



Office of the EVP and Chief Financial Officer

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April 15, 2021

**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 141 of the Corporation Code of the Philippines, we provide you the SEC Form 17-A report of the Philippine National Bank as of December 31, 2020.

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
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas
Makati City

COVER SHEET

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S.E.C. Registration Number

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Company's Full Name)

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

Aidell Amor R. Gregorio

Contact Person

8891-60-40

Company Telephone Number

1	2	3	1
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Month Day
Fiscal Year

17 - A

FORM TYPE

4	28
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Month Day
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

36,471

Total No. of Stockholders

Total amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

LCU

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, 2020

(Calendar Year Ended)

SEC FORM 17-A REPORT

Form Type

(Amendment Designation (if applicable))

DECEMBER 31, 2020

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**

- For the fiscal year ended : **December 31, 2020**
- Commission Identification No. : **AS096-005555**
- BIR Tax Identification No. : **000-188-209-000**
- Exact name of issuer as specified in its charter : **Philippine National Bank**
- Province, country or other jurisdiction of incorporation or organization : **Metro Manila, Philippines**
- Industry Classification Code : (SEC Use Only)
- Address of principal office : **PNB Financial Center, Pres. Diosdado P. Macapagal Blvd. Pasay City, 1300**
- Issuer's telephone number, including area code : **(632) 8891-60-40 up to 70 /(632) 8526-3131 to 70**
- Former name, former address, and former fiscal year, if changed since last report : N/A
- Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

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

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

Yes [☒] No [☐]

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

- 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: P44,781,198,347*

**1,525,764,850 common shares @ ₱29.35 trading price of PNB shares as of December 29, 2020*

SEC FORM 17-A ANNUAL REPORT

TABLE OF CONTENTS

PART I – BUSINESS AND GENERAL INFORMATION	
<u>Item 1</u> – Business	5
<u>Item 2</u> – Properties	28
<u>Item 3</u> – Legal Proceedings	28
<u>Item 4</u> – Submission of Matters to a Vote of Security Holders	28
PART II – OPERATIONAL AND FINANCIAL INFORMATION	
<u>Item 5</u> – Market for Issuer’s Common Equity and Related Stockholder Matters	29
<u>Item 6</u> – Management’s Discussion and Analysis	31
<u>Item 7</u> – Financial Statements	41
<u>Item 8</u> – Information on Independent Accountant and Changes in/disagreements with Accountants on Accounting / Financial Disclosure	42
PART III – CONTROL AND COMPENSATION INFORMATION	
<u>Item 9</u> – Directors and Executive Officers	44
<u>Item 10</u> – Executive Compensation	66
<u>Item 10A</u> – Remuneration Policy	67
<u>Item 11</u> – Security Ownership	69
<u>Item 12</u> – Certain Relationships and Related Transactions	75
<u>PART IV</u> – EXHIBITS AND REPORTS ON SEC 17-C	76

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Business Development

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

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

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

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. 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 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) Programme. This marked the first time that PNB tapped the international bond market for medium-term dollar funding, which reached approximately \$1.2 billion at its peak, equivalent to 4x oversubscription, underscoring the international investors’ strong confidence in PNB. In May 2019, PNB’s Board of Directors (BOD) approved the increase in the amount of the Bank’s MTN Programme 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 proceeds of these issuances were used to support PNB’s loan expansion as it took 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 diversity of the syndicate of lenders is an affirmation of the growing international market’s appetite for assets from the Philippines. The success of the transaction is a strong acknowledgment of the capital market’s confidence in the credit strength of the Bank.

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

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

In March 2020, PNB fully integrated its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB), into the Parent Bank through acquisition of its assets and assumption of its liabilities in exchange for cash. With the integration, PNB would be able to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNBSB would have access to PNB's diverse portfolio of financial solutions. The consumer lending business, previously operated through PNBSB, will also benefit from PNB's ability to efficiently raise low cost of funds.

Amidst the challenges of the ongoing Coronavirus Disease-2019 (COVID-19) pandemic and varying degree of community lockdowns in 2020, the Bank set up a Command Center to oversee its operations and ensure that PNB continues to run business-as-usual providing uninterrupted financial services to its customers as it adjusted to the new business environment. The Bank had a dedicated skeletal workforce to make sure that critical support functions were not disrupted, and at the same time implemented a work-from-home arrangement for its employees with non-critical functions, supported by a robust digital infrastructure that allowed telecommuting.

To provide easy and convenient access to cash for its clients, PNB deployed its "Bank-on-Wheels" in Metro Manila and some provinces where travel was restricted. Bank-on-Wheels are mobile ATMs that allow customers to conveniently perform transactions such as cash withdrawal, cash deposit, bills payment, and fund transfer.

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

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

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

As a clear demonstration of the Bank's commitment in offering competitive financing structures to clients while contributing to economic development and nation building, PNB and its subsidiaries were recognized internationally in January 2019 by The Asset Triple A Country Awards 2018 with three distinctions, viz: a) Best Syndicated Loan awarded to PNB and 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.

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

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

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

The following presents the Bank's significant subsidiaries:

Domestic Subsidiaries:

**PNB Savings Bank
(PNBSB)**

PNBSB, a wholly-owned subsidiary of the Bank, was the thrift banking arm of the PNB Group. Effective March 1, 2020, PNBSB was integrated to the parent bank through acquisition of the former's assets and assumption of its liabilities in exchange for cash. On March 5, 2020, PNBSB surrendered its thrift bank license to the BSP. On October 28, 2020, the Stockholders and BOD of PNBSB approved to shorten the corporate term of PNBSB to December 31, 2022 and its conversion into a holding company under the name "Allied Integrated Holdings, Inc." The conversion into a holding company and change in name were approved by the Bangko Sentral ng Pilipinas (BSP). This, together with the other amendments to the Articles of Incorporation and By-Laws of PNBSB, is now awaiting approval of the Securities and Exchange Commission (SEC).

PNB Capital and Investment Corporation (PNB Capital)

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

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

PNB General Insurers Co., Inc. (PNB Gen)

PNB Gen is a non-life insurance company established in 1991 that offers coverage for fire and allied perils, marine, motor car, aviation, surety, engineering, accident insurance and other specialized lines. The Bank directly owns 65.75% of PNB Gen.

On December 11, 2020 and October 9, 2020, the respective BODs of the Bank and PNB Holdings Corporation (PHC), a wholly-owned subsidiary of the Bank, approved the sale of all their respective shareholdings in PNB Gen to ABIC, an affiliate, for a total purchase price of P1.5 billion, subject to regulatory and other necessary approvals. On December 29, 2020, the Insurance Commission approved the above acquisition transaction. The Group reclassified the assets and liabilities of PNB Gen to 'Assets and liabilities of disposal group classified as held for sale' in its consolidated statement of financial position as of December 31, 2020.

PNB Securities, Inc. (PNB Sec)

PNB Sec is a wholly-owned subsidiary of the Bank incorporated on January 18, 1991 and 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-Mizuho Leasing and Finance Corporation (PMLFC) (formerly PNB-IBJL Leasing and Finance Corporation)

PMLFC, a joint venture between the Bank (75%) and Mizuho Leasing Company (25%), was incorporated on April 24, 1996 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-Mizuho Equipment Rentals Corporation), term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade receivables and installment papers) and floor stock financing (short-term loan against assignment of inventories, e.g., motor vehicles).

On March 3, 2020, the SEC approved the change of its corporate name.

**PNB-Mizuho
Equipment Rentals
Corporation (PMERC)**
(formerly PNB-IBJL
Equipment Rentals
Corporation)

PMERC, a wholly-owned subsidiary of PMLFC, was incorporated 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 previously owned 34.25% of PNB Gen. On December 29, 2020, PHC closed and completed the sale of its shareholdings in 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.

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

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

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

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

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

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

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

Allied Banking Corporation (Hong Kong) Limited (ABCHKL)

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. It is a Trust or Company Service Provider ("TCSP") licensee in Hong Kong.

Philippine National Bank (Europe) Plc (PNB Europe)

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

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

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

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, 2020, PNBRCI has 16 branches in six states in the USA. PNBRCI owns PNBRCI Holding Company, Ltd. which was also incorporated in California, USA on August 18, 1999. PNBRCI Holding Company, Ltd. is the holding company of PNB Remittance Company Canada (PNBRCC). PNBRCC is also a

money transfer company incorporated in Canada on April 26, 2000. PNBRC has 6 branches and 1 sub-branch as of year-end 2020.

PNBRCI is regulated by the U.S. Internal Revenue Service and the Department of Business Oversight of the State of California and other state regulators of licensed money transmitters. PNBRC 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 716 domestic branches/offices and 70 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to large corporate, middle-market, small and medium enterprises (SMEs) and retail customers, including OFWs, as well as to the Philippine National Government, national government agencies (NGAs), local government units (LGUs) and Government Owned and Controlled Corporations (GOCCs) in the Philippines. PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers, remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and other related financial services. The Bank and its subsidiaries (the Group) offer a wide range of financial services predominantly in the Philippines.

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

Retail Banking Sector

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

Cards Banking Solutions Group

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

Retail Lending Group

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

International Banking & Remittance Group

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

Institutional Banking Sector

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

Global Banking and Markets Sector

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

Trust Banking Group

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

2. Competition

In the Philippines, the Bank faces competition in all its principal areas of business, from both Philippine (private and government-owned) and foreign banks, as well as finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry with the entry of foreign banks under Republic Act (R.A.) 7721 in 1994 and R.A. 10641 in 2014, as well as, the recent mergers and consolidations in the banking industry. As of the latest available data from the BSP, there were 46 universal and commercial banks, of which 17 are private domestic banks, 3 are government banks and 26 are branches or subsidiaries of foreign banks. Some competitor banks have greater financial resources, wider networks and greater market share than PNB. Said banks also offer a wider range of commercial banking

services and products; have larger lending limits; and stronger balance sheets than PNB. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the Lucio Tan Group of Companies and with its government customers, as well as builds on relationships with the Bank's other key customers. The Bank also faces competition in its operations overseas. In particular, the Bank's stronghold in the remittance business in 17 countries in North America, Europe, the Middle East and Asia is being challenged by competitor banks and non-banks. As of December 31, 2020, the Bank has a distribution network of 716 domestic branches and offices and 1,710 ATMs nationwide. The Bank is one of the largest local private commercial banks in the Philippines in terms of consolidated total assets, net loans and receivables, capital and deposits as well as with regard to branch network. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

3. Revenue Derived from Foreign Operations

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Asia (excluding the Philippines)/			
Middle East	2%	3%	3%
Canada and USA	1%	1%	1%
United Kingdom & Other European			
Union countries	0.4%	0.2%	0.3%

4. New Products and Services

The Bank launched the following products and services in 2020:

a. Auto Loan Calculator

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

b. Appraisal Fee Payment via Mobile/Internet Banking

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

c. PNBayani

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

d. PNB Ze-Lo Mastercard

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

e. Mastercard Airport Experiences (MCAE)

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

f. PNB Cart Mastercard

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

5. Related Party Transactions

(Please refer to [Item 12](#). Certain Relationships and Related Transactions)

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 2020, 2019 and 2018 totaled P862.4 million, P622.3 million and P582.2 million, respectively.

9. Number of Employees

As of December 31, 2020	Total
Officers:	
Vice President and up	128
Senior Assistant Vice President to Assistant Manager	4,563
Sub-total	4,691
Rank and File	4,380
Total	9,071

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

With regard to the Collective Bargaining Agreement (CBA), the Bank's regular rank and file employees are represented by a Union. Total union membership is 3,463 out of 4,380 rank and file employees or

79% of the total rank and file population. The CBA has been renewed for a two-year period from July 1, 2020 to June 30, 2022.

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

There are eight (8) Board Committees:

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

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

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

Mainly composed of the bank's Sector and Group heads, the MRC will be responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk

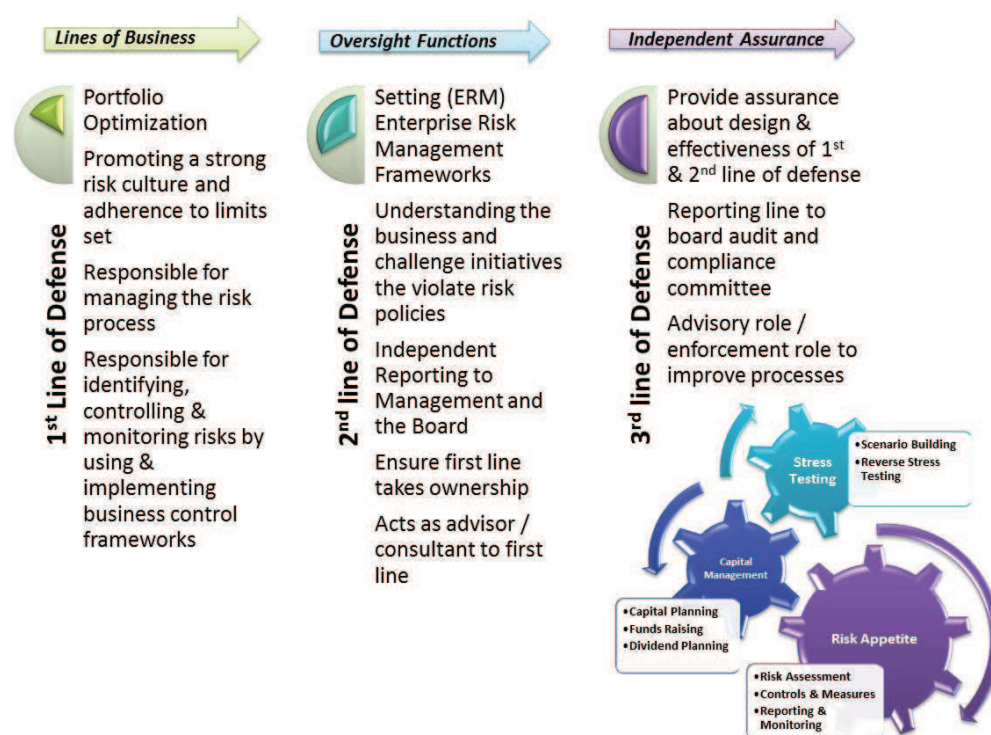
owner, and for providing inputs to the ERMF process. The committee shall periodically assess that the Bank's risk appetite statements are aligned with the business strategy and the overall objectives.

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

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

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

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



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

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

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

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

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

Pillar 1 Risks:

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

Pillar 2 Risks:

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

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

Risk Categories and Definitions

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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract. Credit Concentration Risk is part of credit risk that measures the risk	Loan Portfolio Analysis Credit Dashboards Credit Review Credit Model Validation	<ul style="list-style-type: none"> ▪ Trend Analysis (Portfolio / Past Due and NPL Levels) ▪ Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ CRR Migration ▪ Movement of Portfolio

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	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 (<i>BSP Circular 414, dated 13 January 2004</i>)		<ul style="list-style-type: none"> 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-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market.	<ul style="list-style-type: none"> Value at Risk Utilization Results of Marking to Market Risks Sensitivity/ Duration Report Exposure to Derivative/ Structured Products 	<ul style="list-style-type: none"> VAR Limits Stop Loss Limits Management Triggers Duration Report ROP Exposure Limit Limit to Structured Products Exception Report on Traders' Limit Exception Report on Rate Tolerance Stress Testing BSP Uniform Stress Testing
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from an FI's inability to meet its obligations when they come due.	<ul style="list-style-type: none"> Funding Liquidity Plan Liquidity Ratios Large Fund Providers Maximum Cumulative Outflow (MCO) Liquid Gap Analysis 	<ul style="list-style-type: none"> 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. (<i>BSP Circular 510, dated 03 February 2006</i>)	<ul style="list-style-type: none"> Interest Rate Gap Analysis Earnings at Risk (EaR) Measurement Duration based Economic Value of Equity 	<ul style="list-style-type: none"> 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. (<i>BSP Circular 900, dated 18 January 2016</i>)	<ul style="list-style-type: none"> Risk Identification Risk Measurement Risk Evaluation (i.e. Analysis of Risk) Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis –</p>	<ul style="list-style-type: none"> 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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
		ICAAP Risk Assessment	
Included in the Operational Risks:			
Reputational Risk (Customer Franchise Risk) Including Social Media Risk and AML Risk	<p>Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion.</p> <p>Customer franchise risk is defined as the failure to find, attract, and win new clients, nurture and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services.</p> <p>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</p> <p>Risks relating to Money Laundering refers to transfers or movement of funds that falls into the following (but not limited to) categories:</p> <ol style="list-style-type: none"> 1. Terrorist financing; 2. Unlawful purposes; and 3. Transactions over certain amounts as defined by AMLC – Ant-Money Laundering Council. 	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management:</p> <ul style="list-style-type: none"> ▪ Risk Identification – Risk Maps ▪ Risk Measurement and Analysis – ICAAP Risk Assessment <p>Major Factors considered:</p> <ul style="list-style-type: none"> ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators) 	<ul style="list-style-type: none"> ▪ Account Closures Report ▪ Service Desk Customer Issues Report/Customer Complaints Monitoring Report ▪ Mystery Caller/Shopper ▪ Evaluation/ Risk Mitigation of negative media coverage ▪ Public Relations Campaign ▪ Review of Stock Price performance ▪ Fraud Management Program ▪ Social Media Management Framework ▪ Social Media Risk Management ▪ AML Compliance Review / Monitoring ▪ Enhanced Due Diligence Program for Customers
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.		<ul style="list-style-type: none"> ▪ Management Profitability Reports – Budgets vs Actuals ▪ Benchmarking vis-a-vis Industry, Peers ▪ Economic Forecasting ▪ Annual Strategic Planning Exercise
Cyber Security Risk	<p>Cyber Security Risk is the current and prospective impact on earnings, reputation, customer franchise, and/or capital arising from information security threats of attack on the Bank's digital footprint through (not limited to) the following:</p> <ul style="list-style-type: none"> • Breaches in data security; • Sabotage on online (web-based) activities (Ransomware, DDOS, etc.); • Common threats (spam, phishing, malware, spoofing viruses, spoofing, etc.); and • Scams and Frauds (Social engineering, identify thefts, email scams, etc.). 		<ul style="list-style-type: none"> ▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Risk Assessment ▪ Information Security Management System Implementation ▪ Continuous infosec / cyber risk awareness campaigns ▪ Network Security Protection ▪ Limits on Access Privileges ▪ Scanning of outbound and inbound digital traffic

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Information Security / Data Privacy	<p>Information Security Risk is the risk to organizational operations due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA). Social Engineering can result in various key risk indicators – phishing, spamming, dumpster diving, direct approach, baiting, spying & eaves dropping, among others.</p> <p>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.</p>		<ul style="list-style-type: none"> • Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). • Enterprise-wide Implementation of the Information Security Management Systems • Education / InfoSec Awareness is also constantly conducted • Conduct of internal and 3rd party vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks • Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements • Institutionalization of data protection culture within the group through regular awareness programs
Information Technology (including Core Banking Implementation)	<p>Technology Risk results from human error, malicious intent, or even compliance regulations. It threatens assets and processes vital to the Bank's business and may prevent compliance with regulations, impact profitability, and damage the Bank's reputation in the marketplace.</p> <p>Risks in the smooth operation of the newly implemented core banking application may also threaten the delivery of service to clients and customer.</p>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) 	<ul style="list-style-type: none"> ▪ Risk Asset Register ▪ Risk Awareness Campaigns ▪ IT Risk Assessments ▪ Formal Project Management Program adoption ▪ Vulnerability Assessment and Penetration Testing ▪ Maintenance and upgrades of disaster recovery sites ▪ Business Users / IT joint engagement for problem resolution ▪ Technology Operations Management Policies & Guidelines ▪ Vendor Management Process Monitoring

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

The Bank's Capital Adequacy Ratio as of December 31, 2020 stood at 15.14% on a consolidated basis while our Risk Weighted Assets (RWA) as of end 2020 amounted to P798.170 billion composed of P673.503 billion (Credit Risk Weighted Assets – CRWA), P60.468 billion (Market Risk Weighted Assets – MRWA) and P64.199 billion (Operations Risk Weighted Assets – ORWA).

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

Consolidated	Weighted Exposures (as of End of Quarters 2020)			
<i>(Amounts in ₦ millions)</i>	Dec 31	Sept 30	June 30	Mar 31
CRWA	673,503	668,983	706,847	771,000
MRWA	60,468	57,566	44,038	36,572
ORWA	64,199	64,199	64,199	64,199
Total Risk-Weighted Asset	798,170	790,748	815,084	871,771
Common Equity Tier 1 Ratio	14.47%	15.67%	15.00%	13.81%
Capital Conservation Buffer	8.47%	9.67%	9.00%	7.81%
Total Capital Adequacy Ratio	15.14%	16.40%	15.87%	14.73%

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

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

Credit Risk-Weighted Assets as of December 31, 2020

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

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

In P Millions	Exposure , Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Financial Asset at FVPL	-	-	-	-	-	-	-	-	-
Available for Sale	1,374	-	1,374	-	-	-	-	1,374	-
Held to Maturity (HTM)	96,338	4,427	91,911	29,045	5,824	42,592	-	14,450	-
Unquoted Debt Securities	-	-	-	-	-	-	-	-	-
Loans & Receivables	633,142	13,147	619,995	1,121	67,031	57,994	-	472,198	17,832
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	15,822	-	15,822	15,822	-	-	-	-	-
Sales Contracts Receivable	5,007	-	5,007	-	-	-	-	4,510	496
Real & Other Properties Acquired	8,400	-	8,400	-	-	-	-	-	8,400
Other Assets	36,625	-	36,625	-	-	-	-	36,625	-
Total On-Balance Sheet Asset	1,045,311	17,573	1,027,738	273,234	84,804	108,295	-	530,858	26,728
Total Risk Weighted Asset - On-Balance Sheet	-	-	-	-	16,961	54,147	-	530,858	40,093
Total Risk Weighted Asset - Off-Balance Sheet Asset	-	-	-	-	-	783	-	27,826	-
Counterparty Risk Weighted Asset in Banking Book	-	-	-	-	-	1,697	-	-	-
Counterparty Risk Weighted Asset in Trading Book				-	1	901	-	236	-

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

Market Risk-Weighted Assets as of December 31, 2020

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

Capital Requirements by Market Risk Type under Standardized Approach

(Amounts in P Million)	Capital Charge (a)	Adjusted Capital Charge (b) b= a*125% 1/	Market Risk Weighted Exposures (c) c= b*10 2/
Interest Rate Exposures	4,152.32	5,190.40	51,903.97
Specific Risk	1,256.84	1,571.04	15,710.45
General Market Risk	2,895.48	3,619.35	36,193.52
Equity Exposures	163.61	204.51	2,045.13
Foreign Exchange Exposures	521.56	651.94	6,519.45
Total	4,837.48	6,046.85	60,468.55
Notes: 1/ Capital charge is multiplied by 125% to be consistent with BSP required minimum Capital Adequacy Ratio (CAR) of 10%, which is 25% higher than the Basel minimum of 8%. 2/ Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%)			

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

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

Specific Risk

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

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

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in P million)							
	Positions	Risk Weight					
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
AAA to BBB-issued by other entities							
All other debt securities/derivatives that are below BBB- and unrated	Long					11,056.459	
	Short						
Subtotal	Long	97,810.214	23,085.993	10,558.767	13,063.523	11,056.459	-
	Short	-	-	-	-	-	-
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		-	57.715	105.588	209.016	884.517	1,256.836
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products							
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps							
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES		-	57.715	105.588	209.016	884.517	1,256.836

General Market Risk – Peso

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

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

General Market Risk – US Dollar

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

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

General Market Risk – Third currencies

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

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

PART IV.1d GENERAL MARKET RISK (Amounts in P million)										
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		Overall Net Open Position	Vertical dis allowance	Horizontal dis allowance within	Total General Market Risk Capital Charge
		Long	Short		Long	Short				
HKD	1 month or less	-	424.660	0.00%	-	-				
	Over 1M to 3M	-	432.256	0.20%	-	0.865				
	Over 3M to 6M	-	1,488.564	0.40%	-	5.954				
TOTAL		-	2,345.480		-	6.819	6.819	-	-	6.819
EUR	1 month or less	7.963	133.941	0.00%	-	-				
	Over 1M to 3M	-	862.515	0.20%	-	1.725				
TOTAL		7.963	996.456		-	1.725	1.725	-	-	1.725
GBP	1 month or less	-	161.621	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	161.621		-	-	-	-	-	-
CAD	1 month or less	-	56.117	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
	Over 3M to 6M	-	7.963	0.40%	-	0.032				
TOTAL		-	64.080		-	0.032	0.032	-	-	0.032
NZD	1 month or less	-	11.938	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	11.938		-	-	-	-	-	-
TOTAL THIRD CURRENCIES										8.712

Equity Exposures

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

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

Foreign Exchange Exposures

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

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

Operational Risk – Weighted Assets

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

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

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, 2020.

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, 2020.

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

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 (4th) 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:

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

The trading price of each PNB common share as of December 29, 2020 was P29.35.

2. Holders

There are 36,394 stockholders as of December 31, 2021, all of whom have the same voting rights. As there are 36,394 stockholders, it will be too voluminous to reflect the nationality, number of shares and percentage to total outstanding capital stock of each stockholder. For the guidance of any stockholder, hereunder are the top twenty (20) holders of common shares, the number of shares held by the same, the percentage to total shares outstanding which constitutes approximately 76.33% of the total outstanding capital stock, and the voting right held by each stockholder:

No.	Stockholders	Common Shares	Percentage To Total Outstanding Capital Stock
1	PCD Nominee Corporation (Filipino)	181,569,676	11.9002398043
2	Key Landmark Investments, Ltd.	133,277,924	8.7351549618
3	PCD Nominee Corporation (Non-Filipino)	90,879,110	5.9562985738
4	Caravan Holdings Corporation	82,017,184	5.3754799765
5	Solar Holdings Corporation	82,017,184	5.3754799765
6	True Success Profits Ltd.	82,017,184	5.3754799765
7	Prima Equities & Investments Corporation	71,765,036	4.7035449794
8	Leadway Holdings, Inc.	65,310,444	4.2805052168
9	Infinity Equities, Inc.	61,512,888	4.0316099824
10	Pioneer Holdings Equities, Inc.	34,254,212	2.2450518506
11	Pan Asia Securities Corporation	33,126,782	2.1711590747
12	Multiple Star Holdings Corporation	30,798,151	2.0185385055
13	Donfar Management Ltd.	30,747,898	2.0152448787
14	Uttermost Success, Ltd.	30,233,288	1.9815168766
15	Mavelstone Int'l Ltd.	29,575,168	1.9383831001
16	Kenrock Holdings Corporation	26,018,279	1.7052613973
17	Fil-Care Holdings, Inc.	25,450,962	1.6680789310
18	Fairlink Holdings Corporation	25,207,795	1.6521415472
19	Purple Crystal Holdings, Inc.	24,404,724	1.5995075519
20	Kentron Holdings & Equities Corporation	24,361,225	1.5966565883

- Pursuant to Article IV, Section 4.9 of the Bank’s By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank. The right to vote or direct the voting of the Bank’s shares held by the foregoing stockholders is lodged in their respective Boards of Directors

3. Dividends

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

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

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

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

The Bank recognizes its shareholders' interests and concerns and have been working very hard to sustain the growth in its profitability which will eventually allow a declaration of cash dividends on a regular and sustainable basis without compromising the Bank's growth trajectory. The Bank did not declare dividends during the previous year as the Bank needed to comply with the BSP's regulations on capital adequacy to absorb potential losses, especially during the prolonged pandemic, and build up the capital requirements for its business growth for the interest of its stockholders.

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

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

On August 4, 2015, the 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.

5. Computation of Public Ownership

As of December 31, 2021, PNB's public ownership level is 21.22%, which more than complies with the minimum percentage of 10% for listed companies, in compliance with the public ownership requirement of the PSE.

B. Description of PNB's Securities

- As of December 31, 2020 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, 2020 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, 2020, a total of 1,434,718,049 common shares (or 94.03%) are held by Filipino-Private Stockholders, while the remaining 91,046,801 common shares (or 5.97%) are held by Foreign-Private Stockholders. PNB has a total of P61,030,594,000.00 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 23 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

2020 vs 2019

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

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

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

- Trading and investment securities which consist of Financial Assets at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) and Investment Securities at Amortized Cost, representing 20.5% and 20.8% of the Group's total assets as of December 31, 2020 and 2019, respectively, increased by P15.7 billion or 6.6%, mainly due to purchases of various investment securities, net of maturities and disposals.
- Loans and Receivables represent 48.7% and 57.6% of the Group's total assets as of December 31, 2020 and 2019, respectively. Loans and Receivables decreased by P57.9

billion or 8.8%, at P600.0 billion as of December 31, 2020 from P657.9 billion as of December 31, 2019, mainly due to P41.0 billion net paydowns of loans and receivables and additional provision for impairment, credit and other losses of P16.9 billion.

- Investment in an Associate decreased by P0.3 billion or 11.3%, at P2.3 billion as of December 31, 2020 from P2.6 billion as of December 31, 2019, mainly due to additional share in net comprehensive losses of the associate.
- Deferred Tax Assets increased by P6.5 billion or 250.2%, at P9.0 billion as of December 31, 2020 from P2.6 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for expected credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.
- Intangible Assets decreased by P0.3 billion or 11.6%, at P2.5 billion as of December 31, 2020 from P2.8 billion as of December 31, 2019 due to amortization.
- In 2020, the Group approved the sale of all its shareholdings in PNB General Insurers Co., Inc. (PNB Gen) to Alliedbankers Insurance Corporation (ABIC), an affiliate. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position.
- Other Assets amounted to P6.3 billion as of December 31, 2020 or a decrease of P1.7 billion or 21.6% from P8.1 billion as of December 31, 2019.

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

- Deposit Liabilities totaling P890.3 billion and P826.0 billion which represent 82.8% and 83.7% of the Group's total liabilities as of December 31, 2020 and 2019, respectively, increased by P64.2 billion or 7.8%. Demand, Savings and Time Deposits went up by P27.5 billion or 16.0%, P33.8 billion or 8.6%, P9.8 billion or 4.3%, respectively. The increase in total deposits was partially offset by the decline in Long-Term Negotiable Certificates of Deposits (LTNCD) by P6.9 billion or 19.7% mainly due to maturities in June 2020.
- Financial Liabilities at FVTPL increased by P455.6 million or 185.5% from 2019 year-end balance of P245.6 million mainly from the increase in the volume of transactions for the period.
- Lease Liabilities decreased by P0.4 million or 24.4% at P1.4 billion as of December 31, 2020 mainly due to lease payments.
- Accrued Taxes, Interest and Other Expenses decreased by P0.5 billion, from P6.9 billion as of December 31, 2019 to P6.4 billion as of December 31, 2020, mainly due to lower accrual of expenses.
- Bills and Acceptances Payable increased by P31.2 billion or 55.7% from P56.0 billion to P87.2 billion as of December 31, 2019 and 2020, respectively, brought by the increase in the level of interbank borrowing and repurchase agreements.
- Income Tax Payable increased by P326.9 million from P576.2 million as of December 31, 2019 to P903.0 million as of December 31, 2020.

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

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

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

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

2019 vs 2018

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

- Cash and Other Cash Items, Due from Bangko Sentral ng Pilipinas (BSP) and Interbank Loans Receivable registered increased by P13.7 billion, P3.3 billion and by P13.6 billion, respectively from P16.8 billion, P102.7 billion and P11.2 billion, respectively as of December 31, 2018.
- Due from Other Banks and Securities Held Under Agreements to Resell as of December 31, 2019 at P17.8 billion and P2.5 billion, respectively, decreased by P3.2 billion and P18.2 billion compared to P21.0 billion and P20.7 billion, respectively, as of December 31, 2018.

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

- Financial Assets at Fair Value Through Profit or Loss (FVTPL) at P13.5 billion was higher by 34.7% or P3.5 billion from P10.0 billion as of December 31, 2018 attributed mainly to higher purchases over securities sold.
- Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) was higher at P123.1 billion as of December 31, 2019, an increase of P71.0 billion or by 136.2% from the P52.1 billion level as of December 31, 2018 due to acquisitions of various investment securities net of securities sold.
- Investment Securities at Amortized Cost amounted to P100.5 billion as of December 31, 2019, a decline of P0.3 billion from the P100.8 billion level as of December 31, 2018 due to sale and maturities of investment securities.
- Loans and Receivables is at P657.9 billion or P71.3 billion higher than the P586.7 billion as of December 31, 2018 level due mainly from increase in corporate loans.

- Property and Equipment went up by P1.5 billion from P19.7 billion as of December 31, 2018 to P21.2 billion as of December 31, 2019, mainly due to the P1.5 billion recognition of the right to use asset (ROU) as a result of the adoption of Philippine Financial Reporting Standard (PFRS) 16 – Leases. The transition adjustment at January 1, 2019 resulted in the recognition of ROU and lease liability amounting to P1.8 billion and P1.9 billion, respectively.
- Investment Properties increased by P1.6 billion from P13.5 billion as of December 31, 2018 to P15.1 billion as of December 31, 2019 due mainly to foreclosures during the year.
- Intangible Assets decreased by P0.2 billion from P3.0 billion as of December 31, 2018 mainly due to the amortization of core banking integration costs and other IT assets and Software.
- Deferred Tax Assets was higher by P0.4 billion from P2.1 billion to P2.5 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.
- Other Assets amounted to P8.1 billion as of December 31, 2019 or an increase of P0.7 billion from P7.4 billion as of December 31, 2018.

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

- Deposit Liabilities totaled P826.0 billion, P92.74 billion or 12.6% higher compared to its year-end 2018 level of P733.3 billion. Demand deposits, Time deposits and Long-Term Negotiable Certificate of Deposits (LTNCD) went up by P19.2 billion or 12.5%, P79.7 billion or 54.1% and P3.7 billion or 11.9%, respectively, partially offset by the decrease in Savings deposits by P9.9 billion or 2.5%.
- Financial liabilities at FVTPL decreased by P0.2 billion from 2018 year-end balance of P0.5 billion mainly from the decrease in negative fair value balance of interest rate swaps and forwards.
- Bonds Payable increased by P51.0 billion, from P15.6 billion as of December 31, 2018 to P66.6 billion as of December 31, 2019, mainly accounted for by the Parent Company's issuance of P13.7 billion fixed-rate bonds on May 8, 2019 due 2021 and additional issuance of US\$750 million fixed-rate senior notes from its Euro Medium Term Note (EMTN) Program on June 27, 2019 maturing on September 27, 2024.
- Bills and Acceptances Payable decreased by P14.1 billion or 20.1% from P70.1 billion to P56.0 billion as of December 31, 2018 and December 31, 2019, respectively, due to settlement of interbank loans from the BSP and local banks.
- Lease liability of P1.8 billion pertains to the lease liability of the Group as a result of the adoption of PFRS 16 – Leases. Refer to the Property and Equipment discussion above.
- Accrued Taxes, Interest and Other Expenses was higher by P0.5 billion, from P6.4 billion as of December 31, 2018 to P6.9 billion as of December 31, 2019, mainly due to the increase in accrued interest from deposits and bonds.

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

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

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

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.

Results of Operations

2020 vs 2019

- For the year ended December 31, 2020, the Group recorded net income of P2.6 billion, P7.1 billion or 73.1% lower than the P9.8 billion net income last year. The Group recognized significant provisions for impairment, credit and other losses of P16.9 billion which resulted in lower net income compared to last year. However, the Group's core income comprising primarily of net interest income recorded substantial improvements in the current period. The results for the current period also included significant increase in net gains from trading and investment securities.
- Net interest income amounted to P35.8 billion, higher by 10.7% or P3.5 billion compared to last year, mainly driven by lower funding costs due to the reduction in levels of high-cost deposits during the year. Total gross interest income decreased by 7.1% or P3.6 billion to P47.0 billion from P50.5 billion last year due to aggregate decreases in interest income from loans and receivables, trading and investment securities, and interbank receivables of P4.2 billion, offset by increase in interest income from deposits with banks of P0.7 billion. Total gross interest expense decreased to P11.1 billion or by P7.0 billion from P18.2 billion last year primarily due to decline in interest expense from deposit liabilities, bills payable and other borrowings, partially offset by increase in interest expense from bonds payable of 49.3% or P1.0 billion from P1.9 billion last year to P2.9 billion. Net interest margin is at 3.31% in December 31, 2020, higher by .01% compared to last year.

- Net service fees and commission income decreased by P0.5 billion or 11.5% at P3.7 billion for the year ended December 31, 2020 from P4.2 billion last year due to lower transactional volumes and waivers of fees on interbank transfers and overseas remittances.
- Other income increased to P6.0 billion compared to P4.2 billion last year mainly due to improvement in net gains on trading and investment securities by P2.3 billion.
- Administrative and other operating expenses amounted to P44.8 billion for the year ended December 31, 2020, P16.1 billion or 56.3% higher compared to the same period last year, mainly due to additional provisions for impairment, credit and other losses amounting to P16.9 billion in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio.
- Provision for (benefit from) income tax for the year ended December 31, 2020 amounted to P1.8 billion net benefit compared to a net provision of P2.5 billion last year mainly due to the tax benefit from the recognition of additional deferred tax assets on allowance for credit losses.
- Total comprehensive income for the year ended December 31, 2020 amounted to P0.4 billion.

2019 vs 2018

- For the year ended December 31, 2019, the Group registered a net income of P9.8 billion, P0.2 billion or 2.1% higher than the P9.6 billion net income for the same period last year. The Group's core income comprising primarily of net interest income and net service fees and commissions recorded substantial improvements in the current period. Net income for the current period also included increase in net gains from trading and investment securities.
- Net interest income totaled P32.4 billion, higher by 19.8% or P5.4 billion compared to the same period last year mainly due to the expansion in loan, interbank loans, and trading and investment securities portfolios which accounted for the P9.7 billion, P0.3 billion, P0.5 billion and P4.2 billion increase in interest income, respectively, partly offset by the decrease of P0.1 billion in deposits with banks and others. Total interest income increased by 40.3% or P14.5 billion from P36.0 billion to P50.5 billion. Total interest expense also increased to P18.2 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 P5.2 billion, partly offset by higher net gains in trading and investment securities by P0.9 billion.
- Net service fees and commission income stood at P4.2 billion, 20.2% or P0.7 billion higher compared the same period last year driven by growth in deposit and credit card related fees.
- Administrative and other operating expenses amounted to P28.7 billion for the year ended December 31, 2019, or 12.6% higher compared to the same period last year as strong revenue growth, particularly in interest income and trading gains, translated to higher business related taxes.
- Total Comprehensive Income for the year ended December 31, 2019 amounted to P14.6 billion which is P6.5 billion higher than the same period last year due mainly to increase in net unrealized gains on financial assets at FVOCI.

2018 vs 2017

- For the year ended December 31, 2018, the Bank registered a net income of P9.6 billion, P1.4 billion or 17.2% higher than the P8.2 billion net income for the same period last year on account of substantial improvements in core income primarily net interest income and gains from the sale of foreclosed assets.
- Net interest income totaled P27.1 billion, higher by 22.6% or P5.0 billion compared to the same period last year mainly due to the expansion in the loan and investment securities portfolio which accounted for the P7.5 billion and P1.5 billion increase in interest income, respectively. This was partly offset by the decrease in interest income of deposits with banks and others by P0.6 billion. Total interest income increased by 30.6% or P8.5 billion from P27.6 billion to P36.1 billion. Total interest expense however, was also higher at P9.0 billion or by 62.6% or by P3.5 billion from P5.5 billion last year.
- Other income increased significantly to P8.4 billion compared to P7.1 billion for the same period last year mainly due to higher net gain on sale or exchange of assets by P1.9 billion and improvement in miscellaneous income by P0.5 billion partly offset by P0.7 billion decrease in foreign exchange gain and P0.4 billion decline in trading and investment securities gains.
- Net service fees and commission income stood at P3.5 billion, 12.7% or P0.4 billion higher compared the same period last year. The minimal growth was attributed to lower levels of underwriting and investment banking fees.
- Administrative and other operating expenses amounted to P25.7 billion for the year ended December 31, 2018.
- Total Comprehensive Income for the year ended December 31, 2018 amounted to P8.1 billion.

Key Performance Indicators

- Capital Adequacy/Capital Management

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

The Sub-Committee shall be responsible for the following:

- Determine the appropriate level of capital that will support the attainment of the Bank's strategic objectives, meet the minimum regulatory requirements and cover all material risks that the Bank may encounter in the course of its business
- Periodically monitor and assess the capital ratios of the Bank. Monitoring shall include capital ratios with and without the regulatory stress test prescribed by the regulators, based on both the consolidated and solo financial statements of the bank
- Report to the ALCO the Bank's capital ratio and position based the consolidated and solo financial statements on a monthly basis and to the Board ICAAP Steering Committee on a quarterly basis

- Inform the ALCO/ Board ICAAP Steering Committee on possible breach of ICAAP capital thresholds, particularly during period of stress and activating the Bank's capital contingency plan, if needed
 - The Sub-Committee will evaluate and endorse to the Board the options to improve the Bank's capital adequacy as provided for in the Capital Contingency Plan
 - In case of capital sourcing, the Sub-Committee shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising.
- Ensure that the capital ratios resulting from the three-year strategic business plan under the Bank's ICAAP shall meet the minimum regulatory requirement as well as the Bank's internal thresholds.
 - The Sub-Committee shall determine the Bank's internal thresholds and shall endorse the same to the Board ICAAP Steering Committee / Board.
- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others.

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

Regulatory Qualifying Capital

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

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

Banks and their subsidiaries are subject to the following risk-based capital adequacy ratios (CARs):

- a. Common Equity Tier 1 – must be at least 6.0% of risk weighted assets at all time;
- b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
- c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

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

- a. Common equity Tier 1 capital consists of 1) paid up common stock that meet the eligibility criteria, 2) common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, 3) deposits for common stock subscription, 4) retained earnings, 5) undivided profits, 6) other comprehensive income (net unrealized gains or losses on AFS and cumulative foreign currency translation) and minority interest on subsidiary banks which are less than wholly-owned
- b. Additional Tier 1 capital consists of instruments issued by the bank that are not included in CET 1 capital that meet the criteria for inclusion in additional tier 1 capital, meet the required loss absorbency features for instrument classified as liabilities and loss absorbency feature at point of non-viability as defined in the BSP guidelines.

- c. Tier 2 capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet criteria for inclusion in Tier 2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) deposits for subscription of T2 capital, 3) appraisal increment reserves on bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

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

The Group's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 15.14%, 14.80%, and 14.35% as of December 31, 2020, 2019 and 2018, respectively, above the minimum 10% required by BSP. For the detailed calculation and discussion kindly refer to Item 1, no. 10 – Risk Management.

- **Asset Quality**

The Parent Company's non-performing loans (gross of unearned and other deferred income and allowance for credit losses) increased to P66.0 billion as of December 31, 2020 compared to P12.0 billion as of December 31, 2019. NPL ratios of the Parent Company net of valuation reserves is at 6.93% as at December 31, 2020, compared to 0.68% at end of 2019. Gross NPL ratio is at 10.09% at end of 2020 and 1.99% at end of 2019.

- **Profitability**

	<u>Years Ended</u>	
	<u>12/31/20</u>	<u>12/31/19</u>
Return on equity (ROE) ^{1/}	1.69%	6.89%
Return on assets (ROA) ^{2/}	0.22%	0.92%
Net interest margin (NIM) ^{3/}	3.31%	3.30%

^{1/}Net income divided by average total equity for the period indicated

^{2/}Net income divided by average total assets for the period indicated

^{3/}Net interest income divided by average interest-earning assets

- **Liquidity**

The ratio of liquid assets to total assets as of December 31, 2020 was 37.37% compared to 27.86% as of December 31, 2019. Ratio of current assets to current liabilities was at 69.19% as of December 31, 2020 compared to 59.04% as of December 31, 2019.

- **Cost Efficiency**

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 61.27% for the year ended December 2020 compared to 63.16% last year.

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

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 2020. Representatives of SGV will be present at the stockholders meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. Ms. Vicky B. Lee-Salas, one of the more experienced audit partners in the banking industry in the Philippines, was the lead audit partner for the year 2020.

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

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

B. Audit and Other Related Fees

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

Nature of Service	Description	Professional fees (in P millions)	
		2020	2019
Audit and Audit-Related Services	Audit of the consolidated and separate financial statements of the Bank; audit of the combined financial statements of the trust and managed funds of the Trust Banking Group; limited reviews of interim condensed consolidated financial statements; agreed-upon procedures on issuance of comfort letters relative to issuances of debt and capital securities	25.459	33.109
Tax-Related Services	Business tax advisory services	0.280	—
All Other Services	Accounting advisory, consultancy on sustainable finance framework, training and other services	2.202	4.544
TOTAL		27.941	37.653

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

The approval of audit engagement fees is based on the Bank's existing Manual of Signing Authority. All engagements of the external auditor and the corresponding engagement fees are subject to approval by the BOD, as endorsed by the BACC.

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, 2020. The changes in the accounting policies that have or did not have any significant impact on the financial position or performance of the Group are discussed under Note 2 (Summary of Significant Accounting Principles) of the audited financial statements of the Group.

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.

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, 2020

Board of Directors: ^{1/}

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date last Elected</u>	<u>Date first Elected</u>	<u>Citizenship</u>
Florencia G. Tarriela	Independent Director ^{2/} and Chairperson of the Board of Directors Chairman of the Corporate Governance and Sustainability Committee Member of the Board Strategy and Policy Committee, Board IT Governance Committee, and Board Audit and Compliance Committee Non-Voting Member of the Executive Committee	73	6/23/2020	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 and Sustainability Committee, Board Audit and Compliance Committee, and Risk Oversight Committee Non-Voting Member of the Executive Committee	71	6/23/2020	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	79	6/23/2020	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	74	6/23/2020	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	65	6/23/2020	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.

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date last Elected</u>	<u>Date first Elected</u>	<u>Citizenship</u>
Estelito P. Mendoza	Director	90	6/23/2020	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	61	6/23/2020	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	78	6/23/2020	5/27/2014	Filipino
Sheila T. Pascual	Director Member of the Executive Committee, Board Strategy and Policy Committee and Trust Committee	58	6/23/2020	11/22/2019	Filipino
Carmen K. Tan	Director	79	6/23/2020	5/31/2016	Filipino
Lucio C. Tan	Director	86	6/23/2020	12/8/1999	Filipino
Michael G. Tan	Director Member of the Executive Committee, and Board Strategy and Policy Committee	54	6/23/2020	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	52	6/23/2020	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)	54	6/23/2020	11/16/2018	Filipino
Domingo H. Yap	Independent Director Chairman of the Board Oversight RPT Committee Member of the Corporate Governance and Sustainability Committee	86	6/23/2020	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.*

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date Appointed</u>	<u>Citizenship</u>
Ruth Pamela E. Tanghal	Corporate Secretary	52	9/25/2020	Filipino
Michelle A. Pahati-Manuel	Assistant Corporate Secretary	48	9/25/2020	Filipino
Mark M. Chen	Board Advisor	46	1/24/2020	American

William T. Lim	Board Advisor	80	1/25/2013	Filipino
Chester Y. Luy	Board Advisor	51	5/11/2020	Filipino
Harry C. Tan	Board Advisor	74	5/31/2016	Filipino

Executive Officers:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date of Assumption</u>	<u>Citizenship</u>
Jose Arnulfo A. Veloso	President and Chief Executive Officer	54	11/16/2018	Filipino
Cenon C. Audencial, Jr.	Executive Vice President Head of Institutional Banking Sector	62	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	53	6/24/2019	Filipino
Aida M. Padilla	Executive Vice President Head of the Enterprise Services Sector	71	12/15/2017	Filipino
Nelson C. Reyes	Executive Vice President Chief Financial Officer and Head of Financial Management Sector	56	1/1/2015	Filipino
Maria Paz D. Lim	First Senior Vice President Corporate Treasurer and Head of Corporate Expense Management Group	59	6/23/2006	Filipino
Nanette O. Vergara	First Senior Vice President Chief Credit Officer and Head of Credit Management Group	60	5/11/2017	Filipino
Manuel C. Bahena, Jr.	Senior Vice President Chief Legal Counsel and Head of Legal Group	59	2/11/2013	Filipino
Emeline C. Centeno	Senior Vice President Head of Corporate Planning and Research Division and Investor Relations Officer	62	6/1/2003	Filipino
Marie Fe Liza S. Jayme	Senior Vice President Head of Operations Group	58	5/2/2017	Filipino
Maria Adelia A. Josen	Senior Vice President Head of the Retail Banking Sector	67	11/27/2020	Filipino
Michael M. Morillos	Senior Vice President Head of Information Technology Group	52	5/1/2019	Filipino
Roland V. Oscuro	Senior Vice President Chief Information Security Officer	56	12/15/2017	Filipino
Joy Jasmin R. Santos	First Vice President Chief Trust Officer and Head of Trust Banking Group	47	11/2/2018	Filipino
Simeon T. Yap	First Vice President Chief Risk and Data Protection Officer and Head of Risk Management Group	58	4/1/2019	Filipino
Samuel G. Lazaro	Vice President Officer-in-Charge (OIC) of Internal Audit Group	49	6/1/2020	Filipino

B. Profile of Directors and Executive Officers as of December 31, 2020 together with their business experience covering at least the past five (5) years

Directors:

Name	FLORENCIA G. TARRIELA
Age	73
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * Chairman/Independent Director of PNB Capital and Investment Corporation, PNB-Mizuho Leasing and Finance Corporation, and PNB-Mizuho Equipment Rentals Corporation * Independent Director of PNB International Investments Corp. * Director of Eton Properties Philippines Inc. * Columnist for “Business Options” of the Manila Bulletin and “FINEX Folio” of Business World * Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation * Life Sustaining Member of the Bankers Institute of the Philippines * Trustee of Tulay sa Pag-unlad, Inc. (TSPI) Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc. * Director of Financial Executive Institute of the Philippines (FINEX) Foundation
Other Previous Positions	<ul style="list-style-type: none"> * Independent Director of PNB Life Insurance, Inc. * Director of Bankers Association of the Philippines * Undersecretary of Finance * Alternate Monetary Board Member of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation * Deputy Country Head, Managing Partner and first Filipina Vice President of Citibank N. A. * Country Financial Controller of Citibank NA Philippines for 10 years
Awards/Citations	<ul style="list-style-type: none"> * President, Bank Administration Institute of the Philippines * 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement * 2018 Go Negosyo Woman Intrapreneur Awardee

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

Name	FLORIDO P. CASUELA
Age	79
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * Chairman of PNB Securities, Inc. * Chairman of Casuela Equity Ventures, Inc. * Director of PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation
Other Previous Positions	<ul style="list-style-type: none"> * Senior Consultant of the Bank of Makati (a Savings Bank), Inc. * 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	<ul style="list-style-type: none"> * One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration * Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter

Name	LEONILO G. CORONEL
Age	74
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * Independent Director of DBP-Daiwa Capital Markets Phil. * Director of Software Ventures International
Other Previous Positions	<ul style="list-style-type: none"> * Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation * Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation * Director/Treasurer of Philippine Depository and Trust Corporation * Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council * Managing Director of BAP-Credit Bureau * President of Cebu Bankers Association * Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation * Worked with Citibank, Manila for twenty (20) years, occupying various positions.
Awards/Citations	* Fellow of the Australian Institute of Company Directors in 2002

Name	EDGAR A. CUA
Age	65
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * Vice Chairman of PNB Savings Bank * Independent Director of PNB Capital and Investment Corporation, Allied Commercial Bank, Xiamen, and PNB-Mizuho Leasing and Finance Corp. * Director of Davao Unicar Corporation

Previous Positions	<ul style="list-style-type: none"> * 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	90
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * Chairman of Prestige Travel, Inc. * Practicing lawyer for more than sixty (60) years
Other Previous Positions	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 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	61
Nationality	British
Education	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * March 21, 2013 (Director) * May 27, 2014 (Board Advisor) * May 26, 2015 (Director)
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Director of the Philippine Band of Mercy and the Federation of Philippine Industries * Chairman/Trustee of the British Chamber of Commerce * Trustee of the American Chamber Foundation Philippines, Inc., and Dualtech Training Center * Member of the Society of Fellows of the Institute of Corporate Directors
Other Previous Positions	<ul style="list-style-type: none"> * Trustee of Dualtech Training Foundation as of March 2017 * Director of PNB Holdings Corporation * Trustee of Tan Yan Kee Foundation * Director of the American Chamber of Commerce of the Philippines, Inc. * President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years * Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa

Name	FEDERICO C. PASCUAL
Age	78
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * Independent Director of Allianz PNB Life Insurance, Inc., PNB-Mizuho Leasing and Finance Corporation, PNB-Mizuho Equipment Rentals Corporation, PNB International Investments Corporation, PNB Savings Bank and PNB Holdings Corporation * Chairman of Bataan Peninsula Educational Institution, Inc * President/Director of Tala Properties, Inc. and Woldingham Realty, Inc.

Other Previous Positions	* Chairman/Director of Apo Reef World Resort
	* Director of 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
	* 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 PNOG Alternative Fuels Corporation
	* Director of Global Energy Growth System
	* 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	58
Nationality	Filipino
Education	* Bachelor of Science in Business Management from the Ateneo de Manila University
Current Position in the Bank	* Director
Date of First Appointment	* November 22, 2019
Directorship in Other Listed Companies	* None
Other Current Positions	* Business Development Manager of Allied Banking Corporation Hong Kong
Other Previous Positions	* Marketing Development Officer of Asia Brewery Incorporated

Name	CARMEN K. TAN
Age	79
Nationality	Filipino
Current Position in the Bank	* Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* Vice Chairman of LT Group, Inc. * Director of MacroAsia Corporation and PAL Holdings, Inc.
Other Current Positions	* Director: Philippine Airlines, Inc., Air Philippines Corporation, Asia Brewery, Inc., Buona Sorte Holdings, Inc., Cosmic Holdings Corporation, The Charter House, Inc., Dominion 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., Tanduary Distillers, Inc., Tangent Holdings Corporation, Trustmark Holdings Corp., Alliedbankers Insurance Corporation, Zuma Holdings and Management Corp., Grandspan Development Corp., Basic Holdings Corp., Saturn Holdings, Inc., Paramount Land Equities, Inc., Interbev Philippines, Inc., Waterich Resources Corp., and REM Development Corp.
Major Affiliations	* Director of Tan Yan Kee Foundation * Member of Tzu Chi Foundation

Name	LUCIO C. TAN
Age	86
Nationality	Filipino
Education	* Bachelor of Science in Chemical Engineering degree from Far Eastern University * Doctor of Philosophy, Major in Commerce, from University of 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. Lucky Travel Corporation, and Tangent Holdings Corporation * Chairman: Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Allianz PNB Life Insurance, Eton Properties Philippines, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, Asia Brewery, Inc., PNB Savings Bank, Tanduary Distillers, Inc., and Alliedbankers Insurance Corporation

	<ul style="list-style-type: none"> * President of Basic Holdings Corporation, Himmel Industries, Inc., and Grandspan Development Corporation * Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. * Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. * Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President
Other Previous Positions	<ul style="list-style-type: none"> * Chairman: Allied Banking Corporation and Allied Leasing and Finance Corporation
Awards/Citations	<ul style="list-style-type: none"> * 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	54
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada
Current Position in the Bank	<ul style="list-style-type: none"> * Director
Date of First Appointment	<ul style="list-style-type: none"> * February 9, 2013
Directorship in Other Listed Companies	<ul style="list-style-type: none"> * Director, President and Chief Operating Officer of LT Group, Inc. * Director of Victorias Milling Company, Inc. and MacroAsia Corporation
Other Current Positions	<ul style="list-style-type: none"> * Director of PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited * Director, President and Chief Operating Officer of Asia Brewery, Inc. * Director and Treasurer of Zuma Holdings and Management Corporation * Director of the following companies: Philippine Airlines Foundation, Air Philippines Corp., Absolut Distillers, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Eton Properties Philippines, Inc., Shareholdings, Inc., Lucky Travel Corporation, PMFTC, Inc., Maranaw Hotel (Century Park Hotel), Pan Asia Securities, Inc., ALI-Eton Development Corporation, Asia's Emerging Dragon Corporation, Paramount Land Equities, Inc., Sabre Travel Network (Philippines), Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, MacroAsia Corp. and Trustmark Holdings Corporation.
Other Previous Positions	<ul style="list-style-type: none"> * Chairman of PNB Holdings Corporation * Director of Philippine Airlines Inc. Bulawan Mining Corporation, PNB Management and Development Corporation, Alliedbankers Insurance Corporation and PNB Forex, Inc. * Director and Treasurer of PAL Holdings, Inc. * Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013

Name	VIVIENNE K. TAN
Age	52
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * Director
Date of First Appointment	<ul style="list-style-type: none"> * December 15, 2017
Directorship in Other	<ul style="list-style-type: none"> * Director of LT Group, Inc. and MacroAsia Corporation

Listed Companies	
Other Current Positions	<ul style="list-style-type: none"> * Director of Eton Properties Philippines, Inc., * Executive Director of Dynamic Holdings Limited * Trustee of University of the East, University of the East Ramon Magsaysay Memorial Medical Center and College of Saint Benilde * Founding Chairperson of the Entrepreneurs School of Asia (ESA) * Founding Trustee of the Philippine Center for Entrepreneurship (Go Negosyo)
Other Previous Positions	<ul style="list-style-type: none"> * Board Advisor of LT Group, Inc. * Director of PAL Holdings * Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines, Inc. * Executive Vice President, Commercial Group and Manager, Corporate Development, of Philippine Airlines, Inc. * Director of Bulawan Mining Corporation and PNB Management and Development Corporation * Founder and President of Thames International Business School * Owner of Vaju, Inc. (Los Angeles, U.S.A.) * Systems Analyst/Programmer of Fallon Bixby & Cheng Law Office (San Francisco, U.S.A.) * Proponent/Partner of various NGO/social work projects like Gawad Kalinga's GK-Batya sa Bagong Simula, livelihood programs thru Teenpreneur Challenge spearheaded by ESA, Conserve and Protect Foundation's artificial reef project in Calatagan, Batangas, Quezon City, Sikap-Buhay Project's training and mentorship program for micro-entrepreneurs, and as Chairman of Ten Inspirational Entrepreneur Students Award
Awards/Citations	<ul style="list-style-type: none"> * Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Excellence in Education and Social Entrepreneurship Award (2007), Leading Women of the World Award (2007), and "People of the Year", People Asia Award (2008)
Name	JOSE ARNULFO A. VELOSO
Age	54
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Commerce – Marketing Management from De La Salle University
Current Position in the Bank	<ul style="list-style-type: none"> * President and Chief Executive Officer
Date of First Appointment	<ul style="list-style-type: none"> * November 16, 2018
Directorship in Other Listed Companies	<ul style="list-style-type: none"> * None
Other Current Positions	<ul style="list-style-type: none"> * Director of Allianz PNB Life Insurance, Inc. * Director of Bankers Association of the Philippines and Chairman of the BAP Capital Markets Development Committee

	<ul style="list-style-type: none"> * Director of European Chamber of Commerce of the Philippines * Director of Phil. Payments Management Inc. * Member of the Asian Banker's Association * Member of the CIBI Foundation Inc.
Other Previous Positions	<ul style="list-style-type: none"> * Chairman and Director of HSBC Insurance Brokers (Philippines), Inc. and HSBC Savings Bank (Philippines), Inc. * Director of PNB Global Remittance & Financial Co. (HK) Ltd. * Director and Chairperson of the Open Market Committee of Banker's Association of the Philippines * Director of the Philippine Dealing and Exchange Corporation * Director of the Philippine Securities Settlement Corporation * Director of the British Chamber of Commerce Philippines * President and Chief Executive Officer of HSBC Philippines * President of the Money Market Association of the Philippines * Managing Director, Treasurer and Head of Global Banking and Markets of HSBC Global Markets * Treasurer and Head of Global Markets of HSBC Treasury * Head of Domestic Treasury of PCI Bank/ PCI-Capital * Fixed Income Portfolio Head of Citibank * Fixed Income Trader of Asia Trust * Supervisor of Urban Bank * Chairman of the Council of Trustees of the British School Manila * Member of Assocacion Cambiste Internationale
Name	DOMINGO H. YAP
Age	86
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Administration major in Business Management from San Sebastian College Recoletos
Current Position in the Bank	<ul style="list-style-type: none"> * Independent Director
Date of First Appointment	* August 23, 2019
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * President of H-Chem Industries, Inc., DHY Realty and Development Inc., Colorado Chemical Sales Corporation, Universal Paint & Coating Philippines, Inc., and AllianceLand Development Corporation
Other Previous Positions	<ul style="list-style-type: none"> * 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	46
Nationality	American
Education	<ul style="list-style-type: none">* 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	<ul style="list-style-type: none">* Board Advisor
Date of First Appointment	<ul style="list-style-type: none">* January 24, 2020
Other Current Positions	<ul style="list-style-type: none">* 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	<ul style="list-style-type: none">* 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	<ul style="list-style-type: none">* United States Presidential Scholar* United States Byrd Congressional Award

Name	WILLIAM T. LIM
Age	80
Nationality	Filipino
Education	<ul style="list-style-type: none">* Bachelor of Science in Chemistry from Adamson University
Current Position in the Bank	<ul style="list-style-type: none">* Board Advisor
Date of First Appointment	<ul style="list-style-type: none">* January 25, 2013
Directorship in Other Listed Companies	<ul style="list-style-type: none">* None
Other Current Positions	<ul style="list-style-type: none">* 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	<ul style="list-style-type: none">* 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	CHESTER Y. LUY
Age	51
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Administration (Magna Cum Laude), University of the Philippines * Masters in Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University * Chartered Financial Analyst (CFA)
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 11, 2020
Other Current Positions	* Director of PNB-Mizuho Leasing and Finance Corporation, PNB Europe and PNB Global Remittance and Financial Corporation (Hong Kong)
Other Previous Positions	<ul style="list-style-type: none"> * EVP and Head of Strategy Sector and Wealth Management Group * Senior Executive Vice President, Treasurer and Head for the Financial Advisory and Markets Group of Rizal Commercial Banking Corporation * He served in leadership roles as Managing Director across a variety of businesses with several international banks and was based in New York, Singapore and Manila. He worked with JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore and RCBC. * Member of the Singapore Institute of Directors * Served on the Board of a Singapore-based Real Estate and Hospitality Entity
Awards/Citations	<ul style="list-style-type: none"> * Men Who Matter Award (2017) by People Asia Magazine Survey * Top Senior Analyst in the U.S by Institutional Investor Magazine Polls for several years * Most Outstanding Business Administration Student for the Class of 1990 of University of the Philippines

Name	HARRY C. TAN
Age	74
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * Chairman of PNB Management Development Corporation, and PNB Global Remittance and Financial Company (HK) Limited * Director of PNB Savings Bank

	<ul style="list-style-type: none"> * Chairman of the Tobacco Board of Fortune Tobacco Corporation * President of Landcom Realty Corporation * Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City, Inc. * Managing Director/Vice Chairman of The Charter House Inc. * Director of various private firms which include Asia Brewery, Inc., Dominion 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	<ul style="list-style-type: none"> * Chairman of Bulawan Mining Corporation * Director of Philippine National Bank * Director of Allied Banking Corporation * Director of Philippine Airlines, Inc. * Director of MacroAsia Corporation * President of Century Park Hotel
Name	RUTH PAMELA E. TANGHAL
Age	52
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Mathematics from the Notre Dame University, Cotabato City * Bachelor of Laws from the Notre Dame University, Cotabato City
Current Position in the Bank	* Corporate Secretary
Date of First Appointment	* September 25, 2020
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Corporate Secretary of PNB Management and Development Corporation (MADECOR), PNB Holdings Corporation, and PNB Savings Bank * Director of E.C. Tanghal & Co., Inc. and Palm Tree Bank, Inc. * Corporate Secretary of Genbancor Condominium Corporation
Other Previous Positions	<ul style="list-style-type: none"> * Assistant Corporate Secretary of PNB * Corporate Secretary of Bulawan Mining Corporation * Documentation Lawyer, PNB Legal Group * Director/Corporate Secretary, Rural Bank of Cotabato, Inc. * Director, Rural Bankers Association of the Philippines, Inc.

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

Executive Officers:

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

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

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

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

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

MARIA PAZ D. LIM, 59, Filipino, First Senior Vice President, is the Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

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

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

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

(RBS) in February 2020 before she was officially appointed as the Head of RBS in November 2020. She obtained her degree in A.B. Economics at La Salle College.

MARIE FE LIZA S. JAYME, 58, Filipino, Senior Vice President, is Head of the Operations Group. She graduated with a degree in Bachelor of Arts, Major in Communication Arts and Business Administration from the Assumption College and completed academic units in Master in Business Administration from the Ateneo de Manila University. She joined PNB in 2007 as Head of Cash Product Management Division to establish the bank's cash management services. Ms. Jayme began her career in banking in 1990 as an account officer with Land Bank of the Philippines. From then on, she assumed expanded and multiple roles and responsibilities in account management as Senior Manager with United Coconut Planters Bank; risk management, cash and trades sales, cash products as Assistant Vice President in Citibank, N.A.'s Global Transaction Services/E-business; and marketing and product management as Vice President and Head of Marketing and Product Management Group of Export and Industry Bank. Prior to banking, Ms. Jayme held senior staff positions with the Office of the Secretary of Finance, Department of Trade and Industry and former Office of the Prime Minister.

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

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

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

SOCORRO D. CORPUS, 68, Filipino, is the Officer in Charge of Human Resources Group of Philippine National Bank. “Cora” retired from the Bank in 2017 as First Senior Vice President and Head of the Human Resources Group. Thereafter, she joined Assessment Analytics Inc. (AAI), a company that provides assessment solutions and measurements of talent as a Consultant. She is a graduate of Assumption College with Bachelor of Arts degree, Major in Psychology and an Associate in Commercial Science Degree. She has been an HR practitioner for more than 35 years. She started her career with China Banking Corporation in 1973 prior to joining the Allied Banking Corporation in 1977. Her professional affiliations include the following: founding member and a Board Member of the Organization Development Professional Network, past President and member of the Bankers’ Council for People Management, member of the Personnel Management Association of the Philippines and the regular Bank representative to the Banking Industry Tripartite Council.

JOY JASMIN R. SANTOS, 47, Filipino, First Vice-President, is the Chief Trust Officer and Head of Trust Banking Group. She has served as Vice-President and Corporate Trust Division Head from 2013 to 2018 and Business Development Division Head of the Trust Banking Group from 2010 to 2012. Prior to joining PNB, she was the International Business Development Head for Asia of Globe Telecom. She was also the Vice-President for Retail Banking of Citibank Savings Inc. from 2005 to 2009. She held key managerial positions in Keppel Bank, American Express Bank and Bank of Philippine Islands. Ms. Santos graduated as Cum Laude in 1994 from the Ateneo de Manila University with a degree of Bachelor of Arts, Major in Management Economics and obtained her Masters in Business Administration from the Australian National University, Canberra, Australia in 2002. She has completed the One-Year Course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines in 2015 and graduated with Distinction.

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

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

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 10. Executive Compensation

A. General

The annual compensation of executive officers consists of a 16-month guaranteed cash emolument. Non-executive directors are entitled to a per diem for each Board or Board committee meeting attended as follows: P50,000.00 for each board meeting and P25,000.00 for each committee meeting, provided that in no case shall the total per diem exceed P250,000.00 per month for

committee meetings. No other emoluments are granted to non-executive directors of the Bank except for the aforementioned per diem. The President and CEO, being the only executive director, is not entitled to any per diem as it is deemed incorporated in his compensation. Total per diem given to the Board of Directors of the Bank amounted to P53.0 million in 2020 from P45.5 million in 2019.

B. Summary of Compensation Table

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

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

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

D. 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 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., 10th, 15th, 20th, 25th, 30th, 35th and 40th 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, 2020)

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	59.8264653298%
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		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		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		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		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 2020*)

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%

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Christopher J. Nelson Director	100 shares ₱4,000.00 (R)	British	0.0000065541%
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	62,250 shares ₱2,490,000.00 (R)	Filipino	0.0040799210%
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 ₱40.00 (R)	Filipino	0.0000000655%
<i>Sub-total</i>	15,338,763 shares ₱613,550,520.00 (R)		1.0053163173%
All Directors & Executive Officers as a Group	15,463,813 shares ₱618,552,520.00 (R)		1.0135122067%

Voting Trust Holders of 5% or More

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

(3) Changes in Control

There has been no change in control in the bank for the year 2020.

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, 2020 and 2019, 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, 2020
Exhibit II	List of Branches under Lease as of December 31, 2020
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, 2020 and 2019 and for each of the three years ended December 31, 2020, 2019 and 2018 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
Exhibit V	Sustainability Report for the Year 2020

B. Reports on SEC Form 17-C

**LIST OF SEC FORM 17-C REPORTS DURING
FOR THE YEAR 2020**

DATE	PARTICULARS						
January 17, 2020	<p>Change in shareholdings of Mr. Michael G. Tan, Director of the Bank, through acquisition of PNB common shares, with details as follows:</p> <table><tr><th>Date of Acquisition</th><th>No. of PNB Shares acquired</th><th>Price</th></tr><tr><td>January 16, 2020</td><td>62,000</td><td>P32.20</td></tr></table>	Date of Acquisition	No. of PNB Shares acquired	Price	January 16, 2020	62,000	P32.20
Date of Acquisition	No. of PNB Shares acquired	Price					
January 16, 2020	62,000	P32.20					
January 27, 2020	<p>Board approval of the following:</p> <ol style="list-style-type: none">Holding of the Annual Stockholders’ Meeting of the Bank on April 28, 2020 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 March 30, 2020 will be entitled to notice of and to vote at the meeting. <p>The Agenda for the Meeting will be as follows:</p> <ol style="list-style-type: none">Call to OrderSecretary’s Proof of Notice and QuorumApproval of the Minutes of the 2019 Annual Stockholders’ Meeting held on April 30, 2019Report of the President on the Results of Operations for the Year 2019Approval of the 2019 Annual ReportRatification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2019 Annual Stockholders’ MeetingElection of DirectorsAppointment of External AuditorOther MattersAdjournment <ol style="list-style-type: none">Early retirement of Mr. Schubert Caesar C. Austero, Senior Vice President and Head of the Human Resource Group, effective February 6, 2020;Appointment of Ms. Socorro D. Corpus as Officer-in-Charge of the Human Resource Group, effective February 1, 2020; andAppointment of Mr. Mark M. Chen as Board Advisor of the Bank.						
February 28, 2020	<p>Board approval of the following nominees to the Board of Directors of the Bank for the year 2020-2021, as confirmed by the Corporate Governance and Sustainability Committee:</p> <ol style="list-style-type: none">Mr. Felix Enrico R. AlfilerMr. Florido P. CasuelaMr. Edgar A. CuaMr. Leonilo G. CoronelMr. Estelito P. Mendoza						

DATE	PARTICULARS												
	<p>f) Mr. Christopher J. Nelson g) Mr. Federico C. Pascual h) Ms. Sheila T. Pascual i) Ms. Carmen K. Tan j) Mr. Lucio C. Tan k) Mr. Michael G. Tan l) Ms. Vivienne K. Tan m) Ms. Florencia G. Tarriela n) Mr. Jose Arnulfo A. Veloso o) Mr. Domingo H. Yap</p> <p>Mr. Felix Enrico R. Alfiler, Mr. Edgar A. Cua, Mr. Federico C. Pascual, Ms. Florencia G. Tarriela and Mr. Domingo H. Yap were nominated as Independent Directors.</p>												
March 3, 2020	Sent letter to the Commission to advise that on March 2, 2020, the Bank executed the Deed of Absolute Sale for the sale of its 100% shareholdings in PNB Management and Development Corporation to MacroAsia Mining Corporation.												
March 6, 2020	Notice of Analysts’ Briefing												
March 9, 2020	Press Release - PNB reports net income of P9.8 billion for 2019, Bank’s core net income up 57%												
March 10, 2020	<p>Board approval of the following:</p> <p>1. Termination for cause of Mr. Bernardo H. Tocmo, Executive Vice President and Head of Retail Banking Sector, effective March 9, 2020; and</p> <p>2. Appointment of Ms. Ma. Adelia A. Joson as Senior Vice President and Officer-in-Charge of the Retail Banking Sector, effective March 9, 2020, vice Mr. Tocmo.</p>												
March 18, 2020	Notice of Postponement of Analysts’ Briefing												
March 20, 2020	Passing of Mr. Manuel T. Gonzales, a Board Advisor of the Philippine National Bank, on March 20, 2020												
March 27, 2020	<p>Board approval of the following:</p> <p>1. Change in the schedule of the Bank's Annual Stockholders' Meeting from April 28, 2020 to June 23, 2020, in view of the COVID-19 outbreak and the Enhanced Community Quarantine</p> <table><tr><td></td><td>FROM</td><td>TO</td></tr><tr><td>Date</td><td>April 28, 2020</td><td>June 23, 2020</td></tr><tr><td>Time</td><td>8:00 o’clock a.m.</td><td>8:00 o’clock a.m.</td></tr><tr><td>Venue</td><td>Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo</td><td>Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo</td></tr></table>		FROM	TO	Date	April 28, 2020	June 23, 2020	Time	8:00 o’clock a.m.	8:00 o’clock a.m.	Venue	Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo	Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo
	FROM	TO											
Date	April 28, 2020	June 23, 2020											
Time	8:00 o’clock a.m.	8:00 o’clock a.m.											
Venue	Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo	Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo											

DATE	PARTICULARS		
		Ocampo, Sr. St., Malate, City of Manila	Ocampo, Sr. St., Malate, City of Manila
	Record Date	March 30, 2020	May 25, 2020
	2. Resignation of Mr. Antonio T. Baculi, SVP and Head of Retail Lending Group, effective April 18, 2020.		
April 6, 2020	Change in the corporate names of the following subsidiaries of the Bank:		
	FROM		TO
	PNB-IBJL Leasing and Finance Corporation		PNB-Mizuho Leasing and Finance Corporation
	PNB-IBJL Equipment Rentals Corporation		PNB-Mizuho Equipment Rentals Corporation
April 8, 2020	Submission a copy of the Secretary’s Certificate on the approval of the PNB Board of Directors of the change in schedule of the Bank’s 2020 Annual Stockholders’ Meeting from April 28, 2020 to June 23, 2020, in view of the COVID-19 pandemic and the Enhanced Community Quarantine.		
April 24, 2020	Board approval of the following:		
	1. Early retirement of Mr. Edilberto S. Ramos, SVP and Head of Branch Banking Group under the Retail Banking Sector, effective April 10, 2020; and		
	2. Early retirement of Mr. Martin G. Tengco, Jr., FVP, Chief Audit Executive and Head of Internal Audit Group, effective May 31, 2020.		
May 11, 2020	Board approval of the resignation of Mr. Chester Y. Luy, Executive Vice President and Head of Wealth Management Group and Strategy Sector, effective May 11, 2020, and his appointment as PNB Board Advisor, effective May 11, 2020.		
May 13, 2020	Press Release - PNB reports 33% rise in Q1 revenues, build up loan reserves due to COVID 19		
May 22, 2020	Board approval of the following:		
	1. To conduct the 2020 Annual Stockholders’ Meeting (ASM) scheduled on June 23, 2020 through remote communication and allow <i>voting in absentia</i> to provide the stockholders a safer mode of attendance and participation in the Bank’s ASM;		
	2. Amendment of the Bank’s Amended By-Laws to allow participation through remote communication at stockholders’ meetings and Board meetings, subject to shareholder and regulatory approvals;		
	3. Revised Table of Organization of the Bank;		
	4. Amendment of the Corporate Governance Manual;		
	5. Amendment of the Corporate Governance and Sustainability Committee Charter; and		

DATE	PARTICULARS
	6. Appointment of Mr. Christian Jerome O. Dobles, SVP, as Head of Transformation under the Financial Management Sector, effective May 22, 2020.
June 19, 2020	Board approval of the resignation of Mr. Christian Eugene S. Quiros, SVP, as Head of Cards Banking Solutions Group under Retail Banking Sector, effective July 1, 2020.
June 23, 2020	Results of the 2020 Annual Stockholders' Meeting and the Board of Directors' Organizational Meeting.
July 22, 2020	Purchase of 316,404 PNB shares at a price of ₱20.30 per share on behalf of eligible PNB officers and employees pursuant to the grant of the PNB Centennial Anniversary Bonus.
July 24, 2020	Board approval of following: <ol style="list-style-type: none"> 1. Appointment of Ms. Maria Teresa C. Velasco, Senior Vice President, as Head of Wealth Management Group under the Global Banking and Markets Sector, effective August 1, 2020; and 2. Amendment of the Executive Committee Charter.
August 11, 2020	Press Release – PNB sustains strong core income growth in first half of 2020, continues to boost loan reserves
August 28, 2020	Board approval of the amendment of the Board Audit and Compliance Committee Charter.
September 11, 2020	Board approval of a plan to realize the market value of the Bank's prime properties and reduce its low-earning assets to strengthen the Bank's financial position. The final terms and conditions of the underlying transactions will be disclosed once the necessary internal and external regulatory approvals are obtained.
September 25, 2020	Board approval of the following: <ol style="list-style-type: none"> 1. Subscription to additional 466,770,000 shares of PNB Holdings Corporation ("PHC"), with a par value of Php100.00 per share to be issued out of an increase in the authorized capital stock of PHC, at a subscription price of Php100.00 per share in exchange for certain real estate properties of the Bank, subject to the necessary corporate and regulatory approvals; 2. Resignation of Ms. Maila Katrina Y. Ilarde – DeLapp as Corporate Secretary of the Bank, effective October 3, 2020; 3. Appointment of Ms. Ruth Pamela E. Tanghal as Corporate Secretary of the Bank, vice Ms. Ilarde – DeLapp, effective October 3, 2020; 4. Appointment of Ms. Michelle A. Pahati – Manuel as Assistant Corporate Secretary of the Bank, vice Ms. Tanghal, effective October 3, 2020; and 5. Appointment of Ms. Mariana F. Caculitan, Senior Vice President, as Head of Institutional Transaction Banking Group in concurrent capacity

DATE	PARTICULARS
	as Head of Institutional Transaction Banking Sales Division under the Institutional Banking Sector, effective September 25, 2020.
October 23, 2020	Board approval of the resignation of Mr. Norman Martin C. Reyes, Senior Vice President, as Head/Chief Marketing Officer of Marketing and Product Development Group, effective October 31, 2020.
November 4, 2020	Notice of Analysts' Briefing
November 11, 2020	Press Release - PNB Registers 42% increase in profits before provisions for first 9 months of 2020
November 27, 2020	Board approval of the following: <ol style="list-style-type: none"> 1. Amendment of the Board Oversight RPT Committee Charter; and 2. Appointment of Ms. Maria Adelia A. Josen, Senior Vice President, as Head of the Retail Banking Sector, effective November 27, 2020.
December 11, 2020	Board approval of the following: <ol style="list-style-type: none"> 1. Resignation of Mr. Rommell B. Narvaez, Senior Vice President, as Head of Marketing and Brand Management Sector, effective December 31, 2020; and 2. Sale of 100% shareholdings of PNB and PNB Holdings Corporation in PNB General Insurers Company, Incorporated to Allied Bankers Insurance Corporation for a total purchase price of ₱1,523,374,730.48, subject to regulatory and other necessary approval/s.


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 __, 2021.




JOSE ARNULFO A. VELOSO
President and Chief Executive Officer




NELSON C. REYES
Executive Vice President and Chief Financial Officer



MARIE FELIZA S. JAYME
First Senior Vice President
Operations Group Head
(Principal Operating Officer)



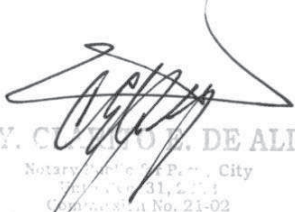
AIDELL AMOR R. GREGORIO
Vice President, Controller and
Deputy Chief Financial Officer
(Principal Accounting Officer)



ATTY. RUTH PAMELA E. TANGHAL
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 26 day of March 2021 affiants exhibiting to me their Passport Identification No.

Doc. No. 157
Page No. 57
Book No. 78
Series of 2021



ATTY. CESAR O. DE ALDAY
Notary Public for the City
of Pasay, Philippines
Commission No. 21-02
2nd Floor FNB Financial Center
Asean Blvd, Pasay City
Roll No. 52308
Exp. No. 131778 / Nov. 3, 2020 / RSM
P.L. No. 733062 / Jan. 05, 2021 / Pasay
McLE Compliance No. VI-0017857; Feb. 14, 2019

Exhibit I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2020

BRANCH NAME	ADDRESSES
Metro Manila	
Makati-Allied Bank Center	G/F Allied Bank Center, 6754 Ayala Ave. cor. Legazpi St., Makati City
Makati-San Lorenzo	G/F, Jackson Bldg., 926 A. Arnaiz Avenue, Makati City
Makati-Ayala Ave.	G/F, VGP Center, 6772 Ayala Avenue, Makati City
Makati-Benavidez	Unit G-1D, G/F BSA Mansion, 108 Benavidez St., Legaspi Village, Makati City
Makati-Legaspi Sotto	Legazpi and Sotto Streets, Legazpi Village, Makati City
Makati-C. Palanca	G/F, Unit G1 and G2, BSA Suites, G103 C. Palanca corner dela Rosa Streets, Makati City
Makati-Buendia-Petron Mega Plaza	G/F, Petron Mega Plaza Bldg., 358 Sen. Gil Puyat Avenue, Makati City
Makati-Poblacion	1204 JP Rizal St., corner Angono & Cardona Streets, Makati City
Makati-AyalaRufino	Unit1-B,G/F, Rufino Tower, Ayala Ave. cor. Rufino St., Makati City
Head Office Center	G/F, PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City
Pasay-Baclaran	2976 Mexico Avenue, Pasay City
Makati-Buendia-Dian	56 Gil Puyat Ave., Buendia, Makati City
Parañaque-Better Living	ABC Bldg., Doña soledad Ave., Better Living Subd., Parañaque City
Las Piñas-City Hall	#19 Alabang Zapote Road, Pamplona II, Las Piñas City
Caloocan-Rizal Ave. Ext.	1716 Rizal Ave. Ext., cor. L. Bustamante St., Caloocan City
MALABON – RIZAL AVE.	701 Rizal Ave., cor. Magsaysay St., Malabon, Metro Manila
VALENZUELA – MC ARTHUR	101 McArthur Hi-way, Bo. Marulas, Valenzuela City
Caloocan-Sangandaan	Gen. San Miguel St., Brgy. 4, Zone 1, Sangandaan, Dist. II, Caloocan City
Malabon-F. Sevilla	F. Sevilla Blvd., Brgy. Tahong, Malabon City
Valenzuela-Karuhatan	313 San Vicente St. corner Mc Arthur Highway, Karuhatan, Valenzuela City
Navotas-M. Naval	865 M. Naval St., Navotas, Metro Manila
Q.C.-West Triangle	1396 Quezon Ave., Quezon City
Binondo-Quintin Paredes	Alliance Bldg., 410 Quintin Paredes St., Binondo, Manila
Divisoria-Sto. Cristo	Sto. Cristo cor. M. delos Santos Sts., Divisoria, Metro Manila
Binondo-Plaza Del Conde	San Fernando Towers, Plaza del Conde. Binondo Manila
Manila-J. Abad Santos-Bambang	Unit B, Dynasty Towers, J. Abad Santos corner Bambang Sts., Manila
Manila-Arranque	Soler Citiriser Building, 1427 Soler St., Sta. Cruz, Manila
Manila-Rizal Ave.-Herrera	Rizal Avenue corner Saturnino Herrera St., Sta. Cruz, Manila
Manila-Dapitan	Dapitan St. cor. M. dela Fuente St., Metro Manila
Manila-Earnshaw	Earnshaw corner Jhocson Sts., Sampaloc, Manila
Manila-Paco-Pedro Gil	Pedro Gil cor. Pasaje-Rosario Sts., Paco, Metro Manila
Q.C.-Elliptical Road	Elliptical Road cor. Kalayaan Avenue, Diliman, Quezon City
Q.C.-Project 3-Aurora Blvd.	1003 Aurora Blvd., cor. Lauan St., Quirino Dist., Quezon City
Q.C.-Cubao Main	Aurora Blvd. cor. Gen. Araneta St., Araneta Center, Cubao, Quezon City 1109
Q.C.-Novaliches-Gulod	903 Quirino Hi-way, Barangay Gulod, Novaliches, Quezon 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.-P. TUAZON	279 P. Tuazon Blvd., Cubao, Quezon 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

Exhibit I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2020

BRANCH NAME	ADDRESSES
Mandaluyong-Wack-Wack	Summit One Tower, Shaw Blvd., Wack-Wack, Mandaluyong City
Pasig-Julia Vargas	Lot 5, Block 13-A, Julia Vargas & Jade Drive, Brgy. San Antonio, Ortigas Center, Pasig City
Rizal-Angono	Quezon Ave. cor. E. Dela Paz St., Brgy. San Pedro, Angono, Rizal
Cainta-Felix Ave.-San Isidro	F. P. Felix Avenue, Brgy. San Isidro, Cainta, Rizal 1900
Marikina-A. Tuazon	Mayor Gil Fernando Ave. (Angel Tuason Ave.), cor. Chestnut St. San Roque, Marikina City
Q.C.-Kamuning	118 Kamuning Road, Quezon City
Q.C.-New Manila	322 E. Rodriguez Sr. Ave., New Manila, Quezon City
Q.C.-Quadrangle	Unit I Paramount Condominium, EDSA corner West Ave., Quezon City
Q.C.-West Avenue	92 West Ave., Quezon City
Northern Luzon	
La Union-San Fernando Plaza	Quezon Ave., City of San Fernando, La Union
Baguio City-Session Road	51 Session Road, Corner Upper Mabini St., Baguio City
Agoo-Consolacion	Verecles St., Consolacion, Agoo, La Union
La Union-San Fernando-Quezon Ave.	612 Quezon Ave., San Fernando, La Union
Batanes-Basco	NHA Bldg., Caspo Fiesta Road Kaychanarianan, Basco, Batanes
Vigan City-Florentino	Leona Florentino St., Vigan City, Ilocos Sur 2700
Laoag City-J.P. Rizal	Brgy. 10, Trece Martires St. Corner J.P. Rizal St., Laoag City 2900
Ilocos Norte-Batac	cor San Marcelino and Concepcion Sts., Batac, Ilocos Norte
Candon City-San Antonio	National Highway cor. Dario St., San Antonio, Candon City 2700
Abra-Bangued-Magallanes	Cor. Taft & Magallanes Sts., Bangued, Abra
Candon City-Nat'l. Hi-Way	National Hi-way, Candon, Ilocos Sur
Abra-Bangued	McKinley corner Peñarrubia Streets, Zone 4, Bangued, Abra , 2800
Isabela-Santiago-Maharlika	Marcos Highway cor. Camacam St., Centro East, Santiago City, Isabela 3311
Cagayan-Tuguegarao-Bonifacio	Bonifacio St., Tuguegarao City, Cagayan 3500
Nueva Vizcaya-Solano	Maharlika National Highway, Solano, Nueva Vizcaya
Cagayan-Aparri	J.P. Rizal St., Aparri, Cagayan 3515
Nueva Vizcaya-Bayombong	J.P. Rizal St., District 4, Bayombong, Nueva Vizcaya
Isabela-Cauayan	Maharlika Hi-way cor Cabanatuan Rd., Cauayan, Isabela 3305
Isabela-Iligan	Old Capitol Site Calamagui 2, Ilagan City, Isabela 3300
Isabela-Roxas	Cor. Don Mariano Marcos Ave. & Bernabe Sts., Roxas, Isabela 3320
Malolos City-Sto. Niño	Sto. Niño, Malolos City, Bulacan
Bulacan-Baliuag	015 Rizal St., San Jose, Baliuag, Bulacan
San Fernando City-A. Consunji	A. Consunji St., Sto. Rosario, City of San Fernando, Pampanga
Pampanga-Mabalacat-Dau	MacArthur Highway, Dau, Mabalacat, Pampanga 2010
Angeles-Sto. Rosario	730 Sto. Rosario St., Angeles City, Pampanga 2009

Exhibit I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2020

BRANCH NAME	ADDRESSES
Pampanga-Guagua	Ziga Avenue, Cor. Bonifacio St., Tayhi, Tabaco City
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
Nueva Ecija-Gapan-San Vicente	Tinio Street, San Vicente, Gapan City, Nueva Ecija
Nueva Ecija-Gapan-Poblacion	Tinio Street, Poblacion, Gapan City, Nueva Ecija
Cabanatuan-Central Market	Corner Paco Roman and Del Pilar Sts., Cabanatuan City, Nueva Ecija
Zambales-Iba-R. Magsaysay Ave.	1032 Magsaysay Ave., Iba Zambales 2201
Olongapo City-Rizal Ave.	2440 Rizal Ave., East Bajac-Bajac, Olongapo City, Zambales 2200
Bataan-Balanga	Zulueta St., Poblacion, Balanga, Bataan 2100
Tarlac-Concepcion	A. Dizon St., San Nicolas, Concepcion, Tarlac 2316
Dagupan City-A.B. Fernandez	A.B. Fernandez Ave., Dagupan City
Pangasinan-Lingayen	Avenida Rizal East cor. Maramba Blvd., Lingayen, Pangasinan
Tarlac-Paniqui	M.H. Del Pilar St., corner Mc Arthur Hi-way, Paniqui Tarlac
Pangasinan-Tayug	PNB Tayug Branch Bldg., Zaragoza Street, Poblacion, Tayug, Pangasinan 2445
Tarlac City-F. Tañedo	F. Tanedo St., San Nicolas, Tarlac City
Urdaneta City-Nancayasan	Mc Arthur Highway, Nancayasan, Urdaneta City, Pangasinan 2428
Pangasinan-Rosales	MC Arthur Highway, Carmen East, Rosales, Pangasinan
Alaminos City-Quezon Ave.	Quezon Avenue, Poblacion, Alaminos City, Pangasinan
Southern Luzon	
Lipa City-B. Morada	B. Morada Ave., Lipa City, Batangas
Batangas-Balayan	147 Plaza Mabini, Balayan, Batangas
BATANGAS-BAUAN MARKET	San Jose St., Poblacion IV, Bauan, Batangas
Bacoor City-Aguinaldo Hi-Way	KM 17, Aguinaldo Highway, Bacoor, Cavite
Cavite-Silang	166 J.P. Rizal St., Silang, Cavite
Cavite City-Caridad	P. Burgos Avenue, Caridad, Cavite City
Tagaytay-Aguinaldo	E. Aguinaldo Hi-way, Tagaytay City, Cavite
Cavite-Kawit-Binakayan	Allied Bank Bldg., Gen. Tirona Highway, Binakayan, Kawit, Cavite
Laguna-San Pablo City	M. Paulino St., San Pablo City, Laguna
Laguna-San Pedro	KM 30 National Hi-way, San Pedro, Laguna
Laguna-Calamba-Poblacion	Burgos St., Calamba City
Quezon-Lopez	San Francisco St. Talolong Lopez Quezon
Laguna-Sta. Cruz-P. Guevarra	Pedro Guevarra Avenue Brgy. Uno Sta. Cruz, Laguna
Lucena City-Quezon Ave.	Quezon Ave., Brgy IX, Lucena City
Quezon-Candelaria	National Road, Poblacion, Candelaria, Quezon
Naga City-Gen. Luna	Gen. Luna St., Brgy. Abella, Naga City, Camarines Sur
Iriga City-San Roque	Highway 1, San Roque, Iriga City, Camarines Sur
Camarines Norte-Daet-Carlos II	Carlos II St., Brgy. 3, Daet, Camarines Norte
Masbate City	Quezon St., Brgy. Pating, Masbate City, Masbate
Legazpi City-Don B. Erquiaga (former name LEGASPI)	Corner Rizal and Gov. Forbes Sts., Brgy. Baybay, Legaspi City
Sorsogon City-Rizal	Rizal St., Sorsogon City
Albay-Tabaco	Ziga Avenue, Cor. Bonifacio St., Tayhi, Tabaco City
Albay-Daraga	Baylon Compound, Market Site, Rizal St. Daraga, Albay
Occ. Mindoro-San Jose	Quirino corner M.H. Del Pilar Sts., Brgy. 6, San Jose, Occidental Mindoro 5100

Exhibit I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2020

BRANCH NAME	ADDRESSES
Occ. Mindoro-Mamburao	National Road, Brgy. Payompon, Mamburao, Occidental Mindoro
Or. Mindoro-Calapan	J.P.Rizal St. Camilmil, Calapan City, Oriental Mindoro
Romblon-Odiongan	#15 J.P. Laurel St., cor M. Formilleza St., Ligaya, Odiongan, Romblon
OR. MINDORO-BONGABONG	Caraig Street, Poblacion, Bongabong, Oriental Mindoro
OR. MINDORO-CALAPAN-SAN VICENTE WEST	M. Elbo cor. M. Leuterio St., Brgy. San Vicente West, Calapan City, Oriental Mindoro
OR. MINDORO-PINAMALAYAN MALVAR	Malvar St., Pinamalayan, Oriental Mindoro
OR. MINDORO-ROXAS	Administration St., Bagumbayan, Roxas, Oriental Mindoro
OR. MINDORO-VICTORIA	M. Roldan cor. Apostol Sts., Victoria, Oriental Mindoro

Exhibit I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2020

BRANCH NAME	ADDRESSES
Visayas	
Cebu-Jakosalem	D. Jakosalem cor. Legaspi Sts., Cebu City
Cebu-M.C. Briones	Corner M.C. Briones and Jakosalem Streets, Cebu City
Palawan-Puerto Princesa-Valencia	Valencia St. cor. Rizal Avenue, Brgy. Tagumpay, Puerto Princesa City, Palawan
Cebu-Lapu-Lapu-Pajo	Manuel L. Quezon National Highway, Pajo, Lapulapu City
Cebu-Danao	Beatriz VIII & Juan Luna ST., Cebu City
Tagbilaran-C.P. Garcia Ave.	C. P. Garcia Ave. cor. J. A. Clarin St., Poblacion, Tagbilaran City, Bohol
Cebu-Toledo	Rafols St., Poblacion, Toledo City, Cebu
Bohol-Tubigon	Corner Cabangbang Avenue & Jesus Vaño Street, Centro, Tubigon, Bohol, Philippines
BACOLOD- ARANETA	Araneta Ave., near cor. Luzuriaga St., Bacolod City, Negros Occidental
Bacolod-Luzuriaga	Cor Luzuriaga and Araneta Sts., Bacolod City
Negros Occ.-Cadiz City	Corner Luna and Cabahug Streets, Cadiz City, Negros Occidental
Negros Occ.-Silay City	Rizal St., Silay City
Negros Occ.-Victorias City	Cor. Ascalon and Montinola Sts., Victorias City
Negros Occ.-Binalbagan	Don Pedro R. Yulo St., Binalbagan, Negros Occidental 6107
Negros Occ.-Kabankalan City	NOAC National Highway cor Guanzon St., Kabankalan City
Negros Occ.-San Carlos City	V. Gustilo St., San Carlos City
Siquijor-Larena	Roxas St., Larena, Siquijor
Dumaguete City-Locsin	33 Dr. V. Locsin St., Dumaguete City, Negros Oriental
Negros Or.-Tanjay	Magallanes cor. E. Romero Sts (formerly Lopez Jaena), Tanjay City, Negros Or.
Negros Or.-Bayawan	National Highway cor Mabini St., Brgy. Suba, Bayawan City
Dumaguete City-Silliman Ave.	Siliman Avenue cor Real St., Dumaguete City, Negros Orriental
Antique-T. A. Fornier	T. A. Fornier St., Bantayan, San Jose, Antique 5700
ILOILO-LEDESMA	Ledesma Corner Quezon Streets, Brgy. Ed Ganson, Iloilo City 5000
ILOILO - IZNART BRANCH	Iznart cor. Montinola Sts., Pres. Roxas, City Proper, Iloilo City
Iloilo-Plaza Libertad	JM Basa Street, Iloilo City 5000
Iloilo-Pototan	Guanco St., Pototan, Iloilo
Capiz Roxas Downtown	Roxas Ave., Roxas City, Capiz
Boracay-Station 2	Branch -- Brgy. Balabag, Boracay Island, Malay, AklanFX Counter I - Oro Beach Resort, Station III, Boracay Island, Malay, Aklan
Aklan-Kalibo-Pastrana	0508 G. Pastrana St., Kalibo, Aklan
Iloilo-Passi City	F. Palmares Street, Passi City, Iloilo 5037 (beside St. William Parish Church)
Capiz Roxas-C.M. Recto	Cor. CM Recto & G. Del Pilar Streets, Brgy. III, Roxas City, Capiz 5800
Tacloban City-Justice Romualdez	J. Romualdez St., Tacloban City
Eastern Samar-Borongan City	Real St., Brgy Songco, Borongan City, Eastern Samar
Samar-Calbayog City	Maharlika Highway, Brgy Obrero, Calbayog City, Samar
Northern Samar-Catarman	Cor. Garcia & Jacinto Sts., Brgy. Narra, Catarman, Northern Samar 6400
Biliran-Naval	Ballesteros St., Naval, Biliran
Southern Leyte-Maasin City	Cor. Juan Luna & Allen Streets, Tunga-Tunga, Maasin City, 6600 Southern Leyte
Leyte-Ormoc City-Bonifacio	Cor. Cata-ag & Bonifacio Sts., Ormoc City, Leyte
Tacloban City-Zamora	Zamors St, Tacloban City, Leyte
Samar-Catbalogan City	First Day Nov 6, 2017 New Address: Del Rosario St., Allen Avenue, Catbalogan City, Samar Old Add: San Roque St., Imelda Park Site
Leyte-Baybay City	148 R. Magsaysay Ave., Baybay City, Leyte

Exhibit I

PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2020

BRANCH NAME	ADDRESSES
Mindanao	
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
Davao Del Sur-Digos	Quezon Avenue, Digos, Davao del Sur
Davao Oriental-Mati	Rizal Ext., Brgy. Central, Mati, Davao Oriental
Davao Del Norte-Tagum-Rizal	Rizal St., Maguppo, Poblacion, Tagum City, Davao del Norte
Davao-C.M. Recto	G/F Imperial Hotel, CM Recto St., Davao City, Davao
North Cotabato-Kidapawan	Quezon Blvd., Kidapawan City, North Cotabato
Koronadal City-Morrow	Morrow St., Koronadal, South Cotabato
North Cotabato-Midsayap	Quezon Avenue, Midsayap, North Cotabato
General Santos-City Hall Drive	Osmena St., City Hall Drive, General Santos City, South Cotabato
Sultan Kudarat-Tacurong	Alunan Drive, Poblacion, Tacurong, Sultan Kudarat
Cotabato City-Makakua	39 Makakua St., Cotabato City, Maguindanao
Cotabato City-Dorotheo	Alejandro Dorotheo St. cor. Corcuera St., Cotabato City, North Cotabato
Cotabato City-S.K. Pendatun	Quezon Ave., Cotabato City
Koronadal City-Poblacion	Gen. Santos Drive, Brgy. Zone 1, Koronadal City, South Cotabato
Misamis Oriental-Gingog City	National Highway, Brgy. 23, Gingog City, Misamis Oriental
Surigao City-Rizal	45 Rizal St., Brgy. Washington, Surigao City, Surigao del Norte
Camiguin-Mambajao	Cor. Gen. Aranas & Burgos Sts., Brgy. Poblacion, Mambajao, Camiguin
Surigao Del Sur-Tandag City	Napo, National Highway, Tandag, Surigao del Sur
Agusan Del Sur-San Francisco	Roxas St., Brgy 4, San Francisco, Agusan del Sur
Butuan City-Montilla	Montilla Blvd., Brgy. Dagohoy, Butuan City, Agusan del Norte
Surigao Del Sur-Bislig City	Cor. Abarca & Espiritu Sts., Mangagoy, Bislig, Surigao del Sur
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
Iligan City-Aguinaldo	Cor. Gen. Aguinaldo & Labao Sts., Poblacion, Iligan City, Lanao del Norte
CDO-COGON	JR Borja cor. V. Roa Sts., CDO City, Misamis Oriental
CDO-Tiano	Tiano Brothers cor., Cruz Taal Sts., CDO City
Oroquieta City-Sen. Jose Ozamis	Sen. Jose Ozamis St., Lower Lamac, Oroquieta City, Misamis Occidental
Zamboanga Sibugay-Buug	National Highway, Poblacion, Buug, Zamboanga, Sibugay
Ozamis City-Rizal Ave.	Rizal Ave., Aguada, Ozamis City, Misamis Occidental
Pagadian City-Rizal Ave.	Rizal Avenue, Balangasan District, Pagadian City, Zamboanga del Sur
Zamboanga Del Sur-Molave	Mabini St., Molave, Zamboanga del Sur
Zamboanga Sibugay-Ipil	National Hi-way, Poblacion, Ipil, Zamboanga Sibugay
Lanao Del Norte-Maranding	National Highway, Maranding, Lala, Lanao del Norte
Dipolog City-Gen. Luna	Gen. Luna St. cor. C.P. Garcia Sts., Dipolog City, Zamboanga del Norte
Pagadian City-Pajares	F.S. Pajares St., cor Cabrera Sts., San Francisco District, Pagadian City, Zamboanga Del Sur
Basilan-Isabela-Strong Blvd.	Strong Blvd., Isabela, Basilan
Zamboanga-J.S. Alano	J.S. Alano St., Zamboanga City, Zamboanga del Sur
Basilan-Isabela-Roxas	Roxas Ave., Isabela City, Basilan Province
Jolo-Arolas	Gen. Arolas corner Magno Sts., Jolo, Sulu
Tawi-Tawi-Bongao	Datu-Halun St., Bongao, Tawi-Tawi
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, 2020**

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
Metro Manila			
MAKATI-6754 AYALA AVENUE	G/F, Allied Bank Center, 6754 Ayala Avenue corner Legazpi Street, Makati City	118,000	January 31, 2026
Makati-Amorsolo	114 Don Pablo Building, Amorsolo Street, Legazpi Village, Makati City	203,913	July 31, 2023
Makati-Metropolitan Avenue	Unit 102, BUMA Bldg., 1012 Metropolitan Avenue, San Antonio Village, Makati City	108,803	October 15, 2023
Makati-Aguirre	G/F RICOGEN Bldg., 112 Aguirre St., Legaspi Village, Makati City	119,142	September 26, 2019
Makati-Salcedo St.-Legaspi Village	First Life Center, 174 Salcedo Street, Legazpi Village, Makati City	149,922	October 15, 2024
Makati-Eton Yakal	Unit 14, G/F, Ewest Mall, Chino Roces Avenue corner Yakal Street, Makati City	142,430	September 14, 2024
Makati-San Lorenzo-Arnaiz	G/F, Power Realty Building, 1012 A. Arnaiz Avenue, Barangay San Lorenzo, Makati City	85,085	June 30, 2021
Makati-Greenbelt	G/F The Charter House 114 Legaspi Street, Makati City	101,857	September 30, 2026
Makati-Dela Costa	Classica Towers, 114 HV dela Costa St., Salcedo Village, Makati City	91,104	September 30, 2019
Makati-Leviste St.-Salcedo Village	G/F, LPL Mansions Condominium, 122 L.P. Leviste Street, Salcedo Village, Makati City	181,738	April 19, 2021
Makati-Bel-Air	52 Jupiter Street, Bel-Air, Makati City	250,000	June 05, 2021
BGC-Mckinley Hill	G/F, Unit B 8/10 Bldg., Upper McKinley Road, McKinley Town Center, Fort Bonifacio, Taguig City	430,400	January 31, 2021
Makati-Rockwell Center	Stall No. RS-03, G/F Manansala Tower, Estrella Street corner Joya Drive Rockwell Center, Makati City	235,092	March 31, 2022
BGC-Luxe Residences	Shop 2, The Luxe Residences 28th Street, corner 4th Avenue, Bonifacio Global City, Taguig City	400,896	November 30, 2024
BGC-Infinity	G/F, 101 The Infinity Tower, 26th Street, Fort Bonifacio, Taguig City	271,959	May 15, 2021
Makati-Guadalupe	Pacmac Building, 23 EDSA Guadalupe Nuevo, Makati City	111,888	October 18, 2021
BGC-One McKinley Place	Unit 6, G/F, One McKinley Place, 26th St. cor. 4th Ave., BGC, Taguig City	221,000	May 31, 2022
BGC-W City Center	Unit A, G/F W City Center, 7th Ave. cor. 30th St., BGC, Taguig City	512,337	May 31, 2022
BGC-Ore Central	Unit 6, G/F Ore Central, 9th Ave. cor. 31st St., BGC, Taguig City	371,430	September 14, 2022
BGC-Burgos Circle	Unit GF-4, The Fort Residences, 30th St., corner 2nd Avenue, Padre Burgos Circle, Bonifacio Global City, Taguig	262,000	November 30, 2023
BGC- 7TH Avenue	Twenty-Four Seven McKinley Building, 24th St. cor 7th Ave., Bonifacio Global City, Taguig	369,970	December 28, 2026
Taguig-Mckinley West	G/F, Unit A108, West Campus Bldg., Mckinley West, Taguig City	340,500	July 31, 2022
Taguig-Bayani Road	G/F GPI Building , 53 Bayani Road, Fort Bonifacio, Taguig City	158,760	March 31, 2027
BGC-World Plaza	Unit 3, G/F World Plaza, 5th Ave., Bonifacio Global City, Taguig	753,750	August 31, 2027
BGC-MENARCO	G/F, Unit C. The Menarco Tower, 32nd St., Bonifacio Global City, Taguig City	527,625	December 31, 2024
BGC-10TH AVENUE	G/F, Shop 2, Philplans Corp. Center, 10th Avenue cor. Kalayaan Ave., BGC, Taguig City	136,500	December 30, 2021
PATEROS-ALMEDA	Tri-Ax One Center, 133 M. Almeda cor. Morcilla Sts., Pateros	101,400	November 30, 2021
TAGUIG-BAGONG CALZADA	Skyler Realty Building, Bagong Calzada, Barangay Ususan, Taguig City	120,270	March 17, 2024
Makati-Bangkal	G/F, E. P. Hernandez Building, 1646 Evangelista Street, Bangkal, Makati City	101,581	October 31, 2022
Makati-Chino Roces Ave. Ext.	GA Building, 2303 Don Chino Roces Ave. Ext., Makati City	191,664	May 15, 2022
Makati-Dasmariñas Village	2284 Allegro Center, Chino Roces Avenue Extension, Makati City	122,493	October 31, 2025
Makati-Buendia-Edison	Visard Bldg. #19 Senator Gil Puyat Avenue (formerly Buendia), Makati City	85,344	February 07, 2021
Makati-Pasong Tamo	2233 Pasong Tamo Ave., Makati City	118,656	June 30, 2021
Pasay-Domestic Airport Rd.	G/F, PAL Data Center Bldg., Domestic Airport Road, Pasay City	P10,506.83 - Bldg.5,26;	August 31, 2019
Pasay-Villamor Air Base	G/F, Airmens Mall Building corner Andrews & Sales Streets, Villamor Air Base, Pasay City	27,000	December 31, 2019
Pasay-GSIS	Level 1 GSIS Building, Financial Center, Roxas Boulevard, Pasay City	148,766	May 31, 2023
Pasay-EDSA Extension	235 EDSA Extension corner Loring St., Pasay City	189,911	May 27, 2024
Pasay-Cartimar	SATA Corp. Building, 2217 Cartimar-Taft Avenue, Pasay City	134,188	October 15, 2024
PASAY-LIBERTAD	277 P. Villanueva Street, Libertad, Pasay City	98,274	December 31, 2021
Pasay-Roxas Blvd.	Suite 101, CTC Building, 2232 Roxas Boulevard, Pasay City	142,950	February 28, 2022
PASAY-TAFT	2482 Taft Avenue, Pasay City	185,220	January 31, 2023
PASAY MACAPAGAL-DD MERIDIAN	G/F, DoubleDragon Center West, EDSA Extension corner Macapagal Avenue, Bay Area, Pasay City	184,600	August 27, 2024
PASAY-CORAL WAY	Unit 103, G/F, Philflex Bay Center, Coral Way Drive, Mall of Asia Complex, Pasay City	224,400	December 14, 2023
PASAY-GIL PUYAT	G/F, Centro Buendia Building, 401 Sen. Gil Puyat Avenue, Pasay City	168,000	October 31, 2022
Parañaque-East Service Road	Iba cor. Malugay Sts., East Service Road, Barangay San Martin de Porres, United Parañaque	80,223	November 30, 2022

Exhibit II

**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2020**

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
NAIA 1-Departure Area	Departure Area, NAIA Terminal Bldg., Imelda Ave., Paranaque, Metro Manila	9,926.40 - Departure Le	December 31, 2020
NAIA 2-Departure Area	NAIA Centennial Terminal II Northwing Level Departure Intl.,Bldg., Pasay City	42,877	December 31, 2020
NAIA 3-Arrival Area	Arrival Area , NAIA Terminal 3, Pasay City	20,538.72 - Bank Premi	December 31, 2020
Parañaque-BF Homes-Pres. Ave.	43 President's Ave., BF Homes, Paranaque City	103,318	December 01, 2023
Parañaque-Sucats-Evacom	AC Raffle Center, 8193 Dr. A. Santos Ave., Sucat, Pque City	157,000	May 31, 2029
Taguig- FTI Complex	Lot 55, G/F, Old Admin Building, FTI Complex,Taguig City	98,452	July 07, 2020
Parañaque-Oyster Plaza	Unit D1, Oyster Plaza Building, Ninoy Aquino Avenue, Barangay San Dionisio, Paranaque City	72,930	October 31, 2020
Parañaque-Sucats-A. Santos	G/F, Kingsland Building, Dr. A. Santos Avenue, Sucat, Parañaque City	127,310	October 31, 2025
Parañaque-BF Homes-Aguirre Avenue	47 Aguirre Ave. cor. Tirona St., BF Homes, Parañaque City	87,940	July 12, 2022
Parañaque-Bicutan-Doña Soledad	VCD Building, 89 Doña Soledad Avenue Betterliving Subdivision, Bicutan, Parañaque City	72,930	May 24, 2026
Parañaque-Aseana City	G/F, Space 127, Monarch Parksuites, Bradco Ave., Aseana Business Park, Parañaque City	190,250	November 20, 2022
Muntinlupa-Bellevue-Filinvest	G/F, Bellevue Hotel, North Bridgeway, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City	180,000	July 31, 2019
Muntinlupa-Starmall Alabang	Upper Ground Level, Starmall Alabang, South Superhighway, Alabang, Muntinlupa City	69,574	July 18, 2021
Las Piñas-One Townsquare Place	G/F, Unit A101 One Townsquare Place, Alabang-Zapote Road, Las Piñas City	165,750	January 31, 2023
Las Piñas-Pamplona	267 Alabang-Zapote Road, Pamplona Tres, Las Piñas City	114,280	February 07, 2023
Las Piñas-Almanza Uno	Hernz Arcade, Alabang-Zapote Road, Almanza, Las Piñas City	144,091	March 31, 2023
Muntinlupa-East Service Road	Uratex Building, Km. 23, East Service Road, Barangay Cupang, Muntinlupa City	72,000	August 13, 2023
Muntinlupa-Poblacion	G/F, Arbar Building, National Highway, Poblacion, Muntinlupa City	100,000	June 18, 2024
Las Piñas-Zapote	99 Real Street, Alabang-Zapote Road, Pamplona 1, Las Piñas City	53,425	November 26, 2020
Las Piñas-Aguilar Avenue	G/F, Las Piñas Doctors' Hospital, Aguilar Avenue, Citadella Subdivision, Las Piñas City	158,279	March 14, 2021
MUNTINLUPA-FILINVEST AVENUE	BC Group Center Filinvest AvenueFilinvest Corporate City Muntinlupa City	184,138	January 15, 2022
Muntinlupa-Alabang-Ayala South Park	GF, Ayala Malls South Park, Alabang Muntinlupa	86,723	December 31, 2021
Las Piñas-Almanza	Consolidated Asiatic Proj., Inc. Bldg., Alabang-Zapote Road, Bgy. Almanza, Las Pinas City	154,355	March 31, 2022
Las Piñas-Naga Road	Lot 2A, Naga Road corner DBP Extension, Pulang Lupa Dos, Las Piñas City	40,000	April 12, 2022
Muntinlupa-Alabang-Madrigal Business Park	G/F, Page 1 Building, 1215 Acacia Avenue, Madrigal Business Park, Ayala Alabang, Muntinlupa	188,301	May 14, 2022
LAS PIÑAS CITY-BF RESORT VILLAGE	Unit 1, Ground floor, MJ Square Building, Blk 18, Lot 16, BF Resort Drive, BF Resort Village, Talon 2, Las Piñas City	33,000	February 19, 2024
LAS PIÑAS-PAMPLONA RCS ARCADE	G/F, RCS Arcade, Alabang-Zapote Road, Pamplona, Las Piñas City	102,500	January 11, 2025
MUNTINLUPA-PUTATAN	G/F, Minerva Bldg., National Road, Putatan, Muntinlupa City	70,000	April 30, 2022
NAVOTAS-FISH PORT	Bulungan corner Daungan Avenue, Navotas Fish Port Complex, North Bay Boulevard South, Navotas City	17,947	March 15, 2023
Malabon-Gov. Pascual	157 Gov. Pascual Avenue, Acacia, Malabon City	51,973	June 15, 2023
Caloocan-Samson Road	149 Samson Road corner P. Bonifacio St. Caloocan City	98,547	January 31, 2024
Valenzuela-Paso De Blas	292 Paso de Blas, Valenzuela, Metro Manila	133,100	May 31, 2024
Caloocan-EDSA Balintawak	337 - 339 EDSA Cor. Don Vicente Ang St., Caloocan City	116,160	June 10, 2024
Malabon-Potrero	A & S Building, 189 MacArthur Highway, Potrero, Malabon City	78,100	February 11, 2025
VALENZUELA-MALINTA	Moiras Building, 407 Mc Arthur Highway, Malinta, Valenzuela City	88,854	August 31, 2025
Valenzuela-Gen. T. De Leon	4024 Gen. T. De Leon St., Barangay Gen. T. De Leon, Valenzuela City	68,069	July 31, 2021
Caloocan-Monumento	419 D&I Building, EDSA, Caloocan City	126,316	June 30, 2022
Caloocan-McArthur Highway	G/F, The Grandz Commercial Building, 1798 Mac Arthur Highway cor. Calle Cuatro, Bgy. 81, Caloocan City	178,571	February 12, 2027
MALABON-PANGHULO	29 M.H. Del Pilar St., Panghulo, Malabon City	42,105	May 01, 2022
VALENZUELA-MACARTHUR-MARULAS	G/F, Cabiltes Bldg., 182 MacArthur Highway, Marulas, Valenzuela City	80,000	August 12, 2020
Q.C.-A. Bonifacio	789 A. Bonifacio Avenue Barangay Pag-Ibig sa Nayon, Balintawak, Quezon City	107,520	May 14, 2024
Q.C.-Del Monte-Frisco	972 Del Monte Ave., corner San Pedro Bautista St., SFDm, Quezon City	91,163	January 23, 2023
CALOOCAN-A. MABINI	451 A. Mabini corner J. Rodriguez Street, Caloocan City	98,214	February 13, 2021
Q.C.-Retiro	422 Edificio Enriqueta Building, N.S. Amoranto Street, Sta. Mesa Heights, Quezon City	154,018	April 14, 2023
Q.C.-N.S. Amoranto	Unit 103, "R" Place Building255 NS Amoranto St.,Quezon City	108,484	May 31, 2023
Q.C.-Roosevelt Ave.	256 Roosevelt Avenue, San Francisco del Monte, Quezon City	175,000	April 30, 2024

Exhibit II

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2020

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
Caloocan-Grace Park-10th Ave.	354 A-C 10th Avenue corner 2nd street., Grace Park, Caloocan City	95,721	May 13, 2024
Q.C.-Frisco	136 Roosevelt Avenue, Barangay Paraiso, San Francisco del Monte, Quezon City	60,000	October 19, 2024
Q.C.-Banawe-N. Roxas	Prosperity Bldg. 395 Banawe cor. N. Roxas Street, Quezon City	200,000	December 31, 2019
Caloocan-Grace Park-3rd Ave.	126 Rizal Avenue Extension, Grace Park, Caloocan City	90,000	October 31, 2021
Q.C.-Grace Village	G/F TSPS Condominium Bldg., Christian cor. Grace Avenue, Grace Village, QC	113,247	December 31, 2021
Caloocan-Grace Park-7th Ave.	322 Rizal Ave. Ext. near cor. 7th Ave., Grace Park, Caloocan City	70,000	July 31, 2022
Q.C.-Delta	101-N dela Merced Building, West Avenue corner Quezon Avenue, Quezon City	121,769	December 31, 2022
Q.C.-Del Monte	Relocated to 116 Del Monte Ave., QC (Old Site 131 Del Monte Ave., cor. D. Tuazon St., Quezon City)	115,474	July 31, 2026
CALOOCAN-10TH AVE. SOUTH	G/F, Bayani Bldg., 10th Ave. cor. Cordero St., (South) Caloocan City	58,036	March 31, 2022
Manila-Tutuban Mall	G/F & Podium Level, Prime Block Mall, Tutuban Center, Divisoria, Manila	76,361	June 14, 2014
Divisoria-Juan Luna	CK Bldg., 750 Juan Luna St., Binondo Manila	131,580	March 31, 2023
Binondo-San Nicolas	Gedisco Tower, 534 Asuncion St., San Nicolas, Manila City	196,904	March 31, 2024
Divisoria-168 Mall	Stall 3S-04, 168 Shopping Mall, Sta. Elena, Soler Street, Binondo, Manila	170,059	September 30, 2022
Manila-Padre Rada	RCS Bldg., Padre Rada St., Tondo, Manila	213,517	October 31, 2024
Divisoria-Sto. Cristo-C.M. Recto	869 Sto. Cristo Street, Binondo, Manila	100,000	September 06, 2020
Binondo-Nueva	Lot 17-18, Blk. 2037, Yuchengco (formerly Nueva) and Tomas Pinpin Streets, Binondo, Manila	201,987	November 30, 2025
Manila-Bambang-Masangkay	G/F ST Condominium, 1480 G. Masangkay St., Sta. Cruz, Manila	137,280	February 28, 2021
Binondo-Reina Regente	1067 Felipe II St., Binondo, Manila (near 168 Mall)	72,930	March 31, 2021
Binondo-Masangkay	916 G. Masangkay St. Binondo Manila	170,773	November 30, 2021
Binondo-San Fernando	452 San Fernando Street corner Elcano Street, Binondo, Manila	180,000	December 31, 2021
Divisoria-Elcano	706-708 Elcano St, Manila	201,916	November 30, 2022
Manila Benavidez - La Torre	G/F, Oxford Parksuites, La Torre cor. Benavidez and Masangkay Sts., Sta. Cruz, Manila	176,280	November 27, 2022
Manila-Quiaipo-C. Palanca	C. Palanca St. cor Quezon Boulevard, Quiapo Manila	146,700	November 30, 2023
Manila-Blumentritt-L. Rivera	Citidorm Blumentritt, 1848 Blumentritt corner Leonor Rivera Streets, Sta. Cruz, Manila	109,395	November 30, 2024
Manila-T. Alonzo	905 T. Alonzo cor. Ongpin Sts., Sta. Cruz, Manila	196,928	March 31, 2025
Manila-Escolta	G/F, Regina Building, Escolta, Manila	202,447	September 30, 2020
Manila-North Bay	511 Honorio Lopez Boulevard, Balut, Tondo, Manila	38,408	October 31, 2020
MANILA-PRITIL-CAPULONG	MTSC Building, Juan Luna corner Capulong Extension, Tondo, Manila	102,679	October 31, 2020
Manila-Jose Abad Santos	1450-1452 Coyuco Building, Jose Abad Santos, Tondo, Manila	70,859	August 31, 2021
Manila-Rizal Ave.-Laguna	2229-2231 Rizal Avenue (between Batangas & Laguna Sts.), Blumentritt, Sta. Cruz, Manila	92,610	December 31, 2022
Manila-Florentino Torres	740 Florentino Torres St., Sta. Cruz, Manila 1003	130,000	September 14, 2022
Manila-Tondo-Juan Luna	1941-1943 Juan Luna St., Tondo, Manila	109,060	October 31, 2022
Manila-Fugoso St.	JT Centrale, No. 1686, Brgy. 311, Zone 31, V. Fugoso cor. Felix Huertas Sts., Sta. Cruz, Manila	134,928	August 05, 2026
MANILA-ONGPIN	G/F, Prestige Tower Condominium, 917 Ongpin Street, Sta. Cruz, Manila	100,000	January 13, 2023
Manila-Morayta	Consuelo Building, 929 N. Reyes St., (Formerly Morayta), Sampaloc, Manila	155,707	July 31, 2022
Manila-Ermita U.N. Ave.	Physician's Tower United Nations Avenue corner San Carlos Street, Ermita, Manila	171,993	January 31, 2023
Manila-España	Unit 104, Street Thomas Square, 1150 España Boulevard corner Padre Campa Street, Sampaloc East, Manila	66,885	March 15, 2023
Manila-Luneta-T.M. Kalaw	National Historical Institute (NHI) Compound, T.M. Kalaw St., Ermita, Manila	renewal on process	April 26, 2018
Manila-J.P. Laurel	G/F Gama Bldg., J. P. Laurel cor. Minerva Sts., San Miguel, Manila	122,321	February 28, 2024
Manila-Port Area	G/F, Bureau of Customs Compound, South Harbor, Port Area, Manila Temporary Site: (Manila-Intramuros-Fort Santiago Branc	100,608	November 23, 2023
Manila-Intramuros-Fort Santiago	G/F, Marine Technology Building corner A. Soriano Avenue & Arzobispo Streets, Intramuros, Manila	216,378	December 31, 2021
Manila-Maceda-Laon Laan	G/F, Maceda Place Building, Laong-Laan corner Maceda Streets, Sampaloc, Manila	91,251	July 29, 2022
Manila-Intramuros-Cathedral	707 Aduana cor Cabildo Shipping Center Condominium, Intramuros, Manila	117,350	November 30, 2024
Manila-U.E. Recto	G/F Dalupan Bldg., University of the East Campus, Claro M. Recto Ave., Manila	61,529	March 31, 2020
Manila-C.M. Recto	G/F, Dr. Lucio C. Tan Building, UE Manila Annex, C.M. Recto, Manila	89,984	July 13, 2020
Manila-Pandacan	Jesus corner T. San Luis Sts, Pandacan, Manila	63,720	October 31, 2020

Exhibit II

**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2020**

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
Manila-G. Tuazon	Greeny Rose Residences Inc., G. Tuazon cor. 311 Algeciras Sts., Balic-Balic Sampaloc, Manila	103,056	September 22, 2027
Manila-PGH	PGH Compound, Taft Avenue, Ermita, Manila	182,662	November 08, 2020
Manila-BSP	G/F, Cafetorium Building, BSP Complex, A. Mabini corner P. Ocampo Streets, Malate, Manila	127,579	June 30, 2020
Q.C.-BSP	Bangko Sentral ng Pilipinas, Security Plant Complex, East Avenue, Diliman, Quezon City	12,000	June 30, 2020
Manila-U.N. Ave.	G/F, UMC Building, 900 U.N. Avenue, Ermita, Manila	93,537	November 30, 2022
Manila-Century Park Hotel	G/F Century Park Hotel, P. Ocampo (Vito Cruz Ext.) cor. M. Adriatico Sts., Malate, Manila	256,363	February 29, 2024
Manila-Adriatico-Harrison Plaza	Rizal Memorial Sports Complex, A. Adriatico St., Malate, Manila	-	January 09, 2020
Manila-San Andres	Liniao Street, San Andres, Metro Manila	110,000	July 30, 2020
Manila-Leon Guinto	G/F, Marlow Building, 2120 Leon Guinto Street, Malate, Manila	274,363	July 15, 2025
Manila-Remedios	Unit G07 Ground Floor, Royal Plaza Twin Towers, 648 Remedios cor. Ma. Orosa Sts., Malate, Manila	104,047	August 31, 2020
Manila-Taft Ave.-One Archers	G/F, One Archers' Place Condominium, 2311 Taft Avenue, Malate, Manila	114,595	November 30, 2020
Manila-Ermita-Roxas Blvd.	Roxas Boulevard corner Arquiza Street, Ermita, Manila	243,581	January 15, 2021
Manila-Malate-Taft	Mark 1 Building, 1971 Taft Avenue, Malate, Manila	170,800	July 17, 2021
Manila-Malate-Adriatico	G/F, Pearl Garden Hotel, 1700 M. Adriatico corner Malvar Streets, Malate, Manila	173,571	June 30, 2024
Manila-Padre Faura	PAL Learning Center Bldg., 540 Padre Faura cor. Adriatico Sts., Ermita, Manila	86,909	June 30, 2026
Manila-Sta. Ana	G/F, Real Casa de Manila Building Lot 2, Blk 1416, Pedro Gil St., Sta. Ana, Manila	126,385	August 31, 2027
Q.C.-Katipunan-Aurora Blvd.	Aurora Boulevard, near PSBA, Barangay Loyola Heights, Quezon City	42,543	November 15, 2021
Q.C.-Cubao-Harvard	SRMC Bldg. 901 Aurora Blvd. Cor Harvard & Stanford Sts., Cubao, Quezon City	100,000	September 30, 2021
Q.C.-Katipunan-St. Ignatius	G/F Linear Building, 142 Katipunan, Quezon City	124,437	January 31, 2024
Q.C.-Katipunan-Loyola Heights	335 Agcor Building, Katipunan Avenue, Loyola Heights, Quezon City	174,889	December 31, 2021
Q.C.-MWSS	MWSS Compound, Katipunan Road, Balara, Quezon City	128,250	April 30, 2024
Q.C.-NPC	Agham Road, Diliman, Quezon City	240,975	February 14, 2021
Q.C.-UP Campus	No. 3 Apacible Street, UP Campus, Diliman, Quezon City	372,286	December 31, 2021
Q.C.-EDSA-Eton Centris	One Cyberpod Centris, G/F Eton Centris, EDSA cor. Quezon Avenue, Quezon City, MM	131,336	March 31, 2025
Q.C.-Visayas Avenue	Wilcon City Center, No. 121 Visayas Avenue, Brgy. Bahay Toro, Quezon City	70,912	April 28, 2021
Q.C.-Matalino	Tempus I Bldg., Matalino St., Diliman, Quezon City	95,667	June 30, 2021
Q.C.-SSS Diliman	G/F, SSS Building, East Avenue Diliman, Quezon City	162,839	January 31, 2023
Q.C.-NFA	SRA Building, Barangay Vastra, North Avenue, Quezon City	36,416	August 31, 2021
Q.C.-Project 8	Mecca Trading Building, Congressional Avenue, Project 8, Quezon City	82,142	May 31, 2021
Q.C.-Araneta Center	Unit 5, G/F, Manhattan Heights, Araneta Center, Cubao, Quezon City	151,860	June 30, 2022
Q.C.-CUBAO-SAN ROQUE	G/F, Goldwell Bldg., 930 Aurora Blvd., Brgy. San Roque, Cubao, Quezon City	121,672	March 31, 2021
Q.C.-Mindanao Avenue	Ynverre Square Building, 888 Mindanao Ave., Brgy. Talipapa, Novaliches, QC ///	89,386	June 30, 2021
Q.C.-Visayas Congressional	22 Congressional Avenue near corner Visayas Avenue, Quezon City	98,062	March 15, 2021
Q.C.-Don Antonio Heights	G/F Puno Foundation Bldg., Holy Spirit Drive, Don Antonio Heights, Quezon City	51,244	November 30, 2011
Q.C.-Fairview Commonwealth	70 Commonwealth Ave., Fairview Park Subd., Fairview, Quezon City	86,900	March 31, 2023
Q.C.-Fairview-Regalado Ave.	No. 41, Regalado Avenue, West Fairview, Quezon City	120,598	May 31, 2021
Q.C.-Commonwealth Avenue	G/F, KC Square Building, 529 Commonwealth Avenue, Diliman, Quezon City	109,396	December 01, 2024
Q.C.-Batasang Pambansa	Main Entrance, Batasan Pambansa Complex, Constitutional Hills, Quezon City	3,400	February 12, 2022
Q.C.-Novaliches-Talipapa	513 Quirino Highway, Talipapa, Novaliches, Quezon City	53,000	February 24, 2020
Q.C.-Lagro	BDI Center Inc., Lot 33, Blk. 114, Regalado Avenue, Greater Lagro, Quezon City	183,680	September 16, 2023
Q.C.-COA	COA Building, Commonwealth Avenue, Quezon City	86,571	December 31, 2023
Q.C.-Tandang Sora	102 Tandang Sora Avenue corner San Miguel Village, Barangay Pasong Tamo, Quezon City	66,550	September 25, 2021
Q.C.-Ever Commonwealth	Lower G/F, Stall No. 20, Ever Commonwealth Mall, Commonwealth Avenue, Quezon City	268,119	March 06, 2021
Rizal-San Mateo	19 Gen. Luna St., Banaba, San Mateo, Rizal	52,328	October 31, 2021
Q.C.-Zabarte	1131 Quirino Hi-way, Bgy. Kaligayahan, Novaliches, Quezon City	107,143	July 31, 2021
Rizal-Montalban	E. Rodriguez Ave., corner Midtown Subdivision, Rosario, Rodriguez, Rizal	76,576	May 31, 2021

Exhibit II

**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2020**

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
Q.C.-Lagro-Quirino	Km. 21, Lester Bldg., Quirino Highway, Lagro, Quezon City	140,000	June 30, 2024
CALOOCAN-CAMARIN	Upper G/F, Eleve Town Center, Camarin Road, Barrio Camarin, Brgy. Urduja 172, (North) Caloocan City	60,730	March 10, 2022
Pasig-Ortigas Garnet	Unit 104, Taipan Place, Emerald Ave., Ortigas Center, Pasig	133,706	October 15, 2022
Pasig-Ortigas Ext.	103 B. Gan Building, Ortigas Ave. Ext., Rosario, Pasig City	155,000	August 31, 2023
Pasig - C. Raymundo	G/F JG. Bldg., C. Raymundo Avenue, maybunga, Pasig City	69,128	August 02, 2025
Pasig-Santolan	Amang Rodriguez Avenue, Barangay Dela Paz, Santolan, Pasig City	178,571	December 07, 2023
PASIG-CAPITOL COMMONS	Unit 2, G/F, Unimart Capitol Commons, Shaw Boulevard corner Meralco Avenue, Barangay Oranbo, Pasig City	327,000	December 14, 2022
Pasig-Kapisigan	Emiliano A. Santos Building, A. Mabini corner Dr. Sixto Antonio Avenue, Pasig City	210,000	September 30, 2025
PASIG-TIENDESITAS	G/F, Units 4-5, Silver City Building, No. 03, Frontera Verde Drive, Ortigas Center, Pasig City	224,754	September 29, 2025
Q.C.-Eton-Corinthian	Unit 78 E-Life, Eton Cyberpod Corinthian, EDSA corner Ortigas Avenue, Barangay Ugong Norte, Quezon City	156,933	March 14, 2025
Cainta-Ortigas Ave. Ext.	Paramount Plaza, Km. 17, Ortigas Ave. Ext., Brgy. Sto. Domingo, Cainta, Rizal	110,618	January 31, 2021
Q.C.-Eastwood	MDC 100 Building, Mezzanine Level, Unit M3, E. Rodriguez Jr. Avenue, corner Eastwood Avenue, Barangay Bagumbayan, C	287,143	June 06, 2024
Cainta-San Isidro	RRCG Transport Building, Km. 18 Ortigas Avenue Extension, Barangay San Isidro, Cainta, Rizal	87,054	September 08, 2021
Q.C.-ACROPOLIS	251 TriQuetra Building, E. Rodriguez Jr. Avenue, Barangay Bagumbayan, Quezon City	206,636	October 31, 2025
PASIG-KAPITOLYO	G/F, LMCM Building, 16 United Street, Bo. Kapitolyo, Pasig City	67,660	December 31, 2022
Mandaluyong-Boni Avenue	No. 654 Boni Avenue, Mandaluyong City	135,223	December 31, 2021
Mandaluyong Shaw-Acacia Lane	2 Acacia Lane corner Shaw Boulevard and Pinagtipunan Sts, Mandaluyong City (effective 07/24/2009)	162,289	June 15, 2024
Mandaluyong - Shaw Blvd.	Unit G06, Global Link Center, No. 710-712 Shaw Boulevard, Barangay Wack-Wack, Mandaluyong City	194,070	September 30, 2023
Mandaluyong-Shangri-La Plaza	Unit AX 116 P3 Carpark Building, Shangri-la Annex Plaza Mall, Edsa corner Shaw Boulevard, Mandaluyong City	131,054	September 30, 2020
Mandaluyong-Pioneer	G/F, B. Guerrero Complex, 123 Pioneer Street, Mandaluyong City	153,154	April 14, 2024
MANDALUYONG-D. GUEVARRA	16 Domingo M. Guevarra St., Brgy. Highway Hills, Mandaluyong City	192,000	November 17, 2024
SAN JUAN-ANNAPOLIS	G/F, Continental Plaza, Annapolis Street, Greenhills, San Juan City	151,938	February 28, 2023
Q.C.-GRANADA	Xavier Hill Tower 1, Granada cor. N. Domingo Sts., Quezon City	134,362	February 28, 2025
Greenhills-Ortigas Ave.	G/F Limketkai Bldg., Ortigas Ave., Greenhills, San Juan, MM	338,033	June 18, 2023
San Juan-Jose Abad Santos	G/F, TNA Building #17 Jose Abad Santos Street, Little Baguio, San Juan City	205,722	March 31, 2027
San Juan-F. Blumentritt	213 F. Blumentritt Street corner Lope K. Santos, San Juan City	79,997	March 31, 2023
Greenhills-Club Filipino Drive	G/F, One Kennedy Place, Club Filipino Drive, Greenhills, San Juan City	273,347	May 31, 2025
SAN JUAN-ETON SQUARE ORTIGAS	ETON Square Ortigas, Ortigas Avenue, Greenhills, San Juan City, Metro Manila	203,280	October 31, 2023
ANTIPOLO-CIRCUMFERENTIAL	Circumferential Road, Barangay Dalig, Antipolo City, Rizal	100,000	April 21, 2021
Cainta-Village East	G/F Arellano Bldg., Felix Ave., cor. Village East Ave., Cainta, Rizal	56,453	February 15, 2022
Marikina-Concepcion	Bayan-bayanan Ave. cor. Eustaquio St., Concepcion, Marikina, Metro Manila	178,697	June 30, 2022
Marikina-Calumpang	268 J. P. Rizal St., Bgy. Sta. Elena, Marikina City	160,000	September 13, 2021
Antipolo-Sumulong-Masinag	F. N. Crisostomo Bldg. 2, Sumulong Highway, Mayamot, Antipolo City, Rizal	97,241	February 28, 2030
Marikina-Shoe Ave.	Shoe Avenue corner W. Paz Street, Sta. Elena, Marikina City	205,838	November 13, 2020
Rizal-Tanay	Tanay New Public Market Road, Barangay Plaza Aldea, Tanay, Rizal	42,000	October 29, 2022
Antipolo-P. Oliveros	89 P. Oliveros Street, Kapitolyo Arcade, San Roque, Antipolo City, Rizal	97,241	December 31, 2024
Marikina-Lilac	G/F, Paulmarcs Centre, Lot 1 Blk. 11 Lilac Street corner Rancho Avenue, Hacienda Heights Village, Concepcion Dos, Marikir	95,000	January 07, 2024
Rizal-Taytay	Ilog Pugad National Road, Barangay San Juan, Taytay, Rizal	49,217	October 22, 2023
ANTIPOLO-SUMULONG MEM. CIRCLE	G/F, Unit 2, Antipolo Triangle Mall, Sen. L. Sumulong Memorial Circle, Brgy. San Jose, Antipolo City, Rizal	55,167	July 24, 2021
MARIKINA-CONCEPCION-J.P. RIZAL	Unit 1-B, Jocevile Center, J.P. Rizal Street, Concepcion, Marikina City	54,000	August 20, 2021
RIZAL-BINANGONAN	8002 La Plaza Bldg., J.P. Rizal corner P. Gomez Sts., Poblacion, Brgy. Libis, Binangonan, Rizal	63,700	February 28, 2024
RIZAL-TAYTAY-PARAMDAM	294 Rizal Ave. cor. Paramdam St., Brgy. San Juan, Taytay, Rizal	75,000	November 30, 2021
Q.C.-EDSA-Eton Centris	One Cyberpod Centris, G/F Eton Centris, EDSA cor. Quezon Avenue, Quezon City, MM	131,336	March 31, 2025
Q.C.-EDSA Roosevelt	1024 Global Trade Center Building, EDSA, Quezon City	200,725	January 31, 2024
Q.C.-E. RODRIGUEZ SR. AVENUE	1706 Rimando Building, E. Rodriguez Sr. Ave., Cubao, Quezon City	120,245	May 31, 2026
Q.C.-E. RODRIGUEZ-G. ARANETA	599 Araneta Ave. cor. E. Rodriguez Ave., Quezon City	44,670	August 31, 2022

Exhibit II

**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2020**

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
Q.C. – UERMMMC	UERMMMC, No. 64 Aurora Blvd., Brgy. Doña Imelda, Quezon City	126,313	May 31, 2021
Q.C.-Roces Avenue	Units 16 (Block 9; Lot 17) & 17 (Block 9 Lot 18), The Arcade at 68 Rocces, Don Alejandro Rocces Avenue, Brgy. Obrero, Quezon City	215,550	April 05, 2021
Q.C.-Timog	G/F, Newgrange Building, 32 Timog Avenue, Barangay Laging Handa, Quezon City	85,500	November 14, 2021
Q.C.-Galas	20 A. Bayani Street, corner Bustamante, Galas, Quezon City	93,578	May 31, 2021
Q.C.-Tomas Morato	114 Tomas Morato Avenue, Barangay Kamuning, Quezon City	85,110	April 10, 2024
Q.C.-Timog EDSA	Upper G/F, Caswynn Building, 134 Timog Avenue, Quezon City	134,000	June 26, 2027
Q.C.-Welcome Rotonda	Dona Natividad Bldg., Espana-Quezon Blvd., Rotonda, Quezon city	68,240	February 28, 2021
Q.C.-Banawe	210 Banawe Street, Brgy. Tatalon, Quezon City	175,000	January 31, 2025
Northern Luzon			
Baguio City-Center Mall	G/F, Baguio Center Mall, Magsaysay Avenue, Baguio City	153,154	March 31, 2024
Agoo – San Antonio	B&D Building National Highway, San Antonio, Agoo, La Union	100,000	December 31, 2024
Baguio City-Naguilian Road	G/F High Country Inn, Naguilian Road, Baguio City	81,034	October 31, 2026
Baguio City-Rizal Park	G/F, Travelite Express Hotel, Shuntug Street corner Fernando G. Bautista Drive, Baguio City	213,678	July 31, 2026
Baguio City-Magsaysay Ave.	G/F, Lyman Ogilby Centrum Building, 358 Magsaysay Avenue, Baguio City	88,683	June 30, 2027
Benguet-La Trinidad	Benguet State University Compound, Barangay Balili, KM. 5, La Trinidad, Benguet	46,080	October 05, 2027
Mountain Province-Bontoc	G/F, Mount Province Commercial Center, Poblacion, Bontoc, Mountain Province	28,453	September 10, 2026
Laoag City-Castro	F.R. Castro Ave. (formerly A. Bonifacio St.), Laoag City, Ilocos Norte	120,608	March 31, 2025
Vigan City Market	G/F, Unit 6, Puregold Vigan, Alcantara St., Poblacion, Vigan City, Ilocos Sur	68,558	July 13, 2024
Ilocos Sur-Narvacan	Annex Building, Narvacan Municipal Hall, Sta. Lucia, Narvacan, Ilocos Sur	53,571	December 31, 2022
Ilocos Norte-Pasquin	Farmers Trading Center Building, Maharlika Hi-way, Poblacion 1, Pasquin, Ilocos Norte	20,000	December 12, 2022
Cagayan-Tuguegarao-Brickstone Mall	G/F, Brickstone Mall, KM. 482, Maharlika Highway, Pengue Ruyu, Tuguegarao City, Cagayan	72,201	November 15, 2020
Isabela-Cauayan-Maharlika Hi-Way	Isidro A. Dy Bldg., Highway, Brgy. San Fermin, Cauayan, Isabela 3505	64,286	March 31, 2024
Santiago – Panganiban	Municipal Integrated Parking Bldg., Panganiban St., Brgy. Centro East, Santiago City, Isabela	1,689	August 17, 2015
Isabela-Centro Ilagan	J. Rizal Street, Centro, Ilagan City, Isabela	32,710	August 04, 2023
Cagayan-Tuao	G/F, Villacete Building, National Highway, Pata, Tuao, Cagayan	18,000	September 23, 2023
Isabela-Alicia	Armando & Leticia de Guia Building, San Mateo Road, Antonino, Alicia, Isabela	46,729	November 30, 2025
Ifugao-Lagawe	JDT Building, Inguling Drive, Poblacion East, Lagawe, Ifugao	16,069	November 10, 2023
Kalinga-Tabuk	I-Square Building, Provincial Road, Poblacion Centro, Tabuk City, Kalinga	49,098	December 20, 2025
Cagayan-Sanchez Mira	C-2 Maharlika Highway, Sanchez Mira, Cagayan	26,786	December 01, 2022
Malolos City-McArthur Hi-way	FC Bldg., Km 40, McArthur Hi-way, Sumapang Matanda, Malolos City, Bulacan	80,223	December 31, 2021
Meycauayan City- McArthur-Saluysoy	GF Maryville Square Annex, McArthur Highway, Saluysoy, Meycauayan, Bulacan	96,753	November 17, 2029
Meycauayan City-Esperanza Mall	GF Stalls 8 & 9 Esperanza Mall, Mc Arthur Highway, Brgy. Calvario, Meycauayan, Bulacan (new site effective 11/14/2011)	59,640	September 30, 2021
Bulacan-Plaridel	Cagayan Valley Road, Banga 1st, Plaridel, Bulacan	53,571	July 30, 2022
Bulacan-San Rafael	San Rafael Public Market, Cagayan Valley Road, Barangay Cruz na Daan, San Rafael, Bulacan	60,116	October 07, 2025
Bulacan-Balagtas	G/F D & A Building, MacArthur Highway, San Juan, Balagtas, Bulacan	45,982	June 30, 2030
Bulacan-Sta. Maria	Jose Corazon De Jesus Street, Poblacion, Santa Maria, Bulacan	85,465	September 30, 2023
Bulacan-Robinsons Pulilan	Robinsons Mall Pulilan, Maharlika Highway, Cutcut, Pulilan, Bulacan	52,468	December 31, 2024
San Jose Del Monte-Quirino Hi-way	Dalisay Bldg., Quirino Hi-way, Tungkong Mangga, City of San Jose Del Monte, Bulacan	150,000	December 31, 2024
Bulacan-Bocaue	JM Mendoza Building, McArthur Hi-way, Lolombo, Bocaue, Bulacan	80,406	October 07, 2022
BULACAN-GUIGUINTO	G.S. Bldg., Cagayan Valley Road, Sta. Rita, Guiguinto, Bulacan	35,310	July 10, 2021
BULACAN-MARILAO	Units 104 & 105 Plaza Cecilia Bldg., Marilao-San Jose Road, Sta. Rosa 1, Marilao, Bulacan	62,400	December 18, 2021
BULACAN-OBANDO	G/F, Fisherman Building, J.P. Rizal St., Brgy. Palivas, Obando, Bulacan	39,306	July 31, 2022
Angeles-McArthur Highway	V&M Building Barangay Sto Cristo, MacArthur Highway, Angeles City, Pampanga	98,405	July 14, 2021
San Fernando City-Sindalan	G/F, Sindalan Commercial Building, Brgy. Sindalan, City of San Fernando, Pampanga	85,001	August 31, 2027
Pampanga-Mabalacat-Mabiga	National Highway, Brgy. Mabiga, Mabalacat, Pampanga	45,995	January 31, 2021

Exhibit II

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LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2020

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
San Fernando City-McArthur Hi-way	LNG Bldg., Mc Arthur Highway, Brgy. Dolores, City of San Fernando, Pampanga	85,596	July 31, 2023
Pampanga-Apalit	G/F, Primemed Quest Alliance Building, MacArthur Highway, San Vicente, Apalit, Pampanga	97,500	September 30, 2028
San Fernando City-East Gate	East Gate City Walk Commercial Building, Olongapo-Gapan Road, San Jose, City of San Fernando, Pampanga	64,286	June 15, 2023
Pampanga-Macabebe	SGB Building, San Gabriel, Macabebe, Pampanga	40,000	March 27, 2021
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
San Fernando City-Dolores	Units 4 & 5, G/F, Peninsula Plaza Building, MacArthur Highway, Dolores, City of San Fernando, Pampanga	80,155	May 31, 2024
Pampanga-Lubao	OG Road, Ela Paz Arcade, Barangay Santa Cruz, Lubao, Pampanga	42,991	December 31, 2025
SAN FERNANDO CITY-MAIMPIS	Suburbia Commercial Center 2, Brgy. Maimpis, McArthur Highway, San Fernando, Pampanga	79,519	December 31, 2020
Olongapo City-Magsaysay Drive	YBC Leisure Center, 97 Magsaysay Drive, East Tapinac, Olongapo City	170,171	May 31, 2023
Bataan-Mariveles-BEPZ	Bataan Economic Zone, Luzon Avenue, Freeport Area of Bataan, Mariveles, Bataan	67,768	March 06, 2024
Bataan-Orani	Agustina Building, MacArthur Highway, Parang-Parang, Orani, Bataan	41,675	November 17, 2023
Bataan-Dinalupihan	BDA Building, San Ramon Highway, Dinalupihan, Bataan	51,680	March 20, 2022
Zambales-Sta. Cruz	Barangay Hall, Poblacion South, Sta. Cruz, Zambales	25,000	December 31, 2020
Olongapo City-Subic Bay	Lot 5 Retail 2, Times Square Mall, Sta. Rita Road, Subic Bay Freeport Zone, Olongapo City, Zambales	66,863	October 08, 2021
AURORA-BALER	G/F, DNR Bldg., Quezon Street, Barangay Suklayin, Baler, Aurora Province	45,000	November 01, 2025
BATAAN-LIMAY	SHAH Bldg., Bernabe Village, Saint Francis I, Limay, Bataan	45,000	August 31, 2021
BATAAN-ORION	19 Daan Bilolo, Orion, Bataan	33,628	March 31, 2024
Urdaneta City-Alexander	AAG Bldg. 2, Alexander St., Urdaneta City, Pangasinan	78,500	January 31, 2023
Dagupan City-A.B. Fernandez-Nable	A. B. Fernandez Ave., cor. Noble St., Dagupan City	88,785	December 31, 2024
Dagupan City-Perez Blvd.	Orient Pacific Center Building Perez Blvd. cor. Rizal St. Extension, Dagupan City (former Abrabar Building Perez Blvd Dagup	76,000	March 31, 2022
Pangasinan-Mangaldan	G/F Abad Biascan Bldg., 5 Rizal Ave., Poblacion, Mangaldan, Pang.	55,315	March 31, 2025
Pangasinan-San Carlos City	Plaza Jaycee St., San Carlos City, Pangasinan	86,450	August 14, 2024
Pangasinan-Bayambang	Prime Bldg., Rizal St., Zone 2, Bayambang, Pangasinan	86,171	October 11, 2025
PANGASINAN-CALASIAO	G/F, Elguira Bldg., National Highway, Barangay Nalsian, Calasiao, Pangasinan	89,286	April 30, 2022
Cabanatuan-Maharlika	Km. 114 Maharlika Highway, Cabanatuan City, Nueva Ecija	69,458	May 15, 2024
Nueva Ecija - Sta. Rosa	G/F, JNB Bldg., Bgy. Cojuangco, Cagayan Valley Road, Sta. Rosa, NE	45,600	September 30, 2021
Cabanatuan-Dicarma	R. Macapagal Building, Barangay Dicarma, Maharlika Highway, Cabanatuan City, Nueva Ecija	45,600	August 31, 2024
Nueva Ecija-Guimba	CATMAN Building, Provincial Road corner Faigal Street, Saranay District, Guimba, Nueva Ecija	44,657	September 30, 2022
Tarlac-Camiling	Rizal St., Camiling, Tarlac	59,999	March 15, 2022
Tarlac City-Zamora	A & E Bldg., Unit 123, #06 Zamora St., Brgy. San Roque, Tarlac City	79,360	October 31, 2022
Tarlac-Capas-Sto. Domingo	Capas Commercial Complex, Barrio Sto. Domingo, Capas, Tarlac	66,950	October 15, 2021
CABANATUAN-DAAN SARILE	Syquo Commercial Bldg., National Highway, Daan Sarile, Cabanatuan City, Nueva Ecija	56,250	November 25, 2019
TARLAC CITY-SAN NICOLAS	G/F, Mendoza Bldg., Brgy. San Nicolas, MacArthur Highway, Tarlac City, Tarlac	35,000	December 05, 2021

Exhibit II

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2020

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
Southern Luzon			
BATANGAS-PALLOCAN WEST	G/F MAJ Building National Nighway, Pallocan West, Batangas City	85,085	June 26, 2021
Lipa City-Ayala Highway	High 5 Sqaure, Ayala Highway, Mataas na Lupa, Lipa City, Batangas	91,066	June 05, 2027
Batangas-Nasugbu	JP Laurel corner F. Alix Sts., Nasugbu, Batangas	85,000	May 31, 2024
Batangas City-Kumintang	JPA AMA Bldg., Kumintang Ilaya, Batangas City, Batangas	60,000	February 28, 2020
Batangas City-P. Burgos	Unit G1E, G/F Expansion Area, Nuciti Central Mall, P. Burgos St., Batangas City, Batangas	117,821	March 22, 2020
Batangas-Bauan-J.P. Rizal	G/F, ADD Building, J.P. Rizal Street, Poblacion, Bauan, Batangas	50,527	August 02, 2021
Batangas-Lemery	Humarang Building corner Ilustre Avenue and P. De Joya Street, Lemery, Batangas	87,979	June 30, 2021
Batangas-Tanauan	G/F, V. Luansing Bldg, J.P. Laurel Highway, Tanauan City, Batangas	81,396	August 21, 2021
BATANGAS CITY-DIEGO SILANG	Diego Silang St., Batangas City, Batangas Province	85,000	September 30, 2024
BATANGAS-MABINI	Casa Sorella Commercial Bldg., F. Castillo Street, Poblacion, Mabini, Batangas	35,714	May 29, 2021
BATANGAS-MALVAR	Pres. Laurel Highway, Brgy Poblacion, Malvar, Batangas	50,000	November 30, 2021
BATANGAS-ROSARIO	G/F, JCO Building, Carandang Street, Brgy. C. Rosario, Batangas	54,018	March 31, 2022
BATANGAS-STO. TOMAS MARKET	Sto. Tomas Market, Maharlika Highway, Barangay Poblacion 2, Sto. Tomas, Batangas	81,000	December 11, 2023
BATANGAS-TANAUAN-VICTORY MALL	GF-09 Victory Mall & Market, Barangay Poblacion VII, Tanauan City, Batangas	116,232	November 14, 2023
LIPA CITY-TAMBO	CERA Building, National Highway, Lipa City, Batangas	63,500	August 12, 2020
Bacoor City-Panapaan	San Miguel Commercial Building, 215 E. Aguinaldo Highway, Barangay Panapaan I, Bacoor, Cavite	85,050	May 13, 2022
Cavite-Gen. Trias	129 Governor's Drive, Manggahan, General Trias, Cavite City	68,861	February 27, 2024
Dasmariñas-Salitan	Michael's Building, Aguinaldo Highway, Salitan, Dasmariñas City, Cavite	63,520	September 20, 2025
Cavite-Imus-Aguinaldo	Sayoc-Abella Bldg., E. Aguinaldo Hi-way, Imus, Cavite	91,163	August 31, 2025
Bacoor City-Molino	I.K. Commercial Building, Molino III, Paliparan Highway, Bacoor, Cavite	86,640	May 31, 2024
Cavite-Tanza	G/F, Annie's Plaza Building, A. Soriano Highway, Daang Amaya, Tanza, Cavite	62,400	October 15, 2025
Tagaytay-Mendez	Vistamart Building, Gen. E. Aguinaldo Highway, Mendez Crossing West, Tagaytay City	100,000	November 29, 2024
Cavite-Naic	P. Poblete Street, Ibayo Silangan, Naic, Cavite	70,284	February 14, 2022
Dasmariñas-Aguinaldo Hi-Way	G/F, LCVN Building, Aguinaldo Hi-Way, Zone IV, Dasmariñas, Cavite City	143,546	December 20, 2025
Cavite-Rosario-CEPZ	General Trias Drive, Rosario, Cavite	28,700	February 12, 2042
Cavite-Imus Bayan	GF, J. Antonio Building 1167 Gen. Aguinaldo Highway, Bayan Luma 7, Imus, Cavite	152,369	November 10, 2021
Laguna- Southwoods	G/F, Southwoods Mall, Brgy. San Francisco, Binan, Laguna	225,342	July 31, 2022
CAVITE-KAWIT-CENTENNIAL ROAD	G/F, Robertson Plaza, Centennial Road, Brgy. Tabon I, Kawit, Cavite	69,616	November 30, 2024
CAVITE-NOVELETA	No. 335, Magdiwang Highway cor. Manila-Cavite Road, Poblacion, Noveleta, Cavite	50,000	July 31, 2022
CAVITE-SILANG-OLD BULIHAN	Governor's Drive, Brgy. Old Bulihan, Silang, Cavite	117,879.37 - 08.16.2011	August 15, 2020
DASMARIÑAS-BUROL MAIN	G/F, Felix Amada Building, Gen. Emilio Aguinaldo Highway, Burol Main, Dasmariñas City, Cavite	90,000	November 24, 2020
Cavite-Carmona	9767 Barangay Maduya, Carmona, Cavite	76,577	April 30, 2023
Laguna-Cabuyao-ABI	Asia Brewery Complex, National Hi-way, Bgy. Sala, Cabuyao, Laguna	40,717	March 31, 2021
Laguna-Calamba-Parian	G/F Sta. Cecilia Business Center, Nat'l Hi-way, Bgy. Parian, Calamba, Laguna	43,501	October 15, 2026
Laguna-San Pedro-Nat'l. Hi-Way	Km. 31, National Highway, Brgy. Nueva, San Pedro, Laguna	79,008	February 28, 2023
Laguna-Cabuyao-Centro Mall	Unit 124, Centro Mall, Brgy. Pulo, Cabuyao, Laguna	59,400	June 21, 2020
Laguna-Biñan	Ammar Commercial Center, Nepa National Highway, Barangay Sto. Domingo, Biñan, Laguna	76,500	March 31, 2023
Laguna-San Pablo City Colago	Mary Grace Building, Colago Avenue cor Quezon Avenue, San Pablo City, Laguna	54,698	November 30, 2021
Laguna-Sta. Rosa	Old National Hi-way, Balibago, Sta Rosa City, Laguna	104,655	June 09, 2021
Laguna-Calamba Crossing	G/F, Unit Building, J. Alcasid Business Center, Crossing Calamba City, Laguna	98,154	March 14, 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	May 14, 2021
Laguna-UPLB	Andres Aglibut Avenue UPLB Batong Malake, Los Baños, Laguna	68,865	Month-to-Month
Laguna-Calamba-Bucal	G/F, Prime Unit 103 Carolina Center Building, corner Ipil-ipil Street, Barangay Bucal, Calamba, Laguna	84,078	November 30, 2023
LAGUNA-CALAMBA-NATIONAL HIGHWAY	G/F, Andenson Bldg. 3, National Highway, Brgy. Parian, Calamba City, Laguna	54,000	December 31, 2021
LAGUNA-SAN PEDRO-CATAQUIZ	G/F, P.A. Alvarez Bldg., National Highway cor. Cataquiz Street, San Pedro City, Laguna	60,800	November 14, 2019

Exhibit II

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LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2020

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
LAGUNA-STA. ROSA-BALIBAGO	G/F, Quadrangle Square, Don Francisco M. Tan Gana Bldg., Old National Highway, Brgy. Balibago, Sta. Rosa City, Laguna	80,000	September 11, 2020
Laguna-Sta. Cruz-Regidor	137 A. Regidor St., Sta. Cruz, Manila	104,186	February 21, 2024
Quezon-Gumaca	Andres Bonifacio Street, Barangay San Diego Poblacion, Gumaca, Quezon	80,000	November 29, 2025
Lucena City-Enriquez	Enriquez corner Enverga Sts., Poblacion, Lucena City, Quezon	70,000	September 15, 2022
Quezon-Atimonan	Our Lady of the Angels Parish Compound, Quezon Street, Atimonan, Quezon	35,000	July 15, 2025
Laguna-Siniloan	G. Redor Street, Siniloan, Laguna	77,059	January 17, 2021
Marinduque-Sta. Cruz	G/F, RMR Building, Quezon Street, Barangay Maharlika, Santa Cruz, Marinduque	38,750	November 17, 2020
Marinduque-Boac	Governor Damian Reyes Street, Barangay Murallon, Boac, Marinduque	34,821	July 31, 2024
LAGUNA-STA. CRUZ-ALFONSO	G/F, The Feliciano Columns, P. Guevarra cor. Alfonso Sts., Sta. Cruz, Laguna	70,000	November 14, 2021
LUCENA CITY-RED V	Maharlika Highway, Red V, Brgy. Ibabang Dupay, Lucena City, Quezon Province	69,500	February 28, 2025
MARINDUQUE-BOAC-D. MERCADER	D. Mercader St., Brgy. San Miguel, Municipality of Boac, Marinduque	35,714	October 31, 2022
QUEZON-INFANTA	Mabini cor. Burgos Sts., Poblacion 38, Infanta, Quezon Province	32,124	August 31, 2020
QUEZON-LUCBAN	Concepcion Street, Barangay San Luis, Lucban, Quezon Province	75,000	January 31, 2023
QUEZON-PAGBILAO	G/F, APT Bldg., Maharlika Highway cor. Alvarez St., Brgy. Del Carmen, Pagbilao, Quezon Province	70,000	July 31, 2022
Camarines Norte-Daet-Pimentel Ave.	Pimentel Ave., cor. Dasmarias St., Daet, Camarines Norte	96,025	March 16, 2025
Naga City-Magsaysay Ave.	G-Square Building Magsaysay Avenue cor Catmon II St., Balatas, Naga City	86,366	April 14, 2024
Naga City-Panganiban	DECA Corporate Center Panganiban Drive, Barangay Tinago, Naga City, Camarines Sur	87,516	March 12, 2023
Camarines Sur-Pili	Cu Building, Old San Roque, Pili, Camarines Sur	66,019	August 31, 2022
Albay-Polangui	National Road, Ubaliv, Polangui, Albay	35,714	April 30, 2023
Camarines Sur-Goa	Juan Go Building, corner Rizal & Bautista Streets, Goa, Camarines sur	50,139	May 31, 2024
Albay-Ligao	San Jose Street, Dunao, Ligao City, Albay	68,750	September 30, 2022
NAGA CITY-DIVERSION ROAD	G/F, M Plaza Bldg., Diversion Road, Naga City, Camarines Sur	67,200	October 09, 2020
Legazpi City-Imperial	35 F. Imperial St., Legaspi City, Albay	115,000	May 31, 2023
Sorsogon-Bulan	Zone 4 Tomas de Castro St., Bulan, Sorsogon	45,000	July 31, 2022
Sorsogon City-Magsaysay	Doña Nening Building, R. Magsaysay St., Sorsogon City, Sorsogon	108,527	December 15, 2023
Legazpi City-Albay Capitol	ANST Building II, Rizal Street, Barangay 14, Albay District, Legaspi City, Albay	80,905	April 30, 2024
Catanduanes-Virac	G/F, Johnson Building, Rizal Avenue Santa Cruz, Virac, Catanduanes	80,000	April 27, 2028
LEGAZPI CITY-LAPU-LAPU	Rizal Street, Brgy. Lapu-Lapu, Legazpi City, Albay	80,357	October 19, 2020
Or. Mindoro-Pinamalayan	G/F, San Agustin Building, Mabini Street, Zone IV, Pinamalayan, Oriental Mindoro	27,000	September 30, 2035
Romblon-Republika	Republika Street, Barangay I, Romblon, Romblon	21,495	October 11, 2024
OCC. MINDORO-SAN JOSE-LIBORO	Rizal St. cor. Liboro St., San Jose, Occidental Mindoro	67,120	July 15, 2023
OR. MINDORO-PUERTO GALERA	Muelle St., Puerto Galera, Oriental Mindoro	2016-2021=P89,285.71	10 Apr 2021 10 Apr 2026
ROMBLON-ODIONGAN-LIWAYWAY	Magsaysay St. cor. Formiliza St., Liwayway, Odiongan, Romblon	35,000	January 31, 2021
Visayas			
Cebu-Banawa	One Pavilion Mall, R. Duterte Street, Banawa, Cebu City	92,694	October 07, 2022
Cebu-Fuente Osmeña	BF Paray Building, Osmeña Boulevard, Cebu city	140,187	May 31, 2023
Cebu-Colon	G/F J. Avila Bldg., Collonade Mall Oriente, Colon St., Cebu City	163,242	December 31, 2024
Cebu-Banilad-Ma. Luisa Park	Gov. M. Cuenco Avenue corner Paseo Saturnino Street, Banilad, Cebu City	117,315	February 28, 2020
Cebu Uptown	G/F, Visayas Community Medical Center Mixed Use Bldg., Osmeña Blvd., Cebu City	127,543	February 29, 2020
CEBU-ESCARIO	G/F Capitol Square, N. Escario Street, Cebu City	78,750	August 27, 2025
Cebu Business Park	Unit F, Upper G/F, FLB Corporate Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City	139,783	September 30, 2025
Cebu-Lahug	G/F, Juanita Building, Escario Street corner Gorordo Avenue, Barangay Camputhaw, Lahug, Cebu City	72,187	February 07, 2021
Cebu I.T. Park	G/F, TGU Tower, Cebu IT Park, Salinas Drive corner J.M del Mar Street, Apas, Cebu City	233,000	December 15, 2022
Cebu-Talamban	Leyson St., Talamban, Cebu City	101,376	July 31, 2025
Palawan-Puerto Princesa-Rizal Ave.	Rizal Ave., Mangahan, Puerto Princesa, Palawan	120,000	July 31, 2030

Exhibit II

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AS OF DECEMBER 31, 2020**

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
CEBU-MABOLO	G/F, GPH Central, F. Cabahug corner President Roxas Sts., Brgy. Kasambagan, Mabolo, Cebu City, Cebu	193,595	January 31, 2023
PALAWAN-CORON	45 Don Pedro St., Brgy. 2, Coron, Palawan	59,322	March 31, 2024
Cebu-Banilad-Fortuna	AS Fortuna St., Banilad, Mandaue City, Cebu	60,775	March 31, 2022
Cebu-Mandaue-North Road	Unit 101A Ground Floor , Insular Square, Northroad Basak Mandaue City	83,638	February 28, 2023
Cebu-MEPZ	1st Avenue, MEPZ 1, Ibo, Lapu-lapu City, Cebu	10,745	July 19, 2019
Cebu-Mandaue-Lopez Jaena	J. D. Bldg., Lopez Jaena St., Highway, Tipolo, Mandaue City	84,919	April 14, 2020
Cebu-Consolacion	Consolacion Government Center Extension , Poblacion , Oriental , Consolacion , Cebu.	66,000	August 02, 2025
Cebu-Mandaue-A. Cortes	A. C. Cortes Avenue, Ibabaw, Mandaue City, Cebu	66,000	February 28, 2021
Cebu-Lapu-Lapu-Pusok	Highway, Pusok, Lapu-Lapu City	24,758	February 28, 2021
CEBU-LILOAN	Units 11-12, G/F, Gaisano Grand Liloan, Barangay Poblacion, Liloan, Cebu	56,250	February 28, 2021
Cebu-Bogo	Corner R. Fernan & San Vicente Streets, Bogo City, Cebu	32,709	April 16, 2021
Cebu-Mandaue-Subangdaku	KRC Bldg., National Highway, Subangdaku, Mandaue City, Cebu	66,009	August 15, 2021
Cebu-Mandaue Centro	G/F, Gaisano Grand Mall, Mandaue Centro, A. Del Rosario Street, Mandaue City, Cebu	112,868	February 28, 2022
Cebu-Mactan Int'l Airport	Lower Ground, Waterfront Mactan, Airport Road, Pusok, Lapu-Lapu City, Cebu	30,568	November 30, 2022
Cebu-Lapu-Lapu Market	Mangubat cor. Rizal Sts., Lapu-Lapu City, Cebu	25,640	December 31, 2022
Cebu-Bantayan	J.P. Rizal St., Ticad, Bantayan, Cebu City	53,340	June 21, 2025
CEBU-MANDAUE-CASUNTINGAN	G/F, American Water Technologies Building, M. L. Quezon Avenue, Casuntingan, Mandaue City, Cebu	55,357	December 31, 2023
Bohol-Ubay	G/F LM Commercial Bldg.,National Hi-way Cor.Tan Pentong St.,Poblacion, Ubay, Bohol	68,337	#N/A
Cebu-Tabunok-Talisay	National South Highway, Tabunok, Talisay, Cebu	56,000	April 30, 2019
Cebu-Carbon	41-43 Plaridel St., Carbon District, Cebu City, Cebu	P93,767.63	October 31, 2024
Cebu-Moalboal	G/F, Stall MBL-GFS 7, 8 & 9, Gaisano Grand Mall, Poblacion East, Moalboal, Cebu	54,000	April 30, 2025
Tagbilaran-Island City Mall	Upper Ground Floor 33-34, Island City Mall, Dampas District, Tagbilaran City, Bohol	73,270	July 31, 2021
Cebu-Tabunok Nat'l. Hi-Way	G/F, Paul Sy Building, National Highway, Tabunok, Talisay City, Cebu	80,454	January 16, 2021
Cebu-Carcar	Rotonda, Carcar Cebu	72,749	February 21, 2021
Tagbilaran-Alturas Mall	G/F, Stall 10, Alturas Mall, C.P. Garcia Ave., M.H. del Pilar & B. Inting Sts., Tagbilaran City, Bohol	82,644	#N/A
Cebu-Mambaling	G/F Super Metro Mambaling, F. Llamas St., Basak, San Nicolas, Cebu City	68,000	October 31, 2021
Cebu-Minglanilla	Ward 4, Poblacion, Minglanilla, Cebu City	63,206	October 14, 2022
Bohol-Panglao Island	G/F, Cherry's Home Too Bldg., Hontanosas Road, Brgy. Tawala, Panglao Island, Bohol	104,000	January 31, 2029
Bohol-Talibon	Alturas Talibon, Poblacion, Talibon, Bohol	38,393	December 19, 2024
CEBU-TABOAN	Candido Padilla Street cor. Tomas Abella Street, Brgy. San Nicolas, Taboan, Cebu City, Cebu	79,950	October 14, 2023
BACOLOD-NEGROS CYBER CENTRE	Negros First Cyber Centre Building, Lacson corner Hernaez Streets, Bacolod City, Negros Occidental	58,000	June 30, 2023
Bacolod-East-Burgos	G/F, Besca Properties Building, Burgos Extension, Bacolod City, Negros Occidental	68,857	October 02, 2024
BACOLOD-LIBERTAD	Penghong Building, Poinsetia Street, Libertad Extension, Bacolod City, Negros Occidental	54,698	November 03, 2021
BACOLOD-HILADO	Hilado corner L.N. Agustin Streets, Bacolod City, Negros Occidental	44,100	February 19, 2022
Bacolod-Lacson	10th Lacson St., Bacolod City	100,000	October 12, 2065
Negros Occ.-La Carlota City	Corner La Paz & Rizal Streets, Barangay I, La Carlota City, Negros Occidental	48,210	May 31, 2026
Dumaguete City-South Road	Manhattan Suites, South Road, Calindagan, Dumaguete City, Negros Oriental	70,499	October 14, 2022
Negros Or.-Bais City	Rosa Dy-Teves Building, Quezon Street, Bais City, Negros Oriental	37,500	November 30, 2021
Negros Or.-Guihulngan	New Guihulngan Public Market, S. Villegas Street, Guihulngan, Negros Oriental	25,000	February 08, 2021
Iloilo-Sta. Barbara	Liz Complex, Bangga Dama, Brgy. Bolong Oeste, Sta. Barbara, Iloilo	74,699	October 31, 2023
Iloilo-Aldeguer	St. Catherine Arcade, Aldeguer St.,Iloilo City	80,000	November 15, 2021
ILOILO-GEN. LUNA	Go Sam Building, Gen. Luna St., Iloilo City	71,500	December 17, 2021
Iloilo-La Paz	G/F, Inayan Building, Rizal Street, La Paz, Iloilo City	58,036	December 31, 2023
Iloilo-Diversion Road	G/F, Unicom Building, Senator Benigno Aquino Avenue (Diversion Road), Barangay San Rafael, Mandurriao, Iloilo City	66,000	October 31, 2024
Antique-San Jose	San Isidro St., San Jose	61,990	June 11, 2025
Iloilo-Miag-ao	One TGN Building, corner Noble & Santo Tomas Streets, Miag-ao, Iloilo	41,580	May 14, 2023

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AS OF DECEMBER 31, 2020

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
ILOILO-MABINI	G/F, J&B Building, Mabini Street, Iloilo City, Iloilo Province	55,000	April 02, 2023
Iloilo-Jaro Hechanova	P.T. Española Building, Gran Plains Subdivision, Brgy. M.V. Hechanova, Tabuk Suba, Jaro, Iloilo City 5000	57,294	August 29, 2021
Iloilo-Jaro	#8 Lopez Jaena Street, Jaro, Iloilo City	70,500	May 02, 2021
Aklan-Kalibo-Martelino	0624 S. Martelino Street, Kalibo, Aklan	37,685	November 30, 2025
Boracay-Station 1	Venue One Hotel, Main Road, Station I, Balabag, Boracay Island, Malay, Aklan	159,940	February 03, 2021
AKLAN-CATICLAN	Edsa Building, National Road, Caticlan, Malay, Aklan	104,186	September 30, 2025
Southern Leyte-Sogod	No. 006 Osmeña St., Brgy Zone 2, Sogod, Southern Leyte	50,415	November 30, 2025
Leyte-Ormoc Cogon	G/F, Gabas Building, Lilia Avenue, Brgy. Cogon, Ormoc City, Leyte	60,608	October 14, 2027
Eastern Samar-Guluan	Guimbaolibot Avenue, Brgy. Lactason, Guluan, Eastern Samar	50,400	November 30, 2024
Leyte-Palompon	G/F, Municipal Building, Rizal Street, Palompon, Leyte	28,000	May 16, 2028
Tacloban City-Rizal Ave.	G/F, Washington Building, Rizal Avenue, Tacloban City, Leyte	115,748	October 22, 2021
LEYTE-BAYBAY CITY-VSU BRANCH	G/F, Technology Business Incubation Center Bldg., Visayas State University, Brgy. Pangasungan, Baybay City, Leyte	7,000	Aug. 2, 2028
Southern Leyte - Hinunangan Branch	Corner National Highway and Washington Street, Brgy. Salog, Hinunangan, Southern Leyte	Rent Free - 1st 18 mont	August 19, 2043
Mindanao			
Davao-J.P. Laurel Ave.	Upper Ground Floor, Units 1A & 1B, Robinsons Cybergate Delta, J.P. Laurel Avenue, Bajada, Davao City	132,996	December 01, 2022
Davao-Obrero	G/F, JJ's Commune Building, Loyola Street, Barangay Obrero, Davao City	64,000	July 31, 2020
Davao-Bangoy	G/F, Roman Paula Building, C. Bangoy Street, Davao City	75,893	July 20, 2024
Davao-Victoria Plaza	G/F, Victoria Plaza Mall, J.P. Laurel Ave. Bajada, Davao City	-	
Davao-Cabaguio Ave.	HPC Bldg., Cabaguio Avenue, Brgy. Gov. Paciano Bangoy, Davao City (old Site Gen. Luna St. (near Katipunan), Digos, Davao City)	52,488	October 16, 2021
Davao-Matina-McArthur Highway	80 Lua Building, MacArthur Highway, Matina, Davao City	60,000	September 15, 2020
Davao-Calinan	LTH Building, Davao-Bukidnon Highway, Calinan, Davao City	38,896	November 30, 2022
Davao-Toril	G/F, Anecita G. Uy Building, Saavedra Street, Toril, Davao City	58,879	June 01, 2022
Davao-Matina-GSIS	G/F, HIJ Building, MacArthur Highway, Barangay Matina, Davao City	62,305	May 01, 2023
Davao-Diversion Road	D3G Y10 Building, Davao Diversion Road, Carlos P. Garcia Hi-way, Buhangin, Davao City	60,613	July 14, 2024
Davao-Gaisano-Cabantian	G/F, Units 22-24, Gaisano Grand Citygate Mall, Tigatto cor. Cabantian Road, Davao City	84,000	October 31, 2028
DAVAO-MA-A	Valrey Bldg., 879 Ma-a Road, District 1, Brgy. Ma-a, Davao City, Davao del Sur	70,000	April 20, 2022
Davao-Panacan	Units 11-13, G/F, GRI Business Center, Maharlika Highway, Barangay Panacan, Davao City	56,075	April 30, 2027
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	45,000	September 15, 2022
Davao-Sta. Ana	G/F, Bonifacio Tan Building, Rosemary corner Bangoy Streets, Santa Ana Dist., Davao City	63,113	April 30, 2023
Davao Del Norte-Panabo	G/F, Gaisano Grand Mall of Panabo, Quezon Street, Barangay Sto. Niño, Panabo City, Davao Del Norte	66,145	November 30, 2021
Davao-Sasa	G/F, Carmart Building, Km 8, Sasa, Davao City	53,004	November 14, 2023
Davao - Samal Island	Purok 1, Sitio Pantalan, Barangay Miranda, Babak District Island Garden City of Samal, Davao del Norte	50,106	July 31, 2023
Davao-Ateneo	G/F, Community Center, Ateneo de Davao University, Jacinto Street, Davao City	61,800	October 31, 2025
Davao-Lanang	ABI Compound, Km. 7, Lanang, Davao City	50,000	July 24, 2019
Davao-Agdao	G/F, Chavez Building, Lapu-Lapu Street, Agdao, Davao City	100,000	November 30, 2024
Davao-Monte Verde Chinatown	42 T.Monte Verde Avenue cor. S. Bangoy Sts., Davao City	P64,894.43 - 03.14.201	March 13, 2020
Davao-Magsaysay-Lizada	R. Magsaysay Ave. cor. Lizada St., Davao City	115,473	May 09, 2022
Davao-Monte Verde-Sales	G/F, Mintrade Building, Monte Verde Street corner Sales Street, Davao City	120,000	March 31, 2022
General Santos-P. Acharon	Pedro Acharon Blvd., General Santos City, South Cotabato	26,174	June 30, 2020
General Santos-Santiago	G/F, RD Realty Development Building, Santiago Boulevard, General Santos City, South Cotabato	67,005	February 28, 2023
General Santos-KCC Mall	Unit 018 Lower G/F KCC Mall of Gensan, Jose Catolico Sr. Ave. General Santos City, South Cotabato	128,621	May 31, 2021
Sultan Kudarat-Isulan	Senator Ninoy Aquino Avenue, Barangay Kalawag III, Isulan, Sultan Kudarat	50,000	October 02, 2023
Agusan Del Sur-Bayugan City	Mendoza Square, Narra Avenue, Poblacion, Bayugan City, Agusan del Sur (Old Site 358 Narra Ave., Bayugan, Agusan del Sur)	52,674	08/31/2024
Butuan City-J.C. Aquino	J.C. Aquino Avenue, Butuan City, Agusan del Norte	75,701	May 31, 2023
Surigao City-San Nicolas	San Nicolas St., Washington, Surigao City, Surigao del Norte	146,660	March 31, 2021

Exhibit II

**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2020**

BRANCH NAME	ADDRESSES	MONTHLY RENTAL	EXPIRY DATE
Siargao Island - Dapa	G/F, Dapa Commercial Center, Juan Luna Street, Barangay 7 Poblacion, Dapa, Siargao Island, Surigao del Norte	14,000	May 20, 2028
Malaybalay City-Fortich	Fortich corner Kapitan Juan Melendez Sts., Malaybalay, Bukidnon	46,585	March 31, 2023
Valencia City-Mabini	Tamaylang Bldg., Mabini Street, Poblacion, Valencia City, Bukidnon	30,000	February 28, 2021
CDO-Lapasan Highway	G/F, RMT Building, Lapasan Highway, Cagayan De Oro	112,740	January 17, 2027
Iligan City-Quezon	Quezon Ave., Poblacion, Iligan City, Lanao del Norte	98,215	October 31, 2021
Malaybalay City-Rizal	G/F, Flores Building, corner Rizal & Tabios Streets, Barangay 5, Malaybalay City, Bukidnon	65,421	December 31, 2022
Bukidnon-Maramag	J. Tan, Building, Sayre Highway, North Poblacion, Maramag, Bukidnon	61,000	September 30, 2021
CDO-Carmen	REGO Building, 296 Agoho Drive, Carmen, Cagayan de Oro City, Misamis Oriental	71,429	July 31, 2020
Marawi City-MSU Campus	Dimaporo Gymnasium, MSU-Main Campus, Barangay Rapasan/Sikap, Marawi City, Lanao del Sur	25,000	January 23, 2039
Iligan City-Pala-o	G/F, Iligan Day Inn Building, Benito S. Ong Street, Pala-O, Iligan City, Lanao del Norte	53,125	September 30, 2020
CDO-Limketkai Mall North Concourse	G/F, North Concourse Limketkai Mall, Limketkai Center, Lapasan, Cagayan de Oro City, Misamis Oriental	174,568	October 31, 2021
CDO-TIN-AO	National Highway, Tin-Ao, Agusan, Cagayan De Oro City, Misamis Oriental	58,036	February 22, 2021
Ozamis City-Burgos	Ortega Building, Gomez cor. Burgos Sts., Ozamis City, Misamis Occidental	70,000	September 30, 2023
Dipolog City-Rizal	Rizal Ave., cor. Osmena St., Dipolog City, Zamboanga del Norte	103,318	April 16, 2022
Zamboanga Del Norte-Sindangan	Corner Rizal & Bonifacio Streets, Poblacion, Sindangan, Zamboanga del Norte	6,000	August 11, 2022
Pagadian City-Gaisano Capital	G/F, Gaisano Capital Pagadian, Rizal Avenue, San Pedro District, Pagadian City, Zamboanga del Sur	25,287	January 02, 2021
Zamboanga Del Norte-Liloy	G/F, Venus Uy Building, Liloy-Labason Road, Baybay, Liloy, Zamboanga del Norte	40,000	April 30, 2024
Zamboanga-San Jose	San Jose, Zamboanga City, Zamboanga del Sur	35,000	April 21, 2029
Zamboanga-Veterans Avenue	Zamboanga Doctors' Hospital, G/F Annex Bldg., Veterans Ave., Zamboanga City, Zamboanga del Sur	81,427	May 15, 2022
ZAMBOANGA - CANELAR	Mayor Jaldon St., Canelar, Zamboanga City	30,000	August 31, 2022
Zamboanga-MCLL Highway	G/F, AUROMA Building, Maria Clara Lorenzo Lobregat Highway, Guiwan District, Zamboanga City 7000	60,000	September 24, 2027
Zamboanga-KCC Mall	Upper Ground Floor, KCC Mall de Zamboanga, Governor Camins Street, Barangay Camino Nuevo, Zamboanga City, Zamboa	229,350	December 20, 2020
Zamboanga-Tetuan	G/F, AL Gonzalez & Sons Building, Veterans Avenue, Zamboanga City, Zamboanga del Sur	84,368	May 15, 2022
Zamboanga-Climaco	G/F, JNB Building, Buenavista Street, Zamboanga City, Zamboanga del Sur	97,070	June 24, 2022



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of Philippine National Bank is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years 2020, 2019 and 2018 ended December 31, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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


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

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

Sycip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Philippine National Bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.


FLORENCIA G. TARRIELA
Chairman of the Board


JOSE ARNULFO A. VELOSO
President and Chief Executive Officer



NELSON C. REYES
Executive Vice President and Chief Financial Officer

Pasay City

MAR 22 2021

SUBSCRIBED AND SWORN to before me this ____ day of March 2021 affiants exhibiting to me their Passport Identification No.

Doc. No. 67
Page No. 16
Book No. 85
Series of 2021


ATTY. CESAR E. DE ALDAY
Notary Public for Pasay City
Roll No. 31,2022
Commission No. 21-02
2nd Floor PNB Financial Center
Macapagal Blvd., Pasay City
Roll No. 52308
IJP No. 131778 / Nov. 3, 2020 / RSM
PTR No. 7353062 / Jan. 05, 2021 / Pasay
MCLE Compliance No. V1-0017867; Feb. 14, 2019

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

COMPANY NAME

P H I L I P P I N E N A T I O N A L B A N K A N D S
U B S I D I A R I E S

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

P N B F i n a n c i a l C e n t e r , P r e s i d e n
t D i o s d a d o M a c a p a g a l B o u l e v a r d
, P a s a y C i t y

Form Type

A A F S

Department requiring the report

Secondary License Type, if Applicable

COMPANY INFORMATION

Company's Email Address

gregorioar@pnb.com.ph

Company's Telephone Number

Mobile Number

No. of Stockholders

36,394

Annual Meeting (Month / Day)

04/29

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Mr. Aidell Amor R. Gregorio

Email Address

Telephone Number/s

891-6040 to 70

Mobile Number

CONTACT PERSON'S ADDRESS

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

NOTE 2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

Date

MAR 23 2021

RECEIVED

MARIANNE O. GONZALES



INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated and Parent Company Financial Statements

Opinion

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

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

Basis for Opinion

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



Key Audit Matters

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

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

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

Adequacy of Allowance for Credit Losses on Loans and Receivables

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

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

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

Audit response

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



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

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

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

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

Recognition of Deferred Tax Assets

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

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

Audit Response

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



Impairment Testing of Goodwill

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

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

Audit response

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

Other Information

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

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

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



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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Parent Company to express an opinion on the consolidated and parent company financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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



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

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

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

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas
Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-5 (Group A),

April 16, 2019 valid until April 15, 2022

Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-053-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534310, January 4, 2021, Makati City

March 15, 2021



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2020	2019	2020	2019
ASSETS				
Cash and Other Cash Items	₱25,135,724	₱30,500,927	₱25,038,434	₱29,642,159
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	202,129,356	105,981,801	202,129,356	101,801,597
Due from Other Banks (Note 33)	19,733,300	17,758,143	12,131,726	10,835,106
Interbank Loans Receivable (Notes 8 and 33)	39,700,981	24,831,816	37,858,670	23,803,019
Securities Held Under Agreements to Resell (Notes 8 and 35)	15,819,273	2,517,764	15,819,273	1,149,984
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	23,825,708	13,468,985	21,947,640	11,169,656
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	133,715,352	123,140,840	133,263,758	118,896,564
Investment Securities at Amortized Cost (Note 9)	95,235,993	100,464,757	95,115,642	99,203,909
Loans and Receivables (Notes 10 and 33)	599,994,748	657,923,757	586,901,861	587,245,896
Property and Equipment (Note 11)	19,878,715	21,168,794	18,406,981	18,797,308
Investments in Subsidiaries and an Associate (Note 12)	2,310,410	2,605,473	27,105,550	28,430,358
Investment Properties (Note 13)	14,445,756	15,043,826	13,921,798	14,676,387
Deferred Tax Assets (Note 30)	9,036,908	2,580,809	8,522,411	1,985,597
Intangible Assets (Note 14)	2,512,013	2,841,989	2,438,660	2,699,154
Goodwill (Note 14)	13,375,407	13,375,407	13,515,765	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 36)	7,945,945	—	1,136,418	—
Other Assets (Note 15)	6,338,210	8,085,523	4,947,734	5,352,763
TOTAL ASSETS	₱1,231,133,799	₱1,142,290,611	₱1,220,201,677	₱1,069,205,222
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	₱199,770,048	₱172,228,956	₱200,113,465	₱168,628,123
Savings	425,611,765	391,769,777	424,637,944	384,773,630
Time	236,694,042	226,894,643	240,584,601	187,288,142
Long Term Negotiable Certificates	28,212,034	35,152,104	28,212,034	35,152,104
	890,287,889	826,045,480	893,548,044	775,841,999
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	701,239	245,619	700,802	231,992
Bills and Acceptances Payable (Notes 19, 33 and 35)	87,159,450	55,963,290	84,817,360	48,424,017
Lease Liabilities (Note 29)	1,366,016	1,806,409	1,370,206	1,633,083
Accrued Taxes, Interest and Other Expenses (Note 20)	6,449,026	6,939,726	6,075,016	6,058,094
Bonds Payable (Note 21)	64,056,335	66,615,078	64,056,335	66,615,078
Income Tax Payable	903,044	576,156	842,038	472,378
Liabilities of Disposal Group Classified as Held for Sale (Note 36)	6,353,964	—	—	—
Other Liabilities (Note 22)	17,873,828	29,123,453	15,546,894	17,858,935
	1,075,150,791	987,315,211	1,066,956,695	917,135,576
EQUITY ATTRIBUTABLE TO EQUITY				
HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	61,030,594	61,030,594	61,030,594	61,030,594
Capital Paid in Excess of Par Value (Note 25)	32,116,560	32,116,560	32,106,560	32,106,560
Surplus Reserves (Notes 25 and 32)	5,032,097	642,018	5,032,097	642,018
Surplus (Note 25)	54,498,066	56,273,492	54,843,588	56,273,735
Net Unrealized Gain on Financial Assets at FVOCI (Note 9)	3,054,403	3,250,651	3,054,403	3,250,651
Remeasurement Losses on Retirement Plan (Note 28)	(3,009,452)	(2,229,220)	(3,009,452)	(2,229,220)
Accumulated Translation Adjustment (Note 25)	717,872	947,562	717,872	947,562
Other Equity Reserves (Notes 12 and 25)	277,855	35,466	419,542	35,466
Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	(1,038,838)	12,280	(1,038,838)	12,280
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	88,616	—	88,616	—
Other Equity Adjustment	13,959	13,959	—	—
	152,781,732	152,093,362	153,244,982	152,069,646
NON-CONTROLLING INTERESTS (Note 12)	3,201,276	2,882,038	—	—
	155,983,008	154,975,400	153,244,982	152,069,646
TOTAL LIABILITIES AND EQUITY	₱1,231,133,799	₱1,142,290,611	₱1,220,201,677	₱1,069,205,222

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019 (As Restated – Note 36)	2018 (As Restated – Note 36)	2020	2019	2018
INTEREST INCOME ON						
Loans and receivables (Notes 10, 27 and 33)	₱38,254,122	₱39,852,726	₱30,202,480	₱37,067,285	₱35,164,556	₱25,504,159
Investment securities at amortized cost and FVOCI (Note 9)	6,496,772	8,737,577	4,534,297	6,448,100	8,549,063	4,502,331
Deposits with banks and others (Notes 7 and 33)	1,290,302	635,087	775,820	1,173,981	432,874	524,723
Financial assets at FVTPL (Note 9)	665,751	619,979	120,667	542,512	619,979	120,667
Interbank loans receivable and securities held under agreements to resell (Note 8)	244,007	668,211	379,378	186,211	568,061	350,808
	46,950,954	50,513,580	36,012,642	45,418,089	45,334,533	31,002,688
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	7,379,018	14,024,899	7,871,173	7,227,056	12,201,776	6,591,288
Bonds payable (Note 21)	2,904,528	1,945,497	477,405	2,904,528	1,945,497	477,405
Bills payable and other borrowings (Notes 19, 29 and 33)	846,642	2,184,918	662,340	637,478	1,740,622	472,111
	11,130,188	18,155,314	9,010,918	10,769,062	15,887,895	7,540,804
NET INTEREST INCOME	35,820,766	32,358,266	27,001,724	34,649,027	29,446,638	23,461,884
Service fees and commission income (Notes 26 and 33)	4,684,572	5,169,040	4,251,692	4,134,519	3,677,689	3,524,263
Service fees and commission expense (Note 33)	983,246	988,164	773,082	858,182	800,376	616,207
NET SERVICE FEES AND COMMISSION INCOME	3,701,326	4,180,876	3,478,610	3,276,337	2,877,313	2,908,056
OTHER INCOME						
Trading and investment securities gains - net (Notes 9 and 33)	3,337,640	1,074,384	150,691	3,456,521	1,017,155	157,678
Foreign exchange gains - net (Note 23)	919,555	1,105,903	942,372	929,890	861,143	578,180
Net gains on sale or exchange of assets (Note 26)	195,842	690,625	5,861,143	130,493	686,441	5,841,136
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	88,476	(97,608)	43,847	95,939	(345,599)	530,885
Miscellaneous (Note 27)	1,488,558	1,464,482	1,425,439	906,752	976,822	1,101,875
TOTAL OPERATING INCOME	45,552,163	40,776,928	38,903,826	43,444,959	35,519,913	34,579,694
OPERATING EXPENSES						
Provision for impairment, credit and other losses (Note 16)	16,882,621	2,910,182	1,740,177	16,534,335	1,593,219	1,401,528
Compensation and fringe benefits (Notes 25, 28 and 33)	10,167,273	9,442,021	9,380,199	9,313,371	8,024,694	7,943,135
Taxes and licenses (Note 30)	4,581,382	4,812,796	3,729,016	4,394,703	4,217,996	3,343,899
Depreciation and amortization (Note 11)	3,155,279	2,795,222	1,944,808	2,607,269	2,207,071	1,542,712
Occupancy and equipment-related costs (Note 29)	991,030	1,022,167	1,716,315	942,896	854,334	1,453,341
Miscellaneous (Note 27)	9,014,911	7,682,620	6,953,525	8,637,974	6,854,659	6,125,334
TOTAL OPERATING EXPENSES	44,792,496	28,665,008	25,464,040	42,430,548	23,751,973	21,809,949
INCOME BEFORE INCOME TAX	759,667	12,111,920	13,439,786	1,014,411	11,767,940	12,769,745
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)	(1,798,238)	2,452,307	3,663,744	(1,945,521)	2,086,464	3,304,670
NET INCOME FROM CONTINUING OPERATIONS	2,557,905	9,659,613	9,776,042	2,959,932	9,681,476	9,465,075
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	67,583	101,593	(219,972)	–	–	–
NET INCOME	₱2,625,488	₱9,761,206	₱9,556,070	₱2,959,932	₱9,681,476	₱9,465,075
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	₱2,614,653	₱9,681,480	₱9,465,022			
Non-controlling Interests	10,835	79,726	91,048			
	₱2,625,488	₱9,761,206	₱9,556,070			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)						
	₱1.71	₱7.05	₱7.58			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)						
	₱1.67	₱6.98	₱7.75			

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019 (As restated – Note 36)	2018 (As restated – Note 36)		2019	2018	
	2020	2020		2020	2019	2018
NET INCOME	₱2,625,488	₱9,761,206	₱9,556,070	₱2,959,932	₱9,681,476	₱9,465,075
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on debt securities at FVOCI, net of tax (Note 9)	(578,919)	5,417,132	(2,133,032)	(639,403)	5,507,470	(2,317,417)
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	662,951	447,169	(375,390)	556,246	590,236	(284,117)
	84,032	5,864,301	(2,508,422)	(83,157)	6,097,706	(2,601,534)
Accumulated translation adjustment	(257,238)	(924,441)	484,126	(81,646)	(264,289)	154,076
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	–	–	–	(148,044)	(565,072)	204,963
	(173,206)	4,939,860	(2,024,296)	(312,847)	5,268,345	(2,242,495)
Items that do not recycle to profit or loss in subsequent periods:						
Share in aggregate losses on life insurance policies (Note 12)	(1,051,118)	–	–	(1,051,118)	–	–
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	(251,071)	583,286	–	(83,882)	349,881	93,112
Remeasurement gains (losses) on retirement plan (Note 28)	(725,968)	(466,926)	193,128	(710,795)	(596,589)	109,596
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	4,632	(234,815)	386,628	(10,030)	(105,801)	470,160
	(2,023,525)	(118,455)	579,756	(1,855,825)	(352,509)	672,868
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(2,196,731)	4,821,405	(1,444,540)	(2,168,672)	4,915,836	(1,569,627)
TOTAL COMPREHENSIVE INCOME	₱428,757	₱14,582,611	₱8,111,530	₱791,260	₱14,597,312	₱7,895,448
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	₱445,981	₱14,597,316	₱7,895,395			
Non-controlling interests	(17,224)	(14,705)	216,135			
	₱428,757	₱14,582,611	₱8,111,530			

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
(In Thousands)

	Consolidated													
	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 32)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Classified as Held for Sale (Note 36)	Other Equity Adjustment	Total	Non- controlling Interests (Note 12)	Total Equity
Balance at January 1, 2020	P61,030,594	P32,116,560	P642,018	P56,273,492	P3,250,651	(P2,229,220)	P947,562	P35,466	P12,280	P-	P13,959	P152,093,362	P2,882,038	P154,975,400
Total comprehensive income (loss) for the year	-	-	-	2,614,653	(167,039)	(720,825)	(229,690)	-	(1,051,118)	-	-	445,981	(17,224)	428,757
Transfer to surplus reserves (Note 25 and 32)	-	-	4,390,079	(4,390,079)	-	-	-	-	-	-	-	-	-	-
Sale of interest in a subsidiary (Note 12)	-	-	-	-	-	-	-	248,830	-	-	-	248,830	95,900	344,730
Settlement of share-based payments (Note 25)	-	-	-	-	-	-	-	(6,441)	-	-	-	(6,441)	-	(6,441)
Reserves of disposal group classified as held for sale (Note 36)	-	-	-	-	(29,209)	(59,407)	-	-	-	88,616	-	-	259,722	259,722
Declaration of dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(19,160)	(19,160)
Balance at December 31, 2020	P61,030,594	P32,116,560	P5,032,097	P54,498,066	P3,054,403	(P3,009,452)	P717,872	P277,855	(P1,038,838)	P88,616	P13,959	P152,781,732	P3,201,276	P155,983,008
Balance at January 1, 2019	P49,965,587	P31,331,251	P620,573	P46,613,457	(P3,196,936)	(P1,526,830)	P1,776,923	P53,895	P12,280	P-	P13,959	P125,664,159	P2,894,853	P128,559,012
Total comprehensive income (loss) for the year	-	-	-	9,681,480	6,447,587	(702,390)	(829,361)	-	-	-	-	14,597,316	(14,705)	14,582,611
Issuance of stock (Note 25)	11,065,007	785,309	-	-	-	-	-	-	-	-	-	11,850,316	-	11,850,316
Transfer to surplus reserves (Note 25 and 32)	-	-	21,445	(21,445)	-	-	-	-	-	-	-	-	-	-
Settlement of share-based payments (Note 25)	-	-	-	-	-	-	-	(18,429)	-	-	-	(18,429)	5,262	(13,167)
Declaration of dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,372)	(3,372)
Balance at December 31, 2019	P61,030,594	P32,116,560	P642,018	P56,273,492	P3,250,651	(P2,229,220)	P947,562	P35,466	P12,280	P-	P13,959	P152,093,362	P2,882,038	P154,975,400
Balance at January 1, 2018	P49,965,587	P31,331,251	P597,605	P37,171,403	(P688,514)	(P2,106,586)	P1,417,884	P70,215	P12,280	P-	P13,959	P117,785,084	P2,644,739	P120,429,823
Total comprehensive income (loss) for the year	-	-	-	9,465,022	(2,508,422)	579,756	359,039	-	-	-	-	7,895,395	216,135	8,111,530
Transfer to surplus reserves (Note 25 and 32)	-	-	22,968	(22,968)	-	-	-	-	-	-	-	-	-	-
Settlement of share-based payments (Note 32)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of investment in a subsidiary (Note 25)	-	-	-	-	-	-	-	(16,320)	-	-	-	(16,320)	-	(16,320)
Dissolution of a subsidiary (Note 12)	-	-	-	-	-	-	-	-	-	-	-	-	100,000	100,000
Declaration of dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(62,655)	(62,655)
Declaration of dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,366)	(3,366)
Balance at December 31, 2018	P49,965,587	P31,331,251	P620,573	P46,613,457	(P3,196,936)	(P1,526,830)	P1,776,923	P53,895	P12,280	P-	P13,959	P125,664,159	P2,894,853	P128,559,012

See accompanying Notes to Financial Statements.



Parent Company											
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 32)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Note 36)	Total Equity
Balance at January 1, 2020	P61,030,594	P32,106,560	P642,018	P56,273,735	P3,250,651	(P2,229,220)	P947,562	P35,466	P12,280	P-	P152,069,646
Total comprehensive income (loss) for the year	-	-	-	2,959,932	(167,039)	(720,825)	(229,690)	-	(1,051,118)	-	791,260
Transfer to surplus reserves (Note 32)	-	-	4,390,079	(4,390,079)	-	-	-	-	-	-	-
Business combination with a subsidiary (Note 12)	-	-	-	-	-	-	-	390,517	-	-	390,517
Settlement of share-based payments (Note 25)	-	-	-	-	-	-	-	(6,441)	-	-	(6,441)
Reserves of disposal group classified as held for sale (Note 36)	-	-	-	-	(29,209)	(59,407)	-	-	-	88,616	-
Balance at December 31, 2020	P61,030,594	P32,106,560	P5,032,097	P54,843,588	P3,054,403	(P3,009,452)	P717,872	P419,542	(P1,038,838)	P88,616	P153,244,982
Balance at January 1, 2019	P49,965,587	P31,331,251	P620,573	P46,613,704	(P3,196,936)	(P1,526,830)	P1,776,923	P53,895	P12,280	P-	P125,650,447
Total comprehensive income (loss) for the year	-	-	-	9,681,476	6,447,587	(702,390)	(829,361)	-	-	-	14,597,312
Issuance of stock (Note 25)	11,065,007	775,309	-	-	-	-	-	-	-	-	11,840,316
Transfer to surplus reserves (Note 32)	-	-	21,445	(21,445)	-	-	-	-	-	-	-
Settlement of share-based payments (Note 25)	-	-	-	-	-	-	-	(18,429)	-	-	(18,429)
Balance at December 31, 2019	P61,030,594	P32,106,560	P642,018	P56,273,735	P3,250,651	(P2,229,220)	P947,562	P35,466	P12,280	P-	P152,069,646
Balance at January 1, 2018	P49,965,587	P31,331,251	P597,605	P37,171,597	(P688,514)	(P2,106,586)	P1,417,884	P70,215	P12,280	P-	P117,771,319
Total comprehensive income (loss) for the year	-	-	-	9,465,075	(2,508,422)	579,756	359,039	-	-	-	7,895,448
Transfer to surplus reserves (Note 32)	-	-	22,968	(22,968)	-	-	-	-	-	-	-
Settlement of share-based payments (Note 25)	-	-	-	-	-	-	-	(16,320)	-	-	(16,320)
Balance at December 31, 2018	P49,965,587	P31,331,251	P620,573	P46,613,704	(P3,196,936)	(P1,526,830)	P1,776,923	P53,895	P12,280	P-	P125,650,447

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	₱759,667	₱12,111,920	₱13,439,786	₱1,014,411	₱11,767,940	₱12,769,745
Income (loss) before income tax from discontinued operations (Note 36)	88,001	120,272	(196,611)	–	–	–
Income before income tax	847,668	12,232,192	13,243,175	1,014,411	11,767,940	12,769,745
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	16,912,402	2,909,858	1,752,812	16,534,335	1,593,219	1,401,528
Depreciation and amortization (Note 11)	3,184,141	2,804,123	1,950,977	2,607,269	2,207,071	1,542,712
Unrealized foreign exchange gain on bonds payable	(2,728,233)	(1,029,880)	–	(2,728,233)	(1,029,880)	–
Gains on financial assets at FVOCI (Note 9)	(2,455,264)	(281,340)	(167,902)	(2,454,697)	(317,609)	(160,403)
Loss on loan modifications (Note 27)	1,587,605	–	–	1,587,605	–	–
Unrealized foreign exchange loss (gain) on bills and acceptances payable	(1,059,619)	(2,771,182)	1,298,559	(1,059,379)	(2,771,182)	1,292,591
Accretion to interest income of loss on loan modifications (Note 27)	(901,748)	–	–	(901,748)	–	–
Losses (gains) on financial assets at FVTPL (Note 9)	(882,375)	(1,355,606)	21,548	(1,001,823)	(1,334,550)	10,386
Loss (gain) on mark-to-market of derivatives (Note 23)	462,496	666,851	899,614	480,098	666,851	899,614
Amortization of transaction costs on borrowings (Notes 17 and 21)	229,420	125,596	51,502	229,420	125,596	51,502
Net gain on sale or exchange of assets (Note 13)	(195,842)	(690,625)	(5,861,143)	(130,493)	(686,441)	(5,841,136)
Loss (gain) on disposal of property and equipment (Note 11)	(7,777)	8,961	(28,402)	(1,297)	(1,023)	(28,402)
Amortization of premium (discount) on investment securities	(182,716)	95,849	789,981	(176,196)	78,880	1,034,142
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	(88,476)	97,608	(43,847)	(95,939)	345,599	(530,885)
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	1,126,878	(1,220,264)	678,014	1,134,547	(421,675)	274,268
Financial assets at FVTPL	(9,938,231)	(2,769,454)	(8,039,543)	(10,256,258)	(518,321)	(8,063,759)
Loans and receivables	36,534,525	(75,034,482)	(88,550,600)	(16,207,664)	(78,630,395)	(73,115,194)
Other assets	(366,467)	(1,679,271)	1,785,717	(961,959)	300,791	2,071,977
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	455,620	(225,029)	127,126	468,810	(236,287)	124,863
Deposit liabilities	64,182,479	92,702,273	95,341,952	117,646,115	92,402,864	86,953,099
Accrued taxes, interest and other expenses	(2,376,061)	561,268	1,083,584	(1,903,084)	516,800	886,415
Other liabilities	(5,509,215)	346,335	825,976	(2,764,403)	(301,401)	804,897
Net cash generated from operations	98,831,210	25,493,781	17,159,100	101,059,437	23,756,847	22,377,960
Income taxes paid	(1,648,621)	(3,369,421)	(4,060,889)	(1,461,890)	(3,043,713)	(3,314,639)
Net cash provided by operating activities	97,182,589	22,124,360	13,098,211	99,597,547	20,713,134	19,063,321
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	159,923,104	36,239,398	41,459,104	157,339,946	34,213,584	41,652,990
Maturities of investment securities at amortized cost (Note 9)	61,359,649	81,709,960	19,356,795	61,359,649	81,530,081	37,699,516
Disposal of investment properties	210,936	712,650	8,456,263	161,736	717,677	8,493,918
Disposal of property and equipment (Note 11)	36,750	153,182	152,169	1,322	4,554	612,103
Acquisitions of:						
Financial assets at FVOCI	(169,859,472)	(100,962,284)	(23,729,263)	(169,859,472)	(96,281,851)	(25,122,624)
Investment securities at amortized cost	(56,875,400)	(81,365,299)	(93,782,890)	(57,227,468)	(81,150,541)	(111,057,852)
Property and equipment (Note 11)	(1,231,247)	(2,299,285)	(3,026,508)	(1,027,671)	(1,634,668)	(2,263,064)
Software cost (Note 14)	(283,472)	(334,548)	(169,231)	(268,768)	(331,543)	(160,857)
Additional investments in subsidiaries (Note 12)	–	–	–	–	(180,000)	(266,000)
Net cash used in investing activities	(6,719,152)	(66,146,226)	(51,283,561)	(9,520,726)	(63,112,707)	(50,411,870)

(Forward)



	Consolidated			Parent Company		
	Years Ended December 31					
	2018 (As restated – Note 36)					
	2020	2019		2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of bills and acceptances payable	₱168,973,402	₱1,465,130,227	₱187,599,609	₱155,926,201	₱1,445,941,174	₱178,534,210
Settlement of bills and acceptances payable	(136,717,622)	(1,476,478,591)	(162,732,019)	(118,473,479)	(1,457,452,771)	(158,520,810)
Payment of principal portion of lease liabilities (Note 29)	(664,156)	(509,952)	–	(649,402)	(436,331)	–
Proceeds from issuance of bonds payable (Note 21)	–	51,899,720	15,398,696	–	51,899,720	15,398,696
Proceeds from issuance of stocks (Note 25)	–	11,850,316	–	–	11,840,316	–
Net cash provided by financing activities	31,591,624	51,891,720	40,266,286	36,803,320	51,792,108	35,412,096
NET INCREASE IN CASH AND CASH EQUIVALENTS						
	122,055,061	7,869,854	2,080,936	126,880,141	9,392,535	4,063,547
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	30,500,927	16,825,487	12,391,139	29,642,159	15,904,663	11,671,952
Due from Bangko Sentral ng Pilipinas	105,981,801	102,723,312	108,743,985	101,801,597	98,665,375	105,497,459
Due from other banks	17,758,143	21,003,079	22,025,322	10,835,106	10,459,496	10,755,260
Interbank loans receivable	22,943,529	10,580,432	11,491,684	22,274,306	10,581,083	9,700,916
Securities held under agreements to resell	2,517,764	20,700,000	14,621,483	1,149,984	20,700,000	14,621,483
	179,702,164	171,832,310	169,273,613	165,703,152	156,310,617	152,247,070
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	25,135,724	30,500,927	16,825,487	25,038,434	29,642,159	15,904,663
Due from Bangko Sentral ng Pilipinas	202,129,356	105,981,801	102,723,312	202,129,356	101,801,597	98,665,375
Due from other banks	19,733,300	17,758,143	20,525,318	12,131,726	10,835,106	10,459,496
Interbank loans receivable (Note 8)	38,939,572	22,943,529	10,580,432	37,464,504	22,274,306	10,581,083
Securities held under agreements to resell	15,819,273	2,517,764	20,700,000	15,819,273	1,149,984	20,700,000
	₱301,757,225	₱179,702,164	₱171,354,549	₱292,583,293	₱165,703,152	₱156,310,617
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	₱11,936,540	₱17,522,121	₱8,151,979	₱11,494,829	₱15,188,304	₱6,768,648
Interest received	47,391,100	49,063,648	32,969,308	44,519,365	43,948,726	28,399,766
Dividends received	–	–	3,366	–	–	3,366

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousand Pesos except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of December 31, 2020 and 2019, the shares of PNB are held by the following:

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

** Acts as a trustee-nominee for PNB shares lodged under the PCD system*

PNB's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are also incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, investment banking, treasury operations, fund transfers, remittance and trust services, through its 716 and 715 domestic branches as of December 31, 2020 and 2019, respectively. As of the same dates, the Parent Company has 70 overseas branches, representative offices, remittance centers and subsidiaries in 17 locations in Asia, North America and Europe.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, nonlife insurance, banking, leasing, stock brokerage, foreign exchange trading and/or related services. The Parent Company and the subsidiaries are collectively referred hereinto as the Group.

The principal place of business of the Parent Company is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies

Basis of Preparation of the Financial Statements

The Group prepared the accompanying financial statements on a historical cost basis, except for the following accounts which are measured at fair value:

- financial assets and liabilities at fair value through profit or loss (FVTPL); and
- financial assets at fair value through other comprehensive income (FVOCI).

The financial statements of the Parent Company reflect the accounts maintained in its Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine pesos (₱ or PHP) and United States Dollar (USD), respectively. The individual financial statements of these units are combined and any inter-unit accounts and transactions are eliminated.



The Group presents the amounts in the financial statements to the nearest thousand pesos (₱000), unless otherwise stated.

Statement of Compliance

The Group prepared these financial statements in accordance with Philippine Financial Reporting Standards (PFRS) adopted by the Philippine Securities and Exchange Commission (SEC).

Presentation of the Financial Statements

The Group presents the statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

The Group generally presents financial assets and financial liabilities at their gross amounts in the statement of financial position, unless the offsetting criteria under PFRS are met. The Group does not also set off items of income and expenses, unless offsetting is required or permitted by PFRS, or is specifically disclosed in the Group's accounting policies.

The Group presents its consolidated financial statements and parent company financial statements side-by-side to comply with the requirements of the Bangko Sentral ng Pilipinas (BSP).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. In the consolidation, the Group eliminates in full all significant intra-group balances, transactions, and results of intra-group transactions.

The Group consolidates its subsidiaries from the date on which the Group obtains control over the subsidiary. The Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., those existing rights that give the Group the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, such as contractual arrangements with other voting shareholders of the investee, rights arising from other contractual arrangements, or any potential voting rights of the Group.

For partially-owned subsidiaries, the Group attributes the subsidiary's income, expenses and components of other comprehensive income (OCI) to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in deficit balances of the NCI. NCI represents the portion of profit or loss and the net assets not held by the Group, which are presented separately in the consolidated financial statements. NCI consists of the amount attributed to such interest from the date of business combination and its share in any changes in equity of the subsidiary.

When the Group's ownership interest in a subsidiary changed but it did not result in a loss of control, the Group adjusts the carrying amounts of the controlling interests and the NCI to their new relative interests in the subsidiary. The Group recognizes any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received directly in equity as 'Other equity reserves', which is attributed to the owners of the Parent Company.



Consolidation of a subsidiary ceases when the Group loses control over the subsidiary. In such circumstances, the Group derecognizes the assets (including goodwill), liabilities, NCI, and other components of equity of the subsidiary, and recognizes the consideration received and any investment retained at their fair values. The Group records any resulting difference in the statement of income.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- *Amendments to PFRS 3, Business Combinations: Definition of a Business*
The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, the amendments clarify that a business can exist without including all of the inputs and processes needed to create outputs.
- *Amendments to PFRS 7, Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*
The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.
- *Amendments to Philippine Accounting Standards (PAS) 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*
The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.
- *Conceptual Framework for Financial Reporting issued on March 29, 2018*
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.
- *Amendments to PFRS 16, COVID-19 Related Rent Concessions*
The amendments provide relief to lessees from applying PFRS 16, *Leases*, guidance on lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (COVID-19) pandemic. As a practical expedient, a lessee may elect not to assess



whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification. The amendments had no significant impact on the consolidated financial statements of the Group.

Future Changes in Accounting Standards

Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*. The amendments provide the following temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
 - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
 - Relief from discontinuing hedging relationships
 - Relief from the 'separately identifiable' requirement when an RFR instrument is designated as a hedge of a risk component

The amendments also require to disclose information about the nature and extent of risks to which an entity is exposed arising from financial instruments subject to IBOR reform, how the entity manages those risks, their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations: Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was also added to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. The amendments apply prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*. The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, entities should recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.



- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*
The amendments apply a “directly related cost approach” to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Under this approach, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments apply to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.
- Annual Improvements to PFRS Standards 2018-2020 Cycle
 - Amendments to PFRS 1, *Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Fees in the ‘10 per cent’ test for derecognition of financial liabilities*
 - Amendments to PFRS 16, *Lease incentives*
 - Amendments to PAS 41, *Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- PFRS 17, *Insurance Contracts*
PFRS 17 is comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted but only if the entity also applies PFRS 9, *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers*.
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify: (a) what is meant by a right to defer settlement; (b) that a right to defer must exist at the end of the reporting period; (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and (d) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are applied retrospectively.

Deferred effectivity

- PFRS 10, *Consolidated Financial Statements*, and PAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors’ interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



Significant Accounting Policies

Business Combinations and Goodwill

The Group accounts for business combinations using the acquisition method. Under this method, the Group measures the acquisition cost as the aggregate of the fair value of the consideration transferred and any amount of NCI in the acquiree. The Group then allocates that cost to the acquired identifiable assets and liabilities based on their respective fair values. Any excess acquisition cost over the fair value of the net assets acquired is allocated to goodwill. If the fair value of the net assets acquired exceeds the acquisition cost, the gain is recognized in the statement of income.

The Group recognizes any acquisition-related costs as administrative expenses as they are incurred. The Group also recognizes any contingent consideration to be transferred by the acquirer at its fair value at the acquisition date.

After initial recognition, the Group measures goodwill at cost less any accumulated impairment losses. For the purpose of impairment testing, the Group allocates the goodwill acquired in a business combination to each of its cash-generating units (CGUs) that are expected to benefit from the business combination.

In business combinations involving entities under common control, the Group determines whether or not the business combination has commercial substance. When there is commercial substance, the Group accounts for the transaction using the acquisition method as discussed above. Otherwise, the Group accounts for the transaction similar to a pooling of interests (i.e., the assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values, and any resulting difference with the fair value of the consideration given is accounted for as an equity transaction).

Non-current Assets and Disposal Group Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. As such, non-current assets and disposal groups are measured at the lower of their carrying amounts and fair value less costs to sell (i.e., the incremental costs directly attributable to the sale, excluding finance costs and income taxes).

The Group regards the criteria for held for sale classification as met only when:

- the Group has initiated an active program to locate a buyer;
- the Group is committed to the plan to sell the asset or disposal group, which should be available for immediate sale in its present condition;
- the sale is highly probable (i.e., expected to happen within one year from the date of the classification); and
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The Group presents separately the assets and liabilities of disposal group classified as held for sale in the statement of financial position.

The Group classifies a disposal group as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.



The Group excludes discontinued operations from the results of continuing operations and presents them as a single amount as profit or loss after tax from discontinued operations in the statement of income.

If the above criteria are no longer met, the Group ceases to classify the asset or disposal group as held for sale. In such cases, the Group measures such asset or disposal group at the lower of its:

- carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had it not been classified as such; and
- recoverable amount at the date of the subsequent decision not to sell.

The Group also amends financial statements for the periods since classification as held for sale if the asset or disposal group that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. Accordingly, for all periods presented, the Group reclassifies and includes in income from continuing operations the results of operations of the asset or disposal group previously presented in discontinued operations.

Foreign Currency Translation

For financial reporting purposes, the Group translates all accounts in the FCDU books and foreign currency-denominated accounts in the RBU books into their equivalents in Philippine pesos. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency.

Transactions and balances

As at reporting date, the Group translates the following foreign currency-denominated accounts in the RBU in Philippine peso using:

Financial statement accounts in RBU	Exchange rate
Monetary assets and liabilities	Bankers Association of the Philippines (BAP) closing rate at end of year
Income and expenses	Rate prevailing at transaction date
Non-monetary items measured at historical cost in a foreign currency	Rate at the date of initial transaction
Non-monetary items measured at fair value in a foreign currency	Rate at the date when fair value is determined

The Group recognizes in the statement of income any foreign exchange differences arising from revaluation of monetary assets and liabilities. For non-monetary items measured at fair values, the Group recognizes any foreign exchange differences arising from revaluation in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

FCDU and overseas branches and subsidiaries

As at the reporting date, the Group translates the assets and liabilities of the FCDU and overseas branches and subsidiaries in Philippine peso at the BAP closing rate prevailing at the reporting date, and their income and expenses at the average exchange rate for the year. Foreign exchange differences arising on translation are taken directly to OCI under 'Accumulated Translation Adjustment'. Upon disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of income.



Insurance Product Classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk, which is the risk of a possible future change in one or more of a specified interest rate, security or commodity price, foreign exchange rate, a credit rating or credit index, or other variables. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts, however, can be reclassified to insurance contracts after inception if the insurance risk becomes significant. All non-life insurance products issued by the Group meet the definitions of insurance contract.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

Fair Value Measurement

Fair value is the price that the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that these transactions take place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The Group measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Group uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Group measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.



Financial Instruments – Initial Recognition

Date of recognition

The Group recognizes purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace on settlement date (i.e., the date that an asset is delivered to or by the Group), while derivatives are recognized on trade date (i.e., the date that the Group commits to purchase or sell). The Group recognizes deposits, amounts due to banks and customers and loans when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

Financial Instruments – Classification and Subsequent Measurement

The Group classifies and measures financial assets at FVTPL unless these are measured at FVOCI or at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing those financial assets.

The Group first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test ('solely payments of principal and interest' or SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than insignificant exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL. Only financial assets that pass the SPPI test are eligible to be measured at FVOCI or at amortized cost.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

For financial liabilities, the Group classifies them as either financial liabilities at FVTPL or financial liabilities at amortized cost.

Financial assets at FVTPL

Financial assets at FVTPL include the following:

- Financial assets held for trading – those acquired for the purpose of selling or repurchasing in the near term;
- Derivative instruments – contracts entered into by the Group (such as currency forwards, currency swaps, interest rate swaps and warrants) as a service to customers and as a means of reducing or managing their respective financial risk exposures, as well as for trading purposes;
- Financial assets that are not SPPI, irrespective of the business model; or



- Debt financial assets designated upon initial recognition at FVTPL – those assets where the Group applied the fair value option at initial recognition if doing so eliminates or significantly reduces an accounting mismatch

The Group carries financial assets at FVTPL in the statement of financial position at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group recognizes any gains or losses arising from changes in fair values of financial assets at FVTPL directly in the statement of income under ‘Trading and investment securities gains - net’, except for currency forwards and currency swaps, where fair value changes are included under ‘Foreign exchange gains - net’.

Financial assets at FVOCI

Financial assets at FVOCI include debt and equity securities, which are subsequently measured at fair value. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the statement of comprehensive income as ‘Net change in unrealized gain (loss) on financial assets at FVOCI, net of tax’.

Debt securities at FVOCI are those that meet both of the following conditions:

- the asset is held within a business model whose objective is to hold the financial asset in order to both collect contractual cash flows and sell the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

The Group reports the effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, in the statement of income. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in OCI is recognized as ‘Trading and securities gain (loss) - net’ in the statement of income. The Group recognizes the expected credit losses (ECL) arising from impairment of such financial assets in OCI with a corresponding charge to ‘Provision for impairment, credit and other losses’ in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. The Group recognizes the dividends earned on holding the equity securities at FVOCI in the statement of income when the right to payment has been established. Gains and losses on disposal of these equity securities at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to ‘Surplus’ or any other appropriate equity account upon disposal. The Group does not subject equity securities at FVOCI to impairment assessment.

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

- the asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

This accounting policy relates to the statement of financial position captions ‘Due from Bangko Sentral ng Pilipinas’, ‘Due from other banks’, ‘Interbank loans receivable’, ‘Securities held under agreements to resell’, ‘Investment securities at amortized cost’, and ‘Loans and receivables’.



The Group subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Group includes the amortization in 'Interest income', and the ECL arising from impairment of such financial assets in 'Provision for impairment, credit and other losses' in the statement of income.

Financial liabilities at amortized cost

The Group classifies issued financial instruments or their components which are not designated at FVTPL, as financial liabilities at amortized cost under 'Deposit liabilities', 'Bills and acceptances payable', 'Bonds payable' or other appropriate financial liability accounts. The substance of the contractual arrangement for these instruments results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Group subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Repurchase and reverse repurchase agreements

The Group does not derecognize from the statement of financial position securities sold under agreements to repurchase at a specified future date ('repos'). Instead, the Group recognizes the corresponding cash received, including accrued interest, as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, the Group does not recognize securities purchased under agreements to resell at a specified future date ('reverse repos'). The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The Group recognizes the corresponding cash paid, including accrued interest, as a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Reclassification of financial instruments

Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

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 assets are written off either partially or in their entirety only when the Group has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous Income' in the statements of income.

Financial liabilities

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the Group treats such an exchange or modification as a derecognition of the original liability and recognition of a new liability, and Group recognizes the difference in the respective carrying amounts in the statement of income.

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, which may be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If modifications are considered by the Group as substantial based on qualitative factors, the loan is derecognized as discussed under Financial Instruments – Derecognition.

If a loan or credit exposure has been renegotiated or modified without this resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default



at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Purchased or originated credit-impaired loans

The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL

ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) – an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) – an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) – an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate – represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 'Allowance for credit losses' under 'Loans and receivables'.

Investments in Subsidiaries, Associates and Joint Ventures

The Group's associate pertains to the entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's joint venture pertains to joint arrangements whereby the Group and other parties have joint control of the arrangement and have rights to the net assets of the arrangement.

The Group accounts for its investments in subsidiaries, associates and joint venture under the equity method of accounting. Under this method, the Group carries the investment in an associate in the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the associate. The Group reflects its share in the results of operations of the associate in the statement of income. When there has been a change recognized in the associate's OCI, the Group recognizes its share in any changes and discloses this in the statement of comprehensive income. The Group eliminates any profits or losses arising from transactions between the Group and the associate to the extent of the interest of the Group in the associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any resulting difference between the aggregate of the associate's carrying amount upon disposal and the fair value of the retained investment, and proceeds from disposal is recognized in the statement of income.

For transactions where ownership interest in a subsidiary that did not result in a loss of control, the Parent Company recognizes the gain or loss in the profit and loss representing the difference between the proceeds from sale and the carrying value of the investee account. The profit and loss treatment of such gains or losses is on the basis that the non-controlling interest is not reflected in the separate financial statements.



Property and Equipment

The Group carries its land at cost less any impairment in value, and its depreciable properties such as buildings, right-of-use assets, furniture, fixtures and equipment, long-term leasehold land, and leasehold improvements at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. See accounting policy on Leases for the recognition and measurement of right-of-use assets included under 'Property and equipment'.

The Group derecognizes an item of property and equipment upon disposal or when no future economic benefits are expected from its use or disposal. The Group includes any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in the statement of income in the period the asset is derecognized.

Investment Properties and Chattel Mortgage Properties

The Group initially measures investment properties and chattel mortgage properties initially at cost, including transaction costs. When the investment property or chattel mortgage property is acquired through an exchange transaction, the Group measures the asset at its fair value, unless the fair value of such an asset cannot be reliably measured in which case the asset acquired is measured at the carrying amount of asset given up. The Group recognizes any gain or loss on exchange in the statement of income under 'Net gains on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment properties' upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, the Group carries the investment properties and chattel mortgage properties at cost less accumulated depreciation (for depreciable properties) and any impairment in value.

The Group derecognizes investment properties and chattel mortgage properties when they have either been disposed of or when the asset is permanently withdrawn from use and no future benefit is expected from its disposal. The Group recognizes any gains or losses on the retirement or disposal of an investment property in the statement of income under 'Net gain on sale or exchange of assets' in the period of retirement or disposal.

The Group transfers assets to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Conversely, the Group transfers out of investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Intangible Assets

The Group initially measures separately acquired intangible assets at cost, and the intangible assets acquired in a business combination at their fair values at the date of acquisition. Following initial recognition, the Group carries intangible assets at cost less any accumulated amortization and accumulated impairment losses. The Group does not capitalize internally generated intangibles,



excluding capitalized development costs, and reflects in profit or loss the related expenditures in the period in which the expenditure is incurred.

The Group measures any gains or losses arising from derecognition of an intangible asset as the difference between the net disposal proceeds and the carrying amount of the asset. The Group recognizes these gains or losses in the statement of income in the period when the intangible asset is disposed of.

Intangibles with finite lives

The Group capitalizes software costs, included in 'Intangible assets', on the basis of the cost incurred to acquire and bring to use the specific software.

Customer relationship intangibles (CRI) and core deposits intangibles (CDI) are the intangible assets acquired by the Group through business combination. The Group initially measures these intangible assets at their fair values at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, intangibles with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Goodwill

The Group initially measures goodwill acquired in a business combination at cost. With respect to investments in an associate, the Group includes goodwill in the carrying amount of the investments. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances that the carrying value may be impaired.

Impairment of Nonfinancial Assets

Property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate

At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate may be impaired. When an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the Group considers the asset as impaired and writes the asset down to its recoverable amount. In assessing value in use, the Group discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group charges the impairment loss against current operations. At each reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount and reverses a previously recognized impairment loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal recognized in the statement of income cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. After such reversal, the Group adjusts the depreciation and amortization in



future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group determines impairment for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), the Group recognizes an impairment loss immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

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

Revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Service fees and commission income

The Group earns fee and commission income from diverse range of services it provides to its customers:

- Fees from services that are provided over a certain period of time
The Group accrues fees earned for the provision of services over a period of time. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.
- Bancassurance fees
The Group recognizes non-refundable access fees on a straight-line basis over the term of the period of the provision of the access. Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.
- Fee income from providing transaction services
The Group recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the Group



recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

The Group recognizes loan syndication fees as revenue when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as the other participants.

Interchange fees and revenue from rewards redeemed

The Group takes up as income the interchange fees under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The Group allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The Group defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points becomes remote. The Group includes the deferred balance under 'Other liabilities' in the statement of financial position.

Commissions on credit cards

The Group recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Other income

The Group recognizes income from sale of properties upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

The following are revenue streams of the Group, which are covered by accounting standards other than PFRS 15:

Interest income

Interest on interest-bearing financial assets at FVTPL and held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVOCI are recognized based on effective interest method of accounting to calculate the amortized cost of a financial asset or a financial liability and allocate the interest income or interest expense.

The Group records interest income using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. In calculating EIR, the Group considers all contractual terms of the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The Group adjusts the carrying amount of the financial instrument through 'Interest income' in the statement of income based on the original EIR.



When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Commitment fees

The Group defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as revenue over the expected life of the loan.

Commissions on installment credit sales

The Group records the purchases by the credit cardholders, collectible on installment basis, at the cost of the items purchased plus certain percentage of cost. The Group recognizes the excess over cost as 'Unearned and other deferred income', which is shown as a deduction from 'Loans and receivables' in the statement of financial position. The Group amortizes and recognizes as revenue the unearned and other deferred income over the installment terms using the effective interest method.

Insurance premiums and commissions on reinsurance

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. The Group recognizes premiums from short-duration insurance contracts and reinsurance commissions as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The Group recognizes in the statement of income for the period the net changes in provisions for unearned premiums and deferred reinsurance premiums.

Dividend income

The Group recognizes dividend income when the Group's right to receive payment is established.

Trading and investment securities gains - net

The Group recognizes in 'Trading and investment securities gains - net' the results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, and gains and losses from disposal of debt securities at FVOCI.

Rental income

The Group accounts for rental income arising on leased properties on a straight-line basis over the lease terms of ongoing leases, which is recorded in the statement of income under 'Miscellaneous income'.

Income on direct financing leases and receivables financed

The Group recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables'. Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.



Expenditures

Borrowing costs

The Group recognizes borrowing costs as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method that the Group incurs in connection with borrowing of funds.

Operating expenses

This encompasses those expenses that arise in the course of the ordinary activities of the Group, as well as any losses incurred. These are recognized in the statement of income as they are incurred.

Taxes and licenses

This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

Depreciation and amortization

The Group computes for depreciation and amortization of depreciable assets using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the depreciable assets follow:

	Years
Property and equipment:	
Buildings	25 - 50
Right-of-use assets	1 - 25 or the lease term, whichever is shorter (provided that lease term is more than one year)
Furniture, fixtures and equipment	5
Long-term leasehold land	46 - 50
Leasehold improvements	10 or the lease term, whichever is shorter
Investment properties	10 - 25
Chattel mortgage properties	5
Intangible assets with finite lives:	
Software costs	5
CDI	10
CRI	3

The Group reviews periodically the useful life and the depreciation and amortization method to ensure that these are consistent with the expected pattern of economic benefits from the depreciable assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Expenditures on nonfinancial assets

The Group charges against current operations the expenditures incurred after the nonfinancial assets (i.e., property and equipment, investment properties, software costs, and chattel mortgage properties) have been put into operation, such as repairs and maintenance. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of these nonfinancial assets beyond their originally assessed standard of performance, the Group capitalizes such expenditures as additional cost.



Retirement Benefits

Defined benefit plan

At the end of the reporting period, the Group determines its net defined benefit liability (or asset) as the difference between the present value of the defined benefit obligation and the fair value of plan assets, adjusted for any effect of asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs recognized in the statement of income consist of the following:

- service costs – include current service costs, past service costs (recognized when plan amendment or curtailment occurs) and gains or losses on non-routine settlements; and
- net interest on the net defined benefit liability or asset – pertains to the change during the period in the net defined benefit liability (or asset) that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Changes in the net defined benefit liability (or asset) also include remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding net interest on defined benefit liability (or asset). The Group recognizes these remeasurements immediately in OCI in the period in which they arise. The Group does not reclassify these remeasurements to profit or loss in subsequent periods.

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

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

Employee leave entitlement

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

Share-based Payment

Employees of the Parent Company receive remuneration in the form of share-based payments, where employees render services as consideration for equity instruments. The Parent Company determines the cost of equity-settled transactions at fair value at the date when the grant is made, and recognizes as 'Compensation and fringe benefits', together with a corresponding increase in equity ('Other equity reserves'), over the period in which the service is fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects to the



extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in the cumulative expense recognized as at the beginning and end of the period.

Leases

Policies applicable effective January 1, 2019

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

Group as a lessee

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

- **Right-of-use assets**

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

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

- **Lease liabilities**

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

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

- **Short-term leases and leases of low-value assets**

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



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

Group as a lessor

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

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

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

Policies applicable prior to January 1, 2019

In determining whether an arrangement was, or contained a lease, the Group assessed the substance of the arrangement whether the fulfillment of the arrangement was dependent on the use of a specific asset or assets, and the arrangement conveyed a right to use the asset. After inception of the lease, the Group reassessed the above basis only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- there is a change in the determination of whether fulfillment is dependent on a specified asset;
- there is a substantial change to the asset; or
- a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term.

Where a reassessment was made, the Group commenced or ceased its lease accounting from the date when the change in circumstances gave rise to the reassessment for first three scenarios above, and at the date of renewal or extension period for last scenario above.

Group as lessee

At the inception of the lease, the Group capitalized finance leases, which are lease arrangements that transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The Group included the amounts capitalized in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities'. The Group apportioned the lease payments between the finance charges (recorded in 'Interest expense on bills payable and other borrowings') and reduction of the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability.

The Group depreciated the leased assets over the shorter of the estimated useful lives of the assets or the respective lease terms, if there was no reasonable certainty that the Group will obtain ownership by the end of the lease term.



For operating leases where the lessor retained substantially all the risks and rewards of ownership of the asset, the Group recognized the lease payments as expense in the statement of income on a straight-line basis over the lease term.

Group as lessor

Policies for lessor accounting under PAS 17 are substantially similar with those under PFRS 16, as described above.

Provisions

The Group recognizes provisions when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the Group recognizes the reimbursement as a separate asset but only when the reimbursement is virtually certain. The Group presents the expense relating to any provision in the statement of income, net of any reimbursement.

If the effect of the time value of money is material, the Group determines provisions by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the Group recognizes the increase in the provision due to the passage as 'Interest expense on bills payable and other borrowings'.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes

Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax

The Group measures current tax assets and liabilities for the current periods at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that are enacted or substantively enacted at the reporting date.

Deferred tax

The Group provides for deferred tax using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The Group recognizes deferred tax liabilities for all taxable temporary differences, including asset revaluations. The Group recognizes deferred tax assets for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the



extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

The Group, however, does not recognize deferred tax on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The Group does not also provide deferred tax liabilities on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate. With respect to investments in foreign subsidiaries, the Group does not recognize deferred tax liabilities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the recognized amount to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. The Group reassesses unrecognized deferred tax assets at each reporting date and recognizes amounts to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The Group measures deferred tax assets and liabilities at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

For current and deferred tax relating to items recognized directly in OCI, the Group recognizes them also in OCI and not in the statement of income.

In the consolidated financial statements, the Group offsets deferred tax assets and liabilities if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

When tax treatments involve uncertainty, the Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty for each uncertain tax treatment using the method the Group expects to better predict the resolution of the uncertainty.

Earnings per Share

The Group computes for the basic earnings per share (EPS) by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any bonus issue, share split or reverse share split during the period.

The Group computes for the diluted EPS by dividing the aggregate of net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the effects of any dilutive shares.

Events after the Reporting Date

The Group reflects in the financial statements any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event). The Group discloses post-year-end events that are not adjusting events, if any, when material to the financial statements.



Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Refer to Note 6 for the detailed disclosure on segment information.

Fiduciary Activities

The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts and disclosures. The Group continually evaluates judgments and estimates and uses as basis its historical experience and other factors, including expectations of future events. The Group reflects the effects of any changes in estimates in the financial statements as they become reasonably determinable.

Judgments

(a) Classification of financial assets

The Group classifies its financial assets depending on the results of the SPPI test and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:

- business objectives and strategies for holding the financial assets;
- performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets;
- risks associated to the financial assets and the tools applied in managing those risks;
- compensation structure of business units, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions; and
- frequency and timing of disposals.

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP, particularly the guidelines contained in Circular No. 1011.

(b) Fair valuation of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models (Note 5). The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing



fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives.

(c) Determination of lease term for lease contracts with renewal and termination options (applicable effective January 1, 2019)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

(d) Classification of leases (applicable prior to January 1, 2019)

In arrangements that are, or contain, leases, the Group determines based on an evaluation of the terms and conditions of the arrangements whether or not the lessor retains all the significant risks and rewards of ownership of the properties which are leased out.

In classifying such arrangements as operating leases, the Group considers the following:

- the lease does not transfer ownership of the asset to the lessee by the end of the lease term;
- the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable;
- the present value of the minimum lease payments is substantially lower than the fair value of the leased asset;
- the losses associated with any cancellation of the lease are borne by the lessor; and
- the lease term is not for the major part of the asset's economic useful life.

When the above terms and provisions do not apply, the Group classifies the lease arrangements as finance leases.

(e) Assessment of control over entities for consolidation

Where the Parent Company does not have majority of the voting interest over an investee, it considers all relevant facts and circumstances in assessing whether it has control over the investee. This may include a contractual arrangement with the other voting shareholders of the investee or rights arising from other contractual arrangements which give power to the Parent Company over the investee to affect its returns.

(f) Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 34).



(g) *Determination of functional currency*

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires the Group to use its judgment to determine the functional currency of the Group, including its foreign operations, such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to each entity or reporting unit.

In making this judgment, the Group considers the following:

- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Estimates

(a) *Credit losses on financial assets*

The Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:

- segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively;
- quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages;
- determination of expected life of the financial asset and expected recoveries from defaulted accounts;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs; and
- selection of forward-looking information and determination of probability-weightings to derive the ECL.

The ongoing COVID-19 outbreak is widely expected to adversely affect the global economy and financial markets for the foreseeable future. The economic impact of COVID-19 depends on the mutation of the virus and the response of the authorities and the global community. The situation continues to evolve and the impact on the global and Philippine economy and the related government responses and measures depend on future developments that are highly uncertain. In light of the COVID-19 pandemic, the Group reviewed the conduct of its impairment assessment and ECL methodologies. The Group revisited the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations. In assessing forecast conditions to estimate the PDs and LGDs, the Group also considered the significant government measures and plans to support affected and/or vulnerable entities, as well as the impact on the collateral values.

Refer to Note 16 for the details of the carrying value of financial assets subject to ECL and for the details of the ECL.



(b) Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates. As the COVID-19 pandemic affected the Group's normal operations, the Group reassessed its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

(c) Present value of lease liabilities (applicable effective January 1, 2019)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease). The carrying amount of lease liabilities as of December 31, 2020 and 2019 is disclosed in Note 29.

(d) Present value of retirement obligation

The Group determines the cost of defined benefit pension plan and other post-employment benefits using actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The Group reviews all assumptions at each reporting date.

The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases are based on the Group's policy considering the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets.

The present value of retirement obligation and fair value of plan assets are disclosed in Note 28.

(e) Impairment of nonfinancial assets

The Parent Company assesses impairment on its investments in subsidiaries and an associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the Parent Company considers the following triggers for an impairment review on its investments in subsidiaries and an associate:

- deteriorating or poor financial condition;



- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its property and equipment, investment properties and chattel properties, and intangibles with finite useful lives and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Except for investment properties and land and building where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value-in-use (VIU), which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The VIU calculation is most sensitive to the following assumptions: production volume, price, exchange rates, capital expenditures, and long-term growth-rates.

The carrying values of the Group's property and equipment, investments in subsidiaries and an associate, investment properties, intangible assets, and other nonfinancial assets are disclosed in Notes 11, 12, 13, 14 and 15, respectively.

(f) Impairment of goodwill

The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The recoverable amount of the CGU is determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management and BOD of the Parent Company covering a three-year period. The assumptions used in the calculation of VIU are sensitive to estimates of future cash flows from business, interest margin, discount rate, long-term growth rate (derived based on the forecast local gross domestic product) used to project cash flows.

Estimating future earnings involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment. With the outbreak of COVID-19, the Group revisited its business plan and applied judgment to reassess the projections of future cash flows as of December 31, 2020, considering various economic scenarios including recovery outlook, effect of the pandemic on specific industries and trade, travel restrictions, and government relief efforts.

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

(g) Valuation of insurance contracts

For insurance contracts, the Group estimates both for the expected ultimate cost of claims reported and the expected ultimate cost of IBNR at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty. In estimating the cost of notified and IBNR claims, the Group uses past claims settlement trends as primary



technique to predict future claims settlement trends. At each reporting date, the Group assesses the estimates for adequacy and charges to provision any changes made to the estimates.

The carrying values of total provisions for claims reported and claims IBNR are included in the 'Insurance contract liabilities' disclosed in Note 22.

4. Financial Risk Management Objectives and Policies

Introduction

The Parent Company's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by senior management. Details of the Parent Company's risk framework are discussed under the Risk Management Disclosure Section of the Parent Company's annual report.

The Group's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Company's capital position to drop below its desired level resulting in either a ₱13.3 billion increase in risk weighted assets or a ₱1.7 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

Resulting from the assessments based on the premise identified above, the Parent Company agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2020-2022, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the Internal Capital Adequacy Assessment Process (ICAAP) document and required for monitoring.

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

Pillar 1 Risks:

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

Pillar 2 Risks:

4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Cyber Security Risk



The Risk Management Group (RMG) provides the legwork for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Assets and Liabilities Committee (ALCO) on capital management and the Board Policy Committee on the management of regulatory capital.

The mandate of the RMG involves: Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;

- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.

Credit Risk

Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial sector and credit management sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management (if needed).

Among the tools used by the Group in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the CAR report;
- Monitoring of breaches in regulatory and internal limits;
- Credit Risk Management Dashboard;
- Diversification;
- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify: portfolio growth, movement of loan portfolio, adequacy of loan loss reserves, trend of nonperforming loans (NPLs), and concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Group follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward looking conditions.



Credit-related commitments

The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company. To mitigate this risk the Parent Company requires hard collaterals for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Collateral and other credit enhancement

As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); generally, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Asset Management Group which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

Maximum exposure to credit risk after collateral held or other credit enhancements

An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2020			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱15,819,273	₱16,499,434	₱-	₱15,819,273
Loans and receivables:				
Receivables from customers*:				
Corporates	505,179,722	193,780,977	412,861,814	92,317,908
Local government units (LGU)	6,371,695	-	6,371,695	-
Credit Cards	9,942,901	-	9,942,901	-
Retail small and medium enterprises (SME)	10,630,717	9,884,496	6,122,742	4,507,975
Housing Loans	22,738,418	5,585,969	19,267,060	3,471,358
Auto Loans	10,054,907	4,906,734	7,118,837	2,936,070
Others	19,871,454	17,973,895	14,025,920	5,845,534
Other receivables	14,506,955	-	14,506,955	-
	₱615,116,042	₱248,631,505	₱490,217,924	₱124,898,118

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



Consolidated				
2019				
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱2,517,764	₱2,517,745	₱396	₱2,517,368
Loans and receivables:				
Receivables from customers*:				
Corporates	540,584,483	287,490,436	378,128,173	162,456,310
Local government units (LGU)	6,728,852	130,000	6,694,295	34,557
Credit Cards	14,264,195	–	14,264,195	–
Retail small and medium enterprises (SME)	18,942,720	28,248,029	5,493,593	13,449,127
Housing Loans	32,017,146	28,804,731	12,632,623	19,384,523
Auto Loans	12,861,345	13,687,982	9,681,175	3,180,170
Others	10,897,481	18,435,894	2,778,469	8,119,012
Other receivables	20,973,257	5,515,162	18,278,171	2,695,086
	₱659,787,243	₱384,829,979	₱447,951,090	₱211,836,153

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

Parent Company				
2020				
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱15,819,273	₱16,499,434	₱–	₱15,819,273
Loans and receivables:				
Receivables from customers:				
Corporates	497,632,975	177,319,514	411,483,722	86,149,253
LGU	6,371,695	–	6,371,695	–
Credit Cards	9,942,901	–	9,942,901	–
Retail SME	7,917,077	6,268,900	5,591,610	2,325,467
Housing Loans	22,119,575	4,475,206	19,267,059	2,852,516
Auto Loans	10,054,907	4,906,734	7,118,837	2,936,070
Others	18,200,510	13,309,752	14,025,873	4,174,637
Other receivables	14,662,221	–	14,662,221	–
	₱602,721,134	₱222,779,540	₱488,463,918	₱114,257,216

Parent Company				
2019				
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱1,149,984	₱1,149,588	₱396	₱1,149,588
Loans and receivables:				
Receivables from customers:				
Corporates	528,998,204	265,980,283	377,651,021	151,347,183
LGU	6,728,852	130,000	6,694,295	34,557
Credit Cards	14,264,195	–	14,264,195	–
Retail SME	12,028,359	13,133,414	4,955,295	7,073,064
Housing Loans	3,772,739	2,090,860	2,511,743	1,260,996
Auto Loans	2,710,244	2,743,755	1,079,259	1,630,985
Others	3,910,134	13,656,194	1,079,543	2,830,591
Other receivables	14,833,169	5,515,162	12,138,083	2,695,086
	₱588,395,880	₱304,399,256	₱420,373,830	₱168,022,050

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others.



Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Group analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Group constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty

For each CRR, the Parent Company sets limits per client or counterparty based on the regulatory Single Borrowers Limit.

For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Geographic Concentration

The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	Consolidated			
	2020			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱552,879,878	₱172,370,408	₱219,274,507	₱944,524,793
Asia (excluding the Philippines)	24,258,857	48,309,476	23,964,841	96,533,174
United Kingdom	5,654,986	4,645,583	13,500,252	23,800,821
USA and Canada	6,869,301	25,055,603	9,126,132	41,051,036
Other European Union Countries	8,077,246	3	11,605,874	19,683,123
Oceania	613,813	—	—	613,813
Middle East	942,688	2,395,980	11,213	3,349,881
	₱599,296,769	₱252,777,053	₱277,482,819	₱1,129,556,641

* Loans and receivables exclude residual value of the leased asset (Note 10)

** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

	Consolidated			
	2019			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱613,350,648	₱180,163,688	₱106,987,378	₱900,501,714
Asia (excluding the Philippines)	27,803,805	48,121,090	19,830,279	95,755,174
United Kingdom	14,086,115	626,474	9,041,330	23,753,919
USA and Canada	1,180,327	6,326,757	9,047,586	16,554,670
Other European Union Countries	467	237,953	6,282,610	6,521,030
Middle East	848,117	1,598,620	21,028	2,467,765
Philippines	₱657,269,479	₱237,074,582	₱151,210,211	₱1,045,554,272

* Loans and receivables exclude residual value of the leased asset. (Note 10)

** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)



Parent Company				
2020				
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱552,079,005	₱170,119,011	₱220,774,417	₱942,972,433
Asia (excluding the Philippines)	12,760,255	48,304,380	15,509,753	76,574,388
United Kingdom	5,628,921	4,572,413	12,618,977	22,820,311
USA and Canada	6,799,933	24,935,253	7,558,596	39,293,782
Other European Union Countries	8,077,246	3	11,552,342	19,629,591
Oceania	613,813	—	—	613,813
Middle East	942,688	2,395,980	11,213	3,349,881
Philippines	₱586,901,861	₱250,327,040	₱268,025,298	₱1,105,254,199

*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

Parent Company				
2019				
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱555,861,081	₱172,558,374	₱104,106,965	₱832,526,420
Asia (excluding the Philippines)	15,315,885	48,121,056	12,920,104	76,357,045
United Kingdom	14,077,779	626,474	9,041,330	23,745,583
USA and Canada	1,142,567	6,326,757	9,044,290	16,513,614
Other European Union Countries	467	38,848	2,529,297	2,568,612
Middle East	848,117	1,598,620	21,028	2,467,765
Philippines	₱587,245,896	₱229,270,129	₱137,663,014	₱954,179,039

*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

c. Concentration by Industry

The tables below show the industry sector analysis of the Group's and Parent Company's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

Consolidated				
2020				
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱91,848,379	₱41,345,803	₱60,169,125	₱193,363,307
Wholesale and retail	82,953,090	—	—	82,953,090
Electricity, gas and water	72,565,910	4,080,777	—	76,646,687
Transport, storage and communication	54,836,228	50,862	—	54,887,090
Manufacturing	46,796,772	1,578,584	—	48,375,356
Public administration and defense	12,463,250	—	—	12,463,250
Agriculture, hunting and forestry	9,055,935	—	—	9,055,935
Secondary target industry:				
Government	5,713,730	170,983,272	217,088,611	393,785,613
Real estate, renting and business activities	96,309,149	14,857,795	—	111,166,944
Construction	34,184,356	—	—	34,184,356
Others**	92,569,970	19,879,960	225,083	112,675,013
	₱599,296,769	₱252,777,053	₱277,482,819	₱1,129,556,641



Consolidated				
2019				
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱106,952,236	₱23,768,955	₱42,589,959	₱173,311,150
Wholesale and retail	88,528,876	—	—	88,528,876
Electricity, gas and water	73,286,882	4,618,076	—	77,904,958
Manufacturing	45,365,433	352,344	—	45,717,777
Transport, storage and communication	31,625,156	144,343	—	31,769,499
Public administration and defense	15,627,272	—	—	15,627,272
Agriculture, hunting and forestry	9,715,700	—	—	9,715,700
Secondary target industry:				
Government	—	155,871,181	108,499,565	264,370,746
Real estate, renting and business activities	88,849,358	22,825,652	—	111,675,010
Construction	41,520,498	—	—	41,520,498
Others**	155,798,068	29,494,031	120,687	185,412,786
	₱657,269,479	₱237,074,582	₱151,210,211	₱1,045,554,272

* Loans and receivables exclude residual value of the leased asset (Note 10)

** Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

Parent Company				
2020				
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	₱93,716,924	₱41,336,164	₱50,724,641	₱185,777,729
Wholesale and retail	79,221,782	—	—	79,221,782
Electricity, gas and water	72,516,314	4,080,724	—	76,597,038
Manufacturing	43,183,396	1,623,974	—	44,807,370
Transport, storage and communication	54,449,387	—	—	54,449,387
Public administration and defense	12,463,250	—	—	12,463,250
Agriculture, hunting and forestry	8,866,767	—	—	8,866,767
Secondary target industry:				
Government	5,713,730	170,951,180	217,088,611	393,753,521
Real estate, renting and business activities	93,341,177	12,540,208	—	105,881,385
Construction	33,160,413	—	—	33,160,413
Others*	90,268,721	19,794,790	212,046	110,275,557
	₱586,901,861	₱250,327,040	₱268,025,298	₱1,105,254,199

* Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).



Parent Company				
2019				
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	₱109,404,035	₱23,767,548	₱34,638,125	₱167,809,708
Wholesale and retail	82,650,251	—	—	82,650,251
Electricity, gas and water	73,286,882	4,608,032	—	77,894,914
Manufacturing	38,014,828	352,344	—	38,367,172
Transport, storage and communication	29,873,394	—	—	29,873,394
Public administration and defense	15,535,998	—	—	15,535,998
Agriculture, hunting and forestry	9,439,477	—	—	9,439,477
Secondary target industry:				
Government	1,901,507	154,209,813	102,951,581	259,062,901
Real estate, renting and business activities	88,849,358	17,653,676	—	106,503,034
Construction	39,795,803	—	—	39,795,803
Others*	98,494,363	28,678,716	73,308	127,246,387
	₱587,245,896	₱229,270,129	₱137,663,014	₱954,179,039

* Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).

The internal limit of the Parent Company based on the Philippine Standard Industry Classification sub-industry is 12.00% for priority industry, 8.00% for regular industry, 30.00% for power industry and 25% for activities of holding companies versus total loan portfolio.

Credit quality per class of financial assets

The segmentation of the Group's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

Generally, the Group's exposures can be categorized as either Non-Retail and Retail. Non-Retail portfolio of the Group consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the Group's Non-retail portfolio segments are as follows: Sovereigns, Financial Institutions, Specialised Lending (e.g. Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs. Retail exposures are exposures to individual person or persons or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

Loans and Receivables

The credit quality of Non-Retail portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The Parent Company maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

Specific borrower rating models were developed by the Group to capture specific and unique risk characteristics of each of the Non-Retail segment. The borrower risk rating is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well.



The Group uses a single scale with 26 risk grades for all its borrower risk rating models. The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the Group in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9-grades, i.e. FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g. CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the Group in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the Group's receivables from customers are defined below:

Credit quality	26-grade CRR system
<p>High</p> <p>S&P Equivalent Global Rating: AAA to BBB-</p>	<p><i>BRR 1 Excellent</i> 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.</p> <p><i>BRR 2 Very Strong</i> 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.</p> <p><i>BRR 3 Strong</i> 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.</p> <p><i>BRR 4-6 Good</i> 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.</p> <p><i>BRR 7-9 Satisfactory</i> Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low.</p> <p><i>BRR 10-12 Adequate</i> 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.</p>
<p>Standard</p> <p>S&P Equivalent Global Rating: BB+ to BB-</p>	<p><i>BRR 13-15 Average</i> 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.</p> <p><i>BRR 16-18 Acceptable</i> 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.</p> <p><i>BRR 19-20 Vulnerable</i> 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</p>



Credit quality	26-grade CRR system
Substandard S&P Equivalent Global Rating: B+ to CCC-	<p><i>BRR 21-22 Weak</i></p> <p>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.</p> <p><i>BRR 23-25 Watchlist</i></p> <p>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.</p>
Impaired S&P Equivalent Global Rating: D	<p><i>BRR 26 Default</i></p> <p>Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.</p>

For the Retail segment of the portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the Group's and the Parent Company's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31, 2020 and 2019:

	Consolidated			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱147,515,062	₱82,461	₱-	₱147,597,523
Standard	248,026,670	11,039,396	-	259,066,066
Substandard	46,768,223	19,014,224	-	65,782,447
Impaired	-	-	50,830,167	50,830,167
	442,309,955	30,136,081	50,830,167	523,276,203
Subject to Scoring and Unrated				
Non-Retail	8,125,501	7,450	24,916	8,157,867
Corporate	1,735,479	-	-	1,735,479
LGU	6,390,022	7,450	24,916	6,422,388
Retail	44,241,440	2,175,219	15,328,568	61,745,227
Auto Loans	7,900,760	603,828	2,694,913	11,199,501
Housing Loans	16,221,255	1,049,729	8,073,186	25,344,170
Retail SME	10,920,558	322,035	1,428,394	12,670,987
Credit Card	9,198,867	199,627	3,132,075	12,530,569
Others	15,286,939	1,537,544	5,359,160	22,183,643
	67,653,880	3,720,213	20,712,644	92,086,737
	₱509,963,835	₱33,856,294	₱71,542,811	₱615,362,940

	Consolidated			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱1,568,009	₱-	₱-	₱1,568,009
Standard	450,193,955	2,476,621	19,409	452,689,985
Substandard	65,136,403	13,318,336	310,902	78,765,641
Impaired	-	-	10,654,905	10,654,905
	516,898,367	15,794,957	10,985,216	543,678,540
Subject to Scoring and Unrated				
Non-Retail	11,193,873	357,973	450,150	12,001,996
Corporate	4,490,031	288,929	423,164	5,202,124
LGU	6,703,842	69,044	26,986	6,799,872

(Forward)



	Consolidated			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Retail	₱69,064,486	₱2,795,458	₱11,261,073	₱83,121,017
Auto Loans	11,443,236	458,841	1,066,607	12,968,684
Housing Loans	26,601,243	1,571,291	5,396,497	33,569,031
Retail SME	17,437,236	345,217	2,930,903	20,713,356
Credit Card	13,582,771	420,109	1,867,066	15,869,946
Others	10,698,610	736,977	579,016	12,014,603
	90,956,969	3,890,408	12,290,239	107,137,616
	₱607,855,336	₱19,685,365	₱23,275,455	₱650,816,156

	Parent Company			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱144,259,859	₱82,461	₱-	₱144,342,320
Standard	243,880,794	11,039,396	-	254,920,190
Substandard	46,412,887	18,941,600	-	65,354,487
Impaired	-	-	50,825,100	50,825,100
	434,553,540	30,063,457	50,825,100	515,442,097
Subject to Scoring and Unrated				
Non-Retail	8,125,501	7,450	24,916	8,157,867
Corporate	1,735,479	-	-	1,735,479
LGU	6,390,022	7,450	24,916	6,422,388
Retail	40,039,914	2,169,652	15,076,051	57,285,617
Auto Loans	7,900,760	603,828	2,694,911	11,199,499
Housing Loans	15,596,141	1,049,729	8,073,186	24,719,056
Retail SME	7,344,146	316,468	1,175,879	8,836,493
Credit Card	9,198,867	199,627	3,132,075	12,530,569
Others	13,615,979	1,536,610	5,347,939	20,500,528
	61,781,394	3,713,712	20,448,906	85,944,012
	₱496,334,934	₱33,777,169	₱71,274,006	₱601,386,109

	Parent Company			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱-	₱-	₱-	₱-
Standard	437,200,615	2,384,412	-	439,585,027
Substandard	73,375,571	13,624,058	-	86,999,629
Impaired	-	-	7,867,316	7,867,316
	510,576,186	16,008,470	7,867,316	534,451,972
Subject to Scoring and Unrated				
Non-Retail	9,373,707	69,044	26,986	9,469,737
Corporate	2,669,865	-	-	2,669,865
LGU	6,703,842	69,044	26,986	6,799,872
Retail	31,529,302	601,067	2,690,108	34,820,477
Auto Loans	2,550,623	41,958	43,247	2,635,828
Housing Loans	3,698,821	37,740	111,671	3,848,232
Retail SME	11,697,087	101,260	668,124	12,466,471
Credit Card	13,582,771	420,109	1,867,066	15,869,946
Others	3,457,501	421,904	1,462,618	5,342,023
	44,360,510	1,092,015	4,179,712	49,632,237
	₱554,936,696	₱17,100,485	₱12,047,028	₱584,084,209



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

Consolidated					
2020					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
LGU	₱24,916	₱—	₱—	₱—	₱ 24,916
Credit Card	5,772	102,605	1,149,930	1,929,958	3,188,265
Retail SME	1,017,410	57,348	117,735	472,398	1,664,891
Housing Loans	171,132	24,241	49,569	8,755,260	9,000,202
Auto Loans	252,304	64,849	103,069	2,862,922	3,283,144
Others	1,913,966	57,888	67,406	3,746,974	5,786,234
Total	₱3,385,500	₱306,931	₱1,487,709	₱17,767,512	₱22,947,652

Consolidated					
2019					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
LGU	₱—	₱69,044	₱—	₱26,986	₱96,030
Credit Card	—	420,109	—	1,867,066	2,287,175
Retail SME	365,556	345,217	902,794	2,028,109	3,641,676
Housing Loans	422,236	1,571,291	1,339,385	4,057,112	7,390,024
Auto Loans	156,989	458,841	273,445	793,162	1,682,437
Others	66,105	736,977	184,223	394,793	1,382,098
Total	₱1,010,886	₱3,601,479	₱2,699,847	₱9,167,228	₱16,479,440

Parent Company					
2020					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Credit Card	₱5,772	₱102,605	₱1,149,930	₱1,929,958	₱ 3,188,265
Retail SME	698,518	28,183	104,005	301,617	1,132,323
Housing Loans	171,132	24,241	49,569	8,755,260	9,000,202
Auto Loans	252,304	64,849	103,069	2,862,922	3,283,144
LGU	24,916	—	—	—	24,916
Others	1,904,039	57,829	35,756	3,614,926	5,612,550
Total	₱3,056,681	₱277,707	₱1,442,329	₱17,464,683	₱22,241,400

Parent Company					
2019					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Credit Card	₱—	₱420,109	₱—	₱1,867,066	₱2,287,175
Retail SME	—	101,260	173,634	494,490	769,384
Housing Loans	—	37,740	41,862	69,809	149,411
Auto Loans	—	41,958	12,215	31,032	85,205
LGU	—	69,044	—	26,986	96,030
Others	800	417,564	25,377	1,441,581	1,885,322
Total	₱800	₱1,087,675	₱253,088	₱3,930,964	₱5,272,527

Trading and Investment Securities and Other Financial Assets

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

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



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

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

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

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

Consolidated						
2020						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	P-	P-	P-	P-	P202,129,356	P202,129,356
Due from other banks	5,813,831	10,123,881	1,802,421	17,740,133	2,003,065	19,743,198
Interbank loans receivables	13,867,302	24,308,309	1,528,253	39,703,864	-	39,703,864
Securities held under agreements to resell	-	-	-	-	15,819,273	15,819,273
Financial assets at FVOCI						
Government securities	85,207	-	90,319,428	90,404,635	20,442,131	110,846,766
Private debt securities	405,322	3,231,687	1,975,897	5,612,906	15,805,628	21,418,534
Quoted equity securities	-	-	119,170	119,170	588,188	707,358
Unquoted equity securities	-	-	420,683	420,683	322,011	742,694
Investment securities at amortized cost:						
Government securities	120,351	188,146	42,540,628	42,849,125	226,650	43,075,775
Private debt securities	1,113,697	25,550,637	7,650,120	34,314,454	21,828,162	56,142,616
Financial assets at amortized cost:						
Others ^{2/}	-	-	-	-	17,813,208	17,813,208

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

Consolidated						
2019						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	P-	P-	P-	P-	P105,981,801	P105,981,801
Due from other banks	5,038,372	3,090,447	7,990,152	16,118,971	1,642,531	17,761,502
Interbank loans receivables	9,594,780	13,182,252	434,761	23,211,793	1,626,742	24,838,535
Securities held under agreements to resell	-	-	-	-	2,519,676	2,519,676
Financial assets at FVOCI						
Government securities	460,363	2,124,737	88,335,353	90,920,453	129,262	91,049,715
Private debt securities	3,443,245	3,329,819	6,366,568	13,139,632	17,250,370	30,390,002
Quoted equity securities	-	-	159,725	159,725	911,809	1,071,534
Unquoted equity securities	-	-	-	-	629,589	629,589
Investment securities at amortized cost:						
Government securities	-	-	55,304,814	55,304,814	290,046	55,594,860
Private debt securities	1,407,543	22,281,474	9,288,335	32,977,352	15,677,741	48,655,093
Financial assets at amortized cost:						
Others ^{2/}	-	-	5,964,656	5,964,656	19,353,086	25,317,742

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).



Parent Company						
2020						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	P=	P=	P=	P=	P202,129,356	P202,129,356
Due from other banks	887,022	9,737,045	45,577	10,669,644	1,471,955	12,141,599
Interbank loans receivables	12,005,750	24,308,309	1,528,253	37,842,312	19,240	37,861,552
Securities held under agreements to resell	—	—	—	—	15,819,273	15,819,273
Financial assets at FVOCI						
Government securities	—	—	90,319,428	90,319,428	20,615,597	110,935,025
Private debt securities	405,322	3,231,687	1,975,897	5,612,906	15,805,628	21,418,534
Quoted equity securities	—	—	—	—	588,188	588,188
Unquoted equity securities	—	—	—	—	321,011	321,011
Investment securities at amortized cost						
Government securities	—	188,146	42,540,628	42,728,774	226,650	42,955,424
Private securities	1,113,697	25,550,637	7,650,120	34,314,454	21,828,162	56,142,616
Financial assets at amortized cost:						
Others ^{2/}	—	—	—	—	18,148,561	18,148,561

^{1/} Due from BSP^{1/} 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/}	P=	P=	P=	P=	P101,801,597	P101,801,597
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^{1/} is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Group's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.



Liquidity is monitored by the Parent Company on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	Consolidated					
	2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱25,135,724	₱–	₱–	₱–	₱–	₱25,135,724
Due from BSP and other banks	227,071,689	–	–	–	–	227,071,689
Interbank loans receivable	34,340,204	4,405,439	9,989	747,959	–	39,503,591
Securities held under agreements to resell	15,824,546	–	–	–	–	15,824,546
Financial assets at FVTPL:						
Government securities	76,701	179,570	219,267	365,452	21,495,821	22,336,811
Private debt securities	–	19,488	78,583	98,072	5,098,443	5,294,586
Equity securities	7,974	16,568	4,774	21,580	1,155,708	1,206,604
Investment in UITFs	2,938	–	–	–	–	2,938
Derivative assets:						
Gross contractual receivable	44,836,230	9,157,896	354,321	28,133	143,294	54,519,874
Gross contractual payable	(44,728,121)	(9,045,098)	(347,351)	(35,742)	(165,268)	(54,321,580)
Financial assets at FVOCI:						
Government securities	46,309,951	4,117,305	499,154	4,497,227	66,559,391	121,983,028
Private debt securities	506,753	424,064	1,485,767	3,327,820	18,901,182	24,645,586
Equity securities	–	7,542	8,062	15,605	1,008,477	1,039,686
Investment securities at amortized cost						
Government securities	4,876,875	743,418	5,577,997	2,249,380	32,108,514	45,556,184
Private debt securities	132,997	3,995,388	4,245,417	16,980,507	43,692,410	69,046,719
Financial assets at amortized cost:						
Receivables from customers	95,694,816	77,647,882	33,398,312	23,273,429	484,754,727	714,769,166
Other receivables	9,815,467	185,556	703,382	187,629	7,507,310	18,399,344
Other assets	83,840	–	74	1,775	14,220	99,909
Total financial assets	₱459,988,584	₱91,855,018	₱46,237,748	₱51,758,826	₱682,274,229	₱1,332,114,405
Financial Liabilities						
Deposit liabilities:						
Demand	₱203,249,771	₱–	₱–	₱–	₱–	₱203,249,771
Savings	291,773,202	–	–	–	–	291,773,202
Time and LTNCDS	218,590,031	93,745,837	15,129,795	17,667,067	60,032,618	405,165,348
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	35,770,287	12,482,054	11,301,481	1,516,703	122,084	61,192,609
Gross contractual receivable	(35,497,003)	(12,425,675)	(11,063,446)	(1,476,432)	(165,268)	(60,627,824)
Bills and acceptances payable	45,293,030	25,985,275	237,141	1,552,830	14,242,031	87,310,307
Bonds Payable	–	218,453	15,147,938	1,057,058	58,700,049	75,123,498
Accrued interest payable and accrued other expenses payable	222,243	668,159	415,940	501,250	775,241	2,582,833
Other liabilities	9,341,792	207,577	509,323	460,831	1,877,917	12,397,440
Total financial liabilities	₱768,743,353	₱120,881,680	₱31,678,172	₱21,279,307	₱135,584,672	₱1,078,167,184



Consolidated						
2019						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	P30,500,927	P-	P-	P-	P-	P30,500,927
Due from BSP and other banks	123,754,500	-	-	-	-	123,754,500
Interbank loans receivable	19,538,847	2,294,811	1,516,690	-	1,920,879	25,271,227
Securities held under agreements to resell	2,519,956	-	-	-	-	2,519,956
Financial assets at FVTPL:						
Government securities	1,527	-	965,353	-	9,874,107	10,840,987
Private debt securities	-	404,805	8,689	-	3,604,610	4,018,104
Equity securities	-	-	-	-	1,455,435	1,455,435
Investment in UITFs	6,532	-	-	-	-	6,532
Derivative assets:						
Gross contractual receivable	50,516,358	15,144,703	1,050,642	1,089,190	265,690	68,066,583
Gross contractual payable	(50,247,501)	(15,048,665)	(1,034,114)	(1,067,234)	(204,142)	(67,601,656)
Financial assets at FVOCI:						
Government securities	99,825	9,247,044	7,100,100	6,787,541	103,866,790	127,101,300
Private debt securities	289,360	1,254,865	475,396	2,764,029	29,550,648	34,334,298
Equity securities	1,701,123	-	-	-	-	1,701,123
Investment securities at amortized cost						
Government securities	759,187	10,030	2,204,668	1,002,409	67,026,127	71,002,421
Private debt securities	11,016,157	11,617,383	1,275,970	1,149,809	28,510,111	53,569,430
Financial assets at amortized cost:						
Receivables from customers	106,846,648	77,393,306	34,687,983	27,024,646	420,935,000	666,887,583
Other receivables	12,718,210	697,105	2,786,644	201,091	10,698,267	27,101,317
Other assets	420,846	-	-	-	54,930	475,776
Total financial assets	P310,442,502	P103,015,387	P51,038,021	P38,951,481	P677,558,452	P1,181,005,843
Financial Liabilities						
Deposit liabilities:						
Demand	P172,228,956	P-	P-	P-	P-	P172,228,956
Savings	391,769,777	-	-	-	-	391,769,777
Time and LTNCDS	154,612,024	48,316,708	17,170,359	9,753,174	49,383,102	279,235,367
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	34,974,301	15,819,971	840,580	1,069,063	216,301	52,920,216
Gross contractual receivable	(35,113,963)	(15,896,387)	(865,139)	(1,089,099)	(209,867)	(53,174,455)
Bills and acceptances payable	18,063,404	17,835,510	3,221,186	32,778	16,857,628	56,010,506
Bonds Payable	-	-	-	-	75,600,929	75,600,929
Accrued interest payable and accrued other expenses payable	1,254,102	708,438	473,154	403,528	274,852	3,114,074
Other liabilities	11,914,442	-	-	-	1,075,209	12,989,651
Total financial liabilities	P749,703,043	P66,784,240	P20,840,140	P10,169,444	P143,198,154	P990,695,021

Parent Company						
2020						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	P25,038,434	P-	P-	P-	P-	P25,038,434
Due from BSP and other banks	215,736,563	-	-	-	-	215,736,563
Interbank loans receivable	32,985,081	4,260,745	9,989	386,223	-	37,642,038
Securities held under agreements to resell	15,824,546	-	-	-	-	15,824,546
Financial assets at FVTPL:						
Government securities	76,701	179,570	219,267	365,452	21,495,821	22,336,811
Private debt securities	-	-	53,099	53,099	2,813,834	2,920,032
Equity securities	186	16,568	4,774	21,529	1,155,708	1,198,765
Derivative assets:						
Gross contractual receivable	44,836,134	9,153,035	354,183	28,133	143,294	54,514,779
Gross contractual payable	(44,728,121)	(9,045,098)	(347,351)	(35,742)	(165,268)	(54,321,580)

(Forward)



	Parent Company					
	2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial assets at FVOCI:						
Government securities	₱46,236,478	₱4,117,205	₱499,054	₱4,497,027	₱66,545,692	₱121,895,456
Private debt securities	506,752	424,064	1,485,767	3,327,820	18,901,182	24,645,585
Equity securities	—	—	—	—	440,899	440,899
Investment securities at amortized cost:						
Government securities	4,876,830	743,372	5,577,997	2,239,307	31,997,363	45,434,869
Private debt securities	132,997	3,995,388	4,245,417	16,980,507	43,692,410	69,046,719
Financial assets at amortized cost:						
Receivables from customers	90,855,723	75,469,612	31,519,717	21,543,002	478,960,310	698,348,364
Other receivables	9,715,666	173,800	696,113	124,133	7,438,848	18,148,560
Other assets	85,672	—	74	—	527	86,273
Total financial assets	₱442,179,642	₱89,488,261	₱44,318,100	₱49,530,490	₱673,420,620	₱1,298,937,113

Financial Liabilities

Deposit liabilities:						
Demand	₱202,489,354	₱—	₱—	₱—	₱—	₱202,489,354
Savings	290,560,463	—	—	—	—	290,560,463
Time and LTNCDS	226,707,265	91,019,585	12,065,239	17,198,950	59,980,452	406,971,491
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	35,770,120	12,482,054	11,301,212	1,516,703	122,084	61,192,173
Gross contractual payable	(35,497,003)	(12,425,675)	(11,063,446)	(1,476,432)	(165,268)	(60,627,824)
Bills and acceptances payable	45,191,980	24,161,984	10,337	914	13,636,850	83,002,065
Bonds payable	—	218,453	15,147,938	1,057,058	58,700,049	75,123,498
Accrued interest payable and accrued other expenses payable	253,983	628,398	400,089	471,966	772,420	2,526,856
Other liabilities	8,588,232	145,192	87,867	418,972	1,485,536	10,725,799
Total financial liabilities	₱774,064,394	₱116,229,991	₱27,949,236	₱19,188,131	₱134,532,123	₱1,071,963,875

	Parent Company					
	2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱29,642,159	₱—	₱—	₱—	₱—	₱29,642,159
Due from BSP and other banks	112,649,396	—	—	—	—	112,649,396
Interbank loans receivable	18,504,624	2,294,811	1,516,690	—	1,920,879	24,237,004
Securities held under agreements to resell	1,150,112	—	—	—	—	1,150,112
Financial assets at FVTPL:						
Government securities	1,527	—	965,353	—	9,874,107	10,840,987
Private debt securities	—	404,805	8,689	—	568,015	981,509
Equity securities	—	—	—	—	1,409,187	1,409,187
Derivative assets:						
Gross contractual receivable	50,488,626	15,144,703	1,043,814	1,089,190	265,690	68,032,023
Gross contractual payable	(50,247,501)	(15,048,665)	(1,034,114)	(1,067,234)	(204,142)	(67,601,656)
Financial Assets at FVOCI:						
Government securities	₱—	₱9,246,968	₱7,000,000	₱6,713,537	₱103,447,269	₱126,407,774
Private debt securities	238,331	1,254,543	366,742	2,615,908	26,353,954	30,829,478
Equity securities	—	—	—	—	994,081	994,081
Investment securities at amortized cost:						
Government securities	759,187	—	2,199,847	679,130	66,163,936	69,802,100
Private debt securities	11,016,157	11,617,383	1,275,970	1,044,553	28,364,719	53,318,782
Financial assets at amortized cost:						
Receivables from customers	101,007,042	74,680,573	30,731,382	23,442,870	366,996,961	596,858,828
Other receivables	6,024,061	528,119	2,701,399	148,302	10,202,633	19,604,514
Other assets	65,729	—	—	—	500	66,229
Total financial assets	₱281,299,450	₱100,123,240	₱46,775,772	₱34,666,256	₱616,357,789	₱1,079,222,507



	Parent Company					Total
	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	
Financial Liabilities						
Deposit liabilities:						
Demand	₱168,628,123	₱–	₱–	₱–	₱–	₱168,628,123
Savings	384,773,630	–	–	–	–	384,773,630
Time and LTNCDs	137,087,076	31,516,650	14,106,500	9,269,240	44,734,752	236,714,218
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	34,975,698	15,822,860	849,922	1,069,063	216,301	52,933,844
Gross contractual receivable	(35,113,963)	(15,896,387)	(865,139)	(1,089,099)	(209,867)	(53,174,455)
Bills and acceptances payable	7,153,273	11,859,566	8,857,321	14,325,787	3,538,962	45,734,909
Bonds Payable	–	–	–	–	75,600,929	75,600,929
Accrued interest payable and accrued other expenses payable	1,116,173	701,408	394,596	384,322	273,149	2,869,648
Other liabilities	11,914,442	–	–	–	1,075,209	12,989,651
Total financial liabilities	₱710,534,452	₱44,004,097	₱23,343,200	₱23,959,313	₱125,229,435	₱927,070,497

BSP reporting for liquidity positions and leverage

To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the Group computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2020, LCR reported to the BSP is shown in the table below:

	Consolidated		Parent Company	
	2020	2019	2020	2019
LCR	174.72%	131.93%	167.92%	127.48%

The Group also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2020 and 2019, NSFR reported to the BSP is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2020	2019	2020	2019
Available stable funding	P845,749	P794,378	P838,677	P760,737
Required stable funding	617,061	641,399	623,071	603,804
NSFR	137.06%	123.85%	134.60%	125.99%

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.



Trading market risk

Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation Methodology (with 99% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 261-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.

Objectives and limitations of the VaR methodology

The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market movements may be under-estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR assumptions/parameters

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

Backtesting

The validity of the assumptions underlying the Parent Company's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The Parent Company adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results. For the years 2020 and 2019, the number of observations which fell outside the VaR is within the allowable number of exceptions in the green and yellow zones to conclude that there is no problem with the quality and accuracy of the VaR models at 99.00% confidence level. Nonetheless,



closer monitoring and regular review of the model's parameters and assumptions are being conducted.

Stress Testing

To complement the VaR approximations, the Parent Company conducts stress testing on a quarterly basis, the results of which are being reported to the BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

VaR limits

Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the Parent Company. VaR is computed on an undiversified basis; hence, the Parent Company does not consider the correlation effects of the three trading portfolios.

The tables below show the trading VaR (in millions):

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2020	₱9.85	₱491.44	₱22.92	₱524.22
Average Daily	9.92	245.63	28.16	346.53
Highest	26.22	608.54	36.81	746.44
Lowest	1.40	46.64	22.92	141.28

* *FX VaR is the bankwide foreign exchange risk*

** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2019	₱13.13	₱278.29	₱26.39	₱317.81
Average Daily	8.98	472.54	17.44	498.95
Highest	27.50	1160.34	34.89	1,222.73
Lowest	0.54	89.02	2.32	91.89

* *FX VaR is the bankwide foreign exchange risk*

** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Structural Market Risk

Non-trading Market Risk

Interest rate risk

The Group seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Group to interest rate risk. The Group measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds



the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Group BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company:

	Consolidated					
	2020					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱138,408,279	₱1,393,036	₱440,735	₱461,478	₱81,169,026	₱221,872,554
Interbank loans receivable and securities held under agreements to resell	49,388,997	4,272,415	1,107,414	754,311	—	55,523,137
Receivables from customers and other receivables - gross**	118,843,373	79,871,415	18,556,843	15,140,373	129,523,589	361,935,593
Total financial assets	306,640,649	85,536,866	20,104,992	16,356,162	210,692,615	639,331,284
Financial Liabilities*						
Deposit liabilities:						
Savings	79,342,400	46,276,884	13,997,944	20,351,168	265,643,369	425,611,765
Time***	158,208,607	60,633,884	5,073,362	4,599,658	8,178,530	236,694,041
Bonds payable	—	—	13,852,539	—	50,203,796	64,056,335
Bills and acceptances payable	53,199,286	32,133,862	353,740	224,989	1,247,573	87,159,450
Total financial liabilities	₱290,750,293	₱139,044,630	₱33,277,585	₱25,175,815	₱325,273,268	₱813,521,591
Repricing gap	₱15,890,356	(₱53,507,764)	(₱13,172,593)	(₱8,819,653)	(₱114,580,653)	(₱174,190,307)
Cumulative gap	15,890,356	(37,617,408)	(50,790,001)	(59,609,654)	(174,190,307)	

* Financial instruments that are not subject to repricing/rollforward were excluded.

** Receivables from customers excludes residual value of leased assets (Note 10).

***Excludes LTNCD.



Consolidated						
2019						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱27,272,787	₱1,575,228	₱563,759	₱127,798	₱94,139,826	₱123,679,398
Interbank loans receivable and securities held under agreements to resell	22,441,750	3,469,416	1,279,275	—	159,139	27,349,580
Receivables from customers and other receivables - gross**	148,095,239	58,597,849	26,796,208	8,019,438	98,959,095	340,467,829
Total financial assets	197,809,776	63,642,493	28,639,242	8,147,236	193,258,060	491,496,807
Financial Liabilities*						
Deposit liabilities:						
Savings	107,428,796	38,894,466	20,765,903	13,055,019	211,625,593	391,769,777
Time***	149,496,035	34,112,039	9,859,180	9,963,553	26,463,836	229,894,643
Bonds payable	—	—	—	—	66,615,078	66,615,078
Bills and acceptances payable	33,717,809	17,038,035	1,837,689	732,345	2,637,412	55,963,290
Total financial liabilities	₱290,642,640	₱90,044,540	₱32,462,772	₱23,750,917	₱307,341,919	₱744,242,788
Repricing gap	(₱92,832,864)	(₱26,402,047)	(₱3,823,530)	(₱15,603,681)	(₱114,083,859)	(₱252,745,981)
Cumulative gap	(92,832,864)	(119,234,911)	(123,058,441)	(138,662,122)	(252,745,981)	

* Financial instruments that are not subject to repricing/rollforward were excluded.

** Receivables from customers excludes residual value of leased assets (Note 10).

***Excludes LTNCD.

Parent Company						
2020						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱134,231,726	₱—	₱—	₱—	₱80,039,230	₱214,270,956
Interbank loans receivable and securities held under repurchase agreement	48,028,366	4,157,978	1,107,414	387,068	—	53,680,826
Receivable from customers and other receivables - gross**	118,343,373	79,871,415	18,556,843	15,140,373	129,523,589	361,435,593
Total financial assets	₱300,603,465	₱84,029,393	₱19,664,257	₱15,527,441	₱209,562,819	₱629,387,375
Financial Liabilities*						
Deposit liabilities:						
Savings	₱78,109,443	₱46,276,885	₱13,997,944	₱20,351,168	₱265,902,504	₱424,637,944
Time***	157,099,835	57,907,631	7,664,018	9,786,753	8,126,364	240,584,601
Bonds payable	—	—	13,852,539	—	50,203,796	64,056,335
Bills and acceptances payable	52,786,239	32,021,244	9,877	—	—	84,817,360
Total financial liabilities	₱287,995,517	₱136,205,760	₱35,524,378	₱30,137,921	₱324,232,664	₱814,096,240
Repricing gap	₱12,607,948	(₱52,176,367)	(₱15,860,121)	(₱14,610,480)	(₱114,669,845)	(₱184,708,865)
Cumulative gap	12,607,948	(39,568,419)	(55,428,540)	(70,039,020)	(184,708,865)	

* Financial instruments that are not subject to repricing/rollforward were excluded.

** Receivable from customers excludes residual value of leased assets (Note 10).

***Excludes LTNCD.

Parent Company						
2019						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱20,537,356	₱—	₱—	₱—	₱92,038,801	₱112,576,157
Interbank loans receivable and securities held under repurchase agreement	19,568,861	4,127,027	1,257,115	—	—	24,953,003
Receivable from customers and other receivables - gross**	148,095,239	58,597,849	26,796,208	8,019,438	98,959,095	340,467,829
Total financial assets	₱188,201,456	₱62,724,876	₱28,053,323	₱8,019,438	₱190,997,896	₱477,996,989

(Forward)



	Parent Company					Total
	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	
Financial Liabilities*						
Deposit liabilities:						
Savings	₱106,264,604	₱38,894,466	₱20,765,903	₱13,055,019	₱205,793,638	₱384,773,630
Time***	136,719,939	23,423,637	6,292,260	9,596,231	11,256,075	187,288,142
Bonds payable	—	—	—	—	66,615,078	66,615,078
Bills and acceptances payable	33,426,883	14,260,535	22,229	714,370	—	48,424,017
Total financial liabilities	₱276,411,426	₱76,578,638	₱27,080,392	₱23,365,620	₱283,664,791	₱687,100,867
Repricing gap	(₱88,209,970)	(₱13,853,762)	₱972,931	(₱15,346,182)	(₱92,666,895)	(₱209,103,878)
Cumulative gap	(88,209,970)	(102,063,732)	(101,090,801)	(116,436,983)	(209,103,878)	—

* Financial instruments that are not subject to repricing/rollforward were excluded.

** Receivable from customers excludes residual value of leased assets (Note 10).

***Excludes LTNCD.

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2020 and 2019:

	Consolidated			
	2020		2019	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	(₱189,181)	(₱189,181)	₱573,536	₱573,536
-50bps	189,181	189,181	(573,536)	(573,536)
+100bps	(378,363)	(378,363)	1,147,073	1,147,073
-100bps	378,363	378,363	(1,147,073)	(1,147,073)

	Parent Company			
	2020		2019	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	(₱209,911)	(₱209,911)	₱492,130	₱492,130
-50bps	209,911	209,911	(492,130)	(492,130)
+100bps	(419,823)	(419,823)	984,261	984,261
-100bps	419,823	419,823	(984,261)	(984,261)

As one of the long-term goals in the risk management process, the Group has also implemented the adoption of the economic value approach in measuring the impact of the interest rate risk in the banking books to complement the earnings at risk approach using the modified duration approach. Cognizant of this requirement, the Group has undertaken the initial activities such as identification of the business requirement and design of templates for each account and the inclusion of this requirement in the Asset Liability Management business requirement definition.

Foreign currency risk

Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.



Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.

The table below summarizes the exposure to foreign exchange rate risk. Included in the table are the financial assets and liabilities at carrying amounts, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2020			2019		
	USD	Others*	Total	USD	Others*	Total
Assets						
COCI and due from BSP	₱150,688	₱467,319	₱618,007	₱149,147	₱334,702	₱483,849
Due from other banks	10,191,235	5,295,532	15,486,767	9,638,368	6,083,847	15,722,215
Interbank loans receivable and securities held under agreements to resell	4,134,791	429,804	4,564,595	4,880,250	2,094,530	6,974,780
Loans and receivables	24,025,901	11,426,030	35,451,931	22,726,294	11,046,642	33,772,936
Financial Assets at FVTPL	176,502	–	176,502	352,344	148	352,492
Financial Assets at FVOCI	1,948,155	1,302,355	3,250,510	1,434,080	502,664	1,936,744
Investment securities at amortized cost	125,883	1,085,208	1,211,091	10,060,514	–	10,060,514
Other assets	11,341,675	1,175,289	12,516,964	5,402,127	2,685,523	8,087,650
Total assets	52,094,830	21,181,537	73,276,367	54,643,124	22,748,056	77,391,180
Liabilities						
Deposit liabilities	7,198,330	7,474,422	14,672,752	7,363,816	5,194,075	12,557,891
Derivative liabilities	7,031	6,814	13,845	6,814	6,814	13,628
Bills and acceptances payable	62,015,195	285,734	62,300,929	27,941,957	13,297,756	41,239,713
Accrued interest payable	95,373	10,284	105,657	154,037	31,771	185,808
Other liabilities	3,952,102	2,011,291	5,963,393	1,217,428	945,273	2,162,701
Total liabilities	73,268,031	9,788,545	83,056,576	36,684,052	19,475,689	56,159,741
Net Exposure	(₱21,173,201)	₱11,392,992	(₱9,780,209)	₱17,959,072	₱3,272,367	₱21,231,439

* Other currencies include UAE Dirham (AED), Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).

	Parent Company					
	2020			2019		
	USD	Others*	Total	USD	Others*	Total
Assets						
COCI and due from BSP	₱46,609	₱180,870	₱227,479	₱47,384	₱19,219	₱66,603
Due from other banks	6,818,795	899,761	7,718,556	6,259,259	1,557,174	7,816,433
Interbank loans receivable and securities held under agreements to resell	3,428,109	73,449	3,501,558	4,173,568	1,738,175	5,911,743
Loans and receivables	19,816,024	929,981	20,746,005	19,616,324	554,114	20,170,438
Financial assets at FVTPL	176,502	–	176,502	352,344	148	352,492
Financial assets at FVOCI	1,948,155	1,229,185	3,177,340	1,434,080	429,335	1,863,415
Investment securities at amortized cost	5,532	1,085,208	1,090,740	9,934,738	–	9,934,738
Other assets	11,341,675	–	11,341,675	5,402,127	1,589,228	6,991,355
Total assets	43,581,401	4,398,454	47,979,855	47,219,824	5,887,393	53,107,217

(Forward)



	Parent Company					
	2020			2019		
	USD	Others*	Total	USD	Others*	Total
Liabilities						
Deposit liabilities	₱2,030,840	₱3,407,186	₱5,438,026	₱2,187,075	₱1,136,796	₱3,323,871
Derivative liabilities	217	—	217	—	—	—
Bills and acceptances payable	61,697,679	—	61,697,679	27,657,599	12,905,241	40,562,840
Accrued interest payable	80,607	226	80,833	141,059	22,201	163,260
Other liabilities	2,658,432	1,142,058	3,800,490	770,102	79,891	849,993
Total liabilities	66,467,775	4,549,470	71,017,245	30,755,835	14,144,129	44,899,964
Net Exposure	(₱22,886,374)	(₱151,016)	(₱23,037,390)	₱16,463,989	(₱8,256,736)	₱8,207,253

* Other currencies include AED, AUD, BHD, BND, CAD, CHF, CNY, DKK, EUR, GBP, HKD, IDR, JPY, NZD, PHP, SAR, SEK, SGD, SKW, THB and TWD.

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2020 and 2019 follow:

	2020	2019
US dollar - Philippine peso exchange rate	₱48.02 to USD1.00	₱50.63 to USD1.00

The following tables set forth the impact of the range of reasonably possible changes in the US dollar-Philippine peso exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2019 and 2018:

	2020			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	(₱233,394)	₱213,913	(₱248,345)	₱228,864
-1.00%	233,394	(213,913)	248,345	(228,864)

	2019			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱78,985	₱133,329	₱79,252	₱2,821
-1.00%	(78,985)	(133,329)	(79,252)	(2,821)

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.



5. Fair Value Measurement

The Group used the following methods and assumptions in estimating the fair value of its assets and liabilities:

Assets and Liabilities	Fair value methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Derivatives	Based on either: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • market data approach ⁵; or • replacement cost approach ⁶
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity
Long-term financial liabilities	For quoted debt issuances – based on market prices from debt exchanges For unquoted debt issuances – estimated using the discounted cash flow methodology ⁷

Notes:

¹ using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation (for government securities) and PHP BVAL rates plus additional credit spread (for corporate/private securities)

² using the most relevant multiples (e.g., earnings, book value)

³ using the current incremental lending rates for similar loans

⁴ considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others

⁵ using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold

⁶ estimating the investment required to duplicate the property in its present condition

⁷ using the current incremental borrowing rates for similar borrowings



Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	Consolidated				
	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱18,136,391	₱17,657,777	₱478,614	₱—	₱18,136,391
Private debt securities	4,296,100	3,198,949	1,097,151	—	4,296,100
Equity securities	1,019,626	1,019,626	—	—	1,019,626
Derivative assets	370,653	—	370,653	—	370,653
Investment in UITFs	2,938	—	2,938	—	2,938
Financial assets at FVOCI:					
Government securities	110,846,766	67,513,412	43,333,354	—	110,846,766
Private debt securities	21,418,534	9,773,253	11,645,281	—	21,418,534
Equity securities	1,450,052	302,340	540,109	607,603	1,450,052
	₱157,541,060	₱99,465,357	₱57,468,100	₱607,603	₱157,541,060
Financial Liabilities					
Financial Liabilities at FVTPL:					
Derivative liabilities	₱701,239	₱—	₱701,239	₱—	₱701,239
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱95,235,993	₱12,712,144	₱86,656,274	₱—	₱99,368,418
Receivables from customers**	585,855,937	—	—	622,821,007	622,821,007
	₱681,091,930	₱12,712,144	₱86,656,274	₱622,821,007	₱722,189,425
Nonfinancial Assets					
Investment property:					
Land***	₱12,488,869	₱—	₱—	₱26,970,597	₱26,970,597
Buildings and improvements***	1,956,887	—	—	3,947,077	3,947,077
	₱14,445,756	₱—	₱—	₱30,917,674	₱30,917,674
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱236,694,042	₱—	₱—	₱236,694,042	₱236,694,042
LTNCDs	28,212,034	—	28,541,261	—	28,541,261
Bonds payable	64,056,335	38,225,468	29,503,486	—	67,728,954
Bills payable	83,598,532	—	—	83,600,018	83,600,018
	₱412,560,943	₱38,225,468	₱58,044,747	₱320,294,060	₱416,564,275



Consolidated					
2019					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P8,503,822	P4,258,245	P4,245,577	P—	P8,503,822
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
	P136,609,825	P83,725,049	P49,638,986	P3,245,790	P136,609,825
Financial Liabilities					
Financial Liabilities at FVTPL:					
Derivative liabilities	P245,619	P—	P245,619	P—	P245,619
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	P100,464,757	P30,455,373	P70,924,643	P200,801	P101,580,817
Receivables from customers**	636,950,500	—	—	695,304,130	695,304,130
	P737,415,257	P30,455,373	P70,924,643	P695,504,931	P796,884,947
Nonfinancial Assets					
Investment property:					
Land***	P12,917,821	P—	P—	P23,894,410	P23,894,410
Buildings and improvements***	2,126,005	—	—	4,844,980	4,844,980
	P15,043,826	P—	P—	P28,739,390	P28,739,390
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	P226,894,643	P—	P—	P226,525,853	P226,525,853
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
	P381,932,781	P39,517,123	P65,435,280	P282,574,948	P387,527,351

Parent Company					
2020					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	P18,136,391	P17,657,777	P478,614	P—	P18,136,391
Equity securities	2,433,904	1,336,753	1,097,151	—	2,433,904
Private debt securities	1,011,787	1,011,787	—	—	1,011,787
Derivative assets	365,558	—	365,558	—	365,558
Financial assets at FVOCI:					
Government securities	110,935,025	67,428,205	43,506,820	—	110,935,025
Private debt securities	21,418,534	9,773,253	11,645,281	—	21,418,534
Equity securities	910,199	302,170	421,109	186,920	910,199
	P155,211,398	P97,509,945	P57,514,533	P186,920	P155,211,398
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	P700,802	P—	P700,802	P—	P700,802
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	P95,115,642	P12,591,794	P86,656,274	P—	P99,248,068
Receivables from customers**	572,237,603	—	—	609,202,673	609,202,673
	P667,353,245	P12,591,794	P86,656,274	P609,202,673	P708,450,741



Parent Company					
2020					
	Carrying Value	Level 1	Level 2	Level 3	Total
Nonfinancial Assets					
Investment property:					
Land***	₱11,971,463	₱–	₱–	₱26,430,230	₱26,430,230
Buildings and improvements***	1,950,335	–	–	3,642,298	3,642,298
	₱ 13,921,798	₱–	₱–	₱30,072,528	₱30,072,528
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱240,584,601	₱–	₱–	₱240,584,601	₱240,584,601
LTNCDs	28,212,034	–	28,541,261	–	28,541,261
Bonds payable	64,056,335	38,225,468	29,503,485	–	67,728,953
Bills payable	81,256,442	–	–	81,257,927	81,257,927
	₱414,109,412	₱38,225,468	₱58,044,746	₱321,842,528	₱418,112,742
Parent Company					
2019					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,503,822	₱4,258,244	₱4,245,578	₱–	₱8,503,822
Derivative assets	1,409,187	1,409,187	–	–	1,409,187
Private debt securities	883,641	–	883,641	–	883,641
Equity securities	373,006	–	373,006	–	373,006
Financial assets at FVOCI:					
Government securities*	90,420,191	65,753,164	24,667,027	–	90,420,191
Private debt securities*	27,482,292	8,985,905	18,496,387	–	27,482,292
Equity securities	994,081	357,863	385,469	250,749	994,081
	₱130,066,220	₱80,764,363	₱49,051,108	₱250,749	₱130,066,220
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱231,992	₱–	₱231,992	₱–	₱231,992
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱99,203,909	₱29,247,604	₱70,871,451	₱200,801	₱100,319,856
Receivables from customers**	572,412,727	–	–	630,739,252	630,739,252
	₱671,616,636	₱29,247,604	₱70,871,451	₱630,940,053	₱731,059,108
Nonfinancial Assets					
Investment property:					
Land***	₱12,549,288	₱–	₱–	₱23,659,779	₱23,659,779
Buildings and improvements	2,127,099	–	–	4,524,061	4,524,061
	₱14,676,387	₱–	₱–	₱28,183,840	₱28,183,840
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱187,288,142	₱–	₱–	₱187,681,683	₱187,681,683
LTNCDs	35,152,104	–	35,311,473	–	35,311,473
Bonds payable	66,615,078	39,517,123	30,123,807	–	69,640,930
Bills payable	45,731,683	–	–	46,078,492	46,078,492
	₱334,787,007	₱39,517,123	₱65,435,280	₱233,760,175	₱338,712,578

* Net of expected credit losses (Note 9)

** Net of expected credit losses and unearned and other deferred income (Note 10)

*** Net of impairment losses (Note 13)

As of December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid.



The following table summarizes the significant unobservable inputs used to calculate the fair value of Level 3 financial assets at FVOCI of the Group and the Parent Company as of December 31, 2020 and the range of values indicating the highest and lowest level input used in the valuation techniques.

	Significant Unobservable Input	Consolidated		Parent Company	
		Low	High	Low	High
Private debt securities	Credit spread	₱2,897,178	₱2,994,907	₱—	₱—
Equity securities	Price-to-book multiple	819,591	907,551	417,891	498,126

Credit spreads

The Group differentiates between credit spreads and discount margins/spreads (more widely used to any discounted cash flow type modes). Credit spreads reflect the credit quality of the underlying instrument, by reference to the applicable benchmark reference rates (i.e., PHP BVAL). Credit spreads can be implied from market prices and are usually unobservable for illiquid or complex instruments.

Price-to-book multiples

The price-to-book ratio measures an equity price in relation to its book value. The Group uses price-to-book multiples of comparable instruments as benchmark references.

6. Segment Information

Business Segments

The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group's business segments follow:

- Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;
- Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers;
- Global Banking and Market - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury-bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking; and
- Other Segments - include, but not limited to, insurance, leasing, remittances and other support services. Other support services of the Group comprise of the operations and financial control groups.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, the chief operating decision maker (CODM), is based on the reportorial requirements under the Regulatory Accounting Principles (RAP) of the BSP, which differ from PFRS due to the manner of provisioning for impairment and credit losses, measurement of investment properties, and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.



Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

	2020					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱103,187	₱30,817,596	₱4,802,612	₱140,494	(₱43,123)	₱35,820,766
Inter-segment	17,402,385	(17,307,550)	(94,835)	—	—	—
Net interest margin after inter-segment transactions	17,505,572	13,510,046	4,707,777	140,494	(43,123)	35,820,766
Other income	3,431,422	2,194,121	3,976,885	1,495,997	(383,782)	10,714,643
Segment revenue	20,936,994	15,704,167	8,684,662	1,636,491	(426,905)	46,535,409
Other expenses	14,579,502	18,655,970	1,152,761	772,203	(426,905)	34,733,531
Segment result	₱6,357,492	(₱2,951,803)	₱7,531,901	₱864,288	₱—	11,801,878
Unallocated expenses						11,042,211
Income before income tax						759,667
Income tax						(1,798,238)
Net income from continuing operations						2,557,905
Net income from discontinued operations						67,583
Net income						2,625,488
Non-controlling interests						10,835
Net income for the year attributable to equity holders of the Parent Company						₱2,614,653
Other segment information						
Capital expenditures	₱631,935	₱3,521	₱12,986	₱202,179	₱—	₱850,621
Unallocated capital expenditure						664,098
Total capital expenditure						₱1,514,719
Depreciation and amortization	₱949,266	₱102,145	₱3,281	₱504,392	₱—	₱1,559,084
Unallocated depreciation and amortization						1,596,195
Total depreciation and amortization						₱3,155,279
Provision for impairment, credit and other losses	₱3,054,829	₱13,223,352	₱269,915	₱334,525	₱—	₱16,882,621

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



2019 (As restated – Note 36)						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P5,844,018)	P31,918,140	P5,733,291	P425,713	P125,140	P32,358,266
Inter-segment	23,647,539	(23,030,539)	(617,000)	—	—	—
Net interest margin after inter-segment transactions	17,803,521	8,887,601	5,116,291	425,713	125,140	32,358,266
Other income	3,211,234	2,685,445	1,772,206	1,133,860	604,081	9,406,826
Segment revenue	21,014,755	11,573,046	6,888,497	1,559,573	729,221	41,765,092
Other expenses	11,881,474	5,636,497	472,000	910,370	729,221	19,629,562
Segment result	P9,133,281	P5,936,549	P6,416,497	P649,203	P—	22,135,530
Unallocated expenses						10,023,610
Income before income tax						12,111,920
Income tax						2,452,307
Net income from continuing operations						9,659,613
Net income from discontinued operations						101,593
Net income						9,761,206
Non-controlling interests						79,726
Net income for the year attributable to equity holders of the Parent Company						P9,681,480
Other segment information						
Capital expenditures	P1,134,511	P2,327	P35,242	P421,317	P—	P1,593,397
Unallocated capital expenditure						1,040,436
Total capital expenditure						P2,633,833
Depreciation and amortization	P1,201,558	P138,114	P1,850	P586,515	P—	P1,928,037
Unallocated depreciation and amortization						867,185
Total depreciation and amortization						P2,795,222
Provision for (reversal of) impairment, credit and other losses	P1,671,154	P1,289,340	P—	(P50,312)	P—	P2,910,182

2018 (As restated – Note 36)						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	P1,287,627	P21,844,985	P3,583,152	P870,455	(P584,495)	P27,001,724
Inter-segment	14,775,986	(14,652,247)	(123,739)	—	—	—
Net interest margin after inter-segment transactions	16,063,613	7,192,738	3,459,413	870,455	(584,495)	27,001,724
Other income	2,538,607	8,377,408	485,407	1,535,362	(261,602)	12,675,182
Segment revenue	18,602,220	15,570,146	3,944,820	2,405,817	(846,097)	39,676,906
Other expenses	12,726,476	2,343,403	375,651	1,836,701	(925,897)	16,356,334
Segment result	P5,875,744	P13,226,743	P3,569,169	P569,116	P79,800	23,320,572
Unallocated expenses						9,880,786
Income before income tax						13,439,786
Income tax						3,663,744
Net income from continuing operations						9,776,042
Net loss from discontinued operations						(219,972)
Net income						9,556,070
Non-controlling interests						91,048
Net income for the year attributable to equity holders of the Parent Company						P9,465,022
Other segment information						
Capital expenditures	P1,241,242	P2,180	P268	P495,658	P—	P1,739,348
Unallocated capital expenditure						1,824,707
Total capital expenditure						P3,564,055
Depreciation and amortization	P599,118	P33,299	P1,192	P230,306	P44,873	P908,788
Unallocated depreciation and amortization						1,042,189
Total depreciation and amortization						P1,950,977
Provision for (reversal of) impairment, credit and other losses	P854,341	P800,926	P—	P2,579	P94,966	P1,752,812



As of December 31, 2020						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	₱710,168,556	₱245,602,089	₱188,310,761	₱95,801,439	(₱16,089,256)	₱1,223,793,589
Unallocated assets						7,340,210
Total assets						₱1,231,133,799
Segment liabilities	₱695,809,767	₱180,732,406	₱125,848,434	₱78,210,224	(₱12,440,292)	₱1,068,160,539
Unallocated liabilities						6,990,252
Total liabilities						₱1,075,150,791

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

As of December 31, 2019						
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	₱700,967,750	₱230,221,786	₱195,813,132	₱81,111,908	(₱71,364,992)	₱1,136,749,584
Unallocated assets						5,541,027
Total assets						₱1,142,290,611
Segment liabilities	₱694,547,248	₱140,490,040	₱190,729,000	₱17,804,392	(₱62,345,117)	₱981,225,563
Unallocated liabilities						6,089,648
Total liabilities						₱987,315,211

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

Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in four principal geographical areas of the world. The distribution of assets, liabilities, credit commitments items and revenues by geographic region of the Group follows:

	Non-current Assets*		Liabilities		Capital Expenditures	
	2020	2019	2020	2019	2020	2019
Philippines	₱510,574,534	₱540,234,814	₱1,037,677,448	₱950,248,431	₱1,511,914	₱2,625,086
Asia (excluding Philippines)	11,632,923	13,031,999	35,588,190	34,243,417	1,726	2,634
USA and Canada	107,862,854	120,835,377	1,793,735	2,349,279	1,079	3,721
United Kingdom	1,096,326	1,228,180	91,418	474,084	—	2,392
	₱631,166,637	₱675,330,370	₱1,075,150,791	₱987,315,211	₱1,514,719	₱2,633,833

* Gross of allowance for impairment and credit losses (Note 16), unearned and other deferred income (Note 10), and accumulated amortization and depreciation (Notes 11, 13, and 14)

	Credit Commitments		External Revenues		
	2020	2019	2020	2019	
Philippines	₱44,036,152	₱39,456,355	₱56,246,850	₱57,459,013	₱46,588,071
Asia (excluding Philippines)	90,715	—	867,185	1,614,370	1,290,100
USA and Canada	—	—	348,775	717,489	684,794
United Kingdom	—	—	202,787	129,534	124,861
	₱44,126,867	₱39,456,355	₱57,665,597	₱59,920,406	₱48,687,826

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

The areas of operations include all the primary business segments.



7. Due from Bangko Sentral ng Pilipinas

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Demand deposit (Note 17)	₱80,029,356	₱92,181,801	₱80,029,356	₱90,394,597
Term deposit facility (TDF)	122,100,000	13,800,000	122,100,000	11,407,000
	₱202,129,356	₱105,981,801	₱202,129,356	₱101,801,597

TDFs bear annual interest rates ranging from to 1.62% to 3.80% in 2020, from 3.50% to 5.23% in 2019 and 3.22% to 5.24% in 2018.

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

Interbank Loans Receivables

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

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Peso-denominated	0.0% - 3.7%	N/A	3.0% - 3.1%	0.0% - 3.7%	N/A	3.0% - 3.1%
Foreign currency-denominated	0.0% - 2.2%	0.0% - 5.0%	0.0% - 5.0%	0.0% - 2.2%	0.0% - 5.0%	0.0% - 5.0%

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

	Consolidated		Parent Company	
	2020	2019	2020	2019
Interbank loans receivable	₱39,703,864	₱24,838,535	₱37,861,553	₱23,804,312
Less: Allowance for credit losses (Note 16)	2,883	6,719	2,883	1,293
	39,700,981	24,831,816	37,858,670	23,803,019
Less: Interbank loans receivable not considered as cash and cash equivalents	761,409	1,888,287	394,166	1,528,713
	₱38,939,572	₱22,943,529	₱37,464,504	₱22,274,306

Securities Held under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 2.00% to 3.25%, from 4.00% to 4.75%, and from 3.00% to 4.75% in 2020, 2019 and 2018, respectively. As of December 31, 2020 and 2019, allowance for credit losses on securities held under agreements to resell amounted to nil and ₱1.9 million, respectively.

The fair value of the treasury bills pledged under these agreements as of December 31, 2020 and 2019 amounted to ₱16.5 billion and ₱2.5 billion, respectively, for the Group, and ₱16.5 billion and ₱1.1 billion, respectively, for the Parent Company (Note 35).

In 2020, 2019 and 2018, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱244.0 million, ₱668.2 million, and ₱379.4 million, respectively, for the Group and ₱186.2 million, ₱568.1 million, and ₱350.8 million, respectively, for the Parent Company.



9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Financial assets at FVTPL	₱23,825,708	₱13,468,985	₱21,947,640	₱11,169,656
Financial assets at FVOCI	133,715,352	123,140,840	133,263,758	118,896,564
Investment securities at amortized cost	95,235,993	100,464,757	95,115,642	99,203,909
	₱252,777,053	₱237,074,582	₱250,327,040	₱229,270,129

Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Government securities	₱18,136,391	₱8,503,822	₱18,136,391	₱8,503,822
Private debt securities	4,296,100	3,130,156	2,433,904	883,641
Equity securities	1,019,626	1,455,435	1,011,787	1,409,187
Derivative assets (Notes 23 and 35)	370,653	373,040	365,558	373,006
Investment in UITFs	2,938	6,532	—	—
	₱23,825,708	₱13,468,985	₱21,947,640	₱11,169,656

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

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Government securities	2.6% - 8.0%	2.8% - 9.5%	2.8% - 8.4%	2.6% - 8.0%	2.8% - 9.5%	2.8% - 8.4%
Private debt securities	4.9% - 7.0%	5.5% - 7.4%	3.0% - 7.5%	4.9% - 7.0%	5.5% - 7.4%	3.0% - 7.5%

Financial Assets at FVOCI

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Government securities (Note 19)	₱110,846,766	₱91,049,715	₱110,935,025	₱90,420,191
Private debt securities (Note 19)	21,418,534	30,390,002	21,418,534	27,482,292
Equity securities				
Quoted	707,358	1,071,534	588,188	596,148
Unquoted	742,694	629,589	322,011	397,933
	₱133,715,352	₱123,140,840	₱133,263,758	₱118,896,564

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

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Government securities	0.2% - 18.3%	0.2% - 18.3%	1.8% - 18.3%	0.2% - 18.3%	0.2% - 18.3%	1.8% - 18.3%
Private debt securities	2.0% - 6.9%	3.5% - 6.9%	2.6% - 7.4%	2.0% - 6.9%	3.5% - 6.9%	2.6% - 7.4%

As of December 31, 2020 and 2019, the fair value of financial assets at FVOCI in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions amounted to ₱44.6 billion and ₱8.2 billion, respectively (Note 19). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the foreign banks have the right to hold the securities and sell them as settlement of the repurchase agreement.



The movements in 'Net unrealized gain (loss) on financial assets at FVOCI' of the Group and the Parent Company are as follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Balance at the beginning of the year	₱3,250,651	(₱3,196,936)	₱3,250,651	(₱3,196,936)
Changes in fair values:				
Debt securities	1,872,952	5,202,946	1,815,304	5,257,015
Equity securities	(251,071)	583,286	(83,882)	349,881
Expected credit losses (Note 16)	19,163	5,290	15,760	5,290
Realized losses (gains)	(2,455,264)	281,340	(2,454,697)	317,609
Share in net unrealized gains of subsidiaries and an associate (Note 12)	662,951	447,169	556,246	590,236
Effect of disposal group classified as held-for-sale (Note 36)	(29,209)	—	(29,209)	—
	3,070,173	3,323,095	3,070,173	3,323,095
Income tax effect (Note 30)	(15,770)	(72,444)	(15,770)	(72,444)
	₱3,054,403	₱3,250,651	₱3,054,403	₱3,250,651

As of December 31, 2020 and 2019, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on financial assets at FVOCI') amounted to ₱67.4 million and ₱51.6 million, respectively, for the Group and the Parent Company (Note 16). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.

Investment Securities at Amortized Cost

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Government securities (Notes 19 and 32)	₱42,713,634	₱55,594,860	₱42,593,283	₱54,509,768
Private debt securities	56,504,757	48,655,093	56,504,757	48,422,384
	99,218,391	104,249,953	99,098,040	102,932,152
Less allowance for credit losses (Note 16)	3,982,398	3,785,196	3,982,398	3,728,243
	₱95,235,993	₱100,464,757	₱95,115,642	₱99,203,909

The effective interest rates of investment securities at amortized cost range from:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Government securities	0.1% - 7.8%	0.5% - 7.6%	1.1% - 7.5%	0.1% - 7.8%	0.5% - 7.6%	1.1% - 7.5%
Private debt securities	0.3% - 8.3%	0.3% - 8.3%	0.6% - 8.3%	0.3% - 8.3%	0.3% - 8.3%	0.6% - 8.3%

In 2020 and 2019, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which remained in Stage 1.

On various dates in April 2019, the Parent Company sold a portion of its investment securities at amortized cost with a carrying value of ₱29.5 million and corresponding gain of ₱0.2 million as part of its risk management policies.

As of December 31, 2020 and 2019, the carrying value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱26.1 billion and ₱21.0 billion, respectively (Note 19).



Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	2020	2019	2018
Continuing operations:						
Financial assets at FVOCI	₱2,746,517	₱4,221,698	₱2,219,013	₱2,699,477	₱4,076,597	₱2,189,159
Investment securities at amortized cost	3,750,255	4,515,879	2,315,284	3,748,623	4,472,466	2,313,172
	6,496,772	8,737,577	4,534,297	6,448,100	8,549,063	4,502,331
Discontinued operations (Note 36):						
Financial assets at FVOCI	38,256	67,708	60,477	–	–	–
Investment securities at amortized cost	43,478	–	–	–	–	–
	81,734	67,708	60,477	–	–	–
	₱6,578,506	₱8,805,285	₱4,594,774	₱6,448,100	₱8,549,063	₱4,502,331

Trading and Investment Securities Gains - net

This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	2020	2019	2018
Continuing operations:						
Financial assets at FVTPL						
Government securities	₱395,156	₱1,199,840	(₱7,668)	₱395,156	₱1,199,934	(₱7,616)
Private debt securities	561,385	122,502	(13,732)	673,706	102,524	(13,782)
Equity securities	(71,677)	36,694	4,028	(64,507)	35,827	11,013
Derivatives (Note 23)	(2,532)	(3,733)	161	(2,532)	(3,733)	161
Investment in UITFs	43	209	–	–	–	–
Financial assets at FVOCI						
Government securities	2,031,425	(317,244)	132,670	2,031,425	(317,609)	132,670
Private debt securities	423,839	35,904	35,232	423,272	–	35,232
Investment securities at amortized cost	1	212	–	1	212	–
	3,337,640	1,074,384	150,691	3,456,521	1,017,155	157,678
Discontinued operations (Note 36):						
Financial assets at FVTPL						
Government securities	–	94	(4,228)	–	–	–
Investment in UITFs	–	–	52	–	–	–
Financial assets at FVOCI						
Government securities	8,829	–	–	–	–	–
Investment securities at amortized cost	294	–	–	–	–	–
	9,123	94	(4,176)	–	–	–
	₱3,346,763	₱1,074,478	₱146,515	₱3,456,521	₱1,017,155	₱157,678

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Receivables from customers:				
Loans and discounts	₱587,478,355	₱620,389,633	₱576,156,244	₱556,791,901
Credit card receivables	12,530,569	15,869,946	12,530,569	15,869,946
Customers' liabilities on letters of credit and trust receipts	7,675,028	7,492,970	7,548,855	7,345,029
Customers' liabilities on acceptances (Note 19)	3,560,917	2,692,334	3,560,917	2,692,334
Lease contracts receivable (Note 29)	3,000,395	3,079,713	5,876	7,150
Bills purchased (Note 22)	1,815,653	1,945,838	1,583,648	1,377,849
	616,060,917	651,470,434	601,386,109	584,084,209

(Forward)



	Consolidated		Parent Company	
	2020	2019	2020	2019
Less unearned and other deferred income	₱1,464,726	₱451,191	₱1,132,928	₱366,471
	614,596,191	651,019,243	600,253,181	583,717,738
Other receivables:				
Accrued interest receivable	6,636,538	7,814,819	6,546,063	6,372,891
Sales contract receivables (Note 33)	6,548,300	7,173,039	6,497,901	7,129,811
Accounts receivable	4,196,666	9,932,499	3,835,436	3,994,064
Miscellaneous	431,704	397,385	1,269,161	324,176
	17,813,208	25,317,742	18,148,561	17,820,942
	632,409,399	676,336,985	618,401,742	601,538,680
Less allowance for credit losses (Note 16)	32,414,651	18,413,228	31,499,881	14,292,784
	₱599,994,748	₱657,923,757	₱586,901,861	₱587,245,896

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

	Consolidated							
	2020							
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables
Receivables from customers:								
Loans and discounts	₱513,285,506	₱6,422,388	₱-	₱10,396,965	₱25,344,170	₱11,199,499	₱20,829,827	₱-
Credit card receivables	-	-	12,530,569	-	-	-	-	-
Customers' liabilities on letters of credit and trust receipts	6,806,450	-	-	192,544	-	-	676,034	-
Customers' liabilities on acceptances (Note 19)	3,560,917	-	-	-	-	-	-	-
Lease contracts receivable (Note 29)	950,542	-	-	2,043,976	-	-	5,877	-
Bills purchased (Note 22)	1,106,246	-	-	37,502	-	-	671,905	-
	525,709,661	6,422,388	12,530,569	12,670,987	25,344,170	11,199,499	22,183,643	-
Other receivables:								
Accrued interest receivable	-	-	-	-	-	-	-	6,636,538
Sales contract receivables (Note 33)	-	-	-	-	-	-	-	6,548,300
Accounts receivable	-	-	-	-	-	-	-	4,196,666
Miscellaneous	-	-	-	-	-	-	-	431,704
	525,709,661	6,422,388	12,530,569	12,670,987	25,344,170	11,199,499	22,183,643	17,813,208
Less: Unearned and other deferred income	611,704	-	-	232,078	231,866	111,788	257,424	19,866
Allowance for credit losses (Note 16)	19,220,256	50,693	2,587,668	1,808,192	2,373,886	1,032,804	2,054,765	3,286,387
	₱505,877,701	₱6,371,695	₱9,942,901	₱10,630,717	₱22,738,418	₱10,054,907	₱19,871,454	₱14,506,955
	₱599,994,748							₱599,994,748

	Consolidated							
	2019							
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables
Receivables from customers:								
Loans and discounts	₱537,313,169	₱6,799,872	₱-	₱18,585,473	₱33,569,031	₱12,968,684	₱11,153,404	₱-
Credit card receivables	-	-	15,869,946	-	-	-	-	-
Customers' liabilities on letters of credit and trust receipts	6,778,112	-	-	176,144	-	-	538,714	-
Lease contracts receivable (Note 29)	553,114	-	-	2,519,449	-	-	7,150	-
Customers' liabilities on acceptances (Note 19)	2,692,334	-	-	-	-	-	-	-
Bills purchased (Note 22)	1,543,935	-	-	86,568	-	-	315,335	-
	548,880,664	6,799,872	15,869,946	21,367,634	33,569,031	12,968,684	12,014,603	-
Other receivables:								
Sales contract receivables (Note 33)	-	-	-	-	-	-	-	7,173,039
Accounts receivable	-	-	-	-	-	-	-	9,932,499
Accrued interest receivable	-	-	-	-	-	-	-	7,814,819
Miscellaneous	-	-	-	-	-	-	-	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
Less: Unearned and other deferred income	243,249	3,370	-	288,184	464	(136,504)	47,935	4,493
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
	₱540,584,483	₱6,728,852	₱14,264,195	₱19,596,998	₱32,017,146	₱12,861,345	₱10,897,481	₱20,973,257
	₱599,994,748							₱599,994,748



	Parent Company								Total
	2020								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	
Receivables from customers:									
Loans and discounts	₱506,062,142	₱6,422,388	₱-	₱8,606,447	₱24,719,056	₱11,199,499	₱19,146,712	₱-	₱576,156,244
Credit card receivables	-	-	12,530,569	-	-	-	-	-	12,530,569
Customers' liabilities on letters of credit and trust receipts	6,680,277	-	-	192,544	-	-	676,034	-	7,548,855
Customers' liabilities on acceptances (Note 19)	3,560,917	-	-	-	-	-	-	-	3,560,917
Bills purchased (Note 22)	874,240	-	-	37,502	-	-	671,906	-	1,583,648
Lease contracts receivable (Note 29)	-	-	-	-	-	-	5,876	-	5,876
	517,177,576	6,422,388	12,530,569	8,836,493	24,719,056	11,199,499	20,500,528	-	601,386,109
Other receivables:									
Accrued interest receivable	-	-	-	-	-	-	-	6,546,063	6,546,063
Sales contract receivables	-	-	-	-	-	-	-	6,497,901	6,497,901
Accounts receivable	-	-	-	-	-	-	-	3,835,436	3,835,436
Miscellaneous	-	-	-	-	-	-	-	1,269,161	1,269,161
	517,177,576	6,422,388	12,530,569	8,836,493	24,719,056	11,199,499	20,500,528	18,148,561	619,534,670
Less: Unearned and other deferred income	516,988	-	-	12,826	231,866	111,788	257,424	2,036	1,132,928
Allowance for credit losses (Note 16)	19,027,613	50,693	2,587,668	906,590	2,367,615	1,032,804	2,042,594	3,484,304	31,499,881
	₱497,632,975	₱6,371,695	₱9,942,901	₱7,917,077	₱22,119,575	₱10,054,907	₱18,200,510	₱14,662,221	₱586,901,861

	Parent Company								Total
	2019								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	
Receivables from customers:									
Loans and discounts	₱526,781,899	₱6,799,872	₱-	₱12,245,247	₱3,848,232	₱2,635,828	₱4,480,823	₱-	₱556,791,901
Credit card receivables	-	-	15,869,946	-	-	-	-	-	15,869,946
Customers' liabilities on letters of credit and trust receipts	6,630,171	-	-	176,144	-	-	538,714	-	7,345,029
Lease contracts receivable (Note 29)	-	-	-	-	-	-	7,150	-	7,150
Customers' liabilities on acceptances (Note 19)	2,692,334	-	-	-	-	-	-	-	2,692,334
Bills purchased (Note 22)	1,017,433	-	-	45,080	-	-	315,336	-	1,377,849
	537,121,837	6,799,872	15,869,946	12,466,471	3,848,232	2,635,828	5,342,023	-	584,084,209
Other receivables:									
Sales contract receivables	-	-	-	-	-	-	-	7,129,811	7,129,811
Accrued interest receivable	-	-	-	-	-	-	-	6,372,891	6,372,891
Accounts receivable	-	-	-	-	-	-	-	3,994,064	3,994,064
Miscellaneous	-	-	-	-	-	-	-	324,176	324,176
	537,121,837	6,799,872	15,869,946	12,466,471	3,848,232	2,635,828	5,342,023	17,820,942	601,905,151
Less: Unearned and other deferred income	450,530	3,370	-	15,723	464	(136,504)	30,554	2,334	366,471
Allowance for credit losses (Note 16)	7,673,103	67,650	1,605,751	422,389	75,029	62,088	1,401,335	2,985,439	14,292,784
	₱528,998,204	₱6,728,852	₱14,264,195	₱12,028,359	₱3,772,739	₱2,710,244	₱3,910,134	₱14,833,169	₱587,245,896

Lease contract receivables

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

	Consolidated	Parent Company	
	2020	2019	2020
Minimum lease payments			
Due within one year	₱1,364,058	₱1,260,542	₱3,926
Due beyond one year but not over five years	906,513	1,164,893	1,950
Due beyond five years	31,845	-	-
	2,302,416	2,425,435	5,876
Residual value of leased equipment			
Due within one year	374,959	304,898	-
Due beyond one year but not over five years	323,020	349,380	-
	697,979	654,278	-
Gross investment in lease contract receivables (Note 29)	₱3,000,395	₱3,079,713	₱5,876
			₱7,150

Interest income

As of December 31, 2020 and 2019, 68.8% and 71.1%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2020 and 2019, 68.7% and 70.2%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% in 2020, from 1.0% to 9.0% in 2019 and from 1.8% to 9.0% in 2018 for foreign currency-denominated receivables, and from 1.1% to 21.0% in 2020, from 2.5% to 19.4% in 2019



and from 1.5% to 13.0% in 2018 for peso-denominated receivables. Sales contract receivables bear fixed interest rates per annum ranging from 3.3% to 21.0% in 2020, 2019 and 2018.

11. Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated							Total
	2020							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	
Cost								
Balance at beginning of year	₱11,677,104	₱7,026,901	₱7,801,970	₱570,456	₱793,698	₱1,510,890	₱2,279,267	₱31,660,286
Additions	–	228,386	839,396	–	–	163,465	122,420	1,353,667
Disposals	–	–	(306,808)	–	–	(2,143)	–	(308,951)
Transfers/others	4,436	50,777	(267,198)	(12,250)	(343,245)	165,412	67,053	(335,015)
Effect of disposal group classified as held for sale (Note 36)	–	–	(46,270)	–	–	(6,238)	(65,833)	(118,341)
Balance at end of year	11,681,540	7,306,064	8,021,090	558,206	450,453	1,831,386	2,402,907	32,251,646
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	3,210,442	4,257,395	51,093	–	1,289,338	568,067	9,376,335
Depreciation and amortization	–	339,006	586,637	5,561	–	231,862	1,159,449	2,322,515
Disposals	–	–	(278,069)	–	–	(1,909)	–	(279,978)
Transfers/others	–	(10,036)	203,287	(5,199)	–	194,362	(527,337)	(144,923)
Effect of disposal group classified as held for sale (Note 36)	–	–	(40,212)	–	–	(5,817)	(23,876)	(69,905)
Balance at end of year	–	3,539,412	4,729,038	51,455	–	1,707,836	1,176,303	11,204,044
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	–	1,168,887
Net Book Value at End of Year	₱11,138,365	₱3,140,940	₱3,292,052	₱506,751	₱450,453	₱123,550	₱1,226,604	₱19,878,715

	Consolidated							Total
	2019							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	
Cost								
Balance at beginning of year	P11,467,244	P6,464,316	P6,628,516	P579,324	P1,206,057	P1,557,767	P1,817,349	P29,720,573
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	P11,133,929	P3,244,477	P3,544,575	P519,363	P793,698	P221,552	P1,711,200	P21,168,794

	Parent Company						
	2020						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of- Use Asset – Bank Premises	Total
Cost							
Balance at beginning of year	₱11,473,905	₱6,795,026	₱5,637,147	₱793,697	₱1,498,124	₱2,032,318	₱ 28,230,217
Additions	–	228,386	636,785	–	162,500	122,420	1,150,091
Disposals	–	–	(210,854)	–	–	–	(210,854)
Transfers/others	207,635	210,877	154,121	(343,245)	72,695	180,751	482,834
Balance at end of year	11,681,540	7,234,289	6,217,199	450,452	1,733,319	2,335,489	29,652,288
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	3,152,505	3,686,338	–	990,738	488,171	8,317,752
Depreciation and amortization	–	337,780	277,477	–	216,061	1,066,601	1,897,919
Disposals	–	–	(210,829)	–	–	–	(210,829)
Transfers/others	–	38,996	44,900	–	439,055	(451,373)	71,578
Balance at end of year	–	3,529,281	3,797,886	–	1,645,854	1,103,399	10,076,420
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	1,168,887
Net Book Value at End of Year	₱11,138,365	₱3,079,296	₱ 2,419,313	₱450,452	₱87,465	₱1,232,090	₱18,406,981



	Parent Company						Total
	2019						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of- Use Asset – Bank Premises	
Cost							
Balance at beginning of year	P11,264,043	P6,216,294	P4,865,627	P1,206,056	P1,206,373	P1,600,161	P26,358,554
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	P10,930,730	P3,070,539	P1,950,809	P793,697	P507,386	P1,544,147	P18,797,308

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱1.5 billion and ₱1.7 billion as of December 31, 2020 and 2019, respectively.

Gain (loss) on disposal of property and equipment in 2020, 2019 and 2018 amounted to ₱7.8 million, (₱9.0 million), and ₱28.4 million, respectively, for the Group and ₱1.3 million, ₱1.0 million and ₱28.4 million, respectively, for the Parent Company (Note 26).

Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	2020	2019	2018
Continuing operations:						
Depreciation						
Property and equipment	₱2,322,515	₱2,112,689	₱1,279,116	₱1,897,919	₱1,616,928	₱967,456
Investment properties (Note 13)	259,839	179,619	177,611	167,536	120,604	129,615
Chattel mortgage properties	14,188	17,024	27,276	–	–	1,330
Amortization of intangible assets (Note 14)	558,737	485,890	460,805	541,814	469,539	444,311
	3,155,279	2,795,222	1,944,808	2,607,269	2,207,071	1,542,712
Discontinued operations (Note 36):						
Property and equipment	26,761	6,634	5,569	–	–	–
Intangible assets	2,101	2,267	600	–	–	–
	28,862	8,901	6,169	–	–	–
	₱3,184,141	₱2,804,123	₱1,950,977	₱2,607,269	₱2,207,071	₱1,542,712

Certain property and equipment of the Parent Company with carrying amount of ₱92.6 million are temporarily idle as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, property and equipment of the Parent Company with gross carrying amount of ₱8.3 billion and ₱5.1 billion are fully depreciated but are still being used.

On September 10, 2020, the Parent Company's BOD approved the plan to realize the market value of certain real estate properties of the Parent Company with a total carrying value of ₱12.6 billion. The Plan aims to reduce its low-earning assets to strengthen its financial position. As part of a series of transactions which will be carried out to meet the objectives of the said plan, on September 25, 2020, the Parent Company's BOD approved the subscription of additional 466,770,000 shares of PNB Holdings Corporation (PNB Holdings) with a par value of ₱100 per share, to be issued out of an increase in the authorized capital stock of PNB Holdings, at a subscription price of ₱100 per share in exchange for the above real estate properties, subject to regulatory approvals.



In relation to the Parent Company's additional equity investment in PNB Holdings, on December 28, 2020, the Monetary Board of the BSP approved the request of the Parent Company for temporary exemption from prudential limits on its equity investments in PNB Holdings, subject to certain conditions. As of December 31, 2020, PNB Holdings has yet to receive regulatory approvals for the increase in authorized capital stock (Note 37).

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

Subsidiaries	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership	
				Direct	Indirect
PNB Savings Bank (PNBSB) ^(a)	Banking	Philippines	Php	100.00	—
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	100.00	—
PNB Holdings	Holding Company	- do -	Php	100.00	—
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	100.00	—
PNB General Insurers, Inc. (PNB Gen) ^(b)	Insurance	- do -	Php	65.75	—
PNB Corporation – Guam ^(c)	Remittance	USA	USD	100.00	—
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	100.00	—
PNB Remittance Centers, Inc. (PNB RCI) ^(d)	Remittance	- do -	USD	—	100.00
PNB Remittance Co. (Nevada) ^(e)	Remittance	- do -	USD	—	100.00
PNB RCI Holding Co. Ltd. (PNB RHCL) ^(e)	Holding Company	- do -	USD	—	100.00
PNB Remittance Co. (Canada) ^(f)	Remittance	Canada	CAD	—	100.00
PNB Europe PLC	Banking	United Kingdom	GBP	100.00	—
Allied Commercial Bank (ACB)	Banking	China	CNY	99.04	—
PNB-Mizuho Leasing and Finance Corporation (PMLFC) (formerly PNB-IBJL Leasing and Finance Corporation)	Leasing/Financing	Philippines	Php	75.00	—
PNB-Mizuho Equipment Rentals Corporation (formerly PNB-IBJL Equipment Rentals Corporation) ^(g)	Rental	- do -	Php	—	75.00
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	100.00	—
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	51.00	—
ACR Nominees Limited ^(h)	Banking	- do -	HKD	—	51.00
Oceanic Holding (BVI) Ltd.	Holding Company	British Virgin Islands	USD	27.78	—
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	- do -	Php	44.00	—

^(a) Pending SEC approval of change in name and conversion to a holding company as of December 31, 2020 (see further discussion below and Note 37)

^(b) 34.25% indirect ownership by the Group as of December 31, 2019 through PNB Holdings was disposed in 2020 (see further discussion below); remaining 65.75% direct ownership was reclassified to 'Assets of disposal group classified as held for sale' (see Note 36).

^(c) Ceased operations on June 30, 2012 and license status became dormant thereafter

^(d) Owned through PNB IIC

^(e) Owned through PNB RCI

^(f) Owned through PNB RHCL

^(g) Owned through PMLFC

^(h) Owned through ABCHKL

The details of this account follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Investment in Subsidiaries				
PNBSB	P=	P=	P10,935,041	P10,935,041
ACB	—	—	6,087,520	6,087,520
PNB IIC	—	—	2,028,202	2,028,202
PNB Europe PLC	—	—	1,327,393	1,327,393
ABCHKL	—	—	947,586	947,586
PNB Capital	—	—	850,000	850,000
PNB GRF	—	—	753,061	753,061
PMLFC	—	—	481,943	481,943
PNB Holdings	—	—	377,876	377,876
OHBVI	—	—	291,841	291,841
PNB Securities	—	—	62,351	62,351
PNB Corporation – Guam	—	—	7,672	7,672
PNB Gen (Note 36)	—	—	—	980,000
	—	—	24,150,486	25,130,486
Investment in an Associate – APLII	2,728,089	2,728,089	2,728,089	2,728,089

(Forward)



	Consolidated		Parent Company	
	2020	2019	2020	2019
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	₱75,674	₱173,282	(₱155,888)	₱189,711
Equity in net earnings (losses) for the year	88,476	(97,608)	95,939	(345,599)
Effect of disposal group classified as held for sale (Note 36)	—	—	123,582	—
	164,150	75,674	63,633	(155,888)
Accumulated share in:				
Aggregate reserves (losses) on life insurance policies	(1,038,838)	12,280	(1,038,838)	12,280
Net unrealized gains (losses) on financial assets at FVOCI (Note 9)	464,105	(198,846)	561,453	5,207
Accumulated translation adjustments	—	—	478,711	626,755
Remeasurement gain (loss) on retirement plan	(7,096)	(11,724)	73,400	83,429
Reserves of a disposal group classified as held for sale (Note 36)	—	—	88,616	—
	(581,829)	(198,290)	163,342	727,671
	₱2,310,410	₱2,605,473	₱27,105,550	₱28,430,358

As of December 31, 2020 and 2019, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and are not available for dividend declaration.

Investment in PNBSB

On August 29, 2019, the Monetary Board of BSP approved the integration of PNBSB with the Parent Company. The integration is seen to deliver a more efficient banking experience and serve a wider customer base, while granting the customers of PNBSB access to the Parent Company's diverse portfolio of financial solutions. The consumer lending business, previously operated through PNBSB, will also benefit from the Parent Company's ability to efficiently raise low cost of funds.

On March 1, 2020, the integration of PNBSB to the Parent Company took effect through acquisition of the former's assets and assumption of its liabilities in exchange for cash, equivalent to the fair values of the net assets acquired. The integration was accounted for using the pooling of interests method since it involves business combination between entities under common control. Accordingly, the Parent Company recognized the net assets of PNBSB at their carrying values, and the excess of the carrying values of the net assets acquired over the settlement price amounting to ₱390.5 million is accounted for as 'Other equity reserves' in the parent company financial statements.

On March 5, 2020, PNBSB surrendered its banking license to the BSP.

On October 28, 2020, the BOD of PNBSB approved the following amendments to its Amended Articles of Incorporation and Amended By-Laws:

1. Change in the name of the corporation from "PNB Savings Bank" to "Allied Integrated Holdings, Inc." (Note 37)
2. Change in the primary purpose of the corporation from banking to a holding company
3. Change in all references to, and use of, the word "bank" in the Articles of Incorporation and By-Laws to "corporation"
4. Removal of provisions that are related to banking, unless such provision has already been previously amended and approved by the BOD and stockholders of PNBSB
5. Shortening of the corporation's term to December 31, 2022

On December 3, 2020, the Monetary Board of the BSP approved the conversion of PNBSB to a holding company, a non-bank corporation, under the new name as discussed above.



Investment in PNB Gen

On October 9, 2020 and December 11, the respective BODs of PNB Holdings and the Parent Company approved the sale of all their respective shareholdings in PNB Gen to Alliedbankers Insurance Corporation (ABIC), an affiliate, for a total purchase price of ₱1.5 billion (the Purchase Price), subject to regulatory and other necessary approvals.

Under the Sale and Purchase Agreement (SPA), the Purchase Price shall be payable as follows:

- PNB Holdings Purchase Price (₱521.8 million) – payable in full on PNB Holdings Closing Date (i.e., the completion of the purchase of PNB Holdings Shares by ABIC, which shall be December 28, 2020, or such other date subsequently agreed upon by the parties)
- PNB Purchase Price (₱1.0 billion) – payable in three tranches (10%, 45% and 45%) on January 21, March 21, and June 21, 2021, respectively

The SPA also provides for a grant of an exclusive bancassurance arrangement for the non-life insurance business of the Group to ABIC with a minimum guaranteed term of 15 years. As an additional consideration, ABIC shall pay the Group ₱50.0 million on PNB Closing Date (i.e., the completion of the purchase of PNB Shares by ABIC to coincide with the payment of PNB Tranche 3 or such final installment of the PNB Purchase Price), subject to regulatory approvals.

On December 29, 2020, the Insurance Commission approved the above acquisition of ABIC. Accordingly, PNB Holdings closed and completed the sale of its 34.25% shareholdings in PNB Gen, recognizing gain on sale of ₱344.7 million, which is included under ‘Equity in net earnings of subsidiaries’ in the parent company financial statements, but treated as an equity transaction in the consolidated financial statements as ‘Other equity reserves’. The Group also reclassified the assets and liabilities of PNB Gen to ‘Assets and liabilities of disposal group classified as held for sale’ in the consolidated statement of financial position as of December 31, 2020 (Note 36).

Investments in PMLFC

On March 3 and March 4, 2020, the SEC approved the change in names of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation (collectively, the PNB-Mizuho Group) to PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation, respectively.

Material Non-controlling Interests

Proportion of equity interest held by material NCI follows:

Principal Activities	Equity interest of NCI		Accumulated balances of material NCI		Profit allocated to material NCI	
	2020	2019	2020	2019	2020	2019
ABCHKL Banking	49.00%	49.00%	₱1,760,176	₱1,777,670	₱81,187	₱97,409
OHBVI Holding Company	72.22%	72.22%	928,071	973,846	4,667	2,909
PNB Gen Insurance	34.25%	—	519,278	—	—	—

The following table presents financial information of ABCHKL as of December 31, 2020 and 2019:

	2020	2019
Statement of Financial Position		
Current assets	₱7,162,167	₱10,391,232
Non-current assets	3,180,314	1,001,907
Current liabilities	5,924,195	7,607,263
Non-current liabilities	826,090	157,978



	2020	2019
Statement of Comprehensive Income		
Revenues	₱406,294	₱467,860
Expenses	240,606	269,067
Net income	165,688	198,793
Total comprehensive income	3,915	89,669
Statement of Cash Flows		
Net cash provided by (used in) operating activities	(142,489)	222,734
Net cash used in investing activities	(782)	(245)
Net cash used in financing activities	(6,411)	(6,730)

The following table presents financial information of OHBVI as of December 31, 2020 and 2019:

	2020	2019
Statement of Financial Position		
Current assets	₱1,285,061	₱1,348,444
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive	6,463	4,028
Statement of Cash Flows		
Net cash provided by (used in) operating activities	(63,383)	(47,717)

The Parent Company determined that it controls OHBVI through its combined voting rights of 70.56% which arises from its direct ownership of 27.78% and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement.

Investment in APLII

On June 6, 2016, the Parent Company entered into agreements with Allianz SE (Allianz), a German company engaged in insurance and asset management, for the sale of the 51.00% interest in PNB Life Insurance, Inc. (PNB Life) for a total consideration of USD66.0 million to form a new joint venture company named “Allianz-PNB Life Insurance, Inc.”; and a 15-year exclusive distribution access to the branch network of the Parent Company and PNBSB (Exclusive Distribution Rights or EDR).

The purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in PNB Life and the EDR amounting to USD44.9 million (₱2.1 billion) and USD21.1 million (₱1.0 billion), respectively. The consideration allocated to the EDR was recognized as ‘Deferred revenue - Bancassurance’ (Note 22) and is amortized to income over 15 years from date of sale. The Parent Company also receives variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

Summarized financial information of APLII as of December 31, 2020 and 2019 follows:

	2020	2019
Current assets	₱1,697,490	₱1,691,686
Noncurrent assets	50,584,277	35,405,488
Total assets	52,281,767	37,097,174
Current liabilities	2,636,733	1,551,241
Noncurrent liabilities	47,905,927	33,753,969
Total liabilities	50,542,660	35,305,210
(Forward)		



	2020	2019
Net assets	₱1,739,107	₱2,257,365
Percentage of ownership of the Group	44%	44%
Share in the net assets of the associate	₱765,207	₱993,241

The difference between the share in the net assets of APLII and the carrying value of the investments represents premium on acquisition/retained interest.

Summarized statement of comprehensive income of APLII in 2020 and 2019 follows:

	2020	2019
Revenues	₱3,132,745	₱3,721,320
Costs and expenses	2,846,825	3,881,720
Net income (loss)	285,920	(160,400)
Other comprehensive income	297,095	297,095
Total comprehensive income	₱583,015	₱136,695
Group's share in comprehensive income for the year	₱256,527	₱60,145

Dissolved Subsidiaries

On April 3, 2018, the Parent Company received liquidating dividends amounting to ₱84.0 million from the dissolution of Allied Leasing and Finance Corporation, a 57.21% owned subsidiary. On January 16, 2019, the State of Nevada approved the dissolution of PNB Remittance Co. (Nevada), a wholly-owned indirect subsidiary.

Significant Restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

13. Investment Properties

This account consists of real properties as follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Foreclosed or acquired in settlement of loans	₱10,046,604	₱10,591,598	₱9,522,646	₱9,925,490
Held for lease	4,399,152	4,452,228	4,399,152	4,750,897
Total	₱14,445,756	₱15,043,826	₱13,921,798	₱14,676,387

The composition of and movements in this account follow:

	Consolidated		
	2020		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,849,087	₱4,377,277	₱19,226,364
Additions	44,736	41,957	86,693
Disposals	(10,827)	(12,341)	(23,168)
Transfers/others	(42,628)	(52,155)	(94,783)
Balance at end of year	14,840,368	4,354,738	19,195,106
(Forward)			



Consolidated			
2020			
	Land	Buildings and Improvements	Total
Accumulated Depreciation			
Balance at beginning of year	P-	P2,033,630	P2,033,630
Depreciation (Note 11)	-	259,839	259,839
Disposals	-	(8,075)	(8,075)
Transfers/others	-	(119,714)	(119,714)
Balance at end of year	-	2,165,680	2,165,680
Allowance for Impairment Losses (Note 16)	2,351,499	232,171	2,583,670
Net Book Value at End of Year	P12,488,869	P1,956,887	P14,445,756

Consolidated			
2019			
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	P14,326,994	P4,278,472	P18,605,466
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	P12,917,821	P2,126,005	P15,043,826

Parent Company			
2020			
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	P14,478,418	P4,344,378	P18,822,796
Additions	51,053	26,973	78,026
Disposals	(10,827)	(12,341)	(23,168)
Transfers/others	(196,394)	(143,239)	(339,633)
Balance at end of year	14,322,250	4,215,771	18,538,021
Accumulated Depreciation			
Balance at beginning of year	-	1,992,096	1,992,096
Depreciation (Note 11)	-	167,536	167,536
Disposals	-	(8,075)	(8,075)
Transfers/others	-	(108,866)	(108,866)
Balance at end of year	-	2,042,691	2,042,691
Allowance for Impairment Losses (Note 16)	2,350,787	222,745	2,573,532
Net Book Value at End of Year	P11,971,463	P1,950,335	P13,921,798



	Parent Company		
	2019		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱13,992,505	₱4,242,719	₱18,235,224
Additions	795,390	90,282	885,672
Disposals	(30,663)	(3,936)	(34,599)
Transfers/others	(278,814)	15,313	(263,501)
Balance at end of year	14,478,418	4,344,378	18,822,796
Accumulated Depreciation			
Balance at beginning of year	–	1,801,399	1,801,399
Depreciation (Note 11)	–	120,604	120,604
Disposals	–	(3,080)	(3,080)
Transfers/others	–	73,173	73,173
Balance at end of year	–	1,992,096	1,992,096
Allowance for Impairment Losses (Note 16)	1,929,130	225,183	2,154,313
Net Book Value at End of Year	₱12,549,288	₱2,127,099	₱14,676,387

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱181.2 million and ₱455.6 million, as of December 31, 2020 and 2019, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties.

The total recoverable value of certain investment properties of the Group that were impaired amounted to ₱4.2 billion and ₱4.7 billion as of December 31, 2020 and 2019, respectively. For the Parent Company, the total recoverable value of certain investment properties that were impaired amounted to ₱4.2 billion and ₱4.6 billion as of December 31, 2020 and 2019, respectively.

For the Group, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses', amounted to ₱6.0 million, ₱12.3 million and ₱58.6 million in 2020, 2019, and 2018, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses', amounted to ₱204.6 million, ₱190.7 million and ₱271.4 million in 2020, 2019, and 2018, respectively.

For the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses', amounted to ₱6.0 million, ₱12.3 million and ₱58.6 million in 2020, 2019 and 2018, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses', amounted to ₱204.6 million, ₱190.7 million and ₱271.4 million in 2020, 2019, and 2018, respectively.



14. Goodwill and Intangible Assets

These accounts consist of:

	Consolidated				
	2020				
	Intangible Assets with Finite Lives				Goodwill
	CDI	CRI	Software Cost	Total	
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱3,918,769	₱6,208,501	₱13,375,407
Additions	—	—	283,472	283,472	—
Others	—	—	(47,517)	(47,517)	—
Effect of disposal group classified as held for sale (Note 36)	—	—	(20,321)	(20,321)	—
Balance at end of year	1,897,789	391,943	4,134,403	6,424,135	13,375,407
Accumulated Amortization					
Balance at beginning of year	1,308,420	391,943	1,666,149	3,366,512	—
Amortization (Note 11)	189,779	—	368,958	558,737	—
Others	—	—	2,060	2,060	—
Effect of disposal group classified as held for sale (Note 36)	—	—	(15,187)	(15,187)	—
Balance at end of year	1,498,199	391,943	2,021,980	3,912,122	—
Net Book Value at End of Year	₱399,590	₱—	₱2,112,423	₱2,512,013	₱13,375,407

	Consolidated				
	2019				
	Intangible Assets with Finite Lives				Goodwill
	CDI	CRI	Software Cost	Total	
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱3,581,616	₱5,871,348	₱13,375,407
Additions	—	—	334,548	334,548	—
Others	—	—	2,605	2,605	—
Balance at end of year	1,897,789	391,943	3,918,769	6,208,501	13,375,407
Accumulated Amortization					
Balance at beginning of year	1,118,641	391,943	1,327,401	2,837,985	—
Amortization (Note 11)	189,779	—	298,378	488,157	—
Others	—	—	40,370	40,370	—
Balance at end of year	1,308,420	391,943	1,666,149	3,366,512	—
Net Book Value at End of Year	₱589,369	₱—	₱2,252,620	₱2,841,989	₱13,375,407

	Parent Company				
	2020				
	Intangible Assets with Finite Lives				Goodwill
	CDI	CRI	Software Cost	Total	
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,886,120	₱7,175,852	₱13,515,765
Additions	—	—	268,768	268,768	—
Others	—	—	12,643	12,643	—
Balance at end of year	1,897,789	391,943	5,167,531	7,457,263	13,515,765
Accumulated Amortization					
Balance at beginning of year	1,308,420	391,943	2,776,335	4,476,698	—
Amortization (Note 11)	189,779	—	352,035	541,814	—
Others	—	—	91	91	—
Balance at end of year	1,498,199	391,943	3,128,461	5,018,603	—
Net Book Value at End of Year	₱399,590	₱—	₱2,039,070	₱2,438,660	₱13,515,765



	Parent Company				
	2019				
	Intangible Assets with Finite Lives				Goodwill
	CDI	CRI	Software Cost	Total	
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,556,717	₱6,846,449	₱13,515,765
Additions	–	–	331,543	331,543	–
Others	–	–	(2,140)	(2,140)	–
Balance at end of year	1,897,789	391,943	4,886,120	7,175,852	13,515,765
Accumulated Amortization					
Balance at beginning of year	1,118,641	391,943	2,456,012	3,966,596	–
Amortization (Note 11)	189,779	–	279,760	469,539	–
Others	–	–	40,563	40,563	–
Balance at end of year	1,308,420	391,943	2,776,335	4,476,698	–
Net Book Value at End of Year	₱589,369	₱–	₱2,109,785	₱2,699,154	₱13,515,765

CDI and CRI

CDI and CRI are the intangible assets acquired through the merger of the Parent Company with Allied Banking Corporation (ABC). CDI includes the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertains to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments. CDI is allocated to Retail Banking CGU while CRI is allocated to Corporate Banking CGU. CDI and CRI are assessed for impairment where indicator(s) of objective evidence of impairment has been identified.

Software cost

Software cost as of December 31, 2020 and 2019 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's new core banking system.

Goodwill

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the NCI in the acquiree at proportionate share of identifiable assets and liabilities. The business combination resulted in the recognition of goodwill amounting to ₱13.4 billion, allocated to the three CGUs which are also reportable segments:

Retail Banking	₱6,110,312
Corporate Banking	4,190,365
Global Banking and Market	3,074,730
	₱13,375,407

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment test is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount allocated to the CGU. The recoverable amount is the higher of a CGU's fair value less costs to sell and its value in use. As of December 31, 2020, the goodwill impairment test did not result in an impairment loss of goodwill of the CGUs as the recoverable amount for these CGUs were higher than their respective carrying amount.

The recoverable amounts of the CGUs have been determined on the basis of value in use calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.



The following rates were applied to the cash flow projections:

	2020			2019		
	Retail Banking	Corporate Banking	Global Banking and Market	Retail Banking	Corporate Banking	Global Banking and Market
Pre-tax discount rate	10.83%	10.83%	6.95%	10.29%	10.29%	6.37%
Projected growth rate	5.00%	5.00%	5.00%	4.32%	4.32%	4.32%

The calculation of value in use is most sensitive to interest margin, discount rates, projected growth rates used to extrapolate cash flows beyond the budget period, and projected local gross domestic product applied as long-term growth rate.

The discount rate applied have been determined based on cost of equity for Retail and Corporate Banking segments and weighted average cost of capital for Global Banking and Market segment. The cost of equity was derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor, all of which were obtained from external sources of information.

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Financial				
Return checks and other cash items	₱78,589	₱58,678	₱78,589	₱56,469
Security deposits	13,080	44,132	—	—
Checks for clearing	4,904	7,079	4,904	7,079
Receivable from special purpose vehicle (SPV)	500	500	500	500
Miscellaneous	2,836	10,298	2,280	9,260
	99,909	120,687	86,273	73,308
Non-financial				
Creditable withholding taxes	2,397,473	4,103,986	2,144,781	3,660,735
Deferred charges	1,095,022	743,727	989,748	639,625
Documentary stamps on hand	988,610	464,616	986,410	464,616
Real estate inventories held under development (Note 33)	638,875	728,752	638,875	728,752
Prepaid expenses	491,796	567,137	431,722	430,805
Chattel mortgage properties - net of depreciation	115,356	168,661	111,817	32,401
Input value added tax	104,096	101,138	—	—
Stationeries and supplies	81,337	86,843	80,924	85,997
Other investments	28,617	21,033	25,397	17,652
Deferred reinsurance premiums (Note 36)	—	1,135,113	—	—
Miscellaneous (Note 28)	1,337,715	901,953	492,000	247,224
	7,278,897	9,022,959	5,901,674	6,307,807
	7,378,806	9,143,646	5,987,947	6,381,115
Less allowance for credit and impairment losses (Note 16)	1,040,596	1,058,123	1,040,213	1,028,352
	₱6,338,210	₱8,085,523	₱4,947,734	₱5,352,763

Deferred charges

This account includes the share of the Group in the cost of transportation equipment acquired under the Group's car plan which shall be amortized monthly.

Real estate inventories held under development

This represents parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.



Prepaid expenses

This represents expense prepayments expected to benefit the Group for a future period not exceeding one year, such as insurance premiums and taxes.

Chattel mortgage properties

As of December 31, 2020 and 2019, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱140.1 million and ₱94.5 million, respectively. As of December 31, 2020 and 2019, accumulated depreciation on chattel mortgage properties acquired by the Parent Company in settlement of loans amounted to ₱130.3 million and ₱57.9 million, respectively. As of December 31, 2020 and 2019, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱0.9 million.

Deferred reinsurance premiums

The deferred reinsurance premiums of the Group refer to portion of reinsurance premiums ceded that are unexpired as of December 31, 2020 and 2019.

Receivable from SPV

This represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, Opal Portfolio Investing, Inc. (an SPV), relative to the sale of certain non-performing assets of the Group.

Miscellaneous

Other financial assets include revolving fund, petty cash fund and miscellaneous cash and other cash items. Other nonfinancial assets include postages, refundable deposits, notes taken for interest and sundry debits.

16. Allowance for Impairment and Credit Losses

Provision for Impairment, Credit and Other Losses

This account consists of:

	Consolidated			Parent Company		
		2019	2018			
	2020	(As restated – Note 36)	(As restated – Note 36)	2020	2019	2018
Continuing operations:						
Provision for credit losses	₱16,054,991	₱2,481,965	₱1,811,312	₱15,723,927	₱1,648,491	₱1,472,663
Provision for (reversal of) impairment	827,630	500,253	(71,135)	810,408	(55,272)	(71,135)
Reversal of other losses	–	(72,036)	–	–	–	–
	16,882,621	2,910,182	1,740,177	16,534,335	1,593,219	1,401,528
Discontinued operations (Note 36):						
Provision for (reversal of) credit losses	29,781	(324)	12,635	–	–	–
	₱16,912,402	₱2,909,858	₱1,752,812	₱16,534,335	₱1,593,219	₱1,401,528



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

Consolidated 2020								
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱1,912	₱3,359	₱6,719	₱51,639	₱3,785,196	₱18,413,228	₱500	₱22,262,553
Provisions:								
Continuing operations	—	6,338	1,610	19,163	197,405	15,830,475	—	16,054,991
Discontinued operation	—	—	—	—	28	30,280	—	30,308
Accounts charged-off	—	—	—	—	—	(749,829)	—	(749,829)
Transfers and others	(1,912)	201	(5,446)	(3,403)	(203)	(849,334)	—	(860,097)
Effect of discontinued operations	—	—	—	—	(28)	(260,168)	—	(260,196)
Balance at end of year	₱—	₱9,898	₱2,883	₱67,399	₱3,982,398	₱32,414,652	₱500	₱36,477,730

Consolidated 2019								
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱—	₱—	₱—	₱46,349	₱3,769,264	₱15,267,577	₱500	₱19,083,690
Provisions	1,912	3,359	6,719	5,290	15,932	2,448,429	—	2,481,641
Accounts charged-off	—	—	—	—	—	(577,613)	—	(577,613)
Transfers and others	—	—	—	—	—	1,274,835	—	1,274,835
Balance at end of year	₱1,912	₱3,359	₱6,719	₱51,639	₱3,785,196	₱18,413,228	₱500	₱22,262,553

Parent Company 2020							
	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱3,359	₱1,293	₱51,639	₱3,728,243	₱14,292,784	₱500	₱18,077,818
Provisions	6,334	1,610	15,760	197,405	15,502,818	—	15,723,927
Accounts charged-off	—	—	—	—	(749,829)	—	(749,829)
Transfers and others	180	(20)	—	56,750	2,454,108	—	2,511,018
Balance at end of year	₱9,873	₱2,883	₱67,399	₱3,982,398	₱31,499,881	₱500	₱35,562,934

Parent Company 2019							
	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱—	₱—	₱46,349	₱3,769,264	₱12,625,582	₱500	₱16,441,695
Provisions (reversals)	3,359	1,293	5,290	(41,021)	1,679,570	—	1,648,491
Accounts charged-off	—	—	—	—	(479,032)	—	(479,032)
Transfers and others	—	—	—	—	466,664	—	466,664
Balance at end of year	₱3,359	₱1,293	₱51,639	₱3,728,243	₱14,292,784	₱500	₱18,077,818

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

Consolidated								
	2020				2019			
	Property and Equipment	Investment Properties	Other Assets	Total	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	₱1,115,157	₱2,148,908	₱1,057,623	₱4,321,688	₱228,486	₱3,283,363	₱1,178,105	₱4,689,954
Provisions:								
Continuing operations	—	423,952	403,678	827,630	—	500,253	—	500,253
Discontinued operation	—	—	(527)	(527)	—	—	—	—
Disposals	—	—	—	—	—	(1,924)	(333)	(2,257)
Transfers and others	53,730	10,810	(391,085)	(326,545)	886,671	(1,632,784)	(120,149)	(866,262)
Effect of discontinued operations	—	—	(29,593)	(29,593)	—	—	—	—
Balance at end of year	₱1,168,887	₱2,583,670	₱1,040,096	₱4,792,653	₱1,115,157	₱2,148,908	₱1,057,623	₱4,321,688



	Parent Company							
	2020				2019			
	Property and Equipment	Investment Properties	Other Assets	Total	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	₱1,115,157	₱2,154,313	₱1,027,852	₱4,297,322	₱228,034	₱3,284,467	₱1,178,055	₱4,690,556
Provisions (reversals)	—	419,219	391,189	810,408	—	(55,272)	—	(55,272)
Disposals	—	—	—	—	—	(1,924)	(9)	(1,933)
Transfers and others	53,730	—	(379,328)	(325,598)	887,123	(1,072,958)	(150,194)	(336,029)
Balance at end of year	₱1,168,887	₱2,573,532	₱1,039,713	₱4,782,132	₱1,115,157	₱2,154,313	₱1,027,852	₱4,297,322

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

	Consolidated							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱1,351,699	₱862,403	₱5,838,830	₱8,052,932	₱1,295,286	₱36,592	₱3,828,372	₱5,160,250
Newly originated assets which remained in Stage 1 at yearend	248,412	—	—	248,412	858,446	—	—	858,446
Newly originated assets which moved to Stages 2 and 3 at yearend	—	311,136	255,094	566,230	—	602,760	2,185,515	2,788,275
Transfers to Stage 1	127,422	(104,193)	(23,229)	—	6,465	(5,342)	(1,123)	—
Transfers to Stage 2	(49,891)	74,188	(24,297)	—	(18,613)	45,272	(26,659)	—
Transfers to Stage 3	(201,545)	(65,790)	267,335	—	(8,691)	(2,070)	10,761	—
Accounts charged off	—	—	—	—	—	—	(97,153)	(97,153)
Provisions (reversals)	(741,893)	(77,013)	12,041,160	11,222,254	(12,038)	30,755	101,466	120,183
Effect of collections and other movements	(296,571)	(310,249)	(262,752)	(869,572)	(769,156)	154,436	(162,349)	(777,069)
Ending Balance	437,633	690,482	18,092,141	19,220,256	1,351,699	862,403	5,838,830	8,052,932
LGU								
Beginning Balance	30,089	11,092	26,469	67,650	41,515	4,190	24,915	70,620
Newly originated assets which remained in Stage 1 at yearend	2,399	—	—	2,399	4,480	—	—	4,480
Reversals	(1,196)	(1,226)	—	(2,422)	—	—	—	—
Effect of collections and other movements	(7,252)	(8,129)	(1,553)	(16,934)	(15,906)	6,902	1,554	(7,450)
Ending Balance	24,040	1,737	24,916	50,693	30,089	11,092	26,469	67,650
Credit Cards								
Beginning Balance	37,867	41,397	1,526,487	1,605,751	47,670	58,667	969,239	1,075,576
Newly originated assets which remained in Stage 1 at yearend	4,272	—	—	4,272	5,432	—	—	5,432
Newly originated assets which moved to Stages 2 and 3 at yearend	—	3,017	33,363	36,380	—	3,930	33,824	37,754
Transfers to Stage 1	14,459	(8,245)	(6,214)	—	15,147	(6,325)	(8,822)	—
Transfers to Stage 2	(631)	701	(70)	—	(1,004)	1,100	(96)	—
Transfers to Stage 3	(5,473)	(28,914)	34,387	—	(2,350)	(19,524)	21,874	—
Accounts charged off	(1,077)	(4,023)	(603,693)	(608,793)	—	—	(328,919)	(328,919)
Provisions	61,271	21,095	1,495,684	1,578,050	16,519	19,561	692,661	728,741
Effect of collections and other movements	(72,464)	1,218	43,254	(27,992)	(43,547)	(16,012)	146,726	87,167
Ending Balance	38,224	26,246	2,523,198	2,587,668	37,867	41,397	1,526,487	1,605,751
Retail SMEs								
Beginning Balance	377,435	73,581	1,031,436	1,482,452	199,401	64,134	600,598	864,133
Newly originated assets which remained in Stage 1 at yearend	2,609	—	—	2,609	212,530	—	—	212,530
Newly originated assets which moved to Stages 2 and 3 at yearend	—	1,482	171	1,653	—	13,307	55,459	68,766
Transfers to Stage 1	13,826	(706)	(13,120)	—	23,983	(2,039)	(21,944)	—
Transfers to Stage 2	(20,257)	31,634	(11,377)	—	(178)	2,472	(2,294)	—
Transfers to Stage 3	(3,530)	(3,036)	6,566	—	(2,412)	(1,881)	4,293	—
Accounts charged off	—	—	(2,477)	(2,477)	—	—	(12,750)	(12,750)
Provisions (reversals)	249,043	(7,814)	305,381	546,610	15,170	4,015	236,637	255,822
Effect of collections and other movements	(257,852)	(74,355)	109,552	(222,655)	(71,059)	(6,427)	171,437	93,951
Ending Balance	361,274	20,786	1,426,132	1,808,192	377,435	73,581	1,031,436	1,482,452

(Forward)



	Consolidated							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Housing Loans								
Beginning Balance	₱889,425	₱547,589	₱114,407	₱1,551,421	₱498,036	₱643,926	₱131,523	₱1,273,485
Newly originated assets which remained in Stage 1 at yearend	1,048	—	—	1,048	501,707	—	—	501,707
Newly originated assets which moved to Stages 2 and 3 at yearend	—	7,586	42,555	50,141	—	16,462	59,779	76,241
Transfers to Stage 1	24,929	(6,896)	(18,033)	—	173,452	(121,482)	(51,970)	—
Transfers to Stage 2	(1,780)	5,252	(3,472)	—	(14,155)	27,900	(13,745)	—
Transfers to Stage 3	(5,524)	(12,767)	18,291	—	(20,109)	(296,405)	316,514	—
Accounts charged off	—	—	—	—	—	—	(39,865)	(39,865)
Provisions (reversals)	(66,831)	83,538	1,109,858	1,126,565	—	51,681	542,813	594,494
Effect of collections and other movements	(741,371)	(516,516)	902,598	(355,289)	(249,506)	225,507	(830,642)	(854,641)
Ending Balance	99,896	107,786	2,166,204	2,373,886	889,425	547,589	114,407	1,551,421
Auto Loans								
Beginning Balance	154,130	45,312	44,401	243,843	114,151	67,820	49,384	231,355
Newly originated assets which remained in Stage 1 at yearend	540	—	—	540	67,305	—	—	67,305
Newly originated assets which moved to Stages 2 and 3 at yearend	—	872	13,885	14,757	—	4,522	16,728	21,250
Transfers to Stage 1	4,234	(800)	(3,434)	—	28,932	(12,239)	(16,693)	—
Transfers to Stage 2	(1,876)	2,199	(323)	—	(1,063)	4,433	(3,370)	—
Transfers to Stage 3	(4,139)	(3,506)	7,645	—	(1,029)	(12,351)	13,380	—
Accounts charged off	—	—	(1,488)	(1,488)	—	—	—	—
Provisions (reversals)	(6,271)	2,916	770,300	766,945	—	—	101,941	101,941
Effect of collections and other movements	(453)	(3,841)	12,501	8,207	(54,166)	(6,873)	(116,969)	(178,008)
Ending Balance	146,165	43,152	843,487	1,032,804	154,130	45,312	44,401	243,843
Other Loans								
Beginning Balance	8,924	62,189	998,074	1,069,187	508,416	119,909	956,201	1,584,526
Newly originated assets which remained in Stage 1 at yearend	7,017	—	—	7,017	214,087	—	—	214,087
Newly originated assets which moved to Stages 2 and 3 at yearend	—	7,649	101,603	109,252	—	1,656	16,845	18,501
Transfers to Stage 1	10,769	(2,287)	(8,482)	—	7,501	(780)	(6,721)	—
Transfers to Stage 2	(958)	15,050	(14,092)	—	(23)	220	(197)	—
Transfers to Stage 3	(1,817)	(7,764)	9,581	—	(97)	(7,184)	7,281	—
Accounts charged off	—	—	(136,732)	(136,732)	—	(33,294)	(16,236)	(49,530)
Provisions (reversals)	(26,947)	29,844	(141,644)	(138,747)	(5,581)	8	23,520	17,947
Effect of collections and other movements	75,439	(45,238)	1,114,587	1,144,788	(715,379)	(18,346)	17,381	(716,344)
Ending Balance	72,427	59,443	1,922,895	2,054,765	8,924	62,189	998,074	1,069,187
Other Receivables								
Beginning Balance	77,497	21,915	4,240,580	4,339,992	1,084,900	2,723,474	1,199,258	5,007,632
Newly originated assets which remained in Stage 1 at yearend	2,449	—	—	2,449	76,724	—	—	76,724
Newly originated assets which moved to Stages 2 and 3 at yearend	—	922	20,632	21,554	—	32,200	499,646	531,846
Transfers to Stage 1	186	(23)	(163)	—	16,734	(7,198)	(9,536)	—
Transfers to Stage 2	(1,739)	1,741	(2)	—	(880)	3,599	(2,719)	—
Transfers to Stage 3	(51,149)	(2,811)	53,960	—	(2,227)	(21,054)	23,281	—
Accounts charged off	—	—	336	336	—	—	(49,396)	(49,396)
Provisions	44,946	12,167	674,108	731,221	123,479	21,901	572,768	718,148
Effect of collections and other movements	(2,864)	(14,425)	(1,791,877)	(1,809,166)	(1,221,233)	(2,731,007)	2,007,278	(1,944,962)
Ending Balance	69,326	19,486	3,197,574	3,286,386	77,497	21,915	4,240,580	4,339,992
Total Loans and Receivables								
Beginning Balance	2,927,066	1,665,478	13,820,684	18,413,228	3,789,375	3,718,712	7,759,490	15,267,577
Newly originated assets which remained in Stage 1 at yearend	268,746	—	—	268,746	1,940,711	—	—	1,940,711
Newly originated assets which moved to Stages 2 and 3 at yearend	—	332,664	467,303	799,967	—	674,837	2,867,796	3,542,633
Transfers to Stage 1	195,825	(123,150)	(72,675)	—	272,214	(155,405)	(116,809)	—
Transfers to Stage 2	(77,132)	130,765	(53,633)	—	(35,916)	84,996	(49,080)	—
Transfers to Stage 3	(273,177)	(124,588)	397,765	—	(36,915)	(360,469)	397,384	—
Accounts charged off	(1,077)	(4,023)	(744,054)	(749,154)	—	(33,294)	(544,319)	(577,613)
Provisions (reversals)	(487,878)	63,507	16,254,847	15,830,476	137,549	127,921	2,271,806	2,537,276
Effect of collections and other movements	(1,303,388)	(971,535)	126,310	(2,148,613)	(3,139,952)	(2,391,820)	1,234,416	(4,297,356)
Ending Balance	₱1,248,985	₱969,118	₱30,196,547	₱32,414,650	₱2,927,066	₱1,665,478	₱13,820,684	₱18,413,228



	Parent Company							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱1,223,420	₱814,289	₱5,635,394	₱7,673,103	₱1,143,785	₱25,894	₱3,814,554	₱4,984,233
Transferred loans	327	37,685	102,927	140,939	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	247,606	—	—	247,606	819,483	—	—	819,483
Newly originated assets which moved to Stages 2 and 3 at yearend	—	311,136	255,094	566,230	—	599,413	2,122,244	2,721,657
Transfers to Stage 1	127,731	(104,327)	(23,404)	—	5,316	(5,316)	—	—
Transfers to Stage 2	(49,902)	74,199	(24,297)	—	(14,958)	41,617	(26,659)	—
Transfers to Stage 3	(201,545)	(65,790)	267,335	—	(2,914)	(2,070)	4,984	—
Accounts charged off	—	—	—	—	—	—	(29,922)	(29,922)
Provisions (reversals)	(741,930)	(77,013)	12,083,198	11,264,255	18,372	50	47	18,469
Effect of collections and other movements	(291,583)	(310,092)	(262,845)	(864,520)	(745,664)	154,701	(249,854)	(840,817)
Ending Balance	314,124	680,087	18,033,402	19,027,613	1,223,420	814,289	5,635,394	7,673,103
LGU								
Beginning Balance	25,236	15,945	26,469	67,650	41,515	4,190	24,915	70,620
Newly originated assets which remained in Stage 1 at yearend	2,399	—	—	2,399	4,480	—	—	4,480
Reversals	(1,196)	(1,226)	—	(2,422)	—	11,755	—	11,755
Effect of collections and other movements	(2,399)	(12,982)	(1,553)	(16,934)	(20,759)	—	1,554	(19,205)
Ending Balance	24,040	1,737	24,916	50,693	25,236	15,945	26,469	67,650
Credit Cards								
Beginning Balance	37,867	41,397	1,526,487	1,605,751	47,670	58,667	969,239	1,075,576
Newly originated assets which remained in Stage 1 at yearend	4,272	—	—	4,272	5,432	—	—	5,432
Newly originated assets which moved to Stages 2 and 3 at yearend	—	3,017	33,363	36,380	—	3,930	33,824	37,754
Transfers to Stage 1	14,459	(8,245)	(6,214)	—	15,147	(6,325)	(8,822)	—
Transfers to Stage 2	(631)	701	(70)	—	(1,004)	1,100	(96)	—
Transfers to Stage 3	(5,473)	(28,914)	34,387	—	(2,350)	(19,524)	21,874	—
Accounts charged off	(1,077)	(4,023)	(603,693)	(608,793)	—	—	(328,919)	(328,919)
Provisions	61,271	21,095	1,495,684	1,578,050	16,519	19,561	692,661	728,741
Effect of collections and other movements	(72,464)	1,218	43,254	(27,992)	(43,547)	(16,012)	146,726	87,167
Ending Balance	38,224	26,246	2,523,198	2,587,668	37,867	41,397	1,526,487	1,605,751
Retail SMEs								
Beginning Balance	85,709	14,016	322,664	422,389	51,113	7,789	519,467	578,369
Transferred loans	22,197	83	336,854	359,134	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	—	—	—	—	81,916	—	—	81,916
Newly originated assets which moved to Stages 2 and 3 at yearend	—	—	—	—	—	9,291	2,750	12,041
Transfers to Stage 1	5,025	—	(5,025)	—	668	(135)	(533)	—
Transfers to Stage 2	(19,823)	27,019	(7,196)	—	(115)	328	(213)	—
Transfers to Stage 3	(2,290)	(3,036)	5,326	—	(863)	(1,712)	2,575	—
Accounts charged off	—	—	(2,477)	(2,477)	—	—	(12,750)	(12,750)
Provisions (reversals)	249,043	(7,814)	48,875	290,104	330	—	1	331
Effect of collections and other movements	(2,949)	(19,979)	(139,632)	(162,560)	(47,340)	(1,545)	(188,633)	(237,518)
Ending Balance	336,912	10,289	559,389	906,590	85,709	14,016	322,664	422,389
Housing Loans								
Beginning Balance	28,924	3,684	42,421	75,029	21,672	876	35,676	58,224
Transferred loans	115,826	98,765	952,480	1,167,071	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	—	—	—	—	14,421	—	—	14,421
Newly originated assets which moved to Stages 2 and 3 at yearend	—	7,586	42,555	50,141	—	1,989	382	2,371
Transfers to Stage 1	24,744	(6,711)	(18,033)	—	8,102	(134)	(7,968)	—
Transfers to Stage 2	(1,780)	3,851	(2,071)	—	(273)	273	—	—
Transfers to Stage 3	(5,450)	(12,767)	18,217	—	(71)	(223)	294	—
Accounts charged off	—	—	—	—	—	—	—	—
Provisions (reversals)	(67,773)	83,538	1,117,975	1,133,740	32	—	1	33
Effect of collections and other movements	(3,677)	(72,962)	18,273	(58,366)	(14,959)	903	14,036	(20)
Ending Balance	90,814	104,984	2,171,817	2,367,615	28,924	3,684	42,421	75,029

(Forward)



	Parent Company							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	₱23,108	₱3,558	₱35,422	₱62,088	₱3	₱—	₱39,589	₱39,592
Transferred loans	7,382	5,545	168,829	181,756	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	540	—	—	540	23,108	—	—	23,108
Newly originated assets which moved to Stages 2 and 3 at yearend	—	872	13,885	14,757	—	3,558	4,391	7,949
Transfers to Stage 1	4,234	(800)	(3,434)	—	—	—	—	—
Transfers to Stage 2	(1,876)	2,199	(323)	—	—	—	—	—
Transfers to Stage 3	(4,139)	(3,506)	7,645	—	—	—	—	—
Accounts charged off	—	—	(1,488)	(1,488)	—	—	(8,515)	(8,515)
Provisions (reversals)	(6,271)	2,916	770,300	766,945	—	—	—	—
Effect of collections and other movements	(453)	(3,841)	12,500	8,206	(3)	—	(43)	(46)
Ending Balance	22,525	6,943	1,003,336	1,032,804	23,108	3,558	35,422	62,088
Other Loans								
Beginning Balance	4,565	11,318	1,385,452	1,401,335	202	57,572	973,358	1,031,132
Transferred loans	42,188	34,499	486,804	563,491	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	7,017	—	—	7,017	3,093	—	—	3,093
Newly originated assets which moved to Stages 2 and 3 at yearend	—	7,649	101,603	109,252	—	1,656	16,845	18,501
Transfers to Stage 1	10,769	(2,287)	(8,482)	—	960	(170)	(790)	—
Transfers to Stage 2	(958)	15,050	(14,092)	—	—	—	—	—
Transfers to Stage 3	(1,817)	(7,764)	9,581	—	—	(6,293)	6,293	—
Accounts charged off	—	—	(136,736)	(136,736)	—	(33,296)	(16,234)	(49,530)
Provisions (reversals)	(26,949)	29,844	(141,570)	(138,675)	—	12	—	12
Effect of collections and other movements	37,608	(28,866)	228,168	236,910	310	(8,163)	405,980	398,127
Ending Balance	72,423	59,443	1,910,728	2,042,594	4,565	11,318	1,385,452	1,401,335
Other Receivables								
Beginning Balance	59,453	9,761	2,916,225	2,985,439	1,104,095	2,644,819	1,038,922	4,787,836
Transferred receivables	6,614	2,152	641,639	650,405	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	1,495	—	—	1,495	8,279	—	—	8,279
Newly originated assets which moved to Stages 2 and 3 at yearend	—	922	15,546	16,468	—	1,647	14,551	16,198
Transfers to Stage 1	186	(23)	(163)	—	594	(142)	(452)	—
Transfers to Stage 2	(1,739)	1,741	(2)	—	(750)	1,225	(475)	—
Transfers to Stage 3	(51,149)	(2,811)	53,960	—	(1,962)	(349)	2,311	—
Accounts charged off	—	—	336	336	—	—	(49,396)	(49,396)
Provisions	26,685	12,167	571,969	610,821	321	—	29,778	30,099
Effect of collections and other movements	32,697	(4,516)	(808,841)	(780,660)	(1,051,124)	(2,637,439)	1,880,986	(1,807,577)
Ending Balance	74,242	19,393	3,390,669	3,484,304	59,453	9,761	2,916,225	2,985,439
Total Loans and Receivables								
Beginning Balance	1,488,282	913,968	11,890,534	14,292,784	2,410,055	2,799,807	7,415,720	12,625,582
Transferred Loans	194,534	178,729	2,689,533	3,062,796	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	263,329	—	—	263,329	960,212	—	—	960,212
Newly originated assets which moved to Stages 2 and 3 at yearend	—	331,182	462,046	793,228	—	621,484	2,194,987	2,816,471
Transfers to Stage 1	187,148	(122,393)	(64,755)	—	30,787	(12,222)	(18,565)	—
Transfers to Stage 2	(76,709)	124,760	(48,051)	—	(17,100)	44,543	(27,443)	—
Transfers to Stage 3	(271,863)	(124,588)	396,451	—	(8,160)	(30,171)	38,331	—
Accounts charged off	(1,077)	(4,023)	(744,058)	(749,158)	—	(33,296)	(437,221)	(470,517)
Provisions (reversals)	(507,120)	63,507	15,946,431	15,502,818	35,574	31,378	722,488	789,440
Effect of collections and other movements	(303,220)	(452,020)	(910,676)	(1,665,916)	(1,923,086)	(2,507,555)	2,002,237	(2,428,404)
Ending Balance	₱973,304	₱909,122	₱29,617,455	₱31,499,881	₱1,488,282	₱913,968	₱11,890,534	₱14,292,784



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

	Consolidated							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱521,841,837	₱16,083,886	₱10,711,692	₱548,637,415	₱463,867,001	₱5,792,259	₱6,755,750	₱476,415,010
Newly originated assets which remained in Stage 1 at yearend	224,883,356	—	—	224,883,356	303,638,405	—	—	303,638,405
Newly originated assets which moved to Stages 2 and 3 at yearend	—	11,908,018	7,094,061	19,002,079	—	10,959,867	3,700,995	14,660,862
Transfers to Stage 1	1,769,771	(1,711,336)	(58,435)	—	1,008,052	(1,012,278)	4,226	—
Transfers to Stage 2	(16,869,294)	16,926,407	(57,113)	—	(5,720,152)	5,781,921	(61,769)	—
Transfers to Stage 3	(32,541,294)	(974,321)	33,515,615	—	(1,701,453)	(356,342)	2,057,795	—
Accounts charged off	—	—	(3)	(3)	—	—	(97,157)	(97,157)
Effect of collections and other movements	(254,952,984)	(12,015,600)	(456,306)	(267,424,890)	(239,250,016)	(5,081,541)	(1,648,148)	(245,979,705)
Ending Balance	444,131,392	30,217,054	50,749,511	525,097,957	521,841,837	16,083,886	10,711,692	548,637,415
LGU								
Beginning Balance	6,703,842	65,674	26,986	6,796,502	6,877,331	17,968	24,916	6,920,215
Newly originated assets which remained in Stage 1 at yearend	759,563	—	—	759,563	1,223,390	—	—	1,223,390
Effect of collections and other movements	(1,073,383)	(58,224)	(2,070)	(1,133,677)	(1,396,879)	47,706	2,070	(1,347,103)
Ending Balance	6,390,022	7,450	24,916	6,422,388	6,703,842	65,674	26,986	6,796,502
Credit Cards								
Beginning Balance	13,641,354	420,109	1,808,483	15,869,946	11,802,517	393,493	1,216,053	13,412,063
Newly originated assets which remained in Stage 1 at yearend	749,939	—	—	749,939	1,550,335	—	—	1,550,335
Newly originated assets which moved to Stages 2 and 3 at yearend	—	21,356	40,779	62,135	—	54,662	44,797	99,459
Transfers to Stage 1	96,163	(87,508)	(8,655)	—	114,740	(104,028)	(10,712)	—
Transfers to Stage 2	(184,734)	184,821	(87)	—	(334,322)	334,463	(141)	—
Transfers to Stage 3	(1,464,762)	(291,121)	1,755,883	—	(831,146)	(234,001)	1,065,147	—
Accounts charged off	(209,128)	(38,141)	(778,559)	(1,025,828)	—	—	(328,919)	(328,919)
Effect of collections and other movements	(3,429,965)	(9,889)	314,231	(3,125,623)	1,339,230	(24,480)	(177,742)	1,137,008
Ending Balance	9,198,867	199,627	3,132,075	12,530,569	13,641,354	420,109	1,808,483	15,869,946
Retail SMEs								
Beginning Balance	18,808,671	207,750	2,063,029	21,079,450	10,270,353	200,847	1,472,412	11,943,612
Newly originated assets which remained in Stage 1 at yearend	5,714,334	—	—	5,714,334	14,272,023	—	—	14,272,023
Newly originated assets which moved to Stages 2 and 3 at yearend	—	15,702	2,311	18,013	—	315,726	113,566	429,292
Transfers to Stage 1	850,597	(69,149)	(781,448)	—	237,154	(181,422)	(55,732)	—
Transfers to Stage 2	(2,663,688)	2,964,354	(300,666)	—	(30,160)	35,566	(5,406)	—
Transfers to Stage 3	(201,733)	(13,065)	214,798	—	(417,838)	(46,032)	463,870	—
Accounts charged off	—	—	(2,477)	(2,477)	—	—	(12,750)	(12,750)
Effect of collections and other movements	(11,818,411)	(2,223,866)	(328,134)	(14,370,411)	(5,522,861)	(116,935)	87,069	(5,552,727)
Ending Balance	10,689,770	881,726	867,413	12,438,909	18,808,671	207,750	2,063,029	21,079,450
Housing Loans								
Beginning Balance	26,601,243	1,571,291	5,396,033	33,568,567	22,772,350	7,737,946	3,333,099	33,843,395
Newly originated assets which remained in Stage 1 as at yearend	1,729,048	—	—	1,729,048	11,545,147	—	—	11,545,147
Newly originated assets which moved to Stages 2 and 3 at yearend	—	77,373	177,191	254,564	—	188,203	264,961	453,164
Transfers to Stage 1	164,876	(95,262)	(69,614)	—	82,895	(2,382)	(80,513)	—
Transfers to Stage 2	(285,503)	401,919	(116,416)	—	(17,456)	17,456	—	—
Transfers to Stage 3	(819,124)	(143,488)	962,612	—	(4,068,415)	(513,704)	4,582,119	—
Accounts charged off	—	—	—	—	—	—	(51,500)	(51,500)
Effect of collections and other movements	(11,506,589)	(554,788)	1,621,502	(10,439,875)	(3,713,278)	(5,856,228)	(2,652,133)	(12,221,639)
Ending Balance	15,883,951	1,257,045	7,971,308	25,112,304	26,601,243	1,571,291	5,396,033	33,568,567
Auto Loans								
Beginning Balance	11,578,913	458,841	1,067,434	13,105,188	9,418,556	2,165,913	158,776	11,743,245
Newly originated assets which remained in Stage 1 at yearend	1,336,675	—	—	1,336,675	5,884,421	—	—	5,884,421
Newly originated assets which moved to Stages 2 and 3 at yearend	—	90,892	128,170	219,062	—	125,425	127,089	252,514
Transfers to Stage 1	40,194	(25,262)	(14,932)	—	582,409	(482,925)	(99,484)	—
Transfers to Stage 2	(269,948)	271,949	(2,001)	—	(349,085)	369,715	(20,630)	—
Transfers to Stage 3	(537,277)	(95,211)	632,488	—	(368,300)	(507,136)	875,436	—
(Forward)								



	Consolidated							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accounts charged off	₱-	₱-	(₱1,488)	(₱1,488)	₱-	₱-	(₱8,515)	(₱8,515)
Effect of collections and other movements	(4,354,547)	(100,568)	883,389	(3,571,726)	(3,589,088)	(1,212,151)	34,762	(4,766,477)
Ending Balance	7,794,010	600,641	2,693,060	11,087,711	11,578,913	458,841	1,067,434	13,105,188
Other Loans								
Beginning Balance	9,065,874	705,435	2,195,359	11,966,668	11,870,519	5,891,187	1,467,505	19,229,211
Newly originated assets which remained in Stage 1 at yearend	4,833,867	-	-	4,833,867	11,803,126	-	-	11,803,126
Newly originated assets which moved to Stages 2 and 3 at yearend	-	609,450	286,341	895,791	-	575,765	458,343	1,034,108
Transfers to Stage 1	54,147	(25,406)	(28,741)	-	65,648	(23,718)	(41,930)	-
Transfers to Stage 2	(109,736)	127,678	(17,942)	-	(26,435)	27,565	(1,130)	-
Transfers to Stage 3	(292,916)	(83,055)	375,971	-	(225,836)	(463,651)	689,487	-
Accounts charged off	-	-	(136,736)	(136,736)	-	(33,296)	(16,234)	(49,530)
Effect of collections and other movements	1,503,757	196,982	2,665,890	4,366,629	(14,421,148)	(5,268,417)	(360,682)	(20,050,247)
Ending Balance	15,054,993	1,531,084	5,340,142	21,926,219	9,065,874	705,435	2,195,359	11,966,668
Other Receivables								
Beginning Balance	16,365,625	5,351,013	3,596,611	25,313,249	22,949,168	4,644,141	833,992	28,427,301
Newly originated assets which remained in Stage 1 at yearend	644,270	-	-	644,270	6,522,346	-	-	6,522,346
Newly originated assets which moved to Stages 2 and 3 at yearend	-	41,154	31,577	72,731	-	449,753	818,513	1,268,266
Transfers to Stage 1	6,091	(5,383)	(708)	-	213,018	(105,355)	(107,663)	-
Transfers to Stage 2	(174,011)	174,390	(379)	-	(59,769)	84,113	(24,344)	-
Transfers to Stage 3	(197,680)	(6,228)	203,908	-	(867,921)	(2,495,196)	3,363,117	-
Accounts charged off	-	-	336	336	-	-	(49,396)	(49,396)
Effect of collections and other movements	(1,797,543)	(6,972,226)	532,525	(8,237,244)	(12,391,217)	2,773,557	(1,237,608)	(10,855,268)
Ending Balance	14,846,752	(1,417,280)	4,363,870	17,793,342	16,365,625	5,351,013	3,596,611	25,313,249
Total Loans and Receivables								
Beginning Balance	624,607,359	24,863,999	26,865,627	676,336,985	559,827,795	26,843,754	15,262,503	601,934,052
Newly originated assets which remained in Stage 1 at yearend	240,651,052	-	-	240,651,052	356,439,193	-	-	356,439,193
Newly originated assets which moved to Stages 2 and 3 at yearend	-	12,763,945	7,760,430	20,524,375	-	12,669,401	5,528,264	18,197,665
Transfers to Stage 1	2,981,839	(2,019,306)	(962,533)	-	2,303,916	(1,912,108)	(391,808)	-
Transfers to Stage 2	(20,556,914)	21,051,518	(494,604)	-	(6,537,379)	6,650,799	(113,420)	-
Transfers to Stage 3	(36,054,786)	(1,606,489)	37,661,275	-	(8,480,909)	(4,616,062)	13,096,971	-
Accounts charged off	(209,128)	(38,141)	(918,927)	(1,166,196)	-	(33,296)	(564,471)	(597,767)
Effect of collections and other movements	(287,429,665)	(21,738,179)	5,231,027	(303,936,817)	(278,945,257)	(14,738,489)	(5,952,412)	(299,636,158)
Ending Balance	₱523,989,757	₱33,277,347	₱75,142,295	₱632,409,399	₱624,607,359	₱24,863,999	₱26,865,627	₱676,336,985

	Parent Company							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱512,864,358	₱16,005,670	₱7,801,279	₱536,671,307	₱446,682,503	₱5,137,582	₱6,218,960	₱458,039,045
Transferred loans	745,960	269,729	220,192	1,235,881	-	-	-	-
Newly originated assets which remained in Stage 1 at yearend	219,584,230	-	-	219,584,230	296,460,743	-	-	296,460,743
Newly originated assets which moved to Stages 2 and 3 at yearend	-	11,908,018	7,093,943	19,001,961	-	10,920,510	3,499,281	14,419,791
Transfers to Stage 1	1,743,067	(1,699,147)	(43,920)	-	1,014,922	(1,014,922)	-	-
Transfers to Stage 2	(16,856,122)	16,913,235	(57,113)	-	(5,479,370)	5,541,139	(61,769)	-
Transfers to Stage 3	(32,384,828)	(974,321)	33,359,149	-	(1,316,130)	(356,342)	1,672,472	-
Accounts charged off	-	-	-	-	-	-	(29,922)	(29,922)
Effect of collections and other movements	(249,761,771)	(12,208,745)	2,137,725	(259,832,791)	(224,498,310)	(4,222,297)	(3,497,743)	(232,218,350)
Ending Balance	435,934,894	30,214,439	50,511,255	516,660,588	512,864,358	16,005,670	7,801,279	536,671,307
LGU								
Beginning Balance	6,703,842	65,674	26,986	6,796,502	6,877,331	17,968	24,916	6,920,215
Newly originated assets which remained in Stage 1 at yearend	759,563	-	-	759,563	1,223,390	-	-	1,223,390
Effect of collections and other movements	(1,073,383)	(58,224)	(2,070)	(1,133,677)	(1,396,879)	47,706	2,070	(1,347,103)
Ending Balance	6,390,022	7,450	24,916	6,422,388	6,703,842	65,674	26,986	6,796,502

(Forward)



	Parent Company							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit Cards								
Beginning Balance	₱13,582,771	₱420,109	₱1,867,066	₱15,869,946	₱11,743,934	₱393,493	₱1,274,636	₱13,412,063
Newly originated assets which remained in Stage 1 at yearend	749,939	—	—	749,939	1,550,335	—	—	1,550,335
Newly originated assets which moved to Stages 2 and 3 at yearend	—	21,356	40,779	62,135	—	54,662	44,797	99,459
Transfers to Stage 1	96,163	(87,508)	(8,655)	—	114,740	(104,028)	(10,712)	—
Transfers to Stage 2	(184,734)	184,821	(87)	—	(334,322)	334,463	(141)	—
Transfers to Stage 3	(1,464,762)	(291,121)	1,755,883	—	(831,146)	(234,001)	1,065,147	—
Accounts charged off	(209,128)	(38,141)	(778,559)	(1,025,828)	—	—	(328,919)	(328,919)
Effect of collections and other movements	(3,371,382)	(9,889)	255,648	(3,125,623)	1,339,230	(24,480)	(177,742)	1,137,008
Ending Balance	9,198,867	199,627	3,132,075	12,530,569	13,582,771	420,109	1,867,066	15,869,946
Retail SMEs								
Beginning Balance	11,681,560	101,084	668,104	12,450,748	6,483,477	125,965	1,209,176	7,818,618
Newly originated assets which remained in Stage 1 at yearend	3,834,534	3,063	366,384	4,203,981	10,985,586	—	—	10,985,586
Newly originated assets which moved to Stages 2 and 3 at yearend	5,407,150	—	—	5,407,150	—	68,845	34,775	103,620
Transfers to Stage 1	5,046	—	(5,046)	—	18,549	(9,693)	(8,856)	—
Transfers to Stage 2	(2,623,980)	2,629,989	(6,009)	—	(21,726)	22,576	(850)	—
Transfers to Stage 3	(195,976)	(13,065)	209,041	—	(133,014)	(31,245)	164,259	—
Accounts charged off	—	—	(2,477)	(2,477)	—	—	(12,750)	(12,750)
Effect of collections and other movements	(10,774,138)	(2,407,241)	(54,356)	(13,235,735)	(5,651,312)	(75,364)	(717,650)	(6,444,326)
Ending Balance	7,334,196	313,830	1,175,641	8,823,667	11,681,560	101,084	668,104	12,450,748
Housing Loans								
Beginning Balance	3,698,821	37,277	111,670	3,847,768	1,397,681	15,850	213,791	1,627,322
Transferred loans	17,204,340	1,118,420	4,063,136	22,385,896	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	1,574,071	—	—	1,574,071	2,516,320	—	—	2,516,320
Newly originated assets which moved to Stages 2 and 3 at yearend	—	77,373	177,191	254,564	—	19,951	1,396	21,347
Transfers to Stage 1	149,616	(80,001)	(69,615)	—	82,895	(2,382)	(80,513)	—
Transfers to Stage 2	(285,503)	294,225	(8,722)	—	(17,456)	17,456	—	—
Transfers to Stage 3	(811,796)	(143,488)	955,284	—	(14,487)	(4,198)	18,685	—
Effect of collections and other movements	(6,156,968)	(262,148)	2,844,007	(3,575,109)	(266,132)	(9,400)	(41,689)	(317,221)
Ending Balance	15,372,581	1,041,658	8,072,951	24,487,190	3,698,821	37,277	111,670	3,847,768
Auto Loans								
Beginning Balance	2,687,127	41,958	43,247	2,772,332	417	—	39,608	40,025
Transferred loans	8,254,512	393,457	943,922	9,591,891	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	1,336,675	—	—	1,336,675	2,550,623	—	—	2,550,623
Newly originated assets which moved to Stages 2 and 3 at yearend	—	90,892	128,170	219,062	—	41,958	12,215	54,173
Transfers to Stage 1	40,195	(25,262)	(14,933)	—	—	—	—	—
Transfers to Stage 2	(269,948)	271,949	(2,001)	—	—	—	—	—
Transfers to Stage 3	(537,277)	(95,211)	632,488	—	—	—	—	—
Accounts charged off	—	—	(1,488)	(1,488)	—	—	(8,515)	(8,515)
Effect of collections and other movements	(3,717,274)	(77,142)	963,655	(2,830,761)	136,087	—	(61)	136,026
Ending Balance	7,794,010	600,641	2,693,060	11,087,711	2,687,127	41,958	43,247	2,772,332
Other Loans								
Beginning Balance	3,447,590	420,820	1,443,059	5,311,469	7,434,165	5,735,761	1,348,266	14,518,192
Transferred loans	10,223,071	397,388	1,869,871	12,490,330	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	4,833,867	—	—	4,833,867	2,990,921	—	—	2,990,921
Newly originated assets which moved to Stages 2 and 3 at yearend	—	609,450	286,341	895,791	—	352,576	18,049	370,625
Transfers to Stage 1	54,147	(25,406)	(28,741)	—	5,892	(2,937)	(2,955)	—
Transfers to Stage 2	(109,736)	127,678	(17,942)	—	(2,161)	2,161	—	—
Transfers to Stage 3	(292,916)	(83,055)	375,971	—	(241)	(436,558)	436,799	—
Accounts charged off	—	—	(136,736)	(136,736)	—	(33,296)	(16,234)	(49,530)
Effect of collections and other movements	(4,770,701)	84,209	1,534,875	(3,151,617)	(6,980,986)	(5,196,887)	(340,866)	(12,518,739)
Ending Balance	13,385,322	1,531,084	5,326,698	20,243,104	3,447,590	420,820	1,443,059	5,311,469
(Forward)								



	Parent Company							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Other Receivables								
Beginning Balance	₱14,046,122	₱1,210,740	₱2,561,746	₱17,818,608	₱15,771,243	₱4,644,141	₱833,992	₱21,249,376
Transferred receivables	882,153	64,670	985,295	1,932,118	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	576,857	—	—	576,857	1,406,430	—	—	1,406,430
Newly originated assets which moved to Stages 2 and 3 as at year-end	—	41,154	31,577	72,731	—	28,572	25,570	54,142
Transfers to Stage 1	6,092	(5,383)	(709)	—	90,494	(21,345)	(69,149)	—
Transfers to Stage 2	(174,011)	174,390	(379)	—	(42,700)	57,821	(15,121)	—
Transfers to Stage 3	(197,680)	(6,228)	203,908	—	(32,081)	(2,287,963)	2,320,044	—
Accounts charged off	—	—	336	336	—	—	(49,396)	(49,396)
Effect of collections and other movements	(1,528,799)	(1,174,710)	449,384	(2,254,125)	(3,147,264)	(1,210,486)	(484,194)	(4,841,944)
Ending Balance	13,610,734	304,633	4,231,158	18,146,525	14,046,122	1,210,740	2,561,746	17,818,608
Total Loans and Receivables								
Beginning Balance	568,712,191	18,303,332	14,523,157	601,538,680	496,390,751	16,070,760	11,163,345	523,624,856
Transferred Loans	37,310,036	2,243,664	8,082,416	47,636,116	—	—	—	—
Newly originated assets which remained in Stage 1 at yearend	233,249,736	3,063	366,384	233,619,183	319,684,348	—	—	319,684,348
Newly originated assets which moved to Stages 2 and 3 as at year-end	5,407,150	12,748,243	7,758,001	25,913,394	—	11,487,074	3,636,083	15,123,157
Transfers to Stage 1	2,094,326	(1,922,707)	(171,619)	—	1,327,492	(1,155,307)	(172,185)	—
Transfers to Stage 2	(20,504,034)	20,596,287	(92,253)	—	(5,897,735)	5,975,616	(77,881)	—
Transfers to Stage 3	(35,885,235)	(1,606,489)	37,491,724	—	(2,327,099)	(3,350,307)	5,677,406	—
Accounts charged off	(209,128)	(38,141)	(918,924)	(1,166,193)	—	(33,296)	(445,736)	(479,032)
Effect of collections and other movements	(281,154,416)	(16,113,890)	8,128,868	(289,139,438)	(240,465,566)	(10,691,208)	(5,257,875)	(256,414,649)
Ending Balance	₱509,020,626	₱34,213,362	₱75,167,754	₱618,401,742	₱568,712,191	₱18,303,332	₱14,523,157	₱601,538,680

17. Deposit Liabilities

As of December 31, 2020 and 2019, noninterest-bearing deposit liabilities amounted to ₱30.0 billion and ₱37.5 billion, respectively, for the Group, and ₱29.3 billion and ₱25.5 billion, respectively, for the Parent Company.

The remaining deposit liabilities of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Peso-denominated	0.10% - 10.00%	0.10% - 10.00%	0.01% - 10.00%	0.10% - 10.00%	0.10% - 10.00%	0.01% - 10.00%
Foreign currency-denominated	0.01% - 4.75%	0.01% - 8.00%	0.01% - 8.00%	0.01% - 4.75%	0.01% - 8.00%	0.01% - 8.00%

As of December 31, 2020, non-FCDU deposit liabilities of the Parent Company is subject to reserves equivalent to 12.00% reduced from 14.00% as of December 31, 2019.

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

	2020	2019
Parent Company	₱80,029,356	₱90,394,597
PNBSB	—	1,787,204
	₱80,029,356	₱92,181,801



LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					2020	2019
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	₱4,573,124	₱4,563,212
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	8,176,616	8,155,043
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	6,332,653	6,323,898
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	3,756,911	3,751,954
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	5,372,730	5,362,599
December 12, 2014	June 12, 2020	7,000,000	4.13%	Quarterly	—	6,995,398
		₱35,315,000			₱28,212,034	₱35,152,104

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Time	₱2,852,325	₱5,870,981	₱3,338,531	₱2,852,325	₱4,127,553	₱2,079,674
Savings	2,930,115	6,706,938	3,240,636	2,778,153	6,639,928	3,236,424
LTNCDs	1,429,301	1,386,082	1,170,378	1,429,301	1,386,082	1,170,378
Demand	167,277	60,898	121,628	167,277	48,213	104,812
	₱7,379,018	₱14,024,899	₱7,871,173	₱7,227,056	₱12,201,776	₱6,591,288

In 2020, 2019 and 2018, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱59.9 million, ₱40.5 million and ₱39.3 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱103.0 million and ₱162.9 million as of December 31, 2020 and 2019, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2020 and 2019, this account consists of derivative liabilities amounting to ₱701.2 million and ₱245.6 million, respectively, for the Group, and ₱700.8 million and ₱232.0 million, respectively, for the Parent Company (Notes 23 and 35).

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Bills payable to:				
Foreign banks	₱50,482,387	₱606,585	₱49,874,309	₱2,073
BSP and local banks (Note 33)	33,116,145	52,664,371	31,382,133	45,729,610
	83,598,532	53,270,956	81,256,442	45,731,683
Acceptances outstanding (Note 10)	3,560,918	2,692,334	3,560,918	2,692,334
	₱87,159,450	₱55,963,290	₱84,817,360	₱48,424,017

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

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Peso-denominated	4.0% - 6.5%	4.0% - 5.4%	0.6% - 5.4%	4.0% - 6.5%	4.0% - 5.4%	0.6% - 5.4%
Foreign currency-denominated	0.1% - 4.4%	0.2% - 4.4%	0.0% - 4.4%	0.1% - 4.4%	0.2% - 4.4%	0.0% - 4.4%



As of December 31, 2020 and 2019, bills payable with a carrying amount of ₱69.9 billion and ₱29.4 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱44.6 billion and ₱8.2 billion, respectively, and investment securities at amortized cost with carrying values of ₱26.1 billion and ₱21.0 billion, respectively, and fair values of ₱27.6 billion and ₱21.6 billion, respectively (Note 9).

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018	2020	2019	2018
Continuing operations:						
Bills payable	₱663,769	₱2,034,690	₱600,354	₱482,810	₱1,578,614	₱434,650
Lease liabilities (Note 29)	120,675	131,661	–	120,181	118,365	–
Others	62,198	18,567	61,986	34,487	43,643	37,461
	846,642	2,184,918	662,340	637,478	1,740,622	472,111
Discontinued operations (Note 36):						
Lease liabilities	2,698	128	–	–	–	–
	₱849,340	₱2,185,046	₱662,340	₱637,478	₱1,740,622	₱472,111

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Accrued taxes and other expenses	₱5,540,591	₱4,995,519	₱5,191,696	₱4,219,587
Accrued interest	908,435	1,944,207	883,320	1,838,507
	₱6,449,026	₱6,939,726	₱6,075,016	₱6,058,094

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Financial liabilities:				
Promotional expenses	₱905,470	₱673,648	₱905,470	₱657,373
Information technology-related expenses	331,627	182,057	331,627	180,952
Rent and utilities payable	267,559	127,165	264,193	119,128
Management, directors and other professional fees	88,652	36,021	61,831	11,242
Repairs and maintenance	81,090	64,806	80,415	62,446
	1,674,398	1,083,697	1,643,536	1,031,141
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	1,859,275	1,436,248	1,829,251	1,376,105
PDIC insurance premiums	832,069	843,677	816,591	776,578
Other taxes and licenses	662,446	894,001	544,533	544,137
Employee benefits	155,450	139,850	128,113	128,218
Other expenses	356,953	598,046	229,672	363,408
	3,866,193	3,911,822	3,548,160	3,188,446
	₱5,540,591	₱4,995,519	₱5,191,696	₱4,219,587

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



21. Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					2020	2019
<u>Fixed rate medium term senior notes</u>						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	₱35,851,428	₱37,718,077
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	14,352,368	15,108,746
		USD1,050,000			50,203,796	52,826,823
<u>Fixed rate bonds</u>						
May 8, 2019	May 8, 2021	₱13,870,000	6.30%	Quarterly	13,852,539	13,788,255
					₱64,056,335	₱66,615,078

The fixed rate medium term senior notes are drawdowns from the Parent Company's Medium Term Note Programme (the MTN Programme), which was established on April 13, 2018 with an initial nominal size of US\$1.0 billion. On June 14, 2019, the Parent Company increased the size of its MTN Programme to US\$2.0 billion. Both issued fixed rate medium term senior notes are listed in the Singapore Exchange Securities Trading Limited.

The fixed rate bonds represent the Parent Company's maiden issuance of Philippine peso-denominated bonds in Philippine Dealing & Exchange Corp.

As of December 31, 2020 and 2019, the unamortized transaction costs of bonds payable amounted to ₱252.2 million and ₱421.7 million, respectively. In 2020 and 2019, amortization of transaction costs amounting to ₱169.5 million and ₱98.5 million, were charged to 'Interest expense on bonds payable' in the statements of income.

22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Financial				
Accounts payable	₱5,789,144	₱9,526,347	₱5,472,811	₱8,125,229
Bills purchased - contra (Note 10)	1,548,226	1,348,148	1,548,226	1,348,148
Manager's checks and demand drafts outstanding	1,302,745	1,393,535	1,302,745	1,332,285
Dormant credits	1,258,502	1,100,311	1,230,991	972,082
Deposits on lease contracts	878,193	833,853	104,363	103,127
Due to other banks (Note 33)	537,116	538,612	69,484	99,776
Accounts payable - electronic money	448,794	454,833	448,794	454,833
Margin deposits and cash letters of credit	329,432	224,873	267,564	208,027
Payment order payable	263,959	333,909	263,959	329,699
Transmission liability	24,468	19,225	—	—
Deposit for keys on safety deposit boxes	16,861	16,473	16,861	16,445
Insurance contract liabilities	—	5,745,820	—	—
Commission payable	—	75,467	—	—
	12,397,440	21,611,406	10,725,798	12,989,651

(Forward)



	Consolidated		Parent Company	
	2020	2019	2020	2019
Nonfinancial				
Retirement benefit liability (Note 28)	₱1,213,888	₱804,733	₱1,205,212	₱803,653
Due to Treasurer of the Philippines	675,835	681,835	675,835	681,343
Deferred revenue - Bancassurance (Note 12)	646,874	720,074	646,874	720,074
Deferred revenue - Credit card-related	489,711	468,238	489,711	468,238
Withholding tax payable	265,884	385,294	262,793	350,389
Provisions (Note 34)	979,067	969,106	979,067	969,106
Deferred tax liabilities (Note 30)	161,152	165,851	—	—
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	37,627	35,939	37,359	35,129
Reserve for unearned premiums	—	1,470,274	—	—
Miscellaneous	1,006,350	1,810,703	524,245	841,352
	5,476,388	7,512,047	4,821,096	4,869,284
	₱17,873,828	₱29,123,453	₱15,546,894	₱17,858,935

‘Deferred revenue - Bancassurance’ pertains to the allocated portion of the consideration received for the disposal of APLII related to the EDR (Note 12). In 2020 and 2019, amortization of other deferred revenue amounting to ₱73.2 million were recognized under ‘Service fees and commission income’ (Note 26).

‘Deferred revenue - Credit card-related’ includes portion of fee allocated to the loyalty points, deferred by the Group and recognized as revenue when the points are redeemed or have expired.

‘Miscellaneous’ include interoffice floats, remittance-related payables, overages, advance rentals and sundry credits.

23. Derivative Financial Instruments

The tables below show the fair values of the derivative financial instruments entered into by the Group and the Parent Company, recorded as ‘Financial assets at FVTPL’ (Note 9) or ‘Financial liabilities at FVTPL’ (Note 18), together with the notional amounts.

The notional amount is the amount of a derivative’s underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2020 and 2019 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated		Average Forward Rate*	Notional Amount*
	Assets	Liabilities		
Currency forwards and spots:				
BUY:				
USD	₱3,819	₱556,154	48.02	3,088,554
AUD	2,373	—	0.76	68,028
EUR	11	30	1.22	8,216
GBP	—	186	1.35	800
HKD	163	—	0.13	1,584,875
PHP	123	—	1.00	2,401,273
SELL:				
USD	212,405	120	48.02	877,320
AUD	—	200	0.76	400
CAD	91	84	0.78	9,461
EUR	—	3,823	1.22	16,700
GBP	1,163	—	1.35	2,500
(Forward)				



Consolidated				
2020				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
HKD	₱19	₱51	0.13	726,829
JPY	12	665	0.01	1,170,000
NZD	63	—	0.71	350
PHP	3	23	1.00	7,023
SGD	—	440	0.75	708
Interest rate swaps	150,408	139,463		
	₱370,653	₱701,239		

Consolidated				
2019				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱23,951	₱179,106	50.64	1,042,766
CNY	39	—	0.14	2,000
EUR	39	2,114	1.11	11,173
GBP	278	—	1.31	1,700
JPY	2	—	0.01	666
SGD	3	—	0.74	23,394
SELL:				
USD	280,652	8,432	50.64	1,677,221
AUD	—	27	0.70	100
CAD	—	809	0.77	1,500
EUR	4,613	51	1.11	28,691
GBP	176	211	1.31	5,150
HKD	—	7,010	0.13	399,627
JPY	2,869	66	0.01	1,152,909
PHP	—	106	1.00	30,000
Interest rate swaps	60,418	47,687		
	₱373,040	₱245,619		

Parent Company				
2020				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱1,272	₱556,153	48.02	1,433,304
EUR	—	30	1.22	254
GBP	—	186	1.35	800
PHP	123	—	1.00	2,401,273
Currency forwards and spots:				
SELL:				
USD	212,405	37	48.02	860,806
AUD	—	200	0.76	400
CAD	91	—	0.78	1,500
EUR	—	3,823	1.22	16,700
GBP	1,163	—	1.35	2,500
HKD	19	—	0.13	6,500
JPY	12	665	0.01	1,170,000
NZD	63	—	0.71	350
PHP	3	23	1.00	7,023
SGD	—	440	0.75	708
Interest rate swaps	150,407	139,245		
	₱365,558	₱700,802		

Parent Company				
2019				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱23,934	₱179,105	50.64	1,018,425
CNY	39	—	0.14	2,000
EUR	27	2,114	1.11	10,850
GBP	278	—	1.31	1,700
(Forward)				



Parent Company				
2019				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
SELL:				
USD	₱280,652	₱1,619	50.64	1,283,875
AUD	—	27	0.70	100
CAD	—	809	0.77	1,500
EUR	4,613	36	1.11	27,500
GBP	176	211	1.31	5,150
HKD	—	278	0.13	8,000
JPY	2,869	—	0.01	1,150,000
PHP	—	106	1.00	30,000
Interest rate swaps	60,418	47,687		
	₱373,006	₱231,992		

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

The rollforward analysis of net derivative assets in 2020 and 2019 follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Balance at the beginning of the year:				
Derivative assets	₱373,040	₱574,629	₱373,006	₱572,864
Derivative liabilities	245,619	470,649	231,992	468,279
	127,421	103,980	141,014	104,585
Changes in fair value				
Currency forwards and spots*	(459,964)	(663,118)	(477,566)	(663,118)
Interest rate swaps and warrants**	(2,532)	(3,733)	(2,532)	(3,733)
	(462,496)	(666,851)	(480,098)	(666,851)
Net availments (settlements)	4,489	690,292	3,840	703,280
Balance at end of year:				
Derivative assets	370,653	373,040	365,558	373,006
Derivative liabilities	701,239	245,619	700,802	231,992
	(₱330,586)	₱127,421	(₱335,244)	₱141,014

* Presented as part of 'Foreign exchange gains - net'

** Recorded under 'Trading and investment securities gains - net' (Note 9)

24. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2020			2019		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱25,135,724	₱—	₱25,135,724	₱30,500,927	₱—	₱30,500,927
Due from BSP	202,129,356	—	202,129,356	105,981,801	—	105,981,801
Due from other banks	19,743,198	—	19,743,198	17,761,502	—	17,761,502
Interbank loans receivable (Note 8)	39,703,864	—	39,703,864	23,344,062	1,494,473	24,838,535
Securities held under agreements to resell (Note 8)	15,819,273	—	15,819,273	2,519,676	—	2,519,676
Financial assets at FVTPL (Note 9)	23,825,708	—	23,825,708	13,468,985	—	13,468,985
Financial assets at FVOCI (Note 9)	57,356,398	76,358,954	133,715,352	16,448,728	106,692,112	123,140,840
Investment securities at amortized cost (Note 9)	39,947,435	59,270,956	99,218,391	28,981,027	75,268,926	104,249,953
Loans and receivables (Note 10)	222,441,041	410,735,105	633,176,146	263,166,643	412,967,255	676,133,898
Other assets (Note 15)	85,689	14,220	99,909	420,846	54,930	475,776
	646,187,686	546,379,235	1,192,566,921	502,594,197	596,477,696	1,099,071,893

(Forward)



	Consolidated					
	2020			2019		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Nonfinancial Assets						
Property and equipment (Note 11)	₱–	₱32,251,646	₱32,251,646	₱–	₱31,660,286	₱31,660,286
Investment in an associate (Note 12)	–	2,310,410	2,310,410	–	2,605,473	2,605,473
Investment properties (Note 13)	–	19,195,106	19,195,106	–	19,226,364	19,226,364
Deferred tax assets (Note 30)	–	9,036,908	9,036,908	–	2,580,809	2,580,809
Goodwill (Note 14)	–	13,375,407	13,375,407	–	13,375,407	13,375,407
Intangible assets (Note 14)	–	6,424,135	6,424,135	–	6,208,501	6,208,501
Residual value of leased assets (Note 10)	374,959	323,020	697,979	304,898	349,380	654,278
Other assets (Note 15)	5,408,127	1,870,770	7,278,897	5,821,416	2,846,454	8,667,870
	5,783,086	84,787,402	90,570,488	6,126,314	78,852,674	84,978,988
Assets of a disposal group classified as held for sale (Note 36)	7,945,945	–	7,945,945	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			41,202,984			26,538,007
Unearned and other deferred income (Note 10)			1,464,726			451,191
Accumulated depreciation and amortization (Notes 11, 13 and 14)			17,281,845			14,771,072
			₱1,231,133,799			₱1,142,290,611
Financial Liabilities						
Deposit liabilities (Note 17)	₱831,907,680	₱58,380,209	₱890,287,889	₱779,949,597	₱46,095,883	₱826,045,480
Financial liabilities at FVTPL (Note 18)	561,995	139,244	701,239	210,265	35,354	245,619
Bills and acceptances payable (Note 19)	84,924,978	2,234,472	87,159,450	51,821,601	4,141,689	55,963,290
Accrued interest payable (Note 20)	778,428	130,007	908,435	1,803,453	140,754	1,944,207
Accrued other expenses payable (Note 20)	1,030,988	643,410	1,674,398	1,035,769	134,098	1,169,867
Bonds payable (Note 31)	13,852,538	50,203,797	64,056,335	–	66,615,078	66,615,078
Other liabilities (Note 22)	10,519,523	1,877,917	12,397,440	19,940,541	1,608,024	21,548,565
	943,576,130	113,609,056	1,057,185,186	854,761,226	118,770,880	973,532,106
Nonfinancial Liabilities						
Lease liabilities (Note 29)	552,617	813,399	1,366,016	559,960	1,246,449	1,806,409
Accrued taxes and other expenses (Note 20)	593,042	3,273,151	3,866,193	596,279	3,229,373	3,825,652
Income tax payable	903,044	–	903,044	576,156	–	576,156
Other liabilities (Note 22)	1,827,690	3,648,698	5,476,388	5,201,424	2,373,464	7,574,888
	3,876,393	7,735,248	11,611,641	6,933,819	6,849,286	13,783,105
Liabilities of a disposal group classified as held for sale (Note 36)	6,353,964	–	6,353,964	–	–	–
	₱953,806,487	₱121,344,304	₱1,075,150,791	₱861,695,045	₱125,620,166	₱987,315,211
	Parent Company					
	2020			2019		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱25,038,434	₱–	₱25,038,434	₱29,642,159	₱–	₱29,642,159
Due from BSP	202,129,356	–	202,129,356	101,801,597	–	101,801,597
Due from other banks	12,141,599	–	12,141,599	10,838,465	–	10,838,465
Interbank loans receivable (Note 8)	37,861,553	–	37,861,553	22,309,839	1,494,473	23,804,312
Securities held under agreements to resell (Note 8)	15,819,273	–	15,819,273	1,149,984	–	1,149,984
Financial assets at FVTPL (Note 9)	21,947,640	–	21,947,640	11,169,656	–	11,169,656
Financial assets at FVOCI (Note 9)	58,640,049	74,623,709	133,263,758	16,018,940	102,877,624	118,896,564
Investment securities at amortized cost (Note 9)	40,524,889	58,573,151	99,098,040	24,830,301	78,101,851	102,932,152
Loans and receivables (Note 10)	217,224,095	402,310,575	619,534,670	257,541,945	344,363,206	601,905,151
Other assets (Note 15)	85,746	527	86,273	72,808	500	73,308
	631,412,634	535,507,962	1,166,920,596	475,375,694	526,837,654	1,002,213,348
Nonfinancial Assets						
Property and equipment (Note 11)	–	29,652,288	29,652,288	–	28,230,217	28,230,217
Investment in subsidiaries and an associate (Note 12)	–	27,105,550	27,105,550	–	28,430,358	28,430,358
Investment properties (Note 13)	–	18,538,021	18,538,021	–	18,822,796	18,822,796
Deferred tax assets (Note 30)	–	8,522,411	8,522,411	–	1,985,597	1,985,597

(Forward)



	Parent Company					
	2020			2019		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Goodwill (Note 14)	₱—	₱13,515,765	₱13,515,765	₱—	₱13,515,765	₱13,515,765
Intangible assets (Note 14)	—	7,457,263	7,457,263	—	7,175,852	7,175,852
Other assets (Note 15)	4,199,440	1,702,234	5,901,674	4,071,106	2,236,701	6,307,807
	4,199,440	106,493,532	110,692,972	4,071,106	100,397,286	104,468,392
Assets of a disposal group classified as held for sale (Note 36)	1,136,418	—	1,136,418	—	—	—
Less: Allowance for impairment and credit losses (Note 16)			40,277,667			22,323,501
Unearned and other deferred income (Note 10)			1,132,928			366,471
Accumulated amortization and depreciation (Notes 11, 13 and 14)			17,137,714			14,786,546
			₱1,220,201,677			₱1,069,205,222
Financial Liabilities						
Deposit liabilities (Note 17)	₱835,750,531	₱57,797,513	₱893,548,044	₱736,882,795	₱38,959,204	₱775,841,999
Financial liabilities at FVTPL (Note 18)	561,558	139,244	700,802	196,638	35,354	231,992
Bills and acceptances payable (Note 19)	83,135,081	1,682,279	84,817,360	44,886,841	3,537,176	48,424,017
Accrued interest payable (Note 20)	754,310	129,010	883,320	1,699,457	139,050	1,838,507
Accrued other expenses payable (Note 20)	1,000,126	643,410	1,643,536	897,043	134,098	1,031,141
Bonds payable (Note 31)	13,852,538	50,203,797	64,056,335	—	66,615,078	66,615,078
Other liabilities (Note 22)	9,240,263	1,485,536	10,725,799	11,914,442	1,075,209	12,989,651
	944,294,407	112,080,789	1,056,375,196	796,477,216	110,495,169	906,972,385
Nonfinancial Liabilities						
Lease liabilities (Note 29)	478,204	892,002	1,370,206	492,749	1,140,334	1,633,083
Accrued taxes and other expenses (Note 20)	286,989	3,261,171	3,548,160	380,712	2,807,734	3,188,446
Income tax payable	842,038	—	842,038	472,378	—	472,378
Other liabilities (Note 22)	1,314,107	3,506,989	4,821,096	2,663,244	2,206,040	4,869,284
	2,921,338	7,660,162	10,581,500	4,009,083	6,154,108	10,163,191
	₱947,215,745	₱119,740,951	₱1,066,956,696	₱800,486,299	₱116,649,277	₱917,135,576

25. Equity

Capital Stock

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

	2020		2019	
	Shares	Amount	Shares	Amount
Common - ₱40 par value				
Authorized	1,750,000,001	₱70,000,000	1,750,000,001	₱70,000,000
Issued and outstanding				
Balance at beginning of the year	1,525,764,850	₱61,030,594	1,249,139,678	₱49,965,587
Issuance of stock	—	—	276,625,172	11,065,007
Balance at end of the year	1,525,764,850	₱61,030,594	1,525,764,850	₱61,030,594

The history of share issuances of the Parent Company since its initial public offering follows:

Date	Type of issuance	Number of common shares	Par value	Offer price
July 2019	Stock rights	276,625,172	₱40.00	₱43.38
February 2014	Stock rights	162,931,262	40.00	71.00
February 2013	Share-for-share swap with ABC common and preferred shares *	423,962,500	40.00	97.90
September 2000	Pre-emptive stock rights	71,850,215	100.00	60.00
September 1999	Stock rights	68,740,086	100.00	137.80
December 1995	Third public offering	7,200,000	100.00	260.00
April 1992	Second public offering	8,033,140	100.00	265.00
June 1989	Initial public offering	10,800,000	100.00	100.00



In January 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001

The Parent Company's shares are listed in the PSE. As of December 31, 2020 and 2019, the Parent Company had 36,394 and 36,471 stockholders, respectively.

On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (the Offer) of 276,625,172 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. The Rights Shares were offered to all eligible shareholders of the Parent Company from July 3 to 12, 2019 at the proportion of one Rights Share for every 4.516 existing common shares as of the record date of June 21, 2019. The Parent Company incurred transaction costs of ₱312.5 million, of which ₱159.7 million was deducted against 'Capital paid in excess of par value'. Out of the ₱159.7 million transaction costs, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers of the Offer, was eliminated in the consolidated financial statements.

Surplus

The computation of surplus available for dividend declaration in accordance with the Philippine Securities and Exchange Commission (SEC) Memorandum Circular No. 11-2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2020 and 2019, surplus amounting to ₱9.6 billion, representing the balances of the following equity items that have been applied to eliminate the Parent Company's deficit through quasi-reorganizations in 2002 and 2000, is not available for dividend declaration without prior approval from the Philippine SEC and the BSP:

Revaluation increment on land and buildings	₱7,691,808
Accumulated translation adjustment	1,315,685
Accumulated equity in net earnings of investees	563,048
	<u>₱9,570,541</u>

Surplus Reserves

This account consists of:

	2020	2019
Reserves under BSP Circular 1011	₱4,369,668	₱—
Reserves for trust business (Note 32)	582,429	562,018
Reserves for self-insurance	80,000	80,000
	<u>₱5,032,097</u>	<u>₱642,018</u>

'Reserves under BSP Circular 1011' represents the appropriation for the excess of 1% general loan loss provisions over the computed ECL for Stage 1 accounts in accordance with BSP Circular 1011, *Guidelines on the Adoption of PFRS 9*.

'Reserves for self-insurance' represents the amount set aside to cover losses due to fire or defalcation by, and other unlawful acts of, the Parent Company's personnel or third parties.

Accumulated Translation Adjustment

As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent



Company's remaining deficit of ₱1.3 billion, including ₱0.6 billion accumulated equity in net earnings as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion.

The SEC approval is subject to the following conditions:

- remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC;
- for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

Other Equity Reserves

On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock. The acquisition and distribution of the estimated 3.0 million shares shall be done over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. Grant date is April 27, 2017 when the fair value of the centennial bonus shares is ₱65.20. In 2020, 2019 and 2018, the Parent Company awarded 316 thousand, 277 thousand and 343 million, respectively, centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱6.4 million, ₱18.4 million and ₱16.3 million, respectively.

Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Parent Company and its financial allied subsidiaries are subject to the regulatory requirements of the BSP. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods.

The Group has a nonlife insurance business, through PNB Gen, which is subject to the regulatory requirements of the Insurance Commission (IC).

The Group has complied with all externally imposed capital requirements throughout the year.

BSP reporting for capital management

Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on RAP, which differ from PFRS in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR), expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% at all times for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment



of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2020 and 2019, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

Consolidated	2020		2019	
	Actual	Required	Actual	Required
CET1 Capital (Gross)	₱144,298		₱146,808	
Less: Regulatory Adjustments to CET 1	28,838		22,303	
CET1 Capital (Net)	115,460		124,505	
Add: Additional Tier 1 Capital (AT1)	—		—	
Tier 1 Capital	115,460		124,505	
Add: Tier 2 Capital	5,377		6,183	
Total qualifying capital	₱120,837	₱80,581	₱130,688	₱88,306
Total risk-weighted assets	₱798,170		₱883,055	
Tier 1 capital ratio	14.47%		14.10%	
Total capital ratio	15.14%		14.80%	

Parent Company	2020		2019	
	Actual	Required	Actual	Required
CET1 Capital (Gross)	₱142,235		₱144,654	
Less: Regulatory Adjustments to CET 1	42,732		47,960	
CET1 Capital (Net)	99,503		96,694	
Add: AT1	—		—	
Tier 1 Capital	99,503		96,694	
Add: Tier 2 Capital	5,236		5,564	
Total qualifying capital	₱104,739	₱78,674	₱102,258	₱79,695
Total risk-weighted assets	₱779,103		₱796,949	
Tier 1 capital ratio	12.77%		12.13%	
Total capital ratio	13.44%		12.83%	

The Group considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital.

In line with its ICAAP document, the Parent Company maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.



As of December 31, 2020 and 2019, BLR reported to the BSP is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2020	2019	2020	2019
Tier 1 capital	₱119,279	₱124,505	₱103,321	₱96,694
Total exposure measure	1,244,747	1,161,264	1,226,577	1,070,585
BLR	9.58%	10.72%	8.42%	9.03%

BLR is computed based on RAP.

IC reporting for capital management

Under the requirements of the IC and the Insurance Code, PNB Gen should meet the minimum levels set for the following capital requirements:

- minimum statutory net worth of ₱900.0 million by December 31, 2019 and ₱1.3 billion by December 31, 2022;
- risk-based capital (RBC) ratio of 100.00%.

The RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC shall include the aggregate of Tier 1 capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis and additional Tier 2 less certain deductions, subject to applicable limits and determinations. The RBC requirement is the required capital to cover the insurance risks computed using the IC-prescribed regulations.

As of December 31, 2020 and 2019, PNB Gen has an estimated statutory net worth amounting to ₱1,036.2 million and ₱960.6 million, respectively. PNB Gen's RBC ratio as of December 31, 2020 and 2019 is 307.0% and 248.4%, respectively.

26. Other Operating Income

Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	2020	2019	2018
Continuing operations:						
Loan-related	₱1,072,459	₱1,042,011	₱612,058	₱1,124,608	₱647,215	₱604,790
Deposit-related	1,058,033	1,120,069	1,075,496	1,054,359	1,101,249	930,563
Remittance	646,494	714,330	766,652	340,364	373,330	401,223
Credit card-related	622,302	456,176	407,013	622,302	456,176	407,013
Interchange fees	329,059	506,521	625,059	329,059	506,521	625,059
Trust fees (Note 32)	314,851	281,228	279,131	314,851	281,228	279,131
Underwriting fees	227,494	655,450	140,660	–	–	–
Bancassurance (Note 22)	206,686	188,263	208,653	206,686	188,263	208,653
Miscellaneous	207,194	204,992	136,970	142,290	123,707	67,831
	4,684,572	5,169,040	4,251,692	4,134,519	3,677,689	3,524,263
Discontinued operations:						
Miscellaneous (Note 36)	19,718	7,460	7,592	–	–	–
	₱4,704,290	₱5,176,500	₱4,259,284	₱4,134,519	₱3,677,689	₱3,524,263

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



‘Miscellaneous’ includes income from securities brokering activities and other fees and commission.

Net Gains on Sale or Exchange of Assets

This account consists of:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Net gains from sale of receivables	₱104,181	₱165,310	₱—	₱104,181	₱165,310	₱—
Net gains from foreclosure and repossession of investment properties	72,109	482,661	129,218	13,209	505,137	129,218
Net gains from sale of investment properties (Note 33)	11,775	48,599	5,703,523	11,806	6,218	5,683,516
Net gains (losses) from sale of property and equipment (Note 11)	7,777	(8,961)	28,402	1,297	1,023	28,402
Net gains from sale of other assets	—	3,016	—	—	8,753	—
	₱195,842	₱690,625	₱5,861,143	₱130,493	₱686,441	₱5,841,136

27. Miscellaneous Income and Expenses

Miscellaneous Income

This account consists of:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Rental income (Note 29)	₱680,332	₱731,817	₱541,822	₱383,733	₱466,451	₱357,953
Income from assets acquired	258,708	100,214	225,683	253,128	100,214	225,683
Recoveries	203,750	76,362	58,584	24,685	66,694	57,767
Dividends	46,136	89,528	55,906	45,811	60,046	54,520
Miscellaneous - Loan-related	29,224	79,409	114,063	29,224	79,409	114,063
Miscellaneous - Trade-related	17,055	23,588	30,110	17,055	23,588	30,110
Miscellaneous - Credit card-related	8,812	16,958	12,571	8,812	16,958	12,571
Referral fees	3,188	2,516	3,011	—	—	—
Others	241,353	344,090	383,689	144,304	163,462	249,208
	₱1,488,558	₱1,464,482	₱1,425,439	₱906,752	₱976,822	₱1,101,875

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

Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	2020	2019	2018
Continuing operations:						
Insurance	₱1,833,763	₱1,851,847	₱1,601,771	₱1,787,331	₱1,632,028	₱1,397,590
Secretarial, janitorial and messengerial	1,631,137	1,636,755	1,472,872	1,605,223	1,521,042	1,379,306
Loss on loan modifications	1,587,605	—	—	1,587,605	—	—
Information technology	1,448,623	811,574	561,597	1,431,600	796,016	542,478
Marketing expenses	738,387	1,137,757	1,170,997	732,788	1,117,113	1,032,695
Management and other professional fees	363,791	487,197	413,040	291,457	432,425	346,398
Travelling	289,766	373,145	324,220	282,758	345,626	297,506
Litigation and assets acquired expenses	248,302	326,588	490,732	243,489	290,775	473,660
Postage, telephone and cable	163,160	228,066	215,362	125,244	165,533	156,160
Entertainment, amusement and recreation (EAR) (Note 30)	147,421	166,089	131,260	137,152	153,999	119,713
Repairs and maintenance	62,161	73,601	75,235	62,161	73,601	75,235
Freight	30,973	41,811	28,093	29,428	38,003	25,350
Fuel and lubricants	14,157	18,671	19,425	10,931	12,677	11,541
Others (Notes 13 and 33)	455,665	529,519	448,921	310,807	275,821	267,702
	9,014,911	7,682,620	6,953,525	8,637,974	6,854,659	6,125,334

(Forward)



	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	2020	2019	2018
Discontinued operations (Note 36):						
Marketing expenses	₱7,237	₱3,486	₱7,343	₱–	₱–	₱–
Information technology	6,918	7,322	6,544	–	–	–
Secretarial, janitorial and messengerial	6,015	11,467	7,633	–	–	–
Postage, telephone and cable	3,232	3,108	2,936	–	–	–
EAR	2,575	888	853	–	–	–
Travelling	2,389	4,234	4,763	–	–	–
Fuel and lubricants	2,327	–	–	–	–	–
Management and other professional fees	1,763	1,298	2,231	–	–	–
Insurance	380	147	139	–	–	–
Others	10,703	17,960	13,506	–	–	–
	43,539	49,910	45,948	–	–	–
	₱9,058,450	₱7,732,530	₱6,999,473	₱8,637,974	₱6,854,659	₱6,125,334

‘Loss on loan modifications’ pertains to the adjustment for the changes in expected cash flows of credit exposures, as a result of modifications in the original terms and conditions of the loan which include, but not limited to, changes in interest rates, principal amount, maturity date, and payment terms. In 2020, the Group accommodated modifications in the terms and conditions of certain loans of borrowers, which have been directly impacted by the COVID-19 pandemic. The loss is computed as the difference between the gross carrying amount of the loan and the present value of the modified contractual cash flows, discounted at the original effective interest rate of the loan. Subsequent accretion to interest income in 2020 amounted to the ₱901.7 million.

‘Others’ include stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

28. Retirement Plan

The Parent Company and certain subsidiaries of the Group, have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Retirement benefit liability (included in ‘Other liabilities’)	₱1,213,888	₱804,733	₱1,205,212	₱803,653
Net plan assets (included in ‘Other assets - miscellaneous’)	7,538	5,003	–	–
	₱1,206,350	₱799,730	₱1,205,212	₱803,653

The Group’s annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability. The retirement plan provides each eligible employer with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

As of December 31, 2020 and 2019, the Parent Company has two separate regular retirement plans for its employees. In addition, the Parent Company provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).



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

Consolidated														
2020														
Net benefit costs *						Remeasurements in other comprehensive income							Effect of disposal group classified as held for sale (Note 36)	December 31, 2020
						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			
	January 1, 2020	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid								
Present value of pension obligation	¥8,165,350	¥535,165	¥25,454	¥369,524	¥930,143	(¥486,637)	¥–	¥–	(¥20,328)	¥612,674	¥592,346	¥–	(¥62,899)	¥9,138,303
Fair value of plan assets	7,365,620	–	–	317,891	317,891	(486,637)	(110,671)	–	–	–	(110,671)	894,487	(48,737)	7,931,953
	¥799,730	¥535,165	¥25,454	¥51,633	¥612,252	¥–	¥110,671	¥–	(¥20,328)	¥612,674	¥703,017	(¥894,487)	(¥14,162)	¥1,206,350

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

Consolidated													
2019													
Net benefit costs *						Remeasurements in other comprehensive income							
						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	
January 1, 2019	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid								
Present value of pension obligation	¥6,685,101	¥476,653	¥3,774	¥482,414	¥962,841	(¥369,733)	¥–	¥–	¥71,802	¥815,339	¥887,141	¥–	¥8,165,350
Fair value of plan assets	5,537,780	–	–	400,507	400,507	(369,733)	124,228	–	–	–	124,228	1,672,838	7,365,620
	¥1,147,321	¥476,653	¥3,774	¥81,907	¥562,334	¥–	(¥124,228)	¥–	¥71,802	¥815,339	¥762,913	(¥1,672,838)	¥799,730

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



Parent Company														
2020														
	Net benefit costs *					Remeasurements in other comprehensive income						Transfer of retirement obligation from PNBSB (Note 12)	December 31, 2020	
	January 1, 2020	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from demographic assumptions	Actuarial changes arising from experience adjustments	Actuarial changes changes in financial assumptions	Subtotal			Contributions by employer
Present value of pension obligation	₱7,925,817	₱520,600	₱25,454	₱367,429	₱913,483	(₱475,059)	₱–	₱–	(₱16,388)	₱600,958	₱584,570	₱–	₱136,262	₱9,085,073
Fair value of plan assets	7,122,164	–	–	331,181	331,181	(475,059)	(109,109)	–	–	–	(109,109)	867,916	142,768	7,879,861
	₱803,653	₱520,600	₱25,454	₱36,248	₱582,302	₱–	₱109,109	₱–	(₱16,388)	₱600,958	₱693,679	(₱867,916)	(₱6,506)	₱1,205,212

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

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

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



The latest actuarial valuations for these retirement plans were made as of December 31, 2020. The following table shows the actuarial assumptions as of December 31, 2020 and 2019 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
			Regular Plans		EIP	
	2020	2019	2020	2019	2020	2019
Discount rate	3.40% - 3.75%	4.65% - 5.09%	3.40%	4.65%	3.40%	4.65%
Salary rate increase	3.00% - 10.00%	4.00% - 8.00%	5.00%	5.00%	-	-

The Group and the Parent Company expect to contribute ₱1,411.4 million and ₱1,396.2 million, respectively, to the defined benefit plans in 2021. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2020 is 16 years and 13 years, respectively.

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

	Consolidated		Parent Company	
	2020	2019	2020	2019
Less than one year	₱1,549,180	₱1,334,360	₱1,546,110	₱1,325,247
More than one year to five years	4,637,731	4,948,248	4,634,889	4,888,126
More than five years to 10 years	4,152,389	4,103,971	4,108,665	3,927,916
More than 10 years to 15 years	3,169,138	2,426,245	3,080,995	2,092,890
More than 15 years	7,635,988	7,030,900	7,391,744	4,974,489

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

	Consolidated		Parent Company	
	2020	2019	2020	2019
Cash and cash equivalents	₱3,875,381	₱2,137,666	₱3,858,067	₱2,100,971
Equity investments				
Financial institutions (Note 33)	256,337	311,446	250,215	305,036
Electricity, gas and water	287,045	550,964	287,045	550,964
Real estate, renting and business activities	382,376	377,240	382,376	377,240
Others	175,535	76,032	157,938	59,245
Debt investment				
Private debt securities	780,316	1,513,726	774,499	1,505,272
Government securities	1,306,438	1,344,608	1,302,813	1,329,390
Investment in UITFs	584,193	699,511	582,674	556,816
Loans and receivables	208,084	313,024	208,084	313,024
Interest and other receivables	86,070	45,974	85,881	28,643
	7,941,775	7,370,191	7,889,592	7,126,601
Accrued expenses	(9,822)	(4,571)	(9,731)	(4,437)
	₱7,931,953	₱7,365,620	₱7,879,861	₱7,122,164

All equity and debt investments held including investments in UITF have quoted prices in active markets. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2020 and 2019 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱250.2 million and ₱305.0 million, respectively.

The plan assets have diverse investments and do not have any concentration risk.



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2020			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(P576,279)	+1.00%	(P570,999)
	-1.00%	637,229	-1.00%	630,928
Salary increase rate	+1.00%	589,766	+1.00%	583,649
	-1.00%	(527,654)	-1.00%	(522,381)
Employee turnover rate	+10.00%	(181,668)	+10.00%	(182,321)
	-10.00%	181,668	-10.00%	182,321

	2019			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate*	+1.00%	(P343,444)	+1.00%	(P318,742)
	-1.00%	574,947	-1.00%	544,780
Salary increase rate*	+1.00%	518,885	+1.00%	489,098
	-1.00%	(472,861)	-1.00%	(447,910)
Employee turnover rate*	+10.00%	(51,084)	+10.00%	(54,224)
	-10.00%	51,084	-10.00%	54,224

*Restated to exclude PNB Gen

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

The Group and the Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

29. Leases

Group as Lessee

The Group has entered into commercial leases for its branch sites, ATM offsite location and other equipment. These non-cancellable leases have lease terms of 1 to 25 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group ROU



asset is composed of the Parent Company's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱580.6 million, ₱581.1 million and ₱844.6 million in 2020, 2019 and 2018, respectively, for the Group, of which ₱532.9 million, ₱454.1 million and ₱808.3 million in 2020, 2019, and 2018, respectively, pertain to the Parent Company. Rent expenses in 2020 and 2019 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2020 and 2019, the Group has no contingent rent payable.

As of December 31, 2020 and 2019, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Balance at beginning of year	₱1,806,409	₱1,859,717	₱1,633,083	₱1,642,529
Additions	104,330	456,644	127,578	426,885
Transfers	—	—	138,766	—
Interest expense (Note 19)	120,675	131,661	120,181	118,365
Payments	(664,156)	(641,613)	(649,402)	(554,696)
Effects of discontinued operations (Note 36)	(1,242)	—	—	—
	₱1,366,016	₱1,806,409	₱1,370,206	₱1,633,083

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Within one year	₱725,804	₱777,971	₱616,688	₱615,874
Beyond one year but not more than five years	1,215,693	1,492,322	1,065,827	1,245,792
More than five years	434,137	231,550	334,695	229,398
	₱2,375,634	₱2,501,843	₱2,017,210	₱2,091,064

Group as Lessor

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5% per year). In 2020, 2019 and 2018, total rent income (included under 'Miscellaneous income') amounted to ₱680.3 million, ₱731.8 million and ₱541.8 million, respectively, for the Group and ₱383.7 million, ₱466.5 million and ₱358.0 million, respectively, for the Parent Company (Note 27).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Within one year	₱164,223	₱511,055	₱162,021	₱171,630
Beyond one year but not more than five years	583,780	1,009,932	583,780	654,515
More than five years	156,770	248,374	156,770	248,374
	₱904,773	₱1,769,361	₱902,571	₱1,074,519



Finance Lease

Group as Lessor

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease (effective interest method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

The future minimum lease receivables under finance leases are disclosed under 'Loans and Receivables' in Note 10.

30. Income and Other Taxes

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for (benefit from) income tax' in the statements of income.

RCIT rate is 30.00% and interest allowed as a deductible expenses is reduced by 33.00% of interest income subjected to final tax. MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the Parent Company and certain subsidiaries are allowed to deduct NOLCO from taxable income for the next three years from the period of incurrence. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation No. 25-2020. FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.



Provision for (benefit from) income tax consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	2020	2019	2018
Continuing operations:						
Current						
Regular	₱3,283,241	₱1,653,473	₱2,888,800	₱3,186,427	₱1,367,233	₱2,610,768
Final	1,460,027	1,372,514	720,504	1,388,839	1,325,119	692,984
	4,743,268	3,025,987	3,609,304	4,575,266	2,692,352	3,303,752
Deferred	(6,541,506)	(573,680)	54,440	(6,520,787)	(605,888)	918
	(1,798,238)	2,452,307	3,663,744	(1,945,521)	2,086,464	3,304,670
Discontinued operations (Note 36):						
Current						
Regular	768	–	–	–	–	–
Final	20,418	18,897	14,298	–	–	–
	21,186	18,897	14,298	–	–	–
Deferred	(768)	(218)	9,063	–	–	–
	20,418	18,679	23,361	–	–	–
	(₱1,777,820)	₱2,470,986	₱3,687,105	(₱1,945,521)	₱2,086,464	₱3,304,670

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Deferred tax assets on:				
Allowance for impairment, credit and other losses	₱11,148,074	₱5,761,259	₱10,898,555	₱5,234,231
Retirement liability	838,990	514,936	798,947	514,901
Accumulated depreciation on investment properties and appraisal increment	729,869	745,362	726,928	709,277
Accrued expenses	580,572	484,529	580,572	484,529
Unearned interest and discount	152,211	–	152,211	–
Deferred revenues	130,213	234,397	130,213	234,397
Unrealized losses on financial assets at FVTPL and FVOCI	–	694	–	694
Others	311,540	82,596	–	–
	13,891,469	7,823,773	13,287,426	7,178,029
Deferred tax liabilities on:				
Revaluation increment on land and buildings ^{1/}	3,133,453	3,133,453	3,133,453	3,133,453
Fair value adjustment on investment properties	1,043,165	1,077,752	894,827	1,048,107
Fair value adjustments due to business combination	329,723	405,545	329,723	405,545
Gain on remeasurement of previously held interest	246,651	164,429	246,651	164,429
Unrealized foreign exchange gains	97,033	328,812	97,033	328,811
Unrealized gains on financial assets at FVTPL and FVOCI	56,931	78,637	56,931	78,637
Others	108,757	220,187	6,397	33,450
	5,015,713	5,408,815	4,765,015	5,192,432
	₱8,875,756	₱2,414,958	₱8,522,411	₱1,985,597

^{1/} Balance includes deferred tax liability amounting to ₱736.4 million acquired from business combination

As of December 31, 2020 and 2019, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million.



Benefit from deferred tax credited to OCI pertains to deferred tax on remeasurement losses on retirement plan amounting to nil and ₱4.4 million in 2020 and 2019, respectively, for the Group. Provision for deferred tax charged directly to OCI pertains to deferred tax on net unrealized gains on financial assets at FVOCI amounting to ₱15.8 million for the Group and the Parent Company in 2020, and ₱73.1 million for the Group and ₱72.4 million for the Parent Company in 2019.

Unrecognized deferred tax assets

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Retirement liability	₱1,205,212	₱803,653	₱1,205,212	₱803,653
Derivative liabilities	558,220	180,759	558,220	180,759
Unamortized past service cost	332,523	1,901,476	332,523	1,901,476
Lease liabilities	143,156	95,209	138,114	88,935
NOLCO	54,823	196,251	—	—
Allowance for impairment and credit losses	—	6,998,404	—	3,699,850
Provision for IBNR	—	111,097	—	—
Accrued expenses	—	58,711	—	—
Others	—	14,087	—	—
	₱2,293,934	₱10,359,647	₱2,234,069	₱6,674,673

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2014	₱108,799	₱60,636	₱48,163	Not applicable
2017	—	—	—	2020
2018	13,259	9,139	4,120	2021
2019	2,540	—	2,540	2022
	₱124,598	₱69,775	₱54,823	

The Group has net operating loss carryforwards for US federal tax purposes of USD8.5 million and USD8.8 million as of December 31, 2020 and 2019, respectively, and net operating loss carryforwards for California state tax purposes of USD5.4 million and USD5.7 million as of December 31, 2020 and 2019, respectively.

Unrecognized deferred tax liabilities

As of December 31, 2020, there was a deferred tax liability of ₱834.6 million (₱756.0 million in 2019) for temporary differences of ₱2.8 billion (₱2.5 billion in 2019) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Statutory income tax rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Tax effects of:						
Net unrecognized deferred tax assets	(844.28)	(7.68)	0.21	(635.63)	(8.98)	(1.06)
Non-deductible expenses	766.51	13.52	8.00	559.12	12.05	6.27
Tax-exempt income	(83.86)	(6.43)	(3.56)	(65.28)	(4.94)	(3.69)
Tax-paid income	(61.90)	(7.05)	(2.61)	(47.66)	(7.23)	(2.36)
FCDU income before tax	(43.18)	(1.74)	(4.20)	(32.34)	(3.17)	(3.28)
Optional standard deduction	—	(0.42)	—	—	—	—
Effective income tax rate	(236.71%)	20.20%	27.84%	(191.79%)	17.73%	25.88%



The amount of EAR expenses deductible for tax purposes is limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in 'Miscellaneous expenses' in the statements of income) amounted to ₱147.4 million in 2020, ₱166.1 million in 2019, and ₱131.3 million in 2018 for the Group, and ₱137.2 million in 2020, ₱154.0 million in 2019, and ₱119.7 million in 2018 for the Parent Company (Note 27).

31. Earnings Per Share

Earnings per share attributable to equity holders of the Parent Company is computed as follows:

	2020	2019	2018
a) Net income attributable to equity holders of the Parent Company	₱2,614,653	₱9,681,480	₱9,465,022
b) Weighted average number of common shares for basic earnings per share (Note 25)	1,525,765	1,372,674	1,249,140
c) Basic/Diluted earnings per share (a/b)	₱1.71	₱7.05	₱7.58

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2020	2019	2018
a) Net income attributable to equity holders of the Parent Company from continuing operations	₱2,547,070	₱9,579,887	₱9,684,994
b) Weighted average number of common shares for basic earnings per share (Note 25)	1,525,765	1,372,674	1,249,140
c) Basic/Diluted earnings per share (a/b)	₱1.67	₱6.98	₱7.75

As of December 31, 2020 and 2019 and 2018, there are no potential common shares with dilutive effect on the basic earnings per share.

32. Trust Operations

Securities and other properties held by the Parent Company through its Trust Banking Group (TBG) in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱154.4 billion and ₱95.9 billion as of December 31, 2020 and 2019, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.9 billion and ₱1.0 billion (included under 'Investment securities at amortized cost') as of December 31, 2020 and 2019, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2020, 2019 and 2018 amounting to ₱314.9 million, ₱281.2 million and ₱279.1 million, respectively, is included under 'Service fees and commission income' (Note 26).



In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱20.4 million, ₱21.4 million and ₱23.0 million in 2020, 2019 and 2018, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital (Note 25).

33. Related Party Transactions

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

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

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

	2020		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		₱132,001	Peso-denominated savings deposits with annual rates ranging from 0.10 % to 0.125%
Interest expense	₱854		Interest expense on deposits
Net withdrawals	138,543		Net withdrawals during the period
Subsidiaries			
Receivables from customers		1,900,695	Term Loan maturing in 2021 with nominal interest rates ranging from 2.6% to 4.0%; includes domestic bills purchased.
Loan releases	5,504,833		
Loan collections	5,726,814		
Loan commitments		14,317,968	Omnibus line; credit line
Interbank loans receivable		19,240	Foreign currency-denominated interbank term loans with interest rates ranging from 0.57% to 1.00% and maturity terms ranging from 33 to 138 days with Allied Commercial Bank Xiamen
Availments	97,069		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.
Settlements	112,069		
Due from other banks		301,782	Interest accrual on receivables from customers and interbank loans receivable
Accrued interest receivable		1,579	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accounts receivable		25,836	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
Deposit liabilities		12,664,981	

(Forward)



2020			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Net deposits	₱12,610,166		Net withdrawals during the period
Bills payable		₱18,827	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates ranging from 0.5% and 0.8% and maturity terms ranging from 30 to 137 days.
Availments	95,968		
Settlements	111,199		
Due to other banks			Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		16,445	Accrued interest on deposit liabilities and bills payable
Rental deposit		8,799	Advance rental deposit received for 2 years and 3 months
Interest income	51,737		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	30,006		Interest expense on deposit liabilities and bills payable
Rental income	25,386		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	1,295		Management and other professional fees
Securities transactions			
Purchases	1,324,331		Outright purchase of securities
Sales	1,100,178		Outright sale of securities
Trading gain	19,792		Gain from sale of investment securities
Affiliates			
Receivables from customers		41,772,870	Partly secured by real estate and aircraft; With interest rates ranging from 2.2% to 9.7% with maturity terms ranging from 60 days to 12 years and payment terms of ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱9.6 billion
Loan releases	10,861,306		
Loan collections	20,348,918		
Loan commitments		42,236,141	Omnibus line; credit line
Financial assets at FVOCI		73,040	Common shares with acquisition cost of ₱100.00 per share
Sales contract receivable			– Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	323,758		
Accrued interest receivable		69,040	Accrued interest on receivables from customers
Rental deposits		30,535	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		21,056,712	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.50% and maturity terms ranging from 30 days to 365 days
Net deposits	5,918,653		Net withdrawals during the period
Bonds payable		72,035	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		5,565	Accrued interest payable from various deposits
Other liabilities			– Various manager's check related to EISP and premium insurance
Accrued other expenses		81,410	Accruals in relation to promotional expenses
Interest income	1,895,183		Interest income on receivables from customers
Interest expense	99,403		Interest expense on deposit liabilities
Miscellaneous expenses	67,743		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	2,100		Outright purchase of securities
Sales	37,500		Outright sale of securities

(Forward)



2020			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Associate			
Loan commitments		₱60,000	Pre-settlement risk line
Deposit liabilities		327,680	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Net withdrawals	₱739,178		– Accrued interest payable from various deposits
Accrued interest payable			
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		768,590	Unamortized portion of income related to the sale of APLII
Interest expense	372		Interest expense on deposit liabilities
Service fees and commission income	73,199		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		4,161	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	2,339		Settlement of loans and interest
Other equity reserves	435		Other employee benefit expense in relation to the grant of centennial bonus based on ₱20.30 per share

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

(Forward)



2019			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Bills payable		₱34,058	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates ranging from 0.5% and 0.8% and maturity terms ranging from 30 to 137 days.
Availments	₱216,490		
Settlements	220,277		
Due to other banks		31,385	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		212	Accrued interest on deposit liabilities and bills payable
Rental deposit		8,412	Advance rental deposit received for 2 years and 3 months
Interest income	135,383		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	53,653		Interest expense on deposit liabilities and bills payable
Rental income	53,653		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	1,970		Management and other professional fees
Securities transactions			
Purchases	7,221,360		Outright purchase of securities
Sales	383,472		Outright sale of securities
Trading gain	7,356		Gain from sale of investment securities
Affiliates			
Receivables from customers		51,260,482	Secured by real estate; With interest rates ranging from 2.75% to 9.72% with maturity terms ranging from 30 days to 10 years and payment terms of ranging from monthly to quarterly payments.
Loan releases	9,617,440		
Loan collections	6,662,009		
Loan commitments		25,235,370	Omnibus line; credit line
Financial assets at FVOCI		73,140	Common shares with acquisition cost of ₱100.00/share
Sales contract receivable		323,758	Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	4,495,927		
Accrued interest receivable		95,191	Accrued interest on receivables from customers
Rental deposits		30,535	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		15,138,059	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.75% and maturity terms ranging from 30 days to 365 days
Net withdrawals	916,094		Net withdrawals during the period
Bonds payable		75,953	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		25,989	Accrued interest payable from various deposits
Other liabilities		5	Various manager's check related to EISP and premium insurance
Accrued other expenses		318,155	Accruals in relation to promotional expenses
Interest income	1,255,819		Interest income on receivables from customers
Interest expense	246,104		Interest expense on deposit liabilities
Miscellaneous expenses	233,385		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	89,300		Outright purchase of securities
Sales	2,100		Outright sale of securities
Associate			
Deposit liabilities		1,066,858	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Accrued interest payable		31	Accrued interest payable from various deposits

(Forward)



Category	2019		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Rental deposits		₱27	Advance rental and security deposits received for three months
Deferred revenue		841,789	Unamortized portion of income related to the sale of APLII
Interest expense	₱1,523		Interest expense on deposit liabilities
Service fees and commission income	73,199		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		6,499	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	1,209		Settlement of loans and interest
Other equity reserves	77,652		Other employee benefit expense in relation to the grant of centennial bonus based on ₱70.0 per share

The related party transactions shall be settled in cash.

Outsourcing Agreement between the Parent Company and PNB GRF

The ‘Pangarap Loans’, which are all-purpose credit facilities fully secured by customer's deposits pledged with either PNB Hong Kong Branch or other PNB overseas branches, mainly comprise the consumer lending activity of PNB GRF. PNB GRF calls on the deposits when a Pangarap loan is in default and requests the Parent Bank to credit the peso collateral deposit to their settlement account maintained with the Parent Bank.

Financial Assets at FVTPL Traded through PNB Securities

As of December 31, 2020 and 2019, the Parent Company’s financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱835.3 million and ₱404.8 million, respectively. The Parent Company recognized trading losses amounting to ₱61.5 million in 2020, ₱7.2 million in 2019 and ₱8.4 million in 2018 from the trading transactions facilitated by PNB Securities.

Compensation of Key Management Personnel

The compensation of the key management personnel for the Group and Parent Company follows:

	2020	2019	2018
Short-term employee benefits	₱481,184	₱541,386	₱481,011
Post-employment benefits	55,308	45,996	60,554
	₱536,492	₱587,382	₱541,565

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2020 and 2019, total per diem given to the BOD amounted to ₱53.0 million and ₱45.5 million, respectively, recorded in ‘Miscellaneous expenses’ in the statements of income. Directors’ remuneration covers all BOD activities and membership of committees and subsidiary companies. In 2020 and 2019, key management personnel received Parent Company shares in relation to the centennial bonus distribution of 21,474 and 29,951, respectively.



Joint Arrangements

The Parent Company and Eton Properties Philippines, Inc. (EPPI) signed two joint venture Agreements (JVAs) for the development of two real estate properties of the Parent Company included under 'Other assets' and with carrying values of ₱1.2 billion at the time of signing. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the joint venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs.

In July 2016, the Parent Company executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

Outsourcing Agreement between the Parent Company and PNBSB

Prior to integration, the Parent Company and PNBSB entered into a servicing agreement pertaining to the purchased loan portfolio. The agreement was valid and binding until terminated by the either party if so required by the BSP or upon a 60-day prior written notice to the other party. The Parent Company charged PNBSB with the amount it charged to its customers. Service charges pertain to outsourced services rendered by the Parent Company, including legal and information technology services. These were payable on a monthly basis.

Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by its TBG. The fair values and carrying values of the funds of the Group amounted to ₱7.9 billion and ₱7.4 billion as of December 31, 2020 and 2019, respectively and the fair values of the funds of the Parent Company amounted to ₱7.9 billion and ₱7.1 billion as of December 31, 2020 and 2019, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Deposits with PNB	₱828,287	₱563,314	₱824,334	₱563,314
Investment in UITFs	760,818	556,816	582,674	556,816
Investment in PNB Shares	250,215	305,036	250,215	305,036
Investment in PNB Bonds	141,020	142,724	—	142,724
Total Fund Assets	₱1,980,340	₱1,567,890	₱1,657,223	₱1,567,890
Unrealized gain on PNB shares	₱72,941	(₱73,992)	₱72,941	(₱73,992)
Unrealized loss on PNB Bonds	(1,704)	—	—	—
Interest income	15,403	7,454	15,401	7,454
	86,640	(66,538)	88,342	(66,538)
Trust fees	(8,518)	(7,468)	(8,473)	(7,468)
Fund gain/(loss)	₱78,122	(₱74,006)	₱79,869	(₱74,006)

As of December 31, 2020 and 2019, the retirement fund of the Group and the Parent Company includes 8,525,218 and 8,841,622 PNB shares, respectively, classified as financial assets FVTPL. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's EIP.



34. Provisions, Contingent Liabilities and Other Commitments

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

In 2020, the Group and the Parent Company's outstanding provisions for legal claims amounted to P0.6 billion as of December 31, 2020 and 2019.

There were no significant settlements made in 2020 and 2019.

Tax Assessment

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

35. Offsetting of Financial Assets and Liabilities

The Group is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

Consolidated

2020						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	P58,317,718	(P57,947,065)	P370,653	(P58,699)	P-	P311,954
Securities held under agreements to resell (Note 8)	15,819,273	-	15,819,273	-	(16,499,434)	-
Total	P74,136,991	(P57,947,065)	P16,189,926	(P58,699)	(P16,499,434)	P311,954
2019						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	P74,965,186	(P74,592,146)	P373,040	(P45,891)	P-	P327,149
Securities held under agreements to resell (Note 8)	2,517,764	-	2,517,764	-	(2,517,745)	19
Total	P77,482,950	(P74,592,146)	P2,890,804	(P45,891)	(P2,517,745)	P327,168



2020						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,641,080	(₱64,939,841)	₱701,239	(₱85,540)	₱-	₱615,699
Securities sold under agreements to repurchase (Notes 9 and 19)*	69,906,979	-	69,906,979	-	(72,585,497)	-
Total	₱ 135,548,059	(₱64,939,841)	₱70,608,218	(₱85,540)	(₱72,585,497)	₱615,699

2019						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱60,131,350	(₱59,885,731)	₱245,619	(₱155,245)	₱-	₱90,374
Securities sold under agreements to repurchase (Notes 9 and 19)*	29,042,805	-	29,042,805	-	(29,655,404)	-
Total	₱89,174,155	(₱59,885,731)	₱29,288,424	(₱155,245)	(₱29,655,404)	₱90,374

* Included in bills and acceptances payable in the statements of financial position

Parent Company

2020						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱58,312,623	(₱57,947,065)	₱365,558	(₱59,136)	₱-	₱306,422
Securities held under agreements to resell (Notes 8 and 19)	15,819,273	-	15,819,273	-	(16,499,434)	-
Total	₱74,131,896	(₱57,947,065)	₱16,184,831	(₱59,136)	(₱16,499,434)	₱306,422

2019						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	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



2020						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,640,643	(₱64,939,841)	₱700,802	(₱85,977)	₱	₱614,825
Securities sold under agreements to repurchase (Notes 9 and 19)*	69,906,979	—	69,906,979	—	(72,585,497)	—
Total	₱135,547,622	(₱64,939,841)	₱70,607,781	(₱85,977)	(₱72,585,497)	₱614,825

2019						
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	₱60,117,063	(₱59,885,071)	₱231,992	(₱144,586)	₱	₱87,406
Securities sold under agreements to repurchase (Notes 9 and 19)*	29,042,805	—	29,042,805	—	(29,655,404)	—
Total	₱89,159,868	(₱59,885,071)	₱29,274,797	(₱144,586)	(₱29,655,404)	₱87,406

* Included in bills and acceptances payable in the statements of financial position

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

36. Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operations

As discussed in Note 12, on various dates in 2020, the respective BODs of the Parent Company and PNB Holdings approved the sale of all their holdings in PNB Gen for cash. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position.

The business of PNB Gen represented the entirety of the Group's non-life insurance business. PNB Gen was previously presented in the 'Others' section of the business segment disclosure. With PNB Gen being classified as a discontinued operation in 2020, the comparative consolidated statements of incomes and comprehensive income and cash flows in 2019 and 2018 have been re-presented to show the discontinued operations separately from the continuing operations.



The results of operation of PNB Gen are presented below:

	2020	2019	2018
Interest Income on			
Loans and receivables	₱202	₱275	₱355
Investment securities at amortized cost and FVOCI (Note 9)	81,734	67,708	60,477
Deposits with banks and others	5,087	17,453	1,994
	87,023	85,436	62,826
Interest Expense on			
Lease liabilities (Note 19)	2,698	128	—
Net Interest Income	84,325	85,308	62,826
Net Service Fees and Commission Income			
(Note 26)	19,718	7,460	7,592
Net insurance premium	955,640	1,151,704	1,228,794
Net insurance benefits and claims	716,820	909,974	1,292,949
Net Insurance Premium (Benefits and Claims)	238,820	241,730	(64,155)
Other Income			
Trading and investment securities gains (losses) - net (Note 9)	9,123	94	(4,176)
Foreign exchange gains (losses) - net	(2,878)	15	15,921
Total Operating Income	349,108	334,607	18,008
Operating Expenses			
Compensation and fringe benefits	152,265	133,896	130,241
Provision for (reversal of) credit losses (Note 16)	29,781	(324)	12,635
Depreciation and amortization (Note 11)	28,862	8,901	6,169
Taxes and licenses	4,750	4,878	931
Occupancy and equipment-related costs	1,910	17,074	18,695
Miscellaneous (Note 27)	43,539	49,910	45,948
Total Operating Expenses	261,107	214,335	214,619
Income (Loss) Before Income Tax	88,001	120,272	(196,611)
Provision for Income Tax (Note 30)	20,418	18,679	23,361
Net Income (Loss) from Discontinued Operations	₱67,583	₱101,593	(₱219,972)

Net Insurance Premium (Benefits and Claims)

This account consists of:

	2020	2019	2018
Net insurance premiums			
Gross earned premium	₱2,385,857	₱2,764,108	₱2,501,725
Reinsurer's share of gross earned premiums	(1,430,217)	(1,612,404)	(1,272,931)
	955,640	1,151,704	1,228,794
Less net insurance benefits and claims			
Gross insurance contract benefits and claims paid	2,241,488	1,598,129	1,711,759
Reinsurer's share of gross insurance contract benefits and claims paid	(1,983,736)	(1,262,884)	(606,275)
Gross change in insurance contract liabilities	1,410,172	(65,571)	109,703
Reinsurer's share of change in insurance contract liabilities	(951,104)	640,300	77,762
	716,820	909,974	1,292,949
	₱238,820	₱241,730	(₱64,155)



The major classes of assets and liabilities of PNB Gen classified as disposal group as follows as of December 31, 2020 follow:

Assets	
Due from other banks	₱164,894
Financial assets at FVTPL	1,387
Financial assets at FVOCI	1,183,355
Investment securities at amortized cost	788,430
Loans and other receivables - net	4,232,047
Deferred reinsurance premium	901,623
Property and equipment - net	48,436
Deferred tax assets	36,475
Intangible assets - net	5,134
Other assets	584,164
	₱7,945,945
Liabilities	
Accrued taxes, interest and other expenses	₱269,100
Insurance contract liabilities	4,360,733
Reserved for unearned reinsurance premium	1,196,273
Accounts payable	142,513
Other liabilities	385,345
	₱6,353,964
Net assets of disposal group held for sale	₱1,591,981
Amounts included in accumulated OCI:	
Remeasurement gain on retirement plan	₱59,407
Net unrealized gain on financial assets at FVOCI	29,209
	₱88,616

Net cash flows of the discontinued operations follow:

	2020	2019	2018
Net cash flows from operating activities	(₱27,016)	(₱298,984)	(₱4,227)
Net cash flows from investing activities	(242,063)	(8,619)	(51,552)
Net cash flows from financing activities	(22,648)	292,789	266,000
	(₱291,727)	(₱14,814)	₱210,221

37. Events After the Reporting Date

On January 13, 2021, the SEC approved the increase in the authorized capital stock of PNB Holdings from ₱500.0 million divided into 5,000,000 shares with par value of ₱100 per share, to ₱50.5 billion divided into 505,000,000 shares with the same par value. On the same date, the Parent Company proceeded with the subscription of additional 466,770,000 shares of PNB Holdings shares in exchange for certain real estate properties with fair values of ₱46.7 billion.

On February 19, 2021, the Parent Company BOD approved the infusion of additional capital of up to ₱515.0 million to PMLFC, subject to regulatory and other necessary approvals. The infusion of additional capital will increase the Parent Company shareholdings in PMLFC from 75.0% to 83.5%.

On February 23, 2021, the SEC approved the change of the corporate name of PNBSB to Allied Integrated Holdings Inc.



38. Notes to Statements of Cash Flows

Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2020 and 2019 follow:

	Consolidated			
	2020			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱55,963,290	₱32,255,780	(₱1,059,619)	₱87,159,451
Bonds payable	66,615,078	–	(2,558,743)	64,056,335
Lease liabilities	1,806,409	(664,156)	223,763	1,366,016
	₱124,384,777	₱31,591,624	(3,394,599)	₱152,581,802

	Consolidated			
	2019			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱70,082,835	(₱11,348,364)	(₱2,771,181)	₱55,963,290
Bonds payable	15,661,372	51,899,720	(946,014)	66,615,078
Lease liabilities	1,859,717	(641,613)	588,305	1,806,409
	₱87,603,924	₱39,909,743	(₱3,128,890)	₱124,384,777

	Parent Company			
	2020			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱48,424,017	₱37,452,722	(₱1,059,379)	₱84,817,360
Bonds payable	66,615,078	–	(2,558,743)	64,056,335
Lease liabilities	1,633,083	(649,402)	386,525	1,370,206
	₱116,672,178	₱36,803,320	(₱3,231,597)	₱150,243,901

	Parent Company			
	2019			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱62,706,795	(₱11,511,597)	(₱2,771,181)	₱48,424,017
Bonds payable	15,661,372	51,899,720	(946,014)	66,615,078
Lease liabilities	1,642,529	(554,696)	545,250	1,633,083
	₱80,010,696	₱39,833,427	(₱3,171,945)	₱116,672,178

Others include the effects of foreign exchange revaluations, amortization of transaction costs, and accretion of interest.

Non-cash Transactions

Effective January 1, 2019, the Group and the Parent Company adopted PFRS 16, in which the Group and the Parent Company recognized right-of-use asset and the corresponding lease liabilities, adjusted for previously recognized prepaid and accrued lease payments. The following are non-cash transactions of the Group and the Parent Company in 2020 and 2019 relating to its long-term leases:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Additions to right-of-use assets (Note 11)	₱122,420	₱461,918	₱122,420	₱432,157
Additional lease liabilities (Note 29)	104,330	456,644	127,578	426,885



The Group applied creditable withholding taxes against its income tax payable amounting to ₱2.8 billion, ₱1.3 billion and ₱2.6 billion in 2020, 2019 and 2018, respectively. The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱2.7 billion, ₱1.3 billion and ₱2.6 billion in 2020, 2019, and 2018, respectively.

The Group acquired investment properties through foreclosure and rescission amounting to ₱86.7 million, ₱967.6 million, and ₱833.9 million in 2020, 2019 and 2018, respectively. The Parent Company acquired investment properties acquired through foreclosure and rescission amounted to ₱78.0 million, ₱885.7 million and ₱780.0 million in 2020, 2019 and 2018, respectively.

39. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on March 15, 2021.

40. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010, which provides that the notes to the financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company paid or accrued the following types of taxes for the tax period January to December 2020 (in absolute amounts):

1. Taxes and licenses

	Amount
Gross receipts tax	₱2,053,090,056
Documentary stamp taxes	3,600,000,000
Real estate tax	183,448,761
Local taxes	158,789,950
Others	52,672,125
	₱6,048,000,892

2. Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱923,274,387	₱179,048,072
Final income taxes withheld on interest on deposits and yield on deposit substitutes	1,276,212,607	59,588,881
Expanded withholding taxes	164,046,546	19,377,346
VAT withholding taxes	9,936,947	268,887
Other Final Taxes	89,385,326	5,703,817
	₱2,462,855,813	₱263,987,003



Tax Cases and Assessments

As of December 31, 2020 and 2019, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.

41. Report on the Supplementary Information Required Under BSP Circular No. 1074

Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Return on average equity (a/b)	1.69%	6.89%	7.70%	1.94%	6.97%	7.80%
a) Net income	₱2,625,488	₱9,761,206	₱9,556,070	₱2,959,932	₱9,681,476	₱9,465,075
b) Average total equity	155,479,204	141,767,206	124,148,481	152,657,314	138,860,047	121,364,946
Return on average assets (c/d)	0.22%	0.92%	1.05%	0.26%	0.98%	1.12%
c) Net income	₱2,625,488	₱9,761,206	₱9,556,070	₱2,959,932	₱9,681,476	₱9,465,076
d) Average total assets	1,186,712,205	1,062,969,399	910,002,446	1,144,703,450	990,502,904	845,386,554
Net interest margin on average earning assets (e/f)	3.31%	3.31%	3.24%	3.37%	3.29%	3.12%
e) Net interest income	₱35,820,766	₱32,443,573	₱27,064,550	₱34,649,027	₱29,446,638	₱23,461,884
f) Average interest earning assets	1,081,770,414	979,672,558	836,422,422	1,028,955,579	893,991,058	752,841,931

Note: Average balances are the sum of beginning and ending balances of the respective statement of financial position accounts divided by two (2)

Description of Capital Instruments Issued

As of December 31, 2020 and 2019, the Parent Company has only one class of capital stock, which are common shares.

Significant Credit Exposures as to Industry Sector

An industry sector analysis of the Group's and the Parent Company's receivables from customers before taking into account allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2020		2019		2020		2019	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Primary target industry:								
Financial intermediaries	₱87,326,717	14.21	₱76,954,393	11.82	₱89,172,974	14.86	₱77,603,235	13.29
Wholesale and retail	81,092,791	13.19	88,235,702	13.55	80,881,369	13.47	83,493,048	14.30
Electricity, gas and water	67,426,509	10.97	74,542,878	11.45	67,378,423	11.22	72,558,014	12.43
Manufacturing	46,334,941	7.54	46,563,933	7.15	45,428,186	7.57	43,165,171	7.40
Transport, storage and communication	56,286,930	9.16	56,547,999	8.69	54,935,380	9.15	50,721,683	8.69
Public administration and defense	10,957,664	1.78	15,363,946	2.36	10,957,664	1.83	15,363,946	2.63
Agriculture, hunting and forestry	8,454,141	1.38	10,223,465	1.57	8,416,224	1.40	9,609,274	1.65
Secondary target industry:								
Real estate, renting and business activities	85,855,979	13.97	92,425,225	14.20	85,168,995	14.19	85,511,386	14.65
Construction	35,794,281	5.82	42,793,188	6.57	34,852,145	5.81	40,831,711	7.00
Others	135,066,238	21.98	147,368,514	22.64	123,061,821	20.50	104,860,270	17.96
	₱614,596,191	100.00	₱651,019,243	100.00	₱600,253,181	100.00	₱583,717,738	100.00



Breakdown of Total Loans as to Security

The information (gross of allowance for credit losses) relating to receivables from customers as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2020		2019		2020		2019	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Secured:								
Real estate mortgage	₱72,167,070	11.74	₱93,532,178	14.37	₱62,586,685	10.43	₱55,931,416	9.58
Chattel mortgage	26,396,722	4.30	28,529,391	4.38	26,148,386	4.35	17,742,678	3.04
Bank deposit hold-out	4,937,167	0.80	13,769,941	2.12	4,271,930	0.71	13,631,552	2.34
Shares of stocks	—	—	1,703,980	0.26	—	—	—	—
Others	7,887,301	1.28	12,502,005	1.92	7,201,434	1.20	9,096,233	1.56
	111,388,260	18.12	150,037,495	23.05	100,208,435	16.69	96,401,879	16.52
Unsecured	503,207,931	81.88	500,981,748	76.95	500,044,746	83.31	487,315,859	83.48
	₱614,596,191	100.00	₱651,019,243	100.00	₱600,253,181	100.00	₱583,717,738	100.00

Breakdown of Total Loans as to Status

The table below shows the status of the Group and the Parent Company's loans (gross allowance for credit losses) as to performing and non-performing loans (NPL) per product line:

	Consolidated			
	2020		2019	
	Performing	NPL	Performing	NPL
Corporate	₱472,989,149	₱45,775,849	₱533,714,074	₱9,091,302
Commercial	12,745,770	3,973,178	18,920,004	2,149,149
Credit cards	9,342,221	3,188,348	13,278,161	2,041,041
Consumer	10,638,588	2,556,858	11,839,785	916,359
Others	40,444,893	12,941,337	52,654,832	6,414,536
	₱546,160,621	₱68,435,570	₱630,406,856	₱20,612,387

	Parent Company			
	2020		2019	
	Performing	NPL	Performing	NPL
Corporate	₱464,804,820	₱45,542,903	₱518,280,657	₱8,430,499
Commercial	11,418,775	1,861,659	15,188,039	834,481
Credit cards	9,342,221	3,188,348	13,278,161	2,041,041
Consumer	10,013,474	2,556,858	6,883,386	266,175
Others	38,629,820	12,894,303	18,063,334	451,965
	₱534,209,110	₱66,044,071	₱571,693,577	₱12,024,161

Loans and receivables are considered NPL, even without any missed contractual payments, when considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, are considered NPL if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics are considered NPL after contractual due date or after they have become past due. Restructured loans are considered NPL. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

NPLs remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.



As of December 31, 2020, gross and net NPL ratios of the Group and the Parent Company were 10.20% and 6.99%, and 10.09% and 6.93%, respectively. As of December 31, 2019, gross and net NPL ratios of the Group and the Parent Company were 3.05% and 1.59%, and 1.99% and 0.68%, respectively.

Information on Related Party Loans

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

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2020 and 2019, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	2020		2019	
	DOSRI loans	Related party loans (inclusive of DOSRI loans)	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	₱4,689,334	₱52,403,520	₱7,615,058	₱63,034,358
Percent of DOSRI/related party loans to total loan portfolio	0.92%	8.01%	1.26%	10.41%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	0.01%	68.71%	—	65.59%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	—	—	0.01%	—
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	0.01%	31.62%	0.01%	—
*Includes outstanding unused credit accommodations of ₱583.5 million as of December 31, 2020 and ₱707.1 million as of December 31, 2019.				

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

Under BSP regulations, total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the Group's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the Parent Company.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2020 and 2019, 'Bills payable' amounting to ₱69.9 billion and ₱29.4 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱44.6 billion and ₱8.2 billion respectively, and 'Investment securities at amortized cost' amounting to ₱26.1 billion and ₱21.0 billion, respectively.



Contingencies and Commitments Arising from Off-Balance Sheet Items

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts as reported to BSP:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Trust department accounts	₱154,372,490	₱95,875,990	₱154,372,490	₱95,875,990
Derivative forwards	96,670,883	130,176,855	91,865,805	124,729,334
Standby letters of credit	38,275,186	40,003,450	38,078,859	39,479,985
Unutilized credit card lines	37,729,069	37,002,312	37,729,069	37,002,312
Derivative spots	28,346,514	29,844,753	28,346,514	29,844,753
Deficiency claims receivable	22,434,712	23,001,760	22,434,712	22,951,844
Interest rate swaps	15,938,316	29,423,981	15,938,316	29,423,981
Inward bills for collection	574,862	1,185,972	574,862	1,184,071
Items held as collateral	354,917	504,210	354,897	504,179
Outward bills for collection	154,661	192,513	108,965	96,832
Unused commercial letters of credit	35,462	431,757	35,462	431,757
Shipping guarantees issued	12,691	84,905	10,833	11,223
Other contingent accounts	23,691	33,450	8,332	29,749
Confirmed export letters of credit	1,201	54,686	1,201	54,686



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, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated March 15, 2021. 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.


Vicky Lee Salas
Partner

CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-5 (Group A),
April 16, 2019 valid until April 15, 2022
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-053-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534310, January 4, 2021, Makati City

March 15, 2021



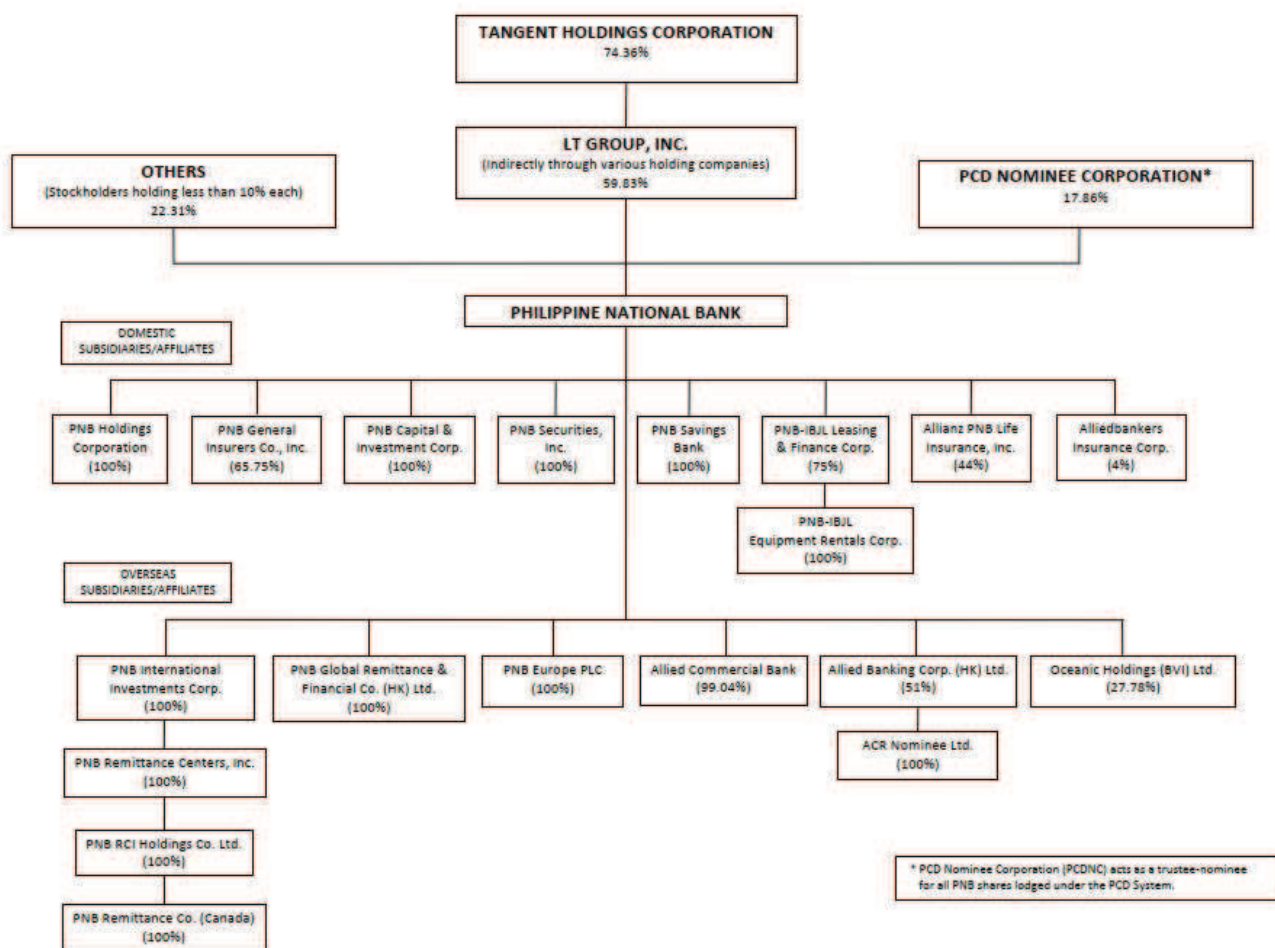
PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020

Part I		
Schedule	Content	Page No.
A	Reconciliation of retained earnings available for dividend declaration	2
B	Map of relationships of the companies within the Group	3
Part II		
A	Financial Assets	4
	Financial assets at fair value through profit or loss (FVTPL)	
	Financial assets at fair value through other comprehensive income (FVOCI)	
	Investment securities at amortized cost (HTC)	
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	10
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements	12
D	Long-Term Debt	13
E	Indebtedness to Related Parties (Long-term loans from Related Companies)	14
F	Guarantees of Securities of Other Issuers	15
G	Capital Stock	16
Part III	Financial Soundness Indicators	17

PHILIPPINE NATIONAL BANK (PARENT COMPANY)
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2020
(In thousands)

Retained Earnings, January 1, 2020, as unadjusted		₱56,273,735
Adjustments <i>(see adjustments in previous years reconciliation)</i>		
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	(3,493,690)	
Unrealized foreign exchange gain	(1,096,037)	
Deferred tax assets	(5,548,961)	
Equity in net income of subsidiaries/associate	(2,222,293)	
Gain on remeasurement from investment in associate	(1,644,339)	
Unrealized gain on fair value through profit or loss	(18,329)	
		<u>(23,594,190)</u>
Retained Earnings, as adjusted, beginning		32,679,545
Net Income per audited financial statements	2,959,932	
Less: Non-actual/unrealized income/expenses		
Equity in net income of subsidiaries/associate	(410,250)	
Unrealized foreign exchange gains-net	772,592	
Gain on foreclosure on investment properties for the period	510,933	
Unrealized loss on fair value through profit or loss	17,470	
Benefit from deferred income tax	(6,499,696)	
Sub-total	<u>(5,608,951)</u>	
Net income actually earned during the year		(2,649,019)
Less: Appropriation to surplus reserves		(4,390,079)
Total Retained Earnings, End Available for Dividend, December 31, 2020		<u><u>₱25,640,447</u></u>

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
December 31, 2020



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2020

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	—	₱14,097,412	₱15,272,799	₱44,543
Retail Treasury Bonds	—	2,603,240	2,621,866	428,033
Republic of the Philippines (ROP)	—			
Bonds		163,518	178,129	7,497
Treasury Bills	—	54,422	54,351	—
Development Bank of The Philippines	—	9,124	9,246	546
		16,927,716	18,136,391	480,619
Private debt securities				
Ayala Land Inc.	—	19,100	19,656	1,096
AC Energy	—	264,655	276,961	16,465
SM Prime Holdings Inc.	—	501,950	519,634	18,752
SMC Global Power Holdings Corp.	—	1,584,438	1,617,654	26,497
Vista Land & Lifestyle	—	1,972,793	1,862,195	122,048
	—	4,342,936	4,296,100	184,858
Equity securities				
Arthaland Corporation	7,000	679	708	—
Del Monte Philippines	368	3,675	176,486	—
Global Ferro	10,375	—	28	—
GT Capital	1,000	824	1,030	—
Petro Energy Resources Corp.	6,289	—	24	—
Petron Preferred Shares	827	827,030	835,300	—
Philippine Savings Bank	6,125	308	334	—
San Miguel Corp - Pref 2G	19,100	1,431	1,448	—
San Miguel Corp - Pref 2H	26,000	1,937	2,028	—
San Miguel Corp - Pref 2I	25,970	1,909	1,996	—
Union Bank of the Philippines	3,385	216	244	—
	106,439	838,009	1,019,626	—
Derivatives				
Allied Banking Corporation (Hong Kong) Limited	—	—	5,094	—
Amley Food Corporation	—	88,843	11	—
Australia And New Zealand Bank	—	1,852,389	26,597	—
Banco de Oro Universal Bank	—	10,662,663	47,051	—
Bank of Commerce	—	336,161	29	—
Bank of the Philippine Islands	—	6,495,900	12,292	—
Chase Manhattan Bank Singapore	—	88,563	102	—

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
Derivatives				
China Banking Corporation	—	₱48,024	₱1	₱—
Chinatrust Commercial Bank Manila	—	240,115	60	—
Citibank N.A. Manila Branch	—	974,400	11,812	—
Den Norske Bank Oslo	—	7,003	3	—
Deutsche Bank AG London	—	44,573	328	—
Deutsche Bank AG Manila Branch	—	2,212,058	1,607	—
Hongkong and Shanghai Banking Corp. HK	—	40,269	19	—
Hongkong and Shanghai Banking Corp. Manila	—	721,055	502	—
Internationale Nederlanden Groep Manila	—	593,863	17,179	—
JPMorgan Chase Bank Manila Branch	—	6,100,861	1,824	—
Land Bank of the Philippines	—	432,207	68	—
Maybank Philippines Inc.	—	1,204,980	4,087	—
Metropolitan Bank & Trust Company	—	3,424,821	15,310	—
Pajunaviat	—	3,984,579	149,222	—
Petron Corporation	—	1,442,100	1,179	—
Philippine Bank of Communication	—	48,024	1	—
PNB Singapore Branch	—	—	23	—
Rizal Commercial Banking Corp	—	395,130	10,287	—
Security Bank Corporation	—	3,079,600	5,840	—
Southern Mindanao Agri Resources	—	143,062	1,382	—
Standard Chartered Bank London	—	480,230	1,227	—
Standard Chartered Bank Manila	—	8,974,634	38,768	—
Sterling Bank of Asia Inc.	—	72,034	12	—
UBS AG	—	130,149	899	—
Union Bank of the Philippines	—	3,958,026	17,837	—
	—	58,276,316	370,653	—
Investment in UITFs				
Prime Peso MMF	2,380,989	2,650	2,938	—
	2,380,989	2,650	2,938	—
Total Financial Assets at Fair Value through Profit or Loss				
	2,487,428	₱80,387,627	₱23,825,708	₱665,477

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				
Bangko Sentral ng Pilipinas	–	₱27,489,480	₱27,482,531	₱230
Fixed Rate Treasury Notes	–	23,960,976	26,693,587	855
Retail Treasury Bonds	–	24,666,645	24,827,919	867
US Treasury Notes	–	17,937,407	17,937,823	410,415
Republic of the Philippines (ROP)				
Bonds	–	8,130,563	8,603,004	208
Kingdom of Saudi Arabia	–	2,357,065	2,395,980	7
Development Bank of the Philippines	–	873,490	885,117	5
Republic of Indonesia	–	691,694	731,739	13
China National Offshore Oil Corp. Ltd.	–	667,568	692,208	2
Treasury Bills - Singapore	–	509,141	509,141	–
Treasury Bills	–	241,953	80,976	242
Small Business Loan Asset-backed Securities	–	143,829	6,741	21
	–	107,669,811	110,846,766	412,865
Private debt securities				
Aboitiz Power Corp.	–	562,300	592,499	31
AC Energy Finance International Limited	–	2,458,778	2,591,902	121
Ayala Land Inc	–	833,590	877,162	85
Banco De Oro	–	1,058,187	1,081,202	26
Bank of the Philippine Islands	–	60,029	65,114	1
Energy Development Corp.	–	201,732	203,030	1
Export-Import Bank of Korea	–	240,115	241,918	10
Filinvest Land Inc	–	105,950	108,465	5
FPC Treasury Limited	–	1,920,920	2,016,505	29
Hutchison Whampoa	–	264,126	274,736	2
International Container Terminal Services Inc.	–	4,473,775	4,834,338	141
Korea Development Bank	–	163,278	163,404	3
Megaworld Corp	–	860,000	893,040	47
Metropolitan Bank & Trust Company	–	3,000,000	3,112,611	189
Phoenix SDS	–	–	–	16,586
Power Sector Assets and Liabilities Management Corp.	–	–	–	16
Rizal Commercial Banking Corp.	–	402,048	412,324	16
San Miguel Corporation	–	94,900	94,900	7
Sinopec Corp.	–	2,935,406	2,956,951	50
SM Investments Corp.	–	210,308	224,228	6
SM Prime Holdings	–	50,716	51,399	2
South Luzon Tollways Corp.	–	153,340	157,070	311
State Bank of India	–	408,195	417,257	13
STI Education	–	50,000	48,479	3
Vista Land & Lifestyle	–	–	–	28,838
	–	20,507,693	21,418,534	46,539

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
Equity securities				
Allied Bankers Insurance Corp.	200	₱20,000	₱20,000	₱—
Alphaland Balesin Island Resort Corp.	1	2,500	2,500	—
Apo Golf & Country Club	1	100	23	—
Baguio City Country Club	1	60	3,000	—
Bancnet, Inc.	50	5,000	5,000	—
BAP Credit Guaranty Corp.	30	1,138	1,138	—
Camp John Hay	3	650	150	—
Camp John Hay Golf Club	3	560	700	—
Club Filipino	1	112	350	—
Eagle Ridge Golf & Country Club	30	3,450	2,400	—
Eastridge Golf Course & Village	2	1,800	277	—
Evercrest Golf Club - A	2	1,000	1,000	—
Fairways & Bluewater Resort	294	359,695	56,550	—
Forest Hills Golf and Country Club	1	170	170	—
Heavenly Garden Development Corp.	5	500	500	—
Iloilo Golf & Country Club	1	88	14	—
Lepanto Consolidated Mining Co."A"	4,973	1	1	—
Lgu Guarantee Corp	50,050	10,000	2	—
Luisita Golf & Country Club	1	840	250	—
Makati Sports Club-A	0	210	800	—
Manila Golf Country Club-Corporate	101	13,727	221,671	—
Manila Polo Club	2,874	2,689	19,001	—
Manila Southwoods Golf & Country Club A	1	850	1,300	—
Manila Southwoods Golf & Country Club B	1	1,500	1,400	—
Mimosa Golf & Country Club	1	827	400	—
Mount Malarayat Golf & Country Club	17	35,380	4,500	—
Mount Malarayat I	17	1,512	800	—
Negros Occidental Golf & Country Club	1	100	150	—
Northern Tel Co	1,800	18	1	—
Orchard Golf & Country Club	1	2,200	450	—
PA Alvarez Perpetual Notes	—	386,250	420,683	—
PAL Holdings Inc	9,988,772	49,944	29,442	—
Philippine Columban Association	1	40	40	—
Philippine Dealing & Exchange	73,000	14,600	21,741	—
Philippine Depository & Trust Corporation	28,323	6,084	8,022	—
Philippine Clearing House	21,021	4,200	2,101	—
Philippine Overseas Drilling & Oil Development	696	31	5	—
Philippine Racing Club	30,331	319,083	224,147	—
Philex Mining	151	0	1	—
PLDT, Inc.	2,879	44	1	—
PNB - Trust Banking Group - IMA	—	—	48,575	—
Primo Oleo Chemicals	9,988,772	66,382	66,382	—

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
Pueblo De Oro Golf Country Club	2	₱1,411	₱816	₱—
Puerto Azul Sports & Beach Club	2	170	240	—
Quezon City Sports Club	1	32	550	—
Riviera Golf & Country Club	6	2,627	970	—
Rural Bank of Ibaday	1	11	16	—
Santa Elena Golf & Country Club	4	852	5,600	—
Sierra Grande Country Club, Inc.	1	32	32	—
Sta Elena Golf Club-A	2	4,600	18,600	—
Subic Bay Yacht Club	58	93,000	14,500	—
Tagaytay Highlands	1	500	650	—
Tagaytay Midlands	1	500	550	—
Ternate Development Corporation	1	170	170	—
Valley Golf & Country Club	4	106	3,600	—
Victorias Golf & Country Club	1	110	120	—
Wack Wack Golf & Country Club	19	74,790	238,000	—
	20,194,513	1,492,246	1,450,052	—
Total Financial Assets at Fair Value through Comprehensive Income				
	20,194,513	₱129,669,750	₱133,715,352	₱459,404

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				
Fixed Rate Treasury Notes	—	₱17,013,899	₱17,787,651	₱831,643
Retail Treasury Bonds	—	8,835,915	9,390,316	457,506
Republic of Indonesia Bonds	—	8,685,950	8,717,766	213,324
Republic of the Philippines (ROP) Bonds	—	3,823,687	4,330,701	324,599
Treasury Bills	—	1,452,605	1,223,258	37,337
Power Sector Assets and Liabilities Management Corp.	—	432,207	531,781	16,391
Bangko Sentral ng Pilipinas	—	192,092	248,269	5,674
Land Bank of the Philippines	—	168,410	168,086	11,623
US Treasury Notes	—	110,453	110,741	1,627
Federal Reserve - U102 acct.	—	—	5,532	—
Home Guaranty Corp	—	1,490	1,487	61
China National Offshore Oil Corp Limited	—	192,092	187,378	7,616
	—	40,908,800	42,702,966	1,907,401

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
Private debt securities				
AC Energy Finance International Limited	—	₱1,540,050	₱1,551,874	₱54,087
Agricultural Bank of China Limited HK	—	8,884,255	8,834,287	66,410
Apple Inc.	—	480,230	480,483	17,232
Ayala Land Inc.	—	797,350	797,417	46,600
Banco De Oro	—	2,731,548	2,711,288	98,458
Bank of China	—	9,892,738	9,852,083	112,517
China Construction Bank	—	5,282,530	5,260,626	63,914
Cyberzone Properties Inc.	—	803,680	—	14,884
Development Bank of the Philippines	—	192,812	193,315	6,900
Export-Import Bank of Korea	—	432,207	434,444	11,286
Filinvest Development - Cayman Islands	—	1,680,805	1,667,935	32,745
Filinvest Land Inc.	—	396,590	1,199,283	45,580
FPC Capital Limited	—	3,114,292	3,108,013	114,501
Hutchison Whampoa	—	969,104	990,094	25,046
Icici Bank Limited	—	826,476	829,736	25,415
International Container Terminal Services Inc.	—	142,628	145,070	3,404
Jollibee Foods Corporation	—	4,744,672	4,720,521	125,024
Korea Development Bank	—	192,092	198,453	4,623
Philippine Savings Bank	—	400,000	399,890	61,667
Rizal Commercial Banking Corp.	—	1,301,807	1,289,311	59,728
Security Bank Corporation	—	141,572	145,574	5,118
Sinopec Corporation	—	576,276	585,774	16,650
SM Prime Holdings	—	300,000	299,915	15,321
Union Bank of the Philippines	—	1,925,243	1,899,664	79,017
Vista Land & Lifescapes	—	5,000,000	4,937,977	404,412
	—	52,748,957	52,533,027	1,510,539
Total Investment Securities at Amortized Cost	—	₱93,657,757	₱95,235,993	₱3,417,940

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2020

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/19)	Releases	(Collections)/ Movements	Amounts Written Off	Status	Balance at Ending of Period (12/31/20)	Due Dates
Absolut Distillers, Inc.	P200,000	P800,000	(P600,000)	P–	Current	P400,000	Various dates in 2021
Asia Brewery (Xiamen) Ltd	390,724	–	28,220	–	Current	418,944	07/31/2023
BNP Paribas of Tokyo / Alhena Bonifacio Landmark Realty and Development Corporation	561,327	–	(38,927)	–	Current	522,400	03/21/2021
	3,021,429	–	(3,021,429)	–	Current	–	02/06/2024
Coffee Table Inc.	155,262	–	(72,801)	–	Current	82,461	03/02/2023
Eton Properties (Xiamen) Ltd	541,794	–	(42,386)	–	Current	499,408	12/14/2023
Eton Properties Philippines Inc.	3,569,550	–	(381,650)	–	Current	3,187,900	05/31/2023
Full Circle Craft Distillers Co., Inc.	13,000	13,000	(13,000)	–	Current	13,000	11/26/2021
Golden Investment TMK	13,671,451	–	(1,185,470)	–	Current	12,485,981	Various dates in 2026
Golden Platinum Marketing Corp.	500	–	(500)	–	Current	–	01/03/2020
Horizon Global Investments Limited	7,595,250	–	(7,595,250)	–	Current	–	09/12/2020
Lufthansa Technik Philippines Inc.	329,127	–	(65,001)	–	Current	264,126	03/28/2023
Macroasia Airport Services Corporation	324,948	–	(28,344)	–	Current	296,604	Various dates in 2023 and 2024
Macroasia SATS Food Industries Corp	641,667	75,000	(66,667)	–	Current	650,000	Various dates in 2021, 2025 and 2027
Majent Management Development Corporation	589,868	409,368	(589,869)	–	Current	409,367	Various dates in Jan 2021
Major Win Enterprises Limited	972,870	–	(70,094)	–	Current	902,776	08/17/2027
Maranaw Hotels and Resort Corporation	46,607	–	(12,428)	–	Current	34,179	08/08/2023

Name and Designation of Debtor	Balance at Beginning of Period (12/31/19)	Releases	(Collections)/ Movements	Amounts Written Off	Status	Balance at Ending of Period (12/31/20)	Due Dates
Menarco Development Corporation	₱1,560,108	₱1,050,000	(₱1,005,143)	₱–	Current	₱1,604,965	Various dates in 2021, 2022 and 2029
Pajun Aviation Leasing 1 Limited	4,697,658	–	(357,924)	–	Current	4,339,734	12/27/2024
Pajun Aviation Leasing 2 Limited	787,466	–	(79,481)	–	Current	707,985	02/12/2025
Philippine Airlines, Inc.	4,405,245	3,249,165	(3,956,639)	–	Current	3,697,771	Various dates in Jan 2021
Phoenix Aviation Leasing Limited	5,378,000	–	(444,370)	–	Current	4,933,630	Various dates in 2030
Prima Aircraft Leasing Limited	1,542,258	–	(116,125)	–	Current	1,426,133	Various dates in 2029
Tangent Holdings Corporation	–	4,858,500	(173,518)	–	Current	4,684,982	09/11/2027
The Table Group, Inc.	212,000	125,000	(126,500)	–	Current	210,500	Various dates in 2021 and 2029
Victoria Milling Company Inc.	52,372	281,273	(333,621)	–	Current	24	12/29/2020
Key Management Personnel	6,500	–	(2,339)	–	Current	4,161	Various
	₱51,266,981	₱10,861,306	(₱20,351,256)	₱–		₱41,777,031	

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, 2020

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/19)	Releases	(Collections)/ Movements	Amounts Written Off	Status	Balance at Ending of Period (12/31/20)	Due Dates
PNB Capital and Investment Corporation	₱1,365,000	₱800,000	(₱1,965,000)	–	Current	₱200,000	03/29/2021
PNB General Insurers Company, Inc	5,077	9,507	(10,025)	–	Current	4,559	01/01/2021
PNB Holdings Corporation	–	101,050	–	–	Current	101,050	01/29/2021
PNB-Mizuho Equipment Rentals Corporation	151,700	237,000	(151,700)	–	Current	237,000	Various dates in 2021
PNB-Mizuho Leasing and Finance Corporation	600,899	4,258,276	(3,550,089)	–	Current	1,309,086	Various dates in 2021
PNB Securities Inc.	–	99,000	(50,000)	–	Current	49,000	01/01/2021
Total	₱2,122,676	₱5,504,833	(₱5,726,814)	₱–		₱1,900,695	

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, 2020

(In thousand pesos)

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	₱–	₱4,573,124	4.38%	Interest is payable quarterly	04/11/2025
Long Term Negotiable Certificates of Deposits	8,220,000	–	8,176,616	5.75%	Interest is payable quarterly	08/27/2024
Long Term Negotiable Certificates of Deposits	6,350,000	–	6,332,653	3.88%	Interest is payable quarterly	04/26/2023
Long Term Negotiable Certificates of Deposits	3,765,000	–	3,756,911	3.75%	Interest is payable quarterly	10/27/2022
Long Term Negotiable Certificates of Deposits	5,380,000	–	5,372,730	3.25%	Interest is payable quarterly	06/06/2022
Long Term Negotiable Certificates of Deposits	7,000,000	–	–	4.13%	Interest is payable quarterly	06/12/2020
 Bills Payable	 83,598,532	 81,364,060	 2,234,472	 - 0.17% to 3%	 Various	 Various
 Bonds Payable	 64,056,335	 13,852,538	 50,203,797	 3.28% to 6.30%	 Interest is payable quarterly	 Various

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2020

(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, 2020

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, 2020

(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	-	-	15,463,813	

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, 2020 AND 2019**

Ratios	CONSOLIDATED	
	2020	2019
[i] Liquidity Ratios		
a. Current Ratio	69.19%	59.04%
<u>Current Assets</u> Current Liabilities	<u>659,916,717</u> 953,806,487	<u>508,720,511</u> 861,695,045
b. Liquid assets ratio-net	40.67%	24.57%
<u>Liquid Assets</u> ^{1/} - net Liquid Liabilities ^{2/}	<u>383,713,521</u> 943,576,130	<u>210,025,681</u> 854,761,226
c. Net loans to total deposit liabilities	67.39%	79.65%
<u>Net Loans</u> ^{3/} Total deposit liabilities	<u>599,994,748</u> 890,287,889	<u>657,923,757</u> 826,045,480
[ii] Solvency Ratios		
a. Debt to equity ratio	689.27%	637.08%
<u>Total Liabilities</u> Total Equity	<u>1,075,150,791</u> 155,983,008	<u>987,315,211</u> 154,975,400
[iii] Asset-to-Equity Ratios		
a. Asset to Equity Ratio	789.27%	737.08%
<u>Total Assets</u> Total Equity	<u>1,231,133,799</u> 155,983,008	<u>1,142,290,611</u> 154,975,400
[iv] Interest Rate Coverage Ratio		
a. Times interest earned ratio	106.83%	166.71%
<u>Earnings before interest and taxes</u> Interest Expense	<u>11,889,855</u> 11,130,188	<u>30,267,234</u> 18,155,314
[v] Profitability Ratios		
a. Return on Assets	0.22%	0.92%
<u>Net Income</u> Average total Assets	<u>2,625,488</u> 1,186,712,205	<u>9,761,206</u> 1,062,969,399
1.1 Average total Assets	1,186,712,205	1,062,969,399
<u>Total Assets, Beg. + Total Assets, End.</u> 2	<u>1,142,290,611+1,231,133,799</u> 2	<u>983,648,186+1,142,290,611</u> 2

Ratios	CONSOLIDATED	
	2020	2019
b. Return on Equity	1.69%	6.89%
<u>Net Income</u> Average total Equity	<u>2,625,488</u> 155,479,204	<u>9,761,206</u> 141,767,206
a. Average total Equity	155,479,204	141,767,206
<u>Total Equity, Beg. + Total Equity, End.</u> 2	<u>154,975,400+155,983,008</u> 2	<u>128,559,012+154,975,400</u> 2
[vi] Capital Adequacy Ratios		
a. Tier 1 Capital Ratio	14.47%	14.10%
<u>Tier 1 Capital</u> Total Risk-Weighted Assets	<u>115,460</u> 798,170	<u>124,505</u> 883,055
b. Capital Risk Asset Ratio	15.14%	14.80%
<u>Total Qualifying Capital</u> Total Risk-Weighted Assets	<u>120,837</u> 798,170	<u>130,688</u> 883,055
[vii] Other Ratios		
a. Net Interest Margin on average earning assets	3.31%	3.30%
<u>Net Interest Income</u> Average interest earning Assets	<u>35,820,766</u> 1,081,770,414	<u>32,358,266</u> 979,750,934
b. Efficiency Ratio	61.27%	63.16%
Total Operating Expenses (excluding provision for <u>impairment, credit and other losses</u>) Total Operating Income	<u>27,909,875</u> 45,552,163	<u>25,754,826</u> 40,776,928
Total Operating Expenses (excluding provision for impairment, credit and other losses)	27,909,875	25,754,826
Total Operating Expenses-Provision for impairment, credit and other losses	44,792,496-16,882,621	28,665,008-2,910,182
c. Allowance for credit losses – loans to total loans ratio	4.73%	2.16%
<u>Allowance for credit losses - loans</u> Total Loans	<u>29,128,264</u> 616,060,917	<u>14,073,236</u> 651,470,434
d. Allowance for credit losses – loans to Non-performing loans ratio	42.56%	68.13%
<u>Allowance for credit losses - loans</u> Non-performing Loans	<u>29,128,264</u> 68,435,570	<u>14,073,236</u> 20,612,387

^{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.

SUSTAINABILITY REPORT

Introduction

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

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

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

Embarking on a Sustainability Transformation Journey

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

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

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

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

STEERING COMMITTEE	TECHNICAL WORKING GROUP
<ul style="list-style-type: none"> • Public Affairs Group – Chairperson • Financial Management Sector • Institutional Banking Sector • Retail Banking Sector • Credit Management Group • Global Compliance Group • Risk Management Group 	<ul style="list-style-type: none"> • Corporate Sustainability Unit – Chairperson • Institutional Banking Sector • Retail Banking Sector • Credit Management Group • Global Compliance Group • Risk Management Group

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

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

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

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

Improving Our Sustainability Policy and Extending Our Sustainability Footprint

Our Sustainability Definition

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

Our Sustainability Policy Statement

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

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

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

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

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

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

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

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

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

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

Our Sustainability Pillars

- A. Economic
 - 1. Revenue growth, profitability, and business continuity of the Bank.
 - 2. Engagement in Sustainable Financing Transactions, which will finance or refinance projects and expenditures that will have a positive environmental and social impact and likewise support the Bank's growth objectives.
 - 3. Financial wellness and long-term value for customers, employees, and shareholders.
- B. Environmental
 - 1. Efficient use and management of our resources.
 - 2. Reduced environmental footprint of the Bank, our employees, customers, outsourced personnel, vendors / suppliers, and third-party service providers.
 - 3. Support for business and activities with positive impact to the environment.
 - 4. Support for customers to manage their environmental risks and impacts.
- C. Social
 - 1. Succession planning through capability-building, leadership development, and strategic talent acquisition.
 - 2. Enhanced productivity, self-sufficiency, and quality of life for our employees by providing the right competencies and access to learning opportunities and wellness programs.
 - 3. Development of an empowering and inclusive culture where our employees, customers, and stakeholders are treated fairly and given equal opportunities.
 - 4. Support for businesses, projects, or activities that promote and improve social inclusion and gender equality among internal and external stakeholders.
 - 5. Positive contribution to communities through employee volunteerism and other initiatives imbuing responsible corporate citizenship.
 - 6. Financial inclusion for communities through sustainable products and services.
- D. Governance
 - 1. Compliance with all applicable laws, rules, and regulations that govern our business.
 - 2. Alignment with local and international best practices and standards such as, but not limited to, FATF International Standards on anti-money laundering and combating the financing of terrorism, UN Sustainable Development Goals, and UN Global Compact.
 - 3. Transparency and accountability in all areas of our operations.
 - 4. An effective Environmental and Social Risk Management System (ESRMS) across all business functions and operations of the Bank.

Our Sustainability Commitments

We commit to do the following:

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

- B. For our customers and communities, we will:
- Ensure the continuity of our business through strategic succession planning.
 - Support businesses and initiatives that foster and enable economic and inclusive growth, environmental protection, social development, and nation-building.
 - Raise awareness on sustainability and the Bank's sustainability thrusts through various information dissemination channels.
 - Promote financial wellness and create value through tailor-fit and sustainable products and services.
 - Provide or make available social inclusion and gender-sensitive financial solutions, as well as support initiatives and activities that promote and improve social inclusion and gender equality.
- C. For our shareholders and regulators, we will:
- Adhere to all applicable laws, rules, and regulations governing our scope of business and areas of operations.
 - Align with international best practices and standards such as, but not limited to the FATF International Standards on anti-money laundering and combating the financing of terrorism, UN Sustainable Development Goals, and UN Global Compact.
 - Be transparent and accountable in all areas of our operations.
 - Integrate sustainability principles in our enterprise risk management system.
 - Report the progress and milestones of our Sustainability initiatives to the Board of Directors at least quarterly.
 - Review and, if necessary, update the PNB Sustainability Policy annually.
- D. For our vendors / suppliers, outsourced personnel, and third-party service providers, we will:
- Educate and ensure adherence to the Bank's sustainability policy and standards.
- E. For our environment, we will:
- Reduce the environmental impact of our operations through efficient use and management of natural and man-made resources.
 - Adapt eco-friendly technologies.
 - Support businesses and projects that are compliant with environmental laws and regulations and contribute to the protection and conservation of the environment through sustainable financing and strategic partnerships.
 - Partner with our employees, customers, vendors / suppliers, and third-party service providers to push forward the sustainability agenda.

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

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

Taking A Cue from Our Sustainability Champions and Leaders

GRI 102-29, 102-32

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

In addition, the Bank's Sustainability Project Steering Committee composed of the heads of the different business units and the TWG, whose members are the assigned representatives of the business unit members of the Steering Committee, meet every month to review and deliberate on all sustainability-

related issues that concern the Bank before these are presented and endorsed to the President/CEO, the Corporate Governance and Sustainability Committee, and Board of Directors for approval.

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

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

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

Report Coverage and Parameters

GRI 102-50, 102-54

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

Stakeholder Engagement

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

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

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

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

OUR STAKEHOLDERS	MODE OF ENGAGEMENT	KEY CONCERNS AND EXPECTATIONS	OUR RESPONSE
Employees	<ul style="list-style-type: none"> Regular Video / Audio Conference Calls via Microsoft Teams / Zoom Emails Virtual Meetings / Events / Townhalls Surveys via SharePoint, Menti, etc. 	<ul style="list-style-type: none"> Work-life balance Competitive compensation and benefits Training and development Support for work-related needs such as transportation to work, flexible work arrangement, etc. Career progression 	<ul style="list-style-type: none"> Year-round initiatives and programs to promote employee well-being conducted via digital platforms: in-house and external webinars; employee welfare and wellness; employee recognition; and performance appraisal as driven by

OUR STAKEHOLDERS	MODE OF ENGAGEMENT	KEY CONCERNS AND EXPECTATIONS	OUR RESPONSE
		<ul style="list-style-type: none"> • Improvement of infrastructure and facilities • Safe and secure work environment • Opportunities for volunteerism and community engagement 	<p>our Human Resource Group</p> <ul style="list-style-type: none"> • Regular checking and maintenance of on-site offices / Branches and IT infrastructure (i.e., hardware, software, and systems) • On-site / off-site volunteerism or community outreach opportunities for our employees in partnership with Corporate Sustainability Unit, Human Resource Group and other Bank units. • Development and implementation of Diversity and Inclusion Policy, Whistleblower Policy, and Gender and Equality Policy
Customers	<ul style="list-style-type: none"> • Regular virtual meetings with Relationship Managers and Branch personnel • Telephone calls • Website updates • Emails • Social Media Updates and Messaging Apps (Facebook, Messenger, Twitter, Instagram, Viber, WhatsApp) • Digital / Virtual Events 	<ul style="list-style-type: none"> • Products and services that are responsive to their current financial needs • Fast and efficient customer service • Protection of customer information • Accessibility and convenience of customer touchpoints • Waived fees for certain Bank transactions • Competent Bank personnel who can answer inquiries, complaints, and concerns 	<ul style="list-style-type: none"> • Branch presence across the globe, offering relevant financial solutions • A reliable 24/7 customer service hotline • Enhanced strategic recruitment efforts to attract a highly professionalized, competent workforce. • Clear and timely customer updates or advisories (i.e., schedule branch operations, etc.) • Waiver of fees for certain Bank services (i.e., InstaPay, PESONet, Remittance) in support of government and national regulatory policies, i.e., <i>Bayanihan To Heal As One Act, Bayanihan To Recover As One Act</i>
Investors / Shareholders	<ul style="list-style-type: none"> • Letters/ Correspondences • Emails, bulletins 	<ul style="list-style-type: none"> • Strong financial performance • Shareholder returns • Corporate governance 	<ul style="list-style-type: none"> • Corporate governance framework in accordance with global

OUR STAKEHOLDERS	MODE OF ENGAGEMENT	KEY CONCERNS AND EXPECTATIONS	OUR RESPONSE
	<ul style="list-style-type: none"> Virtual Annual Stockholders' Meeting Digital Investor Briefing / Virtual Sessions Investor Relations Program 	<ul style="list-style-type: none"> Transparency and disclosure Continued business growth Updates on new opportunities for financial growth Compliance with globally accepted financial reporting standards 	<p>standards and best practices</p> <ul style="list-style-type: none"> Strong Board and Management oversight Transparency and accountability Regular updates / bulletins on the Bank's performance
Regulators	<ul style="list-style-type: none"> Periodic examinations Emails / Correspondences Virtual Meetings Webinars 	<ul style="list-style-type: none"> Conduct of sound business practices Sustainability of the company, business, and operations Compliance to laws, rules, and regulations Transparency and accountability Liquidity and capital adequacy to operate as a universal / commercial bank Timely and accurate submission of financial and regulatory reports 	<ul style="list-style-type: none"> Timely and accurate submission of regulatory reports and documents (i.e., submission of a Three-Year Sustainability Transition Plan) Transparency and accountability Proactive dialogue Full compliance / adherence to banking laws, rules and regulations in the country and overseas
Vendors / Suppliers and Third-Party Service Providers	<ul style="list-style-type: none"> Emails / Correspondences Virtual Meetings Phone Calls 	<ul style="list-style-type: none"> Timely and accurate payment of products and services commissioned / secured by the Bank Efficient vendor accreditation process of the Bank 	<ul style="list-style-type: none"> Annual review of vendor / supplier performance Review of necessary documentation and facilitation of timely release of payments Organized biddings, thorough review of documentation submitted, proper awarding and onboarding of winning suppliers / vendors Foundation for the creation of a Bank-wide Sustainability Procurement and Supply Chain by organizing webinars for the Corporate Services Division and other concerned business units
Outsourced Personnel	<ul style="list-style-type: none"> Phone Calls Person-to-person meetings / huddles 	<ul style="list-style-type: none"> Safety and security in the workplace Emergency support (i.e., financial assistance for those whose work were suspended because of 	<ul style="list-style-type: none"> Development of a Bank-wide Sustainability Policy which is inclusive of outsourced personnel CSR / employee volunteerism initiatives

OUR STAKEHOLDERS	MODE OF ENGAGEMENT	KEY CONCERNS AND EXPECTATIONS	OUR RESPONSE
		the community quarantine)	for the benefit of outsourced personnel
Communities	<ul style="list-style-type: none"> • Virtual Financial Literacy/Financial Wellness sessions • Virtual meetings and events / activities (i.e., donation or turnovers, etc.) • Charitable/Philanthropic Contributions • Environmental and sustainability-related projects or initiatives • Partnerships with credible NGOs, Foundations, LGUs, or Civil Society Organizations 	<ul style="list-style-type: none"> • Knowledge of basic money management • Projects that support economic, social, and environmental landscape of the community • Disaster or emergency response 	<ul style="list-style-type: none"> • Networking and coordination for certain CSR or sustainability-related projects and activities • Financial inclusion through financial literacy programs • Partnerships with credible social development organizations, LGUs, academic institutions, and civil society organizations within the CSR and sustainability focus of the Bank • Support for charitable and philanthropic causes on education, environment, and social welfare development. • Support for affected communities where the Bank has a presence during times of natural and man-made calamities (i.e., relief operations) with assistance from our employees, our subsidiaries, and affiliate.

Reporting Process

GRI 102-21,102-29,102-31, 102-32, 102-46, 102-47

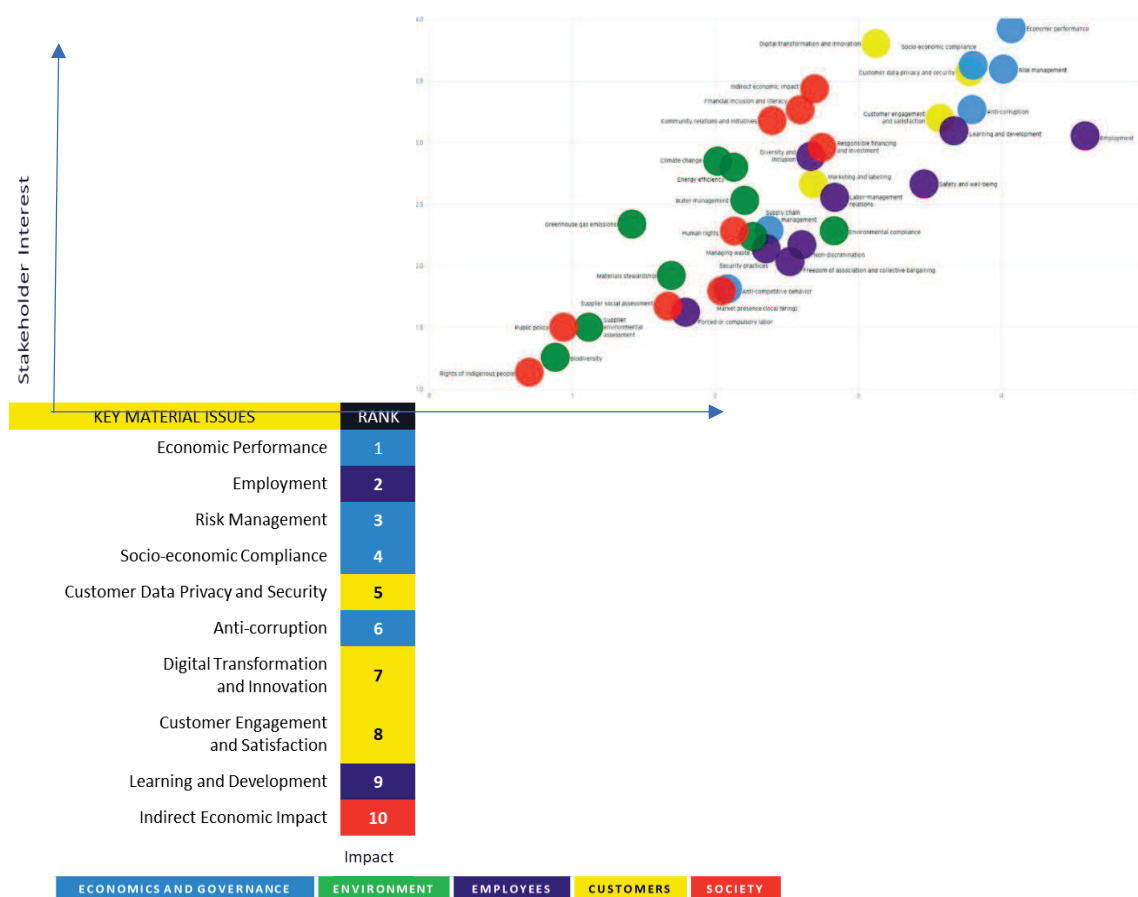
For 2020, we decided to prepare our Sustainability Report without any assistance from external consultants. The objective of our independent reporting and writing process was for us to develop an appreciation of our existing best practices and to better understand the gaps, challenges, and areas of improvement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

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

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

ENGAGING THE STAKEHOLDERS	ASSESSMENT AND VALIDATION OF MATERIAL TOPICS	DATA GATHERING AND REPORT WRITING	MANAGEMENT REVIEW
<ul style="list-style-type: none"> Conducted the sustainability report kick-off meeting among concerned business units of the Bank to orient them on the relevance of Sustainability Report to the Bank and its business, and to discuss the GRI report template 	<ul style="list-style-type: none"> Conducted an assessment and validation of the Material Topics during the Sustainability Report Kick-Off Meeting with the internal key stakeholders 	<ul style="list-style-type: none"> Using the GRI reporting standards, relevant data and information pertaining to the Bank's existing economic, environmental and social initiatives were collected and collated in two (2) phases: <ol style="list-style-type: none"> November 25, 2020: Disclosure of Management Approach on different sustainability topics / themes or DMAs January 15, 2021: Data on specific sustainability-related topics or themes from January to December 2020 The CSU prepared the report with the data / inputs from the different business units of the Bank. 	<ul style="list-style-type: none"> Upon completion, the report went through the following levels of review and affirmation of disclosures: <ol style="list-style-type: none"> concerned participating business units; Sustainability Technical Working Group and Steering Committee; Office of the President; and Corporate Governance and Sustainability Committee.

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



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

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

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

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

Contact Information

GRI 102-53

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

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Stockholder Relations Officer: Atty. Ruth Pamela E. Tanghal

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Tel. No.: (+632) 8 526-3131 local 2120

Investor Relations Officer: Ms. Emeline C. Centeno

Email: centenoec@pnb.com.ph

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Email: customercare@pnb.com.ph

Economic Performance

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

UN SDG 1, 8, 10

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

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

Economic Value Distribution Table

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

Source: Financial Management Sector, PNB

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

Dividend Policy

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

There were no dividend payouts in 2020.

Supply Chain Management

GRI 102-9

UN SDG 10, 12

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

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

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

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

Currently, CSD is working towards improving its procurement processes and practices. Last November 2020, the department, together with other Bank units that engage their own third-party service providers,

attended an in-house webinar on Sustainable Sourcing and Procurement conducted by SGV & Co. in preparation for the development of an enterprise-wide Sustainable Procurement and Supply Chain Policy as part of the Three-Year Sustainability Transition Plan of the Bank.

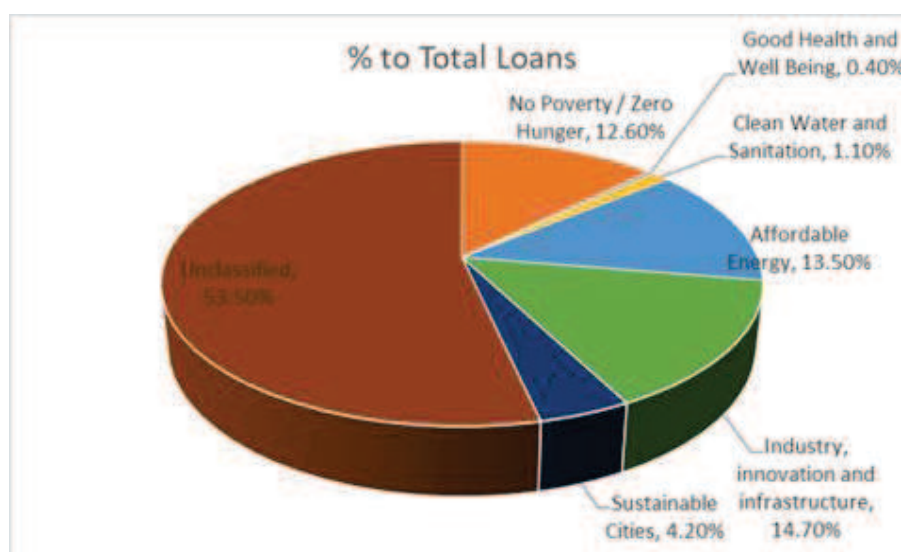
Financing Green and Sustainable Businesses and Projects

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

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

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

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



Source: Institutional Banking Sector, PNB

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

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

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

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

- Money laundering, terrorism, criminal and illegal activities
- Bribery including giving, offering, receiving, or requesting bribes
- Child labor and any form of exploitation of children
- Forced labor
- Adult entertainment, prostitution, human trafficking
- Activities related to nuclear power generation and fuels, hazardous chemicals, and radioactive substance
- Illegal mining
- Illegal gaming
- Violating rights of local communities

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

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

Environmental Impact

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

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

Power, Fuel, and Water Consumption

GRI 103-1, 103-2, 103-3, 302-1, 302-2, 302-4, 303-1, 303-2, 303-3, 303-5, 305-1, 305-2
UN SDG 3, 6, 7, 12

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

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

Power and Water Consumption Table

OFFICE / BRANCH	2018		2019		2020	
	POWER CONSUMPTION (in KWh)	WATER CONSUMPTION (in Megaliters)	POWER CONSUMPTION (in KWh)	WATER CONSUMPTION (in Megaliters)	POWER CONSUMPTION (in KWh)	WATER CONSUMPTION (in Megaliters)
PNB Financial Centre (Pasay)	10,362,210.55	147.277	8,917,026.39	148.436	7,562,382.28	132.53
PNB Makati Center (Ayala Avenue)	8,241,400.55	58.36	9,224,938	64.17	6,201,770	34.37
Metro Manila Branches					5,309,357	57.46
Luzon Branches					5,140,111	46.03
Visayas Branches					3,029,871	21.07
Mindanao Branches					3,250,192	18.50

Source: Administration Group and Branch Banking Group, PNB

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

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

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

Fuel Consumption Table

HEADQUARTERS	2019 FUEL CONSUMPTION (in liters)	2020 FUEL CONSUMPTION (in liters)
PNB Financial Centre (Pasay)	55,718.95	4,036.61
PNB Makati Center (Ayala Avenue)	2,897	16,060

Source: Administration Group, PNB.

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

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

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

TYPE OF GHG EMISSIONS	2019 (in Tonnes CO2e)	2020 (in Tonnes CO2e)
² Direct (Scope 1) GHG Emissions*	21.86	53.79
³ Indirect (Scope 2) GHG Emissions**	15548.45	9802.83
Total Carbon Footprint	15570.31	9856.82

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

Resource and Waste Management

⁴GRI 306-1, 306-2, 306-3, 306-4, 306-5
UN SDG 3, 6, 12

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

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

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

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

² Direct (Scope 1) GHG emissions are from sources that are owned or controlled by an organization such as any physical unit or process that releases GHG into the atmosphere. This includes CO2 emissions from fuel consumption. Source: Consolidated Set of GRI Sustainability Reporting Guidelines 2018.

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

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

Common Types of Wastes from the PNB Headquarters

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

Source: Administration Group, PNB

Common Type of Wastes from the Branches

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

Source: Administration Group, PNB

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

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

The table below lists down the common domestic and non-hazardous waste materials from our PNB headquarters and branches:

Paper Consumption Table

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

Source: Corporate Services Division, PNB

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

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

Project P.L.A.N.E.T. Campaign - Quarantine Edition UN SDG 3, 12, 13

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

Since its second year was spent in quarantine, the project focused on encouraging employees to use washable face masks in public, use eco-bags and food containers for groceries, re-use plastic food containers, stop the use of plastic cutleries from online food deliveries, and consider sustainable gifting

during the holidays. The information materials were released through internal email and posted on the internal chat groups of the Bank.

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

Social Performance

Caring for Our Employees

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

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

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

The Philnabankers At A Glance

GRI 102-7, 102-8, 102-41, 103-1, 103-2, 103-3, 401-1, 405-1
UN SDG 5, 8

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

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

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

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

	GENDER	NO. OF EMPLOYEES	TOTAL
2018	Female	5,512	8,266
	Male	2,754	
2019	Female	5,657	8,550
	Male	2,893	
2020	Female	6,014	9,071
	Male	3,057	

Source: Human Resource Group, PNB

	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	
2020	Officers	4,691	9,071
	Rank and File	4,380	

Source: Human Resource Group, PNB

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
2020	Male	
	Under 30	827
	31 to 50	1,750
	51 and over	488
	Female	
	Under 30	1,818
	31 to 50	3,151
	51 and over	1,049
	Total	9,071

Source: Human Resource Group, PNB

Gender Breakdown per Rank

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

Source: Human Resource Group, PNB

Gender Breakdown per Group

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

Source: Human Resource Group, PNB

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

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

Breakdown of New Hires per Age, Gender and Rank

AGE RANGE OF NEW HIRES	2018			2019			2020		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
Under 30	338	188	526	369	246	615	275	111	386
31 to 50	57	44	101	66	75	141	333	183	516
51 and over	4	5	9	9	11	20	29	29	58
Total	399	237	636	444	332	776	637	323	960

Source: Human Resource Group, PNB

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

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

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

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

Remuneration and Benefits Package

GRI 103-1, 103-2, 103-3, 401-2, 401-3
UN SDG 8

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

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

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

For 2020, there were a total of 136 employees who took parental leaves, 95.6% of which are female. As of December 2020, 128 or 98.5% of the employees returned to work after their parental leave.

	2018			2019			2020		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
No. of qualified employees who took parental leave	150	7	157	156	8	164	130	6	136
No. of qualified employees who took parental leave and returned after the leave expired	150	7	157	152	8	160	128	6	134

	2018			2019			2020		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
No. of qualified employees who took parental leave and returned and were still employed one year after returning	142	5	147	152	8	⁵ 160	128	6	⁶ 134

Source: Human Resource Group, PNB

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

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

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

Employee Learning and Development

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

UN SDG 4, 5, 8, 10

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

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

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

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

⁶ No. of qualified employees who took parental leave and returned and were still employed one year after returning as of December 2020

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

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

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

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

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

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

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

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

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

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

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

To address the challenges and to ensure that trainers are prepared to facilitate online learning, IBE shifted to Virtual Instructor-led Training (VILT) courses as early as April of 2020. The team designed,

developed, and implemented in-house live webinars on self-management, resilience, working from home, leading remote teams, managing virtual meetings, selling and customer service in the pandemic, and a host of other soft and technical skills development courses that aimed to help employees cope and thrive in the 'new normal'. Before 2020 started, IBE has started studying the use of various online training platforms to develop and curate-online learning content.

Prioritizing Employee Safety and Security

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

UN SDG 3, 8

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

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

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

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

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

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

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

As of December 2020, there were no reported work-related injuries or fatalities among employees or any of the outsourced personnel of the Bank.

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

Managing Labor Relations

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

UN SDG 8, 16

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

These Labor Council Management Meetings are venues for both the employee union and the management to discuss employee concerns, clarify HR policies, and collaborate on initiatives. In addition, the Bank also has a Grievance Mechanism in place to address or resolve any misunderstanding, dispute, or controversy between the Bank and any covered employee and / or arising from the interpretation and implementation of any provision of the existing Collective Bargaining Agreement (CBA) between the employee union and the Bank, and / or between the Bank and any covered employee.

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

Lawful and Ethical Behavior

GRI 103-1, 103-2, 103-3, 102-17, 205-2, 205-3
UN SDG 16

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

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

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

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

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

The Committee on Decorum and Investigation (CoDI), on the other hand, is the Bank's Disciplining Authority that has an exclusive jurisdiction over sexual harassment cases. This is the Bank's compliance with the mandate of the Anti-Sexual Harassment Law of 1995, as amended. This committee is also composed of various officers, majority of whom are women, and one member representing the labor union. For 2020, the Human Resource Group developed three new policies on gender equality, mental health, and telecommuting. These policies were disseminated through internal email blast and posted on the Bank's intranet.

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

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

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

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

Commitment to Workplace Gender Equality and Inclusion

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

UN SDG 5, 8, 10, 16, 17

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

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

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

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

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

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

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

Recognizing Employee Service Excellence and Living Our Values Everyday

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

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

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

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

- **“L.O.V.E. (Living Our Values Everyday) @ PNB”**. Email blasts feature inspiring stories of employees who demonstrate and live the core values of the Bank. The campaign aims to inspire Philnabankers to practice PNB’s values in their day-to-day experiences to help achieve the Bank’s business goals and their own personal aspirations.
- **“Celebrate Love at Work”**. A Valentine-themed project that enjoins employees to express their appreciation for the Bank, their fellow Philnabankers, and even to our clients through simple acts such as leaving appreciation notes for work. In February 2020, the Human Resource Group successfully organized a charity auction in which all sales proceeds went to the Pagtutulungan ng Bayan Fund, an in-house fund-raising for the benefit of Philnabankers in times of need.
- **W.O.W. Award**. This internal campaign aims to inspire employees through public, on-the-spot recognition. Employees are recognized in front of their colleagues and given tokens of appreciation that they can keep as mementos or use at work. Recognized employees are featured in the L.O.V.E. @ PNB internal email campaign of the Human Resource Group.

Promoting Health and Work-Life Balance

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

UN SDG 2, 3, 8, 12

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

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

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

- **Health Bulletins and Webinars**

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

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

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

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

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

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

- **E-Zumba Anniversary Activity**

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

- **Digital Wellness and Sustainability Fair**

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

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

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

- **Fresh Organic Produce for Bank Employees**

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

Straight from the farm of TYKFI in Nueva Vizcaya, the harvested organic produce were delivered to employees every Thursday – either at the head office or at their homes. Before the pandemic, TYKFI used to set up a selling booth at the PNB Financial Center's cafeteria. The fresh vegetables are now ordered in advance via e-mail by employees through the help of the Corporate Sustainability Unit, and delivered by TYKFI to employees reporting to PNB Financial Centre and Makati Centre. WFH employees can likewise have their orders of fresh vegetables delivered straight to their homes for a minimal delivery fee.

- **Nurturing the Spirituality of Our Employees**

The Bank acknowledges the importance and role of spirituality in the lives of our employees. In support of this, daily worship services during lunch break were used to be held at the in-house chapel of PNB Financial Center.

Despite the pandemic, the Bank continued to make worship services accessible by livestreaming the mass from the Manila Cathedral every Monday and Friday. In December 2020, the link to the mass was uploaded on the Bank's internal SharePoint channel.

Instead of the usual 3:00 prayer habit, the COVID-19 Command Center holds morning and afternoon prayers every day for employees reporting to work at the Pasay head office.

- **Virtual Meetings and Events**

Prior to the pandemic, the Bank's events and functions such as the company anniversary, Chinese New Year celebration, Christmas parties and the like were usually held in large venues. The regular townhall meetings were usually done face-to-face.

When the pandemic struck, all Bank events and meetings are conducted using online platforms such as MS Teams and Zoom. To ensure the efficient and smooth conduct of virtual meetings, the Bank released guidelines and held webinars on running and managing remote meetings. Aside from using online meeting platforms, Philnabankers also use chat applications to stay connected to each other.

The Bank, through the Public Affairs Group, also developed and made a soft launch of PNB Engage on SharePoint. PNB Engage is the official internal communications channel of PNB. Some of the key features of PNB Engage include: Messages and Updates from the CEO; Philnabanker Communities or the sites containing updates and upcoming activities; HR Connect which features stories upholding the Bank's core values, internal job vacancies, and other HR-related matters; Corporate Sustainability which contains the sustainability activities and initiatives of the Bank; Tech Talks which features the latest and useful tech info; electronic greeting cards that are downloadable; company brief, awards, and press releases; and links to PNB's official Facebook, Instagram and YouTube accounts.

- **Employee Volunteerism**

Despite the COVID-19 pandemic and the government-imposed community quarantine, the spirit of "*bayanihan*" and volunteerism among the Philnabankers remain alive. Our very own heroes extended their help to others through various ways.

In 2020, the Bank and its employee volunteers implemented CSR initiatives and employee volunteerism activities, including financial literacy activities, for 123 communities in 30 areas nationwide. Overseas, certain PNB branches and offices in Asia (Tokyo, Hongkong, and Singapore) and in the United States conducted activities such as fund-raising for communities affected by the Taal Volcano eruption and Typhoon Ulysses. These PNB overseas offices also organized financial literacy sessions in the form of webinars and Facebook live events for groups such as OFWs, OFW dependents, professionals / service workers, investors, and entrepreneurs.

As of December 2020, there were a total of 1,300 Philnabankers who either rendered volunteer service (an estimated 2,077 volunteer man-hours rendered) in their respective communities or contributed to different fund-raising activities organized by other organizations or by the Bank on specific CSR activities or advocacies.

Responsible Citizenship and Caring for Our Communities

GRI 103-1, 103-2, 103-3, 203-1, 203-2, 413-1

UN SDG 1, 3, 4, 8, 10, 12, 17

Our commitment to incorporate corporate social responsibility (CSR) and sustainability initiatives in our operations is primarily driven by our aspirations to make a positive contribution to society as a partner in social development and nation-building.

The Bank, through the Corporate Sustainability Unit, works closely with the different business units to develop and implement significant initiatives in communities where PNB is present.

Despite the challenges posed by a natural disaster and an ongoing global health crisis in 2020, we still reached out and provided the necessary assistance to the members of our internal and external communities physically on site or remotely.

- **Financial Literacy and Wellness Sessions**

PNB led financial literacy seminars for over a hundred Cooperative Management students, members of the Association of Barangay Treasurers, and LGU employees at the Vigan Culture and Trade Center in Ilocos Sur last February 4, 2020.

Organized by PNB's Corporate Sustainability Unit, in partnership with the Bank's International Banking and Remittance Group and the Tan Yan Kee Foundation, the financial literacy seminars aimed to educate the Ilocanos on basic money management. The series of seminars introduced different options on how the attendees can manage and grow their finances.

The Bank's Branch Banking Group, International Banking and Remittance Group, Trust Banking Group, and Global Banking and Markets Sector also conducted financial wellness webinars and briefings for groups such as existing and potential clients; students, teachers, and parents; and OFWs and their dependents.

Due to the COVID-19 pandemic, however, the usual onsite financial wellness sessions were replaced with webinars and virtual briefing sessions done via MS Teams, Zoom, and even Facebook Live Events which reached thousands of audiences locally and even abroad.

- **Relief Operations for Taal Communities**

On February 27, 2020, PNB, in partnership with the Tan Yan Kee Foundation, distributed home starter kits to families displaced by the Taal Volcano eruption and who are currently staying in evacuation centers in Barangay Tumaway, Talisay, Batangas.

Over 40 Branch Banking officers from South Luzon Area trooped to Talisay, Batangas to assemble the kits. With the assistance of the LGU of Talisay, Batangas, these were distributed to 845 beneficiary families from Barangays Tabla, San Isidro, and Miranda.

Each home starter kit contained a cooking pot, ladle, plates, food utensils, water pail and dipper, among others. Moreover, Allianz PNB Life Insurance, Inc. donated toothbrushes and ecobags while Tanduary Distillers, Inc. donated cleaning tools for the beneficiaries.

- **Waiver of Bank Remittance and Fund Transfer Fees for Filipinos**

To help support our Modern-Day Heroes, our Overseas Filipinos, and their families during the pandemic, PNB launched the "Libre Padala" Promo where remittance fees for various channels are waived from April to May 2020. The waiver applies to cash transfers that will be credited to PNB deposit accounts in the Philippines from anywhere in the world.

In addition, the Bank waived the fees for InstaPay, PesoNet and PNB to PNB fund transfer transactions in March 2020, in support of the directive from the BSP and the national government to help Filipinos during this period of economic hardships due to the pandemic. The waiver of fees for the use of these fund transfer facilities was extended until March 2021.

- **PNB Bigay Tulong for OFWs**

In partnership with the Philippine Coast Guard and Blas Ople Center, PNB distributed care packages to over 1,000 arriving overseas Filipino workers (OFWs) from October to December 2020.

Each care package contained a hygiene kit (face masks, face shield and alcohol) and food items (canned goods and noodles). The OFWs were also provided hot meals upon their arrival at the Eva Macapagal Center in Manila which was used as a quarantine facility for returning OFWs.

Employee volunteers from the International Banking and Remittance Group (IBRG) helped repack and distribute the care packages to the OFW beneficiaries. Proper use of face mask and face shield, as well as physical distancing, were strictly observed during the repacking and distribution of the care packages.

- **PNB Bigay Tulong for Outsourced Personnel**

The PNB Bigay Tulong for Outsourced Personnel is an employee-giving campaign that allows Philnabankers to provide financial assistance to outsourced personnel who were not allowed to go to work due to the community quarantine.

Launched in April 2020, the campaign generated a total of Php893,351.94 from the generous contributions of many Philnabankers done through over-the-counter deposit, online fund transfer, InstaPay and PESONet, PNB credit cards, and conversion of rewards points to cash.

A total of Php689,000 were disbursed to 675 affected outsourced personal in different parts of the country through the assistance of the Bank's Overseas Remittance Division. The remaining funds from the campaign amounting to Php195,351.94 were used to insure the outsourced personal with a one-time group accident insurance coverage good for one year, in partnership with Alliedbankers Insurance Corporation.

The second part of the campaign was launched in December 2020 which raised additional funds to secure the same group accident insurance coverage for the Bank's outsourced personnel assigned in other part of the country.

- **Support for Small Businesses and the Environment**

In support of the Bank's commitment to help small businesses, the Corporate Sustainability Unit and HR Group invited social entrepreneurs to join the online catalogue of the Bank for its first-ever Digital Wellness and Sustainability Fair last November 9 to 13, 2020.

Seventy per cent of the participating entrepreneurs were either owned by or managed by women. The online catalogue featured eco-friendly and sustainably sourced products and organic produce.

- **Formal Turnover of PNB Ambulance to Philippine Red Cross**

PNB donated and formally turned over two fully equipped ambulance units to Philippine Red Cross (PRC) in a simple ceremony held via Zoom last December 10, 2020. Organized by the PRC-National Headquarters, the virtual turnover activity was attended by PRC Chairperson Senator Richard "Dick" Gordon; PRC Governor and Co-Chair of the PRC Disaster Management and Safety Services, Governor Saeed A. Daof; and PRC Secretary General Elizabeth Zavalla. PNB President and CEO Wick Veloso graced the occasion. The ambulance units were deployed to assigned PRC Chapters in Visayas and Mindanao.

Socio-Economic and Environmental Compliance

GRI 103-1, 103-2, 103-3, 307-1, 419- 1
UN SDG 16

Beyond regulatory compliance, PNB is committed to contribute to the improvement of the social, economic, and environmental areas of its business and operations as part of its continuing journey towards sustainability.

To demonstrate this commitment, and in compliance with BSP Circular 1085, we developed our Sustainability Policy and Three-Year Sustainability Transition Plan. This includes adherence to the economic, social, and environmental laws, rules, regulations, and policies of the locality where we have

presence (domestic and overseas). The Bank shall ensure that all offices and branches have the necessary business, labor, and environmental permits and approvals.

The Bank has existing mechanisms in place to monitor its compliance with applicable socio-economic and environmental laws, rules, regulations, and policies. The Corporate Governance and Sustainability Committee reviews the Bank's sustainability performance using various benchmarks, including economic, social and environmental performance indicators. In addition, the Sustainability Project Steering Committee and TWG review and deliberate on all sustainability-related activities and initiatives, as well as endorse and recommend actions to the Office of the President and the Corporate Governance and Sustainability Committee.

At the management level, the Corporate Sustainability Unit (CSU) under the Public Affairs Group, spearheads various activities and initiatives on social, environmental, and economic areas. CSU works closely with the different units of the Bank such as the Human Resource Group, Administration Group, Risk Management Group, Global Compliance Group, and other relevant parties that play important roles in the effective implementation of the Bank's sustainability agenda.

Minor violations of non-compliance with local environmental laws, regulations, and policies in communities where we have presence are being addressed by the Bank through appropriate channels.

Customer Experience

GRI 103-1, 103-2, 103-3, 102-43, 102-44

PNB aims to provide the best customer experience to our clients. We provide them various channels for their inquiries, requests, and complaints: 24x7 customer care hotline, email, Facetime, Skype and private messaging.

Our Consumer Protection Policy ensures that any reported complaint is recorded, monitored, and addressed in a timely manner. In accordance with the BSP requirement on reporting complaints, a consolidated complaints report is submitted monthly to PNB's Management and Risk Oversight Committee and quarterly to the BSP.

As part of ensuring good service quality, the Customer Experience Division (CED) developed a project called "After Call Survey for 8573-8888" that aims to gather qualitative feedback from customers at point of call.

CED personnel continued to service clients – whether they were working onsite or from home. To catch up on the volume of email inquiries received by CED during the pandemic, a taskforce was organized whereby employee volunteers from other business units were trained on how to respond to simple email inquiries and concerns of the clients. These trained employee volunteers rendered one to two hours every week for customer service shifts, mainly to respond to customer emails.

Marketing and Labeling

GRI 103-1, 103-2, 103-3, 417-1, 417-2, 417-3
UN SDG 12

The Bank's Marketing and Brand Management Sector fully supported the Bank's business units and ensured that all advertising and promotional collaterals strictly adhere to the Bank's branding guidelines and are compliant with all regulatory requirements. The Bank's Social Media Framework is also in place to help us manage our reputational risk across our social media platforms.

Although 2020 was a challenging year, we adapted quickly to address customers' needs: (1) the PNB Bank on Wheels roving ATM service was made available in many areas, allowing customers to withdraw cash and to perform other ATM-related transactions; (2) increased awareness and usage of the Bank's digital channels such as Internet Banking, mobile banking app and *InstaPay*; and (3) waived remittance for over-the-counter, mail-in, Web Remit and Phone Remit transactions through the *Libreng Padala* promo. And as a Christmas gift for its valued customers, the Bank offered a special housing loan rate of 4.88% for one year, making Filipinos' dream of having their own home a reality.

The Bank relied heavily on its social media platforms such as Facebook, Instagram, Twitter, YouTube, and LinkedIn accounts to share information and updates to its customers. Important updates included the operating schedules of the Bank on Wheels, list of open branches nationwide, and the waived fees for fund transfer, among others. The Bank was also able to launch a new ad campaign and released a new PNB jingle using the same digital platforms. No physical marketing collaterals such as billboards, posters, banners, or tarpaulins were produced for the new ad campaign of the Bank.

As of December 2020, there were no reported incidents of non-compliance in the marketing and labeling efforts of the Bank. There were also no reported incidents of non-compliance with regulations and / or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship.

Digital Transformation and Innovation

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

UN SDG 9

Currently, the Bank has 1,572 automated teller machines (ATMs), 144 cash accept machines (CAMs), and 7,120 point-of-sales (POS) terminals for the 24-hour banking convenience of customers.

	2019	2020
ATMs	1,472	1,578
CAMs	81	144
POS Terminals	100	7,120 ⁷

Source: Digital Innovations Group, PNB

In addition, the Bank's mobile banking application allows our customers to do interbank fund transfers (through PESONet and InstaPay), online bank payments, and viewing of transaction history. Customers can also use our mobile banking application to keep track of their credit card transactions.

To provide a convenient banking experience for our customers especially during the pandemic, we have started automating our Bank forms, shifting our customers to e-SOA, and migrating existing customers to the Bank's digital banking channels. This increased the Bank's digital banking enrollments to up to 42% for 2020 from 2019.

Digital Banking (Mobile and Internet)	2019	2020	% increase
New Enrollments	188,813	221,418	17%
Enrolled Users	528,146	749,564	42%

Source: Marketing Services and Intelligence Analytics and Performance Group, PNB

In 2020, the Bank also started a project to migrate its retail mobile and internet banking system to a new and improved platform with the goal of improving the usability of existing digital services, launching new functionalities to serve the evolving digital banking needs of our customers, and benefitting from a native platform that allows the Bank to release technology improvements more frequently and efficiently. Development and quality assurance of the system was completed by December 2020, and the bank is ready to launch the initial phase of the new platform by first quarter of 2021. Roll-out of new capabilities of the system will continue for the rest of 2021 to meet the fundamental need states of digital banking customers – account access and management, fund disbursement and payment enablement. This new initiative was governed by new disciplines in customer experience design, user interface development, and product usability testing. All these redefine the digital product development process of the bank to ensure a continuous customer-centric design of digital products and services.

The Bank also launched its new corporate internet banking platform called PNB C@shNet Plus to address BSP findings on system obsolescence and to primarily address the evolving needs of our

⁷ The sudden increase in POS Terminals is due to CMS inclusion of Debit POS (no figures in 2019 for Debit POS). The 100 terminals in 2019 is for POS Cash Out.

corporate clients to use digital platforms in fulfilling day-to-day business transactions. C@shNet Plus supports interbank (PESONet and InstaPay) and intrabank fund transfers. Customers can also do single and bulk upload transactions for several transactions such as bills payment, payroll, online authorization for corporate check disbursement instructions (self-service/outsourced), e-pay, electronic invoice presentment and payment, and payment gateway.

In line with the Bank's transformation initiative, the Institutional Transaction Banking Group (ITBG) was formed from the merger of the Cash Management Solutions Division and Ecosystem Division. The formation of ITBG is crucial in our strategy to address the cash management needs of PNB's corporate clients so PB can become their main operating bank. To achieve this, the main thrust of ITBG is to drive the usage of PNB's new and revitalized digital cash management platform, C@shNet Plus, as well as the low-touch cash management solutions through existing and new strategic partnership initiatives.

Customer Data Privacy and Security

GRI 103-1, 103-2, 103-3, 418-1

UN SDG 16

We respect and value the right to data privacy and protection of our data subjects (e.g., customers, employees). We take all necessary actions to safeguard our data subjects' information, making sure that personal data collected from them are processed in adherence to the general principles of transparency, legitimate purpose, and proportionality.

Our Enterprise Data Privacy Policy reinforces our commitment to data privacy and security by implementing appropriate organizational, physical, and technical security measures in relation to the processing of personal data. We ensure strict compliance with both local and international laws and regulations as well as global standards, including the compliance checklist of the National Privacy Commission (NPC), among others. To ensure continuous compliance of PNB overseas branches with applicable data privacy legislations, the Data Privacy and Technology Risk Management Division (DPTRMD) started assisting PNB overseas branches in drafting their data privacy manuals that will supplement the PNB Enterprise Data Privacy Policy.

Our Data Protection Officer (DPO), with the assistance of DPTRMD, formerly Data Privacy Management Division (DPMD), works with our Customer Experience Division (CED) to efficiently resolve any data privacy-related concerns directly coming from our data subjects. The DPO and DPTRMD are consistently coordinating with the Enterprise Information Security Group (EISG) to ensure that the Bank's information security is maintained.

Our Bank employees are bound by a confidentiality agreement. DPTRMD regularly sends out data privacy advisories and conduct data privacy awareness training for employees, including third-party service providers, to ensure that all personnel who process personal data understand their responsibilities in the proper handling and protection of personal data. Our DPO and DPTRMD continuously monitor updates and trends on data privacy and security through NPC issuances and participation in various seminars and conferences conducted by professional associations such as Bankers Association of the Philippines and International Association of Privacy Professionals to ensure the continuing suitability, adequacy, and effectiveness of the Bank's data privacy practices.

As part of the Bank's efforts in maintaining transparent processing of personal data, the Bank ensures that all data subjects are informed about how PNB processes and protects personal data. Hence, PNB's Data Privacy Statement is accessible to the public through the PNB website.

For 2020, the goals and targets for ensuring privacy and protection of customer are aligned with the 3-year strategic plan for DPTRMD which is based on Banks Data Privacy Management system in accordance with the Compliance checklist issued by the National Privacy Commission and with Data Privacy Principles.

Given the pandemic situation, the shift to digital banking channels has become a necessity for customers, but it has also posed data privacy and security concerns. In addressing this, the Bank's existing process handled and ensured that all concerns regarding the processing of customers' data were addressed and resolved immediately. In addition, the Bank put in place safeguards to ensure that our customers' data are protected whenever they use any of our digital platforms. Our Bank's mobile

and online banking facilities, for instance, have security features that protect personal data and other information such as use of log-in credentials, One-Time-Pin (OTP), Touch ID, and SMS and email alerts, among others. The Bank's Cards Banking and Solutions Group also sends out SMS and email alerts to our customers whenever significant amounts are used on their credit cards or debit cards.

Moreover, the Bank promotes customer privacy and security awareness by sending preventive information and security tips to customers about phishing and online scams via e-mail, SMS, and by posting the same on the official PNB website and social media channels.

Membership in Associations

GRI 102-13

- ACI Philippines
- Association of Certified Fraud Examiners
- Association of Certified Public Accountants in Commerce
- Association of AML Officers (AMLO)
- Association of Bank Compliance Officers (ABCOMP)
- Agusan Chamber
- Asian Bankers Institute
- Asian Bankers Association
- Bankers Institute of the Philippines
- Bankers Association of the Philippines
- Bank Marketing Association of the Philippines
- Bank Security Management Association
- British Chamber
- Credit Management Association of the Philippines
- Credit Card Association of the Philippines
- Executives Finance Management Association
- Federation of the Philippine Industries, Inc.
- Financial Executive Institute of the Philippines
- Financial Technology of the Philippines
- Information Systems, Audit and Control Association
- Institute of Corporate Directors, Inc.
- Institute of Internal Auditors of the Philippines
- Integrated Bar of the Philippines
- Japanese Chamber
- Korean Chamber
- Mabuhay Miles
- Makati Commercial Estate Association, Inc.
- Management Association of the Philippines
- Money Market Association of the Philippines, Inc.
- People Management Association of the Philippines
- Philippine Association of National Advertisers, Inc.
- Philippine Chamber of Commerce and Industries, Inc.
- Philippine Business Coalition for Women Empowerment
- Philippine Payments Management, Inc.
- Public Relations Society of the Philippines
- Rotary Club
- Tax Management Association of the Philippines
- The Financial Markets Association, Inc.
- Trust Officers Association of the Philippines
- Women's Business World

**GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX
FOR “IN ACCORDANCE”**

-Core Option

GRI 102-55

GRI STANDARD	DISCLOSURE	PAGE NUMBER	OMISSION
GRI 102: ORGANIZATIONAL DISCLOSURES			
Organizational Profile			
102-1	Name of the organization		
102-2	Activities, brands, products, and services		
102-3	Location of headquarters		
102-4	Location of operations		
102-5	Ownership and legal form		
102-6	Markets served		
102-7	Scale or organization		
102-8	Information on employees and other workers		
102-9	Supply chain		
102-10	Significant changes to the organization and its supply chain		
102-11	Precautionary principle or approach		
102-12	External initiatives		
102-13	Membership or associations		
Strategy			
102-14	Statement from the senior decision-maker		
102-15	Key impacts, risks, and opportunities		
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviors		
102-17	Mechanisms for advice and concerns about ethics		
Governance			
102-18	Governance Structure		
102-20	Executive-level responsibility for economic, environmental, and social topics		
102-21	Consulting stakeholders on economic, environmental, and social topics		
102-22	Composition of the highest governance body		
102-23	Chair of the highest governance body		
102-24	Nominating and selecting the highest governance body		
102-25	Conflicts of interest		
102-26	Role of highest		
102-27	Collective knowledge of the highest governance body		
102-28	Evaluating the highest governance body's performance		
102-29	Identifying and managing economic, environmental, and social topics		
102-30	Effectiveness of risk management processes		
102-31	Review of economic, environmental, and social topics		
102-32	Highest governance body's role in sustainability reporting		
102-35	Remuneration policies		
102-36	Process for determining remuneration		
102-37	Stakeholders' involvement in remuneration		
Stakeholder Engagement			
102-40	List of stakeholder groups		

GRI STANDARD	DISCLOSURE		PAGE NUMBER	OMISSION
102-41	Collective Bargaining Agreements			
102-42	Identifying and selecting stakeholders			
102-43	Approach to stakeholder engagement			
102-44	Key topics and concerns raised			
Reporting Practice				
102-46	Defining report content and topic boundaries			
102-47	List of material topics			
102-48	Restatements of t information			
102-49	Changes in reporting			There are no changes in the reporting.
102-50	Reporting period			
102-51	Date of most recent report		February 2021	
102-52	Reporting cycle		Annual	
102-53	Contact point for questions regarding the report			
102-54	Claims of reporting in accordance with the GRI standards			
102-55	GRI Content Index			
102-56	External Assurance			This report is not externally assured.
ECONOMIC PERFORMANCE				
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary		
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed		
	201-3	Defined benefit plan obligations and other retirement plans		
INDIRECT ECONOMIC IMPACTS				
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary		
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 203: Indirect Economic Impacts	203-1	Infrastructure investments and services supported		
	203-2	Significant indirect economic impacts		
ENERGY EFFICIENCY				
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary		
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 302: Energy	302-1	Energy Consumption		
	302-4	Reduction of energy consumption		
WATER AND EFFLUENTS				
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary		
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 303: Water and Effluents	303-1	Interactions with water as a shared resource		
	303-2	Management of water discharge-related impacts		
	303-4	Water discharge		
	303-5	Water consumption		
EMISSIONS				
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary		
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 305: Emissions	305-1	Direct (Scope 1) GHG Emissions		
	305-2	Indirect (Scope 2) GHG Emissions		

WASTE MANAGEMENT			
Management Approach	306-1	Waste generation and significant waste-related impacts	
	306-2	Management of significant waste-related impacts	
GRI 306: Waste	306-3	Waste generated	
	306-4	Waste diverted from disposal	
	306-5	Waste directed to disposal	
MANAGING ENVIRONMENTAL AND SOCIAL RISKS AND IMPACT			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
EMPLOYEMENT			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 401: Employment	401-1	New employee hires and employee turnover	
	402-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	403-3	Parental Leave	
GRI 405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	
GRI 407: Freedom of Association and Collective Bargaining Agreement	407-1	Collective Bargaining Agreement	
OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 403: Occupational Health and Safety	403-1	Occupational health and safety management	
	403-2	Hazard identification, risk management, and incident investigation	
	403-4	Worker participation, consultation, and communication on occupational health and safety	
	403-5	Worker training on occupational health and safety	
	403-6	Promotion of worker health	
TRAINING AND DEVELOPMENT			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 404: Training and Education	404-1	Average hours of training per year per employee	
	404-2	Programs for upgrading employee skills and transition assistance program	
	404-3	Percentage of employees receiving regular performance and career development	
NON-DISCRIMINATION			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 406: Non-Discrimination	406-1	Incidents of discrimination and corrective actions taken	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 407: Freedom of Association and	407-1	Collective Bargaining Agreement	

Collective Bargaining Agreement			
ANTI-CORRUPTION			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 205: Anti-Corruption	205-2	Communication and training about anti-corruption policies and procedures	
	205-3	Confirmed incidents of corruption and actions taken	
RESPONSIBLE CORPORATE CITIZENSHIP			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 203: Indirect Economic Impacts	203-1	Infrastructures investments and services supported	
	203-2	Significant indirect economic impacts	
GRI 413: Local Communities	413-1	Operations with local community engagement, impact assessments, and development	
SOCIO- ENVIRONMENTAL COMPLIANCE			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 307: Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	
GRI 419: Socio-economic Compliance	419-1	Non-compliance with the laws and regulations in the social and economic arena	
MARKETING AND LABELING			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	
	417-2	Incidents of non-compliance concerning product and service information and labeling	
	417-3	Incidents of non-compliance concerning marketing communications	
DIGITAL TRANSFORMATION AND INNOVATION			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
CUSTOMER DATA PRIVACY AND SECURITY			
GRI 103: Management Approach	103-1	Explanation of material topic and its boundary	
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 418: Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	