank to effectively assess and manage our environmental and social risks and impacts associated with supporting particular businesses, projects, and industry sectors.

ENVIRONMENTAL IMPACT

Although environmental concerns ranked lower in the Bank's materiality assessment, we consider these as an integral part of our business and operations. To show our commitment to mitigating climate change, we began to take concrete actions by raising environmental awareness among our employees through campaigns and initiatives for reducing the Bank's environmental footprint such as improving energy and water consumption, implementing proper waste management, and ensuring that the businesses, projects, and industries we support are also environmentally compliant.

The report below covers the environmental footprint of the Bank's headquarters in Metro Manila, namely, the PNB Financial Center in Pasay City and PNB Makati Center in Makati City. The Bank aims to report on its countrywide environmental footprint in 2021, covering our branches and offices all over the Philippines.

Assessing the Environmental Impact of Our Supported Businesses

GRI 103-1, 103-2, 103-3, 308-1
UN SDG 9,11

The Bank ensures that the businesses and industries we support are compliant with environmental regulations and laws through covenants provided for in financial agreements or contracts and submission of permits such as Environmental Compliance Certificates (ECC) issued by the Department of Environment and Natural Resources (DENR) and other pertinent government agencies.

Businesses such as power, water, infrastructure, industrial, and mining projects situated in environmentally critical areas such as national parks, sanctuaries, and potential tourist spots are considered Environmentally Critical Projects (ECPs). Thus, these ECPs are required to submit Environmental Assessment Reports as part of their loan requirements, and their business proposals are reviewed and carefully deliberated on by relevant Bank committees. Upon granting approval on the loan, the Bank continuously monitors the environmental compliance, including the climate change related risks and impacts of these ECPs to the overall business during the period of engagement and partnership.

For 2019, the Bank provided financing for environmentally compliant ECPs as follows:

- Operation of Toll Roads and Bridges;
- Generation and Distribution of Power and Water;
- Construction of Green or LEED buildings and infrastructure; and
- Real Estate Development.

Participating on the Earth Hour and International Water Day
UN SDG 6, 7, 13

During the water and power crisis on the first and second quarters of 2019, the Bank encouraged all employees to contribute in reducing the use of electricity and conserving water at work and in their own homes by actively participating in the World Water Day last March 22, 2019 and the Earth Hour last March 30, 2019.

The World Water Day is a yearly international day of observance declared by the United Nations to help spread awareness on the importance of water conservation and inspire people to take steps in making safe water available for everyone.

The Earth Hour, on the other hand, is the annual 60-minute "lights-off" global movement led by the World Wildlife Fund for Nature (WWF) that aims to empower individuals, organizations, and governments to take tangible actions to help protect the planet. In solidarity with the rest of the country and the world, the Bank turned off all non-essential lights in its branches and offices from 8:30PM to 9:30PM, including the lights on all its billboards nationwide. The Bank also initiated a call tree advisory among its employees on March 29, 2019 and March 30, 2019 encouraging them to join the 60-minute symbolic switch off of non-essential lights and appliances in their own homes.

Project P.L.A.N.E.T. and the Campaign to Reduce Single-Use Plastics at Work
UN SDG 12, 13

On July 2019, we launched Project P.L.A.N.E.T. (Protect, Love, And Nurture the Environment Together), an internal campaign which aims to raise environmental and sustainability awareness among employees and inspire them to reduce their environmental footprint at work and in their own homes.

A component of Project P.L.A.N.E.T. is a 6-month long campaign piloted at the PNB Financial Center and PNB Makati Center that aims to reduce the Bank's consumption of single-use plastics as our commitment to mitigate the effects of climate change, protect the seas and oceans, and preserve underwater wildlife.

The Bank's Corporate Sustainability Unit, together with the Human Resource Group and the Food Committee, oriented the food concessionaires on the campaign. They were also consulted and requested to provide alternatives to single-use plastic packaging and utensils such as food-grade containers and paper boxes, paper cups, and bamboo-made or starch-made eating utensils. In addition, the employees were also encouraged to reduce their usage of single-use plastics by discontinuing the use of plastic straws and using their own food containers when buying meals or snacks from canteen concessionaires. Since the start of the campaign in July 2019, the Bank was successful in reducing the monthly consumption of the following single-use plastics:

Type of Single-Use Plastics	**Monthly Inventory before the Campaign**	***Average Monthly Inventory by End of 2019***
Sando Bags	26,100 pcs	0
Plastic Bags for Viands	42,760 pcs	220 pcs
Plastic Straws	8,800 pcs	0
Plastic Stirrers	10,200 pcs	0
Plastic Spoons, Forks	21,225 pcs spoons 21,959 pcs forks	50 pcs spoons 50 pcs forks
Plastic Lids (on coffee / drinks)	4,678 pcs	1,300 pcs
Plastic Cups	5,274 pcs	25 pcs
Styrofoam / polystyrene containers	0	0

Power and Fuel Consumption
GRI 103-1,103-2, 103-3, 302-1, 302-2, 302-4
UN SDG 7, 8, 12, 13

The Bank's Administration Group monitors our overall power and fuel consumption, and comes up with initiatives to help reduce our greenhouse gas emissions.

The tables below illustrate the energy and fuel consumption which are the main greenhouse emissions at our headquarters in Metro Manila for 2019. The Bank's Pollution Control Officers monitor our emissions and ensure effective compliance.

Energy Consumption Table

	2018		2019	
HEADQUARTERS	**POWER CONSUMPTION (in KWh)**	**COST (in millions)**	**POWER CONSUMPTION (in KWh)**	**COST (in millions)**
PNB Financial Centre (Pasay)	10,362,210.55	74,236,524.32	8,917,026.39	62,482,268.25
PNB Makati Center (Ayala Avenue)	8,241,400.55	62,300,000	9,224,938	66,400,000

The decrease in the energy consumption of PNB Financial Center was due to the continuous use of LED lighting fixtures, conversion of remaining conventional bulb and fluorescent lighting fixtures into LED, and proper scheduling of chiller operation.

PNB Makati Center, on the other hand, increased its power consumption in 2019 despite converting conventional bulb and florescent lighting fixtures to LED. The increase in energy consumption is mainly due to the series of construction work in different operating floors of the said building. The Administration Group plans to reduce the energy consumption of PNB Makati Center beginning next year by employing energy saving measures such as replacement of conventional air conditioning units with energy efficient or inverter-type air conditioning units, replacement of all electronic ballast florescent light to LED tube lights, and retrofitting of energy efficient elevators among others.

Fuel Consumption Table

	2019	
HEADQUARTERS	**FUEL CONSUMPTION (in liters)**	**COST (in millions)**
PNB Financial Centre (Pasay)	55,718.95	2,764,426.07
PNB Makati Center (Ayala Avenue)	2,897	115,880.00

The fuel consumption table above 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 are conducted for fuel efficiency and for reduction of carbon emissions.

Our Water Consumption
GRI 103-1, 103-2, 103-3, 303-1, 303-2, 303-4, 303-5
UN SDG 3, 6, 12

The water supply of our headquarters is sourced from third party service providers. Water supply for PNB Makati Center is sourced from Manila Water, while PNB Financial Center's water source is Maynilad. Water supplied by Manila Water and Maynilad are stored in cistern tanks located at the basement of PNB Makati Center and the ground level parking area of PNB Financial Center, respectively, and are then pumped and distributed to different water lines for use in toilets, urinals, water closets and washbasins.

The table below illustrates the water consumption of the Bank, reflecting a significant increase in the consumption at PNB Makati Center due to the increase in the water rate during the year, as well as the construction work in said building.

Water Consumption Table

	2018		2019	
HEADQUARTERS	**WATER CONSUMPTION (in megaliters)**	**COST (in millions)**	**WATER CONSUMPTION (in megaliters)**	**COST (in millions)**
PNB Financial Centre (Pasay)	147.277	15,005,203.89	148.436	16,519,148.95
PNB Makati Center (Ayala Avenue)	58.36	4,900,000	64.17	5,900,000

Water is one of the main resources that the Bank uses for operating its business. As a natural resource that is easily depleted, we take concrete steps for conserving water in all our branches and offices. Among the measures taken by the Bank for reducing consumption and conserving water is decreasing the water volume required to flush urinals and toilet bowls and replacing defective faucets, pipes, flushometers, urinals and water closet fittings, and submersible transfer pumps among others.

Resource and Waste Management
GRI 103-1, 103-2, 103-3, 306-2
UN SDG 3, 6, 12

The Bank, through our Administration Group, observes proper waste disposal for reducing our environmental footprint by engaging the services of environmentally compliant and DENR-accredited service providers.

Effluent water or wastewater discharged by our headquarters are mainly from toilets and cafeterias. For PNB Makati Center, wastewater 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, on the other hand, is treated in its own Sewage Treatment Plan located inside the complex and is then released to Manila Bay after the treatment.

Manila Water, Maynilad, and DENR's Laguna Lake Development Authority regularly tests the wastewater of the Bank's headquarters to see if this is still within the acceptable parameters or range of effluent water characteristics for conventional pollutants.

Domestic and hazardous waste from the PNB Makati Center are collected by the Makati Commercial Estate Association, Inc. (MACEA) while an outsourced service provider accredited by

DENR collects the domestic and hazardous wastes from PNB Financial Center and are disposed in DENR-accredited landfills.

The table below illustrates the list of common wastes from the Bank's headquarters.

WASTE CATEGORY	QUANTITY / VOLUME COLLECTED IN 2018	QUANTITY / VOLUME COLLECTED IN 2019
Non-Hazardous		
• Solid Waste	20.8 metric tons	144 metric tons
Hazardous		
• Used Oil	0.6 metric tons	1.3 metric tons
• Lead Acid Batteries	0.12 metric ton*	0.24 metric ton
• Busted Fluorescent /LED Lights	0.064 metric ton*	0.86 metric ton
• Contaminated Rugs	0.02 metric ton	0.024 metric ton
• Expired Paints	0.0189 metric ton	0.0235 metric ton
• Ozone depleting substances	0.1 metric ton	0.1 metric ton
• Electronic Wastes	0.1 metric ton	0.08 metric ton

**Weight in metric ton based on estimates only.*

Paper wastes, on the other hand, are sold to recycling centers for a fee. Proceeds from the sale of paper wastes are then used by the Administration Group to support or fund the waste management activities of Bank. To help reduce copy paper wastage, the Bank encourages employees to use the blank side of copy papers for draft documents instead of using fresh, clean ones.

The Cards Banking Solutions Group has also shifted to issuance of electronic statement of accounts (e-SOA) to its card clients which helps reduce the Bank's paper consumption and environmental footprint. The table below illustrates a significant decrease in the consumption of copy paper and Bank forms in 2019.

Paper Consumption Table

	2018		2019	
Description	**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
Copy Paper Long	22,619 reams	3,432,433.25	19,317 reams	2,465,042.37
Deposit Slip	486,700 pads	13,140,900.00	381,428 pads	10,298,556.00
Withdrawal Slip	116,600 pads	2,477,750.00	41,800 pads	888,250.00
Signature Card	1,090,800 pcs	370,872.00	1,521,800 pcs	517,412.00
Customer Information Form - Individual	754,900pcs	513,332.00	464,970 pcs	316,179.60
Customer Information Form - Business	45,300 pcs	45,300.00	60,000 pcs	60,000.00
Cash Transfer Slip	63,200 pads	638,320.00	45,100 pads	455,510.00
TOTAL:		**27,251,692.20**		**20,600,349.20**

SOCIAL PERFORMANCE

Caring for Our People

Our people are our valued resource. It is to our people that we owe our success in the banking industry for over a century. Hence, the Bank continues its effort to ensure that it has a steady pool of qualified and competent talents, and commit to their overall improvement and well-being by adhering to strict labor laws and regulations, implementing fair employment practices, promoting work-life balance, and cultivating a culture of community engagement, gender equality, and diversity and inclusion in employment and in the workplace.

The Philnabankers in a Glance

GRI 102-7,102-8, 103-1, 103-2, 103-3, 401-1, 405-1
UN SDG 5, 8

The Human Resource Group has the role and responsibility of recruiting, developing, and maintaining the pool of talents for the Bank's overseas and domestic operations. Hiring of new employees, particularly for officers, go through a strict review process and are subject to committee and Board approvals.

As of December 31, 2019, the Bank has a total of 8,550 full-time and permanent employees. The female population in 2019 took up 66.16% (5,657) of the total employee population, with the number of female employees slightly higher in 2019 than in 2018. The Bank continues to maintain a gender disparity of 2:1 ratio as the male population is only 33.84% of the total workforce compared to the female population taking 66.16% of the total workforce. 49% or 4,232 of the total manpower complement of the Bank is covered by the Collective Bargaining Agreement (CBA).

	GENDER	NO. OF EMPLOYEES	TOTAL
2018	Female	5,512	**8,266**
	Male	2,754	
2019	Female	5,657	**8,550**
	Male	2,893	

	RANK	NO. OF EMPLOYEES	TOTAL
2018	Officers	4,011	**8,266**
	Rank and File	4,255	
2019	Officers	4,318	**8,550**
	Rank and File	4,232	

Employee Breakdown Per Gender, Age, Rank, Business Group

	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
	Total	**8,266**

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
	Total	**8,550**

	2018			**2019**		
RANK	**FEMALE**	**MALE**	**TOTAL**	**FEMALE**	**MALE**	**TOTAL**
President		1	1		1	1
Executive Vice President		3	3	1	6	7
First Senior Vice President	3	1	4	3	2	5
Senior Vice President	18	12	30	15	14	29
First Vice President	21	18	39	26	21	47
Vice President	32	21	53	32	28	60
Senior Asst Vice President	54	44	98	75	50	125
Assistant Vice President	116	74	190	122	72	194
Senior Manager	161	102	263	179	114	293
Manager 2	215	129	344	238	145	383
Manager 1	423	205	628	502	248	750
Assistant Manager 2	814	343	1,157	854	326	1180
Assistant Manager 1	849	352	1,201	849	395	1244
Senior Specialist	224	139	363	207	154	361
Specialist	247	144	391	216	140	356
Senior Assistant	376	205	581	395	213	608
Assistant	856	429	1,285	839	403	1242
Senior Clerk	1,103	530	1,633	1104	559	1663
Junior Clerk	0	2	2	0	2	2
TOTAL	**5,512**	**2,754**	**8,266**	**5657**	**2893**	**8550**

BUSINESS GROUP / UNIT	Permanent Employees		
	Male	Female	Total
CORPORATE SECRETARYS OFFICE	4	13	17
CREDIT MANAGEMENT GROUP	153	113	266
ENTERPRISE INFORMATION SECURITY GROUP	12	7	19
ENTERPRISE SERVICES SECTOR	157	163	320
FINANCIAL MANAGEMENT SECTOR	53	109	162
GLOBAL BANKING AND MARKETS SECTOR	23	36	59
GLOBAL COMPLIANCE GROUP	24	30	54
HUMAN RESOURCE GROUP	126	239	365
INFORMATION TECHNOLOGY GROUP	228	142	370
INSTITUTIONAL BANKING SECTOR	105	239	344
INTERNAL AUDIT GROUP	54	91	145
MARKETING AND BRAND MANAGEMENT SECTOR	17	25	42
OFFICE OF THE CORPORATE TREASURER	3	18	21
OFFICE OF THE PRESIDENT	4	2	6
OPERATIONS GROUP	292	496	788
PUBLIC AFFAIRS GROUP	2	6	8
RETAIL BANKING SECTOR	1580	3798	5378
RISK MANAGEMENT GROUP	16	32	48
STRATEGY SECTOR	6	16	22
TRUST BANKING GROUP	24	60	84
WEALTH MANAGEMENT GROUP	10	22	32
Total	2893	5657	8550

Majority of employees of the Bank are still within the 31-50 years age range, comprising 49.88% or 4,265 of the total employee population in 2019. The number of employees with officer level ranking is slightly higher in 2019, with 33.89% or 2,892 of the key management positions from Assistant Manager 2 (AM2) to Executive Vice President (EVP) rank held by the women.

Among the different business groups and units of the Bank, the Retail Banking Sector, where the Branch Banking Group belongs, continues to have the most number of employees (5,378) followed by the Operations Group (788) and Information Technology Group (370).

Breakdown of New Hires per Age, Gender and Rank

	2018			2019		
AGE RANGE OF NEW HIRES	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
Under 30	338	188	526	369	246	615
31 to 50	57	44	101	66	75	141
51 and over	4	5	9	9	11	20
Total	**399**	**237**	**636**	**444**	**332**	**776**

For 2019, the Human Resource Group recruited 776 new hires, comprising 9.08% of the total employee population and increasing the hiring rate of the Bank by 22% from 636 in 2018 to 776 in 2019. There were more women new hires in 2019 at 57.2% or 444 compared to male new hires at 42% or 332 of the total new hires. Moreover, majority of the new hires (79.25%) belong to the below 30 age bracket or the so-called Generation Z or millennials, with most of them within the rank and file category.

The Bank's turnover rate also significantly improved from 7.81% in 2018 to 5.98% in 2019, with the women (61.64%) and employees below 30 years of age (37.57%) leaving the Bank more than the men and those beyond 30 years of age.

As part of its strategic recruitment efforts, the Bank joins job fairs of credible and reputable partner universities and colleges, as well as made use of referrals from the employees and social media channels such as LinkedIn and JobStreet in reaching out to fresh graduates and new talents to meet the diverse manpower complement requirement of the Bank.

Remuneration and Benefits Package
GRI 103-1, 103-2, 103-3,401-2, 401-3, 405-2
UN SDG 8

PNB considers its employees not only as its most valued resource but also as significant partner in its success and journey towards sustainability. As a way of taking good care of our people, the Bank commits to providing its employees with a more competitive and holistic benefits and rewards program through the Human Resource Group's "COMPLETE", which stands for Compensation and Benefits, Monetary Allowance, Perks and Privileges, Life-Work Effectiveness, Employee Rewards and Recognition, Training and Development, and Engagement.

The Bank's benefits and rewards package continues to be the most competitive in the industry. Our full-time employees are entitled to and provided all government-mandated benefits. In addition to a competitive salary and law-mandated benefits, our employees are also 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 corporate social responsibility arm of the Lucio Tan Group of Companies.

The Bank provides more than what the law requires in terms of leaves in order to promote work-life balance among our employees. We encourage our 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 leave for victims under the Anti-Violence Against Women and Children Act of 2004.

The Bank is also supportive of its employees who have become new parents and encourages them to avail of their parental leaves to help them recover physically and adjust to their new role as parents. For 2019, there were a total of 164 employees who took parental leaves, 95.12% of which are female. Out of this number, only 160 or 97.56% of the employees returned to work after their parental leave during the reporting period.

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

In line with the Bank's commitment to gender equality, diversity and inclusion, the Bank ensures that it exercises fairness and non-discrimination in designing its remuneration and rewards package by using the following criteria such as the employees' role in the organization, competency level, work performance, previous work experience, certifications, and employment tenure among others. Our employees' gender orientation and background are not factors to their salary and benefits package.

In order to stay competitive and relevant in the banking industry, the Bank regularly reviews and improves its remuneration and benefits package for employees by aligning it with the existing labor laws, current banking industry practices, and with the ongoing CBA. Any changes or improvements in the remuneration and rewards package of the employees are presented to and discussed with the Corporate Governance/Nomination/Remuneration and Sustainability Committee of the Bank and then endorsed for approval to the Board of Directors.

As part of the Bank's Total Performance Management System, the Bank utilizes a competency-based annual Performance Appraisal and Development Report (PADR) for its officers and staff. It is used to drive organizational performance by identifying and documenting individual performance goals that are aligned with the organization's business objectives.

To ensure that annual targets are achieved, the Bank implements a Quarterly Performance Progress Review (QPPR) to assess the officer's progress against the performance targets that have been agreed upon at the beginning of the year. This enables the officer to understand performance expectations and enhance his or her competencies as the review focuses on performance coaching. Likewise, it provides a vehicle to strengthen the feedback mechanism during the year-long performance cycle. The QPPRs for the first three quarters are used as supporting documents / reference for the annual evaluation of the officer's performance.

Employee Learning and Development

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

UN SDG 4,5,8, 10

As our valuable resource and significant partner in our growth and success, and in our sustainability, the Bank commits to equip our employees with the necessary knowledge, skills, and tools so they can effectively perform their roles and functions while helping fulfill their professional and personal growth.

The Bank's Human Resource Group, through its Institute for Banking Excellence (IBE), has developed different capacity building programs for employees based on their learning and development needs to help them perform their roles effectively. Among the in-house training programs provided by IBE for the employees include the 3-day New Employees Orientation, leadership management and supervisory skills development for those who are positioned to become officers, functional and soft skills trainings, job-specific and technical trainings, mentoring, and career development. External specialized trainings are also offered to the employees to equip them with the necessary skills and knowledge to enable them to perform their functions.

In addition, the Bank's Retail Banking Sector provides trainings for its own employees to help them in their functions such as Anti-Money Laundering, Sales Training, Capacity Enhancement Program, Internal Control Consciousness, and Infotech Awareness. In compliance with the requirements of regulatory agencies such as the BSP, the Bank also conducts instructor-led trainings and provides e-learning platforms to help update employees on existing and new banking-related laws and regulations.

The Bank also runs three leadership and career development programs: The Junior Executive Development Institute (JEDI) is for new hires who graduated with honors; the Management Training Program (MTP) is for homegrown talents in the head office and business units, and the Branch Operations Training Program (BOTP) is for branch-assigned employees. These programs aim to develop high-potential rank-and-file employees to be highly competent officers of the Bank. Moreover, the Human Resource Group runs a Mentoring Café twice to thrice a year. This is a project under the PNB Mentoring Program aimed at providing an appropriate venue for high potential employees to gain insights and learn from their mentors. This is to prepare them for the possibility of assuming key / critical roles in the organization. As of reporting period, the Bank has a total of 157 mentors and 157 mentees.

A total of 8,136 or 95% of the total employee population underwent 593,821 training hours, averaging 69.43 training hours per employee for 2019. Out of the total trained employees, 66.99% are female while 33.01% are male. Employees in rank and file and junior manager positions also numbered the most training hours.

	FEMALE	MALE	TOTAL
No. of Employees who Attended Training	5,450	2,686	8,136
No. of Training Hours Per Gender	384,740	209,081	593,821
Average No. of Training Hours Per Employee			69.43
Average No. of Training Hours Per Gender	44.98	24.45	

RANK	TRAINING HOURS
Rank and File	349,844
Junior Officers	205,301
Middle Officers	34,496
Senior Officers	4,180

Recognizing Excellence in our Employees

PNB recognizes remarkable and exemplary performance of its employees. The Bank, through the Human Resource Group, holds a nationwide Service Excellence Award ceremony every quarter to recognize employees individually or in teams who delivered exceptional results while helping the business and upholding the core values of the Bank. In addition to this, the Bank's Retail Banking Sector also has an annual recognition night called "*Gabi Ng Parangal*" to award employees with remarkable performance in growing the business, as well as to encourage high-level performance.

The Human Resource Group continues to implement its internal values campaign for employees called "L.O.V.E. (Living Our Values Everyday) @ PNB" which features inspiring stories via email blasts of employees who demonstrate and live the core values of the Bank. The campaign also aims to inspire others to practice PNB's values in their day to day experiences to achieve personal success and the Bank's business goals.

In the third Quarter of 2019, the Human Resource Group launched its new recognition program called "What Outstanding Work! (W.O.W!)" which aims to inspire employees through a timely recognition for values-centered and business-driven behaviors. Employees recognized on the spot are also given tokens of appreciation that they can keep as mementos. These employees and their inspiring stories are also featured in the L.O.V.E. @ PNB campaign internal email blast.

On its second year, the Human Resource Group held "Celebrate Love at Work" in February 2019. It is an engagement project during Valentine's week where all employees are encouraged to express their appreciation to PNB, their fellow employees, and our clients through simple acts such as leaving appreciation notes and offering tokens and gifts.

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,

PNB is taking all the necessary measures to provide a safe and secure work environment for all its employees. Employment practices and workplace safety and security is part of the Bank's Risk Management framework.

The Bank's Occupational Safety, Health and Family Welfare (OSHF) Committee, composed of representatives from both the management and employees, with the latter represented by labor union employees, meet regularly to discuss and manage reported work-related hazards, and monitor and evaluate the committee's existing programs by ensuring that they are aligned with the current general labor requirement. Among the efforts of the committee on ensuring the safety and security of the employees include the conduct of OSH / safety awareness program, dissemination of safety advisories through different channels, disaster / emergency response training for all floor marshals-assigned employees, first aid training, deployment of emergency responders, and safety inspections / analysis of branches among others.

Employees appointed by the Bank as Safety Officers are also regularly updated on their training such as Basic Occupational Safety and Health Program, Safety Program Audit, and Loss Control Management. The Bank also has existing guidelines for notification and keeping of records of accidents or illnesses in the workplace. Any work-related incidents are reported to the OSHF Committee.

Emergency, fire, and earthquake drills at our Manila and Pasay Headquarters are also conducted annually by the Bank's Corporate Security Group with the Makati and Pasay Fire Departments to help prepare the employees during times of man-made and natural calamities. They also release e-mail bulletins regularly to provide employees with helpful tips on how to prepare during times of disasters or calamities.

Employees, particularly those assigned in the branches are also provided trainings on Standard First Aid and Basic Life Support, and Disaster Preparedness. For 2019, there are 458 employees trained on Standard First Aid and Basic Life Support, and 50 employees trained on Disaster Preparedness. The Bank plans to increase the number of employees trained on these topics in partnership with Philippine Red Cross in 2020.

With the ongoing renovations at the PNB Financial Center and PNB Makati Center, the Bank also takes extra precautionary measures to ensure the safety and security of the employees by cordoning off the construction areas, posting safety reminders for employees, and assigning emergency medical response team members and security guards to include inspections or visits of these areas.

All employees are covered by the Bank's occupational health and safety management system. There were no reported incidents of work-related injuries in 2019.

Promoting Work-Life Balance Among Employees
UN SDG 2, 3, 8, 12

At PNB, we commit and endeavor to promote the holistic growth and development of our employees. We do not only encourage our employees to take their leaves to relax and spend more quality time with their families, but we also conduct activities where our employees can show and share their talents, hobbies, and time with their work colleagues and even with our communities. In doing so, we do not only help improve the health of our employees, but we also enable camaraderie among employees, strengthen organization commitment, and boost work-life balance.

- **Health and Wellness**

  The health of our employees is important to us. We encourage and help our employees live a healthy lifestyle to improve their health condition and overall well-being. We do this by encouraging our employees to use the three well-equipped gyms at our Pasay and Makati Headquarters. We also partner with a fitness gym provider for discounted rates so our employees can access fitness centers outside of Pasay and Makati areas. We also encourage our employees to join sports activities organized by different employee groups or associations such as basketball, badminton, and running. The Bank also organized fun runs and power classes such as Zumba, Yoga, Dance, Pilates, and Mixed Martial Arts.

  The Human Resource Group, in partnership with the Bank's health care provider, ValuCare, continues to conduct health and wellness lectures. Wellness bulletins are released to increase health awareness and by sharing practical tips among all employees. Lastly, all employees are required to undergo the annual physical examination every year as part of the Bank's health care program.

  Last October 23, the Human Resource Group partnered with Philippine Airlines to organize and conduct a Wellness Day. Dubbed "Well @Work", the said activity was designed to celebrate workplace wellness, connect employees to the different wellness partners, and provide tips on how to live a healthier lifestyle. Wellness advocates were invited to share their expertise through talks and demonstrations on topics ranging from chair yoga, preparing healthy eats at work, ergonomics in the workplace, and relieving stress through hypnotherapy. Wellness merchant partners were also invited to provide free services to our employees such as massage, haircut and scalp analysis, as well as showcase their products from food, sportswear, gym membership, dental care, insurance, and motivational and self-help books.
- **Sustainable Lifestyle Fair**

  In November, our Corporate Sustainability Unit under the Public Affairs Group piloted a 3-day Sustainable Lifestyle Fair for our employees assigned at the PNB Financial Centre in Pasay City. The 3-day fair was organized to help raise climate change and environmental awareness among our employees, and encourage them to do their part to help the planet by reducing their carbon footprint. The event featured an eco-bazaar where invited merchants showcased eco-friendly and sustainably- sourced products, and organic food items as alternative products or food items for our employees. Resource persons for the brown bag learning sessions during lunch breaks for the 3-day fair were also invited to give talks on climate change awareness and environmental sustainability, sustainability and resilient communities, and Zero Waste 101 and environment-conscious living.

In partnership with Tan Yan Kee Foundation, the CSR arm of the Lucio Tan Group of Companies, the Bank also helps the employees access affordable but premium quality organic fresh produce for their own personal consumption. Straight from the farm of Tan Yan Kee Foundation in Nueva Vizcaya, the harvested organic produce reaches our employees at least twice a month. By inviting Tan Yan Kee Foundation to sell their organic produce at PNB Financial and Makati Centers, we are helping our employees to eat healthy while helping the Foundation and the farmers at the same time.

- **Nurturing the Spirituality of Our Employees**

We acknowledge the importance and role of spirituality in the lives of our employees. In support of this, we hold daily worship services during lunch break at our in-house chapel at the PNB Financial Centre. Our own choir group from among our talented employees sing during the daily mass at our in-house chapel, and we invite renowned priests to officiate during special mass for healing and other important events. Moreover, we continue to do the 3 o'clock prayer habit at our PNB Financial Office which encourages our employees to pause for a few minutes to pray and reflect, and to take a short breather from their work or meeting.

We also continue to host the annual Fiesta del Sto. Nino celebration at our PNB Financial Centre in Pasay City every January, where the different images of the Sto. Nino from the oldest, biggest, and to the smallest images are shown to the public.

- **Employee Sale Events**

We continue to help make shopping convenient for our employees by holding seasonal employee sale events or bazaars, especially during the Bank's anniversary and Christmas season, through our Cards Banking Solutions Group. Concessionaires and entrepreneurs are invited to put up booths and sell their products and services ranging from food, bags, clothes, shoes, and accessories. Merchants selling appliances and digital items like cameras, mobile phones, laptops, and printers are also invited during special employee sale events or bazaars. By doing this, we also help promote our cards products among our employees while helping our invited merchants or concessionaires generate sales.

- **Townhall Meetings, Bank-Wide Events, and Work Chats**

We continue to provide avenues and opportunities that enable camaraderie and help develop a sense of belongingness and being one with other employees and the organization such as the Bank anniversary, Chinese New Year celebration, Christmas Parties and the likes.

The Bank's quarterly *Pulong Ng Bayan* townhall meetings and regular townhall gatherings of the various business units, on the other hand, do not only allow the employees to get together with their work colleagues but also provide opportunity for them to hear updates on the Bank's business and operations straight from the top management.

Our Senior Management meetings, which gathers the heads of all business groups and their one-down, are conducted on a weekly basis to help keep Bank officers with key functions updated on our business and operations. The Office of the President's roadshows locally and abroad, on the other hand, provide opportunities for the employees to share their experiences, express their opinions, and make suggestions on how to help improve the Bank's business and operations to the President and CEO in person.

In 2019, the Bank implemented the use of Facebook Work Chat as a tool for ease of communication and collaboration among the members of the senior management team and the regional and area heads of the Branch Banking Group. To date, the Bank's Work Chat group has 260 employee members and users.

Labor Relations and Human Rights in the Workplace
GRI 103-1, 103-2, 103-3, 102-41, 407-1, 412-2
UN SDG 8, 16

Industrial peace continues to be of paramount importance to us, allowing us to operate our business smoothly together with our employees. We are able to maintain this industrial peace in our workplace by respecting and supporting the right of our employees to form a labor union to uphold and safeguard their own rights as workers and as humans.

We listen to our employees' voices through the representatives of the employees' union who are regularly invited to Labor Management Council Meetings by the Bank's labor relations unit. These meetings become venues for both the employee union and the Bank to discuss employee concerns, clarify revisions in HR policies, and collaborate on initiatives. The Bank also has a Grievance Machinery to address or resolve misunderstanding, dispute, or controversy arising from the interpretation, and meaning application and implementation of any provision of the Collective Bargaining Agreement between the employee union and the Bank; and / or between the Bank and any covered employee.

For 2019, there were no reported labor and human rights violations among employees.

Lawful and Ethical Behavior
GRI 103-1, 103-2, 103-3, 102-17, 205-2, 205-3
UN SDG 16

As a financial institution, we are committed to uphold the public's trust. We do this by ensuring that our employees, top management, and directors conduct themselves in a lawful and ethical manner. The Bank's Human Resource Group has developed and established 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.

The Bank's Code of Conduct, Office Decorum, Whistleblowing Policy and Anti-Bribery / Anti-Corruption Policy are part of the onboarding process for new hires. New employees are made to read and understand the said policies and guidelines during their onboarding. They are also oriented on these policies during the New Hires Orientation. All employees can easily access these policies and guidelines through the Bank's intranet facility. In addition, the Bank's Performance Appraisal and Development Report (PADR) for employees cover employee behavior such as promoting work ethics and culture of integrity. Supervising officers are expected to ensure that their subordinates comply with the Bank's rules and policies.

To date, there were no reported incidents of bribery and corruption among employees or with the Bank's suppliers / vendors during the covered report period.

Continuous education of Bank personnel is an important element in the compliance function to maintain a sound compliance program. Trainings are provided to make all personnel aware of the existing banking laws, regulations, policies and procedures relevant to their areas of responsibilities.

Global Compliance Group, in coordination with the Human Resources Group, conducts basic compliance awareness training for all existing employees and new hires. All new hires must undergo compliance and Anti-Money Laundering (AML) awareness training prior assumption of duties while existing employees are required to participate in refresher courses within a period of 18 to 24 months.

Training Module	Attendees	No. of Sessions	Total no. of Hours
Compliance Partnership and AML Education	378	11	44
AML Continuing Education Workshop plus Digitization and RCL processes	100	2	16
AML Compliance Training on Customer Acceptance and Digitization of Customer Records	538	5	40
Continuing Education on AML Compliance Under Home Study Program	1,657	---	
TOTAL	**2,907**	**22**	**132**

Promoting Diversity and Inclusion, and Gender Equality in the Workplace
GRI 103-1, 103-2, 103-3, 406-1
UN SDG 5, 8, 10, 16, 17

In support of the commitment to uphold and instill a culture of fairness and non-discrimination among employees, the Bank approved and implemented the Policy on Diversity and Inclusion in November 2018. The Bank believes that a diverse and inclusive workforce fosters innovation, increases its markets share, and improves employee acquisition and retention.

Specifically, on gender equality, the PNB has manifested its commitment by becoming the first domestic universal bank to join the Philippine Business Coalition for Women Empowerment (PBCWE) in May 2019. PBCWE is a coalition composed of influential business employers who endeavor to take appropriate steps to improve gender equality in their workplaces and business operations. It was launched in 2017 through a partnership between the Philippine Women's Economic Network, Inc. (PhilWEN) and Investing in Women (IW), an initiative of the Australian Government aimed at women's economic empowerment in select Southeast Asian countries. In the Philippines, there are only nine (9) members of the coalition: Accenture, Ayala Land, Concentrix, Insular Life, Magsaysay Company, Natasha, SGV, SSI Group, Inc. and PNB.

Members of the coalition undergo the Economic Dividends for Gender Equality (EDGE) Certification Assessment which has which has three (3) levels: (1) EDGE Assess - recognizing the commitment; (2) EDGE Move - showcasing progress in meeting the commitment or targets; and (3) EDGE Lead - celebrating success for meeting the commitment or targets. The tiered certification provides the opportunity for the organizations in different stages of their journey towards gender-equal workplace to obtain recognition for their efforts.

As part of the membership, the Bank underwent the EDGE Assessment in the 3rd quarter of 2019. The assessment will help the Bank understand, identify, and develop solutions to address gaps and challenges on gender equality in its employment practices and in the workplace.

Sources of information such as employee experience through conduct of employee survey, demographics / statistics within the reference period from July 1, 2018 to June 30, 2019, and existing Bank policies and procedures were used by EDGE Certified Foundation during the Bank's assessment. For the survey conducted by the Bank's Human Resource Group in August 2019, 42% of the total population participated as survey respondents. Out of the female population, 43% participated while 38% participated among male employees.

Below is the summary of findings from the EDGE assessment that the Bank underwent:

- PNB's career transition chart illustrates, that women are overrepresented at the following levels (i) rank-and-file (66% women-34% men), (ii) officers below department head level (68% women - 32% men), (iii) department / branch head level (66% women -34% men), and (iv) division head level (59% women - 41% men); while there is an overrepresentation of men at the sector/group head level (39% women - 61% men).

  While generally overrepresented by women, career transitions (i.e. recruitment, functional promotion, and separation) of men were more dynamic than the women's.

- When it comes to the effectiveness of policies and practices, the analysis suggests important improvement opportunities for the Bank such as gender diverse candidate pools, gender composition at the management level, gender composition at any management level, gender dimension in its succession planning, flexible working options for its employees, and allocation of resources for gender equality initiatives.

Overall, the inclusive culture based on the employee perception is above the EDGE standard of 50%. Ninety-six percent (96%) of female and male respondents believe that men and women are given equal opportunities to be hired. Seventy-four percent (74%) of female and male respondents believe that they are given fair opportunities to be promoted. Sixty-two percent (62%) of female respondents and sixty-eight (68%) of male respondents consider themselves to be paid fairly for the work that they do. It is also generally perceived by both men and women that the Bank gives equal access to career-critical assignments.

The Bank intends to revisit a number of its policies and continuously study the possibility of including specific provisions on gender such as gender mix of top talents, promotion rates of mentees classified according to gender, gender mix of identified successors, employment interviews to be conducted by male and female interviewers, gender diverse candidate pool, and the like. The Bank shall also explore possible alternative work arrangements for employees.

The results of the EDGE Certification Assessment shall be subject to audit to be conducted by a third-party auditor which is scheduled in February 2020. The result of the audit will determine the possible certification level that will be awarded to PNB which will be valid for two (2) years.
Moreover, in order to provide a safe work place for all our employees, the Bank adopted a policy on Anti-Sexual Harassment pursuant to Republic Act (R.A.) No. 7877, otherwise known as the Anti-Sexual Harassment Act of 1995, and Republic Act No. 11313, otherwise known as the "Safe Spaces Act" of 2019. Approved in October 2019, the Bank's Anti-Sexual Harassment Policy covers all employees with permanent or probationary employment status and provides the definition of gender-based harassment at the workplace, list of all forms of sexual harassment at work, duties and responsibilities of the employees and the employer, and the role of the Committee on Conduct and Investigation that leads the investigation of reported cases.

Responsible Corporate Citizenship and Caring for Our Communities
GRI 103-1, 103-2, 103-3, 413-1
UN SDG 1, 3, 4, 8, 10, 12, 17

Our commitment to incorporate and implement and corporate social responsibility (CSR) and sustainability-related initiatives and activities in our operations is primarily driven by our aspirations to make a positive contribution to the society as a partner in social development and nation building.

With the creation of our new Corporate Sustainability Unit, we are currently developing our sustainability policy, framework, and roadmap. The same unit is also responsible for developing and implementing our CSR programs and activities, as well as leading employee volunteerism or community engagement for the Bank.

Financial Literacy and Financial Wellness Seminars

Financial Literacy Seminars were conducted among students, teachers, parents, and OFWs by the International Banking and Remittance Group (IBRG) in partnership with other business units such as the Corporate Sustainability Unit and Bank branches such as the Marikina-Shoedrive, Espana and Morayta, Cebu-Banilad-Maria Luisa Park, Cebu-Banawa, Q.C.-Cubao Main, Q.C.-Project 3-Aurora Blvd, Q.C.-New Manila, Manila-Tondo-Juan Luna, Manila-Jose Abad Santos, Cainta-Ortigas Ave. Ext, and Las Pinas City Hall. The target participants were taught the basics of money management: identifying needs and wants, budgeting, spending, and saving. Applicable PNB products and services were also presented to the seminar participants by the partner branches.

In partnership with Tan Yan Kee Foundation, the Bank's Corporate Sustainability Unit also organized a financial literacy seminar together with IBRG among the members of the Barangay Association of Treasurers of the Municipality of Aritao in Nueva Vizcaya last October 24, 2019. The LGU of Aritao, Nueva Vizcaya is a partner of TYKFI.

The Bank's Trust Banking Group also organized financial wellness talks among corporate clients of the Bank and OFWs in Iloilo, Japan, and Singapore on investing and different investment products of the Bank such as UITFs.

Supporting Communities and Small Entrepreneurs

A total of 113 decommissioned desktop computers from ITG were turned over to ACTION, Inc. in Olongapo City in April 2019 to benefit a total of 19 NGOs, 1 LGU, 4 public high schools, 2 public elementary schools, 3 barangay councils, and 1 DSWD facility. In December 2019, PNB also turned over another 55 decommissioned desktop computers to the H.O.U.S.E. Foundation, and another 2 decommissioned units were turned over to Pentecostal Missionary Church of Christ in Cainta, Rizal. Through donation of these computers, PNB is able to help social development organizations do their work effectively.

In addition, the Bank continues its partnership with Caritas Manila by donating its old billboard and activity tarpaulins that were recycled into functional items such as bags and wallets by the women of Caritas Manila's partner communities. In 2019, a total of 365 kilos of old billboard and activity tarpaulins were donated by the Bank to Caritas Manila. Proceeds from the sale of these bags were used to support the Caritas Manila's programs and services for the urban poor. The partnership enables the Bank to better its waste management while helping communities become self-sustaining through livelihood opportunities.

In support of the Bank's commitment to help small businesses, the Corporate Sustainability Unit invited small and medium-sized social entrepreneurs to join the 3-day Sustainable Lifestyle Fair at PNB Financial Center in Pasay City last November 25-27, 2019. Twenty (20) invited social entrepreneurs showcased and sold organic and sustainably-sourced products during the eco-bazaar to help provide eco-friendly and healthy alternatives for the Bank employees. Among the products sold during the 3-day fair were eco-friendly shampoo and conditioner bars, reusable straws and eating utensils, women's accessories such as earrings made of recyclable materials, bags made of old interior tires and foils packs, organic vegetables, and healthy vegan snacks and condiments. With the success of the activity, the Bank plans to organize another Sustainable Lifestyle Fair next year where more women entrepreneurs will be invited.

Relief Operations for Disaster-Affected Communities

A Boxful of LOVE is a donation and fund-raising campaign of the Bank's Human Resource Group for the marginalized and Mindanao earthquake victims. The campaign calls for in-kind donations among Bank employees via e-mail blast. Employee donors drop their donations in drop boxes located at the 2/F ATM Lobby of the PNB Financial Center. Donations received by HRG were turned over to Caritas Manila.

In cooperation with Tan Yan Kee Foundation, the Bank's Corporate Sustainability Unit together with the Mindanao Regional Office, Area Offices, and Branches conducted a simultaneous relief operation for the earthquake-affected communities in Digos City, Davao del Sur and Kidapawan, North Cotabato last December 21. A total of 1,000 identified beneficiary families received relief packs containing non-food essentials such as toiletries, oral hygiene kits, and sleeping materials that were personally distributed by the employee volunteers.

Volunteerism at Heart

A total of 630 PNB employees from different areas and branches nationwide conducted employee volunteerism activities in 41 cities and municipalities out of the 48 areas where the Bank has business presence.

These employee volunteers pooled their resources and rendered a total of 2,520 manhours of community volunteer service such as conducting relief operations for disaster-affected areas, giving gifts and distributing school supplies to students, participating in DepEd's *Brigada Eskwela* campaigns, doing cleanup drives, running art and crafts classes, and doing story-telling activities for children. The employees also spent time with the parents of the children they interact with to know more about the situation of families in the communities. Among the groups and communities they visited and interacted with are the Aetas in Zambales, poor families in urban areas, and families in a remote fishing island in Iloilo to name a few.

The "*Pagtutulungan Ng Bayan"* is a continuous employee-giving program organized and sustained by employees for the employees in need. The said employee-giving program aims to provide financial assistance to employees who are victims of natural calamities and alleviate medical expenses of employees and their immediate relatives.

Partnerships for A Cause

The Bank partnered with Ateneo Scholarship Foundation, Inc. to aid the education of in-need but promising college students of Ateneo de Manila University through a Php5.0 million to support the Gov. Amando M. Tetangco, Jr. Scholarship Fund. The entire PNB community hopes that with the donation to the Ateneo Scholarship Foundation, the Bank is able to help the Ateneo de Manila University mold the next generation of Filipino bankers who will change the landscape of banking and finance in the country.

Moreover, the Bank also signed 2 partnership agreements with the Philippine Red Cross for the conduct of Standard First Aid & Basic Life Support training for PNB employees and the donation of 2 ambulance units worth Php5.0 million for Visayas and Mindanao. The partnership with the Philippine Red Cross is in line with the Bank's Corporate Sustainability goals which is to provide all PNB employees with the necessary skills to provide emergency response and enable the Bank to help other people in emergency situations and times of natural or man-made calamities.

SOCIO-ECONOMIC AND ENVIRONMENTAL COMPLIANCE
GRI 103-1, 103-2, 103-3, 307-1, 419- 1
UN SDG 16

Beyond regulatory compliance, our Bank upholds social and economic areas of its business as part of its continuing journey towards sustainability. We are committed in preserving the social and economic areas of our business, examples of which include the following:

- The Bank's declaration of dividends is subject to compliance with the provisions of law and the regulations of the *Bangko Sentral ng Pilipinas* (BSP) and the Securities and Exchange Commission (SEC), and other financial regulatory requirements as may be applicable to the Bank.
- PNB complies with established consumer protection practices in order to safeguard their transactions with the Bank and be heard though appropriate channels when they escalate feedback and concerns.
- PNB has fulfilled the requirements on general labor and occupational safety and health standards, as required by the Department of Labor and Employment (DOLE).

Our Bank has existing mechanisms in place to monitor its compliance with laws and regulations in the social and economic areas. The Corporate Governance and Sustainability Committee, as stipulated in its amended charter, is responsible for assessing the Bank's sustainability performance across various benchmarks, including economic, social and environmental performance indicators. At the management level, the Corporate Sustainability Unit (CSU) of the Public Affairs Group has spearheaded various advocacies to support social, environmental, and economic initiatives. In terms of coordinating relationships, the CSU liaises and establishes a constructive working relationship with the Marketing and Brand Management Sector, Human Resource Group, Administration Group, and other relevant parties possessing important roles in the effective implementation of the Unit's mandate.

We also adhere to the laws and policies, particularly on environmental regulations, of the locality where we have business operations by ensuring that all our offices and branches have the necessary business and environmental permits and approvals.

In 2019, there were five (5) reported incidents of minor breaches of environmental laws and regulations resulting in the imposition of nominal monetary fines concerning air pollution and hazardous waste management measures, such as failure to replace environmental law officers at branches and failure to secure additional permits for electrical generators, which were required by subsequent legislation and regulations. Out of these five (5) reported incidents, two (2) were already resolved and closed, while the remaining three (3) cases are still awaiting action or resolution from the DENR.

CUSTOMER EXPERIENCE

We aim to provide the best customer service experience to our clients. We provide them various channels for their inquiries, requests and complaints on how they can connect with the Bank: 24x7 Customer Service Hotline, Email, Facetime / Skype and Private Messaging.

Our Consumer Protection Policy ensures that any reported complaints are recorded, monitored and addressed in a timely manner. In accordance to the BSP requirement in reporting complaints, a consolidated complaints report is submitted monthly to the Management and Risk Oversight Committee and quarterly to the BSP.

As part of ensuring the quality of service provided to the client, Customer Experience Division (CED) developed a project called “After Call Survey for 8573-8888” that aims to secure a qualitative feedback from customers at point of call.

MARKETING AND LABELING

GRI 103-1, 103-2, 103-3, 417-1, 417-2, 417-3
UN SDG 12

We continue to look for better ways to improve and provide the best financial solutions for our customers anywhere in the world.

Our new Marketing and Brand Management Sector studied our customers’ experience in order for our Bank to develop new products and services or improve on our existing products and services to help address their financial needs. This exercise was supplemented by the 2-day PNB Sprint 2019: Mindful Customer Transformation Seminar organized by the Human Resource Group’s Institute of Banking Excellence in late 2019, where select employees from different business groups were taught how to design and develop bank products and services for identified customers by studying and understanding their experience and needs. As a result, the Marketing and Brand Management Sector was able to map out and identify the Bank’s target markets, identify gaps and challenges in the Bank’s products and services, and develop a marketing and product development plan for the Bank.

In addition, the Marketing and Brand Management Sector ensures that all advertising and promotional collaterals of the different business units strictly adhere to the Bank’s branding guidelines and are compliant to all regulatory requirements, such as those required by the BSP, SEC, PDIC, BancNet, Department of Trade and Industry, ASC, and Insurance Commission among others. The Bank’s Social Media Framework is also in place to help us manage our reputational risk across our social media platforms

For 2019, there were no reported incidents of non-compliance in marketing and labeling efforts of the Bank.

DIGITAL TRANSFORMATION AND INNOVATION

UN SDG 9

We recognize the importance of digital transformation and innovation in creating a convenient banking experience for our customers.

Currently, the Bank has 1,457 automatic teller machines (ATMs), and 81 cash accept machines (CAM) for the 24-hour banking convenience of our customers.

In addition, the Bank's mobile application allows our customers to do inter-bank fund transfers, online bank payments, and viewing of transaction history. Customers can also use our mobile banking application to keep track of their credit card transactions.

The Bank enhanced its mobile banking services by supporting the government's National Retail Payment System's (NRPS) Philippine Electronic Fund Transfer System and Operations Network or PESONet and InstaPay. Customers can do electronic fund transfers through PESONet and InstaPay by logging on to their PNB Mobile App. Customers can do real-time electronic fund transfers of up to Php100,000 to any participating banks within the Philippines for PESONet and up to Php50,000 per transaction for InstaPay.

Moreover, our Bank continues to look for better ways to improve our website and other information channels for ease-of-access to our clients.

CUSTOMER DATA PRIVACY AND SECURITY

GRI 103-1, 103-2, 103-3, 418-1
UN SDG 16

At PNB, we respect and value the right to data privacy and protection of our data subjects (e.g., customer, employee). 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 international standards, including the compliance checklist of the National Privacy Commission (NPC) among others. Our Data Protection Officer (DPO), with the assistance of Data Privacy Management Division (DPMD), works with our Customer Experience Division (CED) for a quick and easy way to resolve any data privacy-related concerns directly coming from our data subjects. DPMD is consistently coordinating with the Enterprise Information Security Group (EISG) to ensure that Bank's information security is maintained. Our Bank employees are also bound by a confidentiality agreement. DPMD regularly sends out data privacy advisories and conduct data privacy awareness training to all 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 DPMD continuously monitor updates and trends on data privacy and security through NPC issuances and participation to various seminars and conferences conducted by professional associations such as Bankers Association of the Philippines to ensure the continuing suitability, adequacy, and effectiveness of the Bank's data privacy practices.

For 2019, the Bank's existing process handled and ensured that all concerns regarding the processing of client personal data were addressed and resolved immediately.

Our Bank's mobile and online banking facilities have security features that protect personal data and other information such as use of log in credentials, One-Time-Pin (OTP), Touch ID, SMS and email alerts, among others. In addition, 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.

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 Data Privacy Statement is accessible to the public through the PNB website.

MEMBERSHIPS AND ASSOCIATIONS
GRI 102-13

- ACI Philippines
- Association of Certified Fraud Examiners
- Association of Certified Public Accountant 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
- British Chamber
- Bank Security Management Association
- 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
- Institute of Corporate Directors, Inc.
- Institute of Internal Auditors of the Philippines
- Integrated Bar of the Philippines
- Japanese Chamber
- Korean Chamber
- Information Systems, Audit and Control Association
- Makati Commercial Estate Association, Inc.
- Management Association of the Philippines
- Money Market Association of the Philippines, Inc.
- Philippine Association of National Advertisers, Inc.
- Philippine Chamber of Commerce and Industries, Inc.
- People Management Association of the Philippines
- Mabuhay Miles; 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

Exhibit V

SUSTAINABILITY REPORT

Introduction

We strongly believe that the success of our Bank is defined by the health of its business, the well-being of its employees, customers, and stakeholders, and the good future of generations to come. It is our aim to contribute positively to the country's economy, our society, and the environment by focusing on initiatives which promote ethical business practices, strong corporate governance, and sound risk management.

PNB's Sustainability Policy, illustrating our mission, was developed to guide us in conducting our business responsibly. This Policy is aligned with the United Nations' Sustainable Development Goals (SDGs). The Corporate Sustainability Unit of Public Affairs Group, formally established in August 2019, proactively engages employees in living out this mission.

Moreover, we are committed to embodying the values of diversity and inclusion as part of our culture. In August 2019, we joined the Philippine Business Coalition for Women Empowerment (PBCWE) which makes us the first local universal bank to undergo the Economic Dividends for Gender Equality (EDGE) assessment in preparation for our EDGE Certification.

Our Sustainability Policy

PNB is a Filipino, private, universal bank with a global presence committed to provide relevant financial solutions to customers anywhere in the world. We generate value through our strategy focused on Safe, Aggressive, and Profitable Growth.

Our capacity to grow and sustain our business are contingent on the quality of our human capital, the condition of our physical resources, the viability of our initiatives, and our relationship with customers, employees, and stakeholders.

We believe that Sustainability starts from within, that is, by cultivating an inclusive and collaborative work culture, helping all employees, regardless of gender and background, have 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.

Hence, for PNB, Sustainability means:

- Ensuring the longevity of our business by maintaining profitability, attracting and retaining the right talents, providing relevant financial solutions, caring for our tangible and intangible resources, and upholding a culture of continuous improvement;

- Providing our employees 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; and

- Promoting the well-being of our stakeholders by keeping a healthy ecosystem of customers and partners.

Our Sustainability Pillars

Our economic, social, and environmental responsibility includes complying with the relevant laws, rules, and regulations. Hence, our focus on the following Pillars:

1. **Economic**
    - Revenue growth, profitability, and business continuity.
    - Financial wellness and long-term value for customers, employees, and stakeholders.
    - Financial inclusion through available products and services.

2. **Social**
    - Succession planning through capability building, leadership development, and strategic talent acquisition.
    - Improvement in our employees' quality of life.
    - An empowering and non-discriminatory culture where our employees, customers, and stakeholders are treated fairly and given equal opportunities.
    - Positive contributions to communities through employee volunteerism and other initiatives imbibing responsible corporate citizenship.

3. **Environmental**
    - Efficient use of natural and man-made resources.
    - Reduced environmental footprint of the Bank and our employees.

4. **Governance**
    - Compliance with all applicable laws, rules, and regulations that govern our business.
    - Transparency and accountability in all areas of our operations.

Our Commitment

1. **For our people, we will:**
    - Provide a safe, respectful, and collaborative work environment that cultivates personal and professional growth.
    - Educate, encourage, and inspire employees in contributing positively to their respective communities.
    - Provide access to various skills development and learning programs relevant to our employees' existing functions and target roles.
    - Provide equal opportunities for candidates to be hired without biases 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 gender equality in employment and in the workplace.

2. **For our customers and stakeholders, we will:**
    - Ensure the continuity of our business through strategic succession planning.
    - Support businesses and projects that foster economic and inclusive growth, social development, environmental protection, and nation-building.
    - Promote financial wellness and create value through tailor-fit products and services.

3. **<u>For our shareholders and regulators, we will:</u>**
    - Adhere to all applicable laws, rules, and regulations governing our scope of business and areas of operations.
    - Report the progress and milestones of our Sustainability Programs to the Board of Directors at least semi-annually.
    - Review and update our Sustainability Policy at least annually.

4. **<u>For our environment, we will:</u>**
    - Reduce the environmental impact of our operations through the efficient use of natural or man-made resources.
    - Adapt eco-friendly technologies.

Our Contribution to the United Nations' Sustainable Development Goals (SDGs)

Realizing our capacity for contributing to sustainable development, we will align our initiatives with the United Nations' SDGs to ensure the success of our business, the well-being of our employees, customers, and stakeholders, and the future of generations to come.

Setting the Tone from the Top
GRI 102-29, 102-32

Driving our Sustainability thrusts are the Chairperson of the Board of Directors and the President & CEO. As our Sustainability Champions, both play vital roles by influencing the Bank's Management Team on integrating aspects of Sustainability in our scope of business and areas of operations.

To centralize all our efforts, the Corporate Sustainability Unit was established in August 2019. Reporting under the Public Affairs Group, the unit is tasked to develop and implement the Bank's Sustainability initiatives with guidance from the Office of the President and the Corporate Governance & Sustainability Committee, a Board-level committee tasked to promote environmental, social, and governance advocacies and exercise corporate governance oversight functions.

Report Coverage and Parameters
GRI 102-50, 102-54

This 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, 2019.

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

At PNB, we do not only aim to meet the fast-paced and ever-changing needs of the market but we also endeavor for our company to grow and stay relevant in the banking industry while contributing positively to the country's economy, our society, and the environment.

We recognize that the health of our business and the Sustainability of our company are connected with the long-term interests of our stakeholders; hence, we are cognizant of their concerns and expectations which influence our strategy, business operations, and work culture.

OUR STAKEHOLDERS	MODE OF ENGAGEMENT	KEY CONCERNS AND EXPECTATIONS	OUR RESPONSE
Employees	• Regular meetings • Letters / correspondences • Emails • Townhall meetings / events • Surveys	• Work-life balance • Competitive compensation and benefits • Training and development • Career progression • Improvement of infrastructure and facilities • Opportunities for volunteerism and community engagement	• Year-round initiatives and programs to promote employee well-being: training and development, employee welfare and wellness, employee recognition, and enhanced performance appraisal by our Human Resource Group • Volunteerism or community outreach opportunities for our employees in partnership with Corporate Sustainability Unit, Human Resource Group, and other units of the Bank.
Customers	• Face-to-face contact with Relationship Managers and Branch personnel • Telephone calls • Letters • Website • Emails • Social Media • Special events	• Products and services that are responsive to their needs • Efficient customer service • Protection of client information • Accessibility and convenience of customer touchpoints • Competence of Bank personnel to 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.

Investors / Shareholders	• Letters/ Correspondences • Emails • Special events • Annual Stockholders' Meeting • Investor Briefings • Investor Relations Program	• Strong financial performance • Shareholder returns • Corporate governance • Transparency and disclosure • Continued business growth • Compliance with globally accepted financial reporting standards	• Established a corporate governance framework in accordance with global standards and best practices • Strong Board and Management oversight • Transparency and accountability
Regulators	• Periodic examinations • Letters / Correspondences • Meetings	• Conduct of sound business practices • 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 regulatory reports • Transparency and accountability • Proactive dialogue • Full compliance / adherence to banking laws, rules and regulations in the country and overseas
Communities	• Financial Literacy / Financial Wellness Seminars or Caravans • Charitable / Philanthropic Contributions • Environmental and sustainability 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 • Support / assistance during times of man-made or natural disasters	• 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 of charitable and philanthropic causes on education, environment, and social welfare development. • Support of affected communities where the Bank has presence during times of natural and man-made calamities (i.e., relief operations) with assistance from our employees, our subsidiaries, and affiliates.

Reporting Process
GRI 102-21,102-29,102-31, 102-32, 102-46, 102-47

Our Sustainability Report was prepared in coordination with the Lucio Tan Group of Companies (LTG) and SGV & Co.

In mid-2019, LTG and its subsidiaries, including PNB, enlisted the services of SGV & Co. to assist in the prioritization of each member company's material sustainability issues to drive the framework and content of their respective reports.

In preparation for our Sustainability Report, the Corporate Sustainability Unit worked closely with LTG and SGV & Co., from the task of engaging our stakeholders, identifying and prioritizing issues that are important to Bank and our stakeholders to gathering relevant data and information from our concerned units.

By going through our preparations, we developed an appreciation for our existing best practices as well as an understanding of the gaps and challenges that we are facing. Our company's and stakeholders' focus and interests change overtime. In order to stay relevant in the banking industry, we recognize our capacity to improve on how we do our business and how we operate. Likewise, we recognize the importance of addressing the needs of our stakeholders, caring for our environment, and contributing significantly to social welfare development and nation-building.

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 dscuss the GRI report template	• Conducted a desktop assessment of internal documents and external sources to understand the relative importance of the preliminary material issues • Developed a preliminary materiality matrix from the review of internal and external documents of the Bank • Conducted a materiality assessment workshop with key stakeholders in which attendees voted on the importance of the preliminary listing of material issues • Developed the final matrix of material topics from the desktop assessment and workshop conducted • Conducted a meeting with the management to validate the top material sustainabbility issues of the Bank	• SGV & Co developed and provided a report template for PNB and other LTG member companies to use in gathering data • Using the GRI reporting standards, relevant data and information pertaining to the Bank's existing and future economic, environmental and social initiatives were collected and collated	• Upon completion, the report went through a 3-level review and affirmation of disclosures: (1) concerned participating business units; (2) Global Compliance Group; and (3) Corporate Governance / Nomination / Remuneration and Sustainability Committee.

Our final materiality assessment matrix outlines all topics crucial to our company and our stakeholders. Based on the results, a total of 37 issues were originally identified covering economic, social, environmental, and governance categories. The table adjacent to the matrix lists down the top 10 key material issues for prioritization. Economic performance, employment, and risk management are considered as the highest-ranking issues of the Bank.

KEY MATERIAL ISSUES	RANK
Economic Performance	1
Employment	2
Risk Management	3
Socio-economic Compliance	4
Customer Data Privacy and Security	5
Anti-corruption	6
Digital Transformation and Innovation	7
Customer Engagement and Satisfaction	8
Learning and Development	9
Indirect Economic Impact	10

It is important to note that the list of top topics relevant to our stakeholders this year is the same with the previous year's, except for the inclusion of topics such as Digital Transformation and Innovation and Customer Engagement and Satisfaction. This is consistent with the Bank's vision to use digital to connect and help support the economy, keeping in mind our customers and their needs in this fast-paced and ever-changing times.

Topics related to environment such as energy efficiency, water and waste management, greenhouse gas emissions and climate change, on the other hand, were also considered important this year but ranked lower compared to other topics that concern the business, our customers, our employees, and society in general.

Our final materiality assessment this year reflects the Bank's focus on improving our business performance while working on equipping our employees with the necessary skills and tools useful for contributing to the growth and longevity of our business and operations.

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 Centre, Pres. Diosdado Macapagal Boulevard, Pasay City
Tel. No.: (+632) 8 526-3131 local 4106
Stockholder Relations Officer: Atty. Maila Katrina Y. Ilarde
Email: ilardemky@pnb.com.ph

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

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

ECONOMIC PERFORMANCE
GRI 103-1, 103-2, 103-3, 201-1
UN SDG 1, 8, 10

Economic Performance ranked as the top material issue for the Bank and our stakeholders since 2017, when we first began our Sustainability reporting.

As a financial institution, the Bank generates and distributes economic values to various stakeholders, namely: salaries and benefits of employees, taxes paid to the government, payments to suppliers and service providers for products and services rendered, dividends for shareholders, and donations or charitable contributions for disadvantaged and marginalized sectors in the society.

The table below shows that the Bank's economic value for the society significantly increased in 2019 from 2018 as we became more active in our Sustainability efforts and as we began to position ourselves as a Partner of the government in social welfare development and nation-building.

Economic Value Distribution Table

Economic Impact (In Philippine Peso)	*2018 In Millions*	*% of Total*	*2019 In Millions*	*% of Total*
Amount paid to suppliers / vendors	3,753	22.21%	4,358	23.20%
Consolidated membership fees and dues	17	0.10%	18	0.10%
Consolidated charitable contributions and sustainability-related activities and initiatives	15	0.09%	46	0.24%
Wages and benefits paid to employees	9,380	55.52%	9,547	50.82%
Dividends paid to stockholders	0	0.00%	0	0.00%
Taxes paid to government	3,729	22.07%	4,818	25.64%
TOTAL	**16,894**	**100.00%**	**18,787**	**100.00%**

Dividend Policy

We 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".

Supply Chain Management
GRI 102-9
UN SDG 10, 12

We adhere to the Vendor Management Policy which requires business owners to periodically evaluate the capacity and technical capability of their external vendors and suppliers. The Bank's Procurement Committee, which is composed of senior management officers from different sectors, convene regularly to review and deliberate on each submitted bids of accredited suppliers and vendors.

The Bank, through Corporate Services Division, follows a simple procurement process of (1) sourcing from accredited suppliers and vendors, (2) canvassing and bidding, (3) review / assessment of bids, (4) and awarding of contracts. However, there are cases that non-accredited suppliers and vendors are engaged by the Corporate Services Division and this is only allowed if the purchase / sourcing is seasonal / occasional, one-time, or considered an emergency.

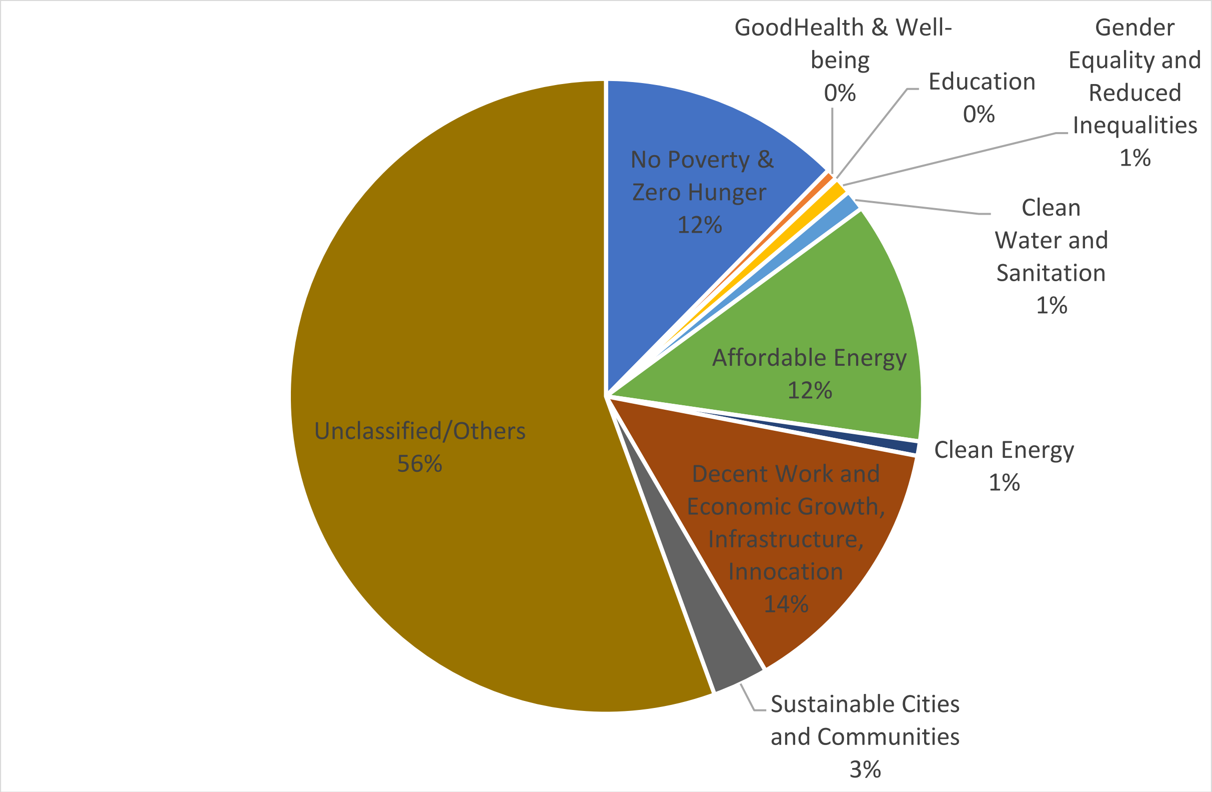
To ensure consistency of standard and specification of all our offices and branches, the Bank sources its purchases and services from Metro Manila-based suppliers and vendors. Some purchases and services, however, are sourced from local suppliers and vendors (province-based) to minimize the logistical costs.

Supporting Businesses Contributing to Sustainable Development & Nation-Building
GRI 103-1, 103-2, 103-3, 203-1, 203-2
UN SDG 1, 2, 3, 6, 7, 8, 9, 11, 12, 17

The Bank's Institutional Banking Sector (IBS) adheres to the principle of Cognizant ESG Lending supporting businesses and industries that promote and contribute to countryside development and nation-building, environmental protection and conservation, and sustainable development. As with the other loan accounts, these type of businesses and projects for the Bank's financing are evaluated in compliance with regulatory and internal requirements and requires the necessary committee approvals.

The chart below shows the Bank's portfolio geared to support the achievement of the United Nations' SDGs. Over 40% of the total loans of the Bank in 2019 was used to finance business and projects that support and contribute to sustainable development.

Identified UN SDG to Total Bank Portfolio



The Bank has supported more business and industries that are into (1) food manufacturing and production; (2) energy transmission, generation, distribution; and (3) infrastructure development.

In compliance with the BSP's 2019 Circular requiring all banks to integrate environmental, social, and governance financing guidelines in their business operations, we drafted our own Sustainable Financing Policy and Framework for lending and investing. Once approved, the said policy and framework will allow the Bank to effectively assess and manage our environmental and social risks and impacts associated with supporting particular businesses, projects, and industry sectors.

ENVIRONMENTAL IMPACT

Although environmental concerns ranked lower in the Bank's materiality assessment, we consider these as an integral part of our business and operations. To show our commitment to mitigating climate change, we began to take concrete actions by raising environmental awareness among our employees through campaigns and initiatives for reducing the Bank's environmental footprint such as improving energy and water consumption, implementing proper waste management, and ensuring that the businesses, projects, and industries we support are also environmentally compliant.

The report below covers the environmental footprint of the Bank's headquarters in Metro Manila, namely, the PNB Financial Center in Pasay City and PNB Makati Center in Makati City. The Bank aims to report on its countrywide environmental footprint in 2021, covering our branches and offices all over the Philippines.

Assessing the Environmental Impact of Our Supported Businesses

GRI 103-1, 103-2, 103-3, 308-1
UN SDG 9,11

The Bank ensures that the businesses and industries we support are compliant with environmental regulations and laws through covenants provided for in financial agreements or contracts and submission of permits such as Environmental Compliance Certificates (ECC) issued by the Department of Environment and Natural Resources (DENR) and other pertinent government agencies.

Businesses such as power, water, infrastructure, industrial, and mining projects situated in environmentally critical areas such as national parks, sanctuaries, and potential tourist spots are considered Environmentally Critical Projects (ECPs). Thus, these ECPs are required to submit Environmental Assessment Reports as part of their loan requirements, and their business proposals are reviewed and carefully deliberated on by relevant Bank committees. Upon granting approval on the loan, the Bank continuously monitors the environmental compliance, including the climate change related risks and impacts of these ECPs to the overall business during the period of engagement and partnership.

For 2019, the Bank provided financing for environmentally compliant ECPs as follows:

- Operation of Toll Roads and Bridges;
- Generation and Distribution of Power and Water;
- Construction of Green or LEED buildings and infrastructure; and
- Real Estate Development.

Participating on the Earth Hour and International Water Day
UN SDG 6, 7, 13

During the water and power crisis on the first and second quarters of 2019, the Bank encouraged all employees to contribute in reducing the use of electricity and conserving water at work and in their own homes by actively participating in the World Water Day last March 22, 2019 and the Earth Hour last March 30, 2019.

The World Water Day is a yearly international day of observance declared by the United Nations to help spread awareness on the importance of water conservation and inspire people to take steps in making safe water available for everyone.

The Earth Hour, on the other hand, is the annual 60-minute "lights-off" global movement led by the World Wildlife Fund for Nature (WWF) that aims to empower individuals, organizations, and governments to take tangible actions to help protect the planet. In solidarity with the rest of the country and the world, the Bank turned off all non-essential lights in its branches and offices from 8:30PM to 9:30PM, including the lights on all its billboards nationwide. The Bank also initiated a call tree advisory among its employees on March 29, 2019 and March 30, 2019 encouraging them to join the 60-minute symbolic switch off of non-essential lights and appliances in their own homes.

Project P.L.A.N.E.T. and the Campaign to Reduce Single-Use Plastics at Work
UN SDG 12, 13

On July 2019, we launched Project P.L.A.N.E.T. (Protect, Love, And Nurture the Environment Together), an internal campaign which aims to raise environmental and sustainability awareness among employees and inspire them to reduce their environmental footprint at work and in their own homes.

A component of Project P.L.A.N.E.T. is a 6-month long campaign piloted at the PNB Financial Center and PNB Makati Center that aims to reduce the Bank's consumption of single-use plastics as our commitment to mitigate the effects of climate change, protect the seas and oceans, and preserve underwater wildlife.

The Bank's Corporate Sustainability Unit, together with the Human Resource Group and the Food Committee, oriented the food concessionaires on the campaign. They were also consulted and requested to provide alternatives to single-use plastic packaging and utensils such as food-grade containers and paper boxes, paper cups, and bamboo-made or starch-made eating utensils. In addition, the employees were also encouraged to reduce their usage of single-use plastics by discontinuing the use of plastic straws and using their own food containers when buying meals or snacks from canteen concessionaires. Since the start of the campaign in July 2019, the Bank was successful in reducing the monthly consumption of the following single-use plastics:

Type of Single-Use Plastics	**Monthly Inventory before the Campaign**	***Average Monthly Inventory by End of 2019***
Sando Bags	26,100 pcs	0
Plastic Bags for Viands	42,760 pcs	220 pcs
Plastic Straws	8,800 pcs	0
Plastic Stirrers	10,200 pcs	0
Plastic Spoons, Forks	21,225 pcs spoons 21,959 pcs forks	50 pcs spoons 50 pcs forks
Plastic Lids (on coffee / drinks)	4,678 pcs	1,300 pcs
Plastic Cups	5,274 pcs	25 pcs
Styrofoam / polystyrene containers	0	0

Power and Fuel Consumption
GRI 103-1,103-2, 103-3, 302-1, 302-2, 302-4
UN SDG 7, 8, 12, 13

The Bank's Administration Group monitors our overall power and fuel consumption, and comes up with initiatives to help reduce our greenhouse gas emissions.

The tables below illustrate the energy and fuel consumption which are the main greenhouse emissions at our headquarters in Metro Manila for 2019. The Bank's Pollution Control Officers monitor our emissions and ensure effective compliance.

Energy Consumption Table

	2018		2019	
HEADQUARTERS	**POWER CONSUMPTION (in KWh)**	**COST (in millions)**	**POWER CONSUMPTION (in KWh)**	**COST (in millions)**
PNB Financial Centre (Pasay)	10,362,210.55	74,236,524.32	8,917,026.39	62,482,268.25
PNB Makati Center (Ayala Avenue)	8,241,400.55	62,300,000	9,224,938	66,400,000

The decrease in the energy consumption of PNB Financial Center was due to the continuous use of LED lighting fixtures, conversion of remaining conventional bulb and fluorescent lighting fixtures into LED, and proper scheduling of chiller operation.

PNB Makati Center, on the other hand, increased its power consumption in 2019 despite converting conventional bulb and florescent lighting fixtures to LED. The increase in energy consumption is mainly due to the series of construction work in different operating floors of the said building. The Administration Group plans to reduce the energy consumption of PNB Makati Center beginning next year by employing energy saving measures such as replacement of conventional air conditioning units with energy efficient or inverter-type air conditioning units, replacement of all electronic ballast florescent light to LED tube lights, and retrofitting of energy efficient elevators among others.

Fuel Consumption Table

	2019	
HEADQUARTERS	**FUEL CONSUMPTION (in liters)**	**COST (in millions)**
PNB Financial Centre (Pasay)	55,718.95	2,764,426.07
PNB Makati Center (Ayala Avenue)	2,897	115,880.00

The fuel consumption table above 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 are conducted for fuel efficiency and for reduction of carbon emissions.

Our Water Consumption
GRI 103-1, 103-2, 103-3, 303-1, 303-2, 303-4, 303-5
UN SDG 3, 6, 12

The water supply of our headquarters is sourced from third party service providers. Water supply for PNB Makati Center is sourced from Manila Water, while PNB Financial Center's water source is Maynilad. Water supplied by Manila Water and Maynilad are stored in cistern tanks located at the basement of PNB Makati Center and the ground level parking area of PNB Financial Center, respectively, and are then pumped and distributed to different water lines for use in toilets, urinals, water closets and washbasins.

The table below illustrates the water consumption of the Bank, reflecting a significant increase in the consumption at PNB Makati Center due to the increase in the water rate during the year, as well as the construction work in said building.

Water Consumption Table

	2018		2019	
HEADQUARTERS	**WATER CONSUMPTION (in megaliters)**	**COST (in millions)**	**WATER CONSUMPTION (in megaliters)**	**COST (in millions)**
PNB Financial Centre (Pasay)	147.277	15,005,203.89	148.436	16,519,148.95
PNB Makati Center (Ayala Avenue)	58.36	4,900,000	64.17	5,900,000

Water is one of the main resources that the Bank uses for operating its business. As a natural resource that is easily depleted, we take concrete steps for conserving water in all our branches and offices. Among the measures taken by the Bank for reducing consumption and conserving water is decreasing the water volume required to flush urinals and toilet bowls and replacing defective faucets, pipes, flushometers, urinals and water closet fittings, and submersible transfer pumps among others.

Resource and Waste Management
GRI 103-1, 103-2, 103-3, 306-2
UN SDG 3, 6, 12

The Bank, through our Administration Group, observes proper waste disposal for reducing our environmental footprint by engaging the services of environmentally compliant and DENR-accredited service providers.

Effluent water or wastewater discharged by our headquarters are mainly from toilets and cafeterias. For PNB Makati Center, wastewater 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, on the other hand, is treated in its own Sewage Treatment Plan located inside the complex and is then released to Manila Bay after the treatment.

Manila Water, Maynilad, and DENR's Laguna Lake Development Authority regularly tests the wastewater of the Bank's headquarters to see if this is still within the acceptable parameters or range of effluent water characteristics for conventional pollutants.

Domestic and hazardous waste from the PNB Makati Center are collected by the Makati Commercial Estate Association, Inc. (MACEA) while an outsourced service provider accredited by

DENR collects the domestic and hazardous wastes from PNB Financial Center and are disposed in DENR-accredited landfills.

The table below illustrates the list of common wastes from the Bank's headquarters.

WASTE CATEGORY	QUANTITY / VOLUME COLLECTED IN 2018	QUANTITY / VOLUME COLLECTED IN 2019
Non-Hazardous		
• Solid Waste	20.8 metric tons	144 metric tons
Hazardous		
• Used Oil	0.6 metric tons	1.3 metric tons
• Lead Acid Batteries	0.12 metric ton*	0.24 metric ton
• Busted Fluorescent /LED Lights	0.064 metric ton*	0.86 metric ton
• Contaminated Rugs	0.02 metric ton	0.024 metric ton
• Expired Paints	0.0189 metric ton	0.0235 metric ton
• Ozone depleting substances	0.1 metric ton	0.1 metric ton
• Electronic Wastes	0.1 metric ton	0.08 metric ton

**Weight in metric ton based on estimates only.*

Paper wastes, on the other hand, are sold to recycling centers for a fee. Proceeds from the sale of paper wastes are then used by the Administration Group to support or fund the waste management activities of Bank. To help reduce copy paper wastage, the Bank encourages employees to use the blank side of copy papers for draft documents instead of using fresh, clean ones.

The Cards Banking Solutions Group has also shifted to issuance of electronic statement of accounts (e-SOA) to its card clients which helps reduce the Bank's paper consumption and environmental footprint. The table below illustrates a significant decrease in the consumption of copy paper and Bank forms in 2019.

Paper Consumption Table

	2018		2019	
Description	**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
Copy Paper Long	22,619 reams	3,432,433.25	19,317 reams	2,465,042.37
Deposit Slip	486,700 pads	13,140,900.00	381,428 pads	10,298,556.00
Withdrawal Slip	116,600 pads	2,477,750.00	41,800 pads	888,250.00
Signature Card	1,090,800 pcs	370,872.00	1,521,800 pcs	517,412.00
Customer Information Form - Individual	754,900pcs	513,332.00	464,970 pcs	316,179.60
Customer Information Form - Business	45,300 pcs	45,300.00	60,000 pcs	60,000.00
Cash Transfer Slip	63,200 pads	638,320.00	45,100 pads	455,510.00
TOTAL:		**27,251,692.20**		**20,600,349.20**

SOCIAL PERFORMANCE

Caring for Our People

Our people are our valued resource. It is to our people that we owe our success in the banking industry for over a century. Hence, the Bank continues its effort to ensure that it has a steady pool of qualified and competent talents, and commit to their overall improvement and well-being by adhering to strict labor laws and regulations, implementing fair employment practices, promoting work-life balance, and cultivating a culture of community engagement, gender equality, and diversity and inclusion in employment and in the workplace.

The Philnabankers in a Glance

GRI 102-7,102-8, 103-1, 103-2, 103-3, 401-1, 405-1
UN SDG 5, 8

The Human Resource Group has the role and responsibility of recruiting, developing, and maintaining the pool of talents for the Bank's overseas and domestic operations. Hiring of new employees, particularly for officers, go through a strict review process and are subject to committee and Board approvals.

As of December 31, 2019, the Bank has a total of 8,550 full-time and permanent employees. The female population in 2019 took up 66.16% (5,657) of the total employee population, with the number of female employees slightly higher in 2019 than in 2018. The Bank continues to maintain a gender disparity of 2:1 ratio as the male population is only 33.84% of the total workforce compared to the female population taking 66.16% of the total workforce. 49% or 4,232 of the total manpower complement of the Bank is covered by the Collective Bargaining Agreement (CBA).

	GENDER	NO. OF EMPLOYEES	TOTAL
2018	Female	5,512	**8,266**
	Male	2,754	
2019	Female	5,657	**8,550**
	Male	2,893	

	RANK	NO. OF EMPLOYEES	TOTAL
2018	Officers	4,011	**8,266**
	Rank and File	4,255	
2019	Officers	4,318	**8,550**
	Rank and File	4,232	

Employee Breakdown Per Gender, Age, Rank, Business Group

	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
	Total	**8,266**

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
	Total	**8,550**

	2018			**2019**		
RANK	**FEMALE**	**MALE**	**TOTAL**	**FEMALE**	**MALE**	**TOTAL**
President		1	1		1	1
Executive Vice President		3	3	1	6	7
First Senior Vice President	3	1	4	3	2	5
Senior Vice President	18	12	30	15	14	29
First Vice President	21	18	39	26	21	47
Vice President	32	21	53	32	28	60
Senior Asst Vice President	54	44	98	75	50	125
Assistant Vice President	116	74	190	122	72	194
Senior Manager	161	102	263	179	114	293
Manager 2	215	129	344	238	145	383
Manager 1	423	205	628	502	248	750
Assistant Manager 2	814	343	1,157	854	326	1180
Assistant Manager 1	849	352	1,201	849	395	1244
Senior Specialist	224	139	363	207	154	361
Specialist	247	144	391	216	140	356
Senior Assistant	376	205	581	395	213	608
Assistant	856	429	1,285	839	403	1242
Senior Clerk	1,103	530	1,633	1104	559	1663
Junior Clerk	0	2	2	0	2	2
TOTAL	**5,512**	**2,754**	**8,266**	**5657**	**2893**	**8550**

BUSINESS GROUP / UNIT	Permanent Employees		
	Male	Female	Total
CORPORATE SECRETARYS OFFICE	4	13	17
CREDIT MANAGEMENT GROUP	153	113	266
ENTERPRISE INFORMATION SECURITY GROUP	12	7	19
ENTERPRISE SERVICES SECTOR	157	163	320
FINANCIAL MANAGEMENT SECTOR	53	109	162
GLOBAL BANKING AND MARKETS SECTOR	23	36	59
GLOBAL COMPLIANCE GROUP	24	30	54
HUMAN RESOURCE GROUP	126	239	365
INFORMATION TECHNOLOGY GROUP	228	142	370
INSTITUTIONAL BANKING SECTOR	105	239	344
INTERNAL AUDIT GROUP	54	91	145
MARKETING AND BRAND MANAGEMENT SECTOR	17	25	42
OFFICE OF THE CORPORATE TREASURER	3	18	21
OFFICE OF THE PRESIDENT	4	2	6
OPERATIONS GROUP	292	496	788
PUBLIC AFFAIRS GROUP	2	6	8
RETAIL BANKING SECTOR	1580	3798	5378
RISK MANAGEMENT GROUP	16	32	48
STRATEGY SECTOR	6	16	22
TRUST BANKING GROUP	24	60	84
WEALTH MANAGEMENT GROUP	10	22	32
Total	2893	5657	8550

Majority of employees of the Bank are still within the 31-50 years age range, comprising 49.88% or 4,265 of the total employee population in 2019. The number of employees with officer level ranking is slightly higher in 2019, with 33.89% or 2,892 of the key management positions from Assistant Manager 2 (AM2) to Executive Vice President (EVP) rank held by the women.

Among the different business groups and units of the Bank, the Retail Banking Sector, where the Branch Banking Group belongs, continues to have the most number of employees (5,378) followed by the Operations Group (788) and Information Technology Group (370).

<u>Breakdown of New Hires per Age, Gender and Rank</u>

	2018			2019		
AGE RANGE OF NEW HIRES	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
Under 30	338	188	526	369	246	615
31 to 50	57	44	101	66	75	141
51 and over	4	5	9	9	11	20
Total	**399**	**237**	**636**	**444**	**332**	**776**

For 2019, the Human Resource Group recruited 776 new hires, comprising 9.08% of the total employee population and increasing the hiring rate of the Bank by 22% from 636 in 2018 to 776 in 2019. There were more women new hires in 2019 at 57.2% or 444 compared to male new hires at 42% or 332 of the total new hires. Moreover, majority of the new hires (79.25%) belong to the below 30 age bracket or the so-called Generation Z or millennials, with most of them within the rank and file category.

The Bank's turnover rate also significantly improved from 7.81% in 2018 to 5.98% in 2019, with the women (61.64%) and employees below 30 years of age (37.57%) leaving the Bank more than the men and those beyond 30 years of age.

As part of its strategic recruitment efforts, the Bank joins job fairs of credible and reputable partner universities and colleges, as well as made use of referrals from the employees and social media channels such as LinkedIn and JobStreet in reaching out to fresh graduates and new talents to meet the diverse manpower complement requirement of the Bank.

Remuneration and Benefits Package

GRI 103-1, 103-2, 103-3,401-2, 401-3, 405-2
UN SDG 8

PNB considers its employees not only as its most valued resource but also as significant partner in its success and journey towards sustainability. As a way of taking good care of our people, the Bank commits to providing its employees with a more competitive and holistic benefits and rewards program through the Human Resource Group's "COMPLETE", which stands for Compensation and Benefits, Monetary Allowance, Perks and Privileges, Life-Work Effectiveness, Employee Rewards and Recognition, Training and Development, and Engagement.

The Bank's benefits and rewards package continues to be the most competitive in the industry. Our full-time employees are entitled to and provided all government-mandated benefits. In addition to a competitive salary and law-mandated benefits, our employees are also 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 corporate social responsibility arm of the Lucio Tan Group of Companies.

The Bank provides more than what the law requires in terms of leaves in order to promote work-life balance among our employees. We encourage our 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 leave for victims under the Anti-Violence Against Women and Children Act of 2004.

The Bank is also supportive of its employees who have become new parents and encourages them to avail of their parental leaves to help them recover physically and adjust to their new role as parents. For 2019, there were a total of 164 employees who took parental leaves, 95.12% of which are female. Out of this number, only 160 or 97.56% of the employees returned to work after their parental leave during the reporting period.

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

In line with the Bank's commitment to gender equality, diversity and inclusion, the Bank ensures that it exercises fairness and non-discrimination in designing its remuneration and rewards package by using the following criteria such as the employees' role in the organization, competency level, work performance, previous work experience, certifications, and employment tenure among others. Our employees' gender orientation and background are not factors to their salary and benefits package.

In order to stay competitive and relevant in the banking industry, the Bank regularly reviews and improves its remuneration and benefits package for employees by aligning it with the existing labor laws, current banking industry practices, and with the ongoing CBA. Any changes or improvements in the remuneration and rewards package of the employees are presented to and discussed with the Corporate Governance/Nomination/Remuneration and Sustainability Committee of the Bank and then endorsed for approval to the Board of Directors.

As part of the Bank's Total Performance Management System, the Bank utilizes a competency-based annual Performance Appraisal and Development Report (PADR) for its officers and staff. It is used to drive organizational performance by identifying and documenting individual performance goals that are aligned with the organization's business objectives.

To ensure that annual targets are achieved, the Bank implements a Quarterly Performance Progress Review (QPPR) to assess the officer's progress against the performance targets that have been agreed upon at the beginning of the year. This enables the officer to understand performance expectations and enhance his or her competencies as the review focuses on performance coaching. Likewise, it provides a vehicle to strengthen the feedback mechanism during the year-long performance cycle. The QPPRs for the first three quarters are used as supporting documents / reference for the annual evaluation of the officer's performance.

Employee Learning and Development

GRI 103-1, 103-2, 103-3, 404-1,404-2, 404-3
UN SDG 4,5,8, 10

As our valuable resource and significant partner in our growth and success, and in our sustainability, the Bank commits to equip our employees with the necessary knowledge, skills, and tools so they can effectively perform their roles and functions while helping fulfill their professional and personal growth.

The Bank's Human Resource Group, through its Institute for Banking Excellence (IBE), has developed different capacity building programs for employees based on their learning and development needs to help them perform their roles effectively. Among the in-house training programs provided by IBE for the employees include the 3-day New Employees Orientation, leadership management and supervisory skills development for those who are positioned to become officers, functional and soft skills trainings, job-specific and technical trainings, mentoring, and career development. External specialized trainings are also offered to the employees to equip them with the necessary skills and knowledge to enable them to perform their functions.

In addition, the Bank's Retail Banking Sector provides trainings for its own employees to help them in their functions such as Anti-Money Laundering, Sales Training, Capacity Enhancement Program, Internal Control Consciousness, and Infotech Awareness. In compliance with the requirements of regulatory agencies such as the BSP, the Bank also conducts instructor-led trainings and provides e-learning platforms to help update employees on existing and new banking-related laws and regulations.

The Bank also runs three leadership and career development programs: The Junior Executive Development Institute (JEDI) is for new hires who graduated with honors; the Management Training Program (MTP) is for homegrown talents in the head office and business units, and the Branch Operations Training Program (BOTP) is for branch-assigned employees. These programs aim to develop high-potential rank-and-file employees to be highly competent officers of the Bank. Moreover, the Human Resource Group runs a Mentoring Café twice to thrice a year. This is a project under the PNB Mentoring Program aimed at providing an appropriate venue for high potential employees to gain insights and learn from their mentors. This is to prepare them for the possibility of assuming key / critical roles in the organization. As of reporting period, the Bank has a total of 157 mentors and 157 mentees.

A total of 8,136 or 95% of the total employee population underwent 593,821 training hours, averaging 69.43 training hours per employee for 2019. Out of the total trained employees, 66.99% are female while 33.01% are male. Employees in rank and file and junior manager positions also numbered the most training hours.

	FEMALE	MALE	TOTAL
No. of Employees who Attended Training	5,450	2,686	8,136
No. of Training Hours Per Gender	384,740	209,081	593,821
Average No. of Training Hours Per Employee			69.43
Average No. of Training Hours Per Gender	44.98	24.45	

RANK	TRAINING HOURS
Rank and File	349,844
Junior Officers	205,301
Middle Officers	34,496
Senior Officers	4,180

Recognizing Excellence in our Employees

PNB recognizes remarkable and exemplary performance of its employees. The Bank, through the Human Resource Group, holds a nationwide Service Excellence Award ceremony every quarter to recognize employees individually or in teams who delivered exceptional results while helping the business and upholding the core values of the Bank. In addition to this, the Bank's Retail Banking Sector also has an annual recognition night called "*Gabi Ng Parangal*" to award employees with remarkable performance in growing the business, as well as to encourage high-level performance.

The Human Resource Group continues to implement its internal values campaign for employees called "L.O.V.E. (Living Our Values Everyday) @ PNB" which features inspiring stories via email blasts of employees who demonstrate and live the core values of the Bank. The campaign also aims to inspire others to practice PNB’s values in their day to day experiences to achieve personal success and the Bank’s business goals.

In the third Quarter of 2019, the Human Resource Group launched its new recognition program called “What Outstanding Work! (W.O.W!)” which aims to inspire employees through a timely recognition for values-centered and business-driven behaviors. Employees recognized on the spot are also given tokens of appreciation that they can keep as mementos. These employees and their inspiring stories are also featured in the L.O.V.E. @ PNB campaign internal email blast.

On its second year, the Human Resource Group held “Celebrate Love at Work” in February 2019. It is an engagement project during Valentine’s week where all employees are encouraged to express their appreciation to PNB, their fellow employees, and our clients through simple acts such as leaving appreciation notes and offering tokens and gifts.

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,

PNB is taking all the necessary measures to provide a safe and secure work environment for all its employees. Employment practices and workplace safety and security is part of the Bank's Risk Management framework.

The Bank’s Occupational Safety, Health and Family Welfare (OSHF) Committee, composed of representatives from both the management and employees, with the latter represented by labor union employees, meet regularly to discuss and manage reported work-related hazards, and monitor and evaluate the committee’s existing programs by ensuring that they are aligned with the current general labor requirement. Among the efforts of the committee on ensuring the safety and security of the employees include the conduct of OSH / safety awareness program, dissemination of safety advisories through different channels, disaster / emergency response training for all floor marshals-assigned employees, first aid training, deployment of emergency responders, and safety inspections / analysis of branches among others.

Employees appointed by the Bank as Safety Officers are also regularly updated on their training such as Basic Occupational Safety and Health Program, Safety Program Audit, and Loss Control Management. The Bank also has existing guidelines for notification and keeping of records of accidents or illnesses in the workplace. Any work-related incidents are reported to the OSHF Committee.

Emergency, fire, and earthquake drills at our Manila and Pasay Headquarters are also conducted annually by the Bank’s Corporate Security Group with the Makati and Pasay Fire Departments to help prepare the employees during times of man-made and natural calamities. They also release e-mail bulletins regularly to provide employees with helpful tips on how to prepare during times of disasters or calamities.

Employees, particularly those assigned in the branches are also provided trainings on Standard First Aid and Basic Life Support, and Disaster Preparedness. For 2019, there are 458 employees trained on Standard First Aid and Basic Life Support, and 50 employees trained on Disaster Preparedness. The Bank plans to increase the number of employees trained on these topics in partnership with Philippine Red Cross in 2020.

With the ongoing renovations at the PNB Financial Center and PNB Makati Center, the Bank also takes extra precautionary measures to ensure the safety and security of the employees by cordoning off the construction areas, posting safety reminders for employees, and assigning emergency medical response team members and security guards to include inspections or visits of these areas.

All employees are covered by the Bank's occupational health and safety management system. There were no reported incidents of work-related injuries in 2019.

Promoting Work-Life Balance Among Employees
UN SDG 2, 3, 8, 12

At PNB, we commit and endeavor to promote the holistic growth and development of our employees. We do not only encourage our employees to take their leaves to relax and spend more quality time with their families, but we also conduct activities where our employees can show and share their talents, hobbies, and time with their work colleagues and even with our communities. In doing so, we do not only help improve the health of our employees, but we also enable camaraderie among employees, strengthen organization commitment, and boost work-life balance.

- **Health and Wellness**

  The health of our employees is important to us. We encourage and help our employees live a healthy lifestyle to improve their health condition and overall well-being. We do this by encouraging our employees to use the three well-equipped gyms at our Pasay and Makati Headquarters. We also partner with a fitness gym provider for discounted rates so our employees can access fitness centers outside of Pasay and Makati areas. We also encourage our employees to join sports activities organized by different employee groups or associations such as basketball, badminton, and running. The Bank also organized fun runs and power classes such as Zumba, Yoga, Dance, Pilates, and Mixed Martial Arts.

  The Human Resource Group, in partnership with the Bank's health care provider, ValuCare, continues to conduct health and wellness lectures. Wellness bulletins are released to increase health awareness and by sharing practical tips among all employees. Lastly, all employees are required to undergo the annual physical examination every year as part of the Bank's health care program.

  Last October 23, the Human Resource Group partnered with Philippine Airlines to organize and conduct a Wellness Day. Dubbed "Well @Work", the said activity was designed to celebrate workplace wellness, connect employees to the different wellness partners, and provide tips on how to live a healthier lifestyle. Wellness advocates were invited to share their expertise through talks and demonstrations on topics ranging from chair yoga, preparing healthy eats at work, ergonomics in the workplace, and relieving stress through hypnotherapy. Wellness merchant partners were also invited to provide free services to our employees such as massage, haircut and scalp analysis, as well as showcase their products from food, sportswear, gym membership, dental care, insurance, and motivational and self-help books.
- **Sustainable Lifestyle Fair**

  In November, our Corporate Sustainability Unit under the Public Affairs Group piloted a 3-day Sustainable Lifestyle Fair for our employees assigned at the PNB Financial Centre in Pasay City. The 3-day fair was organized to help raise climate change and environmental awareness among our employees, and encourage them to do their part to help the planet by reducing their carbon footprint. The event featured an eco-bazaar where invited merchants showcased eco-friendly and sustainably- sourced products, and organic food items as alternative products or food items for our employees. Resource persons for the brown bag learning sessions during lunch breaks for the 3-day fair were also invited to give talks on climate change awareness and environmental sustainability, sustainability and resilient communities, and Zero Waste 101 and environment-conscious living.

In partnership with Tan Yan Kee Foundation, the CSR arm of the Lucio Tan Group of Companies, the Bank also helps the employees access affordable but premium quality organic fresh produce for their own personal consumption. Straight from the farm of Tan Yan Kee Foundation in Nueva Vizcaya, the harvested organic produce reaches our employees at least twice a month. By inviting Tan Yan Kee Foundation to sell their organic produce at PNB Financial and Makati Centers, we are helping our employees to eat healthy while helping the Foundation and the farmers at the same time.

- **Nurturing the Spirituality of Our Employees**

  We acknowledge the importance and role of spirituality in the lives of our employees. In support of this, we hold daily worship services during lunch break at our in-house chapel at the PNB Financial Centre. Our own choir group from among our talented employees sing during the daily mass at our in-house chapel, and we invite renowned priests to officiate during special mass for healing and other important events. Moreover, we continue to do the 3 o'clock prayer habit at our PNB Financial Office which encourages our employees to pause for a few minutes to pray and reflect, and to take a short breather from their work or meeting.

  We also continue to host the annual Fiesta del Sto. Nino celebration at our PNB Financial Centre in Pasay City every January, where the different images of the Sto. Nino from the oldest, biggest, and to the smallest images are shown to the public.

- **Employee Sale Events**

  We continue to help make shopping convenient for our employees by holding seasonal employee sale events or bazaars, especially during the Bank's anniversary and Christmas season, through our Cards Banking Solutions Group. Concessionaires and entrepreneurs are invited to put up booths and sell their products and services ranging from food, bags, clothes, shoes, and accessories. Merchants selling appliances and digital items like cameras, mobile phones, laptops, and printers are also invited during special employee sale events or bazaars. By doing this, we also help promote our cards products among our employees while helping our invited merchants or concessionaires generate sales.

- **Townhall Meetings, Bank-Wide Events, and Work Chats**

  We continue to provide avenues and opportunities that enable camaraderie and help develop a sense of belongingness and being one with other employees and the organization such as the Bank anniversary, Chinese New Year celebration, Christmas Parties and the likes.

  The Bank's quarterly *Pulong Ng Bayan* townhall meetings and regular townhall gatherings of the various business units, on the other hand, do not only allow the employees to get together with their work colleagues but also provide opportunity for them to hear updates on the Bank's business and operations straight from the top management.

  Our Senior Management meetings, which gathers the heads of all business groups and their one-down, are conducted on a weekly basis to help keep Bank officers with key functions updated on our business and operations. The Office of the President's roadshows locally and abroad, on the other hand, provide opportunities for the employees to share their experiences, express their opinions, and make suggestions on how to help improve the Bank's business and operations to the President and CEO in person.

In 2019, the Bank implemented the use of Facebook Work Chat as a tool for ease of communication and collaboration among the members of the senior management team and the regional and area heads of the Branch Banking Group. To date, the Bank's Work Chat group has 260 employee members and users.

Labor Relations and Human Rights in the Workplace
GRI 103-1, 103-2, 103-3, 102-41, 407-1, 412-2
UN SDG 8, 16

Industrial peace continues to be of paramount importance to us, allowing us to operate our business smoothly together with our employees. We are able to maintain this industrial peace in our workplace by respecting and supporting the right of our employees to form a labor union to uphold and safeguard their own rights as workers and as humans.

We listen to our employees' voices through the representatives of the employees' union who are regularly invited to Labor Management Council Meetings by the Bank's labor relations unit. These meetings become venues for both the employee union and the Bank to discuss employee concerns, clarify revisions in HR policies, and collaborate on initiatives. The Bank also has a Grievance Machinery to address or resolve misunderstanding, dispute, or controversy arising from the interpretation, and meaning application and implementation of any provision of the Collective Bargaining Agreement between the employee union and the Bank; and / or between the Bank and any covered employee.

For 2019, there were no reported labor and human rights violations among employees.

Lawful and Ethical Behavior
GRI 103-1, 103-2, 103-3, 102-17, 205-2, 205-3
UN SDG 16

As a financial institution, we are committed to uphold the public's trust. We do this by ensuring that our employees, top management, and directors conduct themselves in a lawful and ethical manner. The Bank's Human Resource Group has developed and established 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.

The Bank's Code of Conduct, Office Decorum, Whistleblowing Policy and Anti-Bribery / Anti-Corruption Policy are part of the onboarding process for new hires. New employees are made to read and understand the said policies and guidelines during their onboarding. They are also oriented on these policies during the New Hires Orientation. All employees can easily access these policies and guidelines through the Bank's intranet facility. In addition, the Bank's Performance Appraisal and Development Report (PADR) for employees cover employee behavior such as promoting work ethics and culture of integrity. Supervising officers are expected to ensure that their subordinates comply with the Bank's rules and policies.

To date, there were no reported incidents of bribery and corruption among employees or with the Bank's suppliers / vendors during the covered report period.

Continuous education of Bank personnel is an important element in the compliance function to maintain a sound compliance program. Trainings are provided to make all personnel aware of the existing banking laws, regulations, policies and procedures relevant to their areas of responsibilities.

Global Compliance Group, in coordination with the Human Resources Group, conducts basic compliance awareness training for all existing employees and new hires. All new hires must undergo compliance and Anti-Money Laundering (AML) awareness training prior assumption of duties while existing employees are required to participate in refresher courses within a period of 18 to 24 months.

Training Module	Attendees	No. of Sessions	Total no. of Hours
Compliance Partnership and AML Education	378	11	44
AML Continuing Education Workshop plus Digitization and RCL processes	100	2	16
AML Compliance Training on Customer Acceptance and Digitization of Customer Records	538	5	40
Continuing Education on AML Compliance Under Home Study Program	1,657	---	
TOTAL	**2,907**	**22**	**132**

Promoting Diversity and Inclusion, and Gender Equality in the Workplace
GRI 103-1, 103-2, 103-3, 406-1
UN SDG 5, 8, 10, 16, 17

In support of the commitment to uphold and instill a culture of fairness and non-discrimination among employees, the Bank approved and implemented the Policy on Diversity and Inclusion in November 2018. The Bank believes that a diverse and inclusive workforce fosters innovation, increases its markets share, and improves employee acquisition and retention.

Specifically, on gender equality, the PNB has manifested its commitment by becoming the first domestic universal bank to join the Philippine Business Coalition for Women Empowerment (PBCWE) in May 2019. PBCWE is a coalition composed of influential business employers who endeavor to take appropriate steps to improve gender equality in their workplaces and business operations. It was launched in 2017 through a partnership between the Philippine Women's Economic Network, Inc. (PhilWEN) and Investing in Women (IW), an initiative of the Australian Government aimed at women's economic empowerment in select Southeast Asian countries. In the Philippines, there are only nine (9) members of the coalition: Accenture, Ayala Land, Concentrix, Insular Life, Magsaysay Company, Natasha, SGV, SSI Group, Inc. and PNB.

Members of the coalition undergo the Economic Dividends for Gender Equality (EDGE) Certification Assessment which has which has three (3) levels: (1) EDGE Assess - recognizing the commitment; (2) EDGE Move - showcasing progress in meeting the commitment or targets; and (3) EDGE Lead - celebrating success for meeting the commitment or targets. The tiered certification provides the opportunity for the organizations in different stages of their journey towards gender-equal workplace to obtain recognition for their efforts.

As part of the membership, the Bank underwent the EDGE Assessment in the 3rd quarter of 2019. The assessment will help the Bank understand, identify, and develop solutions to address gaps and challenges on gender equality in its employment practices and in the workplace.

Sources of information such as employee experience through conduct of employee survey, demographics / statistics within the reference period from July 1, 2018 to June 30, 2019, and existing Bank policies and procedures were used by EDGE Certified Foundation during the Bank's assessment. For the survey conducted by the Bank's Human Resource Group in August 2019, 42% of the total population participated as survey respondents. Out of the female population, 43% participated while 38% participated among male employees.

Below is the summary of findings from the EDGE assessment that the Bank underwent:

- PNB's career transition chart illustrates, that women are overrepresented at the following levels (i) rank-and-file (66% women-34% men), (ii) officers below department head level (68% women - 32% men), (iii) department / branch head level (66% women -34% men), and (iv) division head level (59% women - 41% men); while there is an overrepresentation of men at the sector/group head level (39% women - 61% men).

  While generally overrepresented by women, career transitions (i.e. recruitment, functional promotion, and separation) of men were more dynamic than the women's.

- When it comes to the effectiveness of policies and practices, the analysis suggests important improvement opportunities for the Bank such as gender diverse candidate pools, gender composition at the management level, gender composition at any management level, gender dimension in its succession planning, flexible working options for its employees, and allocation of resources for gender equality initiatives.

Overall, the inclusive culture based on the employee perception is above the EDGE standard of 50%. Ninety-six percent (96%) of female and male respondents believe that men and women are given equal opportunities to be hired. Seventy-four percent (74%) of female and male respondents believe that they are given fair opportunities to be promoted. Sixty-two percent (62%) of female respondents and sixty-eight (68%) of male respondents consider themselves to be paid fairly for the work that they do. It is also generally perceived by both men and women that the Bank gives equal access to career-critical assignments.

The Bank intends to revisit a number of its policies and continuously study the possibility of including specific provisions on gender such as gender mix of top talents, promotion rates of mentees classified according to gender, gender mix of identified successors, employment interviews to be conducted by male and female interviewers, gender diverse candidate pool, and the like. The Bank shall also explore possible alternative work arrangements for employees.

The results of the EDGE Certification Assessment shall be subject to audit to be conducted by a third-party auditor which is scheduled in February 2020. The result of the audit will determine the possible certification level that will be awarded to PNB which will be valid for two (2) years.
Moreover, in order to provide a safe work place for all our employees, the Bank adopted a policy on Anti-Sexual Harassment pursuant to Republic Act (R.A.) No. 7877, otherwise known as the Anti-Sexual Harassment Act of 1995, and Republic Act No. 11313, otherwise known as the "Safe Spaces Act" of 2019. Approved in October 2019, the Bank's Anti-Sexual Harassment Policy covers all employees with permanent or probationary employment status and provides the definition of gender-based harassment at the workplace, list of all forms of sexual harassment at work, duties and responsibilities of the employees and the employer, and the role of the Committee on Conduct and Investigation that leads the investigation of reported cases.

Responsible Corporate Citizenship and Caring for Our Communities
GRI 103-1, 103-2, 103-3, 413-1
UN SDG 1, 3, 4, 8, 10, 12, 17

Our commitment to incorporate and implement and corporate social responsibility (CSR) and sustainability-related initiatives and activities in our operations is primarily driven by our aspirations to make a positive contribution to the society as a partner in social development and nation building.

With the creation of our new Corporate Sustainability Unit, we are currently developing our sustainability policy, framework, and roadmap. The same unit is also responsible for developing and implementing our CSR programs and activities, as well as leading employee volunteerism or community engagement for the Bank.

Financial Literacy and Financial Wellness Seminars

Financial Literacy Seminars were conducted among students, teachers, parents, and OFWs by the International Banking and Remittance Group (IBRG) in partnership with other business units such as the Corporate Sustainability Unit and Bank branches such as the Marikina-Shoedrive, Espana and Morayta, Cebu-Banilad-Maria Luisa Park, Cebu-Banawa, Q.C.-Cubao Main, Q.C.-Project 3-Aurora Blvd, Q.C.-New Manila, Manila-Tondo-Juan Luna, Manila-Jose Abad Santos, Cainta-Ortigas Ave. Ext, and Las Pinas City Hall. The target participants were taught the basics of money management: identifying needs and wants, budgeting, spending, and saving. Applicable PNB products and services were also presented to the seminar participants by the partner branches.

In partnership with Tan Yan Kee Foundation, the Bank's Corporate Sustainability Unit also organized a financial literacy seminar together with IBRG among the members of the Barangay Association of Treasurers of the Municipality of Aritao in Nueva Vizcaya last October 24, 2019. The LGU of Aritao, Nueva Vizcaya is a partner of TYKFI.

The Bank's Trust Banking Group also organized financial wellness talks among corporate clients of the Bank and OFWs in Iloilo, Japan, and Singapore on investing and different investment products of the Bank such as UITFs.

Supporting Communities and Small Entrepreneurs

A total of 113 decommissioned desktop computers from ITG were turned over to ACTION, Inc. in Olongapo City in April 2019 to benefit a total of 19 NGOs, 1 LGU, 4 public high schools, 2 public elementary schools, 3 barangay councils, and 1 DSWD facility. In December 2019, PNB also turned over another 55 decommissioned desktop computers to the H.O.U.S.E. Foundation, and another 2 decommissioned units were turned over to Pentecostal Missionary Church of Christ in Cainta, Rizal. Through donation of these computers, PNB is able to help social development organizations do their work effectively.

In addition, the Bank continues its partnership with Caritas Manila by donating its old billboard and activity tarpaulins that were recycled into functional items such as bags and wallets by the women of Caritas Manila's partner communities. In 2019, a total of 365 kilos of old billboard and activity tarpaulins were donated by the Bank to Caritas Manila. Proceeds from the sale of these bags were used to support the Caritas Manila's programs and services for the urban poor. The partnership enables the Bank to better its waste management while helping communities become self-sustaining through livelihood opportunities.

In support of the Bank's commitment to help small businesses, the Corporate Sustainability Unit invited small and medium-sized social entrepreneurs to join the 3-day Sustainable Lifestyle Fair at PNB Financial Center in Pasay City last November 25-27, 2019. Twenty (20) invited social entrepreneurs showcased and sold organic and sustainably-sourced products during the eco-bazaar to help provide eco-friendly and healthy alternatives for the Bank employees. Among the products sold during the 3-day fair were eco-friendly shampoo and conditioner bars, reusable straws and eating utensils, women's accessories such as earrings made of recyclable materials, bags made of old interior tires and foils packs, organic vegetables, and healthy vegan snacks and condiments. With the success of the activity, the Bank plans to organize another Sustainable Lifestyle Fair next year where more women entrepreneurs will be invited.

Relief Operations for Disaster-Affected Communities

A Boxful of LOVE is a donation and fund-raising campaign of the Bank's Human Resource Group for the marginalized and Mindanao earthquake victims. The campaign calls for in-kind donations among Bank employees via e-mail blast. Employee donors drop their donations in drop boxes located at the 2/F ATM Lobby of the PNB Financial Center. Donations received by HRG were turned over to Caritas Manila.

In cooperation with Tan Yan Kee Foundation, the Bank's Corporate Sustainability Unit together with the Mindanao Regional Office, Area Offices, and Branches conducted a simultaneous relief operation for the earthquake-affected communities in Digos City, Davao del Sur and Kidapawan, North Cotabato last December 21. A total of 1,000 identified beneficiary families received relief packs containing non-food essentials such as toiletries, oral hygiene kits, and sleeping materials that were personally distributed by the employee volunteers.

Volunteerism at Heart

A total of 630 PNB employees from different areas and branches nationwide conducted employee volunteerism activities in 41 cities and municipalities out of the 48 areas where the Bank has business presence.

These employee volunteers pooled their resources and rendered a total of 2,520 manhours of community volunteer service such as conducting relief operations for disaster-affected areas, giving gifts and distributing school supplies to students, participating in DepEd's *Brigada Eskwela* campaigns, doing cleanup drives, running art and crafts classes, and doing story-telling activities for children. The employees also spent time with the parents of the children they interact with to know more about the situation of families in the communities. Among the groups and communities they visited and interacted with are the Aetas in Zambales, poor families in urban areas, and families in a remote fishing island in Iloilo to name a few.

The "*Pagtutulungan Ng Bayan"* is a continuous employee-giving program organized and sustained by employees for the employees in need. The said employee-giving program aims to provide financial assistance to employees who are victims of natural calamities and alleviate medical expenses of employees and their immediate relatives.

Partnerships for A Cause

The Bank partnered with Ateneo Scholarship Foundation, Inc. to aid the education of in-need but promising college students of Ateneo de Manila University through a Php5.0 million to support the Gov. Amando M. Tetangco, Jr. Scholarship Fund. The entire PNB community hopes that with the donation to the Ateneo Scholarship Foundation, the Bank is able to help the Ateneo de Manila University mold the next generation of Filipino bankers who will change the landscape of banking and finance in the country.

Moreover, the Bank also signed 2 partnership agreements with the Philippine Red Cross for the conduct of Standard First Aid & Basic Life Support training for PNB employees and the donation of 2 ambulance units worth Php5.0 million for Visayas and Mindanao. The partnership with the Philippine Red Cross is in line with the Bank's Corporate Sustainability goals which is to provide all PNB employees with the necessary skills to provide emergency response and enable the Bank to help other people in emergency situations and times of natural or man-made calamities.

SOCIO-ECONOMIC AND ENVIRONMENTAL COMPLIANCE
GRI 103-1, 103-2, 103-3, 307-1, 419- 1
UN SDG 16

Beyond regulatory compliance, our Bank upholds social and economic areas of its business as part of its continuing journey towards sustainability. We are committed in preserving the social and economic areas of our business, examples of which include the following:

- The Bank's declaration of dividends is subject to compliance with the provisions of law and the regulations of the *Bangko Sentral ng Pilipinas* (BSP) and the Securities and Exchange Commission (SEC), and other financial regulatory requirements as may be applicable to the Bank.
- PNB complies with established consumer protection practices in order to safeguard their transactions with the Bank and be heard though appropriate channels when they escalate feedback and concerns.
- PNB has fulfilled the requirements on general labor and occupational safety and health standards, as required by the Department of Labor and Employment (DOLE).

Our Bank has existing mechanisms in place to monitor its compliance with laws and regulations in the social and economic areas. The Corporate Governance and Sustainability Committee, as stipulated in its amended charter, is responsible for assessing the Bank's sustainability performance across various benchmarks, including economic, social and environmental performance indicators. At the management level, the Corporate Sustainability Unit (CSU) of the Public Affairs Group has spearheaded various advocacies to support social, environmental, and economic initiatives. In terms of coordinating relationships, the CSU liaises and establishes a constructive working relationship with the Marketing and Brand Management Sector, Human Resource Group, Administration Group, and other relevant parties possessing important roles in the effective implementation of the Unit's mandate.

We also adhere to the laws and policies, particularly on environmental regulations, of the locality where we have business operations by ensuring that all our offices and branches have the necessary business and environmental permits and approvals.

In 2019, there were five (5) reported incidents of minor breaches of environmental laws and regulations resulting in the imposition of nominal monetary fines concerning air pollution and hazardous waste management measures, such as failure to replace environmental law officers at branches and failure to secure additional permits for electrical generators, which were required by subsequent legislation and regulations. Out of these five (5) reported incidents, two (2) were already resolved and closed, while the remaining three (3) cases are still awaiting action or resolution from the DENR.

CUSTOMER EXPERIENCE

We aim to provide the best customer service experience to our clients. We provide them various channels for their inquiries, requests and complaints on how they can connect with the Bank: 24x7 Customer Service Hotline, Email, Facetime / Skype and Private Messaging.

Our Consumer Protection Policy ensures that any reported complaints are recorded, monitored and addressed in a timely manner. In accordance to the BSP requirement in reporting complaints, a consolidated complaints report is submitted monthly to the Management and Risk Oversight Committee and quarterly to the BSP.

As part of ensuring the quality of service provided to the client, Customer Experience Division (CED) developed a project called “After Call Survey for 8573-8888” that aims to secure a qualitative feedback from customers at point of call.

MARKETING AND LABELING

GRI 103-1, 103-2, 103-3, 417-1, 417-2, 417-3
UN SDG 12

We continue to look for better ways to improve and provide the best financial solutions for our customers anywhere in the world.

Our new Marketing and Brand Management Sector studied our customers’ experience in order for our Bank to develop new products and services or improve on our existing products and services to help address their financial needs. This exercise was supplemented by the 2-day PNB Sprint 2019: Mindful Customer Transformation Seminar organized by the Human Resource Group’s Institute of Banking Excellence in late 2019, where select employees from different business groups were taught how to design and develop bank products and services for identified customers by studying and understanding their experience and needs. As a result, the Marketing and Brand Management Sector was able to map out and identify the Bank’s target markets, identify gaps and challenges in the Bank’s products and services, and develop a marketing and product development plan for the Bank.

In addition, the Marketing and Brand Management Sector ensures that all advertising and promotional collaterals of the different business units strictly adhere to the Bank’s branding guidelines and are compliant to all regulatory requirements, such as those required by the BSP, SEC, PDIC, BancNet, Department of Trade and Industry, ASC, and Insurance Commission among others. The Bank’s Social Media Framework is also in place to help us manage our reputational risk across our social media platforms

For 2019, there were no reported incidents of non-compliance in marketing and labeling efforts of the Bank.

DIGITAL TRANSFORMATION AND INNOVATION

UN SDG 9

We recognize the importance of digital transformation and innovation in creating a convenient banking experience for our customers.

Currently, the Bank has 1,457 automatic teller machines (ATMs), and 81 cash accept machines (CAM) for the 24-hour banking convenience of our customers.

In addition, the Bank's mobile application allows our customers to do inter-bank fund transfers, online bank payments, and viewing of transaction history. Customers can also use our mobile banking application to keep track of their credit card transactions.

The Bank enhanced its mobile banking services by supporting the government's National Retail Payment System's (NRPS) Philippine Electronic Fund Transfer System and Operations Network or PESONet and InstaPay. Customers can do electronic fund transfers through PESONet and InstaPay by logging on to their PNB Mobile App. Customers can do real-time electronic fund transfers of up to Php100,000 to any participating banks within the Philippines for PESONet and up to Php50,000 per transaction for InstaPay.

Moreover, our Bank continues to look for better ways to improve our website and other information channels for ease-of-access to our clients.

CUSTOMER DATA PRIVACY AND SECURITY
GRI 103-1, 103-2, 103-3, 418-1
UN SDG 16

At PNB, we respect and value the right to data privacy and protection of our data subjects (e.g., customer, employee). 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 international standards, including the compliance checklist of the National Privacy Commission (NPC) among others. Our Data Protection Officer (DPO), with the assistance of Data Privacy Management Division (DPMD), works with our Customer Experience Division (CED) for a quick and easy way to resolve any data privacy-related concerns directly coming from our data subjects. DPMD is consistently coordinating with the Enterprise Information Security Group (EISG) to ensure that Bank's information security is maintained. Our Bank employees are also bound by a confidentiality agreement. DPMD regularly sends out data privacy advisories and conduct data privacy awareness training to all 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 DPMD continuously monitor updates and trends on data privacy and security through NPC issuances and participation to various seminars and conferences conducted by professional associations such as Bankers Association of the Philippines to ensure the continuing suitability, adequacy, and effectiveness of the Bank's data privacy practices.

For 2019, the Bank's existing process handled and ensured that all concerns regarding the processing of client personal data were addressed and resolved immediately.

Our Bank's mobile and online banking facilities have security features that protect personal data and other information such as use of log in credentials, One-Time-Pin (OTP), Touch ID, SMS and email alerts, among others. In addition, 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.

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 Data Privacy Statement is accessible to the public through the PNB website.

MEMBERSHIPS AND ASSOCIATIONS
GRI 102-13

- ACI Philippines
- Association of Certified Fraud Examiners
- Association of Certified Public Accountant 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
- British Chamber
- Bank Security Management Association
- 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
- Institute of Corporate Directors, Inc.
- Institute of Internal Auditors of the Philippines
- Integrated Bar of the Philippines
- Japanese Chamber
- Korean Chamber
- Information Systems, Audit and Control Association
- Makati Commercial Estate Association, Inc.
- Management Association of the Philippines
- Money Market Association of the Philippines, Inc.
- Philippine Association of National Advertisers, Inc.
- Philippine Chamber of Commerce and Industries, Inc.
- People Management Association of the Philippines
- Mabuhay Miles; 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