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

SEC Registration Number

AS096-005555

COMPANY NAME

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

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

PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-5 (Group A),
April 16, 2019 valid until April 15, 2022
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-053-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534310, January 4, 2021, Makati City

March 15, 2021

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
(In Thousands)

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

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Thousands, Except Earnings per Share)

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

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

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

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Consolidated													
	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 32)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Classified as Held for Sale (Note 36)	Other Equity Adjustment	Total	Non-controlling Interests (Note 12)	Total Equity
Balance at January 1, 2020	**₱61,030,594**	**₱32,116,560**	**₱642,018**	**₱56,273,492**	**₱3,250,651**	**(₱2,229,220)**	**₱947,562**	**₱35,466**	**₱12,280**	**₱–**	**₱13,959**	**₱152,093,362**	**₱2,882,038**	**₱154,975,400**
Total comprehensive income (loss) for the year	–	–	–	**2,614,653**	**(167,039)**	**(720,825)**	**(229,690)**	–	**(1,051,118)**	–	–	**445,981**	**(17,224)**	**428,757**
Transfer to surplus reserves (Note 25 and 32)	–	–	**4,390,079**	**(4,390,079)**	–	–	–	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	**248,830**	–	–	–	**248,830**	**95,900**	**344,730**
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	**(6,441)**	–	–	–	**(6,441)**	–	**(6,441)**
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	**(29,209)**	**(59,407)**	–	–	–	**88,616**	–	–	**259,722**	**259,722**
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	**(19,160)**	**(19,160)**
Balance at December 31, 2020	**₱61,030,594**	**₱32,116,560**	**₱5,032,097**	**₱54,498,066**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱277,855**	**(₱1,038,838)**	**₱88,616**	**₱13,959**	**₱152,781,732**	**₱3,201,276**	**₱155,983,008**
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱13,959	₱125,664,159	₱2,894,853	₱128,559,012
Total comprehensive income (loss) for the year	–	–	–	9,681,480	6,447,587	(702,390)	(829,361)	–	–	–	–	14,597,316	(14,705)	14,582,611
Issuance of stock (Note 25)	11,065,007	785,309	–	–	–	–	–	–	–	–	–	11,850,316	–	11,850,316
Transfer to surplus reserves (Note 25 and 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	–	(18,429)	5,262	(13,167)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,372)	(3,372)
Balance at December 31, 2019	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱13,959	₱152,093,362	₱2,882,038	₱154,975,400
Balance at January 1, 2018	₱49,965,587	₱31,331,251	₱597,605	₱37,171,403	(₱688,514)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱–	₱13,959	₱117,785,084	₱2,644,739	₱120,429,823
Total comprehensive income (loss) for the year	–	–	–	9,465,022	(2,508,422)	579,756	359,039	–	–	–	–	7,895,395	216,135	8,111,530
Transfer to surplus reserves (Note 25 and 32)	–	–	22,968	(22,968)	–	–	–	–	–	–	–	–	–	–
Settlement of share-based payments (Note 32)	–	–	–	–	–	–	–	(16,320)	–	–	–	(16,320)	–	(16,320)
Sale of investment in a subsidiary (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	100,000	100,000
Dissolution of a subsidiary (Note 12)	–	–	–	–	–	–	–	–	–	–	–	–	(62,655)	(62,655)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(3,366)	(3,366)
Balance at December 31, 2018	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱13,959	₱125,664,159	₱2,894,853	₱128,559,012

See accompanying Notes to Financial Statements.

Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 32)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Note 36)	Total Equity
Balance at January 1, 2020	**₱61,030,594**	**₱32,106,560**	**₱642,018**	**₱56,273,735**	**₱3,250,651**	**(₱2,229,220)**	**₱947,562**	**₱35,466**	**₱12,280**	**₱–**	**₱152,069,646**
Total comprehensive income (loss) for the year	–	–	–	**2,959,932**	**(167,039)**	**(720,825)**	**(229,690)**	–	**(1,051,118)**	–	**791,260**
Transfer to surplus reserves (Note 32)	–	–	**4,390,079**	**(4,390,079)**	–	–	–	–	–	–	–
Business combination with a subsidiary (Note 12)	–	–	–	–	–	–	–	**390,517**	–	–	**390,517**
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	**(6,441)**	–	–	**(6,441)**
Reserves of disposal group classified as held for sale (Note 36)	–	–	–	–	**(29,209)**	**(59,407)**	–	–	–	**88,616**	–
Balance at December 31, 2020	**₱61,030,594**	**₱32,106,560**	**₱5,032,097**	**₱54,843,588**	**₱3,054,403**	**(₱3,009,452)**	**₱717,872**	**₱419,542**	**(₱1,038,838)**	**₱88,616**	**₱153,244,982**
Balance at January 1, 2019	₱49,965,587	₱31,331,251	₱620,573	₱46,613,704	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱125,650,447
Total comprehensive income (loss) for the year	–	–	–	9,681,476	6,447,587	(702,390)	(829,361)	–	–	–	14,597,312
Issuance of stock (Note 25)	11,065,007	775,309	–	–	–	–	–	–	–	–	11,840,316
Transfer to surplus reserves (Note 32)	–	–	21,445	(21,445)	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(18,429)	–	–	(18,429)
Balance at December 31, 2019	₱61,030,594	₱32,106,560	₱642,018	₱56,273,735	₱3,250,651	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱–	₱152,069,646
Balance at January 1, 2018	₱49,965,587	₱31,331,251	₱597,605	₱37,171,597	(₱688,514)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱–	₱117,771,319
Total comprehensive income (loss) for the year	–	–	–	9,465,075	(2,508,422)	579,756	359,039	–	–	–	7,895,448
Transfer to surplus reserves (Note 32)	–	–	22,968	(22,968)	–	–	–	–	–	–	–
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(16,320)	–	–	(16,320)
Balance at December 31, 2018	₱49,965,587	₱31,331,251	₱620,573	₱46,613,704	(₱3,196,936)	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱–	₱125,650,447

See accompanying Notes to Financial Statements.

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

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

(Forward)

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

See accompanying Notes to Financial Statements.

(Amounts in Thousand Pesos except When Otherwise Indicated)

1. Corporate Information

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation of the Financial Statements

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

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

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

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

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

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

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

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

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

The Group consolidates its subsidiaries from the date on which the Group obtains control over the subsidiary. The Group controls an investee if, and only if, the Group has:
- power over the investee (i.e., those existing rights that give the Group the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

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

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

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

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

- Amendments to PFRS 3, *Business Combinations: Definition of a Business*
  The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, the amendments clarify that a business can exist without including all of the inputs and processes needed to create outputs.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and *PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*
  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*
  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018
  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19 Related Rent Concessions*
  The amendments provide relief to lessees from applying PFRS 16*, Leases*, guidance on lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (COVID-19) pandemic. As a practical expedient, a lessee may elect not to assess

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

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

Effective beginning on or after January 1, 2021

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

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

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3*, Business Combinations: Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was also added to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine Interpretation IFRIC 21, *Levies*, if incurred separately. The amendments apply prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*
  The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, entities should recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*
  The amendments apply a "directly related cost approach" to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Under this approach, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments apply to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- Annual Improvements to PFRS Standards 2018-2020 Cycle
  - Amendments to PFRS 1, *Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PFRS 16, *Lease incentives*
  - Amendments to PAS 41, *Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- PFRS 17*, Insurance Contracts*
  PFRS 17 is comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted but only if the entity also applies PFRS 9, *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers*.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify: (a) what is meant by a right to defer settlement; (b) that a right to defer must exist at the end of the reporting period; (c) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and (d) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are applied retrospectively.

Deferred effectivity

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

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

Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

If the above criteria are no longer met, the Group ceases to classify the asset or disposal group as held for sale. In such cases, the Group measures such asset or disposal group at the lower of its:
- carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had it not been classified as such; and
- recoverable amount at the date of the subsequent decision not to sell.

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

Foreign Currency Translation

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

Transactions and balances

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

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

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

FCDU and overseas branches and subsidiaries

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

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

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

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

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

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

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

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

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

Financial Instruments – Initial Recognition

Date of recognition

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

Initial recognition of financial instruments

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

Financial Instruments – Classification and Subsequent Measurement

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

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

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

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

Financial assets at FVTPL

Financial assets at FVTPL include the following:

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

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

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

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

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

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

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

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions:
- the asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

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

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

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

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

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

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

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

<u>Financial Instruments – Derecognition</u>
Financial assets
The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:
- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Group recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

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.

<u>Financial Guarantees and Undrawn Loan Commitments</u>
The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under 'Bills and acceptances payable' or 'Other liabilities' in the statement of financial position. Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

<u>Investments in Subsidiaries, Associates and Joint Ventures</u>
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 calculates the amortized cost of a financial asset or a financial liability and allocate the interest income or interest exense.

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

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

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

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

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

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

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

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

Income on direct financing leases and receivables financed
The Group recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables' . Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:
- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Expenditures

Borrowing costs

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

Operating expenses

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

Taxes and licenses

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

Depreciation and amortization

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

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

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

Expenditures on nonfinancial assets

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

Retirement Benefits

Defined benefit plan

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

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

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

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

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

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

Employee leave entitlement

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

Share-based Payment

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

Leases

Policies applicable effective January 1, 2019

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

Policies applicable prior to January 1, 2019
In determining whether an arrangement was, or contained a lease, the Group assessed the substance of the arrangement whether the fulfillment of the arrangement was dependent on the use of a specific asset or assets, and the arrangement conveyed a right to use the asset. After inception of the lease, the Group reassesed the above basis only if one of the following applies:
- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- there is a change in the determination of whether fulfillment is dependent on a specified asset;
- there is a substantial change to the asset; or
- a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term.

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

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

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

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

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

<u>Provisions</u>
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'.

<u>Contingent Liabilities and Contingent Assets</u>
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.

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

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

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

The Group recognizes deferred tax liabilities for all taxable temporary differences, including asset revaluations. The Group recognizes deferred tax assets for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Judgments and Estimates

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

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

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

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:
- business objectives and strategies for holding the financial assets;
- performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets;
- risks associated to the financial assets and the tools applied in managing those risks;
- compensation structure of business units, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions; and
- frequency and timing of disposals.

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

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

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

(c) Determination of lease term for lease contracts with renewal and termination options (applicable effective January 1, 2019)
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

(d) Classification of leases (applicable prior to January 1, 2019)
In arrangements that are, or contain, leases, the Group determines based on an evaluation of the terms and conditions of the arrangements whether or not the lessor retains all the significant risks and rewards of ownership of the properties which are leased out.

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

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

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

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

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

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

<u>Estimates</u>
(a) *Credit losses on financial assets*
The Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:
- segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively;
- quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages;
- determination of expected life of the financial asset and expected recoveries from defaulted accounts;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs; and
- selection of forward-looking information and determination of probability-weightings to derive the ECL.

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

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

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

(c) *Present value of lease liabilities (applicable effective January 1, 2019)*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

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

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

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

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

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

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

- deteriorating or poor financial condition;

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

The Group also assesses impairment on its property and equipment, investment properties and chattel properties, and intangibles with finite useful lives and considers the following impairment indicators:
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

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

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

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

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

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

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

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

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

4. Financial Risk Management Objectives and Policies

Introduction

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

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

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

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

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

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

Pillar 2 Risks:
4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Cyber Security Risk

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

The mandate of the RMG involves:Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;
- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

* *Loans and receivables exclude residual value of the leased asset (Note 10)*
** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

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

* *Loans and receivables exclude residual value of the leased asset. (Note 10)*
** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit quality per class of financial assets

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

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

<u>Loans and Receivables</u>

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

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

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

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

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

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

Credit quality	**26-grade CRR system**
High S&P Equivalent Global Rating: AAA to BBB-	*BRR 1 Excellent* Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low. *BRR 2 Very Strong* Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low. *BRR 3 Strong* Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low. *BRR 4-6 Good* Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low. *BRR 7-9 Satisfactory* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low. *BRR 10-12 Adequate* Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.
Standard S&P Equivalent Global Rating: BB+ to BB-	*BRR 13-15 Average* Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility. *BRR 16-18 Acceptable* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility. *BRR 19-20 Vulnerable* Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility

Credit quality	26-grade CRR system
Substandard S&P Equivalent Global Rating: B+ to CCC-	*BRR 21-22 Weak* Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility. *BRR 23-25 Watchlist* Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.
Impaired S&P Equivalent Global Rating: D	*BRR 26 Default* Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.

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

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

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

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

(Forward)

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

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

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

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

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

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

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

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

Trading and Investment Securities and Other Financial Assets

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

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

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

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

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

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

	Consolidated					
	2020					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱202,129,356**	**₱202,129,356**
Due from other banks	**5,813,831**	**10,123,881**	**1,802,421**	**17,740,133**	**2,003,065**	**19,743,198**
Interbank loans receivables	**13,867,302**	**24,308,309**	**1,528,253**	**39,703,864**	**–**	**39,703,864**
Securities held under agreements to resell	**–**	**–**	**–**	**–**	**15,819,273**	**15,819,273**
Financial assets at FVOCI						
Government securities	**85,207**	**–**	**90,319,428**	**90,404,635**	**20,442,131**	**110,846,766**
Private debt securities	**405,322**	**3,231,687**	**1,975,897**	**5,612,906**	**15,805,628**	**21,418,534**
Quoted equity securities	**–**	**–**	**119,170**	**119,170**	**588,188**	**707,358**
Unquoted equity securities	**–**	**–**	**420,683**	**420,683**	**322,011**	**742,694**
Investment securities at amortized cost:						
Government securities	**120,351**	**188,146**	**42,540,628**	**42,849,125**	**226,650**	**43,075,775**
Private debt securities	**1,113,697**	**25,550,637**	**7,650,120**	**34,314,454**	**21,828,162**	**56,142,616**
Financial assets at amortized cost:						
Others [2/]	**–**	**–**	**–**	**–**	**17,813,208**	**17,813,208**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Consolidated					
	2019					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱105,981,801	₱105,981,801
Due from other banks	5,038,372	3,090,447	7,990,152	16,118,971	1,642,531	17,761,502
Interbank loans receivables	9,594,780	13,182,252	434,761	23,211,793	1,626,742	24,838,535
Securities held under agreements to resell	–	–	–	–	2,519,676	2,519,676
Financial assets at FVOCI						
Government securities	460,363	2,124,737	88,335,353	90,920,453	129,262	91,049,715
Private debt securities	3,443,245	3,329,819	6,366,568	13,139,632	17,250,370	30,390,002
Quoted equity securities	–	–	159,725	159,725	911,809	1,071,534
Unquoted equity securities	–	–	–	–	629,589	629,589
Investment securities at amortized cost:						
Government securities	–	–	55,304,814	55,304,814	290,046	55,594,860
Private debt securities	1,407,543	22,281,474	9,288,335	32,977,352	15,677,741	48,655,093
Financial assets at amortized cost:						
Others [2/]	–	–	5,964,656	5,964,656	19,353,086	25,317,742

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Parent Company					
	2020					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱202,129,356**	**₱202,129,356**
Due from other banks	**887,022**	**9,737,045**	**45,577**	**10,669,644**	**1,471,955**	**12,141,599**
Interbank loans receivables	**12,005,750**	**24,308,309**	**1,528,253**	**37,842,312**	**19,240**	**37,861,552**
Securities held under agreements to resell	**–**	**–**	**–**	**–**	**15,819,273**	**15,819,273**
Financial assets at FVOCI						
Government securities	**–**	**–**	**90,319,428**	**90,319,428**	**20,615,597**	**110,935,025**
Private debt securities	**405,322**	**3,231,687**	**1,975,897**	**5,612,906**	**15,805,628**	**21,418,534**
Quoted equity securities	**–**	**–**	**–**	**–**	**588,188**	**588,188**
Unquoted equity securities	**–**	**–**	**–**	**–**	**321,011**	**321,011**
Investment securities at amortized cost						
Government securities	**–**	**188,146**	**42,540,628**	**42,728,774**	**226,650**	**42,955,424**
Private securities	**1,113,697**	**25,550,637**	**7,650,120**	**34,314,454**	**21,828,162**	**56,142,616**
Financial assets at amortized cost:						
Others [2/]	**–**	**–**	**–**	**–**	**18,148,561**	**18,148,561**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

	Parent Company					
	2019					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱101,801,597	₱101,801,597
Due from other banks	5,038,372	3,090,447	2,319,497	10,448,316	390,149	10,838,465
Interbank loans receivables	9,594,780	13,182,252	434,761	23,211,793	592,962	23,804,755
Securities held under agreements to resell	–	–	–	–	1,149,984	1,149,984
Financial assets at FVOCI						
Government securities	–	2,124,737	87,992,726	90,117,463	302,728	90,420,191
Private debt securities	580,068	3,329,819	6,323,662	10,233,549	17,248,743	27,482,292
Quoted equity securities	–	–	–	–	596,148	596,148
Unquoted equity securities	–	–	–	–	397,933	397,933
Investment securities at amortized cost						
Government securities	–	–	54,275,608	54,275,608	234,160	54,509,768
Private securities	1,178,170	22,281,474	9,288,335	32,747,979	15,674,405	48,422,384
Financial assets at amortized cost:						
Others [2/]	–	–	5,964,656	5,964,656	11,856,286	17,820,942

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

Liquidity Risk and Funding Management

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

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

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

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

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

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

	Consolidated					
	2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱30,500,927	₱–	₱–	₱–	₱–	₱30,500,927
Due from BSP and other banks	123,754,500	–	–	–	–	123,754,500
Interbank loans receivable	19,538,847	2,294,811	1,516,690	–	1,920,879	25,271,227
Securities held under agreements to resell	2,519,956	–	–	–	–	2,519,956
Financial assets at FVTPL:						
Government securities	1,527	–	965,353	–	9,874,107	10,840,987
Private debt securities	–	404,805	8,689	–	3,604,610	4,018,104
Equity securities	–	–	–	–	1,455,435	1,455,435
Investment in UITFs	6,532	–	–	–	–	6,532
Derivative assets:						
Gross contractual receivable	50,516,358	15,144,703	1,050,642	1,089,190	265,690	68,066,583
Gross contractual payable	(50,247,501)	(15,048,665)	(1,034,114)	(1,067,234)	(204,142)	(67,601,656)
Financial assets at FVOCI:						
Government securities	99,825	9,247,044	7,100,100	6,787,541	103,866,790	127,101,300
Private debt securities	289,360	1,254,865	475,396	2,764,029	29,550,648	34,334,298
Equity securities	1,701,123	–	–	–	–	1,701,123
Investment securities at amortized cost						
Government securities	759,187	10,030	2,204,668	1,002,409	67,026,127	71,002,421
Private debt securities	11,016,157	11,617,383	1,275,970	1,149,809	28,510,111	53,569,430
Financial assets at amortized cost:						
Receivables from customers	106,846,648	77,393,306	34,687,983	27,024,646	420,935,000	666,887,583
Other receivables	12,718,210	697,105	2,786,644	201,091	10,698,267	27,101,317
Other assets	420,846	–	–	–	54,930	475,776
Total financial assets	₱310,442,502	₱103,015,387	₱51,038,021	₱38,951,481	₱677,558,452	₱1,181,005,843
Financial Liabilities						
Deposit liabilities:						
Demand	₱172,228,956	₱–	₱–	₱–	₱–	₱172,228,956
Savings	391,769,777	–	–	–	–	391,769,777
Time and LTNCDs	154,612,024	48,316,708	17,170,359	9,753,174	49,383,102	279,235,367
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	34,974,301	15,819,971	840,580	1,069,063	216,301	52,920,216
Gross contractual receivable	(35,113,963)	(15,896,387)	(865,139)	(1,089,099)	(209,867)	(53,174,455)
Bills and acceptances payable	18,063,404	17,835,510	3,221,186	32,778	16,857,628	56,010,506
Bonds Payable	–	–	–	–	75,600,929	75,600,929
Accrued interest payable and accrued other expenses payable	1,254,102	708,438	473,154	403,528	274,852	3,114,074
Other liabilities	11,914,442	–	–	–	1,075,209	12,989,651
Total financial liabilities	₱749,703,043	₱66,784,240	₱20,840,140	₱10,169,444	₱143,198,154	₱990,695,021

	Parent Company					
	2020					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1year**	**Total**
Financial Assets						
COCI	**₱25,038,434**	**₱–**	**₱–**	**₱–**	**₱–**	**₱25,038,434**
Due from BSP and other banks	**215,736,563**	**–**	**–**	**–**	**–**	**215,736,563**
Interbank loans receivable	**32,985,081**	**4,260,745**	**9,989**	**386,223**	**–**	**37,642,038**
Securities held under agreements to resell	**15,824,546**	**–**	**–**	**–**	**–**	**15,824,546**
Financial assets at FVTPL:						
Government securities	**76,701**	**179,570**	**219,267**	**365,452**	**21,495,821**	**22,336,811**
Private debt securities	**–**	**–**	**53,099**	**53,099**	**2,813,834**	**2,920,032**
Equity securities	**186**	**16,568**	**4,774**	**21,529**	**1,155,708**	**1,198,765**
Derivative assets:						
Gross contractual receivable	**44,836,134**	**9,153,035**	**354,183**	**28,133**	**143,294**	**54,514,779**
Gross contractual payable	**(44,728,121)**	**(9,045,098)**	**(347,351)**	**(35,742)**	**(165,268)**	**(54,321,580)**

(Forward)

	Parent Company 2020					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1year**	**Total**
Financial assets at FVOCI:						
Government securities	**₱46,236,478**	**₱4,117,205**	**₱499,054**	**₱4,497,027**	**₱66,545,692**	**₱121,895,456**
Private debt securities	**506,752**	**424,064**	**1,485,767**	**3,327,820**	**18,901,182**	**24,645,585**
Equity securities	–	–	–	–	**440,899**	**440,899**
Investment securities at amortized cost:						
Government securities	**4,876,830**	**743,372**	**5,577,997**	**2,239,307**	**31,997,363**	**45,434,869**
Private debt securities	**132,997**	**3,995,388**	**4,245,417**	**16,980,507**	**43,692,410**	**69,046,719**
Financial assets at amortized cost:						
Receivables from customers	**90,855,723**	**75,469,612**	**31,519,717**	**21,543,002**	**478,960,310**	**698,348,364**
Other receivables	**9,715,666**	**173,800**	**696,113**	**124,133**	**7,438,848**	**18,148,560**
Other assets	**85,672**	**–**	**74**	**–**	**527**	**86,273**
Total financial assets	**₱442,179,642**	**₱89,488,261**	**₱44,318,100**	**₱49,530,490**	**₱673,420,620**	**₱1,298,937,113**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱202,489,354**	**₱–**	**₱–**	**₱–**	**₱–**	**₱202,489,354**
Savings	**290,560,463**	**–**	**–**	**–**	**–**	**290,560,463**
Time and LTNCDs	**226,707,265**	**91,019,585**	**12,065,239**	**17,198,950**	**59,980,452**	**406,971,491**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	**35,770,120**	**12,482,054**	**11,301,212**	**1,516,703**	**122,084**	**61,192,173**
Gross contractual payable	**(35,497,003)**	**(12,425,675)**	**(11,063,446)**	**(1,476,432)**	**(165,268)**	**(60,627,824)**
Bills and acceptances payable	**45,191,980**	**24,161,984**	**10,337**	**914**	**13,636,850**	**83,002,065**
Bonds payable	**–**	**218,453**	**15,147,938**	**1,057,058**	**58,700,049**	**75,123,498**
Accrued interest payable and accrued other expenses payable	**253,983**	**628,398**	**400,089**	**471,966**	**772,420**	**2,526,856**
Other liabilities	**8,588,232**	**145,192**	**87,867**	**418,972**	**1,485,536**	**10,725,799**
Total financial liabilities	**₱774,064,394**	**₱116,229,991**	**₱27,949,236**	**₱19,188,131**	**₱134,532,123**	**₱1,071,963,875**

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

	Parent Company 2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial Liabilities						
Deposit liabilities:						
Demand	₱168,628,123	₱–	₱–	₱–	₱–	₱168,628,123
Savings	384,773,630	–	–	–	–	384,773,630
Time and LTNCDs	137,087,076	31,516,650	14,106,500	9,269,240	44,734,752	236,714,218
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	34,975,698	15,822,860	849,922	1,069,063	216,301	52,933,844
Gross contractual receivable	(35,113,963)	(15,896,387)	(865,139)	(1,089,099)	(209,867)	(53,174,455)
Bills and acceptances payable	7,153,273	11,859,566	8,857,321	14,325,787	3,538,962	45,734,909
Bonds Payable	–	–	–	–	75,600,929	75,600,929
Accrued interest payable and accrued other expenses payable	1,116,173	701,408	394,596	384,322	273,149	2,869,648
Other liabilities	11,914,442	–	–	–	1,075,209	12,989,651
Total financial liabilities	₱710,534,452	₱44,004,097	₱23,343,200	₱23,959,313	₱125,229,435	₱927,070,497

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

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

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

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

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

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Available stable funding	**₱845,749**	₱794,378	**₱838,677**	₱760,737
Required stable funding	**617,061**	641,399	**623,071**	603,804
NSFR	**137.06%**	123.85%	**134.60%**	125.99%

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

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

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

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

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

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

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

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

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

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

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

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

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Structural Market Risk

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					
	2019					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Liabilities*						
Deposit liabilities:						
Savings	₱106,264,604	₱38,894,466	₱20,765,903	₱13,055,019	₱205,793,638	₱384,773,630
Time***	136,719,939	23,423,637	6,292,260	9,596,231	11,256,075	187,288,142
Bonds payable	–	–	–	–	66,615,078	66,615,078
Bills and acceptances payable	33,426,883	14,260,535	22,229	714,370	–	48,424,017
Total financial liabilities	₱276,411,426	₱76,578,638	₱27,080,392	₱23,365,620	₱283,664,791	₱687,100,867
Repricing gap	(₱88,209,970)	(₱13,853,762)	₱972,931	(₱15,346,182)	(₱92,666,895)	(₱209,103,878)
Cumulative gap	(88,209,970)	(102,063,732)	(101,090,801)	(116,436,983)	(209,103,878)	–

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

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

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

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

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

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

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

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

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

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

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

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

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

(Forward)

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

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

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

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

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

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

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

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

5. Fair Value Measurement

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

Assets and Liabilities	Fair value methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Derivatives	Based on either: • quoted market prices; • prices provided by independent parties; or • prices derived using acceptable valuation models
Debt securities	For quoted securities – based on market prices from debt exchanges For unquoted securities [1] – estimated using either: • quoted market prices of comparable investments; or • discounted cash flow methodology
Equity securities	For quoted securities – based on market prices from stock exchanges For unquoted securities – estimated using quoted market prices of comparable investments [2]
Investments in UITFs	Based on their published net asset value per share
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology [3] For loans with floating interest rates – at their carrying amounts
Investment properties	Appraisal by independent external and in-house appraisers based on highest and best use of the property (i.e., current use of the properties) [4] using either: • market data approach [5]; or • replacement cost approach [6]
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity
Long-term financial liabilities	For quoted debt issuances – based on market prices from debt exchanges For unquoted debt issuances – estimated using the discounted cash flow methodology [7]

Notes:

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

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

[3] *using the current incremental lending rates for similar loans*

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

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

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

[7] *using the current incremental borrowing rates for similar borrowings*

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

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

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

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

	Consolidated 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,503,822	₱4,258,245	₱4,245,577	₱–	₱8,503,822
Private debt securities	3,130,156	2,246,515	883,641	–	3,130,156
Equity securities	1,455,435	1,455,435	–	–	1,455,435
Derivative assets	373,040	–	373,040	–	373,040
Investment in UITFs	6,532	1,373	5,159	–	6,532
Financial assets at FVOCI:					
Government securities	91,049,715	66,204,545	24,845,170	–	91,049,715
Private debt securities	30,390,002	9,130,230	18,496,386	2,763,386	30,390,002
Equity securities	1,701,123	428,706	790,013	482,404	1,701,123
	₱136,609,825	₱83,725,049	₱49,638,986	₱3,245,790	₱136,609,825
Financial Liabilities					
Financial Liabilities at FVTPL:					
Derivative liabilities	₱245,619	₱–	₱245,619	₱–	₱245,619
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱100,464,757	₱30,455,373	₱70,924,643	₱200,801	₱101,580,817
Receivables from customers**	636,950,500	–	–	695,304,130	695,304,130
	₱737,415,257	₱30,455,373	₱70,924,643	₱695,504,931	₱796,884,947
Nonfinancial Assets					
Investment property:					
Land***	₱12,917,821	₱–	₱–	₱23,894,410	₱23,894,410
Buildings and improvements***	2,126,005	–	–	4,844,980	4,844,980
	₱15,043,826	₱–	₱–	₱28,739,390	₱28,739,390
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱226,894,643	₱–	₱–	₱226,525,853	₱226,525,853
LTNCDs	35,152,104	–	35,311,473	–	35,311,473
Bonds payable	66,615,078	39,517,123	30,123,807	–	69,640,930
Bills payable	53,270,956	–	–	56,049,095	56,049,095
	₱381,932,781	₱39,517,123	₱65,435,280	₱282,574,948	₱387,527,351

	Parent Company 2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱18,136,391**	**₱17,657,777**	**₱478,614**	**₱–**	**₱18,136,391**
Equity securities	**2,433,904**	**1,336,753**	**1,097,151**	**–**	**2,433,904**
Private debt securities	**1,011,787**	**1,011,787**	**–**	**–**	**1,011,787**
Derivative assets	**365,558**	**–**	**365,558**	**–**	**365,558**
Financial assets at FVOCI:					
Government securities	**110,935,025**	**67,428,205**	**43,506,820**	**–**	**110,935,025**
Private debt securities	**21,418,534**	**9,773,253**	**11,645,281**	**–**	**21,418,534**
Equity securities	**910,199**	**302,170**	**421,109**	**186,920**	**910,199**
	₱155,211,398	**₱97,509,945**	**₱57,514,533**	**₱186,920**	**₱155,211,398**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱700,802**	**₱–**	**₱700,802**	**₱–**	**₱700,802**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	**₱95,115,642**	**₱12,591,794**	**₱86,656,274**	**₱–**	**₱99,248,068**
Receivables from customers**	**572,237,603**	**–**	**–**	**609,202,673**	**609,202,673**
	₱667,353,245	**₱12,591,794**	**₱86,656,274**	**₱609,202,673**	**₱708,450,741**

	Parent Company 2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Nonfinancial Assets					
Investment property:					
Land***	**₱11,971,463**	**₱–**	**₱–**	**₱26,430,230**	**₱26,430,230**
Buildings and improvements***	**1,950,335**	**–**	**–**	**3,642,298**	**3,642,298**
	₱ 13,921,798	**₱–**	**₱–**	**₱30,072,528**	**₱30,072,528**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱240,584,601**	**₱–**	**₱–**	**₱240,584,601**	**₱240,584,601**
LTNCDs	**28,212,034**	**–**	**28,541,261**	**–**	**28,541,261**
Bonds payable	**64,056,335**	**38,225,468**	**29,503,485**	**–**	**67,728,953**
Bills payable	**81,256,442**	**–**	**–**	**81,257,927**	**81,257,927**
	₱414,109,412	**₱38,225,468**	**₱58,044,746**	**₱321,842,528**	**₱418,112,742**

	Parent Company 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,503,822	₱4,258,244	₱4,245,578	₱–	₱8,503,822
Derivative assets	1,409,187	1,409,187	–	–	1,409,187
Private debt securities	883,641	–	883,641	–	883,641
Equity securities	373,006	–	373,006	–	373,006
Financial assets at FVOCI:					
Government securities*	90,420,191	65,753,164	24,667,027	–	90,420,191
Private debt securities*	27,482,292	8,985,905	18,496,387	–	27,482,292
Equity securities	994,081	357,863	385,469	250,749	994,081
	₱130,066,220	₱80,764,363	₱49,051,108	₱250,749	₱130,066,220
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱231,992	₱–	₱231,992	₱–	₱231,992
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱99,203,909	₱29,247,604	₱70,871,451	₱200,801	₱100,319,856
Receivables from customers**	572,412,727	–	–	630,739,252	630,739,252
	₱671,616,636	₱29,247,604	₱70,871,451	₱630,940,053	₱731,059,108
Nonfinancial Assets					
Investment property:					
Land***	₱12,549,288	₱–	₱–	₱23,659,779	₱23,659,779
Buildings and improvements	2,127,099	–	–	4,524,061	4,524,061
	₱14,676,387	₱–	₱–	₱28,183,840	₱28,183,840
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱187,288,142	₱–	₱–	₱187,681,683	₱187,681,683
LTNCDs	35,152,104	–	35,311,473	–	35,311,473
Bonds payable	66,615,078	39,517,123	30,123,807	–	69,640,930
Bills payable	45,731,683	–	–	46,078,492	46,078,492
	₱334,787,007	₱39,517,123	₱65,435,280	₱233,760,175	₱338,712,578

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

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

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

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

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

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

6. Segment Information

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

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

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

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

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

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

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

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

Business segment information of the Group follows:

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

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

	2019 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(₱5,844,018)	₱31,918,140	₱5,733,291	₱425,713	₱125,140	₱32,358,266
Inter-segment	23,647,539	(23,030,539)	(617,000)	–	–	–
Net interest margin after inter-segment transactions	17,803,521	8,887,601	5,116,291	425,713	125,140	32,358,266
Other income	3,211,234	2,685,445	1,772,206	1,133,860	604,081	9,406,826
Segment revenue	21,014,755	11,573,046	6,888,497	1,559,573	729,221	41,765,092
Other expenses	11,881,474	5,636,497	472,000	910,370	729,221	19,629,562
Segment result	₱9,133,281	₱5,936,549	₱6,416,497	₱649,203	₱–	22,135,530
Unallocated expenses						10,023,610
Income before income tax						12,111,920
Income tax						2,452,307
Net income from continuing operations						9,659,613
Net income from discontinued operations						101,593
Net income						9,761,206
Non-controlling interests						79,726
Net income for the year attributable to equity holders of the Parent Company						₱9,681,480
Other segment information						
Capital expenditures	₱1,134,511	₱2,327	₱35,242	₱421,317	₱–	₱1,593,397
Unallocated capital expenditure						1,040,436
Total capital expenditure						₱2,633,833
Depreciation and amortization	₱1,201,558	₱138,114	₱1,850	₱586,515	₱–	₱1,928,037
Unallocated depreciation and amortization						867,185
Total depreciation and amortization						₱2,795,222
Provision for (reversal of) impairment, credit and other losses	₱1,671,154	₱1,289,340	₱–	(₱50,312)	₱–	₱2,910,182

	2018 (As restated – Note 36)					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,287,627	₱21,844,985	₱3,583,152	₱870,455	(₱584,495)	₱27,001,724
Inter-segment	14,775,986	(14,652,247)	(123,739)	–	–	–
Net interest margin after inter-segment transactions	16,063,613	7,192,738	3,459,413	870,455	(584,495)	27,001,724
Other income	2,538,607	8,377,408	485,407	1,535,362	(261,602)	12,675,182
Segment revenue	18,602,220	15,570,146	3,944,820	2,405,817	(846,097)	39,676,906
Other expenses	12,726,476	2,343,403	375,651	1,836,701	(925,897)	16,356,334
Segment result	₱5,875,744	₱13,226,743	₱3,569,169	₱569,116	₱79,800	23,320,572
Unallocated expenses						9,880,786
Income before income tax						13,439,786
Income tax						3,663,744
Net income from continuing operations						9,776,042
Net loss from discontinued operations						(219,972)
Net income						9,556,070
Non-controlling interests						91,048
Net income for the year attributable to equity holders of the Parent Company						₱9,465,022
Other segment information						
Capital expenditures	₱1,241,242	₱2,180	₱268	₱495,658	₱–	₱1,739,348
Unallocated capital expenditure						1,824,707
Total capital expenditure						₱3,564,055
Depreciation and amortization	₱599,118	₱33,299	₱1,192	₱230,306	₱44,873	₱908,788
Unallocated depreciation and amortization						1,042,189
Total depreciation and amortization						₱1,950,977
Provision for (reversal of) impairment, credit and other losses	₱854,341	₱800,926	₱–	₱2,579	₱94,966	₱1,752,812

	As of December 31, 2020					
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱710,168,556**	**₱245,602,089**	**₱188,310,761**	**₱95,801,439**	**(₱16,089,256)**	**₱1,223,793,589**
Unallocated assets						**7,340,210**
Total assets						**₱1,231,133,799**
Segment liabilities	**₱695,809,767**	**₱180,732,406**	**₱125,848,434**	**₱78,210,224**	**(₱12,440,292)**	**₱1,068,160,539**
Unallocated liabilities						**6,990,252**
Total liabilities						**₱1,075,150,791**

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

	As of December 31, 2019					
	Retail Banking	Corporate Banking	Global Banking and Market	Others	Adjustments and Eliminations*	Total
Segment assets	₱700,967,750	₱230,221,786	₱195,813,132	₱81,111,908	(₱71,364,992)	₱1,136,749,584
Unallocated assets						5,541,027
Total assets						₱1,142,290,611
Segment liabilities	₱694,547,248	₱140,490,040	₱190,729,000	₱17,804,392	(₱62,345,117)	₱981,225,563
Unallocated liabilities						6,089,648
Total liabilities						₱987,315,211

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

Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in four principal geographical areas of the world. The distribution of assets, liabilities, credit commitments items and revenues by geographic region of the Group follows:

	Non-current Assets*		**Liabilities**		**Capital Expenditures**	
	2020	2019	**2020**	2019	**2020**	2019
Philippines	**₱510,574,534**	₱540,234,814	**₱1,037,677,448**	₱950,248,431	**₱1,511,914**	₱2,625,086
Asia (excluding Philippines)	**11,632,923**	13,031,999	**35,588,190**	34,243,417	**1,726**	2,634
USA and Canada	**107,862,854**	120,835,377	**1,793,735**	2,349,279	**1,079**	3,721
United Kingdom	**1,096,326**	1,228,180	**91,418**	474,084	–	2,392
	₱631,166,637	₱675,330,370	**₱1,075,150,791**	₱987,315,211	**₱1,514,719**	₱2,633,833

** Gross of allowance for impairment and credit losses (Note 16), unearned and other deferred income (Note 10), and accumulated amortization and depreciation (Notes 11, 13, and 14)*

	Credit Commitments		**External Revenues**		
	2020	2019	**2020**	2019 (As restated – Note 36)	2018 (As restated – Note 36)
Philippines	**₱44,036,152**	**₱39,456,355**	**₱56,246,850**	₱57,459,013	₱46,588,071
Asia (excluding Philippines)	**90,715**	–	**867,185**	1,614,370	1,290,100
USA and Canada	–	–	**348,775**	717,489	684,794
United Kingdom	–	–	**202,787**	129,534	124,861
	₱44,126,867	**₱39,456,355**	**₱57,665,597**	₱59,920,406	₱48,687,826

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

The areas of operations include all the primary business segments.

7. Due from Bangko Sentral ng Pilipinas

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Demand deposit (Note 17)	**₱80,029,356**	₱92,181,801	**₱80,029,356**	₱90,394,597
Term deposit facility (TDF)	**122,100,000**	13,800,000	**122,100,000**	11,407,000
	₱202,129,356	₱105,981,801	**₱202,129,356**	₱101,801,597

TDFs bear annual interest rates ranging from to 1.62% to 3.80% in 2020, from 3.50% to 5.23% in 2019 and 3.22% to 5.24% in 2018.

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

Interbank Loans Receivables

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

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Peso-denominated	**0.0% - 3.7%**	N/A	3.0% - 3.1%	**0.0% - 3.7%**	N/A	3.0% - 3.1%
Foreign currency-denominated	**0.0% - 2.2%**	0.0% - 5.0%	0.0% - 5.0%	**0.0% - 2.2%**	0.0% - 5.0%	0.0% - 5.0%

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

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Interbank loans receivable	**₱39,703,864**	₱24,838,535	**₱37,861,553**	₱23,804,312
Less: Allowance for credit losses (Note 16)	**2,883**	6,719	**2,883**	1,293
	39,700,981	24,831,816	**37,858,670**	23,803,019
Less: Interbank loans receivable not considered as cash and cash equivalents	**761,409**	1,888,287	**394,166**	1,528,713
	₱38,939,572	₱22,943,529	**₱37,464,504**	₱22,274,306

Securities Held under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 2.00% to 3.25%, from 4.00% to 4.75%, and from 3.00% to 4.75% in 2020, 2019 and 2018, respectively. As of December 31, 2020 and 2019, allowance for credit losses on securities held under agreements to resell amounted to nil and ₱1.9 million, respectively.

The fair value of the treasury bills pledged under these agreements as of December 31, 2020 and 2019 amounted to ₱16.5 billion and ₱2.5 billion, respectively, for the Group, and ₱16.5 billion and ₱1.1 billion, respectively, for the Parent Company (Note 35).

In 2020, 2019 and 2018, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱244.0 million, ₱668.2 million, and ₱379.4 million, respectively, for the Group and ₱186.2 million, ₱568.1 million, and ₱350.8 million, respectively, for the Parent Company.

9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial assets at FVTPL	**₱23,825,708**	₱13,468,985	**₱21,947,640**	₱11,169,656
Financial assets at FVOCI	**133,715,352**	123,140,840	**133,263,758**	118,896,564
Investment securities at amortized cost	**95,235,993**	100,464,757	**95,115,642**	99,203,909
	₱252,777,053	₱237,074,582	**₱250,327,040**	₱229,270,129

Financial Assets at FVTPL
This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Government securities	**₱18,136,391**	₱8,503,822	**₱18,136,391**	₱8,503,822
Private debt securities	**4,296,100**	3,130,156	**2,433,904**	883,641
Equity securities	**1,019,626**	1,455,435	**1,011,787**	1,409,187
Derivative assets (Notes 23 and 35)	**370,653**	373,040	**365,558**	373,006
Investment in UITFs	**2,938**	6,532	**–**	–
	₱23,825,708	₱13,468,985	**₱21,947,640**	₱11,169,656

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

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Government securities	**2.6% - 8.0%**	2.8% - 9.5%	2.8% - 8.4%	2.6% - 8.0%	2.8% - 9.5%	2.8% - 8.4%
Private debt securities	**4.9% - 7.0%**	5.5% - 7.4%	3.0% - 7.5%	4.9% - 7.0%	5.5% - 7.4%	3.0% - 7.5%

Financial Assets at FVOCI
This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Government securities (Note 19)	**₱110,846,766**	₱91,049,715	**₱110,935,025**	₱90,420,191
Private debt securities (Note 19)	**21,418,534**	30,390,002	**21,418,534**	27,482,292
Equity securities				
Quoted	**707,358**	1,071,534	**588,188**	596,148
Unquoted	**742,694**	629,589	**322,011**	397,933
	₱133,715,352	₱123,140,840	**₱133,263,758**	₱118,896,564

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

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Government securities	**0.2% - 18.3%**	0.2% - 18.3%	1.8% - 18.3%	**0.2% - 18.3%**	0.2% - 18.3%	1.8% - 18.3%
Private debt securities	**2.0% - 6.9%**	3.5% - 6.9%	2.6% - 7.4%	**2.0% - 6.9%**	3.5% - 6.9%	2.6% - 7.4%

As of December 31, 2020 and 2019, the fair value of financial assets at FVOCI in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions amounted to ₱44.6 billion and ₱8.2 billion, respectively (Note 19). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the foreign banks have the right to hold the securities and sell them as settlement of the repurchase agreement.

The movements in 'Net unrealized gain (loss) on financial assets at FVOCI' of the Group and the Parent Company are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at the beginning of the year	**₱3,250,651**	(₱3,196,936)	**₱3,250,651**	(₱3,196,936)
Changes in fair values:				
Debt securities	**1,872,952**	5,202,946	**1,815,304**	5,257,015
Equity securities	**(251,071)**	583,286	**(83,882)**	349,881
Expected credit losses (Note 16)	**19,163**	5,290	**15,760**	5,290
Realized losses (gains)	**(2,455,264)**	281,340	**(2,454,697)**	317,609
Share in net unrealized gains of subsidiaries and an associate (Note 12)	**662,951**	447,169	**556,246**	590,236
Effect of disposal group classified as held-for-sale (Note 36)	**(29,209)**	–	**(29,209)**	–
	3,070,173	3,323,095	**3,070,173**	3,323,095
Income tax effect (Note 30)	**(15,770)**	(72,444)	**(15,770)**	(72,444)
	₱3,054,403	₱3,250,651	**₱3,054,403**	₱3,250,651

As of December 31, 2020 and 2019, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on financial assets at FVOCI') amounted to ₱67.4 million and ₱51.6 million, respectively, for the Group and the Parent Company (Note 16). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.

Investment Securities at Amortized Cost

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Government securities (Notes 19 and 32)	**₱42,713,634**	₱55,594,860	**₱42,593,283**	₱54,509,768
Private debt securities	**56,504,757**	48,655,093	**56,504,757**	48,422,384
	99,218,391	104,249,953	**99,098,040**	102,932,152
Less allowance for credit losses (Note 16)	**3,982,398**	3,785,196	**3,982,398**	3,728,243
	₱95,235,993	₱100,464,757	**₱95,115,642**	₱99,203,909

The effective interest rates of investment securities at amortized cost range from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Government securities	**0.1% - 7.8%**	0.5% - 7.6%	1.1% - 7.5%	**0.1% - 7.8%**	0.5% - 7.6%	1.1% - 7.5%
Private debt securities	**0.3% - 8.3%**	0.3% - 8.3%	0.6% - 8.3%	**0.3% - 8.3%**	0.3% - 8.3%	0.6% - 8.3%

In 2020 and 2019, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which remained in Stage 1.

On various dates in April 2019, the Parent Company sold a portion of its investment securities at amortized cost with a carrying value of ₱29.5 million and corresponding gain of ₱0.2 million as part of its risk management policies.

As of December 31, 2020 and 2019, the carrying value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱26.1 billion and ₱21.0 billion, respectively (Note 19).

Interest Income on Investment Securities at Amortized Cost and FVOCI
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Financial assets at FVOCI	**₱2,746,517**	₱4,221,698	₱2,219,013	**₱2,699,477**	₱4,076,597	₱2,189,159
Investment securities at amortized cost	**3,750,255**	4,515,879	2,315,284	**3,748,623**	4,472,466	2,313,172
	6,496,772	8,737,577	4,534,297	**6,448,100**	8,549,063	4,502,331
Discontinued operations (Note 36):						
Financial assets at FVOCI	**38,256**	67,708	60,477	**–**	–	–
Investment securities at amortized cost	**43,478**	–	–	**–**	–	–
	81,734	67,708	60,477	**–**	–	–
	₱6,578,506	₱8,805,285	₱4,594,774	**₱6,448,100**	₱8,549,063	₱4,502,331

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

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Financial assets at FVTPL						
Government securities	**₱395,156**	₱1,199,840	(₱7,668)	**₱395,156**	₱1,199,934	(₱7,616)
Private debt securities	**561,385**	122,502	(13,732)	**673,706**	102,524	(13,782)
Equity securities	**(71,677)**	36,694	4,028	**(64,507)**	35,827	11,013
Derivatives (Note 23)	**(2,532)**	(3,733)	161	**(2,532)**	(3,733)	161
Investment in UITFs	**43**	209	–	**–**	–	–
Financial assets at FVOCI						
Government securities	**2,031,425**	(317,244)	132,670	**2,031,425**	(317,609)	132,670
Private debt securities	**423,839**	35,904	35,232	**423,272**	–	35,232
Investment securities at amortized cost	**1**	212	–	**1**	212	–
	3,337,640	1,074,384	150,691	**3,456,521**	1,017,155	157,678
Discontinued operations (Note 36):						
Financial assets at FVTPL						
Government securities	**–**	94	(4,228)	**–**	–	–
Investment in UITFs	**–**	–	52	**–**	–	–
Financial assets at FVOCI						
Government securities	**8,829**	–	–	**–**	–	–
Investment securities at amortized cost	**294**	–	–	**–**	–	–
	9,123	94	(4,176)	**–**	–	–
	₱3,346,763	₱1,074,478	₱146,515	**₱3,456,521**	₱1,017,155	₱157,678

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Receivables from customers:				
Loans and discounts	**₱587,478,355**	₱620,389,633	**₱576,156,244**	₱556,791,901
Credit card receivables	**12,530,569**	15,869,946	**12,530,569**	15,869,946
Customers' liabilities on letters of credit and trust receipts	**7,675,028**	7,492,970	**7,548,855**	7,345,029
Customers' liabilities on acceptances (Note 19)	**3,560,917**	2,692,334	**3,560,917**	2,692,334
Lease contracts receivable (Note 29)	**3,000,395**	3,079,713	**5,876**	7,150
Bills purchased (Note 22)	**1,815,653**	1,945,838	**1,583,648**	1,377,849
	616,060,917	651,470,434	**601,386,109**	584,084,209

(Forward)

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Less unearned and other deferred income	**₱1,464,726**	₱451,191	**₱1,132,928**	₱366,471
	614,596,191	651,019,243	**600,253,181**	583,717,738
Other receivables:				
Accrued interest receivable	**6,636,538**	7,814,819	**6,546,063**	6,372,891
Sales contract receivables (Note 33)	**6,548,300**	7,173,039	**6,497,901**	7,129,811
Accounts receivable	**4,196,666**	9,932,499	**3,835,436**	3,994,064
Miscellaneous	**431,704**	397,385	**1,269,161**	324,176
	17,813,208	25,317,742	**18,148,561**	17,820,942
	632,409,399	676,336,985	**618,401,742**	601,538,680
Less allowance for credit losses (Note 16)	**32,414,651**	18,413,228	**31,499,881**	14,292,784
	₱599,994,748	₱657,923,757	**₱586,901,861**	₱587,245,896

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

	Consolidated								
	2020								
	Corporate Loans	**LGU**	**Credit Cards**	**Retail SMEs**	**Housing Loans**	**Auto Loans**	**Other Loans**	**Other Receivables**	**Total**
Receivables from customers:									
Loans and discounts	**₱513,285,506**	**₱6,422,388**	**₱–**	**₱10,396,965**	**₱25,344,170**	**₱11,199,499**	**₱20,829,827**	**₱–**	**₱587,478,355**
Credit card receivables	**–**	**–**	**12,530,569**	**–**	**–**	**–**	**–**	**–**	**12,530,569**
Customers' liabilities on letters of credit and trust receipts	**6,806,450**	**–**	**–**	**192,544**	**–**	**–**	**676,034**	**–**	**7,675,028**
Customers' liabilities on acceptances (Note 19)	**3,560,917**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,560,917**
Lease contracts receivable (Note 29)	**950,542**	**–**	**–**	**2,043,976**	**–**	**–**	**5,877**	**–**	**3,000,395**
Bills purchased (Note 22)	**1,106,246**	**–**	**–**	**37,502**	**–**	**–**	**671,905**	**–**	**1,815,653**
	525,709,661	**6,422,388**	**12,530,569**	**12,670,987**	**25,344,170**	**11,199,499**	**22,183,643**	**–**	**616,060,917**
Other receivables:									
Accrued interest receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,636,538**	**6,636,538**
Sales contract receivables (Note 33)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,548,300**	**6,548,300**
Accounts receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,196,666**	**4,196,666**
Miscellaneous	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**431,704**	**431,704**
	525,709,661	**6,422,388**	**12,530,569**	**12,670,987**	**25,344,170**	**11,199,499**	**22,183,643**	**17,813,208**	**633,874,125**
Less: Unearned and other deferred income	**611,704**	**–**	**–**	**232,078**	**231,866**	**111,788**	**257,424**	**19,866**	**1,464,726**
Allowance for credit losses (Note 16)	**19,220,256**	**50,693**	**2,587,668**	**1,808,192**	**2,373,886**	**1,032,804**	**2,054,765**	**3,286,387**	**32,414,651**
	₱505,877,701	**₱6,371,695**	**₱9,942,901**	**₱10,630,717**	**₱22,738,418**	**₱10,054,907**	**₱19,871,454**	**₱14,506,955**	**₱599,994,748**

	Consolidated								
	2019								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱537,313,169	₱6,799,872	₱–	₱18,585,473	₱33,569,031	₱12,968,684	₱11,153,404	₱–	₱620,389,633
Credit card receivables	–	–	15,869,946	–	–	–	–	–	15,869,946
Customers' liabilities on letters of credit and trust receipts	6,778,112	–	–	176,144	–	–	538,714	–	7,492,970
Lease contracts receivable (Note 29)	553,114	–	–	2,519,449	–	–	7,150	–	3,079,713
Customers' liabilities on acceptances (Note 19)	2,692,334	–	–	–	–	–	–	–	2,692,334
Bills purchased (Note 22)	1,543,935	–	–	86,568	–	–	315,335	–	1,945,838
	548,880,664	6,799,872	15,869,946	21,367,634	33,569,031	12,968,684	12,014,603	–	651,470,434
Other receivables:									
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	7,173,039	7,173,039
Accounts receivable	–	–	–	–	–	–	–	9,932,499	9,932,499
Accrued interest receivable	–	–	–	–	–	–	–	7,814,819	7,814,819
Miscellaneous	–	–	–	–	–	–	–	397,385	397,385
	548,880,664	6,799,872	15,869,946	21,367,634	33,569,031	12,968,684	12,014,603	25,317,742	676,788,176
Less: Unearned and other deferred income	243,249	3,370	–	288,184	464	(136,504)	47,935	4,493	451,191
Allowance for credit losses (Note 16)	8,052,932	67,650	1,605,751	1,482,452	1,551,421	243,843	1,069,187	4,339,992	18,413,228
	₱540,584,483	₱6,728,852	₱14,264,195	₱19,596,998	₱32,017,146	₱12,861,345	₱10,897,481	₱20,973,257	₱657,923,757

	Parent Company								
	2020								
	Corporate Loans	**LGU**	**Credit Cards**	**Retail SMEs**	**Housing Loans**	**Auto Loans**	**Other Loans**	**Other Receivables**	**Total**
Receivables from customers:									
Loans and discounts	**₱506,062,142**	**₱6,422,388**	**₱–**	**₱8,606,447**	**₱24,719,056**	**₱11,199,499**	**₱19,146,712**	**₱–**	**₱576,156,244**
Credit card receivables	**–**	**–**	**12,530,569**	**–**	**–**	**–**	**–**	**–**	**12,530,569**
Customers' liabilities on letters of credit and trust receipts	**6,680,277**	**–**	**–**	**192,544**	**–**	**–**	**676,034**	**–**	**7,548,855**
Customers' liabilities on acceptances (Note 19)	**3,560,917**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,560,917**
Bills purchased (Note 22)	**874,240**	**–**	**–**	**37,502**	**–**	**–**	**671,906**	**–**	**1,583,648**
Lease contracts receivable (Note 29)	**–**	**–**	**–**	**–**	**–**	**–**	**5,876**	**–**	**5,876**
	517,177,576	**6,422,388**	**12,530,569**	**8,836,493**	**24,719,056**	**11,199,499**	**20,500,528**	**–**	**601,386,109**
Other receivables:									
Accrued interest receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,546,063**	**6,546,063**
Sales contract receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,497,901**	**6,497,901**
Accounts receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,835,436**	**3,835,436**
Miscellaneous	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,269,161**	**1,269,161**
	517,177,576	**6,422,388**	**12,530,569**	**8,836,493**	**24,719,056**	**11,199,499**	**20,500,528**	**18,148,561**	**619,534,670**
Less: Unearned and other deferred income	**516,988**	**–**	**–**	**12,826**	**231,866**	**111,788**	**257,424**	**2,036**	**1,132,928**
Allowance for credit losses (Note 16)	**19,027,613**	**50,693**	**2,587,668**	**906,590**	**2,367,615**	**1,032,804**	**2,042,594**	**3,484,304**	**31,499,881**
	₱497,632,975	**₱6,371,695**	**₱9,942,901**	**₱7,917,077**	**₱22,119,575**	**₱10,054,907**	**₱18,200,510**	**₱14,662,221**	**₱586,901,861**

	Parent Company								
	2019								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱526,781,899	₱6,799,872	₱–	₱12,245,247	₱3,848,232	₱2,635,828	₱4,480,823	₱–	₱556,791,901
Credit card receivables	–	–	15,869,946	–	–	–	–	–	15,869,946
Customers' liabilities on letters of credit and trust receipts	6,630,171	–	–	176,144	–	–	538,714	–	7,345,029
Lease contracts receivable (Note 29)	–	–	–	–	–	–	7,150	–	7,150
Customers' liabilities on acceptances (Note 19)	2,692,334	–	–	–	–	–	–	–	2,692,334
Bills purchased (Note 22)	1,017,433	–	–	45,080	–	–	315,336	–	1,377,849
	537,121,837	6,799,872	15,869,946	12,466,471	3,848,232	2,635,828	5,342,023	–	584,084,209
Other receivables:									
Sales contract receivables	–	–	–	–	–	–	–	7,129,811	7,129,811
Accrued interest receivable	–	–	–	–	–	–	–	6,372,891	6,372,891
Accounts receivable	–	–	–	–	–	–	–	3,994,064	3,994,064
Miscellaneous	–	–	–	–	–	–	–	324,176	324,176
	537,121,837	6,799,872	15,869,946	12,466,471	3,848,232	2,635,828	5,342,023	17,820,942	601,905,151
Less: Unearned and other deferred income	450,530	3,370	–	15,723	464	(136,504)	30,554	2,334	366,471
Allowance for credit losses (Note 16)	7,673,103	67,650	1,605,751	422,389	75,029	62,088	1,401,335	2,985,439	14,292,784
	₱528,998,204	₱6,728,852	₱14,264,195	₱12,028,359	₱3,772,739	₱2,710,244	₱3,910,134	₱14,833,169	₱587,245,896

Lease contract receivables

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

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Minimum lease payments				
Due within one year	**₱1,364,058**	₱1,260,542	**₱3,926**	₱3,250
Due beyond one year but not over five years	**906,513**	1,164,893	**1,950**	3,900
Due beyond five years	**31,845**	–	–	–
	2,302,416	2,425,435	**5,876**	7,150
Residual value of leased equipment				
Due within one year	**374,959**	304,898	–	–
Due beyond one year but not over five years	**323,020**	349,380	–	–
	697,979	654,278	–	–
Gross investment in lease contract receivables (Note 29)	**₱3,000,395**	₱3,079,713	**₱5,876**	₱7,150

Interest income

As of December 31, 2020 and 2019, 68.8% and 71.1%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2020 and 2019, 68.7% and 70.2%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% in 2020, from 1.0% to 9.0% in 2019 and from 1.8% to 9.0% in 2018 for foreign currency-denominated receivables, and from 1.1% to 21.0% in 2020, from 2.5% to 19.4% in 2019 and from 1.5% to 13.0% in 2018 for peso-denominated receivables. Sales contract receivables bear fixed interest rates per annum ranging from 3.3% to 21.0% in 2020, 2019 and 2018.

11. **Property and Equipment**

The composition of and movements in property and equipment follow:

	Consolidated							
	2020							
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Long-term Leasehold Land**	**Construction in-progress**	**Leasehold Improvements**	**Right-of-Use Asset – Bank Premises**	**Total**
Cost								
Balance at beginning of year	**₱11,677,104**	**₱7,026,901**	**₱7,801,970**	**₱570,456**	**₱793,698**	**₱1,510,890**	**₱2,279,267**	**₱31,660,286**
Additions	**–**	**228,386**	**839,396**	**–**	**–**	**163,465**	**122,420**	**1,353,667**
Disposals	**–**	**–**	**(306,808)**	**–**	**–**	**(2,143)**	**–**	**(308,951)**
Transfers/others	**4,436**	**50,777**	**(267,198)**	**(12,250)**	**(343,245)**	**165,412**	**67,053**	**(335,015)**
Effect of disposal group classified as held for sale (Note 36)	**–**	**–**	**(46,270)**	**–**	**–**	**(6,238)**	**(65,833)**	**(118,341)**
Balance at end of year	**11,681,540**	**7,306,064**	**8,021,090**	**558,206**	**450,453**	**1,831,386**	**2,402,907**	**32,251,646**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**–**	**3,210,442**	**4,257,395**	**51,093**	**–**	**1,289,338**	**568,067**	**9,376,335**
Depreciation and amortization	**–**	**339,006**	**586,637**	**5,561**	**–**	**231,862**	**1,159,449**	**2,322,515**
Disposals	**–**	**–**	**(278,069)**	**–**	**–**	**(1,909)**	**–**	**(279,978)**
Transfers/others	**–**	**(10,036)**	**203,287**	**(5,199)**	**–**	**194,362**	**(527,337)**	**(144,923)**
Effect of disposal group classified as held for sale (Note 36)	**–**	**–**	**(40,212)**	**–**	**–**	**(5,817)**	**(23,876)**	**(69,905)**
Balance at end of year	**–**	**3,539,412**	**4,729,038**	**51,455**	**–**	**1,707,836**	**1,176,303**	**11,204,044**
Allowance for Impairment Losses (Note 16)	**543,175**	**625,712**	**–**	**–**	**–**	**–**	**–**	**1,168,887**
Net Book Value at End of Year	**₱11,138,365**	**₱3,140,940**	**₱3,292,052**	**₱506,751**	**₱450,453**	**₱123,550**	**₱1,226,604**	**₱19,878,715**

	Consolidated							
	2019							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost								
Balance at beginning of year	₱11,467,244	₱6,464,316	₱6,628,516	₱579,324	₱1,206,057	₱1,557,767	₱1,817,349	₱29,720,573
Additions	–	246,704	1,346,830	–	590,403	115,348	461,918	2,761,203
Disposals	(2)	(72,114)	(304,506)	(8,868)	–	(401,390)	–	(786,880)
Transfers/others	209,862	387,995	131,130	–	(1,002,762)	239,165	–	(34,610)
Balance at end of year	11,677,104	7,026,901	7,801,970	570,456	793,698	1,510,890	2,279,267	31,660,286
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,996,722	3,904,873	48,908	–	999,596	–	7,950,099
Depreciation and amortization	–	293,543	1,032,834	5,697	–	219,182	568,067	2,119,323
Disposals	–	(25,373)	(199,214)	(3,512)	–	(387,677)	–	(615,776)
Transfers/others	–	(54,450)	(481,098)	–	–	458,237	–	(77,311)
Balance at end of year	–	3,210,442	4,257,395	51,093	–	1,289,338	568,067	9,376,335
Allowance for Impairment Losses (Note 16)	543,175	571,982	–	–	–	–	–	1,115,157
Net Book Value at End of Year	₱11,133,929	₱3,244,477	₱3,544,575	₱519,363	₱793,698	₱221,552	₱1,711,200	₱21,168,794

	Parent Company						
	2020						
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Construction in-progress**	**Leasehold Improvements**	**Right-of-Use Asset – Bank Premises**	**Total**
Cost							
Balance at beginning of year	**₱11,473,905**	**₱6,795,026**	**₱5,637,147**	**₱793,697**	**₱1,498,124**	**₱2,032,318**	**₱ 28,230,217**
Additions	**–**	**228,386**	**636,785**	**–**	**162,500**	**122,420**	**1,150,091**
Disposals	**–**	**–**	**(210,854)**	**–**	**–**	**–**	**(210,854)**
Transfers/others	**207,635**	**210,877**	**154,121**	**(343,245)**	**72,695**	**180,751**	**482,834**
Balance at end of year	**11,681,540**	**7,234,289**	**6,217,199**	**450,452**	**1,733,319**	**2,335,489**	**29,652,288**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**–**	**3,152,505**	**3,686,338**	**–**	**990,738**	**488,171**	**8,317,752**
Depreciation and amortization	**–**	**337,780**	**277,477**	**–**	**216,061**	**1,066,601**	**1,897,919**
Disposals	**–**	**–**	**(210,829)**	**–**	**–**	**–**	**(210,829)**
Transfers/others	**–**	**38,996**	**44,900**	**–**	**439,055**	**(451,373)**	**71,578**
Balance at end of year	**–**	**3,529,281**	**3,797,886**	**–**	**1,645,854**	**1,103,399**	**10,076,420**
Allowance for Impairment Losses (Note 16)	**543,175**	**625,712**	**–**	**–**	**–**	**–**	**1,168,887**
Net Book Value at End of Year	**₱11,138,365**	**₱3,079,296**	**₱ 2,419,313**	**₱450,452**	**₱87,465**	**₱1,232,090**	**₱18,406,981**

	Parent Company 2019						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises	Total
Cost							
Balance at beginning of year	₱11,264,043	₱6,216,294	₱4,865,627	₱1,206,056	₱1,206,373	₱1,600,161	₱26,358,554
Additions	–	203,869	789,601	590,403	50,795	432,157	2,066,825
Disposals	–	(13,124)	(140,985)	–	(21)	–	(154,130)
Transfers/others	209,862	387,987	122,904	(1,002,762)	240,977	–	(41,032)
Balance at end of year	11,473,905	6,795,026	5,637,147	793,697	1,498,124	2,032,318	28,230,217
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,929,042	3,158,729	–	836,445	–	6,924,216
Depreciation and amortization	–	291,779	675,761	–	161,217	488,171	1,616,928
Disposals	–	(11,408)	(142,459)	–	(21)	–	(153,888)
Transfers/others	–	(56,908)	(5,693)	–	(6,903)	–	(69,504)
Balance at end of year	–	3,152,505	3,686,338	–	990,738	488,171	8,317,752
Allowance for Impairment Losses (Note 16)	543,175	571,982	–	–	–	–	1,115,157
Net Book Value at End of Year	₱10,930,730	₱3,070,539	₱1,950,809	₱793,697	₱507,386	₱1,544,147	₱18,797,308

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱1.5 billion and ₱1.7 billion as of December 31, 2020 and 2019, respectively.

Gain (loss) on disposal of property and equipment in 2020, 2019 and 2018 amounted to ₱7.8 million, (₱9.0 million), and ₱28.4 million, respectively, for the Group and ₱1.3 million, ₱1.0 million and ₱28.4 million, respectively, for the Parent Company (Note 26).

Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36	2018 (As restated – Note 36	**2020**	2019	2018
Continuing operations:						
Depreciation						
Property and equipment	**₱2,322,515**	₱2,112,689	₱1,279,116	**₱1,897,919**	₱1,616,928	₱967,456
Investment properties (Note 13)	**259,839**	179,619	177,611	**167,536**	120,604	129,615
Chattel mortgage properties	**14,188**	17,024	27,276	**–**	–	1,330
Amortization of intangible assets (Note 14)	**558,737**	485,890	460,805	**541,814**	469,539	444,311
	3,155,279	2,795,222	1,944,808	**2,607,269**	2,207,071	1,542,712
Discontinued operations (Note 36):						
Property and equipment	**26,761**	6,634	5,569	**–**	–	–
Intangible assets	**2,101**	2,267	600	**–**	–	–
	28,862	8,901	6,169	**–**	–	–
	₱3,184,141	₱2,804,123	₱1,950,977	**₱2,607,269**	₱2,207,071	₱1,542,712

Certain property and equipment of the Parent Company with carrying amount of ₱92.6 million are temporarily idle as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, property and equipment of the Parent Company with gross carrying amount of ₱8.3 billion and ₱5.1 billion are fully depreciated but are still being used.

On September 10, 2020, the Parent Company's BOD approved the plan to realize the market value of certain real estate properties of the Parent Company with a total carrying value of ₱12.6 billion. The Plan aims to reduce its low-earning assets to strengthen its financial position. As part of a series of transactions which will be carried out to meet the objectives of the said plan, on September 25, 2020, the Parent Company's BOD approved the subscription of additional 466,770,000 shares of PNB Holdings Corporation (PNB Holdings) with a par value of ₱100 per share, to be issued out of an increase in the authorized capital stock of PNB Holdings, at a subscription price of ₱100 per share in exchange for the above real estate properties, subject to regulatory approvals.

In relation to the Parent Company's additional equity investment in PNB Holdings, on December 28, 2020, the Monetary Board of the BSP approved the request of the Parent Company for temporary exemption from prudential limits on its equity investments in PNB Holdings, subject to certain conditions. As of December 31, 2020, PNB Holdings has yet to receive regulatory approvals for the increase in authorized capital stock (Note 37).

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership Direct	Percentage of Ownership Indirect
Subsidiaries					
PNB Savings Bank (PNBSB) [(a)]	Banking	Philippines	Php	**100.00**	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	**100.00**	–
PNB Holdings	Holding Company	- do -	Php	**100.00**	–
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	**100.00**	–
PNB General Insurers, Inc. (PNB Gen) [(b)]	Insurance	- do -	Php	**65.75**	–
PNB Corporation – Guam [(c)]	Remittance	USA	USD	**100.00**	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–
PNB Remittance Centers, Inc. (PNB RCI) [(d)]	Remittance	- do -	USD	**–**	**100.00**
PNB Remittance Co. (Nevada) [(e)]	Remittance	-do-	USD	**–**	**100.00**
PNB RCI Holding Co. Ltd. (PNB RHCL) [(e)]	Holding Company	- do -	USD	**–**	**100.00**
PNB Remittance Co. (Canada) [(f)]	Remittance	Canada	CAD	**–**	**100.00**
PNB Europe PLC	Banking	United Kingdom	GBP	**100.00**	–
Allied Commercial Bank (ACB)	Banking	China	CNY	**99.04**	–
PNB-Mizuho Leasing and Finance Corporation (PMLFC) (formerly PNB-IBJL Leasing and Finance Corporation)	Leasing/Financing	Philippines	Php	**75.00**	–
PNB-Mizuho Equipment Rentals Corporation (formerly PNB-IBJL Equipment Rentals Corporation [(g)]	Rental	- do -	Php	**–**	**75.00**
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	**100.00**	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	**51.00**	–
ACR Nominees Limited [(h)]	Banking	- do -	HKD	**–**	**51.00**
Oceanic Holding (BVI) Ltd.	Holding Company	British Virgin Islands	USD	**27.78**	–
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	- do -	Php	**44.00**	–

(a) Pending SEC approval of change in name and conversion to a holding company as of December 31, 2020 (see further discussion below and Note 37)
(b) 34.25% indirect ownership by the Group as of December 31, 2019 through PNB Holdings was disposed in 2020 (see further discussion below); remaining 65.75% direct ownership was reclassified to 'Assets of disposal group classified as held for sale' (see Note 36).
(c) Ceased operations on June 30, 2012 and license status became dormant thereafter
(d) Owned through PNB IIC
(e) Owned through PNB RCI
(f) Owned through PNB RHCL
(g) Owned through PMLFC
(h) Owned through ABCHKL

The details of this account follow:

	Consolidated 2020	Consolidated 2019	Parent Company 2020	Parent Company 2019
Investment in Subsidiaries				
PNBSB	**₱–**	₱–	**₱10,935,041**	₱10,935,041
ACB	**–**	–	**6,087,520**	6,087,520
PNB IIC	**–**	–	**2,028,202**	2,028,202
PNB Europe PLC	**–**	–	**1,327,393**	1,327,393
ABCHKL	**–**	–	**947,586**	947,586
PNB Capital	**–**	–	**850,000**	850,000
PNB GRF	**–**	–	**753,061**	753,061
PMLFC	**–**	–	**481,943**	481,943
PNB Holdings	**–**	–	**377,876**	377,876
OHBVI	**–**	–	**291,841**	291,841
PNB Securities	**–**	–	**62,351**	62,351
PNB Corporation – Guam	**–**	–	**7,672**	7,672
PNB Gen (Note 36)	**–**	–	**–**	980,000
	–	–	**24,150,486**	25,130,486
Investment in an Associate – APLII	**2,728,089**	2,728,089	**2,728,089**	2,728,089

(Forward)

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	**₱75,674**	₱173,282	**(₱155,888)**	₱189,711
Equity in net earnings (losses) for the year	**88,476**	(97,608)	**95,939**	(345,599)
Effect of disposal group classified as held for sale (Note 36)	**–**	–	**123,582**	–
	164,150	75,674	**63,633**	(155,888)
Accumulated share in:				
Aggregate reserves (losses) on life insurance policies	**(1,038,838)**	12,280	**(1,038,838)**	12,280
Net unrealized gains (losses) on financial assets at FVOCI (Note 9)	**464,105**	(198,846)	**561,453**	5,207
Accumulated translation adjustments	**–**	–	**478,711**	626,755
Remeasurement gain (loss) on retirement plan	**(7,096)**	(11,724)	**73,400**	83,429
Reserves of a disposal group classified as held for sale (Note 36)	**–**	–	**88,616**	–
	(581,829)	(198,290)	**163,342**	727,671
	₱2,310,410	₱2,605,473	**₱27,105,550**	₱28,430,358

As of December 31, 2020 and 2019, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and are not available for dividend declaration.

<u>Investment in PNBSB</u>
On August 29, 2019, the Monetary Board of BSP approved the integration of PNBSB with the Parent Company. The integration is seen to deliver a more efficient banking experience and serve a wider customer base, while granting the customers of PNBSB access to the Parent Company's diverse portfolio of financial solutions. The consumer lending business, previously operated through PNBSB, will also benefit from the Parent Company's ability to efficiently raise low cost of funds.

On March 1, 2020, the integration of PNBSB to the Parent Company took effect through acquisition of the former's assets and assumption of its liabilities in exchange for cash, equivalent to the fair values of the net assets acquired. The integration was accounted for using the pooling of interests method since it involves business combination between entities under common control. Accordingly, the Parent Company recognized the net assets of PNBSB at their carrying values, and the excess of the carrying values of the net assets acquired over the settlement price amounting to ₱390.5 million is accounted for as 'Other equity reserves' in the parent company financial statements.

On March 5, 2020, PNBSB surrendered its banking license to the BSP.

On October 28, 2020, the BOD of PNBSB approved the following amendments to its Amended Articles of Incorporation and Amended By-Laws:

1. Change in the name of the corporation from "PNB Savings Bank" to "Allied Integrated Holdings, Inc." (Note 37)
2. Change in the primary purpose of the corporation from banking to a holding company
3. Change in all references to, and use of, the word "bank" in the Articles of Incorporation and By-Laws to "corporation"
4. Removal of provisions that are related to banking, unless such provision has already been previously amended and approved by the BOD and stockholders of PNBSB
5. Shortening of the corporation's term to December 31, 2022

On December 3, 2020, the Monetary Board of the BSP approved the conversion of PNBSB to a holding company, a non-bank corporation, under the new name as discussed above.

Investment in PNB Gen
On October 9, 2020 and December 11, the respective BODs of PNB Holdings and the Parent Company approved the sale of all their respective shareholdings in PNB Gen to Alliedbankers Insurance Corporation (ABIC), an affiliate, for a total purchase price of ₱1.5 billion (the Purchase Price), subject to regulatory and other necessary approvals.

Under the Sale and Purchase Agreement (SPA), the Purchase Price shall be payable as follows:

- PNB Holdings Purchase Price (₱521.8 million) – payable in full on PNB Holdings Closing Date (i.e., the completion of the purchase of PNB Holdings Shares by ABIC, which shall be December 28, 2020, or such other date subsequently agreed upon by the parties)
- PNB Purchase Price (₱1.0 billion) – payable in three tranches (10%, 45% and 45%) on January 21, March 21, and June 21, 2021, respectively

The SPA also provides for a grant of an exclusive bancassurance arrangement for the non-life insurance business of the Group to ABIC with a minimum guaranteed term of 15 years. As an additional consideration, ABIC shall pay the Group ₱50.0 million on PNB Closing Date (i.e., the completion of the purchase of PNB Shares by ABIC to coincide with the payment of PNB Tranche 3 or such final installment of the PNB Purchase Price), subject to regulatory approvals.

On December 29, 2020, the Insurance Commission approved the above acquisition of ABIC. Accordingly, PNB Holdings closed and completed the sale of its 34.25% shareholdings in PNB Gen, recognizing gain on sale of ₱344.7 million, which is included under 'Equity in net earnings of subsidiaries' in the parent company financial statements, but treated as an equity transaction in the consolidated financial statements as 'Other equity reserves'. The Group also reclassified the assets and liabilities of PNB Gen to 'Assets and liabilities of disposal group classified as held for sale' in the consolidated statement of financial position as of December 31, 2020 (Note 36).

Investments in PMLFC
On March 3 and March 4, 2020, the SEC approved the change in names of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation (collectively, the PNB-Mizuho Group) to PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation, respectively.

Material Non-controlling Interests
Proportion of equity interest held by material NCI follows:

		Equity interest of NCI		**Accumulated balances of material NCI**		**Profit allocated to material NCI**	
	Principal Activities	**2020**	2019	**2020**	2019	**2020**	2019
ABCHKL	Banking	**49.00%**	49.00%	**₱1,760,176**	₱1,777,670	**₱81,187**	₱97,409
OHBVI	Holding Company	**72.22%**	72.22%	**928,071**	973,846	**4,667**	2,909
PNB Gen	Insurance	**34.25%**	–	**519,278**	–	**–**	–

The following table presents financial information of ABCHKL as of December 31, 2020 and 2019:

	2020	2019
Statement of Financial Position		
Current assets	**₱7,162,167**	₱10,391,232
Non-current assets	**3,180,314**	1,001,907
Current liabilities	**5,924,195**	7,607,263
Non-current liabilities	**826,090**	157,978

	2020	2019
Statement of Comprehensive Income		
Revenues	**₱406,294**	₱467,860
Expenses	**240,606**	269,067
Net income	**165,688**	198,793
Total comprehensive income	**3,915**	89,669
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**(142,489)**	222,734
Net cash used in investing activities	**(782)**	(245)
Net cash used in financing activities	**(6,411)**	(6,730)

The following table presents financial information of OHBVI as of December 31, 2020 and 2019:

	2020	2019
Statement of Financial Position		
Current assets	**₱1,285,061**	₱1,348,444
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive	**6,463**	4,028
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**(63,383)**	(47,717)

The Parent Company determined that it controls OHBVI through its combined voting rights of 70.56% which arises from its direct ownership of 27.78% and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement.

Investment in APLII

On June 6, 2016, the Parent Company entered into agreements with Allianz SE (Allianz), a German company engaged in insurance and asset management, for the sale of the 51.00% interest in PNB Life Insurance, Inc. (PNB Life) for a total consideration of USD66.0 million to form a new joint venture company named "Allianz-PNB Life Insurance, Inc."; and a 15-year exclusive distribution access to the branch network of the Parent Company and PNBSB (Exclusive Distribution Rights or EDR).

The purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in PNB Life and the EDR amounting to USD44.9 million (₱2.1 billion) and USD21.1 million (₱1.0 billion), respectively. The consideration allocated to the EDR was recognized as 'Deferred revenue - Bancassurance' (Note 22) and is amortized to income over 15 years from date of sale. The Parent Company also receives variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

Summarized financial information of APLII as of December 31, 2020 and 2019 follows:

	2020	2019
Current assets	**₱1,697,490**	₱1,691,686
Noncurrent assets	**50,584,277**	35,405,488
Total assets	**52,281,767**	37,097,174
Current liabilities	**2,636,733**	1,551,241
Noncurrent liabilities	**47,905,927**	33,753,969
Total liabilities	**50,542,660**	35,305,210

(Forward)

	2020	2019
Net assets	**₱1,739,107**	₱2,257,365
Percentage of ownership of the Group	**44%**	44%
Share in the net assets of the associate	**₱765,207**	₱993,241

The difference between the share in the net assets of APLII and the carrying value of the investments represents premium on acquisition/retained interest.

Summarized statement of comprehensive income of APLII in 2020 and 2019 follows:

	2020	2019
Revenues	**₱3,132,745**	₱3,721,320
Costs and expenses	**2,846,825**	3,881,720
Net income (loss)	**285,920**	(160,400)
Other comprehensive income	**297,095**	297,095
Total comprehensive income	**₱583,015**	₱136,695
Group's share in comprehensive income for the year	**₱256,527**	₱60,145

Dissolved Subsidiaries
On April 3, 2018, the Parent Company received liquidating dividends amounting to ₱84.0 million from the dissolution of Allied Leasing and Finance Corporation, a 57.21% owned subsidiary. On January 16, 2019, the State of Nevada approved the dissolution of PNB Remittance Co. (Nevada), a wholly-owned indirect subsidiary.

Significant Restrictions
The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

13. **Investment Properties**

This account consists of real properties as follow:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Foreclosed or acquired in settlement of loans	**₱10,046,604**	₱10,591,598	**₱9,522,646**	₱9,925,490
Held for lease	**4,399,152**	4,452,228	**4,399,152**	4,750,897
Total	**₱14,445,756**	₱15,043,826	**₱13,921,798**	₱14,676,387

The composition of and movements in this account follow:

	Consolidated		
	2020		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱14,849,087**	**₱4,377,277**	**₱19,226,364**
Additions	**44,736**	**41,957**	**86,693**
Disposals	**(10,827)**	**(12,341)**	**(23,168)**
Transfers/others	**(42,628)**	**(52,155)**	**(94,783)**
Balance at end of year	**14,840,368**	**4,354,738**	**19,195,106**

(Forward)

	Consolidated		
	2020		
	Land	**Buildings and Improvements**	**Total**
Accumulated Depreciation			
Balance at beginning of year	**₱–**	**₱2,033,630**	**₱2,033,630**
Depreciation (Note 11)	**–**	**259,839**	**259,839**
Disposals	**–**	**(8,075)**	**(8,075)**
Transfers/others	**–**	**(119,714)**	**(119,714)**
Balance at end of year	**–**	**2,165,680**	**2,165,680**
Allowance for Impairment Losses (Note 16)	**2,351,499**	**232,171**	**2,583,670**
Net Book Value at End of Year	**₱12,488,869**	**₱1,956,887**	**₱14,445,756**

	Consolidated		
	2019		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,326,994	₱4,278,472	₱18,605,466
Additions	841,422	126,189	967,611
Disposals	(30,663)	(41,195)	(71,858)
Transfers/others	(288,666)	13,811	(274,855)
Balance at end of year	14,849,087	4,377,277	19,226,364
Accumulated Depreciation			
Balance at beginning of year	–	1,833,237	1,833,237
Depreciation (Note 11)	–	179,619	179,619
Disposals	–	(49,833)	(49,833)
Transfers/others	–	70,607	70,607
Balance at end of year	–	2,033,630	2,033,630
Allowance for Impairment Losses (Note 16)	1,931,266	217,642	2,148,908
Net Book Value at End of Year	₱12,917,821	₱2,126,005	₱15,043,826

	Parent Company		
	2020		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱14,478,418**	**₱4,344,378**	**₱18,822,796**
Additions	**51,053**	**26,973**	**78,026**
Disposals	**(10,827)**	**(12,341)**	**(23,168)**
Transfers/others	**(196,394)**	**(143,239)**	**(339,633)**
Balance at end of year	**14,322,250**	**4,215,771**	**18,538,021**
Accumulated Depreciation			
Balance at beginning of year	**–**	**1,992,096**	**1,992,096**
Depreciation (Note 11)	**–**	**167,536**	**167,536**
Disposals	**–**	**(8,075)**	**(8,075)**
Transfers/others	**–**	**(108,866)**	**(108,866)**
Balance at end of year	**–**	**2,042,691**	**2,042,691**
Allowance for Impairment Losses (Note 16)	**2,350,787**	**222,745**	**2,573,532**
Net Book Value at End of Year	**₱11,971,463**	**₱1,950,335**	**₱13,921,798**

	Parent Company		
	2019		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱13,992,505	₱4,242,719	₱18,235,224
Additions	795,390	90,282	885,672
Disposals	(30,663)	(3,936)	(34,599)
Transfers/others	(278,814)	15,313	(263,501)
Balance at end of year	14,478,418	4,344,378	18,822,796
Accumulated Depreciation			
Balance at beginning of year	–	1,801,399	1,801,399
Depreciation (Note 11)	–	120,604	120,604
Disposals	–	(3,080)	(3,080)
Transfers/others	–	73,173	73,173
Balance at end of year	–	1,992,096	1,992,096
Allowance for Impairment Losses (Note 16)	1,929,130	225,183	2,154,313
Net Book Value at End of Year	₱12,549,288	₱2,127,099	₱14,676,387

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱181.2 million and ₱455.6 million, as of December 31, 2020 and 2019, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties.

The total recoverable value of certain investment properties of the Group that were impaired amounted to ₱4.2 billion and ₱4.7 billion as of December 31, 2020 and 2019, respectively. For the Parent Company, the total recoverable value of certain investment properties that were impaired amounted to ₱4.2 billion and ₱4.6 billion as of December 31, 2020 and 2019, respectively.

For the Group, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses', amounted to ₱6.0 million, ₱12.3 million and ₱58.6 million in 2020, 2019, and 2018, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses', amounted to ₱204.6 million, ₱190.7 million and ₱271.4 million in 2020, 2019, and 2018, respectively.

For the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses', amounted to ₱6.0 million, ₱12.3 million and ₱58.6 million in 2020, 2019 and 2018, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses ', amounted to ₱204.6 million, ₱190.7 million and ₱271.4 million in 2020, 2019, and 2018, respectively.

14. Goodwill and Intangible Assets

These accounts consist of:

	Consolidated				
	2020				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱3,918,769**	**₱6,208,501**	**₱13,375,407**
Additions	–	–	**283,472**	**283,472**	–
Others	–	–	**(47,517)**	**(47,517)**	–
Effect of disposal group classified as held for sale (Note 36)	–	–	**(20,321)**	**(20,321)**	–
Balance at end of year	**1,897,789**	**391,943**	**4,134,403**	**6,424,135**	**13,375,407**
Accumulated Amortization					
Balance at beginning of year	**1,308,420**	**391,943**	**1,666,149**	**3,366,512**	–
Amortization (Note 11)	**189,779**	–	**368,958**	**558,737**	–
Others	–	–	**2,060**	**2,060**	–
Effect of disposal group classified as held for sale (Note 36)	–	–	**(15,187)**	**(15,187)**	–
Balance at end of year	**1,498,199**	**391,943**	**2,021,980**	**3,912,122**	–
Net Book Value at End of Year	**₱399,590**	**₱–**	**₱2,112,423**	**₱2,512,013**	**₱13,375,407**

	Consolidated				
	2019				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱3,581,616	₱5,871,348	₱13,375,407
Additions	–	–	334,548	334,548	–
Others	–	–	2,605	2,605	–
Balance at end of year	1,897,789	391,943	3,918,769	6,208,501	13,375,407
Accumulated Amortization					
Balance at beginning of year	1,118,641	391,943	1,327,401	2,837,985	–
Amortization (Note 11)	189,779	–	298,378	488,157	–
Others	–	–	40,370	40,370	–
Balance at end of year	1,308,420	391,943	1,666,149	3,366,512	–
Net Book Value at End of Year	₱589,369	₱–	₱2,252,620	₱2,841,989	₱13,375,407

	Parent Company				
	2020				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱4,886,120**	**₱7,175,852**	**₱13,515,765**
Additions	–	–	**268,768**	**268,768**	–
Others	–	–	**12,643**	**12,643**	–
Balance at end of year	**1,897,789**	**391,943**	**5,167,531**	**7,457,263**	**13,515,765**
Accumulated Amortization					
Balance at beginning of year	**1,308,420**	**391,943**	**2,776,335**	**4,476,698**	–
Amortization (Note 11)	**189,779**	–	**352,035**	**541,814**	–
Others	–	–	**91**	**91**	–
Balance at end of year	**1,498,199**	**391,943**	**3,128,461**	**5,018,603**	–
Net Book Value at End of Year	**₱399,590**	**₱–**	**₱2,039,070**	**₱2,438,660**	**₱13,515,765**

	Parent Company				
	2019				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,556,717	₱6,846,449	₱13,515,765
Additions	–	–	331,543	331,543	–
Others	–	–	(2,140)	(2,140)	–
Balance at end of year	1,897,789	391,943	4,886,120	7,175,852	13,515,765
Accumulated Amortization					
Balance at beginning of year	1,118,641	391,943	2,456,012	3,966,596	–
Amortization (Note 11)	189,779	–	279,760	469,539	–
Others	–	–	40,563	40,563	–
Balance at end of year	1,308,420	391,943	2,776,335	4,476,698	–
Net Book Value at End of Year	₱589,369	₱–	₱2,109,785	₱2,699,154	₱13,515,765

CDI and CRI

CDI and CRI are the intangible assets acquired through the merger of the Parent Company with Allied Banking Corporation (ABC). CDI includes the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertains to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments. CDI is allocated to Retail Banking CGU while CRI is allocated to Corporate Banking CGU. CDI and CRI are assessed for impairment where indicator(s) of objective evidence of impairment has been identified.

Software cost

Software cost as of December 31, 2020 and 2019 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's new core banking system.

Goodwill

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the NCI in the acquiree at proportionate share of identifiable assets and liabilities. The business combination resulted in the recognition of goodwill amounting to ₱13.4 billion, allocated to the three CGUs which are also reportable segments:

Retail Banking	**₱6,110,312**
Corporate Banking	**4,190,365**
Global Banking and Market	**3,074,730**
	₱13,375,407

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment test is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount allocated to the CGU. The recoverable amount is the higher of a CGU's fair value less costs to sell and its value in use. As of December 31, 2020, the goodwill impairment test did not result in an impairment loss of goodwill of the CGUs as the recoverable amount for these CGUs were higher than their respective carrying amount.

The recoverable amounts of the CGUs have been determined on the basis of value in use calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2020			2019		
	Retail Banking	**Corporate Banking**	**Global Banking and Market**	Retail Banking	Corporate Banking	Global Banking and Market
Pre-tax discount rate	**10.83%**	**10.83%**	**6.95%**	10.29%	10.29%	6.37%
Projected growth rate	**5.00%**	**5.00%**	**5.00%**	4.32%	4.32%	4.32%

The calculation of value in use is most sensitive to interest margin, discount rates, projected growth rates used to extrapolate cash flows beyond the budget period, and projected local gross domestic product applied as long-term growth rate.

The discount rate applied have been determined based on cost of equity for Retail and Corporate Banking segments and weighted average cost of capital for Global Banking and Market segment. The cost of equity was derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor, all of which were obtained from external sources of information.

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial				
Return checks and other cash items	**₱78,589**	₱58,678	**₱78,589**	₱56,469
Security deposits	**13,080**	44,132	**–**	–
Checks for clearing	**4,904**	7,079	**4,904**	7,079
Receivable from special purpose vehicle (SPV)	**500**	500	**500**	500
Miscellaneous	**2,836**	10,298	**2,280**	9,260
	99,909	120,687	**86,273**	73,308
Non-financial				
Creditable withholding taxes	**2,397,473**	4,103,986	**2,144,781**	3,660,735
Deferred charges	**1,095,022**	743,727	**989,748**	639,625
Documentary stamps on hand	**988,610**	464,616	**986,410**	464,616
Real estate inventories held under development (Note 33)	**638,875**	728,752	**638,875**	728,752
Prepaid expenses	**491,796**	567,137	**431,722**	430,805
Chattel mortgage properties - net of depreciation	**115,356**	168,661	**111,817**	32,401
Input value added tax	**104,096**	101,138	**–**	–
Stationeries and supplies	**81,337**	86,843	**80,924**	85,997
Other investments	**28,617**	21,033	**25,397**	17,652
Deferred reinsurance premiums (Note 36)	**–**	1,135,113	**–**	–
Miscellaneous (Note 28)	**1,337,715**	901,953	**492,000**	247,224
	7,278,897	9,022,959	**5,901,674**	6,307,807
	7,378,806	9,143,646	**5,987,947**	6,381,115
Less allowance for credit and impairment losses (Note 16)	**1,040,596**	1,058,123	**1,040,213**	1,028,352
	₱6,338,210	₱8,085,523	**₱4,947,734**	₱5,352,763

Deferred charges
This account includes the share of the Group in the cost of transportation equipment acquired under the Group's car plan which shall be amortized monthly.

Real estate inventories held under development
This represents parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

Prepaid expenses
This represents expense prepayments expected to benefit the Group for a future period not exceeding one year, such as insurance premiums and taxes.

Chattel mortgage properties
As of December 31, 2020 and 2019, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱140.1 million and ₱94.5 million, respectively. As of December 31, 2020 and 2019, accumulated depreciation on chattel mortgage properties acquired by the Parent Company in settlement of loans amounted to ₱130.3 million and ₱57.9 million, respectively. As of December 31, 2020 and 2019, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱0.9 million .

Deferred reinsurance premiums
The deferred reinsurance premiums of the Group refer to portion of reinsurance premiums ceded that are unexpired as of December 31, 2020 and 2019.

Receivable from SPV
This represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, Opal Portfolio Investing, Inc. (an SPV), relative to the sale of certain non-performing assets of the Group.

Miscellaneous
Other financial assets include revolving fund, petty cash fund and miscellaneous cash and other cash items. Other nonfinancial assets include postages, refundable deposits, notes taken for interest and sundry debits.

16. **Allowance for Impairment and Credit Losses**

Provision for Impairment, Credit and Other Losses
This account consists of:

	Consolidated			**Parent Company**		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36	**2020**	2019	2018
Continuing operations:						
Provision for credit losses	**₱16,054,991**	₱2,481,965	₱1,811,312	**₱15,723,927**	₱1,648,491	₱1,472,663
Provision for (reversal of) impairment	**827,630**	500,253	(71,135)	**810,408**	(55,272)	(71,135)
Reversal of other losses	**–**	(72,036)	–	**–**	–	–
	16,882,621	2,910,182	1,740,177	**16,534,335**	1,593,219	1,401,528
Discontinued operations (Note 36):						
Provision for (reversal of) credit losses	**29,781**	(324)	12,635	**–**	–	–
	₱16,912,402	₱2,909,858	₱1,752,812	**₱16,534,335**	₱1,593,219	₱1,401,528

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

	Consolidated							
	2020							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱1,912	₱3,359	₱6,719	₱51,639	₱3,785,196	₱18,413,228	₱500	₱22,262,553
Provisions:								
Continuing operations	–	6,338	1,610	19,163	197,405	15,830,475	–	16,054,991
Discontinued operation	–	–	–	–	28	30,280	–	30,308
Accounts charged-off	–	–	–	–	–	(749,829)	–	(749,829)
Transfers and others	(1,912)	201	(5,446)	(3,403)	(203)	(849,334)	–	(860,097)
Effect of discontinued operations	–	–	–	–	(28)	(260,168)	–	(260,196)
Balance at end of year	₱–	₱9,898	₱2,883	₱67,399	₱3,982,398	₱32,414,652	₱500	₱36,477,730

	Consolidated							
	2019							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱–	₱–	₱–	₱46,349	₱3,769,264	₱15,267,577	₱500	₱19,083,690
Provisions	1,912	3,359	6,719	5,290	15,932	2,448,429	–	2,481,641
Accounts charged-off	–	–	–	–	–	(577,613)	–	(577,613)
Transfers and others	–	–	–	–	–	1,274,835	–	1,274,835
Balance at end of year	₱1,912	₱3,359	₱6,719	₱51,639	₱3,785,196	₱18,413,228	₱500	₱22,262,553

	Parent Company						
	2020						
	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱3,359	₱1,293	₱51,639	₱3,728,243	₱14,292,784	₱500	₱18,077,818
Provisions	6,334	1,610	15,760	197,405	15,502,818	–	15,723,927
Accounts charged-off	–	–	–	–	(749,829)	–	(749,829)
Transfers and others	180	(20)	–	56,750	2,454,108	–	2,511,018
Balance at end of year	₱9,873	₱2,883	₱67,399	₱3,982,398	₱31,499,881	₱500	₱35,562,934

	Parent Company						
	2019						
	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱–	₱–	₱46,349	₱3,769,264	₱12,625,582	₱500	₱16,441,695
Provisions (reversals)	3,359	1,293	5,290	(41,021)	1,679,570	–	1,648,491
Accounts charged-off	–	–	–	–	(479,032)	–	(479,032)
Transfers and others	–	–	–	–	466,664	–	466,664
Balance at end of year	₱3,359	₱1,293	₱51,639	₱3,728,243	₱14,292,784	₱500	₱18,077,818

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

	Consolidated							
	2020				2019			
	Property and Equipment	Investment Properties	Other Assets	Total	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	₱1,115,157	₱2,148,908	₱1,057,623	₱4,321,688	₱228,486	₱3,283,363	₱1,178,105	₱4,689,954
Provisions:								
Continuing operations	–	423,952	403,678	827,630	–	500,253	–	500,253
Discontinued operation	–	–	(527)	(527)				
Disposals	–	–	–	–	–	(1,924)	(333)	(2,257)
Transfers and others	53,730	10,810	(391,085)	(326,545)	886,671	(1,632,784)	(120,149)	(866,262)
Effect of discontinued operations	–	–	(29,593)	(29,593)	–	–	–	–
Balance at end of year	₱1,168,887	₱2,583,670	₱1,040,096	₱4,792,653	₱1,115,157	₱2,148,908	₱1,057,623	₱4,321,688

	Parent Company							
	2020				2019			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,115,157**	**₱2,154,313**	**₱1,027,852**	**₱4,297,322**	₱228,034	₱3,284,467	₱1,178,055	₱4,690,556
Provisions (reversals)	**–**	**419,219**	**391,189**	**810,408**	–	(55,272)	–	(55,272)
Disposals	**–**	**–**	**–**	**–**	–	(1,924)	(9)	(1,933)
Transfers and others	**53,730**	**–**	**(379,328)**	**(325,598)**	887,123	(1,072,958)	(150,194)	(336,029)
Balance at end of year	**₱1,168,887**	**₱2,573,532**	**₱1,039,713**	**₱4,782,132**	₱1,115,157	₱2,154,313	₱1,027,852	₱4,297,322

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

	Consolidated							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱1,351,699**	**₱862,403**	**₱5,838,830**	**₱8,052,932**	₱1,295,286	₱36,592	₱3,828,372	₱5,160,250
Newly originated assets which remained in Stage 1 at yearend	**248,412**	**–**	**–**	**248,412**	858,446	–	–	858,446
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**311,136**	**255,094**	**566,230**	–	602,760	2,185,515	2,788,275
Transfers to Stage 1	**127,422**	**(104,193)**	**(23,229)**	**–**	6,465	(5,342)	(1,123)	–
Transfers to Stage 2	**(49,891)**	**74,188**	**(24,297)**	**–**	(18,613)	45,272	(26,659)	–
Transfers to Stage 3	**(201,545)**	**(65,790)**	**267,335**	**–**	(8,691)	(2,070)	10,761	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(97,153)	(97,153)
Provisions (reversals)	**(741,893)**	**(77,013)**	**12,041,160**	**11,222,254**	(12,038)	30,755	101,466	120,183
Effect of collections and other movements	**(296,571)**	**(310,249)**	**(262,752)**	**(869,572)**	(769,156)	154,436	(162,349)	(777,069)
Ending Balance	**437,633**	**690,482**	**18,092,141**	**19,220,256**	1,351,699	862,403	5,838,830	8,052,932
LGU								
Beginning Balance	**30,089**	**11,092**	**26,469**	**67,650**	41,515	4,190	24,915	70,620
Newly originated assets which remained in Stage 1 at yearend	**2,399**	**–**	**–**	**2,399**	4,480	–	–	4,480
Reversals	**(1,196)**	**(1,226)**	**–**	**(2,422)**	–	–	–	–
Effect of collections and other movements	**(7,252)**	**(8,129)**	**(1,553)**	**(16,934)**	(15,906)	6,902	1,554	(7,450)
Ending Balance	**24,040**	**1,737**	**24,916**	**50,693**	30,089	11,092	26,469	67,650
Credit Cards								
Beginning Balance	**37,867**	**41,397**	**1,526,487**	**1,605,751**	47,670	58,667	969,239	1,075,576
Newly originated assets which remained in Stage 1 at yearend	**4,272**	**–**	**–**	**4,272**	5,432	–	–	5,432
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**3,017**	**33,363**	**36,380**	–	3,930	33,824	37,754
Transfers to Stage 1	**14,459**	**(8,245)**	**(6,214)**	**–**	15,147	(6,325)	(8,822)	–
Transfers to Stage 2	**(631)**	**701**	**(70)**	**–**	(1,004)	1,100	(96)	–
Transfers to Stage 3	**(5,473)**	**(28,914)**	**34,387**	**–**	(2,350)	(19,524)	21,874	–
Accounts charged off	**(1,077)**	**(4,023)**	**(603,693)**	**(608,793)**		–	(328,919)	(328,919)
Provisions	**61,271**	**21,095**	**1,495,684**	**1,578,050**	16,519	19,561	692,661	728,741
Effect of collections and other movements	**(72,464)**	**1,218**	**43,254**	**(27,992)**	(43,547)	(16,012)	146,726	87,167
Ending Balance	**38,224**	**26,246**	**2,523,198**	**2,587,668**	37,867	41,397	1,526,487	1,605,751
Retail SMEs								
Beginning Balance	**377,435**	**73,581**	**1,031,436**	**1,482,452**	199,401	64,134	600,598	864,133
Newly originated assets which remained in Stage 1 at yearend	**2,609**	**–**	**–**	**2,609**	212,530	–	–	212,530
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**1,482**	**171**	**1,653**	–	13,307	55,459	68,766
Transfers to Stage 1	**13,826**	**(706)**	**(13,120)**	**–**	23,983	(2,039)	(21,944)	–
Transfers to Stage 2	**(20,257)**	**31,634**	**(11,377)**	**–**	(178)	2,472	(2,294)	–
Transfers to Stage 3	**(3,530)**	**(3,036)**	**6,566**	**–**	(2,412)	(1,881)	4,293	–
Accounts charged off	**–**	**–**	**(2,477)**	**(2,477)**	–	–	(12,750)	(12,750)
Provisions (reversals)	**249,043**	**(7,814)**	**305,381**	**546,610**	15,170	4,015	236,637	255,822
Effect of collections and other movements	**(257,852)**	**(74,355)**	**109,552**	**(222,655)**	(71,059)	(6,427)	171,437	93,951
Ending Balance	**361,274**	**20,786**	**1,426,132**	**1,808,192**	377,435	73,581	1,031,436	1,482,452

(Forward)

	Consolidated							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Housing Loans								
Beginning Balance	₱889,425	₱547,589	₱114,407	₱1,551,421	₱498,036	₱643,926	₱131,523	₱1,273,485
Newly originated assets which remained in Stage 1 at yearend	1,048	–	–	1,048	501,707	–	–	501,707
Newly originated assets which moved to Stages 2 and 3 at yearend	–	7,586	42,555	50,141	–	16,462	59,779	76,241
Transfers to Stage 1	24,929	(6,896)	(18,033)		173,452	(121,482)	(51,970)	
Transfers to Stage 2	(1,780)	5,252	(3,472)	–	(14,155)	27,900	(13,745)	–
Transfers to Stage 3	(5,524)	(12,767)	18,291	–	(20,109)	(296,405)	316,514	–
Accounts charged off	–	–	–	–	–	–	(39,865)	(39,865)
Provisions (reversals)	(66,831)	83,538	1,109,858	1,126,565	–	51,681	542,813	594,494
Effect of collections and other movements	(741,371)	(516,516)	902,598	(355,289)	(249,506)	225,507	(830,642)	(854,641)
Ending Balance	99,896	107,786	2,166,204	2,373,886	889,425	547,589	114,407	1,551,421
Auto Loans								
Beginning Balance	154,130	45,312	44,401	243,843	114,151	67,820	49,384	231,355
Newly originated assets which remained in Stage 1 at yearend	540	–	–	540	67,305		–	67,305
Newly originated assets which moved to Stages 2 and 3 at yearend	–	872	13,885	14,757	–	4,522	16,728	21,250
Transfers to Stage 1	4,234	(800)	(3,434)	–	28,932	(12,239)	(16,693)	–
Transfers to Stage 2	(1,876)	2,199	(323)	–	(1,063)	4,433	(3,370)	–
Transfers to Stage 3	(4,139)	(3,506)	7,645	–	(1,029)	(12,351)	13,380	–
Accounts charged off	–	–	(1,488)	(1,488)	–	–	–	–
Provisions (reversals)	(6,271)	2,916	770,300	766,945			101,941	101,941
Effect of collections and other movements	(453)	(3,841)	12,501	8,207	(54,166)	(6,873)	(116,969)	(178,008)
Ending Balance	146,165	43,152	843,487	1,032,804	154,130	45,312	44,401	243,843
Other Loans								
Beginning Balance	8,924	62,189	998,074	1,069,187	508,416	119,909	956,201	1,584,526
Newly originated assets which remained in Stage 1 at yearend	7,017	–	–	7,017	214,087	–	–	214,087
Newly originated assets which moved to Stages 2 and 3 at yearend	–	7,649	101,603	109,252	–	1,656	16,845	18,501
Transfers to Stage 1	10,769	(2,287)	(8,482)	–	7,501	(780)	(6,721)	–
Transfers to Stage 2	(958)	15,050	(14,092)	–	(23)	220	(197)	–
Transfers to Stage 3	(1,817)	(7,764)	9,581	–	(97)	(7,184)	7,281	–
Accounts charged off	–	–	(136,732)	(136,732)	–	(33,294)	(16,236)	(49,530)
Provisions (reversals)	(26,947)	29,844	(141,644)	(138,747)	(5,581)	8	23,520	17,947
Effect of collections and other movements	75,439	(45,238)	1,114,587	1,144,788	(715,379)	(18,346)	17,381	(716,344)
Ending Balance	72,427	59,443	1,922,895	2,054,765	8,924	62,189	998,074	1,069,187
Other Receivables								
Beginning Balance	77,497	21,915	4,240,580	4,339,992	1,084,900	2,723,474	1,199,258	5,007,632
Newly originated assets which remained in Stage 1 at yearend	2,449	–	–	2,449	76,724	–	–	76,724
Newly originated assets which moved toStages 2 and 3 at yearend	–	922	20,632	21,554	–	32,200	499,646	531,846
Transfers to Stage 1	186	(23)	(163)	–	16,734	(7,198)	(9,536)	–
Transfers to Stage 2	(1,739)	1,741	(2)	–	(880)	3,599	(2,719)	–
Transfers to Stage 3	(51,149)	(2,811)	53,960	–	(2,227)	(21,054)	23,281	–
Accounts charged off	–	–	336	336	–	–	(49,396)	(49,396)
Provisions	44,946	12,167	674,108	731,221	123,479	21,901	572,768	718,148
Effect of collections and other movements	(2,864)	(14,425)	(1,791,877)	(1,809,166)	(1,221,233)	(2,731,007)	2,007,278	(1,944,962)
Ending Balance	69,326	19,486	3,197,574	3,286,386	77,497	21,915	4,240,580	4,339,992
Total Loans and Receivables								
Beginning Balance	2,927,066	1,665,478	13,820,684	18,413,228	3,789,375	3,718,712	7,759,490	15,267,577
Newly originated assets which remained in Stage 1 at yearend	268,746	–	–	268,746	1,940,711	–	–	1,940,711
Newly originated assets which moved to Stages 2 and 3 at yearend	–	332,664	467,303	799,967	–	674,837	2,867,796	3,542,633
Transfers to Stage 1	195,825	(123,150)	(72,675)	–	272,214	(155,405)	(116,809)	–
Transfers to Stage 2	(77,132)	130,765	(53,633)	–	(35,916)	84,996	(49,080)	–
Transfers to Stage 3	(273,177)	(124,588)	397,765	–	(36,915)	(360,469)	397,384	–
Accounts charged off	(1,077)	(4,023)	(744,054)	(749,154)	–	(33,294)	(544,319)	(577,613)
Provisions (reversals)	(487,878)	63,507	16,254,847	15,830,476	137,549	127,921	2,271,806	2,537,276
Effect of collections and other movements	(1,303,388)	(971,535)	126,310	(2,148,613)	(3,139,952)	(2,391,820)	1,234,416	(4,297,356)
Ending Balance	₱1,248,985	₱969,118	₱30,196,547	₱32,414,650	₱2,927,066	₱1,665,478	₱13,820,684	₱18,413,228

	Parent Company							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱1,223,420**	**₱814,289**	**₱5,635,394**	**₱7,673,103**	₱1,143,785	₱25,894	₱3,814,554	₱4,984,233
Transferred loans	**327**	**37,685**	**102,927**	**140,939**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**247,606**	**–**	**–**	**247,606**	819,483	–	–	819,483
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**311,136**	**255,094**	**566,230**	–	599,413	2,122,244	2,721,657
Transfers to Stage 1	**127,731**	**(104,327)**	**(23,404)**	**–**	5,316	(5,316)		–
Transfers to Stage 2	**(49,902)**	**74,199**	**(24,297)**	**–**	(14,958)	41,617	(26,659)	–
Transfers to Stage 3	**(201,545)**	**(65,790)**	**267,335**	**–**	(2,914)	(2,070)	4,984	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(29,922)	(29,922)
Provisions (reversals)	**(741,930)**	**(77,013)**	**12,083,198**	**11,264,255**	18,372	50	47	18,469
Effect of collections and other movements	**(291,583)**	**(310,092)**	**(262,845)**	**(864,520)**	(745,664)	154,701	(249,854)	(840,817)
Ending Balance	**314,124**	**680,087**	**18,033,402**	**19,027,613**	1,223,420	814,289	5,635,394	7,673,103
LGU								
Beginning Balance	**25,236**	**15,945**	**26,469**	**67,650**	41,515	4,190	24,915	70,620
Newly originated assets which remained in Stage 1 at yearend	**2,399**	**–**	**–**	**2,399**	4,480	–	–	4,480
Reversals	**(1,196)**	**(1,226)**	**–**	**(2,422)**	–	11,755	–	11,755
Effect of collections and other movements	**(2,399)**	**(12,982)**	**(1,553)**	**(16,934)**	(20,759)	–	1,554	(19,205)
Ending Balance	**24,040**	**1,737**	**24,916**	**50,693**	25,236	15,945	26,469	67,650
Credit Cards								
Beginning Balance	**37,867**	**41,397**	**1,526,487**	**1,605,751**	47,670	58,667	969,239	1,075,576
Newly originated assets which remained in Stage 1 at yearend	**4,272**	**–**	**–**	**4,272**	5,432	–	–	5,432
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**3,017**	**33,363**	**36,380**	–	3,930	33,824	37,754
Transfers to Stage 1	**14,459**	**(8,245)**	**(6,214)**	**–**	15,147	(6,325)	(8,822)	–
Transfers to Stage 2	**(631)**	**701**	**(70)**	**–**	(1,004)	1,100	(96)	–
Transfers to Stage 3	**(5,473)**	**(28,914)**	**34,387**	**–**	(2,350)	(19,524)	21,874	–
Accounts charged off	**(1,077)**	**(4,023)**	**(603,693)**	**(608,793)**	–	–	(328,919)	(328,919)
Provisions	**61,271**	**21,095**	**1,495,684**	**1,578,050**	16,519	19,561	692,661	728,741
Effect of collections and other movements	**(72,464)**	**1,218**	**43,254**	**(27,992)**	(43,547)	(16,012)	146,726	87,167
Ending Balance	**38,224**	**26,246**	**2,523,198**	**2,587,668**	37,867	41,397	1,526,487	1,605,751
Retail SMEs								
Beginning Balance	**85,709**	**14,016**	**322,664**	**422,389**	51,113	7,789	519,467	578,369
Transferred loans	**22,197**	**83**	**336,854**	**359,134**				
Newly originated assets which remained in Stage 1 at yearend	**–**	**–**	**–**	**–**	81,916	–	–	81,916
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**–**	**–**	**–**	–	9,291	2,750	12,041
Transfers to Stage 1	**5,025**	**–**	**(5,025)**	**–**	668	(135)	(533)	–
Transfers to Stage 2	**(19,823)**	**27,019**	**(7,196)**	**–**	(115)	328	(213)	–
Transfers to Stage 3	**(2,290)**	**(3,036)**	**5,326**	**–**	(863)	(1,712)	2,575	–
Accounts charged off	**–**	**–**	**(2,477)**	**(2,477)**	–	–	(12,750)	(12,750)
Provisions (reversals)	**249,043**	**(7,814)**	**48,875**	**290,104**	330	–	1	331
Effect of collections and other movements	**(2,949)**	**(19,979)**	**(139,632)**	**(162,560)**	(47,340)	(1,545)	(188,633)	(237,518)
Ending Balance	**336,912**	**10,289**	**559,389**	**906,590**	85,709	14,016	322,664	422,389
Housing Loans								
Beginning Balance	**28,924**	**3,684**	**42,421**	**75,029**	21,672	876	35,676	58,224
Transferred loans	**115,826**	**98,765**	**952,480**	**1,167,071**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**–**	**–**	**–**	**–**	14,421	–	–	14,421
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**7,586**	**42,555**	**50,141**	–	1,989	382	2,371
Transfers to Stage 1	**24,744**	**(6,711)**	**(18,033)**	**–**	8,102	(134)	(7,968)	–
Transfers to Stage 2	**(1,780)**	**3,851**	**(2,071)**	**–**	(273)	273	–	–
Transfers to Stage 3	**(5,450)**	**(12,767)**	**18,217**	**–**	(71)	(223)	294	–
Accounts charged off	**–**	**–**	**–**	**–**	–	–	–	–
Provisions (reversals)	**(67,773)**	**83,538**	**1,117,975**	**1,133,740**	32	–	1	33
Effect of collections and other movements	**(3,677)**	**(72,962)**	**18,273**	**(58,366)**	(14,959)	903	14,036	(20)
Ending Balance	**90,814**	**104,984**	**2,171,817**	**2,367,615**	28,924	3,684	42,421	75,029

(Forward)

	Parent Company							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	**₱23,108**	**₱3,558**	**₱35,422**	**₱62,088**	₱3	₱–	₱39,589	₱39,592
Transferred loans	**7,382**	**5,545**	**168,829**	**181,756**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**540**	**–**	**–**	**540**	23,108	–	–	23,108
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**872**	**13,885**	**14,757**	–	3,558	4,391	7,949
Transfers to Stage 1	**4,234**	**(800)**	**(3,434)**	**–**			–	–
Transfers to Stage 2	**(1,876)**	**2,199**	**(323)**	**–**	–	–	–	–
Transfers to Stage 3	**(4,139)**	**(3,506)**	**7,645**	**–**	–	–	–	–
Accounts charged off	**–**	**–**	**(1,488)**	**(1,488)**	–	–	(8,515)	(8,515)
Provisions (reversals)	**(6,271)**	**2,916**	**770,300**	**766,945**	–	–	–	–
Effect of collections and other movements	**(453)**	**(3,841)**	**12,500**	**8,206**	(3)	–	(43)	(46)
Ending Balance	**22,525**	**6,943**	**1,003,336**	**1,032,804**	23,108	3,558	35,422	62,088
Other Loans								
Beginning Balance	**4,565**	**11,318**	**1,385,452**	**1,401,335**	202	57,572	973,358	1,031,132
Transferred loans	**42,188**	**34,499**	**486,804**	**563,491**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**7,017**	**–**	**–**	**7,017**	3,093	–	–	3,093
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**7,649**	**101,603**	**109,252**	–	1,656	16,845	18,501
Transfers to Stage 1	**10,769**	**(2,287)**	**(8,482)**	**–**	960	(170)	(790)	–
Transfers to Stage 2	**(958)**	**15,050**	**(14,092)**	**–**	–	–	–	–
Transfers to Stage 3	**(1,817)**	**(7,764)**	**9,581**	**–**	–	(6,293)	6,293	–
Accounts charged off	**–**	**–**	**(136,736)**	**(136,736)**	–	(33,296)	(16,234)	(49,530)
Provisions (reversals)	**(26,949)**	**29,844**	**(141,570)**	**(138,675)**	–	12	–	12
Effect of collections and other movements	**37,608**	**(28,866)**	**228,168**	**236,910**	310	(8,163)	405,980	398,127
Ending Balance	**72,423**	**59,443**	**1,910,728**	**2,042,594**	4,565	11,318	1,385,452	1,401,335
Other Receivables								
Beginning Balance	**59,453**	**9,761**	**2,916,225**	**2,985,439**	1,104,095	2,644,819	1,038,922	4,787,836
Transferred receivables	**6,614**	**2,152**	**641,639**	**650,405**				
Newly originated assets which remained in Stage 1 at yearend	**1,495**	**–**	**–**	**1,495**	8,279	–	–	8,279
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**922**	**15,546**	**16,468**	–	1,647	14,551	16,198
Transfers to Stage 1	**186**	**(23)**	**(163)**	**–**	594	(142)	(452)	–
Transfers to Stage 2	**(1,739)**	**1,741**	**(2)**	**–**	(750)	1,225	(475)	–
Transfers to Stage 3	**(51,149)**	**(2,811)**	**53,960**	**–**	(1,962)	(349)	2,311	–
Accounts charged off	**–**	**–**	**336**	**336**	–	–	(49,396)	(49,396)
Provisions	**26,685**	**12,167**	**571,969**	**610,821**	321	–	29,778	30,099
Effect of collections and other movements	**32,697**	**(4,516)**	**(808,841)**	**(780,660)**	(1,051,124)	(2,637,439)	1,880,986	(1,807,577)
Ending Balance	**74,242**	**19,393**	**3,390,669**	**3,484,304**	59,453	9,761	2,916,225	2,985,439
Total Loans and Receivables								
Beginning Balance	**1,488,282**	**913,968**	**11,890,534**	**14,292,784**	2,410,055	2,799,807	7,415,720	12,625,582
Transferred Loans	**194,534**	**178,729**	**2,689,533**	**3,062,796**				
Newly originated assets which remained in Stage 1 at yearend	**263,329**	**–**	**–**	**263,329**	960,212	–	–	960,212
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**331,182**	**462,046**	**793,228**	–	621,484	2,194,987	2,816,471
Transfers to Stage 1	**187,148**	**(122,393)**	**(64,755)**	**–**	30,787	(12,222)	(18,565)	–
Transfers to Stage 2	**(76,709)**	**124,760**	**(48,051)**	**–**	(17,100)	44,543	(27,443)	–
Transfers to Stage 3	**(271,863)**	**(124,588)**	**396,451**	**–**	(8,160)	(30,171)	38,331	
Accounts charged off	**(1,077)**	**(4,023)**	**(744,058)**	**(749,158)**	–	(33,296)	(437,221)	(470,517)
Provisions (reversals)	**(507,120)**	**63,507**	**15,946,431**	**15,502,818**	35,574	31,378	722,488	789,440
Effect of collections and other movements	**(303,220)**	**(452,020)**	**(910,676)**	**(1,665,916)**	(1,923,086)	(2,507,555)	2,002,237	(2,428,404)
Ending Balance	**₱973,304**	**₱909,122**	**₱29,617,455**	**₱31,499,881**	₱1,488,282	₱913,968	₱11,890,534	₱14,292,784

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

	Consolidated							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱521,841,837	₱16,083,886	₱10,711,692	₱548,637,415	₱463,867,001	₱5,792,259	₱6,755,750	₱476,415,010
Newly originated assets which remained in Stage 1 at yearend	224,883,356	–	–	224,883,356	303,638,405	–	–	303,638,405
Newly originated assets which moved to Stages 2 and 3 at yearend	–	11,908,018	7,094,061	19,002,079	–	10,959,867	3,700,995	14,660,862
Transfers to Stage 1	1,769,771	(1,711,336)	(58,435)	–	1,008,052	(1,012,278)	4,226	–
Transfers to Stage 2	(16,869,294)	16,926,407	(57,113)	–	(5,720,152)	5,781,921	(61,769)	–
Transfers to Stage 3	(32,541,294)	(974,321)	33,515,615	–	(1,701,453)	(356,342)	2,057,795	–
Accounts charged off	–	–	(3)	(3)	–	–	(97,157)	(97,157)
Effect of collections and other movements	(254,952,984)	(12,015,600)	(456,306)	(267,424,890)	(239,250,016)	(5,081,541)	(1,648,148)	(245,979,705)
Ending Balance	444,131,392	30,217,054	50,749,511	525,097,957	521,841,837	16,083,886	10,711,692	548,637,415
LGU								
Beginning Balance	6,703,842	65,674	26,986	6,796,502	6,877,331	17,968	24,916	6,920,215
Newly originated assets which remained in Stage 1 at yearend	759,563	–	–	759,563	1,223,390	–	–	1,223,390
Effect of collections and other movements	(1,073,383)	(58,224)	(2,070)	(1,133,677)	(1,396,879)	47,706	2,070	(1,347,103)
Ending Balance	6,390,022	7,450	24,916	6,422,388	6,703,842	65,674	26,986	6,796,502
Credit Cards								
Beginning Balance	13,641,354	420,109	1,808,483	15,869,946	11,802,517	393,493	1,216,053	13,412,063
Newly originated assets which remained in Stage 1 at yearend	749,939	–	–	749,939	1,550,335	–	–	1,550,335
Newly originated assets which moved to Stages 2 and 3 at yearend	–	21,356	40,779	62,135	–	54,662	44,797	99,459
Transfers to Stage 1	96,163	(87,508)	(8,655)	–	114,740	(104,028)	(10,712)	–
Transfers to Stage 2	(184,734)	184,821	(87)	–	(334,322)	334,463	(141)	–
Transfers to Stage 3	(1,464,762)	(291,121)	1,755,883	–	(831,146)	(234,001)	1,065,147	–
Accounts charged off	(209,128)	(38,141)	(778,559)	(1,025,828)			(328,919)	(328,919)
Effect of collections and other movements	(3,429,965)	(9,889)	314,231	(3,125,623)	1,339,230	(24,480)	(177,742)	1,137,008
Ending Balance	9,198,867	199,627	3,132,075	12,530,569	13,641,354	420,109	1,808,483	15,869,946
Retail SMEs								
Beginning Balance	18,808,671	207,750	2,063,029	21,079,450	10,270,353	200,847	1,472,412	11,943,612
Newly originated assets which remained in Stage 1 at yearend	5,714,334	–	–	5,714,334	14,272,023	–	–	14,272,023
Newly originated assets which moved to Stages 2 and 3 at yearend	–	15,702	2,311	18,013	–	315,726	113,566	429,292
Transfers to Stage 1	850,597	(69,149)	(781,448)	–	237,154	(181,422)	(55,732)	–
Transfers to Stage 2	(2,663,688)	2,964,354	(300,666)	–	(30,160)	35,566	(5,406)	–
Transfers to Stage 3	(201,733)	(13,065)	214,798	–	(417,838)	(46,032)	463,870	–
Accounts charged off	–	–	(2,477)	(2,477)	–	–	(12,750)	(12,750)
Effect of collections and other movements	(11,818,411)	(2,223,866)	(328,134)	(14,370,411)	(5,522,861)	(116,935)	87,069	(5,552,727)
Ending Balance	10,689,770	881,726	867,413	12,438,909	18,808,671	207,750	2,063,029	21,079,450
Housing Loans								
Beginning Balance	26,601,243	1,571,291	5,396,033	33,568,567	22,772,350	7,737,946	3,333,099	33,843,395
Newly originated assets which remained in Stage 1 as at yearend	1,729,048	–	–	1,729,048	11,545,147	–	–	11,545,147
Newly originated assets which moved to Stages 2 and 3 at yearend	–	77,373	177,191	254,564	-	188,203	264,961	453,164
Transfers to Stage 1	164,876	(95,262)	(69,614)	–	82,895	(2,382)	(80,513)	–
Transfers to Stage 2	(285,503)	401,919	(116,416)	–	(17,456)	17,456	-	–
Transfers to Stage 3	(819,124)	(143,488)	962,612	–	(4,068,415)	(513,704)	4,582,119	–
Accounts charged off	–	–	–	–	–	–	(51,500)	(51,500)
Effect of collections and other movements	(11,506,589)	(554,788)	1,621,502	(10,439,875)	(3,713,278)	(5,856,228)	(2,652,133)	(12,221,639)
Ending Balance	15,883,951	1,257,045	7,971,308	25,112,304	26,601,243	1,571,291	5,396,033	33,568,567
Auto Loans								
Beginning Balance	11,578,913	458,841	1,067,434	13,105,188	9,418,556	2,165,913	158,776	11,743,245
Newly originated assets which remained in Stage 1 at yearend	1,336,675	–	–	1,336,675	5,884,421	–	–	5,884,421
Newly originated assets which moved to Stages 2 and 3 at yearend	–	90,892	128,170	219,062	–	125,425	127,089	252,514
Transfers to Stage 1	40,194	(25,262)	(14,932)	–	582,409	(482,925)	(99,484)	–
Transfers to Stage 2	(269,948)	271,949	(2,001)	–	(349,085)	369,715	(20,630)	–
Transfers to Stage 3	(537,277)	(95,211)	632,488	–	(368,300)	(507,136)	875,436	–

(Forward)

	Consolidated							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Accounts charged off	₱–	₱–	(₱1,488)	(₱1,488)	₱–	₱–	(₱8,515)	(₱8,515)
Effect of collections and other movements	(4,354,547)	(100,568)	883,389	(3,571,726)	(3,589,088)	(1,212,151)	34,762	(4,766,477)
Ending Balance	7,794,010	600,641	2,693,060	11,087,711	11,578,913	458,841	1,067,434	13,105,188
Other Loans								
Beginning Balance	9,065,874	705,435	2,195,359	11,966,668	11,870,519	5,891,187	1,467,505	19,229,211
Newly originated assets which remained in Stage 1 at yearend	4,833,867	–	–	4,833,867	11,803,126	–	–	11,803,126
Newly originated assets which moved to Stages 2 and 3 at yearend	–	609,450	286,341	895,791	–	575,765	458,343	1,034,108
Transfers to Stage 1	54,147	(25,406)	(28,741)	–	65,648	(23,718)	(41,930)	–
Transfers to Stage 2	(109,736)	127,678	(17,942)	–	(26,435)	27,565	(1,130)	–
Transfers to Stage 3	(292,916)	(83,055)	375,971	–	(225,836)	(463,651)	689,487	–
Accounts charged off	–	–	(136,736)	(136,736)	–	(33,296)	(16,234)	(49,530)
Effect of collections and other movements	1,503,757	196,982	2,665,890	4,366,629	(14,421,148)	(5,268,417)	(360,682)	(20,050,247)
Ending Balance	15,054,993	1,531,084	5,340,142	21,926,219	9,065,874	705,435	2,195,359	11,966,668
Other Receivables								
Beginning Balance	16,365,625	5,351,013	3,596,611	25,313,249	22,949,168	4,644,141	833,992	28,427,301
Newly originated assets which remained in Stage 1 at yearend	644,270	–	–	644,270	6,522,346	–	–	6,522,346
Newly originated assets which moved to Stages 2 and 3 at yearend	–	41,154	31,577	72,731	–	449,753	818,513	1,268,266
Transfers to Stage 1	6,091	(5,383)	(708)	–	213,018	(105,355)	(107,663)	–
Transfers to Stage 2	(174,011)	174,390	(379)	–	(59,769)	84,113	(24,344)	–
Transfers to Stage 3	(197,680)	(6,228)	203,908	–	(867,921)	(2,495,196)	3,363,117	–
Accounts charged off	–	–	336	336	–	–	(49,396)	(49,396)
Effect of collections and other movements	(1,797,543)	(6,972,226)	532,525	(8,237,244)	(12,391,217)	2,773,557	(1,237,608)	(10,855,268)
Ending Balance	14,846,752	(1,417,280)	4,363,870	17,793,342	16,365,625	5,351,013	3,596,611	25,313,249
Total Loans and Receivables								
Beginning Balance	624,607,359	24,863,999	26,865,627	676,336,985	559,827,795	26,843,754	15,262,503	601,934,052
Newly originated assets which remained in Stage 1 at yearend	240,651,052	–	–	240,651,052	356,439,193	–	–	356,439,193
Newly originated assets which moved to Stages 2 and 3 at yearend	–	12,763,945	7,760,430	20,524,375	–	12,669,401	5,528,264	18,197,665
Transfers to Stage 1	2,981,839	(2,019,306)	(962,533)	–	2,303,916	(1,912,108)	(391,808)	–
Transfers to Stage 2	(20,556,914)	21,051,518	(494,604)	–	(6,537,379)	6,650,799	(113,420)	–
Transfers to Stage 3	(36,054,786)	(1,606,489)	37,661,275	–	(8,480,909)	(4,616,062)	13,096,971	–
Accounts charged off	(209,128)	(38,141)	(918,927)	(1,166,196)	–	(33,296)	(564,471)	(597,767)
Effect of collections and other movements	(287,429,665)	(21,738,179)	5,231,027	(303,936,817)	(278,945,257)	(14,738,489)	(5,952,412)	(299,636,158)
Ending Balance	₱523,989,757	₱33,277,347	₱75,142,295	₱632,409,399	₱624,607,359	₱24,863,999	₱26,865,627	₱676,336,985

	Parent Company							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱512,864,358	₱16,005,670	₱7,801,279	₱536,671,307	₱446,682,503	₱5,137,582	₱6,218,960	₱458,039,045
Transferred loans	745,960	269,729	220,192	1,235,881	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	219,584,230	–	–	219,584,230	296,460,743	–	–	296,460,743
Newly originated assets which moved to Stages 2 and 3 at yearend	–	11,908,018	7,093,943	19,001,961	–	10,920,510	3,499,281	14,419,791
Transfers to Stage 1	1,743,067	(1,699,147)	(43,920)	–	1,014,922	(1,014,922)	–	–
Transfers to Stage 2	(16,856,122)	16,913,235	(57,113)	–	(5,479,370)	5,541,139	(61,769)	–
Transfers to Stage 3	(32,384,828)	(974,321)	33,359,149	–	(1,316,130)	(356,342)	1,672,472	–
Accounts charged off	–	–	–	–	–	–	(29,922)	(29,922)
Effect of collections and other movements	(249,761,771)	(12,208,745)	2,137,725	(259,832,791)	(224,498,310)	(4,222,297)	(3,497,743)	(232,218,350)
Ending Balance	435,934,894	30,214,439	50,511,255	516,660,588	512,864,358	16,005,670	7,801,279	536,671,307
LGU								
Beginning Balance	6,703,842	65,674	26,986	6,796,502	6,877,331	17,968	24,916	6,920,215
Newly originated assets which remained in Stage 1 at yearend	759,563	–	–	759,563	1,223,390	–	–	1,223,390
Effect of collections and other movements	(1,073,383)	(58,224)	(2,070)	(1,133,677)	(1,396,879)	47,706	2,070	(1,347,103)
Ending Balance	6,390,022	7,450	24,916	6,422,388	6,703,842	65,674	26,986	6,796,502

(Forward)

	Parent Company							
	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit Cards								
Beginning Balance	₱13,582,771	₱420,109	₱1,867,066	₱15,869,946	₱11,743,934	₱393,493	₱1,274,636	₱13,412,063
Newly originated assets which remained in Stage 1 at yearend	749,939	–	–	749,939	1,550,335	–	–	1,550,335
Newly originated assets which moved to Stages 2 and 3 at yearend	–	21,356	40,779	62,135	–	54,662	44,797	99,459
Transfers to Stage 1	96,163	(87,508)	(8,655)	–	114,740	(104,028)	(10,712)	–
Transfers to Stage 2	(184,734)	184,821	(87)	–	(334,322)	334,463	(141)	–
Transfers to Stage 3	(1,464,762)	(291,121)	1,755,883	–	(831,146)	(234,001)	1,065,147	–
Accounts charged off	(209,128)	(38,141)	(778,559)	(1,025,828)	–	–	(328,919)	(328,919)
Effect of collections and other movements	(3,371,382)	(9,889)	255,648	(3,125,623)	1,339,230	(24,480)	(177,742)	1,137,008
Ending Balance	9,198,867	199,627	3,132,075	12,530,569	13,582,771	420,109	1,867,066	15,869,946
Retail SMEs								
Beginning Balance	11,681,560	101,084	668,104	12,450,748	6,483,477	125,965	1,209,176	7,818,618
Newly originated assets which remained in Stage 1 at yearend	3,834,534	3,063	366,384	4,203,981	10,985,586	–	–	10,985,586
Newly originated assets which moved to Stages 2 and 3 at yearend	5,407,150	–	–	5,407,150	–	68,845	34,775	103,620
Transfers to Stage 1	5,046	–	(5,046)	–	18,549	(9,693)	(8,856)	–
Transfers to Stage 2	(2,623,980)	2,629,989	(6,009)	–	(21,726)	22,576	(850)	–
Transfers to Stage 3	(195,976)	(13,065)	209,041	–	(133,014)	(31,245)	164,259	–
Accounts charged off		–	(2,477)	(2,477)	–	–	(12,750)	(12,750)
Effect of collections and other movements	(10,774,138)	(2,407,241)	(54,356)	(13,235,735)	(5,651,312)	(75,364)	(717,650)	(6,444,326)
Ending Balance	7,334,196	313,830	1,175,641	8,823,667	11,681,560	101,084	668,104	12,450,748
Housing Loans								
Beginning Balance	3,698,821	37,277	111,670	3,847,768	1,397,681	15,850	213,791	1,627,322
Transferred loans	17,204,340	1,118,420	4,063,136	22,385,896	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	1,574,071	–	–	1,574,071	2,516,320	–	–	2,516,320
Newly originated assets which moved to Stages 2 and 3 at yearend	–	77,373	177,191	254,564	–	19,951	1,396	21,347
Transfers to Stage 1	149,616	(80,001)	(69,615)	–	82,895	(2,382)	(80,513)	–
Transfers to Stage 2	(285,503)	294,225	(8,722)	–	(17,456)	17,456	–	–
Transfers to Stage 3	(811,796)	(143,488)	955,284	–	(14,487)	(4,198)	18,685	–
Effect of collections and other movements	(6,156,968)	(262,148)	2,844,007	(3,575,109)	(266,132)	(9,400)	(41,689)	(317,221)
Ending Balance	15,372,581	1,041,658	8,072,951	24,487,190	3,698,821	37,277	111,670	3,847,768
Auto Loans								
Beginning Balance	2,687,127	41,958	43,247	2,772,332	417	–	39,608	40,025
Transferred loans	8,254,512	393,457	943,922	9,591,891	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	1,336,675	–	–	1,336,675	2,550,623	–	–	2,550,623
Newly originated assets which moved to Stages 2 and 3 at yearend	–	90,892	128,170	219,062	–	41,958	12,215	54,173
Transfers to Stage 1	40,195	(25,262)	(14,933)	–				–
Transfers to Stage 2	(269,948)	271,949	(2,001)	–				–
Transfers to Stage 3	(537,277)	(95,211)	632,488	–				–
Accounts charged off	–	–	(1,488)	(1,488)	–	–	(8,515)	(8,515)
Effect of collections and other movements	(3,717,274)	(77,142)	963,655	(2,830,761)	136,087	–	(61)	136,026
Ending Balance	7,794,010	600,641	2,693,060	11,087,711	2,687,127	41,958	43,247	2,772,332
Other Loans								
Beginning Balance	3,447,590	420,820	1,443,059	5,311,469	7,434,165	5,735,761	1,348,266	14,518,192
Transferred loans	10,223,071	397,388	1,869,871	12,490,330	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	4,833,867	–	–	4,833,867	2,990,921	–	–	2,990,921
Newly originated assets which moved to Stages 2 and 3 at yearend	–	609,450	286,341	895,791	–	352,576	18,049	370,625
Transfers to Stage 1	54,147	(25,406)	(28,741)	–	5,892	(2,937)	(2,955)	–
Transfers to Stage 2	(109,736)	127,678	(17,942)	–	(2,161)	2,161	–	–
Transfers to Stage 3	(292,916)	(83,055)	375,971	–	(241)	(436,558)	436,799	–
Accounts charged off	–	–	(136,736)	(136,736)	–	(33,296)	(16,234)	(49,530)
Effect of collections and other movements	(4,770,701)	84,209	1,534,875	(3,151,617)	(6,980,986)	(5,196,887)	(340,866)	(12,518,739)
Ending Balance	13,385,322	1,531,084	5,326,698	20,243,104	3,447,590	420,820	1,443,059	5,311,469

(Forward)

	Parent Company							
	2020				2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Other Receivables								
Beginning Balance	**₱14,046,122**	**₱1,210,740**	**₱2,561,746**	**₱17,818,608**	₱15,771,243	₱4,644,141	₱833,992	₱21,249,376
Transferred receivables	**882,153**	**64,670**	**985,295**	**1,932,118**	–	–	–	–
Newly originated assets which remained in Stage 1 at yearend	**576,857**	**–**	**–**	**576,857**	1,406,430	–	–	1,406,430
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**41,154**	**31,577**	**72,731**	–	28,572	25,570	54,142
Transfers to Stage 1	**6,092**	**(5,383)**	**(709)**	**–**	90,494	(21,345)	(69,149)	–
Transfers to Stage 2	**(174,011)**	**174,390**	**(379)**	**–**	(42,700)	57,821	(15,121)	–
Transfers to Stage 3	**(197,680)**	**(6,228)**	**203,908**	**–**	(32,081)	(2,287,963)	2,320,044	–
Accounts charged off	**–**	**–**	**336**	**336**	–	–	(49,396)	(49,396)
Effect of collections and other movements	**(1,528,799)**	**(1,174,710)**	**449,384**	**(2,254,125)**	(3,147,264)	(1,210,486)	(484,194)	(4,841,944)
Ending Balance	**13,610,734**	**304,633**	**4,231,158**	**18,146,525**	14,046,122	1,210,740	2,561,746	17,818,608
Total Loans and Receivables								
Beginning Balance	**568,712,191**	**18,303,332**	**14,523,157**	**601,538,680**	496,390,751	16,070,760	11,163,345	523,624,856
Transferred Loans	**37,310,036**	**2,243,664**	**8,082,416**	**47,636,116**				
Newly originated assets which remained in Stage 1 at yearend	**233,249,736**	**3,063**	**366,384**	**233,619,183**	319,684,348	–	–	319,684,348
Newly originated assets which moved to Stages 2 and 3 as at year-end	**5,407,150**	**12,748,243**	**7,758,001**	**25,913,394**	–	11,487,074	3,636,083	15,123,157
Transfers to Stage 1	**2,094,326**	**(1,922,707)**	**(171,619)**	**–**	1,327,492	(1,155,307)	(172,185)	–
Transfers to Stage 2	**(20,504,034)**	**20,596,287**	**(92,253)**	**–**	(5,897,735)	5,975,616	(77,881)	–
Transfers to Stage 3	**(35,885,235)**	**(1,606,489)**	**37,491,724**	**–**	(2,327,099)	(3,350,307)	5,677,406	–
Accounts charged off	**(209,128)**	**(38,141)**	**(918,924)**	**(1,166,193)**	–	(33,296)	(445,736)	(479,032)
Effect of collections and other movements	**(281,154,416)**	**(16,113,890)**	**8,128,868**	**(289,139,438)**	(240,465,566)	(10,691,208)	(5,257,875)	(256,414,649)
Ending Balance	**₱509,020,626**	**₱34,213,362**	**₱75,167,754**	**₱618,401,742**	₱568,712,191	₱18,303,332	₱14,523,157	₱601,538,680

17. Deposit Liabilities

As of December 31, 2020 and 2019, noninterest-bearing deposit liabilities amounted to ₱30.0 billion and ₱37.5 billion, respectively, for the Group, and ₱29.3 billion and ₱25.5 billion, respectively, for the Parent Company.

The remaining deposit liabilities of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Peso-denominated	**0.10% - 10.00%**	0.10% - 10.00%	0.01% - 10.00%	**0.10% - 10.00%**	0.10% - 10.00%	0.01% - 10.00%
Foreign currency-denominated	**0.01% - 4.75%**	0.01% - 8.00%	0.01% - 8.00%	**0.01% - 4.75%**	0.01% - 8.00%	0.01% - 8.00%

As of December 31, 2020, non-FCDU deposit liabilities of the Parent Company is subject to reserves equivalent to 12.00% reduced from 14.00% as of December 31, 2019.

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

	2020	2019
Parent Company	**₱80,029,356**	₱90,394,597
PNBSB	**–**	1,787,204
	₱80,029,356	₱92,181,801

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2020	Carrying Value 2019
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,573,124**	₱4,563,212
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	**8,176,616**	8,155,043
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	**6,332,653**	6,323,898
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	**3,756,911**	3,751,954
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	**5,372,730**	5,362,599
December 12, 2014	June 12, 2020	7,000,000	4.13%	Quarterly	–	6,995,398
		₱35,315,000			**₱28,212,034**	₱35,152,104

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Time	**₱2,852,325**	₱5,870,981	₱3,338,531	**₱2,852,325**	₱4,127,553	₱2,079,674
Savings	**2,930,115**	6,706,938	3,240,636	**2,778,153**	6,639,928	3,236,424
LTNCDs	**1,429,301**	1,386,082	1,170,378	**1,429,301**	1,386,082	1,170,378
Demand	**167,277**	60,898	121,628	**167,277**	48,213	104,812
	₱7,379,018	₱14,024,899	₱7,871,173	**₱7,227,056**	₱12,201,776	₱6,591,288

In 2020, 2019 and 2018, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱59.9 million, ₱40.5 million and ₱39.3 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱103.0 million and ₱162.9 million as of December 31, 2020 and 2019, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2020 and 2019, this account consists of derivative liabilities amounting to ₱701.2 million and ₱245.6 million, respectively, for the Group, and ₱700.8 million and ₱232.0 million, respectively, for the Parent Company (Notes 23 and 35).

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Bills payable to:				
Foreign banks	**₱50,482,387**	₱606,585	**₱49,874,309**	₱2,073
BSP and local banks (Note 33)	**33,116,145**	52,664,371	**31,382,133**	45,729,610
	83,598,532	53,270,956	**81,256,442**	45,731,683
Acceptances outstanding (Note 10)	**3,560,918**	2,692,334	**3,560,918**	2,692,334
	₱87,159,450	₱55,963,290	**₱84,817,360**	₱48,424,017

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

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Peso-denominated	**4.0% - 6.5%**	4.0% - 5.4%	0.6% - 5.4%	**4.0% - 6.5%**	4.0% - 5.4%	0.6% - 5.4%
Foreign currency-denominated	**0.1% - 4.4%**	0.2% - 4.4%	0.0% - 4.4%	**0.1% - 4.4%**	0.2% - 4.4%	0.0% - 4.4%

As of December 31, 2020 and 2019, bills payable with a carrying amount of ₱69.9 billion and ₱29.4 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱44.6 billion and ₱8.2 billion, respectively, and investment securities at amortized cost with carrying values of ₱26.1 billion and ₱21.0 billion, respectively, and fair values of ₱27.6 billion and ₱21.6 billion, respectively (Note 9).

Interest expense on bills payable and other borrowings consists of:

	Consolidated			**Parent Company**		
	2020	2019 (As restated – Note 36)	2018	**2020**	2019	2018
Continuing operations:						
Bills payable	**₱663,769**	₱2,034,690	₱600,354	**₱482,810**	₱1,578,614	₱434,650
Lease liabilities (Note 29)	**120,675**	131,661	–	**120,181**	118,365	–
Others	**62,198**	18,567	61,986	**34,487**	43,643	37,461
	846,642	2,184,918	662,340	**637,478**	1,740,622	472,111
Discontinued operations (Note 36):						
Lease liabilities	**2,698**	128	–	**–**	–	–
	₱849,340	₱2,185,046	₱662,340	**₱637,478**	₱1,740,622	₱472,111

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Accrued taxes and other expenses	**₱5,540,591**	₱4,995,519	**₱5,191,696**	₱4,219,587
Accrued interest	**908,435**	1,944,207	**883,320**	1,838,507
	₱6,449,026	₱6,939,726	**₱6,075,016**	₱6,058,094

Accrued taxes and other expenses consist of:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Financial liabilities:				
Promotional expenses	**₱905,470**	₱673,648	**₱905,470**	₱657,373
Information technology-related expenses	**331,627**	182,057	**331,627**	180,952
Rent and utilities payable	**267,559**	127,165	**264,193**	119,128
Management, directors and other professional fees	**88,652**	36,021	**61,831**	11,242
Repairs and maintenance	**81,090**	64,806	**80,415**	62,446
	1,674,398	1,083,697	**1,643,536**	1,031,141
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	**1,859,275**	1,436,248	**1,829,251**	1,376,105
PDIC insurance premiums	**832,069**	843,677	**816,591**	776,578
Other taxes and licenses	**662,446**	894,001	**544,533**	544,137
Employee benefits	**155,450**	139,850	**128,113**	128,218
Other expenses	**356,953**	598,046	**229,672**	363,408
	3,866,193	3,911,822	**3,548,160**	3,188,446
	₱5,540,591	₱4,995,519	**₱5,191,696**	₱4,219,587

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

21. Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2020	Carrying Value 2019
Fixed rate medium term senior notes						
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	**₱35,851,428**	₱37,718,077
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	**14,352,368**	15,108,746
		USD1,050,000			**50,203,796**	52,826,823
Fixed rate bonds						
May 8, 2019	May 8, 2021	₱13,870,000	6.30%	Quarterly	**13,852,539**	13,788,255
					₱64,056,335	₱66,615,078

The fixed rate medium term senior notes are drawdowns from the Parent Company's Medium Term Note Programme (the MTN Programme), which was established on April 13, 2018 with an initial nominal size of US$1.0 billion. On June 14, 2019, the Parent Company increased the size of its MTN Programme to US$2.0 billion. Both issued fixed rate medium term senior notes are listed in the Singapore Exchange Securities Trading Limited.

The fixed rate bonds represent the Parent Company's maiden issuance of Philippine peso-denominated bonds in Philippine Dealing & Exchange Corp.

As of December 31, 2020 and 2019, the unamortized transaction costs of bonds payable amounted to ₱252.2 million and ₱421.7 million, respectively. In 2020 and 2019, amortization of transaction costs amounting to ₱169.5 million and ₱98.5 million, were charged to 'Interest expense on bonds payable' in the statements of income.

22. Other Liabilities

This account consists of:

	Consolidated 2020	Consolidated 2019	Parent Company 2020	Parent Company 2019
Financial				
Accounts payable	**₱5,789,144**	₱9,526,347	**₱5,472,811**	₱8,125,229
Bills purchased - contra (Note 10)	**1,548,226**	1,348,148	**1,548,226**	1,348,148
Manager's checks and demand drafts outstanding	**1,302,745**	1,393,535	**1,302,745**	1,332,285
Dormant credits	**1,258,502**	1,100,311	**1,230,991**	972,082
Deposits on lease contracts	**878,193**	833,853	**104,363**	103,127
Due to other banks (Note 33)	**537,116**	538,612	**69,484**	99,776
Accounts payable - electronic money	**448,794**	454,833	**448,794**	454,833
Margin deposits and cash letters of credit	**329,432**	224,873	**267,564**	208,027
Payment order payable	**263,959**	333,909	**263,959**	329,699
Transmission liability	**24,468**	19,225	**–**	–
Deposit for keys on safety deposit boxes	**16,861**	16,473	**16,861**	16,445
Insurance contract liabilities	**–**	5,745,820	**–**	–
Commission payable	**–**	75,467	**–**	–
	12,397,440	21,611,406	**10,725,798**	12,989,651

(Forward)

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Nonfinancial				
Retirement benefit liability (Note 28)	**₱1,213,888**	₱804,733	**₱1,205,212**	₱803,653
Due to Treasurer of the Philippines	**675,835**	681,835	**675,835**	681,343
Deferred revenue - Bancassurance (Note 12)	**646,874**	720,074	**646,874**	720,074
Deferred revenue - Credit card-related	**489,711**	468,238	**489,711**	468,238
Withholding tax payable	**265,884**	385,294	**262,793**	350,389
Provisions (Note 34)	**979,067**	969,106	**979,067**	969,106
Deferred tax liabilities (Note 30)	**161,152**	165,851	**–**	–
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	**37,627**	35,939	**37,359**	35,129
Reserve for unearned premiums	**–**	1,470,274	**–**	–
Miscellaneous	**1,006,350**	1,810,703	**524,245**	841,352
	5,476,388	7,512,047	**4,821,096**	4,869,284
	₱17,873,828	₱29,123,453	**₱15,546,894**	₱17,858,935

'Deferred revenue - Bancassurance' pertains to the allocated portion of the consideration received for the disposal of APLII related to the EDR (Note 12). In 2020 and 2019, amortization of other deferred revenue amounting to ₱73.2 million were recognized under 'Service fees and commission income' (Note 26).

'Deferred revenue - Credit card-related' includes portion of fee allocated to the loyalty points, deferred by the Group and recognized as revenue when the points are redeemed or have expired.

'Miscellaneous' include interoffice floats, remittance-related payables, overages, advance rentals and sundry credits.

23. Derivative Financial Instruments

The tables below show the fair values of the derivative financial instruments entered into by the Group and the Parent Company, recorded as 'Financial assets at FVTPL' (Note 9) or 'Financial liabilities at FVTPL' (Note 18), together with the notional amounts.

The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2020 and 2019 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	2020			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
USD	**₱3,819**	**₱556,154**	**48.02**	**3,088,554**
AUD	**2,373**	–	**0.76**	**68,028**
EUR	**11**	**30**	**1.22**	**8,216**
GBP	–	**186**	**1.35**	**800**
HKD	**163**	–	**0.13**	**1,584,875**
PHP	**123**	–	**1.00**	**2,401,273**
SELL:				
USD	**212,405**	**120**	**48.02**	**877,320**
AUD	**–**	**200**	**0.76**	**400**
CAD	**91**	**84**	**0.78**	**9,461**
EUR	**–**	**3,823**	**1.22**	**16,700**
GBP	**1,163**	–	**1.35**	**2,500**

(Forward)

	Consolidated			
	2020			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
HKD	₱19	₱51	0.13	726,829
JPY	12	665	0.01	1,170,000
NZD	63	–	0.71	350
PHP	3	23	1.00	7,023
SGD	–	440	0.75	708
Interest rate swaps	150,408	139,463		
	₱370,653	₱701,239		

	Consolidated			
	2019			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱23,951	₱179,106	50.64	1,042,766
CNY	39	–	0.14	2,000
EUR	39	2,114	1.11	11,173
GBP	278	–	1.31	1,700
JPY	2	–	0.01	666
SGD	3	–	0.74	23,394
SELL:				
USD	280,652	8,432	50.64	1,677,221
AUD	–	27	0.70	100
CAD	–	809	0.77	1,500
EUR	4,613	51	1.11	28,691
GBP	176	211	1.31	5,150
HKD	–	7,010	0.13	399,627
JPY	2,869	66	0.01	1,152,909
PHP	–	106	1.00	30,000
Interest rate swaps	60,418	47,687		
	₱373,040	₱245,619		

	Parent Company			
	2020			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱1,272	₱556,153	48.02	1,433,304
EUR	–	30	1.22	254
GBP	–	186	1.35	800
PHP	123	–	1.00	2,401,273
Currency forwards and spots:				
SELL:				
USD	212,405	37	48.02	860,806
AUD	–	200	0.76	400
CAD	91	–	0.78	1,500
EUR	–	3,823	1.22	16,700
GBP	1,163	–	1.35	2,500
HKD	19	–	0.13	6,500
JPY	12	665	0.01	1,170,000
NZD	63	–	0.71	350
PHP	3	23	1.00	7,023
SGD	–	440	0.75	708
Interest rate swaps	150,407	139,245		
	₱365,558	₱700,802		

	Parent Company			
	2019			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱23,934	₱179,105	50.64	1,018,425
CNY	39	–	0.14	2,000
EUR	27	2,114	1.11	10,850
GBP	278	–	1.31	1,700

(Forward)

	Parent Company			
	2019			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
SELL:				
USD	₱280,652	₱1,619	50.64	1,283,875
AUD	–	27	0.70	100
CAD	–	809	0.77	1,500
EUR	4,613	36	1.11	27,500
GBP	176	211	1.31	5,150
HKD	–	278	0.13	8,000
JPY	2,869	–	0.01	1,150,000
PHP	–	106	1.00	30,000
Interest rate swaps	60,418	47,687		
	₱373,006	₱231,992		

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

The rollforward analysis of net derivative assets in 2020 and 2019 follows:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Balance at the beginning of the year:				
Derivative assets	**₱373,040**	₱574,629	**₱373,006**	₱572,864
Derivative liabilities	**245,619**	470,649	**231,992**	468,279
	127,421	103,980	**141,014**	104,585
Changes in fair value				
Currency forwards and spots*	**(459,964)**	(663,118)	**(477,566)**	(663,118)
Interest rate swaps and warrants**	**(2,532)**	(3,733)	**(2,532)**	(3,733)
	(462,496)	(666,851)	**(480,098)**	(666,851)
Net availments (settlements)	**4,489**	690,292	**3,840**	703,280
Balance at end of year:				
Derivative assets	**370,653**	373,040	**365,558**	373,006
Derivative liabilities	**701,239**	245,619	**700,802**	231,992
	(₱330,586)	₱127,421	**(₱335,244)**	₱141,014

* *Presented as part of 'Foreign exchange gains - net'*
** *Recorded under 'Trading and investment securities gains - net' (Note 9)*

24. **Maturity Analysis of Assets and Liabilities**

The following tables show an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2020			2019		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱25,135,724**	**₱–**	**₱25,135,724**	₱30,500,927	₱–	₱30,500,927
Due from BSP	**202,129,356**	**–**	**202,129,356**	105,981,801	–	105,981,801
Due from other banks	**19,743,198**	**–**	**19,743,198**	17,761,502	–	17,761,502
Interbank loans receivable (Note 8)	**39,703,864**	**–**	**39,703,864**	23,344,062	1,494,473	24,838,535
Securities held under agreements to resell (Note 8)	**15,819,273**	**–**	**15,819,273**	2,519,676	–	2,519,676
Financial assets at FVTPL (Note 9)	**23,825,708**	**–**	**23,825,708**	13,468,985	–	13,468,985
Financial assets at FVOCI (Note 9)	**57,356,398**	**76,358,954**	**133,715,352**	16,448,728	106,692,112	123,140,840
Investment securities at amortized cost (Note 9)	**39,947,435**	**59,270,956**	**99,218,391**	28,981,027	75,268,926	104,249,953
Loans and receivables (Note 10)	**222,441,041**	**410,735,105**	**633,176,146**	263,166,643	412,967,255	676,133,898
Other assets (Note 15)	**85,689**	**14,220**	**99,909**	420,846	54,930	475,776
	646,187,686	**546,379,235**	**1,192,566,921**	502,594,197	596,477,696	1,099,071,893

(Forward)

	Consolidated					
	2020			2019		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Nonfinancial Assets						
Property and equipment (Note 11)	**₱–**	**₱32,251,646**	**₱32,251,646**	₱–	₱31,660,286	₱31,660,286
Investment in an associate (Note 12)	**–**	**2,310,410**	**2,310,410**	–	2,605,473	2,605,473
Investment properties (Note 13)	**–**	**19,195,106**	**19,195,106**	–	19,226,364	19,226,364
Deferred tax assets (Note 30)	**–**	**9,036,908**	**9,036,908**	–	2,580,809	2,580,809
Goodwill (Note 14)	**–**	**13,375,407**	**13,375,407**	–	13,375,407	13,375,407
Intangible assets (Note 14)	**–**	**6,424,135**	**6,424,135**	–	6,208,501	6,208,501
Residual value of leased assets (Note 10)	**374,959**	**323,020**	**697,979**	304,898	349,380	654,278
Other assets (Note 15)	**5,408,127**	**1,870,770**	**7,278,897**	5,821,416	2,846,454	8,667,870
	5,783,086	**84,787,402**	**90,570,488**	6,126,314	78,852,674	84,978,988
Assets of a disposal group classified as held for sale (Note 36)	**7,945,945**	**–**	**7,945,945**	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			**41,202,984**			26,538,007
Unearned and other deferred income (Note 10)			**1,464,726**			451,191
Accumulated depreciation and amortization (Notes 11, 13 and 14)			**17,281,845**			14,771,072
			₱1,231,133,799			₱1,142,290,611
Financial Liabilities						
Deposit liabilities (Note 17)	**₱831,907,680**	**₱58,380,209**	**₱890,287,889**	₱779,949,597	₱46,095,883	₱826,045,480
Financial liabilities at FVTPL (Note 18)	**561,995**	**139,244**	**701,239**	210,265	35,354	245,619
Bills and acceptances payable (Note 19)	**84,924,978**	**2,234,472**	**87,159,450**	51,821,601	4,141,689	55,963,290
Accrued interest payable (Note 20)	**778,428**	**130,007**	**908,435**	1,803,453	140,754	1,944,207
Accrued other expenses payable (Note 20)	**1,030,988**	**643,410**	**1,674,398**	1,035,769	134,098	1,169,867
Bonds payable (Note 31)	**13,852,538**	**50,203,797**	**64,056,335**	–	66,615,078	66,615,078
Other liabilities (Note 22)	**10,519,523**	**1,877,917**	**12,397,440**	19,940,541	1,608,024	21,548,565
	943,576,130	**113,609,056**	**1,057,185,186**	854,761,226	118,770,880	973,532,106
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**552,617**	**813,399**	**1,366,016**	559,960	1,246,449	1,806,409
Accrued taxes and other expenses (Note 20)	**593,042**	**3,273,151**	**3,866,193**	596,279	3,229,373	3,825,652
Income tax payable	**903,044**	–	**903,044**	576,156	–	576,156
Other liabilities (Note 22)	**1,827,690**	**3,648,698**	**5,476,388**	5,201,424	2,373,464	7,574,888
	3,876,393	**7,735,248**	**11,611,641**	6,933,819	6,849,286	13,783,105
Liabilities of a disposal group classified as held for sale (Note 36)	**6,353,964**	**–**	**6,353,964**	–	–	–
	₱953,806,487	**₱121,344,304**	**₱1,075,150,791**	₱861,695,045	₱125,620,166	₱987,315,211

	Parent Company					
	2020			2019		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱25,038,434**	**₱–**	**₱25,038,434**	₱29,642,159	₱–	₱29,642,159
Due from BSP	**202,129,356**	**–**	**202,129,356**	101,801,597	–	101,801,597
Due from other banks	**12,141,599**	**–**	**12,141,599**	10,838,465	–	10,838,465
Interbank loans receivable (Note 8)	**37,861,553**	**–**	**37,861,553**	22,309,839	1,494,473	23,804,312
Securities held under agreements to resell (Note 8)	**15,819,273**	**–**	**15,819,273**	1,149,984	–	1,149,984
Financial assets at FVTPL (Note 9)	**21,947,640**	**–**	**21,947,640**	11,169,656	–	11,169,656
Financial assets at FVOCI (Note 9)	**58,640,049**	**74,623,709**	**133,263,758**	16,018,940	102,877,624	118,896,564
Investment securities at amortized cost (Note 9)	**40,524,889**	**58,573,151**	**99,098,040**	24,830,301	78,101,851	102,932,152
Loans and receivables (Note 10)	**217,224,095**	**402,310,575**	**619,534,670**	257,541,945	344,363,206	601,905,151
Other assets (Note 15)	**85,746**	**527**	**86,273**	72,808	500	73,308
	631,412,634	**535,507,962**	**1,166,920,596**	475,375,694	526,837,654	1,002,213,348
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**29,652,288**	**29,652,288**	–	28,230,217	28,230,217
Investment in subsidiaries and an associate (Note 12)	**–**	**27,105,550**	**27,105,550**	–	28,430,358	28,430,358
Investment properties (Note 13)	**–**	**18,538,021**	**18,538,021**	–	18,822,796	18,822,796
Deferred tax assets (Note 30)	**–**	**8,522,411**	**8,522,411**	–	1,985,597	1,985,597

(Forward)

	Parent Company					
	2020			2019		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Goodwill (Note 14)	**₱–**	**₱13,515,765**	**₱13,515,765**	₱–	₱13,515,765	₱13,515,765
Intangible assets (Note 14)	**–**	**7,457,263**	**7,457,263**	–	7,175,852	7,175,852
Other assets (Note 15)	**4,199,440**	**1,702,234**	**5,901,674**	4,071,106	2,236,701	6,307,807
	4,199,440	**106,493,532**	**110,692,972**	4,071,106	100,397,286	104,468,392
Assets of a disposal group classified as held for sale (Note 36)	**1,136,418**	**–**	**1,136,418**	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			**40,277,667**			22,323,501
Unearned and other deferred income (Note 10)			**1,132,928**			366,471
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**17,137,714**			14,786,546
			₱1,220,201,677			₱1,069,205,222
Financial Liabilities						
Deposit liabilities (Note 17)	**₱835,750,531**	**₱57,797,513**	**₱893,548,044**	₱736,882,795	₱ 38,959,204	₱775,841,999
Financial liabilities at FVTPL (Note 18)	**561,558**	**139,244**	**700,802**	196,638	35,354	231,992
Bills and acceptances payable (Note 19)	**83,135,081**	**1,682,279**	**84,817,360**	44,886,841	3,537,176	48,424,017
Accrued interest payable (Note 20)	**754,310**	**129,010**	**883,320**	1,699,457	139,050	1,838,507
Accrued other expenses payable (Note 20)	**1,000,126**	**643,410**	**1,643,536**	897,043	134,098	1,031,141
Bonds payable (Note 31)	**13,852,538**	**50,203,797**	**64,056,335**	–	66,615,078	66,615,078
Other liabilities (Note 22)	**9,240,263**	**1,485,536**	**10,725,799**	11,914,442	1,075,209	12,989,651
	944,294,407	**112,080,789**	**1,056,375,196**	796,477,216	110,495,169	906,972,385
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**478,204**	**892,002**	**1,370,206**	492,749	1,140,334	1,633,083
Accrued taxes and other expenses (Note 20)	**286,989**	**3,261,171**	**3,548,160**	380,712	2,807,734	3,188,446
Income tax payable	**842,038**	**–**	**842,038**	472,378	–	472,378
Other liabilities (Note 22)	**1,314,107**	**3,506,989**	**4,821,096**	2,663,244	2,206,040	4,869,284
	2,921,338	**7,660,162**	**10,581,500**	4,009,083	6,154,108	10,163,191
	₱947,215,745	**₱119,740,951**	**₱1,066,956,696**	₱800,486,299	₱116,649,277	₱917,135,576

25. Equity

Capital Stock

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

	2020		2019	
	Shares	**Amount**	Shares	Amount
Common - ₱40 par value				
Authorized	**1,750,000,001**	**₱70,000,000**	1,750,000,001	₱70,000,000
Issued and outstanding				
Balance at beginning of the year	**1,525,764,850**	**₱61,030,594**	1,249,139,678	₱49,965,587
Issuance of stock	**–**	**–**	276,625,172	11,065,007
Balance at end of the year	**1,525,764,850**	**₱61,030,594**	1,525,764,850	₱61,030,594

The history of share issuances of the Parent Company since its initial public offering follows:

Date	Type of issuance	Number of common shares	Par value	Offer price
July 2019	Stock rights	276,625,172	₱40.00	₱43.38
February 2014	Stock rights	162,931,262	40.00	71.00
February 2013	Share-for-share swap with ABC common and preferred shares *	423,962,500	40.00	97.90
September 2000	Pre-emptive stock rights	71,850,215	100.00	60.00
September 1999	Stock rights	68,740,086	100.00	137.80
December 1995	Third public offering	7,200,000	100.00	260.00
April 1992	Second public offering	8,033,140	100.00	265.00
June 1989	Initial public offering	10,800,000	100.00	100.00

In January 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001

The Parent Company's shares are listed in the PSE. As of December 31, 2020 and 2019, the Parent Company had 36,394 and 36,471 stockholders, respectively.

On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (the Offer) of 276,625,172 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. The Rights Shares were offered to all eligible shareholders of the Parent Company from July 3 to 12, 2019 at the proportion of one Rights Share for every 4.516 existing common shares as of the record date of June 21, 2019. The Parent Company incurred transaction costs of ₱312.5 million, of which ₱159.7 million was deducted against 'Capital paid in excess of par value'. Out of the ₱159.7 million transaction costs, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers of the Offer, was eliminated in the consolidated financial statements.

Surplus
The computation of surplus available for dividend declaration in accordance with the Philippine Securities and Exchange Commission (SEC) Memorandum Circular No. 11-2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2020 and 2019, surplus amounting to ₱9.6 billion, representing the balances of the following equity items that have been applied to eliminate the Parent Company's deficit through quasi-reorganizations in 2002 and 2000, is not available for dividend declaration without prior approval from the Philippine SEC and the BSP:

Revaluation increment on land and buildings	₱7,691,808
Accumulated translation adjustment	1,315,685
Accumulated equity in net earnings of investees	563,048
	₱9,570,541

Surplus Reserves
This account consists of:

	2020	2019
Reserves under BSP Circular 1011	**₱4,369,668**	₱–
Reserves for trust business (Note 32)	**582,429**	562,018
Reserves for self-insurance	**80,000**	80,000
	₱5,032,097	₱642,018

'Reserves under BSP Circular 1011' represents the appropriation for the excess of 1% general loan loss provisions over the computed ECL for Stage 1 accounts in accordance with BSP Circular 1011, *Guidelines on the Adoption of PFRS 9.*

'Reserves for self-insurance' represents the amount set aside to cover losses due to fire or defalcation by, and other unlawful acts of, the Parent Company's personnel or third parties.

Accumulated Translation Adjustment
As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent

Company's remaining deficit of ₱1.3 billion, including ₱0.6 billion accumulated equity in net earnings as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion.

The SEC approval is subject to the following conditions:

- remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC;
- for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

Other Equity Reserves
On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock. The acquisition and distribution of the estimated 3.0 million shares shall be done over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. Grant date is April 27, 2017 when the fair value of the centennial bonus shares is ₱65.20. In 2020, 2019 and 2018, the Parent Company awarded 316 thousand, 277 thousand and 343 million, respectively, centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱6.4 million, ₱18.4 million and ₱16.3 million, respectively.

Capital Management
The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Parent Company and its financial allied subsidiaries are subject to the regulatory requirements of the BSP. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods.

The Group has a nonlife insurance business, through PNB Gen, which is subject to the regulatory requirements of the Insurance Commission (IC).

The Group has complied with all externally imposed capital requirements throughout the year.

BSP reporting for capital management
Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on RAP, which differ from PFRS in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR), expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% at all times for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment

of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2020 and 2019, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2020		2019	
Consolidated	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱144,298**		₱146,808	
Less: Regulatory Adjustments to CET 1	**28,838**		22,303	
CET1 Capital (Net)	**115,460**		124,505	
Add: Additional Tier 1 Capital (AT1)	**–**		–	
Tier 1 Capital	**115,460**		124,505	
Add: Tier 2 Capital	**5,377**		6,183	
Total qualifying capital	**₱120,837**	**₱80,581**	₱130,688	₱88,306
Total risk-weighted assets	**₱798,170**		₱883,055	
Tier 1 capital ratio	**14.47%**		14.10%	
Total capital ratio	**15.14%**		14.80%	

	2020		2019	
Parent Company	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱142,235**		₱144,654	
Less: Regulatory Adjustments to CET 1	**42,732**		47,960	
CET1 Capital (Net)	**99,503**		96,694	
Add: AT1	**–**		–	
Tier 1 Capital	**99,503**		96,694	
Add: Tier 2 Capital	**5,236**		5,564	
Total qualifying capital	**₱104,739**	**₱78,674**	₱102,258	₱79,695
Total risk-weighted assets	**₱779,103**		₱796,949	
Tier 1 capital ratio	**12.77%**		12.13%	
Total capital ratio	**13.44%**		12.83%	

The Group considered BSP regulations, which set out a minimum CET1 ratio of 6.00% and Tier 1 capital ratio of 7.50%, and require capital conservation buffer of 2.50% comprised of CET1 capital.

In line with its ICAAP document, the Parent Company maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

As of December 31, 2020 and 2019, BLR reported to the BSP is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Tier 1 capital	**₱119,279**	₱124,505	**₱103,321**	₱96,694
Total exposure measure	**1,244,747**	1,161,264	**1,226,577**	1,070,585
BLR	**9.58%**	10.72%	**8.42%**	9.03%

BLR is computed based on RAP.

IC reporting for capital management
Under the requirements of the IC and the Insurance Code, PNB Gen should meet the minimum levels set for the following capital requirements:
- minimum statutory net worth of ₱900.0 million by December 31, 2019 and ₱1.3 billion by December 31, 2022;
- risk-based capital (RBC) ratio of 100.00%.

The RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC shall include the aggregate of Tier 1 capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis and additional Tier 2 less certain deductions, subject to applicable limits and determinations. The RBC requirement is the required capital to cover the insurance risks computed using the IC-prescribed regulations.

As of December 31, 2020 and 2019, PNB Gen has an estimated statutory net worth amounting to ₱1,036.2 million and ₱960.6 million, respectively. PNB Gen's RBC ratio as of December 31, 2020 and 2019 is 307.0% and 248.4%, respectively.

26. Other Operating Income

Service Fees and Commission Income
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Loan-related	**₱1,072,459**	₱1,042,011	₱612,058	**₱1,124,608**	₱647,215	₱604,790
Deposit-related	**1,058,033**	1,120,069	1,075,496	**1,054,359**	1,101,249	930,563
Remittance	**646,494**	714,330	766,652	**340,364**	373,330	401,223
Credit card-related	**622,302**	456,176	407,013	**622,302**	456,176	407,013
Interchange fees	**329,059**	506,521	625,059	**329,059**	506,521	625,059
Trust fees (Note 32)	**314,851**	281,228	279,131	**314,851**	281,228	279,131
Underwriting fees	**227,494**	655,450	140,660	–	–	–
Bancassurance (Note 22)	**206,686**	188,263	208,653	**206,686**	188,263	208,653
Miscellaneous	**207,194**	204,992	136,970	**142,290**	123,707	67,831
	4,684,572	5,169,040	4,251,692	**4,134,519**	3,677,689	3,524,263
Discontinued operations:						
Miscellaneous (Note 36)	**19,718**	7,460	7,592	–	–	–
	₱4,704,290	₱5,176,500	₱4,259,284	**₱4,134,519**	₱3,677,689	₱3,524,263

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

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

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

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Net gains from sale of receivables	**₱104,181**	₱165,310	₱–	**₱104,181**	₱165,310	₱–
Net gains from foreclosure and repossession of investment properties	**72,109**	482,661	129,218	**13,209**	505,137	129,218
Net gains from sale of investment properties (Note 33)	**11,775**	48,599	5,703,523	**11,806**	6,218	5,683,516
Net gains (losses) from sale of property and equipment (Note 11)	**7,777**	(8,961)	28,402	**1,297**	1,023	28,402
Net gains from sale of other assets	–	3,016	–	–	8,753	–
	₱195,842	₱690,625	₱5,861,143	**₱130,493**	₱686,441	₱5,841,136

27. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Rental income (Note 29)	**₱680,332**	₱731,817	₱541,822	**₱383,733**	₱466,451	₱357,953
Income from assets acquired	**258,708**	100,214	225,683	**253,128**	100,214	225,683
Recoveries	**203,750**	76,362	58,584	**24,685**	66,694	57,767
Dividends	**46,136**	89,528	55,906	**45,811**	60,046	54,520
Miscellaneous - Loan-related	**29,224**	79,409	114,063	**29,224**	79,409	114,063
Miscellaneous - Trade-related	**17,055**	23,588	30,110	**17,055**	23,588	30,110
Miscellaneous - Credit card-related	**8,812**	16,958	12,571	**8,812**	16,958	12,571
Referral fees	**3,188**	2,516	3,011	–	–	–
Others	**241,353**	344,090	383,689	**144,304**	163,462	249,208
	₱1,488,558	₱1,464,482	₱1,425,439	**₱906,752**	₱976,822	₱1,101,875

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

Miscellaneous Expenses
This account consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Insurance	**₱1,833,763**	₱1,851,847	₱1,601,771	**₱1,787,331**	₱1,632,028	₱1,397,590
Secretarial, janitorial and messengerial	**1,631,137**	1,636,755	1,472,872	**1,605,223**	1,521,042	1,379,306
Loss on loan modifications	**1,587,605**	–	–	**1,587,605**	–	–
Information technology	**1,448,623**	811,574	561,597	**1,431,600**	796,016	542,478
Marketing expenses	**738,387**	1,137,757	1,170,997	**732,788**	1,117,113	1,032,695
Management and other professional fees	**363,791**	487,197	413,040	**291,457**	432,425	346,398
Travelling	**289,766**	373,145	324,220	**282,758**	345,626	297,506
Litigation and assets acquired expenses	**248,302**	326,588	490,732	**243,489**	290,775	473,660
Postage, telephone and cable	**163,160**	228,066	215,362	**125,244**	165,533	156,160
Entertainment, amusement and recreation (EAR) (Note 30)	**147,421**	166,089	131,260	**137,152**	153,999	119,713
Repairs and maintenance	**62,161**	73,601	75,235	**62,161**	73,601	75,235
Freight	**30,973**	41,811	28,093	**29,428**	38,003	25,350
Fuel and lubricants	**14,157**	18,671	19,425	**10,931**	12,677	11,541
Others (Notes 13 and 33)	**455,665**	529,519	448,921	**310,807**	275,821	267,702
	9,014,911	7,682,620	6,953,525	**8,637,974**	6,854,659	6,125,334

(Forward)

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Discontinued operations (Note 36):						
Marketing expenses	**₱7,237**	₱3,486	₱7,343	**₱–**	₱–	₱–
Information technology	**6,918**	7,322	6,544	**–**	–	–
Secretarial, janitorial and messengerial	**6,015**	11,467	7,633	**–**	–	–
Postage, telephone and cable	**3,232**	3,108	2,936	**–**	–	–
EAR	**2,575**	888	853	**–**	–	–
Travelling	**2,389**	4,234	4,763	**–**	–	–
Fuel and lubricants	**2,327**	–	–	**–**	–	–
Management and other professional fees	**1,763**	1,298	2,231	**–**	–	–
Insurance	**380**	147	139	**–**	–	–
Others	**10,703**	17,960	13,506	**–**	–	–
	43,539	49,910	45,948	**–**	–	–
	₱9,058,450	₱7,732,530	₱6,999,473	**₱8,637,974**	₱6,854,659	₱6,125,334

'Loss on loan modifications' pertains to the adjustment for the changes in expected cash flows of credit exposures, as a result of modifications in the original terms and conditions of the loan which include, but not limited to, changes in interest rates, principal amount, maturity date, and payment terms. In 2020, the Group accommodated modifications in the terms and conditions of certain loans of borrowers, which have been directly impacted by the COVID-19 pandemic. The loss is computed as the difference between the gross carrying amount of the loan and the present value of the modified contractual cash flows, discounted at the original effective interest rate of the loan. Subsequent accretion to interest income in 2020 amounted to the ₱901.7 million.

'Others' include stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

28. Retirement Plan

The Parent Company and certain subsidiaries of the Group, have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Retirement benefit liability (included in 'Other liabilities')	**₱1,213,888**	₱804,733	**₱1,205,212**	₱803,653
Net plan assets (included in 'Other assets - miscellaneous')	**7,538**	5,003	**–**	–
	₱1,206,350	₱799,730	**₱1,205,212**	₱803,653

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability. The retirement plan provides each eligible employer with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

As of December 31, 2020 and 2019, the Parent Company has two separate regular retirement plans for its employees. In addition, the Parent Company provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).

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

Consolidated

2020

		Net benefit costs *					Remeasurements in other comprehensive income							
	January 1, 2020	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from experience adjustments	Actuarial changes changes in financial assumptions	Subtotal	Contributions by employer	Effect of disposal group classified as held for sale (Note 36)	December 31, 2020
Present value of pension obligation	₱8,165,350	₱535,165	₱25,454	₱369,524	₱930,143	(₱486,637)	₱–	₱–	(₱20,328)	₱612,674	₱592,346	₱–	(₱62,899)	₱9,138,303
Fair value of plan assets	7,365,620	–	–	317,891	317,891	(486,637)	(110,671)	–	–	–	(110,671)	894,487	(48,737)	7,931,953
	₱799,730	₱535,165	₱25,454	₱51,633	₱612,252	₱–	₱110,671	₱–	(₱20,328)	₱612,674	₱703,017	(₱894,487)	(₱14,162)	₱1,206,350

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

Consolidated

2019

		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2019	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes Arising from demographic assumptions	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2019
Present value of pension obligation	₱6,685,101	₱476,653	₱3,774	₱482,414	₱962,841	(₱369,733)	₱–	₱–	₱71,802	₱815,339	₱887,141	₱–	₱8,165,350
Fair value of plan assets	5,537,780	–	–	400,507	400,507	(369,733)	124,228	–	–	–	124,228	1,672,838	7,365,620
	₱1,147,321	₱476,653	₱3,774	₱81,907	₱562,334	₱–	(₱124,228)	₱–	₱71,802	₱815,339	₱762,913	(₱1,672,838)	₱799,730

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

Parent Company

2020

		Net benefit costs *					Remeasurements in other comprehensive income							
	January 1, 2020	Current service cost	Past Service Cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from experience adjustments	Actuarial changes changes in financial assumptions	Subtotal	Contributions by employer	Transfer of retirement obligation from PNBSB (Note 12)	December 31, 2020
Present value of pension obligation	₱7,925,817	₱520,600	₱25,454	₱367,429	₱913,483	(₱475,059)	₱–	₱–	(₱16,388)	₱600,958	₱584,570	₱–	₱136,262	₱9,085,073
Fair value of plan assets	7,122,164	–	–	331,181	331,181	(475,059)	(109,109)	–	–	–	(109,109)	867,916	142,768	7,879,861
	₱803,653	₱520,600	₱25,454	₱36,248	₱582,302	₱–	₱109,109	₱–	(₱16,388)	₱600,958	₱693,679	(₱867,916)	(₱6,506)	₱1,205,212

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

Parent Company

2019

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

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

The latest actuarial valuations for these retirement plans were made as of December 31, 2020. The following table shows the actuarial assumptions as of December 31, 2020 and 2019 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
			Regular Plans		EIP	
	2020	2019	**2020**	2019	**2020**	2019
Discount rate	**3.40% - 3.75%**	4.65% - 5.09%	**3.40%**	4.65%	**3.40%**	4.65%
Salary rate increase	**3.00% - 10.00%**	4.00% - 8.00%	**5.00%**	5.00%	**–**	–

The Group and the Parent Company expect to contribute ₱1,411.4 million and ₱1,396.2 million, respectively, to the defined benefit plans in 2021. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2020 is 16 years and 13 years, respectively.

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

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Less than one year	**₱1,549,180**	₱1,334,360	**₱1,546,110**	₱1,325,247
More than one year to five years	**4,637,731**	4,948,248	**4,634,889**	4,888,126
More than five years to 10 years	**4,152,389**	4,103,971	**4,108,665**	3,927,916
More than 10 years to 15 years	**3,169,138**	2,426,245	**3,080,995**	2,092,890
More than 15 years	**7,635,988**	7,030,900	**7,391,744**	4,974,489

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

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Cash and cash equivalents	**₱3,875,381**	₱2,137,666	**₱3,858,067**	₱2,100,971
Equity investments				
Financial institutions (Note 33)	**256,337**	311,446	**250,215**	305,036
Electricity, gas and water	**287,045**	550,964	**287,045**	550,964
Real estate, renting and business activities	**382,376**	377,240	**382,376**	377,240
Others	**175,535**	76,032	**157,938**	59,245
Debt investment				
Private debt securities	**780,316**	1,513,726	**774,499**	1,505,272
Government securities	**1,306,438**	1,344,608	**1,302,813**	1,329,390
Investment in UITFs	**584,193**	699,511	**582,674**	556,816
Loans and receivables	**208,084**	313,024	**208,084**	313,024
Interest and other receivables	**86,070**	45,974	**85,881**	28,643
	7,941,775	7,370,191	**7,889,592**	7,126,601
Accrued expenses	**(9,822)**	(4,571)	**(9,731)**	(4,437)
	₱7,931,953	₱7,365,620	**₱7,879,861**	₱7,122,164

All equity and debt investments held including investments in UITF have quoted prices in active markets. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2020 and 2019 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱250.2 million and ₱305.0 million, respectively.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2020			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱576,279)**	**+1.00%**	**(₱570,999)**
	-1.00%	**637,229**	**-1.00%**	**630,928**
Salary increase rate	**+1.00%**	**589,766**	**+1.00%**	**583,649**
	-1.00%	**(527,654)**	**-1.00%**	**(522,381)**
Employee turnover rate	**+10.00%**	**(181,668)**	**+10.00%**	**(182,321)**
	-10.00%	**181,668**	**-10.00%**	**182,321**

	2019			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate*	+1.00%	(₱343,444)	+1.00%	(₱318,742)
	-1.00%	574,947	-1.00%	544,780
Salary increase rate*	+1.00%	518,885	+1.00%	489,098
	-1.00%	(472,861)	-1.00%	(447,910)
Employee turnover rate*	+10.00%	(51,084)	+10.00%	(54,224)
	-10.00%	51,084	-10.00%	54,224

**Restated to exclude PNB Gen*

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

The Group and the Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

29. Leases

Group as Lessee
The Group has entered into commercial leases for its branch sites, ATM offsite location and other equipment. These non-canceleable leases have lease terms of 1 to 25 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group ROU

asset is composed of the Parent Company's branch sites and its subsidiaries offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱580.6 million, ₱581.1 million and ₱844.6 million in 2020, 2019 and 2018, respectively, for the Group, of which ₱532.9 million, ₱454.1 million and ₱808.3 million in 2020, 2019, and 2018, respectively, pertain to the Parent Company. Rent expenses in 2020 and 2019 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2020 and 2019, the Group has no contingent rent payable.

As of December 31, 2020 and 2019, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**₱1,806,409**	₱1,859,717	**₱1,633,083**	₱1,642,529
Additions	**104,330**	456,644	**127,578**	426,885
Transfers	**–**	–	**138,766**	–
Interest expense (Note 19)	**120,675**	131,661	**120,181**	118,365
Payments	**(664,156)**	(641,613)	**(649,402)**	(554,696)
Effects of discontinued operations (Note 36)	**(1,242)**	–	**–**	
	₱1,366,016	₱1,806,409	**₱1,370,206**	₱1,633,083

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Within one year	**₱725,804**	₱777,971	**₱616,688**	₱615,874
Beyond one year but not more than five years	**1,215,693**	1,492,322	**1,065,827**	1,245,792
More than five years	**434,137**	231,550	**334,695**	229,398
	₱2,375,634	₱2,501,843	**₱2,017,210**	₱2,091,064

Group as Lessor

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5% per year). In 2020, 2019 and 2018, total rent income (included under 'Miscellaneous income') amounted to ₱680.3 million, ₱731.8 million and ₱541.8 million, respectively, for the Group and ₱383.7 million, ₱466.5 million and ₱358.0 million, respectively, for the Parent Company (Note 27).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Within one year	**₱164,223**	₱511,055	**₱162,021**	₱171,630
Beyond one year but not more than five years	**583,780**	1,009,932	**583,780**	654,515
More than five years	**156,770**	248,374	**156,770**	248,374
	₱904,773	₱1,769,361	**₱902,571**	₱1,074,519

<u>Finance Lease</u>

Group as Lessor

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease (effective interest method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

The future minimum lease receivables under finance leases are disclosed under 'Loans and Receivables' in Note 10.

30. **Income and Other Taxes**

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for (benefit from) income tax' in the statements of income.

RCIT rate is 30.00% and interest allowed as a deductible expenses is reduced by 33.00% of interest income subjected to final tax. MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the Parent Company and certain subsidiaries are allowed to deduct NOLCO from taxable income for the next three years from the period of incurrence. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation No. 25-2020. FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for (benefit from) income tax consists of:

	Consolidated			Parent Company		
	2020	2019 (As restated – Note 36)	2018 (As restated – Note 36)	**2020**	2019	2018
Continuing operations:						
Current						
Regular	**₱3,283,241**	₱1,653,473	₱2,888,800	**₱3,186,427**	₱1,367,233	₱2,610,768
Final	**1,460,027**	1,372,514	720,504	**1,388,839**	1,325,119	692,984
	4,743,268	3,025,987	3,609,304	**4,575,266**	2,692,352	3,303,752
Deferred	**(6,541,506)**	(573,680)	54,440	**(6,520,787)**	(605,888)	918
	(1,798,238)	2,452,307	3,663,744	**(1,945,521)**	2,086,464	3,304,670
Discontinued operations (Note 36):						
Current						
Regular	**768**	–	–	**–**	–	–
Final	**20,418**	18,897	14,298	**–**	–	–
	21,186	18,897	14,298	**–**	–	–
Deferred	**(768)**	(218)	9,063	**–**	–	–
	20,418	18,679	23,361	**–**	–	–
	(₱1,777,820)	₱2,470,986	₱3,687,105	**(₱1,945,521)**	₱2,086,464	₱3,304,670

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Deferred tax assets on:				
Allowance for impairment, credit and other losses	**₱11,148,074**	₱5,761,259	**₱10,898,555**	₱5,234,231
Retirement liability	**838,990**	514,936	**798,947**	514,901
Accumulated depreciation on investment properties and appraisal increment	**729,869**	745,362	**726,928**	709,277
Accrued expenses	**580,572**	484,529	**580,572**	484,529
Unearned interest and discount	**152,211**	–	**152,211**	
Deferred revenues	**130,213**	234,397	**130,213**	234,397
Unrealized losses on financial assets at FVTPL and FVOCI	**–**	694	**–**	694
Others	**311,540**	82,596	**–**	–
	13,891,469	7,823,773	**13,287,426**	7,178,029
Deferred tax liabilities on:				
Revaluation increment on land and buildings [1/]	**3,133,453**	3,133,453	**3,133,453**	3,133,453
Fair value adjustment on investment properties	**1,043,165**	1,077,752	**894,827**	1,048,107
Fair value adjustments due to business combination	**329,723**	405,545	**329,723**	405,545
Gain on remeasurement of previously held interest	**246,651**	164,429	**246,651**	164,429
Unrealized foreign exchange gains	**97,033**	328,812	**97,033**	328,811
Unrealized gains on financial assets at FVTPL and FVOCI	**56,931**	78,637	**56,931**	78,637
Others	**108,757**	220,187	**6,397**	33,450
	5,015,713	5,408,815	**4,765,015**	5,192,432
	₱8,875,756	₱2,414,958	**₱8,522,411**	₱1,985,597

[1/] *Balance includes deferred tax liability amounting to ₱736.4 million acquired from business combination*

As of December 31, 2020 and 2019, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million.

Benefit from deferred tax credited to OCI pertains to deferred tax on remeasurement losses on retirement plan amounting to nil and ₱4.4 million in 2020 and 2019, respectively, for the Group. Provision for deferred tax charged directly to OCI pertains to deferred tax on net unrealized gains on financial assets at FVOCI amounting to ₱15.8 million for the Group and the Parent Company in 2020, and ₱73.1 million for the Group and ₱72.4 million for the Parent Company in 2019.

Unrecognized deferred tax assets
The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Retirement liability	**₱1,205,212**	₱803,653	**₱1,205,212**	₱803,653
Derivative liabilities	**558,220**	180,759	**558,220**	180,759
Unamortized past service cost	**332,523**	1,901,476	**332,523**	1,901,476
Lease liabilities	**143,156**	95,209	**138,114**	88,935
NOLCO	**54,823**	196,251	–	–
Allowance for impairment and credit losses	–	6,998,404	–	3,699,850
Provision for IBNR	–	111,097	–	–
Accrued expenses	–	58,711	–	–
Others	–	14,087	–	–
	₱2,293,934	₱10,359,647	**₱2,234,069**	₱6,674,673

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2014	₱108,799	₱60,636	₱48,163	Not applicable
2017	–	–	–	2020
2018	13,259	9,139	4,120	2021
2019	2,540	–	2,540	2022
	₱124,598	₱69,775	₱54,823	

The Group has net operating loss carryforwards for US federal tax purposes of USD8.5 million and USD8.8 million as of December 31, 2020 and 2019, respectively, and net operating loss carryforwards for California state tax purposes of USD5.4 million and USD5.7 million as of December 31, 2020 and 2019, respectively.

Unrecognized deferred tax liabilities
As of December 31, 2020, there was a deferred tax liability of ₱834.6 million (₱756.0 million in 2019) for temporary differences of ₱2.8 billion (₱2.5 billion in 2019) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			**Parent Company**		
	2020	2019	2018	**2020**	2019	2018
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effects of:						
Net unrecognized deferred tax assets	**(844.28)**	(7.68)	0.21	**(635.63)**	(8.98)	(1.06)
Non-deductible expenses	**766.51**	13.52	8.00	**559.12**	12.05	6.27
Tax-exempt income	**(83.86)**	(6.43)	(3.56)	**(65.28)**	(4.94)	(3.69)
Tax-paid income	**(61.90)**	(7.05)	(2.61)	**(47.66)**	(7.23)	(2.36)
FCDU income before tax	**(43.18)**	(1.74)	(4.20)	**(32.34)**	(3.17)	(3.28)
Optional standard deduction	–	(0.42)	–	–	–	–
Effective income tax rate	**(236.71%)**	20.20%	27.84%	**(191.79%)**	17.73%	25.88%

The amount of EAR expenses deductible for tax purposes is limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in 'Miscellaneous expenses' in the statements of income) amounted to ₱147.4 million in 2020, ₱166.1 million in 2019, and ₱131.3 million in 2018 for the Group, and ₱137.2 million in 2020, ₱154.0 million in 2019, and ₱119.7 million in 2018 for the Parent Company (Note 27).

31. Earnings Per Share

Earnings per share attributable to equity holders of the Parent Company is computed as follows:

	2020	2019	2018
a) Net income attributable to equity holders of the Parent Company	**₱2,614,653**	₱9,681,480	₱9,465,022
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,372,674	1,249,140
c) Basic/Diluted earnings per share (a/b)	**₱1.71**	₱7.05	₱7.58

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2020	2019	2018
a) Net income attributable to equity holders of the Parent Company from continuing operations	**₱2,547,070**	₱9,579,887	₱9,684,994
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,372,674	1,249,140
c) Basic/Diluted earnings per share (a/b)	**₱1.67**	₱6.98	₱7.75

As of December 31, 2020 and 2019 and 2018, there are no potential common shares with dilutive effect on the basic earnings per share.

32. Trust Operations

Securities and other properties held by the Parent Company through its Trust Banking Group (TBG) in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱154.4 billion and ₱95.9 billion as of December 31, 2020 and 2019, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.9 billion and ₱1.0 billion (included under 'Investment securities at amortized cost') as of December 31, 2020 and 2019, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2020, 2019 and 2018 amounting to ₱314.9 million, ₱281.2 million and ₱279.1 million, respectively, is included under 'Service fees and commission income' (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱20.4 million, ₱21.4 million and ₱23.0 million in 2020, 2019 and 2018, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital (Note 25).

33. Related Party Transactions

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

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

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

	2020		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investors			
Deposit liabilities		**₱132,001**	Peso-denominated savings deposits with annual rates ranging from 0.10 % to 0.125%
Interest expense	**₱854**		Interest expense on deposits
Net withdrawals	**138,543**		Net withdrawals during the period
Subsidiaries			
Receivables from customers		**1,900,695**	Term Loan maturing in 2021 with nominal interest rates ranging from 2.6% to 4.0%; includes domestic bills purchased.
Loan releases	**5,504,833**		
Loan collections	**5,726,814**		
Loan commitments		**14,317,968**	Omnibus line; credit line
Interbank loans receivable		**19,240**	Foreign currency-denominated interbank term loans with interest rates ranging from 0.57% to 1.00% and maturity terms ranging from 33 to 138 days with Allied Commercial Bank Xiamen
Availments	**97,069**		
Settlements	**112,069**		
Due from other banks		**301,782**	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		**1,579**	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		**25,836**	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		**12,664,981**	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.01% to 1.10% and maturities from 8 to 297 days

(Forward)

	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)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
		2020	
Associate			
Loan commitments		**₱60,000**	Pre-settlement risk line
Deposit liabilities		**327,680**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Net withdrawals	**₱739,178**		
Accrued interest payable		–	Accrued interest payable from various deposits
Rental deposits		**27**	Advance rental and security deposits received for three months
Deferred revenue		**768,590**	Unamortized portion of income related to the sale of APLII
Interest expense	**372**		Interest expense on deposit liabilities
Service fees and commission income	**73,199**		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		**4,161**	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	**2,339**		Settlement of loans and interest
Other equity reserves	**435**		Other employee benefit expense in relation to the grant of centennial bonus based on ₱20.30 per share

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
		2019	
Significant Investors			
Deposit liabilities		₱270,544	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125%
Interest expense	₱13,976		Interest expense on deposits
Net withdrawals	222,636		Net withdrawals during the period
Subsidiaries			
Receivables from customers		2,122,676	Term Loan maturing in 2020 with nominal interest rates ranging from 3.87% to 5.75%. Domestic Bills Purchased.
Loan releases	16,205,901		
Loan collections	14,341,029		
Loan commitments		6,270,640	Omnibus line; credit line
Interbank loans receivable		34,240	Foreign currency-denominated interbank term loans with interest rates ranging from 0.57% to 1.00% and maturity terms ranging from 33 to 138 days with Allied Commercial Bank Xiamen
Availments	216,849		
Settlements	623,568		
Due from other banks		336,879	Foreign currency-denominated demand and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50% with PNB Europe.
Accrued interest receivable		1,886	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		222,770	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		54,815	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.01% to 1.10% and maturities from 8 to 297 days
Net withdrawals	1,641,715		Net withdrawals during the period

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	2019		
Bills payable		₱34,058	Foreign currency-denominated bills payable with Allied Commercial Bank Xiamen; Interest rates ranging from 0.5% and 0.8% and maturity terms ranging from 30 to 137 days.
Availments	₱216,490		
Settlements	220,277		
Due to other banks		31,385	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, Europe, and Allied Commercial Bank
Accrued interest payable		212	Accrued interest on deposit liabilities and bills payable
Rental deposit		8,412	Advance rental deposit received for 2 years and 3 months
Interest income	135,383		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	53,653		Interest expense on deposit liabilities and bills payable
Rental income	53,653		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	1,970		Management and other professional fees
Securities transactions			
Purchases	7,221,360		Outright purchase of securities
Sales	383,472		Outright sale of securities
Trading gain	7,356		Gain from sale of investment securities
Affiliates			
Receivables from customers		51,260,482	Secured by real estate; With interest rates ranging from 2.75% to 9.72% with maturity terms ranging from 30 days to 10 years and payment terms of ranging from monthly to quarterly payments.
Loan releases	9,617,440		
Loan collections	6,662,009		
Loan commitments		25,235,370	Omnibus line; credit line
Financial assets at FVOCI		73,140	Common shares with acquisition cost of ₱100.00/share
Sales contract receivable		323,758	Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	4,495,927		
Accrued interest receivable		95,191	Accrued interest on receivables from customers
Rental deposits		30,535	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		15,138,059	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.75% and maturity terms ranging from 30 days to 365 days
Net withdrawals	916,094		Net withdrawals during the period
Bonds payable		75,953	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		25,989	Accrued interest payable from various deposits
Other liabilities		5	Various manager's check related to EISP and premium insurance
Accrued other expenses		318,155	Accruals in relation to promotional expenses
Interest income	1,255,819		Interest income on receivables from customers
Interest expense	246,104		Interest expense on deposit liabilities
Miscellaneous expenses	233,385		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	89,300		Outright purchase of securities
Sales	2,100		Outright sale of securities
Associate			
Deposit liabilities		1,066,858	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Accrued interest payable		31	Accrued interest payable from various deposits

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			2019
Rental deposits		₱27	Advance rental and security deposits received for three months
Deferred revenue		841,789	Unamortized portion of income related to the sale of APLII
Interest expense	₱1,523		Interest expense on deposit liabilities
Service fees and commission income	73,199		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		6,499	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	1,209		Settlement of loans and interest
Other equity reserves	77,652		Other employee benefit expense in relation to the grant of centennial bonus based on ₱70.0 per share

The related party transactions shall be settled in cash.

Outsourcing Agreement between the Parent Company and PNB GRF
The 'Pangarap Loans', which are all-purpose credit facilities fully secured by customer's deposits pledged with either PNB Hong Kong Branch or other PNB overseas branches, mainly comprise the consumer lending activity of PNB GRF. PNB GRF calls on the deposits when a Pangarap loan is in default and requests the Parent Bank to credit the peso collateral deposit to their settlement account maintained with the Parent Bank.

Financial Assets at FVTPL Traded through PNB Securities
As of December 31, 2020 and 2019, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱835.3 million and ₱404.8 million, respectively. The Parent Company recognized trading losses amounting to ₱61.5 million in 2020, ₱7.2 million in 2019 and ₱8.4 million in 2018 from the trading transactions facilitated by PNB Securities.

Compensation of Key Management Personnel
The compensation of the key management personnel for the Group and Parent Company follows:

	2020	2019	2018
Short-term employee benefits	**₱481,184**	₱541,386	₱481,011
Post-employment benefits	**55,308**	45,996	60,554
	₱536,492	₱587,382	₱541,565

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2020 and 2019, total per diem given to the BOD amounted to ₱53.0 million and ₱45.5 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all BOD activities and membership of committees and subsidiary companies. In 2020 and 2019, key management personnel received Parent Company shares in relation to the centennial bonus distribution of 21,474 and 29,951, respectively.

Joint Arrangements

The Parent Company and Eton Properties Philippines, Inc. (EPPI) signed two joint venture Agreements (JVAs) for the development of two real estate properties of the Parent Company included under 'Other assets' and with carrying values of ₱1.2 billion at the time of signing. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the joint venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs.

In July 2016, the Parent Company executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

Outsourcing Agreement between the Parent Company and PNBSB

Prior to integration, the Parent Company and PNBSB entered into a servicing agreement pertaining to the purchased loan portfolio. The agreement was valid and binding until terminated by the either party if so required by the BSP or upon a 60-day prior written notice to the other party. The Parent Company charged PNBSB with the amount it charged to its customers. Service charges pertain to outsourced services rendered by the Parent Company, including legal and information technology services. These were payable on a monthly basis.

Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by its TBG. The fair values and carrying values of the funds of the Group amounted to ₱7.9 billion and ₱7.4 billion as of December 31, 2020 and 2019, respectively and the fair values of the funds of the Parent Company amounted to ₱7.9 billion and ₱7.1 billion as of December 31, 2020 and 2019, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Deposits with PNB	**₱828,287**	₱563,314	**₱824,334**	₱563,314
Investment in UITFs	**760,818**	556,816	**582,674**	556,816
Investment in PNB Shares	**250,215**	305,036	**250,215**	305,036
Investment in PNB Bonds	**141,020**	142,724	**–**	142,724
Total Fund Assets	**₱1,980,340**	₱1,567,890	**₱1,657,223**	₱1,567,890
Unrealized gain on PNB shares	**₱72,941**	(₱73,992)	**₱72,941**	(₱73,992)
Unrealized loss on PNB Bonds	**(1,704)**	–	**–**	–
Interest income	**15,403**	7,454	**15,401**	7,454
	86,640	(66,538)	**88,342**	(66,538)
Trust fees	**(8,518)**	(7,468)	**(8,473)**	(7,468)
Fund gain/(loss)	**₱78,122**	(₱74,006)	**₱79,869**	(₱74,006)

As of December 31, 2020 and 2019, the retirement fund of the Group and the Parent Company includes 8,525,218 and 8,841,622 PNB shares, respectively, classified as financial assets FVTPL. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's EIP.

34. Provisions, Contingent Liabilities and Other Commitments

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

In 2020, the Group and the Parent Company's outstanding provisions for legal claims amounted to ₱0.6 billion as of December 31, 2020 and 2019.

There were no significant settlements made in 2020 and 2019.

Tax Assessment

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

35. Offsetting of Financial Assets and Liabilities

The Group is required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

Consolidated

2020

				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
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]**	**Financial instruments**	**Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	[b]	[c]	[d]		[e]
Derivative assets	**₱58,317,718**	**(₱57,947,065)**	**₱370,653**	**(₱58,699)**	**₱–**	**₱311,954**
Securities held under agreements to resell (Note 8)	**15,819,273**	–	**15,819,273**	–	**(16,499,434)**	–
Total	**₱74,136,991**	**(₱57,947,065)**	**₱16,189,926**	**(₱58,699)**	**(₱16,499,434)**	**₱311,954**

2019

				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
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]	Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱74,965,186	(₱74,592,146)	₱373,040	(₱45,891)	₱–	₱327,149
Securities held under agreements to resell (Note 8)	2,517,764	–	2,517,764	–	(2,517,745)	19
Total	₱77,482,950	(₱74,592,146)	₱2,890,804	(₱45,891)	(₱2,517,745)	₱327,168

Financial liabilities recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments**	**Fair value of financial collateral**	**Net exposure [c-d]**
2020						
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱65,641,080**	**(₱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**

Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
2019						
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱60,131,350	(₱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

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]**
2020						
	[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**

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]
2019						
	[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 as reported to BSP 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 as reported to BSP 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 as reported to BSP 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 as reported to BSP 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