UNIONBANK

UnionBank Plaza
Meralco Avenue cor. Onyx &
Sapphire Roads, Ortigas Center
Pasig City 1605
Tel: (632) 667 6388 Fax: (632) 636 6289
www.unionbankph.com

April 13, 2018

THE PHILIPPINE STOCK EXCHANGE, INC.
6th Floor, PSE Tower
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City

Attention : **MR. JOSE VALERIANO B. ZUÑO III**
OIC-Head, Disclosure Department

PHILIPPINE DEALING AND EXCHANGE CORP.
37/F Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

Attention : **MS. ERIKA GRACE C. ALULOD**
Head, Issuer Compliance and Disclosures Department

Gentlemen:

Pursuant Section 20 of the Securities Regulation Code, we are submitting herewith the Definitive Information Statement (SEC Form 20-IS) of Union Bank of the Philippines.

Thank you.

Very truly yours,

ATTY. JOSELITO V. BANAAG
Senior Vice President,
General Counsel and
Corporate Secretary

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO: ALL STOCKHOLDERS

Please be advised that the Annual Meeting of Stockholders of Union Bank of the Philippines ("UnionBank") will be held at the **7th Floor Grand Ballroom B, Marco Polo Ortigas Hotel, Meralco Avenue and Sapphire Street, Ortigas Center, Pasig City on Friday, May 25, 2018** at **1:00 p.m.**

The following Agenda has been set for the meeting:

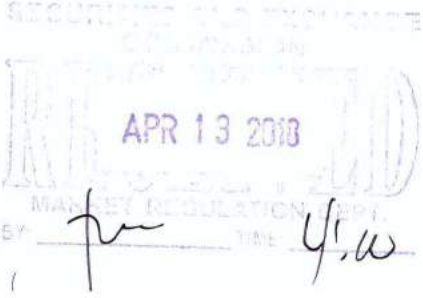
I. Calling to Order
II. Proof of Notice of Meeting and Determination of Existence of Quorum
III. Approval of the Minutes of the Annual Stockholders' Meeting held on May 26, 2017
IV. Chairman's Report to Stockholders – Dr. Justo A. Ortiz
V. Annual Report of Management on Operations for 2017 – President & CEO Edwin R. Bautista
VI. Open Forum
VII. Ratification of Past Actions of the Board of Directors, Board Committees, and Management
VIII. Appointment of External Auditor for 2018
IX. Election of Directors for 2018 – 2019 Term
X. Adjournment

Stockholders of record as of April 11, 2018 will be entitled to notice of, and to attend and participate at the Annual Meeting. Stockholders who are unable to attend the Annual Meeting in person may execute a proxy. Proxies must be submitted on or before May 15, 2018 and addressed to the attention of the Corporate Secretary.

To avoid inconvenience in registering your attendance at the meeting, you or your proxy/ies are requested to bring any identification documents containing a photograph and signature, such as a passport, driver's license, or any government-issued identification.

In compliance with SEC Resolution No. 196, Series of 2015, a copy of the Unaudited Interim Financial Statements of UnionBank with Management Discussion and Analysis as of and for quarter ended March 31, 2018 shall be posted in UnionBank's website (www.unionbankph.com) on or before May 20, 2018. A hard copy of the said interim financial statements shall be provided upon request by any stockholder, as soon as said interim financial statements becomes available but not later than May 20, 2018.

For your information and guidance.



Very truly yours,

ATTY. JOSELITO V. BANAAG
Corporate Secretary

Annex "A"

EXPLANATION OF AGENDA ITEMS

I. Call to Order

The Chairman, Dr. Justo A. Ortiz, will welcome the stockholders and guests and formally begin the 2018 Annual Stockholders' Meeting of the Union Bank of the Philippines ("UnionBank").

II. Proof of Notice of Meeting and Determination of Existence of Quorum

Atty. Joselito V. Banaag, Corporate Secretary, will certify that the Notice of Meeting and Information Statement were sent to stockholders of record as of April 11, 2018, and to the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE), in accordance with the rules and regulations of the SEC and the PSE. He will also attest whether a majority of stockholders are present either in person or by proxy, thereby constituting a quorum for the valid transaction of the Annual Stockholders' Meeting and matters set forth in the Agenda.

III. Approval of the Minutes of the Annual Stockholders' Meeting held on May 26, 2017

Stockholders will be asked to approve the minutes of the Stockholders' Meeting held on May 26, 2017 which contain, among others, (a) the annual report to stockholders (b) ratification of all acts, resolutions, and proceedings of the Board of Directors, Corporate Officers and Management in 2017 including all related party transactions (c) appointment of external auditor (d) approval on the amendment of Article XII of the By-Laws of the Bank and (e) election of Board of Directors.

Stockholders are requested to approve the following proposed Resolution:

> "**RESOLVED**, that the shareholders of Union Bank of the Philippines approve, as they hereby approve, the Minutes of the Annual Stockholders' Meeting held on May 26, 2017."

Copies of the Minutes are available for examination during business hours at the Office of the Corporate Secretary at the 18th Floor, UnionBank Plaza, Meralco Avenue corner Onyx Street, Ortigas Center, Pasig City, or they may be viewed at the UnionBank website at www.unionbankph.com

IV. Chairman's Report to Stockholders – Dr. Justo A. Ortiz

The Chairman will report to the stockholders the Bank's accomplishments for the year 2017.

V. Annual Report of Management on Operations for 2017 – President and CEO Edwin R. Bautista

The President and CEO will report on the Bank's financial and operating results for the year 2017.

VI. Open Forum

Every shareholder, after identifying himself, may raise any relevant questions or express any appropriate comments on the reports presented.

VII. Approval and Ratification of Past Actions of the Board of Directors, Board Committees, and Management

All acts, resolutions, and proceedings of the Board of Directors, Board Committees, and the Management of UnionBank since the previous Stockholders' Meeting held on May 26, 2017, including all significant related party transactions, will be presented to the shareholders for their approval and ratification.

VIII. Appointment of External Auditor

The stockholders will be asked to ratify the recommendation of the Audit Committee and the Board of Directors to appoint Sycip Gorres Velayo & Co. as External Auditor for fiscal year 2018.

IX. Election of Directors for 2018 – 2019 Term

The Chairman will present to the stockholders the nominees for election as members of the Board of Directors, including the independent directors. The list of nominees with their profiles are included in the Definitive Information Statement to be sent to the stockholders for reference.

X. Adjournment

After consideration of all business, the Chairman shall declare the meeting adjourned. This formally ends the 2018 Annual Meeting of Stockholders of UnionBank.

PROXY

KNOW ALL MEN BY THESE PRESENTS:

That I, the undersigned, a shareholder of **UNION BANK OF THE PHILIPPINES** ("UnionBank"), do hereby nominate, constitute and appoint the Chairman of the meeting, with power of substitution, as my Attorney and Proxy to represent me and vote all shares registered in my name in the books of UnionBank or owned by me, at the Annual Meeting of Stockholders of UnionBank to be held on **Friday, 25 May 2018 at 1:00 P.M.** at the **7th Floor Grand Ballroom B, Marco Polo Ortigas Hotel, Meralco Avenue and Sapphire Street, Ortigas Center, Pasig City,** as fully to all intents and purposes as I might or could lawfully do if present and acting in person, and hereby ratifying and confirming any and all matters which may properly come before said meeting, or adjournment thereof. In case of the non-attendance of my attorney or proxy above-named at said meeting, I hereby authorize and empower the Chairman of the meeting or, in his absence, the Corporate Secretary, to fully exercise all rights as my attorney or proxy at said meeting. This Proxy authorizes my attorney to act among other things on the following matters: (Please read the instruction below)

1. Election of Directors

To vote for nominees listed below (except if the box corresponds to "Do Not Vote")

Nominees	Vote in Favor	Do not Vote
Justo A. Ortiz	□	□
Jon Ramon M. Aboitiz	□	□
Erramon I. Aboitiz	□	□
Sabin M. Aboitiz	□	□
Luis Miguel O. Aboitiz	□	□
Manuel R. Lozano	□	□
Nina D. Aguas	□	□
Emmanuel F. Dooc	□	□
Michael G. Regino	□	□
Edwin R. Bautista	□	□

2. Election of Independent Directors

To vote for nominees listed below (except if the box corresponds to "Do Not Vote")

Nominees	Vote in Favor	Do not Vote
Carlos B. Raymond, Jr.	□	□
Reynato S. Puno	□	□
Francisco S.A. Sandejas	□	□
Erwin M. Elechicon	□	□
Roberto G. Manabat	□	□

INSTRUCTION: Mark the box under "Vote in Favor" to vote for any nominee. If the votes will be cumulated, write the number of votes desired to be given to a nominee beside its corresponding box. Mark the box under "Do not Vote" if the nominee will not be voted under this Proxy.

3. Other Items

	Vote for Approval	Vote Against	Abstain
a. Approval of the Minutes of the Annual Stockholders' Meeting held on May 26, 2017			
b. Annual Report of Management on Operations for 2017			
c. Ratification of Past Actions of the Board of Directors, Board Committees, and Management			
d. Appointment of External Auditor			

INSTRUCTION: Please check the appropriate column, otherwise you shall be deemed to have conferred discretionary authority in favor of the Chairman of the meeting or in his absence, the Corporate Secretary to vote your shares in favor of the approval of the above matters.

4. Revocability of Proxy

The person/stockholder giving the proxy has the right to revoke the proxy by personally appearing during the meeting or by execution of another proxy at a later date, subject to the pertinent requirements of law and SEC Circular No.5, Series of 1996.

5. Persons Making the Solicitation

1. This solicitation is being made by the Bank. No director has informed the Bank in writing of his intention to oppose any action intended to be taken up by the Bank at the annual meeting.
2. No regular employees of the Bank or any other participant in a solicitation have been or will be employed to solicit proxies.
3. The total estimated amount to be spent in connection with the release and sending of this Proxy Statement is approximately P500,000.00.
4. There is no other participant in the solicitation as mentioned earlier in Item no. 2.

6. Interest of Certain Persons in Matters to be Acted Upon

Other than the election of Directors and the Annual Report of Management on Operations for 2017, there are no substantial interest, by security holdings or otherwise, of UnionBank, any Director or Officer thereof, nominee for election as Director, participant in the solicitation, or associate of any of the foregoing persons, in any matter to be acted upon at the Annual Meeting.

The power and authority hereby granted shall remain valid and effective until such time that the same is withdrawn by me through notice in writing delivered to the Corporate Secretary before the date of any such meeting or adjournment(s) thereof. Likewise, the said authority is effective for subsequent annual meetings within a period of five (5) years from the date of this Proxy unless otherwise instructed, as follows:

[ ] THIS PROXY IS TO BE USED ONLY FOR THE 2018 ANNUAL STOCKHOLDERS' MEETING OF UNIONBANK.

In case the security holder fails to indicate his vote on the matters in the Agenda by placing the corresponding marks on the columns provided therein, the same is considered a waiver on his right to manifest his vote thereon and management can exercise its discretion in voting on such matters.

Important: The Office of the Corporate Secretary must receive this Proxy not later than **15 May 2018.**

THIS PROXY IS BEING SOLICITED ON BEHALF OF MANAGEMENT

_____	_____
PRINTED NAME OF SHAREHOLDER	**SIGNATURE OF SHAREHOLDER OR AUTHORIZED SIGNATORY**
Dated this _____ day of ____, 2018	

COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

U	N	I	O	N	B	A	N	K		P	L	A	Z	A		M	E	R	A	L	C	O		A	V	E	N	U	E			
C	O	R	N	E	R		O	N	Y	X		S	T		O	R	T	I	G	A	S		C	E	N	T	E	R				
P	A	S	I	G		C	I	T	Y																								

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

Atty. Joselito V. Banaag

(Contact Person)

(632) 667-6388

(Company Telephone Number)

1	2		3	1
Month			*Day*	

(Fiscal Year)

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(Form Type)

0	5		2	5
Month			*Day*	

(Annual Meeting)

(Secondary License Type, If Applicable)9

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

APR 13 2018

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [x] Definitive Information Statement

2. Name of Registrant as specified in its charter **UNION BANK OF THE PHILIPPINES**

3. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **36073**

5. BIR Tax Identification Code **047-000-508-271**

6. **UnionBank Plaza, Meralco Ave. cor. Onyx Street, Ortigas Center, Pasig City** **1605**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code (**632) 667-6388**

8. **MAY 25, 2018 – 1:00 P.M. at 7th Floor Grand Ballroom B, Marco Polo Ortigas Hotel, Meralco Avenue and Sapphire Street, Ortigas Center, Pasig City**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders
   on or before 04 May 2018

10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor: ***Union Bank of the Philippines***

    Address and Telephone No.: **18th Floor, UnionBank Plaza, Meralco Avenue corner Onyx, Street, Ortigas Center, Pasig City – 667-6388**

11. Securities registered pursuant to Sections 8 and 12 of the Code (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**1,058,343,929**

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes __x__ No _____

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    Philippine Stock Exchange – Common

UNION BANK OF THE PHILIPPINES

SEC FORM 20-IS

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

The enclosed proxy is solicited for the annual meeting of stockholders of Union Bank of the Philippines ("UnionBank" or "Bank") which will be held on May 25, 2018 at 7th Floor Grand Ballroom B, Marco Polo Ortigas Hotel, Meralco Avenue and Sapphire Street, Ortigas Center, Pasig City, or any adjournment thereof ("Annual Meeting"), or any subsequent annual stockholders' meeting within a period no longer than five (5) years from the date of the proxy, to the extent the stockholder granting the proxy so authorizes.

The address of the principal office of Union Bank of the Philippines is at UnionBank Plaza, Meralco Avenue corner Onyx Street, Ortigas Center, Pasig City with telephone number at (632) 667-6388 (PLDT). This proxy statement and enclosed proxy will be mailed to stockholders entitled to notice of and vote at the Annual Meeting on or before May 4, 2018.

Record Date

The record date for the purpose of determining the stockholders entitled to notice of and to vote at the Annual Meeting is April 11, 2018 (the "Record Date").

Solicitation Information

Item 2. Dissenter's Right of Appraisal

At the scheduled meeting, there are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in Sections 81 and 82, Title X of the Corporation Code of the Philippines which state that "Sec. 81. *Instances of appraisal of right.* Any stockholder of the Bank shall have the right to dissent and demand payment of the fair value of his shares in the following instances: 1) amendment to the Articles of Incorporation which has the effect of changing or restricting the rights of stockholders or extending corporate life of the corporation; 2) sale, transfer or lease of all or substantially all of the corporate properties; and 3) in case of merger or consolidation. Section 82. *How right is exercised*. The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares xxx."

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No current director or officer of UnionBank, or nominee for election as director of the Bank or any associate of any of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting, other than election to office.

(b) No director has informed UnionBank in writing that he intends to oppose any action to be taken by the Bank at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

I. Outstanding Number of Common Stock Shares

Title of Class	No. of shares outstanding
Common Shares	1,058,343,929

The record date with respect to this solicitation is April 11, 2018. Only stockholders of record at the close of business on April 11, 2018 will be entitled to notice and to vote at the meeting.

A stockholder entitled to vote at the meeting has the right to vote in person or by proxy. With respect to the election of directors, in accordance with Section 24 of the Corporation Code of the Philippines and pursuant to Article IV, Section 1(e) of the Bank's amended by-laws, a stockholder may vote the number of shares held in his name in the Company's stock books as of April 11, 2018, and may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the total number of directors to be elected. Discretionary authority to cumulate votes is solicited.

The total number of votes that may be cast by a stockholder of the Bank is computed as follows: no. of shares held on record as of record date x 15 directors. The deadline for submission of proxies is May 15, 2018.

II. Security Ownership of Certain Record and Beneficial Owners

The following are known to the registrant to be directly or indirectly the record or beneficial owners of more than 5 percent of registrant's voting securities (registrant has only one class of voting security, i.e. common shares) as of March 31, 2018:

Title of Class	*Name, address of Record Owner & Relationship with Issuer*	*Name, address of Beneficial Owner & Relationship with Record Owner*	*Citizenship*	*No. of Shares Held*	*Percent of Class*
Common	Aboitiz Equity Ventures, Inc.** NAC Tower, 32nd Street Bonifacio Global City Taguig City Principal Shareholders	Aboitiz Equity Ventures, Inc.** NAC Tower, 32nd Street Bonifacio Global City Taguig City	Filipino	511,581,606	48.34%
Common	The Insular Life Ass. Co., Ltd** IL Corporate Center Insular Life Drive Filinvest, Alabang, Muntinlupa Principal Shareholders	The Insular Life Ass. Co., Ltd** IL Corporate Center Insular Life Drive Filinvest, Alabang, Muntinlupa	Filipino	171,597,613	16.21%
Common	PCD Nominee Corporation* 37/F Tower 1 Enterprise Center 6766 Ayala Avenue, Makati City Minority Shareholders	PCD Nominee Corporation* 37/F Tower 1 Enterprise Center 6766 Ayala Avenue, Makati City	Filipino	120,785,886	11.41%

NOTE: Social Security System (SSS) is the only entity/person which holds more than 5% of the company's outstanding capital shares under the PCD Nominee Corporation with 52,676,801 shares (4.98%)

Common	Social Security System** East Avenue, Diliman Quezon City Principal Shareholders	Social Security System** East Avenue, Diliman Quezon City	Filipino	115,132,533	10.88%

***The respective proxies of these corporate shareholders are appointed by their respective Board of Directors and the Company becomes aware of the identity of such proxies only when the corresponding proxy appointments are received by the Company. Based on previous meetings, Mr. Jon Ramon M. Aboitiz and/or Mr. Erramon I. Aboitiz have been appointed proxies for Aboitiz Group, Ms. Nina D. Aguas has been appointed proxy for the Insular Life Assurance, Co., Inc, and Mr. Emmanuel F. Dooc has been appointed proxy for the SSS Group.*

**The PCD, represented by its Associate Directors, Theresa Ravalo and Josephine F. dela Cruz, only holds legal title, and not beneficial ownership over, the lodged shares.*

**UnionBank has no stock options, warrants, rights or similar declarations as of report date.*

III. Security Ownership of Management

The following are the number of shares comprising the Bank's capital stock (all of which are voting shares) owned of record by the directors, Chief Executive Officer, key officers of the Bank, and nominees for election as director as of March 31, 2018:

Name of Beneficial Owner	Number of Shares, Amount and Nature of legal and beneficial Ownership	Citizenship	Address	% of Class
Jon Ramon M. Aboitiz	319 (r) P3,190.00	Filipino	NAC Tower, 32nd Street Bonifacio Global City Taguig City	0.00%
Jon Ramon M. Aboitiz	8,235,844 (b) P82,358,440.00	Filipino	NAC Tower, 32nd Street Bonifacio Global City Taguig City	0.78%
Stephen G. Paradies	6,712 (r) P67,120.00	Filipino	NAC Tower, 32nd Street Bonifacio Global City Taguig City	0.00%
Stephen G. Paradies	693,000 (b) P6,930,000.00	Filipino	NAC Tower, 32nd Street Bonifacio Global City Taguig City	0.07%
Erramon I. Aboitiz	330,319 (r) P3,303,190	Filipino	NAC Tower, 32nd Street Bonifacio Global City Taguig City	0.03%
Erramon I. Aboitiz	9,545,997 (b) P95,459,970.00	Filipino	NAC Tower, 32nd Street Bonifacio Global City Taguig City	0.90%
Luis Miguel Aboitiz	1,547,777 (r) P15,477,770.00	Filipino	NAC Tower, 32nd Street Bonifacio Global City Taguig City	0.14%
Luis Miguel Aboitiz	1,028,280 (b) P10,282,800.00	Filipino	NAC Tower, 32nd Street Bonifacio Global City Taguig City	0.10%
Francisco S.A. Sandejas	16 (r) P160.00	Filipino	Unit 1704 A Three Salcedo Place Tordesillas St., Makati City	0.00%
Justo A. Ortiz	2,779,583 (r) P27,795,830.00	Filipino	c/o Union Bank of the Philippines	0.26%
Justo A. Ortiz	9,165 (b) P91,650.00	Filipino	c/o Union Bank of the Philippines	0.00%
Manuel R. Lozano	1,000 (b) P10,000	Filipino	NAC Tower, 32nd Street Bonifacio Global City Taguig City	0.00%
Edwin R. Bautista	270,000 (r) P2,700,000.00	Filipino	c/o Union Bank of the Philippines	0.03%
Francisco Ed. Lim	1 (r) P10.00	Filipino	c/o IL Corp. Center, Insular Life Drive, Filinvest, Alabang, Muntinlupa City	0.00%
Francisco Ed. Lim	4,290 (b) P42,900.00	Filipino	c/o IL Corp. Center, Insular Life Drive, Filinvest, Alabang, Muntinlupa City	0.00%

Carlos B. Raymond Jr.	107 P1,070.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Carlos B. Raymond Jr.	6,600 P66,000.00	(b)	Filipino	c/o Union Bank of the Philippines	0.00%
Reynato S. Puno	107 P1,070.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Emmanuel F. Dooc	1 P10.00	(r)	Filipino	c/o SSS, Diliman, Quezon City	0.00%
Michael G. Regino	1 P10.00	(r)	Filipino	c/o SSS, Diliman, Quezon City	0.00%
Sabin M. Aboitiz	200,507 P2,005,070.00	(r)	Filipino	NAC Tower, 32nd Street Bonifacio Global City Taguig City	0.02%
Sabin M. Aboitiz	126,130 P1,261,300.00	(b)	Filipino	NAC Tower, 32nd Street Bonifacio Global City Taguig City	0.01%
Nina Perpetua D. Aguas	1 P10.00	(r)	Filipino	c/o IL Corp. Center, Insular Life Drive, Filinvest, Alabang, Muntinlupa City	0.00%
Eugene Acevedo	161,597 P1,615,970.00	(r)	Filipino	c/o Union Bank of the Philippines	0.02%
Roberto F. Abastillas	350,116 P3,501,160.00	(r)	Filipino	c/o Union Bank of the Philippines	0.03%
Roberto F. Abastillas	9,710 P97,100.00	(b)	Filipino	c/o Union Bank of the Philippines	0.00%
Ramon G. Duarte	98,222 P982,220.00	(r)	Filipino	c/o Union Bank of the Philippines	0.01%
Joyce S. Gonzalez	253,204 P2,532,040.00	(r)	Filipino	c/o Union Bank of the Philippines	0.02%
Angelo Dennis L. Matutina	29,216 P292,160.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Manuel De Guzman Santiago Jr.	19,643 P196,430.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Michaela Sophia E. Rubio	25,649 P256,490.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Antonio Agustin Sayo Fajardo	167,128 P1,671,280.00	(r)	Filipino	c/o Union Bank of the Philippines	0.02%
Raquel P. Palang	16,021 P160,210.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Raquel P. Palang	825 P8,250.00	(b)	Filipino	c/o Union Bank of the Philippines	0.00%
Ramon E. De Vera III	23,803 P238,030.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Ramon E. De Vera III	10 P10.00	(b)	Filipino	c/o Union Bank of the Philippines	0.00%
Julie C. Go	228,277 P2,282,770.00	(r)	Filipino	c/o Union Bank of the Philippines	0.02%
Catherine Anne B. Casas	3,204 P32,040.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Ma. Cecilia Teresa S. Bernad	34,894 P348,940.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%

Catherine M. Cheung	17,252 P172,520.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Gerard Dela Rosa Darvin	26,192 P261,920.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Rebecca M. Dela Cruz	34,051 P340,510.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Joy Valerie B. Gatdula	67,586 P675,860.00	(r)	Filipino	c/o Union Bank of the Philippines	0.01%
Marie Aimee S. Tumao	468,692 P4,686,920.00	(r)	Filipino	c/o Union Bank of the Philippines	0.04%
Derrick J. Nicdao	3,684 P36,840.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Jo-Ann Fatima L. Tolentino	143,307 P1,433,070	(r)	Filipino	c/o Union Bank of the Philippines	0.01%
Edzel Babas	25,400 P254,000.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Myrna E. Amahan	2,362 P23,620.00	(b)	Filipino	c/o Union Bank of the Philippines	0.00%
Hannah Theresa S. Contreras	23,768 P237,680.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Socorro Jessymel T. Cruz	36,296 P362,960.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Rachel Christine T. Geronimo	10,318 P103,180.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Lalaine Ann L. Batac	140 P1,400.00	(b)	Filipino	c/o Union Bank of the Philippines	0.00%
Stella Marie L. Layug	2,083 P20,830.00	(b)	Filipino	c/o Union Bank of the Philippines	0.00%
Ma. Eloisa Jovita M. Mariano	4,806 P48,060.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Enrique A. Santos	4,101 P41,010.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Fides C. Tiongson	50,683 P506,830.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Jose O. Maria Roxas	4 P40.00	(b)	Filipino	c/o Union Bank of the Philippines	0.00%
Luis Alberto A. Castaneda	3,252 P32,520.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%
Carlo I. Eñanosa	9,500 P95,000.00	(b)	Filipino	c/o Union Bank of the Philippines	0.00%
Carlo I. Eñanosa	5,000 P50,000.00	(b)	Filipino	c/o Union Bank of the Philippines	0.00%
Jonathan Z. Almeda	2,973 P29,730.00	(r)	Filipino	c/o Union Bank of the Philippines	0.00%

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors as a group as of March 31, 2018 is 27,199,848 shares equivalent to 271,998,480 @ P10.00/share which is approximately 2.53% of the Bank's outstanding capital stock.

"r" represents record ownership
"b" represents beneficial ownership at par value of P10.00/share

3. There is no existing voting trust agreement involving shares of the Bank.
4. There was no change in control that occurred in the Bank since the beginning of the last fiscal year.

Item 5. Directors and Executive Officers

A. Directors and Nominees:

The following are the names of the nominee Directors of the Bank who have been pre-screened and certified qualified by the Nominations Committee of the Board pursuant to SRC Rule No. 38, the BSP's Manual of Regulations for Banks, SEC Code of Corporate Governance and the Bank's Revised Manual on Corporate Governance, at the meeting held on March 1, 2018 by the following Nomination Committee Members:

1. Jon Ramon M. Aboitiz - Chairman
2. Justo A. Ortiz - Member
3. Erramon I. Aboitiz - Member
4. Nina D. Aguas - Member
5. Chief Justice Reynato S. Puno (ret.) - Member/ Independent Director
6. Michaela Sophia E. Rubio - Non-Voting Member (HR Director)

NOMINEES	AGE	CITIZENSHIP	POSITION	Period during which individual has served as such
Justo A. Ortiz	60	Filipino	Chairman Chairman & CEO	January 1, 2018 to present July 23, 1993 to December 31, 2017
Jon Ramon M. Aboitiz	69	Filipino	Vice-Chairman Director	June 01, 2001 to present May 24, 1996 to January 01, 1998 October 11, 1988 to May 31, 2001
Erramon I. Aboitiz	61	Filipino	Director	July 23, 1993 to present October 11, 1988 to April 23, 1993
Sabin M. Aboitiz	53	Filipino	Director	May 24, 2013 to present
Luis Miguel O. Aboitiz	53	Filipino	Director	May 23, 2014 to present
Manuel R. Lozano	47	Filipino	Director	May 26, 2017 to present
Emmanuel F. Dooc	68	Filipino	Director	December 16, 2016 to present
Michael G. Regino	56	Filipino	Director	March 7, 2018 to present
Nina D. Aguas	65	Filipino	Director	January 4, 2016 to present
Edwin R. Bautista	57	Filipino	President & CEO President & COO Director	January 1, 2018 to present January 1, 2016 to December 31, 2017 January 4, 2016 to present
INDEPENDENT DIRECTORS				
Carlos B. Raymond, Jr.	77	Filipino	Independent Director	May 25, 2012 to present
Reynato S. Puno	77	Filipino	Independent Director	January 1, 2013 to present

Francisco S.A. Sandejas	50	Filipino	Independent Director	May 23, 2014 to present
Erwin M. Elechichon	58	Filipino	Independent Director	For election on May 25, 2018
Roberto G. Manabat	71	Filipino	Independent Director	For election on May 25, 2018

UnionBank's Independent Directors, namely, Messrs. Mr. Carlos B. Raymond, Jr., retired Supreme Court Chief Justice Reynato S. Puno, Dr. Francisco S.A. Sandejas, Mr. Erwin M. Elechicon and Mr. Roberto G. Manabat possess the qualifications and none of the disqualifications of an independent director. They have complied with all the requirements of the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC), and the Bank's Manual on Corporate Governance for their respective positions. They were nominated by the nominees to the Board of Directors of Aboitiz Equity Ventures, Inc. (AEV) thru Mr. Jon Ramon M. Aboitiz, The Insular Life Assurance Company Ltd. (IL) thru Ms. Nina D. Aguas, and Social Security System (SSS) thru President and CEO, Mr. Emmanuel F. Dooc. They are not related to the nominees. They are eligible for election as Independent Directors at the forthcoming Annual Stockholders' meeting on May 25, 2018. The Certifications of Qualification of Mr. Carlos B. Raymond, Jr., retired Supreme Court Chief Justice Reynato S. Puno, Dr. Francisco S.A. Sandejas, Mr. Erwin M. Elechicon and Mr. Roberto G. Manabat are hereto attached as **Annexes "A", "A-1", "A-2", "A-3" and "A-4"**, respectively.

BUSINESS EXPERIENCE:

The following is a brief description of the business experience of each of the directors/nominees of the Bank:

Justo A. Ortiz, serves as Chairman of the Bank. He is currently the Chairman of City Savings Bank, Inc., Union Properties, Inc. and Philippine Payments Management, Inc.; Director of Aboitiz Equity Ventures, Inc.*; and member of the Management Association of the Philippines, Rotary Club of Manila, Philippine Trade Foundation, Inc. and World Presidents Organization. He was the Chief Executive Officer of UnionBank from 1993 to 2017. Prior to his stint in UnionBank, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank N.A. He graduated Magna Cum Laude with a degree in Economics from Ateneo de Manila University.

Jon Ramon M. Aboitiz, serves as the Vice-Chairman of the Board of the Bank. He is currently Chairman of Aboitiz & Co., Inc. and Aboitiz Equity Ventures, Inc.*, a Cebu-based investment and management enterprise engaged in numerous and diverse business concerns ranging from power-generation and distribution, banking and financial services, real estate development, construction, food, ship building and cement.

Mr. Aboitiz began his career with the Aboitiz Group in 1970 after graduating from Sta. Clara University, California, with a B.S. Commerce Degree majoring in Management. He became President of Aboitiz & Company in 1991 until 2008. He was President and CEO of Aboitiz Equity Ventures, Inc.* from 1993-2008.

Presently, he holds various positions in the Aboitiz Group including Vice Chairman of Aboitiz Power Corporation*, Vice Chairman of Union Bank of the Philippines* and Chairman of the Bank's Committees namely: Executive Committee, Risk Management Committee and Nominations Committee; Vice Chairman, Compensation and Remuneration Committee, and Corporate Governance Committee. Mr. Aboitiz is a director of ICTSI* and is a member of its Audit Committee. He is also a Director of Bloomberry Resorts Corporation* and is a member of its Audit Committee. He is the Chairman and CEO of the Ramon Aboitiz Foundation, a trustee and a member of the Executive Committee of The Philippine Business for Social Progress, a member of the Board of Advisors of the Coca-Cola Export Corporation (Philippines) and Pilipinas KAO Corporation.

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Edwin R. Bautista, serves as President and Chief Executive Officer of the Bank. He is also currently Director of UnionBank*, City Savings Bank, Inc., Union Properties, Inc., First Union Plans, Inc. and First Union Direct Corp. He was the Chief Operating Officer of the Bank from January 1, 2016 to December 31, 2017. He also served as Senior Executive Vice President of the Bank from 2011 to 2015. He acted as President of the International Exchange Bank in 2006 until its merger with UnionBank. He was Senior Vice-President of UnionBank from 1997 to 2001 and Executive Vice President from 2001 to 2011. He previously worked as Senior Brand Manager at Procter and Gamble, Marketing and Sales Director of the Philippines and Guam at American Express International and Vice President/Group Head of Transaction Banking at Citibank.

Erramon I. Aboitiz, serves as Director of the Bank. He is also the Vice Chairman of City Savings Bank, Inc. He is currently the President and Chief Executive Officer of Aboitiz Equity Ventures, Inc.* and he holds the same position at Aboitiz & Company, Inc. He is the Chief Executive Officer of Aboitiz Power Corporation*. He is currently the Chairman and Chief Executive Officer of Aboitiz Land, Inc. He is also the Chairman of Aboitiz InfraCapital, Inc. Aboitiz Renewables, Inc., Therma Power, Inc., SN Aboitiz Power, San Fernando Electric Light and Power Co., and Aboitiz Foundation, Inc. He also sits as Director of Pilmico Foods Corp., Davao Light and Power Co., Cotabato Light & Power Co. and Philippine Disaster Recovery Foundation.

Sabin M. Aboitiz, serves as Director of the Bank. He is the President and Chief Executive Officer of Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, and FilAgri Holdings, Inc. He is also the President of Aboitiz InfraCapital, Inc., AEV Aviation, Inc., and AEV-CRH Holdings, Inc., wholly-owned subsidiaries of Aboitiz Equity Ventures (AEV)*. He is also the Executive Vice President and Chief Operating Officer of Aboitiz Equity Ventures, Inc.*. Concurrently, he is the President of Philippine Flour Millers Association, Inc. (PAFMIL). He sits as Director of Aboitiz Land, Inc., Republic Cement & Building Materials, Inc., Republic Cement Services, Inc., CRH Aboitiz Holdings, Inc., AP Renewables, Inc., Apo Agua Infrastructura, Inc., Manila Oslo Renewable Enterprises, Inc., Neptune Hydro, Inc., Petnet Inc., Filagri Inc, Filagri Holdings, Inc., Pilmico Bioenergy, Inc., Pilmico International Pte Ltd, Pilmico Foods Corporation, Pilmico VHF Joint Stock Company, Aboitiz InfraCapital, Inc., AEV Aviation, Inc., and AEV-CRH Holdings, Inc., and Weather Philippines Foundation Inc. as Chairman of the Board of Trustees.

He spent much of his professional life with Aboitiz Transport, Inc. and his last position was as President and Chief Executive Officer of one of its subsidiaries, Aboitiz One, Inc. (owner of the 2GO brand) which is now called 2GO Group, Inc.* He graduated from Gonzaga University in the USA with a B.S. Business Administration Degree majoring in Finance.

Luis Miguel O. Aboitiz, serves as Director of the Bank. He is currently EVP and COO for the Corporate Business group of Aboitiz Power Corporation*. He also held various positions for several Aboitiz subsidiaries including Pilmico Animal Nutrition Corporation, Aboitiz Foundation Inc., Aseagas, Aboitiz Power Renewables, Inc., HEDCOR, Inc., SN Aboitiz Power Magat, Inc., SN Aboitiz Power Benguet, Inc., Manila-Oslo Renewable Enterprise, Inc., and STEAG State Power Inc. He is also a Director of Semiconductor and Electronics Industries in the Philippines Foundation, Inc. Mr. Aboitiz earned a BS Computer Engineering degree from Santa Clara University, California, USA and obtained his Master's Degree in Business Administration from University of California at Berkeley, California, USA.

Manuel R. Lozano, serves as Director of the Bank. He is currently the Senior Vice President and Chief Financial Officer of Aboitiz Equity Ventures, Inc.*. He was the Chief Financial Officer of Aboitiz Power Corporation* from January 2014 to May 2015. He was also the Chief Financial Officer of the Aboitiz Power Generation Group and AP Renewables, Inc. from December 2008 to December 2013. Prior to joining the Aboitiz Group, Mr. Lozano was the Chief Financial Officer and Director of PAXYS, Inc. and held various positions in financial institutions including Jardine Fleming & CLSA.

Mr. Lozano graduated with a Bachelor of Science degree in Business Administration from the University of the Philippines (Diliman) and holds an MBA degree from The Wharton School of the University of Pennsylvania.

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Emmanuel F. Dooc, serves as Director of the Bank. He is the President and CEO of SSS from his appointment on November 17, 2016 to present. He was the former Commissioner of the Insurance Commission and member of the Anti-Money Laundering Council from January 2011 to November 2016. He is also an Honorary Insurance Commissioner of the State of Louisiana, USA.

He is an international of the NATIONAL Association of Insurance Commissioners and Centre for Policy and Research, a Master Fellow in Life Office Management Institute (US), an Associate in Claims of the International Claims Association, and a Fellow of the Institute of Corporate Directors.

He also completed the following:

A Professional Certificate Course in Anti-Corruption under the International Centre for Parliamentary Studies in London, United Kingdom; the Strategic Management Program in the College of Insurance, New York; and the Executive Management Program for Senior Government Officials in John F. Kennedy School of Government in Harvard University, Massachusetts, USA.

Mr. Dooc had served as the Senior Vice President, General Counsel, and Chief Compliance and Governance Officer of the Philam Group of Companies, Vice President for Claims of the American International Assurance in Hong Kong and South East Asia, a Tax Lawyer of SGV and was a practicing lawyer. He graduated from Mabini Colleges, earning a Bachelor of Science degree in Elementary Education and later obtained a Certificate of Teaching the Visually Impaired from Philippine Normal College. He received his Bachelor of Laws degree from San Beda College.

Michael G. Regino, serves as Director of the Bank. He is presently a Member of the Board of the Social Security Commission (SSC) and since February 28, 2017, a Director of Philex Mining Corporation*. Preceding from his appointment as Commissioner of the SSC on October 27, 2016, he engaged in multifarious activities which marked the significant milestones in his career.

He served as the President and member of the Board of Directors of San Agustin Services, Inc., Agata Mining Ventures, Inc. and Exploration Drilling Corp.; as the Senior Vice President and Chief Operating Officer of St. Augustine Gold and Copper Ltd.; and, as the Executive Director of TVI Resources Development Phils., Inc. He also became one of the members of the Board of Directors of Nationwide Development Corporation and KingKing Mining Corp., where he took charge of the Davao operations.

He also gained expertise in the field of real estate development and property management when he served as the President of Golden Haven Memorial Parks, Inc., Camella Homes, and MGS Group of Companies. He also once shared his competence in other industries such as Northern Foods, Corp., Kilusang Kabuhayan at Kaunlaran, and the Ateneo de Zamboanga University, where he served as Finance and Treasury Manager, Chief Financial Specialist, and Instructor in Economics, respectively.

Mr. Regino graduated Cum Laude and Salutatorian from the Ateneo de Zamboanga University in 1981, with a degree of Bachelor of Science, Major in Economics. He later obtained his Masters in Business Administration in 1985 from the Ateneo de Manila University.

Nina Perpetua D. Aguas, serves as Director of the Bank. She also sits as Director of City Savings Bank, Inc. She is currently the Executive Chairman of the Board of Trustees of The Insular Life Assurance Co., Ltd. She was the President and Chief Executive Officer of Philippine Bank of Communications* from August 2012 to March 2015. Prior to this, she was the Managing Director for Private Banking, Asia-Pacific at ANZ Banking Group Ltd., Singapore. She also held various positions with Citigroup Inc. - Managing Director for Corporate Center Compliance, New York; Country Business Manager, Global Consumer Group, Philippines; Head of Sales & Distribution, Global Consumer Group, Philippines; and Regional Audit Director, Citigroup, Asia-Pacific. She is currently the Chairman of the Board of the following Insular Life Subsidiaries- Insular Health Care, Inc.; Insular Investment Corporation, Home Credit Mutual Building & Loan Association, Inc.; Insular Foundation, Inc.; Chairman of the Board of Directors & CEO of Insular Life Management and Development Corporation (ILMADECO); Chairman of the Board of Directors & President of Insular Life Property Holding, Inc. Director of the following Companies: Pilipinas Shell Petroleum Corporation*; and Shell Company of the Philippines, Ltd.

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Carlos B. Raymond, Jr., serves as Independent Director of the Bank. He is also the Chairman of the Audit Committee of the Bank and member of the Bank's committees namely: Operations Risk Management Committee, Corporate Governance Committee, Risk Management Committee, Compensation and Remuneration Committee, and Related Party Transaction Committee. He is also a Director/Corporate Secretary of Manuel Teves, Inc., a Negros- based sugarcane plantation, and Chairman of Pacific Healthcare Philippines, Inc. He is a member of the Board of Trustees of Payatas Orione Foundation Inc. and Dualtech Training Center Foundation, Inc. He retired from Eli Lilly and Company in 2003. He graduated from the University of the Philippines with a degree of B.S. Business Administration.

Reynato S. Puno, serves as Independent Director of the Bank. He was Chief Justice of the Supreme Court of the Philippines from 2007 to 2010. He also serves as an Independent Director of San Miguel Corporation* and San Miguel Brewery Hongkong, Ltd.; Commissioner, PT Delta DJakarta Tbk.; and Board Member of Manila Standard Today. He also held various positions in the government, including Assistant Solicitor General in the Office of the Solicitor General from 1971 to 1982; Associate Justice in the Intermediate Appellate Court from 1983 to 1984; Deputy Minister in the Ministry of Justice from 1984 to 1986; Associate Justice of the Court of Appeals from 1986 to 1993; and Associate Justice of the Supreme Court from 1993 to 2007.

Dr. Francisco "Paco" S.A. Sandejas, serves as Independent Director of the Bank. He is also the Chairman of the Technology Steering Committee of the Bank. He is Managing Founder at Narra Ventures, a boutique early-stage investment group that has invested in over 35 high-technology companies, with some notable companies being Inphi (NYSE: IPHI), SiRF (NASDAQ: QCOM), Amulaire, Quintic (NASDAQ: NXPI), Calypto (NASDAQ: MENT) and Sandbridge. He is also the Founder and CEO of Xepto Digital Education, a system developer and integrator of the most innovative platform for the delivery of Digital Education content and tools for schools of the developing world. He co-founded and chairs Stratpoint Technologies, Inc. one of SouthEast Asia's leading software consulting firms for Digital Transformation. He also serves as Independent Director of Sun Life of Canada (Philippines), Inc. and Sun Life Financial Plans, Inc.

At Stanford where he completed his Ph.D. and M.S. in Electrical Engineering, he co-invented the Grating Light Valve (GLV), one of Stanford's top IP money-makers. He was the first summa cum laude of University of the Philippines-Diliman's Applied Physics program and was awarded Ten Outstanding Students of the Philippines. Paco holds 5 international patents in nanotechnology and optoelectronics.

An active trustee of the Philippine Development Foundation and co-founder of the Brain Gain Network (www.BGN.org), Paco advices various agencies of the Philippine Government, De La Salle University and the University of the Philippines. He has worked at H&Q Asia Pacific, Applied Materials and Siliscape.

Erwin M. Elechicon, is nominated for election as Independent Director of the Bank. He is presently the Chairman of the Board of Directors of Silver Machine Digital Communications, Inc. He is also a member of the Board of Directors of Alliance Select Foods International, Inc.* and a founding Partner of the T88C Company. He was also a former member of the Board of Directors of Petronas Dagangan Berhad, Malaysia and U-BIX Philippines Corporation. He started his career with The Procter & Gamble Company and stayed for over 26 years until he left in 2005 as Vice President – Fabric & Home Care for the ASEAN/ Australasia/ India Region. He then became the President of Greenwich Pizza Company from 2006-2008 and Fresh N' Famous Foods, Inc. (Chowking) from 2008-2010. He was also the Head of International Business Development of Jollibee Foods Corporation from 2010-2011. In addition to working in entrepreneurial pursuits, Mr. Elechicon is the Vice Chairman and member of the Board of Trustees of Ateneo de Iloilo, Inc. and the President and member of the Board of Trustees of the P&Gers Fund, Inc.

He graduated *Cum Laude* with a degree in Economics from Ateneo de Manila University. He also attended courses in Finance and Marketing at Columbia University and at Kellogg School of Management, respectively.

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Roberto G. Manabat, is nominated for election as Independent Director of the Bank. He is a Certified Public Accountant. He is currently the Chairman Emeritus of KPMG R.G. Manabat & Co., a member firm of KPMG International. He is also a member of the Board of Trustees of the Institute of Corporate Directors and an Adviser on Corporate Governance of SM Investments Corporation*. As the first General Accountant of the Securities and Exchange Commission (SEC) from 2003-2005, he set up the mechanism for effective financial reviews of the financial reports submitted by listed and other public companies being regulated by the SEC. His past experience involves: Chairman and Chief Executive Officer of KPMG R.G. Manabat & Co.; a member of the Global Council of KPMG International; a member of the Asia-Pacific Board of KPMG International; Chairman of Auditing & Assurance Standards Council; Consultant of the SEC; and Partner of SyCip Gorres Velayo & Co., among others. Mr. Manabat has about 40 years of track record in the field of accountancy and has been a prominent advisor to many corporate and government agencies on good governance principles and practices.

Mr. Manabat graduated from the University of the East with a degree in Business Administration. He obtained his Master in Business Administration from Asian Institute of Management.

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B. Executive Officers:

The Executive Officers of the Bank, and their respective age, citizenship and position as of March 31, 2018, are as follows:

NAME	AGE	CITIZENSHIP	POSITION	Period during which individual has served as such
Edwin R. Bautista	57	Filipino	President and Chief Executive Officer	January 1, 2018 to present
			President and Chief Operating Officer	January 1, 2016 to December 31, 2017
			Senior Executive Vice President – Transaction Banking, Commercial Banking and Channel Management Centers	November 1, 2011 to December 31, 2015
			Executive Vice President – Retail Banking Center	April 27, 2001 to October 31, 2011
Eugene S. Acevedo	54	Filipino	Senior Executive Vice President - Chief Mass Market and Financial Inclusion Executive	January 1, 2018 to present
			Senior Executive Vice President – Retail & Corporate Banking Centers	November 1, 2011 to December 31, 2017
Henry Rhoel R. Aguda	49	Filipino	Senior Executive Vice President – Chief	August 1, 2016 to present

			Chief Technology and Operations Officer and Chief Transformation Officer	
Jose Emmanuel U. Hilado	54	Filipino	Senior Executive Vice President – Chief Financial Officer and Treasurer	July 1, 2017 to present
Frederick E. Claudio	53	Filipino	Executive Vice President - Center Head – Corporate Banking Senior Vice President and Center Head – Corporate Banking First Vice President Vice President	August 1, 2017 to present August 1, 2015 to July 31, 2017 May 29, 2009 to July 31, 2015 April 27, 2001 to May 28, 2009
Mary Joyce S. Gonzalez	59	Filipino	Executive Vice President – Retail Banking Center Head Senior Vice President First Vice President	August 1, 2015 to present June 1, 2010 to July 31, 2015 May 24, 2002 to June 1, 2010
Angelo Dennis L. Matutina	54	Filipino	Executive Vice President - Channel Management Center Head Senior Vice-President	August 1, 2015 to present May 1, 2009 to July 31, 2015
Manuel G. Santiago, Jr.	58	Filipino	Executive Vice President – Consumer Finance Center Head Senior Vice-President – Consumer Finance Business Head	August 1, 2017 to present December 14, 2007 to July 31, 2017
Roberto F. Abastillas	57	Filipino	Senior Vice President - Deputy Center Head, Commercial Banking Senior Vice President and Head – Commercial Banking 1	August 1, 2017 to present August 28, 2006 to July 31, 2017

Atty. Arlene Joan T. Agustin	49	Filipino	Senior Vice President – Trust Officer	February 5, 2018 to present
Francis B. Albalate	47	Filipino	Senior Vice President – Controller	July 1, 2016 to present
Feliciano A. Angue	62	Filipino	Senior Vice President - Chief Security Officer and Head of Business Services Group First Vice President - Chief Security Officer and Head of Security Management Vice President - Chief Security Officer	August 1, 2015 to present June 28, 2013 to July 31, 2015 August 1, 2011 to June 27, 2013
Paolo Eugenio J. Baltao	46	Filipino	Senior Vice President – EON Banking Head	December 1, 2014 to present
Atty. Joselito V. Banaag	47	Filipino	Senior Vice President - General Counsel and Corporate Secretary	November 16, 2015 to present
Marita E. Bueno	49	Filipino	Senior Vice President - Head of Decision Science and Business Analytics Group	August 3, 2015 to present
Ramon G. Duarte	53	Filipino	Senior Vice President - Head of Platform Development Group	June 23, 2006 to present
Dennis D. Omila	45	Filipino	Senior Vice President - Chief Information Officer	November 16, 2016 to present
John Cary L. Ong	44	Filipino	Senior Vice President – Transaction Banking Center Head	January 10, 2016 to present
Ronaldo Francisco B. Peralta	54	Filipino	Senior Vice President - Chief Risk Officer	November 3, 2014 to present
Michaela Sophia E. Rubio	53	Filipino	Senior Vice-President - HR Director First Vice President and HR Director	June 1, 2014 to present June 1, 2012 to May 31, 2014
Myrna E. Amahan	57	Filipino	First Vice President - Internal Auditor Vice President -	August 1, 2016 to present June 23, 2006 to July 31, 2016

			Internal Auditor Assistant Vice President - Internal Auditor Assistant Vice President – OIC, Internal Auditor	 March 31, 2006 to June 23, 2006 February 9, 2001 to March 31, 2006
Ana Maria A. Delgado	37	Filipino	First Vice President – Deputy Center Head of Consumer Finance and Chief User Experience Vice President – Business Head, Credit Card Business Assistant Vice President – Sales and Marketing Director for Cards Assistant Vice President – Group Head, SME Banking	July 1, 2017 to present November 1, 2014 to June 30, 2017 May 1, 2013 to October 31, 2014 June 15, 2011 to April 30, 2013
Atty. Mary Joyce M. Sasan	42	Filipino	Vice President - Chief Compliance and Corporate Governance Officer Assistant Vice President - Chief Compliance and Corporate Governance Officer	July 1, 2017 to present November 16, 2013 to June 30, 2017

BUSINESS EXPERIENCE:

The following is a brief description of the business experience of each of the Executive Officers of the Bank:

Edwin R. Bautista, serves as President and Chief Executive Officer of the Bank. He is also currently Director of UnionBank*, City Savings Bank, Inc., Union Properties, Inc., First Union Plans, Inc. and First Union Direct Corp. He was the Chief Operating Officer of the Bank from January 1, 2016 to December 31, 2017. He also served as Senior Executive Vice President of the Bank from 2011 to 2015. He acted as President of the International Exchange Bank in 2006 until its merger with UnionBank. He was Senior Vice-President of UnionBank from 1997 to 2001 and Executive Vice President from 2001 to 2011. He previously worked as Senior Brand Manager at Procter and Gamble, Marketing and Sales Director of the Philippines and Guam at American Express International and Vice President/Group Head of Transaction Banking at Citibank.

Eugene S. Acevedo, holds the position of Senior Executive Vice President and Chief Mass Market and Financial Inclusion Executive. He also serves as Chairman of City Savings Bank, Inc. He was previously President, Vice Chairman and Chief Executive Officer of Philippine National Bank* from May

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2010 to July 2011. Before that he was with Citibank for 23 years and his last posts with the firm were as Managing Director and Country Treasurer for Hong Kong, and Global Markets Head for Hongkong-Taiwan Cluster. From 1984 to 1985, he was a Physics lecturer at the University of the Philippines.

Henry Rhoel R. Aguda, holds the position of Senior Executive Vice President, Chief Technology and Operations Officer and Chief Transformation Officer of the Bank. He was a former Chief Information Officer of Globe Telecom, Inc*. He served as the Chief Technology Officer and Senior Vice President for the IT Group of the Government System Insurance Services (GSIS) and the Group Chief Information Technology Officer of Digitel Telecommunications Philippines. He was also the Chief Operations Officer and Chief Financial Officer of Nextel Communications Philippines. In addition to this, he has also worked with Fujitsu Philippines, Bayantel, and Computer Information Systems Inc. He was awarded ASEAN CIO of the Year in 2010 in the Government Sector by the International Data Group. Mr. Aguda obtained his degrees in Bachelor of Science in Mathematics and Juris Doctor in Law, both from the University of the Philippines. He is the author of the book, Data Privacy & Cybercrime Prevention in the Philippine Digital Age.

Jose Emmanuel U. Hilado, holds the position of Senior Executive Vice President, Chief Financial Officer and Treasurer of the Bank. He has more than 30 years of banking experience behind him and has held various positions in Treasury, Trading, Investments, Correspondent Banking, Bank Operations, Human Resources, and Purchasing. Prior to joining UnionBank, he was the Senior Executive Vice President and Chief Operating Officer of East West Bank Corporation*. He was also the Treasurer of Rizal Commercial Banking Corporation* for 6 years and Chief Trader at Banco De Oro Unibank* ("BDO") for 4 years.

While at BDO, he was also the Treasurer of BDO Private Bank for 3 years. He is currently a member of various industry-related associations such as the Bankers Association of the Philippines' Open Market Committee, Financial Executive Institute of the Philippines (FINEX), Money Market Association and ACI Philippines and the Philippine Interpretations Committee (PIC) representing industry. He was President of ACI Philippines from 2002 to 2006, and was its Director in 2004. ACI Philippines is a business organization for financial market professionals involved in foreign exchange, fixed income, and derivatives markets.

He obtained his Bachelor of Science degree in Business Economics at the University of the Philippines, and his MBA degree at Kellogg-Hong Kong University of Science and Technology. He is also a Certified Treasury Professional from the BAP- Ateneo Graduate School.

Frederick E. Claudio, holds the position of Executive Vice President and Center Head of the Corporate Banking of the Bank. He started his career in UnionBank as Relationship Manager from August 1995 to March 2001. From April 2001, he has expanded his career by taking on various roles including: Group Head for Corporate Banking and Commercial Banking, and Business Head for Cash Management Services and Corporate Banking Center until July 31, 2015.

Mary Joyce S. Gonzalez, holds the position of Executive Vice President and Center Head of Retail Banking of the Bank. She is also the Chairman of First Union Insurance and Financial Agencies, Inc. She started her career in Unionbank as Branch Manager of the Main Office Branch in 1994. After a few months, she was given an expanded role as Sales Director of the Makati 1 Region. Her stint as Sales Director over the years saw major growth in the deposit and fund generation business, and the development of a very capable sales management team. In recognition of her contribution to the business, Joyce was promoted to Senior Vice President and was given an additional task to develop and lead Customer Segment Management and bring greater customer centricity in UnionBank's pursuit in delighting its customers, given her seasoned abilities, and exposure in the business of Retail Banking.

Angelo Dennis L. Matutina, holds the position of Executive Vice President and Center Head of Channel Management of the Bank. As Channel Management Head, he led several projects in six sigma and certification to the International Organization for Standards relating to quality

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management and is responsible to the operations of all business processes including branches, treasury & trust, loans & trade, cash management & card operations, call center, shared services and business process transformation. Prior to this assignment, he was head of Branch Operations Management from 2011-2014, responsible for operations of all Unionbank branches; head of Business Network Management from 2002-2011, responsible for various head office operating units handling cash management, electronic banking, central processing services, admin & general services, accounting, reconcilement & financial services, among others. He was hired in Unionbank on March 2002 as First Vice President; previously he was Assistant Vice President in Citibank.

Manuel G. Santiago, Jr. holds the position of Executive Vice President and Center Head of Consumer Finance of the Bank. He previously worked as Director for Operations in American Express Bank in Indonesia and, prior to that, as Director for Operations in American Express International, Manila. He also held various positions in Citibank N.A., Manila.

Roberto F. Abastillas, holds the position of Senior Vice President and Center Head of Commercial Banking of the Bank. He was previously Senior Vice President and Head of the Account Management Center I at International Exchange Bank. From 1987 to 1995, he was Vice President and Head of the Account Management Group for United Coconut Planters Bank.

Atty. Arlene Joan R. Tanjuaquio-Agustin, holds the position of Senior Vice President and Trust Officer of the Bank. Atty. Agustin brought with her more than two decades of experience and expertise in Treasury and Trust. She started her career in banking in 1990 as an Assistant Manager in China Banking Corp*. In 1997, she transferred to Jade Progressive Savings and Mortgage Bank where she became the Senior Assistant Vice President. After her two-year stint, she went to join Robinsons Savings Bank Corp. and became its Head of Treasury. From 2007 to 2009, she worked for GE Money Bank where she was appointed as First Vice President and Treasurer. When GE Money Bank was acquired by BDO Unibank, Inc.*, she was appointed as the Customer Solutions Desk Head of the Treasury Capital Markets and Derivatives Division and the same time served as the First Vice President and Treasurer of BDO Elite Savings Bank until 2011. In the same year, she joined Maybank Philippines, Inc. where she became the Senior Vice President, Treasurer and Head of the Global Markets.

Atty. Agustin completed her bachelor's degree in Economics and Political Science from the University of the Philippines, Diliman. She earned her Juris Doctor degree at the Ateneo De Manila University and later took her Master's Degree in Business Administration at De La Salle University. She is a member of the Integrated Bar of the Philippines.

Francis B. Albalate holds the position of Senior Vice President and Financial Controller of the Bank. He is a Certified Public Accountant. Prior to joining the Bank, he was an Audit Partner at Punongbayan & Araullo from 2003 to 2011. He was a former Financial Services Industry Audit Leader at Deloitte Philippines from 2011 to 2016. He worked as Head of the Transaction Advisory Services from 2007 to 2009 and Audit Senior Manager from 1999 to 2003. He earned a Master's degree in Business Management from the Asian Institute of Management. He graduated with a degree in Bachelor of Science in Commerce, majoring in Accounting, from San Beda College. He attended the Pacific Rim Bankers Program at the University of Washington in 2006.

Admiral Feliciano A. Angue, AFP (Ret.) holds the position of Senior Vice President and the Head of Business Services Group and concurrent Chief Security Officer of the Bank. He has over 37 years of dedicated, professional and distinguished military service in the Armed Forces of the Philippines (AFP). Earned the reputation of being an effective leader and efficient manager in various positions of major responsibility, ultimately rising to a three-star General (Vice Admiral) Command Position in the AFP. He has since successfully transitioned into the private sector, particularly the banking business for nearly seven years. From his entry point as Chief Security Officer, he was given additional duties and responsibilities which involved handling six different groups in the main structure of the Bank now known as the Business Services Group.

**Listed in the Philippine Stock Exchange*

Paolo Eugenio J. Baltao holds the position of Senior Vice President and Head of EON Banking Group of the Bank. Prior to joining the Bank, he was the Head of M-Commerce/President of G-Xchange, Inc. (GXI), a wholly owned subsidiary of Globe Telecom*, handling the mobile commerce business. He was also the Category Manager of Rizal Commercial Banking Corporation* from June 2000 to December 2004; Electronic Products Officer of Equitable PCI Bank from November 1996 to May 2000; and Associate Brand Manager of United Laboratories from May 1992 to October 1994.

Atty. Joselito V. Banaag holds the position of Senior Vice President, Corporate Secretary, and General Counsel of the Bank. He was the former Head of the Legal and Compliance Division and Corporate Governance of GT Capital Holdings, Inc.* from 2012 to 2015. He also previously worked at the Philippine Stock Exchange* (PSE) as the General Counsel and concurrently, as Chief Legal Counsel of the Securities Clearing Corporation of the Philippines (SCCP). He was also Officer-in-Charge of the Exchange's Issuer Regulation Division. Prior to that, he held various positions in SGV & Co., Cayetano Sebastian Ata Dado & Cruz Law Offices, PNOC Exploration Corporation, and Padilla Jimenez Kintanar & Asuncion Law Offices.

He earned his Bachelor of Arts in Political Science minoring in Japanese Studies from the Ateneo de Manila University and his Bachelor of Laws from the University of the Philippines.

Marita E. Bueno holds the position of Senior Vice President and Head of Business Analytics of the Bank. She previously worked at Citibank for 17 years and JP Morgan Chase for 3 years in various roles and locations. Marita joined Citibank in New York in April 1994 and her experience includes Director for Regional Decision Management from August 2010 to July 2015 in Singapore; Chief of Staff for Regional Risk Management from September 2007 to August 2010 in Hong Kong; Vice President for Regional Decision Management from July 2005 to August 2007 in Singapore; Vice President for Risk Management from May 2004 to June 2005 in New York. At JP Morgan Chase in New York, she was the Vice President in Credit Risk Management from April 2002 to April 2004 and Small Business Financial Services Risk Management in November 2000 to April 2002.

Ramon G. Duarte holds the position of Senior Vice President and Head of Platform Development Group. He was previously Chief Technology Officer of Dotenable, Inc. from 2000-2001; Head of Electronic Banking Transaction Services at ABN AMRO Philippines from 1999 to 2000; and Assistant Vice President of Product Management under Global Transaction Services at Citibank from 1996 to 1999.

Dennis D. Omila holds the position of Senior Vice President and Chief Information Officer of the Bank. He was the former Senior Vice President of the Infrastructure Engineering and Service Operations cluster of Globe Telecom, Inc.* from 2014 to 2016. He was also the President and COO of NetX Technology Solutions, Inc. from 2002 to 2007. His certifications include Certified Information Systems Security Professionals (CISSP), Certified Check Point Security Instruction (CCSI), Certified Check Point Security Engineer (CCSE), Certified Check Point Security Administrator (CCSA), Vulnerability Assessment Specialist, Threat Assessment Specialist, Certified Core and Edge ATM Network Specialist (Fore Systems), Certified Networks Administrator (Nortel Networks), Certified SINIX, IRIX, Solaris and BSD UNIX Administrator and Business Continuity Certified Planner (BCCP). Mr. Omila is a graduate of De La Salle University with a degree in Bachelor of Science major in Computer Science with specialization in Computer Technology (BSCS-CT).

John Cary L. Ong holds the position of Senior Vice President and Center Head of Transaction Banking of the Bank. He is also currently the Chairman of the Steering Committee of PESONet, the first Automated Clearing House established under the National Retail Payments System framework of the Bangko Sentral ng Pilipinas. He has over 20 years of experience in banking and banking-related institutions such as Citibank, Deutsche Bank and Misys International Banking Systems where he held various positions in different areas – transaction banking, cash management, trade finance, trust, asset management, fixed-income brokerage, treasury operations and treasury systems. He was also an Assistant Instructor at Ateneo de Manila University teaching Managerial Accounting, Business Statistics and Operations Management from 1995-1999.

**Listed in the Philippine Stock Exchange*

Ronaldo Francisco B. Peralta holds the position of Senior Vice President and Chief Risk Officer of the Bank. He started his banking career with Citibank, N.A. (Manila, Philippines) in 1985, holding various positions in Correspondent Banking, Operations, Financial Control, Credit Risk and Relationship Management, with his last role being the Chief of Staff of the Citi Country Head in 2007. In November 2007, he joined the Australia and New Zealand Banking Group Limited, taking on different Risk roles such as Head of Wholesale Credit Decisioning (Manila Hub), Head of Wholesale Portfolio Management (Manila Hub/ Hong Kong), Senior Manager-Lending Services Asia (Hong Kong), Head of Early Alerts Team (Melbourne, Australia) and Risk Executive-Asia Pacific Risk (Melbourne, Australia). He also worked as Vice President/Team Head in the Corporate Banking Group of the Bank of the Philippine Islands, from June to October 2014.

Michaela Sophia E. Rubio holds the position of Senior Vice President, HR and Corporate Social Responsibility Director of the Bank. She joined the Bank in 2004 as Vice President and handled the Human Resource Services, Training and Organization Development divisions. Subsequently, she became the Deputy HR Director. Prior to joining the Bank, she was the Vice President and Country Human Resource, Quality and Corporate Communications Head in the Philippines of the global electrical and power company, Asea Brown Boveri (ABB) from 1999 - 2001. She worked from 2001 - 2003 as a Senior Consultant in OTi Consulting Singapore working with government owned and private organizations on Singapore Quality Class/Award, People Developer, Industry Capability Upgrading (ICAP) and Work Life and Work Redesign of which she was certified by SPRING Singapore. Before a career in Human Resource, she worked for ten years in the semiconductor and electronics manufacturing industry handling engineering and managerial functions in Statistical Process Control and Quality.

Myrna E. Amahan holds the position of First Vice President and Internal Auditor of the Bank. She is a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA) and has the designation of Certification in the Governance of Enterprise Information Technology (CGEIT). On top of these certifications in the field of internal audit and information technology, Mrs. Amahan is a qualified internal audit external validator, having undertaken the necessary training as well as passing the required exams. As qualified external validator, Mrs. Amahan is certified to conduct quality assessment of internal audit units as required under the International Standards for the Professional Practice of Internal Auditing.

She previously worked as supervising IS auditor at Equitable-PCI Bank from 1996 to 2000 and was Head of the System Consultancy Services of the Commission on Audit from 1993 to 1996. Also, while with the Commission on Audit, Mrs. Amahan was among the government auditors sent to various United Nations agencies to conduct information systems audit. Mrs. Amahan graduated Magna Cum laude with the degree of Bachelor of Science in Commerce Major in Accounting from the University of San Carlos. She obtained a Master's Degree in Public Management from the Development Academy of the Philippines in 1994.

Ana Maria A. Delgado holds the position of First Vice President, Deputy Center Head of Consumer Finance and Chief User Experience Officer of the Bank. She is also a Director of City Savings Bank, Inc., a subsidiary of the Bank. She is the Treasurer of the Weather Philippines Foundation from 2016 to present. She started her career with the Bank as a Product Manager under the Retail Banking Center. Prior to joining the Bank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008. She graduated with a Bachelor of Arts in Art History/Painting from Boston College and obtained her Master's Degree in Business Administration from New York University Stern School of Business in 2010.

Atty. Mary Joyce M. Sasan holds the position of Chief Compliance and Corporate Governance Officer of the Bank with a rank of Vice President. She joined the Bank as its AML-Compliance Officer on 06 November 2013 and was appointed to her current position by the Board of Directors on 20 December 2013. Prior to joining the Bank, she held various positions in TONGYANG Savings Bank, Inc., such as Chief Compliance Officer, General Counsel, Corporate Secretary, Head of Credit, Collections and HR/Admin Departments from 2006 to 2013. She started her career in banking as a

Litigation Lawyer and later, as Head of Collections Department of Citibank Savings, Inc. (formerly Insular Savings Bank) from 2002 to 2006.

Significant Employee

No person who is not an executive officer of the Bank is expected to make a significant contribution to the Bank.

Family Relationship among Directors

Chairman Justo A. Ortiz is a relative in the 6th degree of consanguinity (second cousin) of Directors Erramon I. Aboitiz, Sabin M. Aboitiz, Jon Ramon M. Aboitiz and Luis Miguel O. Aboitiz.

Ms. Ana Maria A. Delgado is a relative within the 3rd degree of consanguinity of Vice Chairman and Director Jon Ramon M. Aboitiz.

Involvement in Certain Legal Proceedings

The Bank is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

- any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, executive officer, or control person of the Corporation was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

- any conviction by final judgment in a criminal proceeding or being subject to a pending criminal proceeding of any director, person nominated to become a director, executive officer, or control person of the Bank;

- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director, person nominated to become a director, executive officer, or control person of the Corporation in any type of business or banking activities.

The Bank is a defendant/respondent in various legal actions, most of which are claims for damages arising in the ordinary course of business. The results of these actions, however, will not have a material effect on the Bank's financial position.

Certain Relationship and Related Transactions

1. There were no transactions during the last two (2) years with any director, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the company) which were not in the ordinary course of business. All related transactions, pursuant to the Bank's Revised Manual on Corporate Governance, are all entered into on arm's length standard. These transactions shall only be made and entered into substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks.

2. The Bank has no parent company.

3. Bank's significant transactions with its related parties are enumerated in Note 31 on Related Party Transactions of the Audited Financial Statements, pages 146-150.

Item 6. Compensation of Directors and Executive Officers

Information as to the aggregate compensation paid or accrued during the last two calendar years and to be paid in the ensuing calendar year to the Bank's Chief Executive Officer and four other most highly compensated executive officers are as follows:

Name	Principal Position	Year	Aggregate Compensation (net of bonuses)	Bonuses
Edwin R. Bautista	President and Chief Executive Officer	2018	149,791,459.65*	37,447,864.91*
Eugene S. Acevedo	Senior Executive Vice President – Chief Mass Market and Financial Inclusion Executive			
Henry Rhoel R. Aguda	Senior Vice President – Chief Technology & Operations Officer & Chief Transformation Officer			
Jose Emmanuel U. Hilado	Senior Executive Vice President – Chief Financial Officer and Treasurer			
Ronaldo Francisco B. Peralta	Senior Vice President – Chief Risk Officer			
Justo A. Ortiz	Chairman & Chief Executive Officer	2017	223,201,639.32	55,800,409.83
Edwin R. Bautista	President & Chief Operating Officer			
Eugene S. Acevedo	Senior Executive Vice President – Chief Mass Market and Financial Inclusion Executive			
Henry Rhoel R. Aguda	Senior Executive Vice President – Chief Technology & Operations Officer & Chief Transformation Officer			
Jesus Roberto Reyes	Senior Executive			

	Vice President – Treasurer & Chief Financial Officer			
Justo A. Ortiz Edwin R. Bautista Eugene S. Acevedo Henry Rhoel R. Aguda Jesus Roberto Reyes	Chairman & Chief Executive Officer President & Chief Operating Officer Senior Executive Vice President – Retail Banking and Corporate Banking Centers Senior Executive Vice President – Chief Technology & Operations Officer & Chief Transformation Officer Senior Executive Vice President – Treasurer & Chief Financial	2016	203,838,763.80	50,959,690.95
All other officers & directors as a group unnamed		2018 2017 2016	2,132,591,097.91* 2,019,107,027.28 1,710,744,195.96	533,147,774.48* 504,776,756.82 427,686,048.99

**estimated amount*

The non-executive directors receive per diems of P120,000.00 for each attendance in meeting of the Board except for the Chairman of the Board who receive P150,000.00, while the executive director who is the President and Chief Executive Officer receive per diem of P1,500.00 for each attendance in Board meetings and P3,000.00 for each committee meetings.

The Chairman of each committee is paid a per diem of P85,000.00 per meeting actually attended and a committee member attending a committee meeting receives per diem of P60,000.00. Per diem and bonuses of some directors who represent institutional shareholders are received for and on behalf of their institution.

The executive officers receive salaries, bonuses, and other standard bank benefits that are already included in the amounts stated above. There is no contract covering their employment.

There are no warrants or options held by the Bank's officers and directors.

Item 7. Independent Public Accountants

a) On February 23, 2018, the Board of Directors of the Bank approved the recommendation of its Audit Committee to appoint Sycip Gorres Velayo & Co. (SGV) as the new external auditor of the Bank for the fiscal year 2018. The same is endorsed for approval of the stockholders at the forthcoming Annual Stockholders Meeting on May 25, 2018.

   Ms. Irene Janet Alvarado-Paraiso, Assurance Partner of SGV, will be the Partner-in-Charge for the ensuing year 2018.

b) The current external auditor of the Bank is the accounting firm of Punongbayan & Araullo (P&A) for the fiscal year 2017. P&A has been engaged as the external auditor of the Bank with Mr. Anton L. Ng as the Partner-in-Charge for the audited financial statements for the year ended December 31, 2017.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are neither changes in, nor disagreements with, the external auditors on any of the accounting or financial disclosures.

Availability of Accountants

Representatives of P&A are expected to be present at the forthcoming Annual Stockholders Meeting and will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. The stockholders, pursuant to their authority to appoint UnionBank's Independent Public Accountant have delegated the selection or appointment of Independent Public Accountants to the Board of Directors. The Bank complies with SRC Rule 68 (3)(b)(ix) which prescribes the period for the assignment of the Engagement Partner of the external auditors. Should the 5-year limitation of such assigned partner be attained, the Bank will require the rotation of such engagement partner pursuant to said SRC Rule.

MEMBERS OF THE AUDIT COMMITTEE:

The following are the members of the Audit Committee of the Bank:

1. Carlos B. Raymond, Jr.	-	Chairman/Independent Director
2. Stephen G. Paradies	-	Vice Chairman
3. Nina D. Aguas	-	Regular Member
4. Michael G. Regino	-	Regular Member
5. Chief Justice Reynato S. Puno (Ret.)	-	Regular Member/Independent Director

ALTERNATE MEMBERS:

1. Sabin M. Aboitiz

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid of distributed.

C. ISSUANCE AND EXCHANGE SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Bank.

Item 10. Modification or Exchange of Securities

No action is to be taken with respect to the modification of any class of securities of the Bank, or the issuance or authorization for issuance of one class of securities of the Bank in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

Attached herewith is the copy of the Bank's Audited Financial Statements for the fiscal year-end December 31, 2017.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to any transaction involving (i) the merger or consolidation of the registrant into or with any other person or of any other person into or with the Bank; (ii) the acquisition by the Bank or any of its security holders of securities of another person; (iii) the acquisition by the Bank of any other going business or of the assets thereof; (iv) the sale or other transfer of all or any substantial part of the assets of the Bank; and (v) the liquidation or dissolution of the Bank.

Item 13. Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property of the Bank.

Item 14. Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital, or surplus account of the Bank.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following matters will be submitted for approval of the stockholders at the Annual Stockholders' Meeting on May 25, 2018:

1. Approval of the minutes of the annual meeting of stockholders held on May 26, 2017, brief summary is as follows:

    a. The minutes of the annual meeting of the stockholders held on May 27, 2016 was approved;

    b. The Chairman and CEO, Dr. Justo A. Ortiz, reported the Bank's visions and accomplishments for the year 2017.

    c. The stockholders, upon motion duly made, approved the 2016 Annual Report of the Bank.

    d. The President and COO, Mr. Edwin R. Bautista, reported the Bank's financial and operating results for the year 2016.

    e. The stockholders approved and confirmed all the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers and Management in 2016 including all related party transactions disclosed in the Notes to Financial Statements, Note 31, pages 148-152.

    f. The stockholders also confirmed the Board's appointment of accounting firm of Punongbayan & Araullo as the Bank's external auditor for the year 2017.

    g. The stockholders approved the amendment of Article XII of the Bank's By-Laws.

    h. The stockholders also approved the increase of the per diems of Committee and Board Chairmen and the Retainer Fees of Independent Directors.

    i. The election of the 15 members of the Board of Directors were duly made and seconded by the stockholders to serve for the year 2017-2018.

2. Chairman's report to stockholders;

3. President and CEO's annual report on management operations for 2017;

4. Ratification of Past Actions of the Board, of Management and all related party transactions for 2017. During the stockholders' meeting, the acts of the Board and the Management of the Bank for the year ended as well as those prior to the date of annual meeting will be presented for approval and ratification. These pertain to acts which are made in the ordinary course of business and have been subject of disclosures to the Securities and Exchange Commission ("SEC"), the Philippine Stock Exchange ("PSE") and to some extent to the Bangko Sentral ng Pilipinas when applicable.

   Below is a summary of reports on SEC Form 17-C (Current Report) disclosed to PSE and filed with the SEC for the period June 2017 – March 31, 2018:

Date of Report	Event Reported
June 1, 2017	Retirement of Mr. Virgilio N. Lugtu, Business Platforms and Product Development Manager and Assistant Vice President, effective June 1, 2017
June 1, 2017	Hiring of Mr. Wilhelm S. Samson, Mastercard Team Leader and Assistant Vice President, effective June 1, 2017
June 5, 2017	Amendment to the Disclosure on Results of ASM and Organizational Board meeting on May 26, 2017 re: ORMC Committee Members
June 16, 2017	Hiring of Mr. Alfonso B. Badillo, Jr., Card System Support Unit Head and Assistant Vice President, effective June 16, 2017
June 23, 2017	Promotion of Executive Officers effective July 1, 2017
June 29, 2017	Resignation of Mr. Ramon S. Matias, Retail Banking Deputy Center Head and First Vice President, effective July 1, 2017
July 10, 2017	Hiring of Mr. Macklen A. Manaois, Testing Head and Assistant Vice President, effective July 10, 2017
July 24, 2017	Resignation of Ms. Jennely G. Mallabo, Head of Employer Branding & Employee Communications and Assistant Vice President, effective July 29, 2017
July 26, 2017	Promotion of Executive Officers effective August 1, 2017
July 26, 2017	Appointments of Insular Life-nominee Director Nina D. Aguas as member of Audit Committee and Senior Executive Vice President Jose Emmanuel U. Hilado as member of the Technology Steering Committee.
July 26, 2017	Consolidated Balance Sheet and Income Statement as of June 30, 2017
August 2, 2017	BSP Form 2-B re: Published Balance Sheet (Head Office and Branches & Bank and Financial Subsidiaries) as of June 30, 2017
August 17, 2017	Resignation of Mr. Tirso Raymond S. Gutierrez, Sales Director - Luzon South Region and Vice President, effective August 22, 2017
August 25, 2017	(1) Retirement of Chairman and CEO Justo A. Ortiz effective January 1, 2018; (2) Promotion of President and COO Edwin R. Bautista as President and CEO effective January 1, 2018; and (3) Change of designation of Senior Executive Vice President Eugene S. Acevedo as Chief Mass Market and Financial Inclusion Executive
August 29, 2017	Resignation of Mr. Antonio Martin D. Reyes, Technology Management Services Head and First Vice President, effective September 1, 2017

September 25, 2017	Hiring of Ms. Christine V. Siapno, Digital Marketing Head and First Vice President, effective September 25, 2017
September 29, 2017	Approval of the Board of Directors on the issuances of Long-term Negotiable Certificates of Deposit in the aggregate amount of P20.0 Billion and Euro Medium Term Note Programme in the aggregate amount of up to USD 1.0 Billion
October 2, 2017	Hiring of Mr. Paul C. Guadalupe, Head of E-Commerce/ Merchant Acquiring and Assistant Vice President, effective October 2, 2017
October 4, 2017	Confirmation of the Securities and Exchange Commission on the Bank's request for exemption from registration requirements of the Securities and Regulation Code pursuant to UnionBank Employee Stock Plan
October 27, 2017	Approval of the Board of Directors of the financial statements for the 3rd quarter of 2017
October 30, 2017	Clarification to news article posted in manilastandard.net on October 29, 2017
November 6, 2017	Hiring of Senior Officer effective November 6, 2017: (1) Ms. Michelle P. Rodriguez, Head of Enterprise Architecture and Assistant Vice President, and (2) Ms. May G. Buencamino, Head of Employer Branding and Employee Communications
November 6, 2017	BSP Form 2-B re: Published Balance Sheet (Head Office and Branches & Bank and Financial Subsidiaries) as of September 30, 2017
November 8, 2017	Hiring of Ms. Jeannette Yvonne M. Zagala, Head of Distribution and First Vice President, effective November 8, 2017
November 15, 2017	Completion of the establishment of Medium Term Note Programme of UnionBank
November 21, 2017	Press Release re: UnionBank issues USD400 million Senior Notes
November 24, 2017	Launched of UnionBank's USD100 million upsize of Senior Notes due 2022
December 4, 2017	Resignation of Ms. Vicky V. Santoyo, Human Resource Business Partner and Assistant Vice President, effective December 6, 2017
December 8, 2017	Hiring of Ms. Pamela Ann B. Gogna, Head of FX Sales and Assistant Vice President, effective December 8, 2017
December 15, 2017	Retirement of Ms. Beatriz B. Romulo, Executive Vice President and Center Head of Commercial Banking, effective January 1, 2018 and appointment of Mr. Roberto F. Abastillas, Senior Vice President, as Center Head of Commercial Banking effective January 1, 2018
December 29, 2017	Retirement of Mr. Genaro V. Lapez, Center Head of Strategic Partnership and Executive Vice President, and Ms. Ma. Cristina P. Maceren, Commercial Banking 2 Head and Vice President, effective January 1, 2018
December 29, 2017	Press Release re: UnionBank subsidiary CitySavings set to acquire PR Savings Bank
December 29, 2017	Signing of Share Purchase Agreement of City Savings Bank, Inc. with the owners of 100% of the common shares of Philippine Resources Savings Bank Corporation which represents 66.27% of the outstanding capital
January 12, 2018	Resignation of Mr. Roy A. Viguilla, Communication and Infrastructure Head and Vice President, effective January

	15, 2018
January 12, 2018	Clarification to News Article posted in The Philippine Star (Internet Edition) on January 12, 2018
January 22, 2018	Hiring of Mr. Bryan Kenneth C. Tsang, Senior Product Manager and Assistant Vice President, effective January 22, 2018
January 26, 2018	Clarification on News Article posted in philSTAR.net on January 26, 2018
January 26, 2018	Approval of the Board of Directors on the declaration of cash dividend; and fixing of record and payment dates
January 26, 2018	Press Release dated January 26, 2018 re: UnionBank Net Income at Php8.4 Billion; Core Earnings surged 30% YoY
January 26, 2018	Consolidated Balance Sheet and Income Statement as of December 31, 2017
January 29, 2018	Hiring of Ms. Jennifer A. Don, Product Development and System Manager and Assistant Vice President, effective January 29, 2018
January 30, 2018	Press Release dated January 30, 2018 re: UnionBank to issue Long-Term Negotiable Certificates of Time Deposit
January 31, 2018	Resignation of Ms. Myleen D. Alcid, Operational Risk Management Head and Vice President, effective February 1, 2018; and Mr. Joselito B. Espiritu, Senior Asset Recovery Officer and Assistant Vice President, effective February 3, 2018
February 1, 2018	Hiring of Atty. Jose C. Hipolito, Compliance Officer for Fintech and Assistant Vice President, effective February 1, 2018
February 2, 2018	BSP Form 2-B re: Published Balance Sheet (Head Office and Branches & Bank and Financial Subsidiaries) as of December 31, 2017
February 5, 2018	Hiring of Atty. Arlene Joan T. Agustin, Trust Officer and Senior Vice President, effective February 5, 2018
February 9, 2018	Resignation of Ms. Karen Khristine N. Jonas, Head of Trust and Investment (Portfolio Management) and Assistant Vice President, effective February 13, 2018
February 9, 2018	Signing of Share Purchase Agreement for the sale of the 51% stake owned by Aboitiz Equity Ventures, Inc. in PETNET, Inc. to City Savings Bank, Inc. and Union Properties, Inc. which is 99.77% and 100% owned by Union Bank of the Philippines, respectively
February 12, 2018	Press Release re: UnionBank group to Acquire Petnet
February 13, 2018	Hiring of Ms. Michaela D. Fernandez, Institutional Sales Head and Assistant Vice President, effective February 13, 2018
February 19, 2018	Hiring of Senior Officers effective February 19, 2018: Ms. Christy Mae R. Almonte, Derivatives Trader and Assistant Vice President; and Ms. Niña Michelle A. Destacamento, Retail Sales Head- Vismin and Assistant Vice President
February 20, 2018	Resignation of Atty. Francisco M. Samonte IV, Legal Counsel and Assistant Vice President, effective February 22, 2018
February 21, 2018	Press Release re: UnionBank issues P3 billion LTNCDs
February 23, 2018	Approval of the Board of Directors of the resignation of SSS-nominee Director Amado D. Valdez as Director of UnionBank

February 23, 2018	Approval of the Board of Directors and endorsement to Annual Stockholders' Meeting the appointment of Sycip Gorres & Velayo Co. as the new external auditor of the Bank for the year 2018
February 23, 2018	Signing of a Share Purchase Agreement of City Savings Bank, Inc. with International Finance Corporation for the 65,000,000 preferred shares in Philippine Resources Savings Bank Corporation
February 26, 2018	Clarification on News Article entitled "UnionBank sees jump in 2018 profit posted in Inquirer.net on February 26, 2018
February 26, 2018	Approval of the Board of Directors of the Audited Financial Statements and the corresponding Notes to Financial Statements as of and for the year ended December 31, 2017
March 1, 2018	Resignation of Ms. Avon V. Morales, Human Resource Business Partner and Vice President, effective March 3, 2018
March 1, 2018	Hiring of Senior Officers effective March 1, 2018: Mr. Conrad Anthony Dominic L. Banal, Head of Market and First Vice President; and Ms. Joan May P. Suarez, Head of Credit Risk Policy and Vice President
March 7, 2018	Hiring of Mr. Alan Jay C. Avila, Head of Business Development and Marketing, and Vice President, effective March 7, 2018
March 7, 2018	Board of Approval of the election of Commissioner Michael G. Regino of the Social Security Commission as Nominee-Director of the Social Security System for UnionBank and appointment of Mr. Regino to the Board Committees of UnionBank
March 23, 2018	Board of Approval for fixing of Record Date for stockholders entitled to notice of meeting and to vote at the Annual Stockholders' Meeting on May 25, 2018
March 26, 2018	Hiring of Ms. Johanna Mae C. Velasco, Senior Relationship Manager and Assistant Vice President, effective March 26, 2018

5. Appointment of External Auditor

6. Election of Directors for 2018-2019 Term

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-Laws or Other Documents

No action is to be taken with respect to any amendment of the Bank's charter, by-laws or other documents.

Item 18. Other Proposed Action

No action is to be taken with respect to any matter not specifically referred above.

Item 19. Voting Procedures

Vote Requirement

1. For election of Directors, in accordance with Section 24 of the Corporation Code, the fifteen (15) nominees receiving the highest number of votes shall be declared elected.

2. For other matters submitted to a vote, a majority vote of the shareholders present either in person or by proxy is necessary for the approval of such matter.

The method of counting the votes of the shareholders shall be in accordance with the general provisions of the Corporation Code of the Philippines. Counting will be done by tabulation of the votes by the Corporate Secretary with the assistance of his staff and the stock and transfer agent.

The Bank undertakes to provide without charge to each person solicited, upon written request of such person, a copy of the Bank's Annual Report on SEC Form 17-A. Requests may be sent to Ms. Lalaine Ann L. Batac, 18th Floor, UnionBank Plaza, Meralco Avenue, Ortigas Center, Pasig City.

The Bank likewise undertakes to provide without charge to each person solicited, during the Annual Stockholder's Meeting, a copy of SEC Form 17-Q containing UnionBank's Interim Financial Statements, Management Discussion and Analysis of Financial Condition and Results of Operation.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City, Metro Manila on April 13, 2018.

UNION BANK OF THE PHILIPPINES

By:

Date: April 13, 2018

JOSELITO V. BANAAG
Corporate Secretary

MANAGEMENT REPORT

Item 1. Business

A. Description of business

UnionBank is a publicly-listed universal bank. It distinguishes itself through superior technology, unique branch sales, service-oriented culture and centralized backroom operations. UnionBank's superior technology allows delivery of online, real time business solutions to meet the customers' changing and diverse needs through innovative and customized cash management products and service offerings. Its unique branch culture ensures efficient and quality service as well as mitigates operational risk. The Bank's distinct centralized backroom operations enable it to provide responsive, scalable, and secure transaction processing.

Aligned with its thrust of being at the forefront of technology-based banking in the Philippines, UnionBank endeavors to elevate its systems and processes to be at par with international standards and best practices. It obtained ISO 9001:2000 Quality Management System (QMS) Certification for its Central Processing Services in 2008, making it then the first and only bank in the Philippines awarded for its entire centralized backroom operations. In 2010, UnionBank received the ISO 9001:2008 Certification, an upgrade from the previous. Thereafter, the Bank obtained the ISO 27001:2005 Certification for its Information Security Management System, attesting to its commitment to become the leader and benchmark for service quality, technological advancement, and operational excellence. The Bank also achieved ISO 9001:2008 for its Customer Service Group in 2012 and Branch Operations Management in 2013. In 2015, the Bank earned ISO 9001:2015 QMS certifications for its Branch Operations Management, Central Processing Services, and Customer Services Groups. The Bank is the first local bank that was certified under the new ISO standard. In 2016, the Loans and Trade Finance Operations Management of the Bank also earned the ISP 9001:2015 QMS certification. In 2015 and 2016, the Bank was certified as having zero non-conformance rating during quality audits, demonstrating UnionBank's dedication to uphold quality in its business processes. In 2017, the Bank successfully passed the ISO 9001:2015 QMS standard 2nd surveillance audit, as conducted by TUV Rheinland in November. The certification was extended to Treasury Operations.

UnionBank's clientele encompasses retail, middle-market, and corporate customers, as well as major government institutions. UnionBank believes that its use of technology, marketing strategies, and operational structure have enabled it to capture and secure a loyal customer base and achieve high levels of efficiency and productivity.

Historical Background

UnionBank, originally known as "Union Savings and Mortgage Bank", was incorporated in the Philippines on August 16, 1968. On January 12, 1982, it was given the license to operate as a commercial bank. The Bank's common shares were listed in the PSE on June 29, 1992, and shortly after, it was granted the license to operate as a universal bank on July 15, 1992. UnionBank became the thirteenth and youngest universal bank in the country in only its tenth year of operation as a commercial bank. On October 31, 2013, the Philippine Securities and Exchange Commission (SEC) has approved the Bank's amendment on its Articles of Incorporation the extension of the Bank's corporate life for another 50 years until August 16, 2068.

The Bank's principal shareholder groups include Aboitiz Equity Ventures, a shareholder of the Bank since 1988 and the public holding company of the Aboitiz Group of Companies, one of the largest conglomerates in the Philippines with interests in power generation and distribution, financial services, real estate, food manufacturing, and industrial production; Social Security System, a government-owned and -controlled corporation that provides social security to workers in the private sector; and Insular Life Assurance Co., Ltd. (Insular Life), one of the leading and largest Filipino-owned life insurance companies in the Philippines.

UnionBank has undertaken two bank mergers, first with International Corporate Bank ("Interbank") in 1994 and with International Exchange Bank ("iBank") in 2006, catapulting it to being one of the ten largest universal banks in the Philippines based on asset size.

On April 26, 2007, UnionBank embarked on a primary offering of 90 million new common shares in order to strengthen its capital adequacy ratio in anticipation of Basel II requirements, thereby enhancing its financial flexibility. The offering expanded the shareholder base by 16.3% and raised additional equity worth over ₱5.1 billion. The new shares were listed in the PSE on May 10, 2007.

On October 14, 2009, UnionBank issued ₱3.75 billion worth of unsecured subordinated debt, eligible as Lower Tier 2 capital, with an interest rate of 7.375% per annum. It exercised the call option feature of the debt instrument on January 14, 2014 after obtaining approval from the Bangko Sentral ng Pilipinas (BSP) on November 22, 2013.

On January 8, 2013, UnionBank's Board of Directors approved the purchase of City Savings Bank, Inc. (CitySavings), a premier thrift bank specializing in granting teacher's loans under the Department of Education's (DepEd) Automatic Payroll Deduction System (APDS). The transaction was approved by the Monetary Board of the BSP on March 21, 2013. The acquisition of CitySavings is aligned with UnionBank's business plans and long-term strategy of building businesses based on consumers.

On October 20, 2013, UnionBank raised a total of ₱3.0 billion from its initial offering of Long-Term Negotiable Certificates of Deposits (LTNCDs). The LTNCDs carry a coupon rate of 3.50% per annum, which is payable quarterly beginning January 18, 2014 maturing on April 17, 2019. Proceeds of the issuance were utilized to improve the Bank's deposit maturity profile and support business expansion plans.

On October 16, 2014, an amendment to UnionBank's Articles of Incorporation was approved by the BSP, whereby the authorized capital stock increased from ₱6.7 billion to ₱23.1 billion, divided into approximately 1.3 billion common shares at par value of ₱10.00 and 100 million preferred shares at par value of ₱100.00. UnionBank, likewise, obtained BSP approval for the payment of 65% stock dividends, which were used to fund the 25% subscription relating to the increase in capital stock. Record date and payment dates for the aforesaid dividend declaration were set for November 18, 2014 and December 4, 2014, respectively.

On November 20, 2014, UnionBank issued ₱7.2 billion of Basel III-compliant Tier 2 Unsecured Subordinated Notes with a coupon rate of 5.375% per annum due February 20, 2025, callable on February 20, 2020.

On August 16, 2016, the Bank signed a Cooperation Agreement with Lombard Odier, a Swiss global wealth and asset manager, to expand wealth and asset management businesses. The Bank and Lombard Odier plan to offer estate planning solutions and launch a global and diversified multi-asset fund customized to UnionBank's high-net-worth and ultra-high-net-worth clients' requirements. In July 2017, the Capital Accumulation Global Fund of Funds, a US dollar-denominated fund of funds that is invested in various mutual funds and exchange traded funds in the global markets, was launched.

On December 15, 2016, UnionBank's subsidiaries Union Properties Inc. (UPI) and CitySavings received Monetary Board approval to finalize its joint-acquisition of a majority stake in First-Agro Industrial Rural Bank (FAIRBank), a rural bank that provides banking and microfinance services and loan products to micro, small, and medium enterprises, and micro housing institutions.

On January 27, 2017, UnionBank and CitySavings entered into a bancassurance partnership with Insular Life. On April 4, 2017, BSP granted UnionBank and CitySavings the authority to engage in cross-selling activities with Insular Life across its network.

On November 22, 2017, UnionBank announced the issuance of $400 million in Fixed Rate Senior Notes, as the debut drawdown under the Bank's Medium Term Note Programme. On November 27,

2017, the Bank launched an upsize of $100 million. This brings its total Senior Notes issuance to $500 million, issued at par with a yield of 3.369% per annum, maturing November 29, 2022. The said bonds were rated Baa2 by Moody's, identical to the issuer rating given to UnionBank, and were listed in the Singapore Stock Exchange.

On December 29, 2017, CitySavings announced in a press statement that it has signed a Share Purchase Agreement (SPA) with the ROPALI Group to acquire 100% of the common shares of Philippine Resources Savings Bank (PR Savings), an Isabela-based bank engaged in extending motorcycle, agri-machinery, and teachers' salary loans. The transaction is subject to closing conditions and regulatory approval.

In February 2018, CitySavings and UPI signed an SPA with Aboitiz Equity Ventures (AEV) to purchase 51% of the common shares of PETNET, Inc. The transaction is subject to closing conditions and regulatory approval, targeted by 2nd quarter of 2018. PETNET, more widely known by its retail brand name PeraHub, has over 2,800 outlets nationwide which offers a variety of cash-based services including remittance, currency exchange, and bills payment.

On February 21, 2018, UnionBank successfully issued LTNCD amounting to ₱3.0 billion due in August 2023 with a fixed rate of 4.375% per annum payable quarterly. This is the initial tranche of the Parent Bank's ₱20.0 billion LTNCD program as approved by BSP. This constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank. The net proceeds from the issuance of LTNCD will be used to diversify the Parent Bank's maturity profile of funding sources and to support its business expansion plans.

B. Business of Issuer

Principal products and services

UnionBank offers a broad range of products and services, which include deposit and related services, corporate and middle market lending, consumer finance loans such as mortgage, auto loans and credit card; investment, treasury and capital market, trust and fund management, remittance, cash management and electronic banking, as well as bancassurance. UnionBank continues to reinvent itself from a traditional two-product bank (deposit-taking and lending) to a multi-product financial services company that leverages on technology.

The Bank continues to reinvent itself from a traditional two-product bank (deposit-taking and lending) to a multi-product financial services company that leverages on technology.

Deposits and Related Services
Savings Accounts: Regular Savings Account · Dollar Access
Checking Accounts: Regular Checking · Power Checking · Premium Deposits
Investment Accounts: Time Deposit · Peso Optimizer · Hi-Five
Corporate, Middle-Market, and Consumer Lending
Corporate Banking Loans
Commercial Banking Loans
SME Banking Solutions: Business Loan
Consumer Lending: Auto Loans · Mortgage · Quick Loans
Debit Cards
Personal: Easy Access · GetGo Debit Card · EON
Corporate: ePaycard · E-Wallet
Credit Cards
Rewards Cards: Classic · Gold · Platinum VISA
Cashback: Mastercard Platinum
Travel: Miles+ Platinum · Cebu Pacific GetGo Credit Card · Cebu Pacific GetGo Platinum Credit Card
Co-brand and Affinity Cards: in partnership with companies that are involved in retail business; home-building; hotels; medical, health and fitness; financial security; airlines; educational and

service-oriented institutions; and non-profit organizations focusing on religious, humanitarian, cause-oriented activities, and promotion of professional organizations *Corporate Card Program*
Prepaid Cards EON · GetGo Peso+
Investment Products *Short Term:* Peso Short-Term Fixed Income Portfolio *Intermediate Term:* Intermediate-Term Fixed Income Portfolio · Infinity Prime Portfolio · High Net Worth Intermediate-Term Peso Fixed Income Portfolio *Medium Term:* Peso Fixed Income Portfolio · Dollar Bond Portfolio · High Net Worth Medium-Term Fixed Income Portfolio *Long Term:* Long-Term Fixed Income Portfolio · Large Capitalization Philippine Equity Portfolio · Dividend Play Equity Portfolio · Philippine Equity Index Tracker Portfolio · Capital Accumulation Global Fund of Funds Portfolio *Others*: Tax-Exempt Portfolio · Peso Balanced Portfolio
Cash Management Services *Corporate Collections:* Bills Payment · Checkhouse · Cash Pick-up and Delivery · Road Runner · Auto Debit Arrangement (ADA) · Batch Bills Payment · Partnerpay · Business Partner Advantage · *Corporate Payouts:* Checkwriter · Government Service Insurance System (GSIS) UMID/E-Card · SSS UMID/QuickCard · Payroll Solutions (ePaycard, eCrediting, ePayroll, ePay Online,) · Corporate eBanking · eGobyerno · Business Check Online · Business Check · Voucher Payout · Electronic Fund Transfer *Electronic Settlements:* PSE Trade/Securities Clearing Corporation of the Philippines (SCCP) · Electronic Invoice Presentment and Payment (EIPP)
Remittance Products and Services Bank to Bank Remittance · Visa Personal Payments · Paypal transfers to bank account · Western Union Account-Based Money Transfer
Bancassurance Assurance · Assurance Prime · Security · Prominence · Dollar Prominence

Segment Information

The Group's main operating businesses are organized and managed separately according to the nature of products and services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Group in reporting to its chief operating decision-maker for its strategic decision-making activities. The Group's main business segments are as follows:

Consumer Banking – principally handles individual customers' deposits and provides consumer type loans, such as automobiles and mortgage financing, credit card facilities and funds transfer facilities. This segment contributes 57% of revenues.

Corporate and Commercial Banking – principally handles loans and other credit facilities and deposit and current accounts for corporate, institutional, small and medium enterprises, and middle market customers. This segment contributes 30% of revenues.

Treasury – principally responsible for managing the Bank's liquidity and funding requirements, and handling transactions in financial markets covering foreign exchange and fixed income trading and investments and derivatives. This segment contributes 29% of revenues.

Headquarters – includes corporate management, support and administrative units not specifically identified with Consumer Banking, Corporate and Commercial Banking or Treasury. This segment contributes -16% of revenues

There are no revenues of the Bank which come from foreign sales.

These segments are the basis on which the Group reports its primary segment information.

Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment resources and liabilities comprise operating resources and liabilities including items such as taxation and borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

Subsidiaries and Affiliates

The Parent Company's subsidiaries and the effective percentage of ownership follow:

Name of Subsidiary	Percentage of Ownership	Nature of Business
City Savings Bank, Inc. (CSB)	99.77%	Thrift bank
First-Agro Industrial Rural Bank, Inc. (FAIR Bank)*	86.67%	Rural Bank
Union Properties, Inc. (UPI)	100.00%	Real estate administration
First Union Plans, Inc. (FUPI)**	100.00%	Pre-need
First Union Direct Corporation (FUDC)**	100.00%	Financial products marketing
First Union Insurance and Financial Agencies, Inc. (FUIFAI) **	100.00%	Agent for insurance and financial products
UBP Insurance Brokers, Inc. (UBPIBI)	100.00%	Insurance brokerage
UBP Securities, Inc. (UBPSI)	100.00%	Securities brokerage
UnionBank Currency Brokers Corporation (UCBC)	100.00%	Foreign currency brokerage
UnionDataCorp (UDC)	100.00%	Data processing
Interventure Capital Corporation (IVCC)	60.00%	Venture capital

** Newly acquired subsidiary in 2017 through CSB and UPI with 49% and 37.67% share in ownership, respectively.*
*** FUDC, FUPI and FUIFAI are wholly-owned subsidiaries of UPI.*

Other relevant information about the subsidiaries' nature of businesses and their status of operations are discussed in the sections that follow:

(a) CSB was incorporated and registered with the SEC on December 9, 1965. On December 9, 2014, the SEC approved the amendment extending CSB's corporate term for another 50 years from December 9, 2015. It is a thrift bank specializing in granting teacher's loans under the Department of Education's Automatic Payroll Deduction System.

On January 23, 2015, the Board of Directors (BOD) approved the proposal to purchase the remaining 894 common shares of CSB held by some 41 minority shareholders, of which 203 shares, 59 shares and an additional 9 shares were acquired in December 2015, February 2016 and March 2016, respectively, thereby, further increasing the Bank's percentage ownership to 99.73%, 99.75% and 99.76% as of those respective dates.

In 2017, the number of shares of CSB currently held by the Bank is 257,671 shares as it has acquired 37 new shares bringing its percentage of ownership at 99.77%.

(b) FAIR Bank was registered with the SEC on September 15, 1998 primarily to engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprises. FAIR Bank has one (1) banking office and ten (10) branches located all over Cebu. On December 21, 2015, CSB, UPI and the major

stockholders of FAIR Bank signed a Memorandum of Agreement which provided for the terms of the acquisition of a total of 77.78% of the issued and outstanding capital stock of FAIR Bank by CSB and UPI [see Note 3.1(b)]. On December 15, 2016, the Monetary Board of the BSP approved the acquisition by CSB and UPI of FAIR Bank's 441,000 common shares and 259,002 common shares, respectively, from the selling shareholders of FAIR Bank. The common shares acquired by CSB and UPI represented 49.00% and 28.78%, respectively, of the issued and outstanding capital stock of FAIR Bank. The funds for the payment of the acquisition were deposited in an escrow account with UnionBank TISG and the escrow amount will be released in tranches, subject to the fulfilment of certain conditions necessary to fully transfer ownership over the acquired shares to CSB and UPI.

On March 17, 2017, CSB and UPI subscribed to 294,000 and 306,000 new common shares, respectively, of FAIR Bank at par value of P100 per share. As a result of the subscription, the percentage of ownership of UPI in FAIR Bank increased to 37.67% while CSB's ownership interest stood at 49%.

(c) UPI was incorporated and registered with the SEC on December 20, 1993. It is presently engaged in the administration and management of the Parent Bank's premises and other properties such as buildings, condominium units and other real estate, wholly or partially owned by the Group. Pursuant to the action of the BOD of UPI approving the amendment of its Articles of Incorporation on May 13, 2004, the primary purpose of UPI was changed from a real estate developer to a real estate administrator. The SEC approved such amendment on December 13, 2004. Through its wholly-owned subsidiaries, FUPI, FUDC and FUIFAI, UPI is also engaged in the sale of pre-need plans, marketing of financial products and being an agent for life and non-life insurance products.

(d) UBPIBI was organized to engage in the insurance brokerage business. It was incorporated and registered with the SEC on February 27, 1992. In 1995, the BOD of UBPIBI approved the cessation of its operations.

(e) UBPSI was incorporated and registered with the SEC on March 2, 1993. It was organized to engage in the business of buying, selling or dealing in stocks and other securities. In January 1995, as approved by UBPSI's stockholders and BOD, UBPSI sold its stock exchange seat in the PSE. Accordingly, UBPSI ceased its stock brokerage activities.

(f) UCBC was registered in the SEC on June 14, 1994. It was organized to engage in the foreign currency brokerage business. On March 23, 2001, the BOD of UCBC approved the cessation of its business operations effective on April 16, 2001. Since then, UCBC's activities were significantly limited to the settlement of its liabilities.

(g) UDC was registered with the SEC on September 8, 1998. It was organized to handle the centralized branch accounting services as well as the processing of credit card application forms of the Parent Bank and the entire backroom operations of FUPI. On July 1, 2003, the BOD of UDC approved the cessation of its business operations effective on August 30, 2003. The services previously handled by UDC are now undertaken by the Centralized Processing Service Unit of the Parent Bank.

(h) IVCC was incorporated and registered with the SEC on October 10, 1980. It was organized to develop, promote, aid and assist financially any small or medium scale enterprises and to purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and otherwise deal with such real and personal property, including securities and bonds of other corporations as the transaction of the lawful business of the corporation may reasonably and necessarily require, subject to the limitations prescribed by law and the constitution. IVCC has ceased operations since 1992.

The BOD and the stockholders of UBPIBI, UCBC and UDC have approved to dissolve the Companies by amending their respective Articles of Incorporation shortening their company's corporate term to December 31, 2016. UBPIBI has secured a tax clearance from Bureau of Internal Revenue (BIR) in 2017 while UCBC and UDC are still in process of securing their respective tax clearances from the BIR.

The Bank's registered address, which is also its principal place of business, is at UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road, Ortigas Center, Pasig City. AEVI's registered address is located at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

Distribution Network of Products and Services

UnionBank provides its customers with relevant banking information and transaction needs through its well-trained relationship managers, strategically located branch networks, and automated teller machines (ATMs), supplemented by a call center under its ISO-certified Customer Service Group. Moreover, UnionBank's brick-and-mortar presence is complemented by its strong digital footprint, through its website (www.unionbankph.com), online banking portal and mobile application (UnionBank Online), customer service chatbot, as well as its own digital bank, EON.

Relationship Managers. UnionBank's sales force is equipped with the right competencies and tools to bring about solutions-based financial services to customers nationwide. Relationship Managers (RMs) undergo rigorous sales trainings, are experts on the Bank's products and service offerings, and are enabled to manage a healthy pipeline of customers and call reports through a mobile-based sales and productivity platform. UnionBank's RMs and financial advisors are also licensed by the Insurance Commission to provide customers with bancassurance products.

Branch Network. UnionBank and its subsidiaries ended December 2017 with 317 branches nationwide. Select branches are located in strategic areas within and outside of Metro Manila to maximize visibility and expand customer reach. Customers can do over-the-counter (OTC) cash deposit and withdrawals and check deposit and encashment at any of the Bank's branches. High-volume transaction branches are provided with Transaction Assistant Portal, an in-house developed self-service innovation, which aims to facilitate faster processing time through paperless transactions and use of a card that stores bills payment and account information. UnionBank's check verification system utilizes Philippine Clearing House Corporation's check images, which is instrumental in enabling fast and reliable check clearing. In 2017, the Bank also launched its concept branch called The Ark. It is a completely digital and paperless branch which allows for straight-thru processing of transactions, and at the same time, houses branch ambassadors for product discovery and advisory services. It will be UnionBank's platform for innovative development and customer experiences as it shifts utilizing branches from transactional spaces to interactional spaces.

ATM Network. UnionBank and its subsidiaries' network of 326 ATMs as of end-December 2017 supplements its branch network in providing 24-hour banking services to customers. Customers are given access to ATM facilities through ATM cards, which are issued to checking and savings account holders. The Bank is also a member of Bancnet and Expressnet, which are ATM networks that allow its customers to use ATM terminals operated by other banks in the same network. Through these networks, customers have access to approximately 13,000 additional ATMs nationwide.

Call Center. UnionBank's 24-hour call center handles retail customer relationship and care, catering to deposit and card product queries, among others. The call center utilizes a mix of phone, postal mail, email, fax and internet as customer touch points. In handling customer complaints, it adheres to certain service level agreements, such as feedback or resolution of ATM-related concerns within five banking days and redelivery of card within Metro Manila after five days. Customer complaint handling is continuously improved through resolution tracking.

Customer Service Chatbot. UnionBank's Rafa is the country's first banking chatbot that delivers instant 24/7 customer service. Rafa is accessible through Facebook messenger. It is capable of

answering customer queries on nearest ATM, nearest branch, provides the latest foreign exchange rate of up to ten currencies, assists customers who are exploring auto loans, and provides customers with options to get the credit card that best suits them, among others. The Bank believes that Rafa provides a more personal and conversational customer experience compared to the interactive voice response or auto reply platforms.

Mobile and E-Banking. UnionBank Online, launched in August 2017, is the new online and mobile banking platform for the Bank's customers. It is designed with an omni-channel user experience wherein the same look and feel applies to different touchpoints (website and mobile app), operating systems (Android or IOS) and device types. UnionBank Online enables the Bank's customers to sign up, transact, view their account information, and update their details online without visiting a branch or ATM, or messaging or calling the Bank's call center. UnionBank Online enables customers to, among others, customize account viewing, login through fingerprint authentication or a one-time password, and manage transaction limits.

EON. The EON cyber account, the Philippine's first online payment card, was launched in 1999. In 2017, the Bank re-launched its EON brand and introduced the first bank account specially designed for digital commerce. It is the only electronic money product in the Philippines with modern application security features including a "selfie banking" feature which employs facial recognition in authorizing transactions through a smart phone, touch ID, pin change, and lock-and-unlock ability. In addition to the EON cyber account, the Bank offers the following products under the EON brand: (1) the EON electronic money account; (2) EON Zero, a virtual lending platform where loan underwriting, application processing, and releasing of proceeds are all completed digitally; and (3) EON Duo, a virtual credit card.

Competition

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalisation of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licences to operate in the Philippines. Foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. On January 21, 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking licence or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions shall be fully liberalised beginning on January 1, 2018.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of "top tier" banks compete for business.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial, and consumer loans is expected.

Amidst this operating environment, UnionBank leverages on its competitive advantages anchored on its superior technology, unique branch sales and service culture, and centralized backroom operations. As a result, UnionBank has been acknowledged as a leader in developing innovative products and services. It is recognized as among the industry's lowest cost producers, measured by revenue-to-expense ratio, which is a result of its wholesale customer acquisition strategy of providing cash management solutions to principals' ecosystems, having automated and centralized operations, and establishing a full-blown digital strategy rather than the traditional brick-and-mortar expansion. Lastly, the Bank is one of the most profitable in terms of return on equity, return on assets, and absolute income.

UnionBank's corporate vision is to become one of the top three universal banks in the Philippines, not in terms of asset size or branch network, but in terms of metrics under financial value to stakeholders, operational excellence, customer franchise/share of wallet, unique customer experience, and delivering superior and innovative products and service. It is grounded on its purpose of "Making the Diff!" by connecting and enabling communities through Smart Banking in the spirit of UBUNTU.

Transactions with and/or dependent on related parties

The information required is contained in Item 12 under *Certain Relationship and Related Transactions* on page 20 of the Information Statement.

Patents, trademarks and tradenames

	Trademark	Registration Date	Expiration Date
1.	DIGITAL ME	June 29, 2017	June 29, 2027
2.	EON	July 30, 2017	July 30, 2027
3.	EON CYBER	November 2, 2017	November 2, 2027
4.	EON DUO	November 2, 2017	November 2, 2027
5.	EON FOR THE DIGITAL ME	July 30, 2017	July 30, 2027
6.	EON ZERO	November 2, 2017	November 2, 2027
7	EON ZOOM	November 2, 2017	November 2, 2027
8.	PINOY MONEY CARD	November 22, 2012	November 22, 2022
9.	SELFIE CASH	July 30, 2017	July 30, 2027
10.	SELFIE CREDIT	June 29, 2017	June 29, 2027
11.	SELFIE DEBIT	June 29, 2017	June 29, 2027
12.	SELFIE LOG-IN	June 29, 2017	June 29, 2027
13.	SELFIE PAY	November 2, 2017	November 2, 2027
14.	SELFIE PAYMENT	June 29, 2017	June 29, 2027
15.	UBP	August 7, 2014	August 7, 2024
16.	UMOBILE	July 30, 2017	July 30, 2027
17.	UNIONBANK OF THE PHILIPPINES & Logo	August 7, 2014	August 7, 2024
18.	UNIONBANK / Class 36: Banking Services	December 19, 2005	December 19, 2025
19.	UNIONBANK Logo Color: Orange, Blue	October 21, 2010	October 21, 2020
20.	Union eon Cyber Account	December 05, 2013	December 06, 2023
21.	UREKA	November 10, 2016	November 10, 2029

Need for government approval

The Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Philippine Deposit Insurance Corporation (PDIC), Philippine Stock Exchange (PSE) and the Bureau of Internal Revenue (BIR) are the major regulatory agencies that provide rules, regulations and guidelines to the Bank's activities.

UnionBank has always ensured that its products or services have the necessary approvals or permissions or are in accordance with existing rules and regulations before they are launched or offered to the public.

Effect of existing or probably governmental regulations on the business

As a banking institution, UnionBank adheres to the provisions of the General Banking Law of 2000 (Republic Act No. 8791), as amended, and the Anti-Money Laundering Act of 2001 (Republic Act No. 9160), as amended. The issuances by the BSP in the forms of circulars, circular letters and

memoranda are brought together in its Manual of Regulations for Banks (MORB). The MORB is updated by the regular issuances of the BSP of supervisory and regulatory policies. The regulatory issuances of the SEC, PDIC, PSE, BIR and other regulatory bodies are likeiwse monitored for compliance. UnionBank ensures that it is kept abreast of regulatory changes and its applications to its conduct of banking business by constantly monitoring all relevant issuances of the various regulatory bodies.

Anti-Money Laundering Laws and Know Your Customer Procedures

UnionBank complies with the Anti-Money Laundering Act of 2001 (Republic Act No. 9160) as amended, its Implementing Rules and Regulations and regulatory issuances of the BSP and the Anti-Money Laundering Council (AMLC). The Bank adheres to the Know Your Customer (KYC) rules and customer due diligence requirements of both the law and regulations from the start of bank-client relationship until its termination.

Since June 2015, the Bank has put in place a new AML System equipped with monitoring tools and reporting capabilities. Beginning last September 2016, the Bank has likewise implemented a real-time sanctions screening system to screen transactions that pass through the SWIFT network. Since last year, the Bank has also implemented monitoring processes for transactions within a certain threshold. KYC process remains to be robust through documentation of client information, determination of acceptable IDs for transactions, and senior management approval, where warranted.

Finally, on an annual basis, UnionBank, through its Compliance and Corporate Governance Office, provides annual formal AML trainings to the members of the Board of Directors, Senior Management and its Branches. Senior Management, branches and other units are also required to take the annual electronic AML refresher module in coordination with HR Group and the Compliance and Corporate Governance Office.

Capital Adequacy

Per existing BSP regulations, the combined capital accounts of each commercial bank should not be less than an amount equal to 10% of its risk assets. Risk assets consist of total resources after exclusion of cash on hand, due from BSP, loans covered by holdout on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items as determined by the Monetary Board of the BSP.

Under BSP Circular No. 538, Series of August 4, 2006, the Bank's capital-to-risk assets ratio (CAR) as of December 2016, 2015 and 2014 were 15.7%, 16.15% and 17.64% respectively. As of 31 December 2017, the Bank's CAR was pegged at 14.40%

Research and Development Activities

The amount spent on research and development activities (in thousand pesos) and its percentage to revenues for the last three years has been as follows:

	2017	2016	2015
Cost	711,208	553,991	626,326
Ratio to Revenues	2.9%	2.7%	3.8%

Employees

As of December 31, 2017, the Bank employed 3,487 people, 173 as Executives, 2,501 as Officers, 814 as Clerical Staff and covered by CBA. Of these, 1,740 are in Operations, 742 are in Non-Operations, and 1,006 are in Sales/Marketing. The Bank does not foresee an increase in the number of headcount within the ensuing twelve (12) months.

The Collective Bargaining agreement started on June 01, 2015 and will expire on May 31, 2020.

RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks are inherent in the business activities of the Group. Among its identified risks are credit risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, operational risk, legal risk, and regulatory risk. These are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an ongoing basis.

Risk management is the process by which the Group identifies its key risks, obtains consistent and understandable risk measures, decides which risks to take on or reduce and how this will be done, and establishes procedures for monitoring the resultant risk positions. The objective of risk management is to ensure that the Group conducts its business within the risk levels set by the BOD while business units pursue their objective of maximizing returns.

Risk Management Strategies

The Group maintains a prudent risk management strategy to ensure its soundness and profitability. Business units are held accountable for all the risks and related returns, and ensure that decisions are consistent with business objectives and risk tolerance. Strategies, policies and limits are reviewed regularly and updated to ensure that risks are well-diversified and risk mitigation measures are undertaken when necessary. A system for managing and monitoring risks is in place so that all relevant issues are identified at an early stage and appropriate actions are taken. The risk policies, guidelines and processes are designed to ensure that risks are continuously identified, analysed, measured, monitored and managed. Risk reporting is done on a regular basis, either monthly or quarterly.

Although the BOD is primarily responsible for the overall risk management of the Group's activities, the responsibility rests at all levels of the organization. The risk appetite is defined and communicated through an enterprise-wide risk policy framework.

Risk Management Structure

The BOD of the Parent Bank exercises oversight of the Parent Bank's risk management process as a whole and through its various risk committees. For the purpose of day-to-day management of risks, the Parent Bank has established independent Risk Management Units (RMUs) that objectively review and ensure compliance to the risk parameters set by the BOD. They are responsible for the monitoring and reporting of risks to senior management and the various committees of the Parent Bank.

On the other hand, the risk management processes of its subsidiaries are handled separately by their respective BODs.

The Parent Bank's BOD is primarily responsible for setting the risk appetite, approving risk parameters, credit policies, and investment guidelines, as well as establishing the overall risk taking capacity of the Parent Bank. To fulfill its responsibilities in risk management, the BOD has established the following committees, whose functions are described below.

(a) The Executive Committee (EXCOM), composed of seven members of the BOD, exercises certain functions as delegated by the BOD including, among others, the approval of credit proposals, asset recovery and real and other properties acquired (ROPA) sales within its delegated limits.

(b) The Risk Management Committee (RMC), composed of seven members of the BOD, is responsible for the development and oversight of the Parent Bank's risk management program. It assists the BOD in the management of identified risks and reviewing risk policies, strategies and procedures. It receives and reviews management reports on

risk exposures and provides guidance when needed. The RMC also provides oversight, direction, and guidance to the other risk committees, specifically the Market Risk Committee (MRC) and the Operations Risk Management Committee (ORMC).

(c) The MRC, composed of six members of the BOD, sets policies and standards for market risk identification, analysis and management. The MRC also monitors the sensitivity of the Group's financial condition to the effects of market volatility and adverse price changes on the Group's portfolio of financial instrument and oversees the Group's liquidity position through the Asset and Liability Committee (ALCO).

(d) The ORMC, composed of at least three members of the BOD and two members from Senior Management, reviews various operations risk policies and practices.

(e) The Audit Committee is a committee of the BOD that is composed of five members, most of whom are with accounting, auditing, or related financial management expertise or experience. The skills, qualifications, and experience of the committee members are appropriate for them to perform their duties as laid down by the BOD. Two of these five members are independent directors, including the Chairman.

The Audit Committee serves as principal agent of the BOD in ensuring independence of the Bank's external auditors and the internal audit function, the integrity of management, and the adequacy of disclosures and reporting to stockholders. It also oversees the Bank's financial reporting process on behalf of the BOD. It assists the BOD in fulfilling its fiduciary responsibilities as to accounting policies, reporting practices and the sufficiency of auditing relative thereto, and regulatory compliance.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation to the Group. The risk may arise from lending, trade finance, treasury, investments, derivatives and other activities undertaken by the Group. Credit risk is managed through strategies, policies and limits that are approved by the respective BOD of the various companies within the Group. With respect to the Parent Bank, it has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments.

The RMU undertakes several functions with respect to credit risk management. The RMU independently performs credit risk assessment, evaluation and review for its retail, commercial and corporate financial products to ensure consistency in the Parent Bank's risk assessment process. It also ensures that the Parent Bank's credit policies and procedures are adequate and are constantly updated to meet the changing demands or risk profiles of the business units.

Corporate Loans

Corporate lending activities are undertaken by the Parent Bank's Corporate Banking Center. The customer accounts under this group belong to the top tier corporations, conglomerates and large multinational companies. The Parent Bank undertakes a comprehensive procedure for the credit evaluation and risk assessment of large corporate borrowers based on its Internal Credit Risk Rating System (ICRRS). The rating system assesses risks on a three-dimensional level: Borrower Risk, Facility Risk and Security Risk. It also has established concentration limits depending on the Borrower Risk Rating and overall credit quality.

Commercial Loans

The Parent Bank's commercial banking activities are undertaken by its Commercial Banking Center (ComBank). These consist of banking products and services rendered to customers which are entities that are predominantly small and medium scale enterprises (SMEs). These products and services are

similar to those provided to large corporate customers, with the predominance of trade finance-related products and services.

ComBank uses a separate 10-grade credit scoring system for commercial accounts, comprised of: an Obligor Risk Rating (ORR), a Facility Risk Adjustment (FRA) and a Final Risk Rating (FRR). An Estimated Cash Risk Position is indicated to determine the secured and unsecured portion of the obligation.

Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Group's customers and repay deposits on maturity. The ALCO and the Treasurer of the Group ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. Liquidity is monitored by the Group on a daily basis and under stressed situations.

A contingency plan is formulated to set out the amount and the sources of funds (such as unused credit facilities) that are available to the Group and the circumstances under which the Group may use such funds.

The Group also manages its liquidity risks through the use of a Maximum Cumulative Outflow (MCO) limit which regulates the outflow of cash on a cumulative basis and on a tenor basis. To maintain sufficient liquidity in foreign currencies, the Group has also set an MCO limit for certain designated foreign currencies. The MCO limits are endorsed by the MRC and approved by the BOD.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading book or banking book. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology. Meanwhile, the market risk for the non-trading positions are managed and monitored using other sensitivity analyses.

The Group applies a VaR methodology to assess the market risk of positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

The Group uses the parametric VaR approach in assessing the possible changes in the market value of investment securities based on historical data for a rolling one-year period. 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 correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption.

Interest Rate Risk

A critical element of the Group's risk management program consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Group's net interest income and ensuring that the exposure in interest rates is kept within acceptable limits.

The Group employs "gap analysis" to measure the interest rate sensitivity of its assets and liabilities, also known as Earnings-at-Risk (EaR). This sensitivity analysis is performed at least every quarter. The EaR measures the impact on the net interest income for any mismatch between the amounts of interest-earning assets and interest-bearing liabilities within a one-year period. The EaR is calculated by first distributing the interest sensitive assets and liabilities into tenor buckets based on time remaining to the next repricing date or the time remaining to maturity if there is no repricing and then subtracting the liabilities from the assets to obtain the repricing gap. The repricing gap per tenor bucket is then multiplied by the assumed interest rate movement and appropriate time factor to derive the EaR per tenor. The total EaR is computed as the sum of the EaR per tenor within one year. To manage the interest rate risk exposure, BOD-approved EaR limits were established.

Non-maturing or repricing assets or liabilities are considered to be non-interest rate sensitive and are not included in the measurement.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates.

The Group's net foreign exchange exposure, taking into account any spot or forward exchange contracts, is computed as foreign currency assets less foreign currency liabilities. The foreign exchange exposure is limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Group's branches, as well as foreign exchange trading with corporate accounts and other financial institutions. The Group is permitted to engage in proprietary trading to take advantage of foreign exchange fluctuations.

Operational Risk

To standardize the practice and to conform to international standards, the Parent Bank has adopted the Basel Committee's definition of operational risk. This is formalized in the Parent Bank's approved Operational Risk Management Framework. Operational risk is the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events. This definition also covers legal risk as well as, the risk arising from dealings with Outsourced Service Providers (OSPs) and the use of technology-related products, services, delivery channels, and processes. This definition excludes strategic and reputational risk.

Each specific unit of the Parent Bank has its roles and responsibilities in the management of operational risk and these are clearly stated in the operational risk management framework. At the BOD level, an ORMC was formed to provide overall direction in the management of operational risk, aligned with the overall business objectives.

Legal Risk and Regulatory Risk Management

Legal risk pertains to the Bank's exposure to losses arising from cases decided not in favor of the Bank where significant legal costs have already been incurred, or in some instances, where the Bank may be required to pay damages. The Bank is often involved in litigation in enforcing its collection rights under loan agreements in case of borrower default. The Bank may incur significant legal expenses as a result of these events, but the Bank may still end up with non-collection or non-enforcement of claims. The Bank has established measures to avoid or mitigate the effects of these adverse decisions and engages several qualified legal advisors, who were endorsed to and carefully approved by senior management. At year-end, the Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have arisen from legal proceedings involving the Bank.

Regulatory compliance risk refers to the potential risk for the Bank to suffer financial loss due to changes in the laws, monetary, tax or other governmental regulations of the country. The monitoring of the Bank's compliance with these regulations, as well as the study of the potential impact of new

laws and regulations, is the primary responsibility of the Bank's Chief Compliance and Corporate Governance Officer. The Chief Compliance and Corporate Governance Officer is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing and regularly reporting to the CGC and the BOD.

Properties

The UnionBank Plaza is now the Union Bank of the Philippines' Head Office. It is a 50-storey office condominium building with an estimated usable area of **50,888.24** square meters. It is one of the most modern intelligent buildings in the Ortigas Business Center with electronically equipped building utility systems. It is also a PEZA proclaimed "IT Building" under Presidential Proclamation No. 900 dated Aug. 25, 2005 where the Bank occupies around **22,030.09** square meters. The Bank's leased area including those units for lease, cover an estimated total area of **20,587.77** square meters.

As of December 31, 2017 and 2016, the Bank and its subsidiaries paid P571.3 million and P533.3 million in rentals, respectively, mainly for its branches.

The list of properties owned by the Bank and bank owned branches are as follows:

A. List of properties owned by the Bank:

Name of Property	Location
Unionbank of the Philippines	
Peak Tower (Condo Unit)	8th/9th Floor, Salcedo Village,Makati City
EUROPA MINES VIEW FLAT	Laussane #1506 Baguio City
MONTERRAZA PROPERTY	#6 Jasmine St. Monterraza Subd. Itogon, Baguio City
CEBU BUSINESS PARK	Rosales Avenue, Cebu Business Park Cebu City
OLONGAPO BRANCH	87 Magsaysay Drive, Olongapo City
CAGAYAN DE ORO BRANCH	Lapasan National Highway Cagayan de Oro City
ILIGAN BRANCH	Quezon Avenue, Iligan City
ILOILO CITY BRANCH	General Luna St.,Iloilo City
SOUTHWEST TOWER - RICHVILLE BRANCH	UGI and UG 4 Condo Units Alabang Zapote Road
	Madrigal Business Park Alabang, Muntinlupa City
EMERALD BRANCH	Condo Unit-GID and parking lot B209
	Wynsum Corporate Plaza Emerald Avenue, Ortigas Center Pasig City
CABANATUAN BRANCH	P. Burgos St., Poblacion, Cabanatuan City
DAVAO-MAGSAYSAY BRANCH	Cor Magsaysay Ave and E. Jacinto St. Davao City
DUMAGUETE BRANCH	Real and San Juan street., two major road in the city., Dumaguete City
PUERTO PRINCESA	Unionbank Bldg., along J.P. Rizal Avenue, Brgy. Maningning, Puerto Princesa City, Palawan
DASMARINAS	G. A. Cu-Unjieng Bldg., Q. Paredes St., corner Dasmarinas St., Binondo Manila
UNIONBANK PLAZA	UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road, Ortigas Center, Pasig City
Ayala Integrated-CAR DISPLAY WAREHOUSE (from ROPA - ARG)	#138 Gen. Luis Along Nagkaisang Nayon, Cor. Pasacola St. Novaliches Quezon City
City Savings Bank	
CitySavings Financial Plaza	Citysavings Financial Plaza Bldg., Corner P. Burgos St. & Osmeña Blvd., Cebu City

TAGBILARAN	CPG Avenue 2nd District Tagbilaran City
BRGY. DAO, TAGBILAN CITY	Brgy. Dao, Tagbilaran City
FairBank	
FAIRBANK Sta Fe	Brgy. Talisay, Sta Fe
FAIRBANK Daanbantayan	Brgy. Poblacion, Daanbantayan, Cebu
FAIRBANK Bogo	J. Lequin St., Brgy. Gairan, Bogo City
Union Properties Inc.	
UNIONBANK CENTRE-MANILA	Quintin Paredes St. Corner Dasmarinas St. Binondo Manila
KINGSWOOD	285 Vito Cruz Extension cor. Metropolitan Ave., Makati

B. List of Bank owned branches as of December 31, 2017:

Unionbank of the Philippines

BRANCH NAME	ADDRESS
CABANATUAN	P.Burgos St., Cabanatuan City
CAGAYAN DE ORO CITY - LAPASAN	Lapasan National Highway, Cagayan de Oro City
DASMARINAS GACU	G.A.Cu-Unjieng Bldg., Q. Paredes St. corner Dasmarinas St., Binondo, Manila
DAVAO - MAGSAYSAY	R. Magsaysay St. corner Jacinto St., Davao City
DUMAGUETE	Calle Real corner Calle San Juan St. Dumaguete City
EMERALD	G/F Wynsum Corp. Plaza, Ortigas Center, Pasig City
ILIGAN CITY	Quezon Avenue, Iligan City
ILOILO - GEN LUNA	General Luna Street, Brgy. Villa Anita, City Proper, Iloilo City
OLONGAPO	87, Magsaysay Drive, Olongapo City
PUERTO PRINCESA CITY	Unionbank Bldg., along J.P. Rizal Avenue, Brgy. Maningning, Puerto Princesa City, Palawan
RICHVILLE	Richville Corporate Tower, Madrigal Bus. Park, Alabang Zapote Rd., Alabang, Muntinlupa City
UNIONBANK PLAZA	UnionBank Plaza Bldg., Meralco Ave. corner Onyx St., Pasig City

City Savings Bank

BRANCH NAME	ADDRESS
HOME OFFICE	CSB Financial Plaza Cor. Osmena Blvd/P. Burgos St. Sto. Nino North Cebu City 6000
TAGBILARAN BRANCH	CPG Avenue 2nd District Tagbilaran City Bohol 6300

Fair Bank

BRANCH NAME	ADDRESS
STA. FE	Brgy. Talisay, Sta. Fe
DAANBANTAYAN	Brgy. Poblacion, Daanbantayan, Cebu
BOGO	J. Lequin St., Brgy. Gairan, Bogo City

There are also Bank premises which are being leased. The list of leased branches of the Bank is attached hereto as **Annex "B".**

All the facilities are in good condition. Likewise, there are no properties owned by the Bank that are mortgaged to third parties nor are there adverse claims on such properties. The Bank has plans of purchasing properties for branch locations, if possible. However, there are no concrete steps taken to date regarding actual land purchase for branches in the next 12 months.

Legal Proceedings

The Bank is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

- any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, executive officer, or control person of the Corporation was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

- any conviction by final judgment in a criminal proceeding or being subject to a pending criminal proceeding of any director, person nominated to become a director, executive officer, or control person of the Bank;

- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director, person nominated to become a director, executive officer, or control person of the Corporation in any type of business or banking activities.

The Bank is a defendant/respondent in various legal actions, most of which are claims for damages arising in the ordinary course of business. The results of these actions, however, will not have a material effect on the Bank's financial position.

Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter covered by this report.

Number of Common Shares as of March 31, 2018 (Issued and Outstanding Shares) - 1,058,343,929 shares

Item 2. Market for Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

UnionBank's shares were officially listed and first traded at the Philippine Stock Exchange on May 21, 1992.

The price performance of the shares has been as follows:

(Philippine Peso)	High	Low
As of April 4, 2018	92.00	91.05
Quarter Ended March 2018	93.00	86.00
Quarter Ended December 2017	87.35	86.45
Quarter Ended September 2017	86.90	85.15
Quarter Ended June 2017	86.50	78.50
Quarter Ended March 2017	80.00	74.10
Quarter Ended December 2016	77.00	72.00
Quarter Ended September 2016	74.15	64.80
Quarter Ended June 2016	68.00	57.00

Quarter Ended March 2016	59.00	54.00

(2) Holders

The Bank has 4,980 shareholders of record as of March 31, 2018. The number of common shares outstanding as of said date stood at 1,058,343,929 shares.

Top 20 Stockholders of the Bank as of March 31, 2018:

	STOCKHOLDERS	NATIONALITY	SHARES	%
1	ABOITIZ EQUITY VENTURES, INC.	FILIPINO	511,581,606	48.34%
2	THE INSULAR LIFE ASSURANCE CO., LTD.	FILIPINO	171,597,613	16.21%
3	PCD NOMINEE CORPORATION	FILIPINO	120,785,886	11.41%
4	SOCIAL SECURITY SYSTEM	FILIPINO	115,132,533	10.88%
5	SOCIAL SECURITY SYSTEM (1)	FILIPINO	32,921,222	3.11%
6	PCD NOMINEE CORPORATION	OTHER ALIEN	18,143,300	1.71%
7	RAMON ABOITIZ FOUNDATION, INC.	FILIPINO	4,011,725	0.38%
8	SANFIL MANAGEMENT CORPORATION	FILIPINO	3,577,693	0.34%
9	JUSTO A. ORTIZ	FILIPINO	2,778,199	0.26%
10	BAUHINIA MANAGEMENT, INC.	FILIPINO	1,905,667	0.18%
11	DOMINUS CAPITAL, INC.	FILIPINO	1,794,436	0.17%
12	FMK CAPITAL PARTNERS, INC.	FILIPINO	1,732,739	0.16%
13	WINDEMERE MANAGEMENT CORPORATION	FILIPINO	1,706,291	0.16%
14	DONYA I MANAGEMENT CORP.	FILIPINO	1,705,073	0.16%
15	HAWK VIEW CAPITAL, INC.	FILIPINO	1,676,187	0.16%
	PORTOLA INVESTORS, INC.	FILIPINO	1,676,187	0.16%
16	LUIS MIGUEL O. ABOITIZ	FILIPINO	1,547,777	0.15%
17	ALPHITONIA MANAGEMENT, INC.	FILIPINO	1,474,814	0.14%
18	ANDROLEPIS MANAGEMENT, INC.	FILIPINO	1,474,812	0.14%
	ANACYCLUS MANAGEMENT, INC.	FILIPINO	1,474,812	0.14%
	ALDROVANDA MANAGEMENT, INC.	FILIPINO	1,474,812	0.14%
19	MOREFUND CORPORATION	FILIPINO	1,453,480	0.14%
20	ANNABELLE O. ABOITIZ	FILIPINO	1,411,061	0.13%
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	SUB-TOTAL		**1,003,037,925**	**94.77%**
	OTHER STOCKHOLDERS		**55,306,004**	**5.23%**
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	TOTAL ISSUED AND OUTSTANDING SHARES		**1,058,343,929**	**100.00%**
			==========	=========

Level of the Bank's Public Float Pursuant to the Minimum Public Ownership (MPO) Rule of the PSE

As of March 31, 2018, the public ownership percentage representing the total number of shares owned by public in the Bank's shareholdings, computed based on the MPO Rule of the PSE is 31.49%.

(3) Dividends

The following is a summary of the dividends declared and distributed by the Group in 2017, 2016 and 2015:

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Shares Outstanding	Total Amount
January 27, 2017	February 10, 2017	N/A	February 24, 2017	P1.90	1,058,343,929	P 2,010,853

January 22, 2016	February 9, 2016	N/A	February 19, 2016	1.50	1,058,343,929	1,587,516
January 23, 2015	April 23, 2015	April 1, 2015	May 20, 2015	2.10	1,058,343,929	2,222,522

On January 26, 2018, the Parent Bank's BOD approved the declaration of cash dividends at P1.90 per share or for a total of P2,010,853 based on the outstanding common stock of 1,058,343,929 shares as of December 31, 2017. Record date for stockholders entitled to said cash dividend is February 12, 2018 while payment was made on February 27, 2018.

In compliance with BSP regulations, the Bank ensures that adequate reserves are in place for future bank expansion requirements. The foregoing cash dividend declarations were made within the BSP's allowable limit of dividends.

(4) Recent Sales of Unregistered Securities

On November 29, 2017, the Bank issued USD500 million in Fixed Rate Senior Notes under the Bank's Medium Term Note Programme which was established on November 14, 2017. Proceeds of the Notes will be used to refinance the Bank's existing liabilities, expand its funding base and for other general corporate purposes.

On November 20, 2014, the Bank issued P7.2 billion worth of Unsecured Subordinated Debt Notes qualifying as Tier 2 capital under Basel 3.

(5) Other Securities

UnionBank has no stock options, warrants, rights or similar declarations as of report date.

Item 3. Management's Discussion and Analysis or Plan of Operation.

Statement of Income for the Year Ended December 31, 2017 vs December 31, 2016

Union Bank of the Philippines and its subsidiaries recorded Php8.42 billion in net income for the year ended December 31, 2017, 16.35% lower than the prior year's result of Php10.07 billion primarily due to one-off trading gains recorded last year. Excluding the trading gains booked in 2016, the Bank's core income was up by 30.43% year-on-year (YoY) to Php8.15 billion from Php6.25 billion a year ago.

Total interest income was up by 21.77% to Php24.59 billion in 2017 from Php20.19 billion earned last year. Higher average level of **loans and receivables** led to a 17.63% jump in interest income to Php17.42 billion. **Interest income on trading and investment securities** also rose by 40.43% to Php6.71 billion on higher average volume levels and yields. These more than offset the lower **interest income on cash and cash equivalents**, which declined by 30.35% to Php0.37 billion on reduced average yields. On one hand, **interest income on interbank loans receivable** went up by 15.32% to Php0.09 billion on higher average yields notwithstanding contraction in average volume.

Total interest expense increased by 31.69% to Php6.95 billion from Php5.27 billion last year, primarily on account of the 38.54% hike in **interest expense on deposit liabilities** to Php5.95 billion resulting from higher deposit level.

As a result of the foregoing, **net interest income** rose by 18.26% to Php17.64 billion compared to the Php14.92 billion earned a year ago.

Impairment and credit losses amounting to Php0.88 billion was set aside for this year, 45.07% lower than the Php1.59 billion set aside the preceding year, mainly driven by CitySavings' implementation of their own loan loss methodology which warranted lower reserve setup.

Total other income was at Php7.42 billion, down by 28.66% from Php10.41 billion in the previous year, mainly attributed to one-off trading gains in 2016. **Gain on trading and non-trading financial assets-net** declined to Php0.27 billion in 2017 from Php3.82 billion a year ago. **Premium**

revenues were nil as the Bank's subsidiary, First Union Plans Inc. (FUPI), ceased selling pre-need plans. **Miscellaneous income** increased to Php2.85 billion, 37.49% higher than last year's Php2.07 billion on account of higher fair value of investment properties, bancassurance fees, and income from trust fund investments.

Total other expenses increased by 14.88% to Php13.50 billion from the Php11.75 billion incurred a year ago. **Taxes and licenses** amounted to Php2.09 billion, 45.68% higher YoY from higher gross receipt taxes attributed to higher recurring income as well as increased documentary stamp taxes from growth of time deposits. **Occupancy** was up by 7.13% to Php0.74 billion on higher rent expenses. **Depreciation and amortization** declined by 11.38% to Php0.63 billion principally due to reduced depreciation of bank premises as well as amortization on leasehold rights and improvements. In line with the movement of pre-need sales, **trust fund due** was nil. **Miscellaneous expenses** climbed by 24.02% to Php4.76 billion on higher business-volume related costs such as PDIC insurance, third party sales commission, and credit card fees.

Tax expense was at Php2.27 billion, an increase of 18.67% from the Php1.91 billion incurred last year in view of higher final taxes and deferred taxes due to temporary differences.

Income attributable to non-controlling interests was at Php0.009 billion, a 7.52% increase YoY mainly coming from the share in income contribution of FAIRBank, which was acquired by the Bank in the 1st quarter of 2017.

Statement of Comprehensive Income for the Year Ended December 31, 2017 vs December 31, 2016

The Bank posted a total comprehensive income of Php8.38 billion for the year-ended December 31, 2017, 13.54% lower than the Php9.70 billion registered a year earlier due to lower earnings performance. **Net unrealized losses on financial assets** was nil as the level and yield of investment securities at fair value through other comprehensive income remained constant YoY. **Losses in remeasurements of defined benefit plan, net of tax,** narrowed to Php0.04 billion as a result of actuarial adjustments. **Total other comprehensive income attributable to non-controlling interests** moved up by 7.17% to Php0.009 billion from Php0.008 billion a year ago.

Statement of Condition as of December 31, 2017 vs December 31, 2016

The Bank's total resources reached Php622.11 billion as of end-2017, 18.63% higher compared to the Php524.43 billion as of end-2016.

Cash and other cash items went up by 10.16% to Php6.63 billion largely due to increased levels of cash in vault. **Due from Bangko Sentral ng Pilipinas (BSP)** rose by 18.03% to Php66.28 billion from higher levels of deposit liabilities, while **due from other banks** climbed by 28.51% to Php54.52 billion on higher working balances with foreign correspondent banks. **Interbank loans receivable** shrunk to Php4.79 billion from Php24.36 billion as these funds were deployed to higher yielding assets.

Trading and investment securities portfolio surged 39.54% to Php169.70 billion, predominantly due to the build-up of **financial assets at amortized cost**, which grew by 41.34% to Php166.47 billion. On the other hand, **financial assets at fair value through profit or loss** dropped by 16.04% to Php3.18 billion from Php3.79 billion a year ago.

Driven by the double-digit growth across major customer loan segments, **loans and receivables–net** expanded by 19.39% to Php281.03 billion from Php235.39 billion booked in the prior year. As such, the Bank's loans to deposit ratio improved further to 62.8%

Bank premises, furniture, fixtures and equipment increased by 6.88% to Php3.77 billion, driven by investments in information technology infrastructure and branch network.

Total liabilities grew by 19.98% to Php548.12 billion as of end-December 2017 from last year's Php456.84 billion. **Total deposit liabilities**, similarly, increased by 18.89% to Php447.62 billion. Low cost **demand and savings deposits** went up by 5.16% and 17.08% to Php127.42 billion and Php57.74 billion, respectively. **Time deposits**, on the other hand, increased by 27.40% to Php262.45 billion. **Bills payable** declined by 10.46% to Php43.07 billion on lower short-term funding requirements, while **notes payable** surged by 4.47x to Php32.17 billion mainly attributed to the USD500 million bond issuance completed by the Bank in November 2017 under its Medium Term Note Programme.

Total capital funds rose by 9.47% YoY to Php73.99 billion, mainly driven by the 12.22% increase in retained earnings to Php56.69 billion from Php50.52 billion. **Surplus reserves**, likewise, expanded by 12.98% on increased appropriations for FUPI for the current period. **Non-controlling interest** posted a balance of Php0.05 billion as of December 31, 2017.

Key performance indicators of the Bank are as follows:

	2017	2016
Return on Average Assets	1.5%	2.2%
Return on Average Equity	12.0%	16.3%
Cost-to-Income Ratio	53.9%	46.4%
Net Non-Performing Loan Ratio	1.3%[1]	0.6%[2]
Non-Performing Loan Cover	95.5%	108.7%
Capital Adequacy Ratio	14.4%	15.7%

The manner by which the Bank calculates the above indicators is as follows:

Return on Average Assets:	Net income divided by average total resources for the period indicated
Return on Average Equity:	Net income divided by average total capital funds for the period indicated
Cost-to-Income Ratio:	Total operating expenses divided by the sum of net interest income and other income
Net Non-Performing Loan Ratio:	[1] (Total non-performing loans less specific loan loss reserves for NPL) divided by (total loans inclusive of interbank loans receivables) [2] (Total non-performing loans less specific loan loss reserves) divided by (total loans inclusive of interbank loans receivables)
Non-Performing Loan Cover:	(Total allowance for loan losses) divided by (total non-performing loans) based on audited figures
Capital Adequacy Ratio:	Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market and operational risk charge)

**Based on audited figures*

As to material event/s and uncertainties, the Bank has nothing to disclose on the following apart from those already disclosed elsewhere or presented in the accompanying audited financial statements:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
- Any events that will trigger direct or contingent financial obligation, including any default or acceleration of an obligation.
- Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company.
- Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Any known trends, events or uncertainties that have had or that are reasonably expected` to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

- Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

Statement of Income for the Year Ended December 31, 2016 vs December 31, 2015

Union Bank of the Philippines and its subsidiaries recorded Php10.07 billion in net income for the year ended December 31, 2016, 67.30% higher than the prior year's result of Php6.02 billion.

Total interest income rose by 23.19% to Php20.19 billion in the twelve-month period from the Php16.39 billion earned a year ago. **Interest income in loans and other receivables** grew by 25.27% to Php14.80 billion, while **interest income on trading and investment securities** increased by 27.22% to Php4.78 billion both as a result of double-digit growth in average volumes. These more than compensated for the lower **interest income on cash and cash equivalents**, which declined by 33.53% to Php0.53 billion on reduced average volumes and yields. On the other hand, **interest income on interbank loans receivable** went up by 3.50x to Php0.08 billion on higher average volume levels and yields.

Total interest expense increased by 24.41% to Php5.27 billion from the Php4.24 billion incurred a year ago, mainly owing to the 30.07% jump in **interest expense on deposit liabilities** to Php4.29 billion on account of higher deposit base.

The substantial increase in interest income and the Bank's ability to manage its cost of funds resulted for **net interest income** to advance by 22.76% to Php14.92 billion compared to the Php12.15 billion earned a year ago.

The Bank provided Php1.59 billion for **impairment and credit losses** this year, 2.42x higher than the Php0.66 billion set aside the preceding year in view of the expansion in the lending portfolio and alignment to the changes in credit regulatory standards.

Total other income reached to Php10.41 billion for the year ended 2016, 29.49% higher compared to the Php8.04 billion recorded the previous year. **Service charges, fees and commissions** increased by 20.85% to Php4.51 billion, buoyed by the expanded customer base in both loans and deposits. **Trading gains** amounted to Php3.82 billion, mainly due to profits from securities sold to support the Bank's loan growth strategy. Meanwhile, **premium revenues** from the Bank's pre-need business fell by Php1.82 billion to Php0.008 billion. **Miscellaneous income** declined by 5.88% to Php2.07 billion from Php2.20 billion a year ago mainly due to lower gain on sale of assets.

Total other expenses were slightly up by 3.45% to Php11.75 billion from the Php11.36 billion incurred a year ago. **Salaries and employee benefits** rose by 31.00% to Php5.07 billion, substantially due to higher headcount owing to business expansion and other compensation-related adjustments. **Taxes and licenses** grew by 39.84% to Php1.44 billion on increased gross receipt taxes attributed to higher accrual income, coupled with higher documentary stamp taxes consequent to the expansion in time deposits. **Depreciation and amortization** advanced by 15.82% to Php0.72 billion principally due to amortization on leasehold rights and improvements as well as depreciation of bank premises. **Occupancy** picked up by 6.69% to Php0.69 billion on new branches and rent escalation. **Miscellaneous expenses** climbed by 10.44% to Php3.84 billion on higher insurance; management and other professional fees; advertising expenses, as well as security, messengerial, clerical and janitorial services. Consistent with the decline of FUPI's premium revenues, **trust fund due** slid by Php1.72 billion to Php0.008 billion. The marginal increase in operating expenses alongside with the strong growth in revenues resulted for cost-to-income ratio to improve to 46.41% from 56.28% posted a year ago.

Tax expense declined by 11.21% in 2016 to Php1.91 billion from the Php2.15 billion registered last year on higher deferred tax.

Income attributable to non-controlling interests reached Php0.008 billion, a 9.68% decline from Php0.009 billion brought about by increased shareholdings of UnionBank in City Savings Bank, Inc. (CitySavings).

Statement of Comprehensive Income for the Year Ended December 31, 2016 vs December 31, 2015

The Bank's total comprehensive income grew by 64.85% to Php9.70 billion for the year-ended December 31, 2016 from Php5.88 billion registered a year earlier. **Net unrealized losses on investment securities** dropped to Php0.28 million on decreased levels of investment securities at fair value through other comprehensive income. **Losses in remeasurements of defined benefit plan, net of tax,** widened to Php0.37 billion, arising from lower asset market valuation versus a year ago. **Total other comprehensive income attributable to non-controlling interests** moved down by 9.17% to Php0.008 billion from Php0.009 billion.

Statement of Condition as of December 31, 2016 vs December 31, 2015

The Bank's total resources stood at Php524.43 billion as of end-2016, 18.74% higher compared to the Php441.66 billion as of end-2015.

Cash and other cash items declined by 8.30% to Php6.02 billion largely due to reduced levels of cash in vault. **Due from Bangko Sentral ng Pilipinas (BSP)** dropped by 19.83% to Php56.15 billion, caused by the lower level of Special Deposit Account placements with the BSP. **Due from other banks**, meanwhile, ballooned by 115.38% to Php42.43 billion on higher working balances with foreign correspondent banks. **Interbank loans receivable** increased by 44.29% to Php24.36 billion brought about by placements with other banks.

Holdings of trading and investment securities expanded by 10.61% to Php121.61 billion, predominantly due to the build-up of **financial assets at amortized cost**, which increased by 11.73% to Php117.78 billion. On the other hand, **financial assets at fair value through profit or loss and other comprehensive income** dropped by 15.58% and 7.07%, respectively, to Php3.79 billion and Php0.04 billion.

Loans and receivables – net expanded by 31.10% to Php235.39 billion from the Php179.55 billion booked in the prior year. The expansion in corporate and consumer-based asset businesses resulted for the Bank's loan-to-deposit ratio to increase to 62.52% from 57.63%.

Bank premises, furniture, fixtures and equipment increased by 6.55% to Php3.52 billion, driven by investments in information technology infrastructure and branch network. **Assets held for sale** was zeroed out from Php0.07 billion while **other resources** dipped by 6.93% to Php10.17 billion, largely as a result of the decline in trust fund investments.

Total liabilities rose by 19.54% to Php456.84 billion as of end-December 2016 from the Php382.17 billion posted the previous year. **Total deposit liabilities** increased by 20.83% to Php376.49 billion compared to year-ago levels. **Demand and savings deposits** grew by 15.64% and 18.64% to Php121.17 billion and Php49.32 billion, respectively, while **time deposits** similarly increased by 24.67% to Php206.00 billion. Low cost demand and savings deposits to total deposits ratio went down to 45.28% from 46.97%. **Bills payable** and **other liabilities** were also up by 15.76% and 14.78%, respectively, to Php48.10 billion and Php25.06 billion, respectively, on higher short term funding requirements and miscellaneous liabilities.

Total capital funds rose by 13.61% to Php67.59 billion this year from the Php59.49 billion as of December 31, 2015. **Surplus** and **surplus reserves**, similarly, expanded by 19.36% and 18.85%, respectively, to Php50.52 billion and Php1.73 billion, resulting from the Bank's earnings. **Net unrealized fair value gains on investment securities** further tapered to Php0.03 million from Php0.3 million as the Bank winded down its fair value securities position. **Losses on remeasurements of defined benefit plan** widened by 47.94% to Php1.14 billion from lower

actuarial adjustments versus a year ago. **Non-controlling interest** was down by 14.61% to Php0.02 billion, following UnionBank's increased shareholdings in CitySavings.

Key performance indicators of the Bank are as follows:

	2016	2015
Return on Average Assets	2.2%	1.6%
Return on Average Equity	16.3%	10.6%
Cost-to-Income Ratio	46.4%	56.3%
Net Non-Performing Loan Ratio	0.6%	0.8%
Non-Performing Loan Cover	108.7%	102.9%
Capital Adequacy Ratio	15.7%	16.2%

The manner by which the Bank calculates the above indicators is as follows:

Return on Average Assets:	Net income divided by average total resources for the period indicated
Return on Average Equity:	Net income divided by average total capital funds for the period indicated
Cost-to-Income Ratio:	Total operating expenses divided by the sum of net interest income and other income
Net Non-Performing Loan Ratio:	(Total non-performing loans less specific loan loss reserves) divided by (total loans inclusive of interbank loans receivables)
Non-Performing Loan Cover:	(Total allowance for loan losses) divided by (total non-performing loans)
Capital Adequacy Ratio:	Total qualifying capital divided by total risk-weighted assets (inclusive of credit, market and operational risk charge)

**Based on audited figures*

As to material event/s and uncertainties, the Bank has nothing to disclose on the following apart from those already disclosed elsewhere or presented in the accompanying audited financial statements:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
- Any events that will trigger direct or contingent financial obligation, including any default or acceleration of an obligation.
- Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company.
- Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- Any known trends, events or uncertainties that have had or that are reasonably expected` to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- Any seasonal aspects that had a material effect on the financial condition or results of operations.

Item 4. Financial Statements

The consolidated financial statements and schedules are filed as part of this Form 17-A. Said statements were audited by the accounting firm of Punongbayan & Araullo and signed by partner Mr. Anthony L. Ng.

Item 5. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with the Bank's external auditors, Punongbayan & Araullo (P&A), on accounting principles or practices, financial statement disclosures or auditing scope or procedure for the two (2) most recent years ended December 31, 2017 and 2016.

(A) Audit and Audit Related fees

For the year 2017, audit fees billed by P&A amounted to P10,958,000 exclusive of VAT and out-of-pocket expenses.

For the year 2016, audit fees billed by P&A amounted to P10,555,000 exclusive of VAT and out-of-pocket expenses.

Fees for other special audit, assurance and related services rendered by P&A for 2017 were as follows:

1. P1,700,000 for the audit of the consolidated financial statements of the UnionBank Group as of and for the year ended December 31, 2017 in accordance with accounting practices prescribed by BSP.

2. P4,209,085 for the Bank's issuance of Senior Debt in 2017.

Fees for other special audit, assurance and related services rendered by P&A for 2016 amounted to P1,650,000. This represents payment for the audit of the consolidated financial statements of UnionBank Group as of and for the year ended December 31, 2016 in accordance with accounting practices prescribed by BSP.

(B) Tax Fees

No tax service fees were paid by the Bank to P&A for the years 2017 and 2016.

(C) All Other Fees

Other fees billed by P&A in 2017 in relation to review of accounts as of December 31, 2016 amounted to P200,000.

No other fees were paid by the Bank to P&A for 2016.

The following practices were agreed to and adopted by and between Management and the external auditor:

1. Before the start of each year's audit, the external auditor presents to the Audit Committee for approval its proposed audit plan, describing the areas of focus for the audit, as well as any new accounting standards, laws and new regulatory rules that need to be taken into account in the course of the audit. The audit schedule is also presented.

2. The audit fees are agreed with the external auditor by Management.

3. When the audit is substantially completed and before the Bank's Board meeting in January of the following year, the external auditor presents an initial report of its audit to the Audit Committee. The complete set of audited financial statements and accompanying notes are submitted to the Board for notation in its February meeting.

Item 6 - Directors and Executive Officers of the Issuer

Please refer to Item 5, page 7 of the Information Statement.

Item 7. Discussion on Compliance with Leading Practice on Corporate Governance

Union Bank's corporate governance philosophy is anchored on compliance to statutory and regulatory mandates and founded on a culture of (1) fairness, (2) transparency and (3) accountability demonstrated by consistent ethical business conduct aligned with the highest industry standards of compliance to the principles of good corporate governance. The Bank recognizes that a sound and efficient corporate governance program espoused by its Board of Directors creates a culture of integrity throughout the organization—an essential component to increasing shareholder value, creating a continued positive influence to its various stakeholders and retaining the trust of the investing public.

Board Nomination, Succession and Diversity

As stated in the Bank's Manual on Good Corporate Governance, the Nominations Committee pre-screens candidates for board seats prior nomination against the fit and proper rule of the Bangko Sentral ng Pilipinas, other regulatory specifications and pre-set parameters.

The Bank is committed to have diversity in membership in the Board. Subject to the qualifications and disqualifications set forth in the Bank's CG Manual, there exists no discrimination against gender and age in the nomination of the members of the Board.

Board Structure

The Board consists of fifteen (15) directors, three (3) of whom are independent directors with ten (10) non-executive directors and two (2) executive directors. The annual election of the members of the board by its stockholders is anchored in the observance of the qualifications and disqualifications criteria set forth in the Bank's Manual on Good Corporate Governance and regulations set by various regulatory agencies.

In carrying out its duties, responsibilities and objectives, the members of the Board established eleven (11) committees enumerated as follows:

1. Executive Committee

The Executive Committee acts and exercises such functions and powers which are reserved for the Board during intervals between Board meetings, except the power to initiate reversals of, or departure from fundamental policies, procedures and guidelines prescribed by the Board itself, and subject to such restrictions as the Board may determine.

2. Risk Management Committee

The Committee develops appropriate strategies for preventing the occurrence of risk events and minimizing losses when these do happen. It oversees the Bank's risk management system to ensure that it remains effective, authority limits are observed, and immediate corrective actions are taken whenever limits are breached or risk events occur. The RMC also develops and implements appropriate risk management strategies and defines the measures for managing and controlling its major risks.

3. Market Risk Committee

The Committee sets policies and standards for market risk, interest rate risk and liquidity risk in terms of identification, measurement, monitoring and control.

4. Operations Risk Management Committee

It is responsible for reviewing risk management policies and practices relating to operational risk, including those that affect branches, internet banking, central processing services and treasury operations.

5. Audit Committee

In behalf of the Board of Directors, the Audit Committee provides oversight of the Bank's financial reporting and internal control, as well as internal and external audit function. It is also responsible for setting up the Internal Audit Division (IAD) and the appointment of the internal auditor and the independent external auditor who both report to the Audit Committee.

6. Nominations Committee

The Committee is responsible for reviewing the qualifications of and screening candidates for the Board and key officers of the Bank. It oversees the implementation of programs for identifying, retaining and developing critical executives or officers and the succession plan for various units in the organization.

7. Compensation and Remuneration Committee

It is responsible for overseeing implementation of the programs for salaries and benefits of senior management and Directors, as may be applicable. It monitors adequacy, effectiveness and consistency of compensation program vis-à-vis corporate philosophy and strategy.

8. Trust Committee

The Trust Committee acts within the sphere of authority as may be provided in the Bank's By-Laws, and/or as may be delegated by the Board such as, but not limited to: the acceptance and closing of trust and other fiduciary accounts; the initial review of assets placed under the trustee's fiduciary custody; the investment, reinvestment, and disposition of funds or properties; and the review of trust and other fiduciary accounts at least once every twelve (12) months to determine the advisability of retaining or disposing of the trust or fiduciary assets and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship.

9. Technology Steering Committee

The Committee is responsible in overseeing the overall information technology (IT) strategy of the Bank and to ensure its alignment with the Bank's business strategies and objectives. In addition, the Committee monitors IT performance, status of major projects and other IT-related issues.

10. Related Party Transactions Committee

The Committee is responsible for assisting the board in fulfilling its corporate governance responsibilities on related party transactions (RPTs), reviewing and endorsing all significant RPTs for the approval or confirmation of the board and formulating, implementing and updating of the Bank's RPT policy in accordance with existing regulations.

11. Corporate Governance Committee

The Committee recommends governance policies to the Board based on the regulations of the BSP, the SEC, the Philippine Stock Exchange (PSE), as well as those which are internationally recognized as industry best practices. It serves as the primary resource for the Board to study and evaluate itself, as a body, and its Committees' structure, policies and practices with the objective of raising the bar for the Bank's corporate governance.

Board Trainings and Effectiveness

The Corporate Governance Committee through the Chief Compliance and Corporate Governance makes recommendations to further the continuing education program of the members of the board. Annually, in compliance with regulatory mandates, the Bank's Board of Directors attends Corporate Governance training/s and Anti-Money Laundering Act refresher course/s.

Performance review exercises are likewise done in an annual basis to measure board efficiency through a balanced and objective platform against the goals that the board has set at the beginning of the year, roles and responsibilities as mandated by the various regulatory agencies as well as the Bank's own Manual on Good Corporate Governance. Further, the assessment provides the Board and its committees valuable information that can be used as a guiding tool in succession planning, objective setting as well as analysis of whether they have accomplished the purpose for which they were established and to act to address any concern emanating therefrom.

Remuneration Policy for the Board and Senior Management

The Compensation and Remuneration Committee oversees the implementation of the programs for the salaries and benefits of the Bank's Senior Management and Directors, as may be applicable. Executive Directors receive compensation from the Bank in the form of guaranteed salaries, per diem for attendance to meetings, and variable pay or profit sharing, as prescribed by the Bank's by-laws. The compensation policies and programs for Senior Management follow a market-based compensation structure, and anchored on the principles of meritocracy or pay-for-performance

The Bank's key executives and officers receive salaries, bonuses and other standard bank benefits and fringe benefit loan program, as approved by the BSP, in accordance with the performance management philosophy of the Bank based on meritocracy or pay for performance.

Corporate Secretary

The Board is assisted by the Corporate Secretary who is an officer of the Bank and/or its subsidiaries and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

Bank's Control System

The Bank's control system is managed by the Chief Risk Officer, Chief Audit Executive and the Chief Compliance Officer. They assist the board in providing oversight on risk management, internal control, compliance to regulatory mandates and best practices in governance.

Manual on Corporate Governance

In its effort to improve its level of compliance not only to governing laws set forth by various regulating agencies but also to benchmark itself against internationally recognized corporate governance best practices, the Bank adopted a Manual on Corporate Governance in August 20, 2002. The Manual institutionalizes the principles of good corporate governance by setting sound governance policies across the board, management and its shareholders.

The Manual is subject to periodic review to ensure the relevance of its content to current governance practices and regulatory amendments. A review of the Manual took place in May 2017 upon the endorsement of the Corporate Governance Committee and subsequently approved by the members of the Board. The Amended Manual on Good Corporate Governance has been aligned with the principles set in the Code of Corporate Governance by the Securities and Exchange Commission. In October 2017 the Manual undertook another review for alignment with the Bangko Sentral ng Pilipinas Memorandum Circular No. 969 or the Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions.

Governance Policies

The Bank created a set of governance policies and mechanisms designed to provide a concrete standard of corporate philosophy to guide its board, management and employees in fulfilling its responsibilities to its shareholders and various stakeholders. The policies are subjected to periodic review in order to ensure that they remain consistent with applicable regulations and industry best practice.

Policy on Conflict of Interest

As part of its on-going efforts to uphold equitable treatment of its shareholders and stakeholders, the Bank intensified its policies on conflict of interest and related party transactions which have long been in existence in the Bank's Code of Conduct. The Revised Manual provides that a conflict of interest exists when the personal, business or other related interest of a director, officer or employee adversely interfere in any way, or could reasonably be perceived to adversely interfere, with that of the Bank. It also provides for the duties of Directors, officers and employees to immediately disclose any involvement in material conflict of interest and not to participate in the decision-making process relating to the transaction.

Related Party Transactions

It is the policy of the Bank to ensure that related party transactions are all entered into at arm's length standard. These transactions are made and entered into substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks. Hence, they likewise go through the same process applicable to ordinary or unrelated party transactions as set forth in the Bank's Purchasing Guidelines. The Bank has in place a Procedural Guidelines for Monitoring Related Party Transactions approved by the Board of Directors.

Whistle Blowing Policy

UnionBank is committed to high standards of ethical, moral and legal business conduct as well as with fairness and objectivity in dealing with all of its stakeholders.

In line with these and the Bank's commitment to foster trust and openness, this policy aims to:

- Provide an avenue for all employees of UnionBank, business partners and other stakeholders to raise any serious or sensitive concerns
- Ensure that such concerns are treated seriously, appropriately and with utmost confidentiality
- Reassure that any person raising a serious concern in good faith will be protected from reprisal or retaliation.

We do not however extend this assurance to a person who raises a concern that is untrue or with malicious intent. Untruthful or malicious concerns raised under this Policy shall be dealt with in accordance with the provisions of the Code of Conduct.

Employees that have a concern are encouraged to discuss such matters first with their direct superior or line manager unless the matter is exceptionally serious, sensitive or cannot be reported through the normal reporting line such as but not limited to:

- Unlawful activity
- Fraud
- Corruption
- Violation of policies and agreements including the Bank's Code of Conduct.

It is incumbent upon an employee who knows or suspects an actual or possible violation of a law, regulation, the Code of Conduct or any of the Bank's policy, or who may be aware of any condition

that creates undue material risk to the Bank to escalate the same to his or her supervisor or avail of the reporting mechanism under this Policy.

Alternative Dispute Resolution System

The Bank subscribes to the view that "an important determinant of the degree to which shareholder rights are protected is whether effective methods exist to obtain redress for grievances at a reasonable cost and without excessive delay."1 It is the Bank's policy to continue building harmonious relationship with its stockholders and other parties with whom it may have obligations or contract with. It thus adheres to appropriate alternative dispute resolution system for early settlement of conflicts with its stockholders and other parties, as found in its Revised Manual.

Fair Securities Dealing

In order to continually uphold transparency and integrity in the trading of its securities, the Bank has adopted a Trading Guidelines and Blackout Policy. This aims to apprise and to ensure compliance by all "Covered Persons" of the Bank with their obligations under the Securities Regulation Code (SRC) and other securities rules and regulations relating to the trading or dealing of the Bank's shares. Covered Persons refer to directors, principal officers and all other employees of the Bank who are made aware of undisclosed material non-public Information, including their immediate families living in the same household. To protect the investing public, the Chief Compliance, and Corporate Governance Officer issues notices of trading blackout which prohibits the trading of the Bank's shares within defined periods before and after material non-public information are disclosed and made available to the public. Directors, principal officers of the Bank and the rest of the covered persons are also mandated to report to the Stock Transfer Unit or the Human Resource Services their transactions involving the Bank's shares or any changes therein no later than one trading day after such transaction/s.

Ethical Standards

The Bank's philosophy for corporate governance extends beyond prescribed mandates and obligations. The Bank has a Code of Conduct that outlines the expectations of and standards for employee behaviour and ethical conduct, as well as systems used to ensure compliance therewith. It is divided into three parts, namely, Ethical Standards, Disciplinary Action, and Procedure for Administrative Due Process.

> **Ethical standards** are the ethical behaviour expected of everyone in the Bank in performing one's functions especially when dealing with co-employees, customers, suppliers, the government and the community.
>
> **Disciplinary Action** provides for the particular offenses violative of the ethical standards of the Bank, and their corresponding administrative penalties. Finally, the Administrative Due Process outlines the proper procedure to be followed in case of violation of the Code, which is in accordance with what the laws prescribe.

Guided by its Code of Conduct, the Bank has consistently conducted its business in accordance with its pledged values to its other stakeholders, thereby creating goodwill in the industry.

Compliance with OECD Principles

Rights of Shareholders

The Bank is committed to the protection of shareholders' rights as identified in its Manual on Good Corporate Governance. It encourages not only attendance to, but also active participation of its shareholders in the annual stockholders' meeting. This is carried out by ensuring distribution of the bank's information and financial statements at least 30 days prior the date of the meeting.

Minority shareholders are granted the right to propose the holding of a meeting, and recommend items for inclusion in the agenda, provided these are for legitimate business purposes.

Shareholders have the right to remove and replace directors and vote on certain corporate acts, inspect corporate books and records and be furnished with annual reports and financial statements. They may dissent from corporate acts and demand payment of the fair value of their shares in the manner provided for under the Corporation Code.

Shareholders have the right to dividends, which shall be declared and paid out of the Bank's unrestricted retained earnings as often and at such times as the Board may determine after making provision for necessary reserves in accordance with law and the regulations of the BSP.

The Bank understands that information is an important tool in making critical business decisions. As such, the Bank empowers its shareholders by providing accessible channels to communicate its material data. The Bank uses its official company website to provide real-time updates on focal corporate points that shape business decisions. Key disclosures and announcements are periodically published in the "Unionbanker" newsletter as well as uploaded timely to the Exchange' disclosure to reflect transparency to its investing public. Submissions of key reports to the various regulating agencies are made in a timely manner to safeguard the materiality of the information in relation to the business decisions that it affects.

Investors

The Bank has an Investor Relations Office (IRO) whose main thrust is to strengthen its relations with investors through the development and implementation of various programs. The IRO conducts face-to-face meetings with investors, financial analysts, investment banks, rating agencies, the investing public, and other interested parties on a per-need or per-request basis to provide deeper appreciation and understanding of the Bank's unique culture and competitive advantages. The office also occasionally requests other Bank executives to be subject matter experts as the need arises. The IRO ensures to exhaust its various communication channels which include phone and email, correspondences among others, to ensure transparency to its investing public.

Depositors and other customers

The Bank is conscious that the nature of its business relies heavily on public perception which is why it subjects itself to a standard of governance that puts weight on disclosure and transparency.
The Bank recognizes its obligation to be truthful and objective in its dealing with its customers. While it is entitled to employ all fair and honest means to promote its products and services, it does not, however, knowingly make false representations to customers. All employees of the Bank deal with its depositors and customers in a manner that creates value for them through appropriate and sound banking practices.

The Bank is cognizant of, and consistently observes the Bank Secrecy Law, Anti-Money Laundering Act, and other laws governing the banking industry. The Bank promotes consumer protection by disseminating information on safe surfing guidelines and other security awareness measures for its depositors and customers.

Suppliers

The Bank upholds the principles of truthfulness, fairness and respect in its dealings with suppliers. It continues to build and maintain good relations by honouring agreements which are entered into in conformity with the law and public policy.

All purchases of equipment, supplies and services for the Bank are made on the basis of quality, utility and price offered by the vendor. While the Bank may actively negotiate for favorable terms with its suppliers, it does not knowingly mislead them with respect to competitors' price and terms, its plans for future purchases, or other particulars of their transactions. The Bank does not use its

vantage position as customer of the supplier, to impose unfair conditions that could not have been obtained by negotiations in good faith, or commit acts or omissions that unjustly breach contractual obligations.

The Bank implements a strict and fair Supplier Accreditation Policy for all suppliers and outsourced service providers (OSPs) where submission of comprehensive information sheet and applicable documentary requirements are mandatory. The suppliers are then subjected to an assessment based on applicable criteria, including but not limited to: the company's status in its respective industry, liquidity evidenced by its business viability and freedom from any major lawsuit or government action, among others.

State

The Bank has great respect for the State which conferred its juridical personality. It is the Bank's policy to fully comply with all applicable laws and regulations with the end view of meeting the legal standards of business conduct.

Community

At UnionBank, our Corporate Social Responsibility (CSR) comes from our core values of magis, ubuntu, and integrity. It is deliberate for us to give back to our communities, knowing that we operate in a broader context, and ultimately contribute in elevating lives. Thus acting on our social responsibility, we strive to make positive impacts through relevant programs, understand how such impacts are really contributing, and continuously improve our own approach.

The Bank initiates, conceptualizes, and executes CSR programs, and its flagship CSR programs are the Ureka Forum and Go Beyond Communities. Under a Board Memorandum, 1% of the Bank's net income is allocated for CSR projects. In line with our purpose, we strive toward aligning all programs to the strategic objectives of the Bank such as Financial Inclusion by promoting financial and digital literacy, and human resources development and employee engagement, while at the same time advancing the business and our communities.

GoBeyond Communities is an employee-driven CSR program that engages and empowers our employees to "Make Da Diff" in the communities they serve. Our goal is at least one (1) volunteer involvement per employee in a year. Wherever there is a UnionBank branch, employees make an initiative to conceptualize and implement a volunteer program inspired by their personal advocacies that would benefit their immediate community.

UnionBank's Ureka Forum is a program which promotes the mass conversion of MSMEs to e-commerce. We recognize how MSMEs are drivers of economic growth, and see the opportunity of building a sustainable and innovative digital market through the synergy of e-commerce in the business model. As the Bank goes digital and further advances banking technology, we collaborate with leaders from the business community, government sectors, and technology industries to create a consortium of experts in assisting MSMEs in the digital transformation. Ureka Forum has breached the 1000th mark and has now activated a total of 1051 MSMEs after 4 forums.

Disaster risk management also forms part of our social responsibility facets. UnionBank together with the Aboitiz Group founded the Weather Philippine Foundation (WPF) to set up an automated weather system all over the country, providing closest to real time weather forecasting. Supporting Weather Philippines' proactive direction is its technology supplier Meteologix AG, an international weather information provider based in Switzerland. WPF plans to have roughly 1,000 automated weather station/devices installed across the Philippines in the future.

UnionBank advocates for the upward mobility of the academic community through university based programs and partnerships: University of Santo Tomas for Lumina Pandit II Program, Ateneo de Manila University for Arete, and UP School of Economics for the Center for Financial and Monetary Economics. The Bank is also a supportive partner of the Young Minds Academy of RAFI.

As we continually develop and hone our approach to community development, we are also taking steps to integrate our programs with the core business and ensure their measurable contributions to the communities served. More and more we are looking into crafting projects where the Bank can create competencies and also boost competitive advantage.

Environment

The Bank strives to be a leading proponent of environmental consciousness by co-founding, together with its holding company, the Aboitiz Group, The Weather Philippines Foundation (WPF). The WPF aims to deliver critical and accurate weather forecast to the community, with the hopes of improving nationwide disaster preparedness, and timely response to variable weather conditions. The WPF is poised to be the country's premiere private weather information/content provider.

Throughout the year, the Bank engaged in activities espousing environment protection awareness among employees and strived to source its energy requirements from renewable sources

Employees

The Bank affirms that its employees play a very important role in achieving its long-term success. The Bank's future as a business and as an institution is greatly dependent on the knowledge, skills, integrity, innovativeness and loyalty of its people.

The Bank is committed to provide its employees with a workplace free of sexual harassment, as well as harassment based on factors such as race, color, religion, age, marital status, sexual orientation, or disability.

It ensures that its employees are competent, dedicated and upright through proper talent selection and acquisition. Employees are given proper orientation and training to improve and further develop their skills and potentials. To facilitate this, the Bank has established its own university known as the "UnionBank University" comprising of various academies where employees get relevant training in various disciplines important to the Bank's success.

Employees are entitled to competitive benefits, including a defined retirement plan. Rank and file employees are protected through proper representation during collective bargaining with the management.

The Bank, through its Human Resources Services Group has the "U Care" project as part of its Employee Engagement Program. It serves as an avenue for promoting health, personality development and general welfare of employees. The project also gives opportunity for employees to lend needed assistance to their co-employees and persons outside of the Bank.

Various sports-oriented activities and health awareness programs were also hosted by the Bank for its employees under its Healthy U program.

Sustainability

UnionBank supports the broader sustainable development agenda on national and international levels. Guided by our sustainability framework, we recognize our pivotal role in supporting the United Nations Sustainable Development Goals (SDGs). As the Unionbank continues to transform, the Bank will leverage its sustainability commitments to further align with the relevant SDGs and their targets.

The Bank conducted an extensive stakeholder engagement exercise to better understand what the Bank's key stakeholders expect. The result was a framework that brought together the Bank's most material economic, environmental, and social issues, as well as our key areas of opportunities for greatest impact. The Bank's sustainability framework builds on the UnionBank DNA – Purpose, Values, Vision, and Brand. By aligning our initiatives under Purpose, Planet, and People with the scale of our

operations, resources, and passion of colleagues across the country, Unionbank hopes to bring its vision of becoming a Bank of enduring greatness to life.

Compliance Program

The Bank has in place a Board-approved Compliance Program that adheres to external rules and regulations especially those issued by the BSP, SEC, PSE, Philippine Deposit Insurance Corporation (PDIC), Anti-Money Laundering Council (AMLC) and other regulatory agencies. The Compliance and Corporate Governance Office, and the Bank's various units, are responsible for ensuring compliance with regulatory enactments, statutes or circulars, and other requirements of these regulatory agencies. On July 2017 the Board approved the Bank's revised Compliance and Corporate Governance Program, which is further designed to ensure adherence not only to all laws, regulations and circulars relevant to its business, but also to the Bank's internal policies.

Disclosure and Transparency

The Bank's compliance program is anchored on the two basic ethical concepts of prompt disclosure and full transparency. Timely and fair disclosures ensure that the bank's shareholders receive information that allows them to appropriately deal with their investments amidst the dynamic banking climate while transparency guarantees that the shareholders have all the pertinent information needed to make a sound business decision. In this regard, the Bank has been steadfast in its submission of full, fair, accurate and timely disclosures to the various regulating agencies.

Audit System

Directly reporting to the Board's Audit Committee, the Bank's Internal Audit Division provides reasonable assurance to the Board, Senior Management, and its stockholders that the Bank's risk management activities are effective. This involves providing assurance that the Bank's key organizational and procedural controls, risk management and governance processes are effective, appropriate and complied with. It also conducts special administrative investigations when required to do so pursuant to the Bank's Code of Conduct. The Division has its own charter which directs performance of its functions.

The Bank engages the services of an independent external auditor, who examines the financial statements of the Bank in accordance with generally accepted auditing standards and expresses its opinion on the fairness of its presentation upon completion of such examination.

The Bank's Audit Committee has the primary responsibility to recommend the appointment, re-appointment and removal of external auditors, subject to approval by the Board of Directors and confirmation of the stockholders.

The Bank's Corporate Governance Evaluation System

The relevance and efficiency of the Bank's corporate governance program is periodically benchmarked against the best industry practices on good governance, the OECD principles and standards set forth by its various regulating agencies and private organizations alike.

The Bank's directors undertake a rigid self-assessment on an annual basis to assist the Board in identifying key problem areas and drafting improvement strategies to better its governance mechanisms.

Annually, the Bank updates its Annual Corporate Governance Report to the Securities and Exchange Commission which becomes the source material for domestic reviewers from the Institute of Corporate Directors (ICD) to arrive at the Bank's domestic Corporate Governance rating for the year. The Corporate Governance Scorecard Survey for publicly-listed companies (PLCs) evaluates a company's corporate governance based on rights of shareholders (10%), equitable treatment of shareholders (15%), role of stakeholders (10%), disclosure and transparency (25%) and

responsibilities of the board (40%)The Bank has been consistently recognized as Silver Awardee in 2009 and 2010 Corporate Governance Scorecard surveys for PLCs. In the last run of ICD's corporate governance scorecard for 2011, the Bank received a gold award for garnering 96% rating.

Beginning 2012, regulators and corporate governance experts started to use the ASEAN corporate governance scorecard based on the Organization for Economic Cooperation and Development (OECD) principles. For 2013 and 2014, the Bank ranked among the top fifty (50) roll of publicly listed companies scoring remarkably on corporate governance based on international standards and practices.

The Bank also accomplishes and submits its Corporate Governance Guidelines Disclosure (CG Guidelines Disclosure) as required by the Philippine Stock Exchange (PSE) as well as conducts a self-assessment based on the ASEAN Corporate Governance Scorecard.

CG Manual Deviations

The Bank is not aware of any deviation from its Corporate Governance Manual by any of its directors, officers and employees.

Commitment to Enhanced Governance

The Bank recognizes the need to continuously adapt to changing times and environment. It continues to enhance its corporate governance structure based not just on what the law prescribes, but also on what the established best practices demonstrate. It undertakes to consistently review and update its existing policies and practices to achieve an improved state of governance.

The Bank continues to adopt means to improve its corporate governance. The Bank ensures that its directors and key officers are informed of governance best practices through periodic trainings and discussions especially on new governance issuances.

The Bank is actively involved in associations advocating good corporate governance. The Bank is a member of Good Governance Advocates and Practitioners of the Philippines (GGAPP). It participates in significant events and activities promoting best governance practices. Since 2013, the Bank has been participating in various activities promoting corporate governance including, among others, the 2nd Philippines International Corporate Governance Forum 2013, ASEAN Corporate Governance Information Briefing and 9th Corporate Governance Asia where the Bank was awarded as one of the most promising companies on corporate governance. In 2014, the Bank participated as well in the 3rd Annual GGAPP Forum on Good Governance, Business Ethics and Compliance: Converging Lights on Good Governance Reforms. In 2015, the Bank participated in the Corporate Governance Forum conducted by the Association of Bank Compliance Officers, 2nd Corporate Governance Forum sponsored by the Securities and Exchange Commission. In 2016, members of the Bank's Compliance and Corporate Governance Officer attended governance forums and seminars sponsored by its regulatory agencies including the 3rd Annual SEC-PSE Corporate Governance Forum. In 2017, members of its Compliance and Corporate Governance Office attended the GGAPP'S GEC Officer's Summit, SEC' Roundtable discussion and the SEC-PSE Corporate Governance Forum.

Item 8. Undertaking to Provide Copies of the Annual Report and Interim Financial Statements

The Bank undertakes to provide without charge to any stockholder who makes a written request for a copy of the Bank's annual report on SEC Form 17-A. Requests may be sent to Ms. Lalaine Ann L. Batac 18th Floor, UnionBank Plaza, Meralco Avenue corner Onyx and Sapphire Streets, Ortigas Center, Pasig City.

The Bank likewise undertakes to provide without charge to any stockholder, during the Annual Stockholder's Meeting, a copy of SEC Form 17Q containing UnionBank's Interim Financial Statements, Management Discussion and Analysis of Financial Condition and Results of Operation.

Annex "A"

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S. S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CARLOS B. RAYMOND, JR.**, Filipino, of legal age, married and a resident of One Roxas Triangle, 36 Laguna, Cruzada Street, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am an Independent Director of **UNION BANK OF THE PHILIPPINES** ("**UnionBank**"), a universal banking institution duly organized and existing under the Philippine laws with principal office at UnionBank Plaza, Meralco Avenue corner Onyx Street, Ortigas Center, Pasig City, and have been its Independent Director since May 25, 2012.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Manuel Teves, Inc.	Director / Corporate Secretary	March 2003 to the present
Pacific Healthcare Philippines, Inc.	Chairman/Board Member	April 15, 2015 to the present
Payatas Orione Foundation, Inc.	Member, Board of Trustees	March 2007 to the present
Dualtech Training Center Foundation, Inc.	Member, Board of Trustees	March 2017 to the present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of UnionBank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of UnionBank and its subsidiaries and affiliates.

5. To the best of knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of UnionBank of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 23rd day of March 2018 at Pasig City, Metro Manila.

CARLOS B. RAYMOND, JR.
Affiant

SUBSCRIBED AND SWORN TO before me this 23rd day of March 2018 at Pasig City, Metro Manila, affiant Carlos B. Raymond, Jr. personally being known to me and exhibiting to me his SSS I.D. No. 03-1265566-4 bearing his photograph and genuine signature as competent evidence of his identity in accordance with the 2004 Rules on Notarial practice.

Doc. No. 420;
Page No. 90;
Book No. III;
Series of 2018.

EUGENIO E. REYES
Notary Public for Pasig, San Juan
And Pateros, Metro Manila
Commission Expires December 31, 2018
IBP No. 1051548/ 12-20-16
PTR No. 3803181/ 1-3-17/ Quezon City
Roll of Attorneys No. 14436
Appointment No. 57 (2017-2018)
MCLE Compliance No. V-0023536
18/F, UnionBank Plaza Bldg.
Meralco Ave., cor. Onyx St. Pasig City

Annex "A-1"

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S. S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CHIEF JUSTICE REYNATO S. PUNO (ret.)**, Filipino, of legal age, widower and a resident of No. 13 Julius Street, Don Jose Subdivision, Commonwealth Avenue, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of **UNION BANK OF THE PHILIPPINES** ("**UnionBank**"), a universal banking institution duly organized and existing under the Philippine laws with principal office at UnionBank Plaza, Meralco Avenue corner Onyx Street, Ortigas Center, Pasig City, and have been its Independent Director since January 1, 2013.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
San Miguel Corporation	Independent Director	January 20, 2011 to present
San Miguel Brewery, Inc. (Hongkong)	Independent Director	November 8, 2012 to present
PT Delta (Jakarta)	Commissioner	2013 to present
The New Standard	Director	2014 to present
Manuel L. Quezon University	Director	2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of UnionBank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of UnionBank and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of UnionBank of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 23rd day of March 2018 at Pasig City, Metro Manila.

Chief Justice REYNATO S. PUNO (ret.)
Affiant

SUBSCRIBED AND SWORN TO before me this 23rd day of March 2018 at Pasig City, Metro Manila, affiant Reynato S. Puno personally being known to me and exhibiting to me his SSS I.D. No. 09-3167560-1 bearing his photograph and genuine signature as competent evidence of his identity in accordance with the 2004 Rules on Notarial practice.

Doc. No. 477;
Page No. 96;
Book No. III;
Series of 2018.

EUGENIO E. REYES
Notary Public for Pasig, San Juan
And Pateros, Metro Manila
Commission Expires December 31, 2018
IBP No. 1051548/ 12-20-16
PTR No. 3803181/ 1-3-17/ Quezon City
Roll of Attorneys No. 14436
Appointment No. 57 (2017-2018)
MCLE Compliance No. V-0023536
18/F, UnionBank Plaza Bldg.
Meralco Ave., cor. Onyx St. Pasig City

Annex "A-2"

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S. S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **FRANCISCO S.A. SANDEJAS**, Filipino, of legal age, married and a resident of Guava Drive, Ayala Alabang, Muntinlupa City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of **UNION BANK OF THE PHILIPPINES** ("**UnionBank**"), a universal banking institution duly organized and existing under the Philippine laws with principal office at UnionBank Plaza, Meralco Avenue corner Onyx Street, Ortigas Center, Pasig City, and have been its Independent Director since May 23, 2014.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Narra Ventures, Inc.	President	14 years
Stratpoint Technologies, Inc.	Chairman	August 1, 2005 to present
Xepto Computing	Chairman	October 1, 2008 to present
Quintic Corporation	Director	June 1, 2010 to present
Phil. S & T Development Foundation	Trustee	November 1, 2013 to present
Colixo Incorporated	Director	January 1, 2014 to present
Sun Life Financial Plans, Inc.	Independent Director	March 7, 2016 to present
Sun Life of Canada (Philippines, Inc.)	Independent Director	March 8, 2016 to present
Sun Life Asset Management Company, Inc.	Independent Director	March 9, 2016 to present
Grepalife Asset Management Corporation	Independent Director	March 9, 2016 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of UnionBank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of UnionBank and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of UnionBank of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 23rd day of March 2018 at Pasig City, Metro Manila.

FRANCISCO S.A. SANDEJAS
Affiant

SUBSCRIBED AND SWORN TO before me this 23rd day of March 2018 at Pasig City, Metro Manila, affiant Francisco S.A. Sandejas personally being known to me and exhibiting to me his SSS I.D. No. 33-55076760 bearing his photograph and genuine signature as competent evidence of his identity in accordance with the 2004 Rules on Notarial practice.

Doc. No. 478;
Page No. 96;
Book No. III;
Series of 2018.

EUGENIO E. REYES
Notary Public for Pasig, San Juan
And Pateros, Metro Manila
Commission Expires December 31, 2018
IBP No. 1051548/ 12-20-16
PTR No. 3803181/ 1-3-17/ Quezon City
Roll of Attorneys No. 14436
Appointment No. 57 (2017-2018)
MCLE Compliance No. V-0023536
18/F, UnionBank Plaza Bldg.
Meralco Ave., cor. Onyx St. Pasig City

Annex "A-3"

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S. S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ERWIN M. ELECHICON**, Filipino, of legal age, married and a resident of 22D South Pacific Plaza Towers, 4th Ave. cor. 25th St., Bonifacio Global City, Taguig, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of **UNION BANK OF THE PHILIPPINES** ("**UnionBank**"), a universal banking institution duly organized and existing under the Philippine laws with principal office at UnionBank Plaza, Meralco Avenue corner Onyx Street, Ortigas Center, Pasig City.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Silver Machine Digital Communications, Inc.	Chairman	2014 to Present
Alliance Select Foods International, Inc.	Independent Director	2014 to Present
Ateneo de Iloilo, Inc.	Trustee & Vice-Chairman	2012 to Present
The T88C Company	Founding Partner	2012 to Present
Ateneo Association of Former Resident Students, inc.	Trustee & Past President	2009 to Present
The P&Gers Fund, Inc.	Trustee & President	2006 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of UnionBank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of Union Bank and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of UnionBank of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this MAR 2 3 2018 day of March 2018 at Pasig City, Metro Manila.

ERWIN M. ELECHICON
Affiant

SUBSCRIBED AND SWORN TO before me this MAR 2 3 2018 day of March 2018 at Pasig City, Metro Manila, affiant Erwin M. Elechicon personally being known to me and exhibiting to me his SSS I.D. No. 03-5449695-9 bearing his photograph and genuine signature as competent evidence of his identity in accordance with the 2004 Rules on Notarial practice.

Doc. No. 479;
Page No. 96;
Book No. III;
Series of 2018.

EUGENIO E. REYES
Notary Public for Pasig, San Juan
And Pateros, Metro Manila
Commission Expires December 31, 2018
IBP No. 1051548/ 12-20-16
PTR No. 3803181/ 1-3-17/ Quezon City
Roll of Attorneys No. 14436
Appointment No. 57 (2017-2018)
MCLE Compliance No. V-0023536
18/F, UnionBank Plaza Bldg.
Meralco Ave., cor. Onyx St. Pasig City

Annex "A-4"

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S. S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROBERTO G. MANABAT**, Filipino, of legal age, married and a resident of 520 Talisay, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of **UNION BANK OF THE PHILIPPINES** ("**UnionBank**"), a universal banking institution duly organized and existing under the Philippine laws with principal office at UnionBank Plaza, Meralco Avenue corner Onyx Street, Ortigas Center, Pasig City.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
KPMG R.G. Manabat & Co.	Chairman Emeritus	January 1, 2018 to present
Institute of Corporate Directors	Trustee	2013 to present
SM Investments Corporation	Adviser to the Board	2015 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of UnionBank, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of UnionBank and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of UnionBank of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this MAR 23 2018 day of March 2018 at Pasig City, Metro Manila.

ROBERTO G. MANABAT
Affiant

MAR 23 2018

SUBSCRIBED AND SWORN TO before me this _____ day of March 2018 at Pasig City, Metro Manila, affiant Robert G. Manabat personally being known to me and exhibiting to me his SSS I.D. No. 03-1916465-3 bearing his photograph and genuine signature as competent evidence of his identity in accordance with the 2004 Rules on Notarial practice.

Doc. No. 480;
Page No. 96;
Book No. III;
Series of 2018.

EUGENIO E. REYES
Notary Public for Pasig, San Juan
And Pateros, Metro Manila
Commission Expires December 31, 2018
IBP No. 1051548/ 12-20-16
PTR No. 3803181/ 1-3-17/ Quezon City
Roll of Attorneys No. 14436
Appointment No. 57 (2017-2018)
MCLE Compliance No. V-0023536
18/F, UnionBank Plaza Bldg.
Meralco Ave., cor. Onyx St. Pasig City

Annex "B"

UNION BANK OF THE PHILIPPINES

LIST OF LEASED BRANCHES

As of December 31, 2017

Unionbank of the Philippines

BRANCH NAME	Complete Address	Monthly Rental	Expiration of Lease	Term of Renewal
2ND AVENUE - GLOBAL CITY	Unit GF-A, GF Blue Sapphire Building, 2nd Avenue corner 30th Street, Bonifacio Global City, Taguig City	281,263.78	October 31, 2020	2 yrs
32ND AVE. - BGC	G/F The Trade & Financial Tower, 7th ave. cor. 32nd St., Fort Bonifacio, Taguig City	541,500.00	September 30, 2019	1 yr
5TH AVENUE - GLOBAL CITY	Unit 103 GF One Global Place, along 5th Avenue, Bonifacio Global City, Taguig City	283,815.00	April 30, 2020	2 yrs
ABS-CBN	West Wing, G/F, ELJ Communications Center, Mother Ignacia St, Quezon City	71,440.00	February 28, 2018	90 days notification
ACROPOLIS	171 Bridgeview Bldg., E. Rodriguez Jr. Ave, Bagumbayan, Quezon City	109,461.76	April 30, 2020	2 yrs
ADB AVENUE	G/F Burgundy Empire Tower ADB Ave. cor Sapphire and Garnet Roads, Ortigas Center, Pasig City	230,152.39	October 31, 2018	1 yr
ALABANG COUNTRY CLUB	G/F, Alabang Country Club, Acacia Drive, Ayala Alabang Village, Brgy. Ayala Alabang, Muntinlupa City	32,961.60	July 31, 2020	2 yrs
ALABANG TOWN (Kiosk)	Makati Supermart Alabang, Alabang Town Center, Muntinlupa City	183,678.95	September 30, 2018	1 yr
ALI MALL	Ali Mall Financial Center, Level 2, Ali Mall, Araneta Center, Cubao, Quezon City	162,352.31	September 30, 2018	1 yr
ANGELES	G/F, Bldg 1, Units 1 & 2, Central Town Mall, 263 Fil-Am Friendship Highway, Brgy Cutcut, Angeles City	101,304.00	November 6, 2021	3 yrs
ANNAPOLIS	G/F, Unit 133, Promenade Missouri, Greenhills Shopping Center, Missouri cor. Annapolis St. Greenhills, San Juan	288,854.53	September 30, 2021	3 yrs
ANTEL RESIDENCES	Unit G2 of Antel Residences, Makati Avenue, Makati City	116,413.20	September 30, 2021	3 yrs

ASEANA BRADCO AVE.	G/F, Unit G-12, Sole Mare Park Suites, Bradco Ave., Aseana Business Park, Paranaque Cty	78,470.99	September 30, 2019	1 yr
AURORA - BALETE DRIVE	Marsk Realty Building, aurora Boulevard corner Balete Drive, Quezon City	85,124.03	September 14, 2020	2 yrs
AURORA BLVD.	677 Aurora Blvd., near cor. Broadway St., Bgy. Mariana, New Manila , Q.C.	73,500.00	March 14, 2020	2 yrs
AYALA - RUFINO	Rufino Bldg. Ayala Ave. corner V Rufino St., Makati city	1,505,040.60	June 30, 2022	4 yrs
AYALA ALABANG	G/F NOL Building, Commerce cor. Acacia, Alabang, Muntinlupa	485,231.70	June 30, 2019	1 yr
AYALA AVE	G/F Madrigal Building, 6793 Ayala Avenue, Makati City	566,618.08	November 15, 2020	2 yrs
AYALA SSS	SSS (Makati) Building Ayala Avenue corner V.A. Rufino St, Makati city	688,985.29	November 30, 2018	1 yr
BACOLOD - ARANETA	1st Provincial Finance Corp. Bldg., Araneta St. corner Rosario St., Bacolod City	118,855.84	March 31, 2019	1 yr
BACOLOD CITY	GF Philam Bldg., Lacson Street cor. Galo, Bacolod City	97,050.69	November 14, 2019	1 yr
BACOOR	Addio Bldg., Aguinaldo Highway, Talaba, Bacoor, Cavite	86,222.40	March 31, 2021	3 yrs
BAESA	Dra. C.Pascual Bldg., 142 Quirino Highway, Baesa, Quezon City	80,000.32	July 31, 2021	3 yrs
BAGUIO CITY	Unit PF-7 & PF-7A, Plaza Floor, Cedar Peak Bldg., General Luna corner Mabini Street, Brgy Kabayanihan, Baguio City	154,620.90	March 31, 2021	3 yrs
BALIWAG	Unit 3 & 4, 3006 Augustine Square, 17 Pinagbarilan St., Dona Remedios Trinidad Highway, Baliuag, Bulacan	54,992.00	April 30, 2021	3 yrs
BANAWE	420 Ever Group Bldg., Banawe cor. Quezon Ave., Quezon City	314,097.17	August 14, 2020	2 yrs
BATANGAS CITY	G/F, Insualr Life Bldg., Highway Hills, Brgy Hilltop, Batangas City	73,642.80	September 30, 2021	3 yrs
BF HOMES	55 President Avenue, BF Homes, Parañaque City	230,946.19	August 31, 2018	1 yr
BGC 26TH STEET	G/F, Unit C-28, South of Market North Tower, 26th St., Bonifacio Global City, Taguig City	217,448.00	January 14, 2020	2 yrs
BGC 34TH STREET	G/F Panorama Building, 34th Street corner Lane A,	362,788.65	February 29, 2020	2 yrs

	Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City			
BGC 38TH STREET	G/F Orion Bldg., 11th Avenue corner 38th Street., Bonifacio Global City Brgy. Fort Bonifacio, Taguig City	358,621.20	March 31, 2020	2 yrs
BGC 39TH STREET	G/F, Cocolight Bldg., 39th St. corner 11th Avenue, Bonifacio Global City, Taguig City	279,168.75	July 14, 2020	2 yrs
BGC 3RD AVENUE	G/F, The Net Square Bldg., 3rd Avenue corner 28th Street, Bonifacio Global City, Taguig City	312,716.25	May 15, 2021	3 yrs
BGC 7TH AVENUE	G/F, Twenty-Four Seven Mckinley Building, 7th Ave., cor. 24th St., Bonifacio Global City, Brgy. Fort Bonifacio , Taguig City	363,630.96	June 24, 2020	2 yrs
BGC MCKINLEY ROAD	G/F, Unit 2, Fairways Tower, 5th Avenue, Bonifacio Global City, Brgy Fort Bonifacio, Taguig City	151,428.58	January 31, 2020	2 yrs
BGC THE LUXE RESIDENCES	G/F, Shop 3, The Luxe Residences, 28th St corner 4th Avenue, Bonifacio Global City, Taguig City	530,512.50	January 31, 2020	2 yrs
BGC TRIANGLE DRIVE	Shop 3, Philplans Building Corporate Center, 1012 North Triangle Drive, Bonifacio Global City, Taguig	303,313.87	August 31, 2018	1 yr
BGC UPTOWN PLACE MALL	Lower G/F Uptown Place Mall, 9th Avenue corner 36th Street., Bonifacio Global City, Brgy. Fort Bonifacio,Taguig City	348,153.30	July 31, 2020	2 yrs
BICUTAN	28 Doña Soledad Ave., Better Living Subd., Bicutan, Paranaque City	161,832.14	December 31, 2018	1 yr
BIÑAN-CARMONA	Golden Mile Business Park, National Highway, Brgy. Brgy. Maduya, Carmona, Cavite	116,580.00	June 30, 2020	2 yrs
BONI AVENUE	Boni Avenue cor. Ligaya St., Mandaluyong City	154,842.48	December 5, 2021	3 yrs
BONIFACIO HIGH STREET	W Global Center located at the corner of 30th Street and 9th Avenue, Brgy. Fort Bonifacio, Taguig City	378,287.41	January 31, 2018	90 days notification
BSA TOWER - ORTIGAS	Unit G2 and G3 BSA Twin Tower, Julia Vargas corner Bank Drive, Mandaluyong City	211,870.01	December 31, 2021	3 yrs
BUTUAN	GF CAP Bldg. J.C. Aquino Ave corner J. Rosales St., Brgy Tandang Sora, Butuan City	44,322.00	August 9, 2019	1 yr

CAINTA	F.Felix Ave. corner Karangalan Drive, Cainta, Rizal	85,926.40	January 31, 2023	5 yrs
CALAMBA - BGY. PARIAN	National Highway, Bo. Parian, Calamba, Laguna	146,400.00	May 31, 2022	4 yrs
CALAMBA REAL	Marcelita Bldg., National Highway, Brgy Real, Calamba Laguna	69,826.00	June 30, 2019	1 yr
CARDINAL SANTOS	G/F Cardinal Santos Medical Center, Wilson Street, Greenhills West, San Juan	123,687.17	July 1, 2018	90 days notification
CAUAYAN - ISABELA	G/F Trade Center Building, along National Highway, Cauayan City	96,349.77	November 14, 2018	1 yr
CEBU - ASIATOWN IT PARK	Unit GF-01, TG Tower, Asiatown I.T. Park, Barangay Apas, Cebu City	208,113.52	January 31, 2019	1 yr
CEBU - BANILAD	Gaisano Country Mall, Talamban Road, Banilad, Cebu City	151,782.40	November 1, 2018	1 yr
CEBU - BORROMEO	Plaza Borromeo, Borromeo St., Cebu City	62,413.82	June 30, 2018	90 days notification
CEBU - FUENTE	Fuente Osmeña, Cebu City	167,556.30	March 31, 2020	2 yrs
CEBU - PLARIDEL	No. 104 Plaridel St., Brgy. Sto. Niño, Cebu City	165,123.00	January 31, 2018	90 days notification
CEBU A.S. FORTUNA	G/F, The Space, A.S. Fortuna corner P. Remedios Street, Brgy Banilad, Mandaue City	90,000.00	February 15, 2022	4 yrs
CEBU BUSINESS PARK (INSULAR)	G/F Insular Life Cebu Business Center, Mindanao Avenue corner Biliran Road, CBP-IT Park, Cebu City	243,720.64	February 14, 2021	3 yrs
CEBU- BUSINESS SUMILON ROAD	G/F, Buildcomm Center, Sumilon Road, Cebu Business Park, Cebu City	141,950.00	August 31, 2022	4 yrs
CEBU CENTER / MAXILOM	Gen. Maxilom Avenue, Cebu City	546,000.00	September 14, 2021	3 yrs
CEBU LAPU LAPU	Lot 2, Block 1, Phase 1, MEPZ II, SEPZ, Lapu-Lapu City, Cebu	30,266.94	May 31, 2026	8 yrs
CEBU MACTAN NEWTOWN	G/F Retail 2 & 3, Plaza Magellan Tower 1, Mactan Newtown, Lapu Lapu City	139,140.00	November 30, 2021	3 yrs
CEBU MANDAUE	Kentredder Bldg., A. Cortes St., Mandaue City, Cebu	108,484.20	February 28, 2020	2 yrs
CEBU NORTH DRIVE	G/F, North Drive Center, Ouano Avenue, North Reclamation Area, Mandaue City, Cebu	103,600.00	June 31, 2022	2 yrs
CEBU TIME SQUARE	G/F, Time Square 2 Bldg., Mantawe Avenue, North Reclamation Area, Brgy Tipolo, Mandaue City, Cebu	110,194.00	October 31, 2021	3 yrs
CENTURY CITY	Unit 3, Level 1, The Gramercy Residences, Century City, Kalayaan Avenue, Makati City	146,160.00	August 31, 2019	1 yr

CITYPLACE SQUARE	3rd Floor, Lucky Chinatown-Cityplace Square, Calle Felipe cor. La Chambre Street, Brgy. 293, Zone 28, Binondo, Manila	181,099.50	August 31, 2021	3 yrs
CLARK BRANCH	M. Roxas Highway, Philexcel Business Park, clark Freeport Zone, Pampanga	83,446.80	April 16, 2018	90 days notification
COMMONWEALTH	G/F Diliman Commercial Center, Commonwealth Avenue	121,551.48	February 28, 2020	2 yrs
CONGRESSIONAL EXTENSION	Congressional Ave. Ext. near cor. Mindanao Avenue, Quezon City	248,080.00	August 15, 2018	1 yr
CUBAO (P. Tuazon)	7th Avenue cor P. Tuazon, Cubao, Quezon City	185,272.78	January 31, 2020	2 yrs
DAGUPAN INSULAR	Ground Floor Insular Life Building, Arellano Street, Barangay Pantal, Dagupan City	112,365.00	September 14,2022	4 yrs
DASMARIÑAS CAVITE	Aguinaldo Hi-way cor. Congressional Avenue, Dasmariñas, Cavite	113,654.03	November 30, 2018	1 yr
DAVAO - CABAGUIO	G/F, DMIRIE Bldg., JP Cabaguio Avenue, Brgy. Paciano Bangoy, Davao City	103,950.00	March 22, 2022	4 yrs
DAVAO - MONTEVERDE	Monteverde Avenue cor. Sales St., Davao City	174,481.20	June 30, 2021	3 yrs
DAVAO - QUIRINO	Quirino Avenue cor San Pedro St., Davao City	118,974.00	September 30, 2019	1 yr
DAVAO - RIZAL	G/F Quibod Commercial Complez, Rizal Avenue, Davao City	82,959.30	November 30, 2020	2 yrs
DEL MONTE AVENUE	345 Del Monte Avenue corner Banawe St., Brgy Manresa, Quezon City	209,999.68	March 31, 2021	3 yrs
DELA ROSA	G/F, Insular Health Care Bldg., 167 Dela Rosa corner Legazpi Street, Legaspi Village, Makati City	229,068.00	May 31, 2022	4 yrs
DR. A. SANTOS	GF Lianas Supermarket, Dr. A. Santos Avenue corner Canaynay Road, Sucat, Parañaque City	123,250.00	April 30, 2022	4 yrs
E. RODRIGUEZ	1st floor - West, Katipunan Bldg., 95 E. Rodriguez Ave., Brgy Tatalon, Quezon City	40,385.13	May 31, 2019	1 yr
EASTWOOD CITY (Le Grand)	G/F Unit LGR1-6, Le Grand Tower 1, Palm Tree Ave., Eastwood City, Brgy. Bagumbayan, Quezon City	158,510.00	January 31, 2020	2 yrs
EDSA - KALOOKAN	EDSA cor. Urbano Plata St., Kalookan City	278,433.98	March 15, 2020	2 yrs
EDSA PIONEER	Upper GF Robinsons Cybergate Plaza, Robinsons Pioneer Complex, EDSA	133,241.23	April 24, 2020	2 yrs

ESCOLTA	G/F Regina Building, Escolta, Manila	174,340.49	May 31, 2020	2 yrs
EXCHANGE REGENCY	G/F The Exchange Regency along Exchange Road cor. Meralco Avenue and Jade Drive, Ortigas Center, Pasig City	193,867.32	December 31, 2018	1 yr
FRONTERA VERDE	G/F, Transcom Bldg., Frontera Verde, E. Rodriguez Jr. Avenue., Brgy Ugong, Pasig City	219,951.82	March 31, 2019	1 yr
G. ARANETA	Del Moral Building, 341 G. Araneta Ave., Quezon City	108,051.70	April 30, 2019	1 yr
GEN. SANTOS	G/F Laiz Building, Pioneer Avenue, General Santos City	123,889.94	September 4, 2018	1 yr
GMA TIMOG	G/F, Unit 101, Cabrera Bldg 1, 130 Timog Ave., Brgy Sacred Heart, Quezon City	227,919.64	January 23, 2019	1 yr
GREENBELT	Aboitiz Bldg., 110 Legaspi St., Legaspi Village, Makati City	296,327.40	July 31, 2018	1 yr
GREENFIELD DISTRICT	G/F Grand Soho Central, Greenfield District, Shaw Blvd., Mandaluyong City	133,194.86	November 15, 2020	2 yrs
GREENHILLS	Ortigas Ave. near cor. Wilson St., San Juan, Metro Manila	1,527,939.63	April 30, 2018	90 days notification
GSIS	GSIS Main Office Financial Center, Pasay City	147,453.05	May 30, 2018	90 days notification
H.V. DELA COSTA	Unit 101, Gr Fl Singapore Airlines House, H. V. dela Costa St., Salcedo Vill., Makati	149,506.47	January 1, 2019	1 yr
ICTSI - PORT AREA	Garden Area, Manila International Container Terminal, MICT South Access Road, Port Area, Manila	34,046.21	November 30, 2020	2 yrs
ILOILO - IZNART NORTH	Villanueva Bldg., Iznart St., Iloilo City	80,000.00	August 31, 2018	1 yr
IMUS	G/F Melta Building, Aguinaldo Hi-way cor. Sampaguita Village, Imus, Cavite	120,000.00	December 31, 2018	1 yr
INSULAR AYALA-PASEO	G/F, Insular Life Bldg., Ayala Avenue corner Paseo De Roxas, Makati City	1,070,000.00	August 19,2022	4 yrs
INTRAMUROS	Gr. Floor, BF Condominium Bldg., A. Soriano Jr., Avenue, Intramuros, Manila	235,172.18	July 31, 2018	90 days notification
J. P. RIZAL	731 J.P.Rizal Street., Makati City	72,000.00	November 31, 2022	4 yrs
JULIA VARGAS	Centerpoint Condominium, Dona Julia Vargas Ave. cor. Garnet St. Ortigas Center, Pasig city	146,878.37	February 28, 2022	4 yrs
KALOOKAN	357 Rizal Ave. Ext. Grace Park, Kalookan City	172,298.40	March 30, 2018	90 days notification
KALOOKAN 9TH AVENUE	9th Avenue near corner Rizal Avenue, Grace Park, Kalookan City	234,066.00	April 30, 2018	90 days notification

KAMIAS	Gr. Floor, TDS Bldg., No. 72 Kamias Road, Quezon City	86,865.37	November 30, 2021	3 yrs
KATIPUNAN	335 Katipunan Avenue, Loyola Heights, Quezon City	190,890.00	January 15, 2019	1 yr
LAOAG	Rizal St. corner Guerrero St., Laoag City, Ilocos Norte	70,496.00	May 31, 2022	4 yrs
LAPU - LAPU NATIONAL HIGHWAY	M. L. Quezon National Highway, Pusok, Lapu-Lapu City	63,669.96	February 28, 2020	2 yrs
LAS PIÑAS - PAMPLONA	Alabang-Zapote Rd. cor. Crispina Avenue, Las Piñas City	265,357.76	May 31, 2021	3 yrs
LEGAZPI CITY	G/F, Unit 1, SMC Bldg., Landco Business Park, Brgy. Capatawan, Legazpi City	83,200.00	November 15, 2021	3 yrs
LIBERTAD MANDALUYONG	GF Cluster El Dorado, California Garden Square, Libertad, Mandaluyong City	132,313.50	December 31, 2018	1 yr
LIBIS C5 QC	184-B E. Rodriguez Jr. Ave., Bagumbayan, Quezon City	178,366.32	December 31, 2018	1 yr
LIPA CITY	B. Morada Avenue, Lipa City, Batangas	151,940.00	April 30, 2018	90 days notification
LOURDES HOSPITAL	G/F Medical Arts Building, Our Lady of Lourdes Hospital, No. 46, P. Sanchez St., Sta Mesa, Manila	70,000.18	March 31, 2022	4 yrs
LUCENA	One People Square Business Center M.L. Tagarao cor. Granja Street, Lucena City	146,316.57	May 13, 2020	2 yrs
MAGALLANES	GF Maga Center, Paseo De Magallanes, Magallanes, Makati City	49,200.00	December 15, 2019	1 yr
MAKATI AVENUE	Makati Avenue corner Durban St., Makati City	529,476.84	December 31, 2021	3 yrs
MAKATI MEDICAL CENTER	G/F, Amorsolo Wing, Makati Medical Center, No. 2 Amorsolo Street, Salcedo Village, Makati City	78,300.13	July 31, 2019	1 yr
MALABON	Gov. Pascual Avenue cor. River St., Malabon, Metro Manila	75,345.70	September 5, 2018	1 yr
MALATE	G/F Marioco Building, 1945 M. Adriatico St., Malate, Manila	209,264.25	October 15, 2019	1 yr
MALINTA	No. 295, Maysan Road, Paso de Blas, Valenzuela City	133,099.20	July 16, 2018	90 days notification
MANDALUYONG	G/F PICPA Bldg., 700 Shaw Blvd, Mandaluyong city	226,593.65	January 31, 2021	3 yrs
MANDAUE NORTH	Gr. Floor, Khuz'ns Bldg., North Hi-way, Estancia, Mandaue City	95,550.72	December 31, 2021	3 yrs
MARIKINA	WRC 2 Bldg. # 47 Gil Fernando Ave. former A. Tuazon St. Midtown Subdivision II Brgy. San Roque Marikina City	70,012.80	March 17, 2018	90 days notification

MASANGKAY	911-913 Masangkay St., Binondo, Manila	150,001.38	September 15, 2018	1 yr
MAYHALIGUE	Gr. Floor, One Masangkay Place, No. 1420 Masangkay near cor. Mayhaligue St., Sta. Cruz Manila	160,085.70	June 31, 2022	4 yrs
MAYON (RETIRO)	G/F, ACI Bldg., 178 Mayon Street, Sta Mesa Heights Brgy. Maharlika, Quezon City	90,000.30	January 31, 2022	4 yrs
MCKINLEY WEST	Lower G/F, Robinsons Cyber Sigma Building, Lawton Avenue, Bonifacio South, Taguig City	87,032.00	July 07, 2022	4 yrs
MCKINLEY HILL	Unit 1A and 1B Two World Square, McKinley Hill, Taguig City	415,000.00	December 31, 2022	4 yrs
MEDICAL CITY	The Medical Arts Tower, Medical City Hospital, Ortigas Avenue, Pasig city	133,100.00	May 31, 2019	1 yr
MEYCAUAYAN	Gr. Floor, Marian Bldg., McArthur Hi-way, Calvario, Meycauayan, Bulacan	153,655.20	December 31, 2023	5 yrs
MULTINATIONAL BANCORP	Ground Floor Multinational Bancorporation Center, Ayala Avenue, Makati City	68,793.26	December 15, 2022	4 yrs
MUÑOZ	Muñoz Market, EDSA, Quezon City	3,878.42	March 20, 2022	4 yrs
MUNTINLUPA	12 National Road, Putatan, Muntinlupa city	90,000.00	September 30, 2018	1 yr
NAGA CITY	G/F Prime Days Hotel Bldg. Panganiban Drive, Naga City	104,737.50	April 30, 2019	1 yr
NAVOTAS*	807-817 M. Naval St., Navotas, Metro Manila	127,628.16	May 31, 2021	3 yrs
NEWPORT CITY	GF Star Cruises Centre, Newport City, Andrew Avenue, Pasay City	490,776.00	January 31, 2019	1 yr
NOVALICHES	854 Quirino Hiway, Gulod, Novaliches, Quezon City	193,305.76	July 31, 2019	1 yr
ORTIGAS (SAN MIGUEL)	21 San Miguel Ave., Ortigas Center, Pasig City	183,541.44	May 31, 2018	90 days notification
PAGADIAN CITY	Rizal Ave., Pagadian City	102,877.56	December 31, 2019	1 yr
PAMPANGA	GF Mel-Vi Bldg., Olongapo-Gapan Road, Dolores, City of San Fernando, Pampanga	146,600.52	May 31, 2018	90 days notification
PANDACAN	1763 Paz M. Guazon St., Paco, Manila	176,691.78	May 31, 2021	3 yrs
PARAÑAQUE (LA HUERTA)	Quirino Ave. corner V. Medina St., La Huerta, Parañaque	89,563.62	March 31, 2022	4 yrs
PASAY (TAFT)	along Taft Avenue, Pasay City	105,532.53	November 30, 2020	2 yrs
PASAY ROAD	Gemland Comml Building, 912 Pasay Road, San Lorenzo Vill., Makati City	230,496.00	April 14, 2018	90 days notification
PASCOR DRIVE	G/F SkyFreight Center, Ninoy Aquino Avenue corner Pascor Drive, Brgy Sto Nino, Paranaque City	261,000.00	December 31, 2020	2 yrs

PASEO DE STA. ROSA	G/F Southern Luzon Medical Center, Sta. Roxa City, Laguna	75,000.00	December 30, 2018	1 yr
PASIG - SHAW	131-133 Shaw Boulevard, Pasig City	260,844.83	January 31, 2021	3 yrs
PASONG TAMO - JTKC	G/F JTKC Building, Pasong Tamo, Makati City	375,435.15	July 31, 2019	1 yr
PASONG TAMO EXTENSION	G/F Priscilla 100 Bldg., 2297 Pasong Tamo Ext., Makati City	336,677.87	October 2, 2018	1 yr
PEREA	G/F Greenbelt Mansion, 106 Perea St., Legaspi Village, Makati City	210,980.63	October 15, 2019	1 yr
RADA	Prince Bldg., 117 Rada St, Legaspi Village, Makati City	189,867.00	May 31, 2022	4 yrs
REINA MERCEDES	MGCPI Compound, Brgy Nappaccu, Reina Mercedes	-	October 14, 2018	1 yr
RENAISSANCE	G/F Renaissance Center, Meralco Ave., Pasig City	183,053.64	February 28, 2019	1 yr
ROOSEVELT	244 Roosevelt Avenue, San Francisco del Monte, Quezon City	168,312.68	June 30, 2020	2 yrs
SALCEDO	Golden Rock Bldg., 168 Salcedo St., Legaspi Village, Makati City	197,838.71	February 28, 2021	3 yrs
SAN FERNANDO	3M Bldg., MacArthur Highway, San Agustin, San Fernando, Pampanga	40,000.00	May 31, 2018	90 days notification
SAN FERNANDO LA UNION	GF Shania Tower, Quezon Avenue, San Fernando City, La Union	70,000.00	April 30, 2018	90 days notification
SAN PEDRO	National Highway, near cor. Cataquiz Avenue, Brgy. Landayan, San Pedro, Laguna	137,884.44	December 31, 2018	1 yr
SANTIAGO	along Maharlika Highway, Santiago, Isabela	70,542.77	July 31, 2018	90 days notification
SHAW PASIG	Chipeco Bldg., Shaw Blvd corner Meralco Ave. Pasig City	147,000.00	December 31, 2018	1 yr
SOLER	1148 Topsco Building, Soler Street, Binondo, Manila	62,053.13	May 31, 2020	2 yrs
SOUTH TRIANGLE	Quezon Ave. cor. Sct. Albano St., Quezon City	273,329.07	December 31, 2018	1 yr
SSS EAST AVENUE	G/F, SSS Main Building, East Avenue, Quezon City	76,871.99	May 13, 2019	1 yr
ST. FRANCIS SHANGRI-LA PLACE	Unit T1G1 G/F Tower 1, St. Francis Shangri-La Place, Shaw Boulevard cor. St. Francis St. Mandaluyong City	248,406.50	October 14, 2020	2 yrs
ST. LUKES' HOSPITAL - E. RODRIGUEZ	G/F St. Luke's Medical City Center located at 279 E. Rodriguez, Sr. Boulevard, Quezon City.	23,659.13	July 7, 2019	1 yr
STA. ROSA	Poblacion St., Barangay II, Sta. Rosa, Laguna	84,426.03	October 31, 2018	1 yr
STO. CRISTO	Units LG 01, 02, 06 Burke Plaza, Sto Cristo cor San	247,259.89	February 28, 2021	3 yrs

	Fernando Sts., Binondo Manila			
SUBIC	Manila Ave. Cor Dewey Ave. Canal Road, Subic Bay Freeport Zone, Zambales City	-	July 31, 2037	15 yrs
SUCAT JAKA PLAZA	JAKA Plaza, Dr. A. Santos Ave, Parañaque City	120,031.55	October 28, 2020	2 yrs
T. ALONZO	625 T. Alonzo St., Sta. Cruz, Manila	160,572.74	November 14, 2020	2 yrs
TACLOBAN CITY	G/F, Tacloban Plaza Bldg., Justice Romualdez St., Tacloban City	86,400.00	June 30, 2021	3 yrs
TAFT AVENUE	GO1 & LG1, The Kassel Condominium, No. 2625 Taft Avenue near cor. Vito Cruz St., Malate, Manila	93,712.50	September 30, 2018	1 yr
TAGAYTAY	G/F, Tagaytay Prime Residences, Tagaytay-Calamba Road, Tagaytay Prime Rotunda, Brgy San Jose, Tagaytay City	47,400.00	December 16, 2020	2 yrs
TAGBILARAN	CPG Avenue, Tagbilaran, Bohol City	88,225.19	October 1, 2022	4 yrs
TARLAC	Jaral Bldg. McArthur Ave. cor. Juan Luna St., Tarlac, Tarlac	140,923.18	February 28, 2022	4 yrs
TEKTITE	G/F PSE Center, Ortigas Complex, Pasig City	657,184.99	September 30, 2018	1 yr
TIMOG	Cabrera Building II. 64 Timog Ave, Quezon City	294,493.79	February 23, 2020	2 yr
TOMAS MORATO	T. Morato cor. Sct. Lozano, Quezon City	205,906.76	November 30, 2019	1 yr
TUGUEGARAO	#106 Bonifacio Street,Tuguegarao City	86,821.88	April 30, 2018	90 days notification
UN AVENUE	M.H. del Pilar corner M. Guerrero Streets, U.N. Avenue, Ermita, Manila	250,228.00	December 31, 2018	1 yr
VALENZUELA - FATIMA*	Km 12 McArthur Hi-way, Marulas, Valenzuela	183,450.18	May 14, 2018	1 yr
VALERO	Le Grand Condominium, 130 Valero St., Salcedo Village, Makati City	229,500.00	July 31, 2020	2 yrs
VALERO - ANTEL PLATINUM	G/F Antel Platinum Tower, 154 Valero Street, Salcedo Village, Makati City	364,710.00	May 15, 2022	4 yrs
VERTEX ONE - SAN LAZARO	Space 12 & 13, Vertex One building, San Lazaro, Manila	161,794.50	December 31, 2018	1 yr
VIGAN	Jose Singson St., Vigan, Ilocos Sur	92,900.38	August 29, 2021	3 yrs
VITO CRUZ	Kingswood Arcade, Vito Cruz St. corner Pasong Tamo St., Makati City	80,297.94	January 30, 2021	3 yrs
WACK - WACK	6 Shaw Blvd. corner Laurel St., Mandaluyong City	163,502.51	December 31, 2019	1 yr
WEST AVENUE	27-A West Ave., Quezon City	112,326.09	March 31, 2022	4 yrs
WEST AVENUE - BALER	#91 West Ave. Brgy Bungad, Quezon City	134,252.67	May 31, 2018	90 days notification

WEST SERVICE ROAD	Rodeo Bldg., Km. 18 West Service Road, South Luzon Expressway, Parañaque City	105,346.09	July 31,2022	4 yrs
WORLD CENTER	330 Sen. Gil J. Puyat Ave., Makati City	183,756.97	September 30, 2018	1 yr
ZAMBOANGA CITY	G/F ZAEC Bldg. Mayor Jaldon Street cor. Governor Alvarez St. Zamboanga City	118,196.22	September 29, 2019	1 yr

City Savings Bank

BRANCH NAME	Complete Address	Monthly Rental	Expiration of Lease	Term of Renewal
Bogo	P. RODRIGUEZ ST., BRGY. COGON, BOGO CEBU 6010	24,640.00	July 31, 2021	Aug. 1, 2016 to July 31, 2021
Roxas	BONIFACIO (MCKINLEY ST.), ROXAS CITY	31,360.00		June 1, 2016 - May 31, 2017
		32,928.00		June 1, 2017 - May 31, 2018
		34,574.40	May 31, 2019	June 1, 2018 - May 31, 2019
Cagayan de Oro	TS FASHION BLDG., CORRALES AVE., CAGAYAN DE ORO CITY	79,494.31		July 1, 2016 - June 30, 2017
		79,494.31		July 1, 2017 - June 30, 2018
		84,263.97		July 1, 2018 - June 30, 2019
		89,319.81		July 1, 2019 - June 30, 2020
		94,679.00	June 30, 2021	July 1, 2020 - June 30, 2021
Abojeb	2ND FLOOR, HARBOR CENTER II BUILDING, RAILROAD ST., SOUTH HARBOR, PORT AREA, MANILA	11,407.20	June 30, 2014	July 1, 2013 to June 30, 2014
UBP Ortigas	29th Floor, UnionBank Plaza, Meralco Avenue corner Onyx St., Ortigas Center, Pasig City	517,192.20		May 15, 2015 - May 16, 2016
		543,051.81		May 15, 2016 - May 16, 2017
		570,208.51		May 15, 2017 - May 16, 2018
		598,719.75		May 15, 2018 - May 16, 2019
		628,659.43	May 16, 2020	May 15, 2019 - May 16, 2020
Balamban	ES BINGHAY ST., BALAMBAN CEBU	15,664.68	March 31, 2023	April 1, 1998 to March 31, 2023
Bacolod	UNITS 4-6 722 METROPOLIS TOWERS, BRGY. MANDALAGAN BACOLOD CITY	126,076.20		May 2017 - April 2018
		132,380.01		May 2018 - April 2019
		138,999.01		May 2019 - April 2020

		145,948.96		May 2020 - April 2021
		153,246.41	April 2022	May 2021 - April 2022
Calbayog	SALCOR BLDG., ROSALES BLVD., CALBAYOG CITY WESTERN SAMAR 6710	61,600.00	March 31, 2018	April 1, 2013 - March 31, 2018
Davao	DOOR 1-4 PNRC BLDG., ROXAS AVENUE, DAVAO DEL SUR	142,946.96		Nov. 1, 2017 - Oct. 31, 2018
		150,094.31		November 1, 2018 - October 31, 2019
		157,599.03		November 1, 2019 - October 31, 2020
		165,478.98		November 1, 2020 - October 31, 2021
		173,752.93	October 31, 2022	November 1, 2021 - October 31, 2022
Tacloban	DOOR # 5, YPL BLDG., SALAZAR ST., TACLOBAN CITY	97,713.34		Nov. 1, 2015- Oct. 31, 2016
		102,599.00		Nov. 1, 2016 - Oct. 31, 2017
		107,728.95		Nov. 1, 2017 - Oct. 31, 2018
		113,115.40		Nov. 1, 2018 - Oct. 31, 2019
		118,771.16	October 31, 2020	Nov. 1, 2019 - Oct. 31, 2020
Iloilo Grnd Floor 135; Suite 2A 90 & Suite 2C 45 or a total of 270 sqm.	G/F B & C SQUARE BLDG., CORNER SOLIS- IZNART STS., ILOILO CITY	99,167.92		March 16, 2009 - March 15, 2010
		99,167.92		March 16, 2010 - March 15, 2011
		104,126.31	March 31, 2019	March 16, 2011 - March 15, 2012
		109,332.62		March 16, 2012 - March 15, 2013
		114,799.24		March 16, 2013 - March 15, 2014
Iloilo	143 Esperanza Building, General Luna Street, Iloilo City	92,736.00	March 31, 2019	April 1, 2014 - March 31, 2019
Tanjay	DOOR 2-5, SWEET LADY BLDG., LEGASPI ST., BARANGAY POBLACION 8, TANJAY, NEGROS ORIENTAL	35,000.00	December 31, 2018	January 1, 2014 - December 31, 2018
Tanjay (107 sqm)	COMMERCIAL BUILDING (DOOR 1-3), LEGAZPI STREET, TANJAY CITY	36,842.11	December 31, 2016	January 1, 2012-

				December 31, 2016
Ubay	GROUND FLOOR ROGELIO BUILDING COLONEL MARCIANO GARCES STREET POBLACION, UBAY, BOHOL	35,000.00	July 31, 2018	August 1, 2013 - July 31, 2018
Tagum	PL J BLDG. APOKON ROAD, TAGUM CITY 8100	90,000.00	February 28, 2018	March 1, 2013 - February 28, 2018
Sogod, Southern Leyte	COR. MANGKAW AND CONCEPCION STS. ZONE 1, SOGOD SOUTHERN LEYTE	30,000.00	February 28, 2018	March 1, 2013 - February 28, 2018
Carcar	WPT Building Esperanza Village Awayan Poblacion III, Carcar City, Cebu	78,947.37		July 14, 2016 - July 15, 2017
		82,894.74		July 14, 2017 - July 15, 2018
		87,039.47		July 14, 2018 - July 15, 2019
		92,261.84		July 14, 2019 - July 15, 2020
		97,797.55	July 15, 2021	July 14, 2020 - July 15, 2021
Ormoc	STP BLDG., AVILES ST., ORMOC CITY , LEYTE	78,601.60	December 31, 2018	January 1, 2008- December 31, 2018
Antique	CR BUILDING UNITS#1,2,5,6 & 7, T.A. FORNIER ST., SAN JOSE, ANTIQUE	57,894.74	December 31, 2018	December 1, 2013 - December 1, 2018
Antique (108 sqm)		37,974.13	December 31, 2013	January 1, 2008- December 31, 2013
Kabankalan, Negros Occidental	LM BLDG., COR. GUANZON & AZCONA ST. KABANKALAN CITY NEG. OCC.	27,830.00	March 31, 2018	April 1, 2013 - March 31, 2018
Mandaue	Unit 3 & 4 Citybridge Plaza, AC Cortes Avenue cor. P. Burgos St., Mandaue City, Cebu	100,240.00		April 1, 2016 - March 31, 2017
		105,252.00		April 1, 2017 - March 31, 2018
		110,514.60		April 1, 2018 - March 31, 2019
		116,040.33		April 1, 2019 - March 31, 2020
		121,842.35	March 31, 2021	April 1, 2020 - March 31, 2021
San Carlos, Negros Occidental	DOOR 2, 3 & 4 HERITAGE BLDG. FC LEDESMA AVE. SAN CARLOS CITY NEG. OCC. 6127	32,956.59		March 01, 2016 - February 28, 2017

		35,263.56		March 01, 2017 - February 28, 2018
		37,732.01	February 28, 2019	March 01, 2018 - February 28, 2019
Catarman, Northern Samar	CAMARA BLDG., 1305 BONIFACIO COR. GARCIA ST. BRGY. MABOLO, CATARMAN, NORTHERN SAMAR	56,000.00	May 31, 2018	June 1, 2013 to May 31, 2018
Calamba	ANDENSON BUILDING 1, BRGY. PARIAN, CALAMBA CITY, LAGUNA	84,000.00		March 7, 2015 - March 6, 2016
		92,400.00		March 7, 2016 - March 6, 2017
		101,640.00		March 7, 2017 - March 6, 2018
		111,804.00		March 7, 2018 - March 6, 2019
		122,984.40	March 6, 2020	March 7, 2019 - March 6, 2020
	2/F ANDENSON BUILDING 1, BRGY. PARIAN, CALAMBA CITY, LAGUNA	23,520.00		June 15, 2015 - March 6, 2016
		25,872.00		June 15, 2016 - March 6, 2017
		28,459.20		June 15, 2017 - March 6, 2018
		31,305.12		June 15, 2018 - March 6, 2019
		34,435.63	March 6, 2020	June 15, 2019 - March 6, 2020
Dumaguete	GF EROS BLDG. DR. V. LOCSIN & REAL STS.POBLACION 8, DUMAGUETE CITY 6200	112,000.00		January 1, 2015 - January 1, 2016
		112,000.00		January 1, 2016 - January 1, 2017
		117,600.00		January 1, 2017 - January 1, 2018
		123,480.00		January 1, 2018 - January 1, 2019
		129,654.00	January 1, 2020	January 1, 2019 - January 1, 2020
Ortigas		770.00		June 9, 2017 - June 30, 2018

	Basement 1 00184 Robinsons Galleria EDSA corner Ortigas Avenue, Quezon City	770.00		July 1, 2018 - June 30, 2019
		808.50		July 1, 2019 - June 30, 2020
		850.00		July 1, 2020 - June 30, 2021
		892.50	June 30, 2022	July 1, 2021 - June 30, 2022
Borongan	JRC BLDG., REAL ST., BRGY. SONGCO, BORONGAN EASTERN SAMAR 6800	44,240.00		November 1, 2015 - October 31, 2016
		46,396.00		November 1, 2016 - October 31, 2017
		48,659.80		November 1, 2017 - October 31, 2018
		51,036.79		November 1, 2018 - October 31, 2019
		53,532.63	October 31, 2020	November 1, 2019 - October 31, 2020
Leganes	PESTAÑO COMMERCIAL BUILDING, DOORS 4,5&6, POBLACION, LEGANES, ILOILO 5000	50,400.00		January 1, 2016 - December 31, 2017
		53,928.00		January 1, 2017 - December 31, 2018
		57,702.96		January 1, 2018 - December 31, 2019
		61,742.17		January 1, 2019 - December 31, 2020
		66,064.12	December 31, 2021	January 1, 2020 - December 31, 2021
Kalibo	G. E. BUILDING, 406 QUIZON AVE., KALIBO, AKLAN	31,578.95	January 17, 2019	January 18, 2016-January 17, 2019
San Fernando, Pampanga	UNIT 102 SUBURBIA COMMERCIAL CENTER, MC. ARTHUR HIGHWAY, MAIMPIS, CITY OF SAN FERNANDO, PAMPANGA	96,630.60		April 1, 2016 - March 31, 2017
		96,630.60		April 1, 2017 - March 31, 2018
		101,462.13		April 1, 2018 - March 31, 2019

		101,462.13		April 1, 2019 - March 31, 2020
		101,462.13	March 31, 2021	April 1, 2020 - March 31, 2021
La Union	Kenny Plaza, Quezon Ave., Catbangen, San Fernando City, La Union	90,105.26	February 29, 2022	March 1, 2017 - February 29, 2022
Lucena City	Ground Floor ML Tagarao St., Brgy. 5, Lucena City	90,720.00		May 21, 2015 - May 20, 2016
		95,256.00		May 21, 2016 - May 20, 2017
		100,018.80		May 21, 2017 - May 20, 2018
		105,019.73		May 21, 2018 - May 20, 2019
		110,270.72	May 20, 2020	May 21, 2019 - May 20, 2020
Legazpi City	UNITS 32 - 35 COMMERCIAL D GRAND TERMINAL - LEGAZPI BUS TERMINAL, LEGAZPI CITY 4500	103,272.96	February 28, 2019	March 1, 2014 - February 28, 2019
Lipa City	1NK CENTRE GEN. LUNA ST. SABANG LIPA CITY	81,346.50		October 5, 2017 - October 4, 2018
		81,346.50		October 5, 2018 - October 4, 2019
		85,413.82		October 5, 2019 - October 4, 2020
		89,684.51		October 5, 2020 - October 4, 2021
		94,168.73	October 4, 2022	October 5, 2021 - October 4, 2022
Dagupan City	Rudel Bldg., Perez Blvd. corner Guilig St., Dagupan City	63,840.00		June 1, 2016 - May 31, 2017
		63,840.00		June 1, 2017 - May 31, 2018
		67,032.00		June 1, 2018 - May 31, 2019
		67,032.00		June 1, 2019 - May 31, 2020
		70,383.60	May 31, 2021	June 1, 2020 - May 31, 2021
Cabanatuan City	701 PACO ROMAN STREET, DIMASALANG CABANATUAN CITY, NUEVA ECIJA	69,091.94		Dec. 4, 2017 - Dec. 4, 2018
		69,091.94		Dec. 4, 2018 - Dec. 4, 2019
		72,546.54		Dec. 4, 2019 - Dec. 4, 2020
		76,173.87		Dec. 4, 2020 - Dec. 4, 2021

		79,982.56	Dec. 4, 2022	Dec. 4, 2021 - Dec. 4, 2022
Tarlac City	PLAZA DE ORO ARCADE MC ARTHUR HIGHWAY POBLACION 2, TARLAC CITY	95,295.69		December 8, 2017 - December 7, 2018
		100,060.48		December 8, 2018 - December 7, 2019
		105,063.50		December 8, 2019 - December 7, 2020
		110,316.67		December 8, 2020 - December 7, 2021
		115,832.51	December 7, 2022	December 8, 2021 - December 7, 2022
Caloocan City	DIANNE BUILDING 746 RIZAL AVENUE EXTENSION GRACE PARK CALOOCAN CITY	220,800.00		November 1, 2017 - October 31, 2018
		220,800.00		November 1, 2018 - October 31, 2019
		236,256.00		November 1, 2019 - October 31, 2020
		252,793.92		November 1, 2020 - October 31, 2021
		270,489.49	October 31, 2022	November 1, 2021 - October 31, 2022
Laoag City	Ground Floor Trece Grande Building, Brgy. 19, #187 J.P. Rizal cor. Samonte St. Laoag City, Ilocos Norte	71,413.08		March 3, 2016 - March 2, 2017
		71,413.08		March 3, 2017 - March 2, 2018
		74,983.74		March 3, 2018 - March 2, 2019
		78,732.92		March 3, 2019 - March 2, 2020
		82,669.56	March 2, 2021	March 3, 2020 - March 2, 2021
Dasma City, Cavite	L5 B94 Gov. Drive, Metrogate, Subd., Dasmariñas, Cavite 4114	48,000.00	December 31, 2018	January 1, 2013 - December 31, 2018

Vigan City, Ilocos Sur	ERLINDA NAVARRO BLDG., RIVERO ST., BARANGAY VIII,VIGAN CITY,ILOCOS SUR	80,000.00	April 30, 2018	May 1, 2013 - April 30, 2018
Olongapo City, Zambales	G/F PHIL. NATIONAL RED CROSS BLDG. MAGSAYSAY STREET OLONGAPO CITY ZAMBALES	83,368.42	June 30, 2018	July 1, 2013 - June 30, 2018
Mati City, Davao Oriental	ANDRADA BLDG. NO. 56 RIZAL ST. MATI CITY, DAVAO ORIENTAL	47,824.00	February 28, 2018	March 1, 2013 - February 28, 2018
Naga City, Camarines Sur	DOOR NO. 44 & 45, CBD II TERMINAL, TRIANGULO, NAGA CITY	26,880.00	April 30, 2018	May 01, 2013 - April 30, 2018
Digos City, Davao del Sur	UNIT NO. 6,7 & 8 USPD BLDG. RIZAL AVENUE ZONE III DIGOS CITY, DAVAO DEL SUR	81,000.00	April 30, 2018	May 01, 2013 - April 30, 2018
Urdaneta City, Pangasinan	UNIT 18 & 19 HONACO COMMERCIAL BLDG. NANCAYASAN URDANETA CITY, PANGASINAN	63,840.00	March 31, 2018	April 01, 2013 - March 31, 2018
Taytay, Rizal	SITIO ILOG PUGAD, NATIONAL ROAD,SAN JUAN,TAYTAY,RIZAL	70,736.84	August 31, 2018	September 01, 2013 - August 31, 2018
Tuguegarao City, Cagayan	UNITS 11-13 No. 1 RIZAL ST. CORNER COLLEGE AVENUE, TUGUEGARAO CITY, CAGAYAN	67,200.00	August 31, 2018	September 01, 2013 - August 31, 2018
Pulilan, Bulacan	ROBINSONS MALL RS 208-03, ROBINSONS SUPERMARKET PULILAN MALL, PULILAN, BULACAN	48,476.40	May 31, 2018	June 01, 2013 - May 31, 2018
Baguio City	G/F INSULAR LIFE BLDG., ABANAO CORNER LEGARDA ST., BAGUIO CITY, BENGUET	100,800.00	September 30, 2018	August 01, 2013 - September 30, 2018
Caloocan North	R-V Sabangan Building, Door 1-4, 500 Susano Road, Hilcrest Village, Camarin, Caloocan City	32,800.00	March 31, 2019	April 1, 2014 - March 31, 2019
Surigao City	PARKWAY MALL, KM. 3, Barangay Luna, Surigao City, Surigao del Norte	60,480.00	June 11, 2019	June 12, 2014 - June 11, 2019
Santiago City, Isabela	Insular Life Building, Maharlika Highway, Santiago City, Isabela	42,022.40	April 30, 2019	May 1, 2014 - April 30, 2019
Butuan City	Ismael Elloso Street, corner JC Aquino Avenue and Imadejas Subdivision, Butuan City	57,894.74		May 15, 2014 - May 14, 2015
		57,894.74		May 15, 2015 - May 14, 2016
		60,789.47		May 15, 2016 - May 14, 2017
		63,828.95		May 15, 2017 - May 14, 2018

		67,020.40	May 14, 2019	May 15, 2018 - May 14, 2019
Calapan City, Oriental Mindoro	Unit # 5 and 6, Puregold Building, Brgy. Camilmil, Calapan City, Oriental Mindoro	87,688.72		Sept. 09, 2014 - September 08, 2015
		87,688.72		Sept. 09, 2015 - September 08, 2016
		91,347.26		Sept. 09, 2016 - September 08, 2017
		95,188.72		Sept. 09, 2017- September 08, 2018
		99,222.26	September 08, 2019	Sept. 09, 2018 - September 08, 2019
Marikina, NCR	# 3 G. Fernando Avenue, San Roque, Marikina City	78,400.00		July 05, 2014 - June 05, 2015
		86,240.00		July 05, 2015 - June 05, 2016
		94,864.00		July 05, 2016 - June 05, 2017
		104,350.40		July 05, 2017 - June 05, 2018
		114,785.44	June 05, 2019	July 05, 2018 - June 05, 2019
Taguig City, NCR	48 Gen. Alfredo Santos Ave., Lower Bicutan, Taguig City	52,631.58		September 29, 2014 - September 28, 2015
		52,631.58		September 29, 2015 - September 28, 2016
		55,263.16		September 29, 2016 - September 28, 2017
		58,026.32		September 29, 2017 - September 28, 2018
		60,927.63	September 28, 2019	September 29, 2018 - September 28, 2019
Lemery, Batangas	National Road, Brgy. Malinis 4209, Lemery, Batangas	42,105.26		Sept. 29, 2014 - September 28, 2015
		42,105.26		Sept. 29, 2015 - September 28, 2016
		44,210.53		Sept. 29, 2016 - September 28, 2017

		46,421.05		Sept. 29, 2017 - September 28, 2018
		48,742.11	September 28, 2019	Sept. 29, 2018 - September 28, 2019
Gumaca, Quezon	A. Bonifacio Street, Brgy. Tabing Dagat, Gumaca, Quezon	10,526.32		August 23, 2014 - August 22, 2015
		10,526.32		August 23, 2015 - August 22, 2016
		11,578.95		August 23, 2016 - August 22, 2017
		12,736.84		August 23, 2017 - August 22, 2018
		14,010.53		August 23, 2018 - August 22, 2019
		15,411.58		August 23, 2019 - August 22, 2020
		16,952.74		August 23, 2020 - August 22, 2021
		18,648.01		August 23, 2021 - August 22, 2022
		20,512.81		August 23, 2022 - August 22, 2023
		22,564.09	August 22, 2024	August 23, 2023 - August 22, 2024
Las Piñas City, NCR	Alabang-Zapote Road, corner Crispina Avenue, Pamplona, Laspinas, Metro Manila	119,137.19		June 1, 2016 - May 31, 2017
		125,094.04		June 1, 2017 - May 31, 2018
		131,348.75		June 1, 2018 - May 31, 2019
		137,916.18		June 1, 2019 - May 31, 2020
		144,812.00	March 31, 2021	June 1, 2020 - May 31, 2021
Navotas City, NCR	807 to 817 M. Naval St., Navotas, Metro Manila	51,565.60		June 1, 2016 - May 31, 2017
		54,143.88		June 1, 2017 - May 31, 2018
		56,851.07		June 1, 2018 - May 31, 2019
		59,693.63		June 1, 2019 - May 31, 2020
		62,678.30	March 31, 2021	June 1, 2020 - May 31, 2021

Sta. Cruz, Laguna	P. Guevarra St., Poblacion Brgy. IV, Santa Cruz, Laguna	68,421.05		October 15, 2014 - October 14, 2015
		68,421.05		October 15, 2015 - October 14, 2016
		71,842.11		October 15, 2016 - October 14, 2017
		75,434.21		October 15, 2017 - October 14, 2018
		79,205.93	October 14. 2019	October 15, 2018 - October 14, 2019
Marilao, Bulacan	G/F RL Building McArthur Highway Abangan Norte, Marilao Bulacan	45,000.00		November 17, 2014 - November 17, 2015
		45,000.00		November 17, 2015 - November 17, 2016
		47,250.00		November 17, 2016 - November 17, 2017
		49,612.51		November 17, 2017 - November 17, 2018
		52,093.13	November 17, 2019	November 17, 2018 - November 17, 2019
General Santos	Santiago Blvd., Brgy. Dadiangas South, General Santos City	67,200.00		December 25, 2014 - December 25, 2015
		67,200.00		December 25, 2015 - December 25, 2016
		73,920.00		December 25, 2016 - December 25, 2017
		81,312.00		December 25, 2017 - December 25, 2018
		89,443.20	December 25, 2019	December 25, 2018 - December 25, 2019
Sorsogon City		73,684.21		December 9, 2014 -

	AD Reyes Building - 1461 Magsaysay St. Brgy. Salog, Sorsogon City			December 8, 2015
		78,105.26		December 9, 2015 - December 8, 2016
		82,791.57		December 9, 2016 - December 8, 2017
		87,759.06		December 9, 2017 - December 8, 2018
		93,024.60	December 8, 2019	December 9, 2018 - December 8, 2019
Puerto Prinsesa, Palawan	Unionbank Bldg. Unit 1-A Brgy. Maningning Rizal Avenue, Puerto Princesa City, Palawan 5300	46,469.50		February 5, 2015 - February 4, 2016
		48,792.98		February 5, 2016 - February 4, 2017
		51,233.29		February 5, 2017 - February 4, 2018
		53,794.42		February 5, 2018 - February 4, 2019
		56,484.34	February 4, 2020	February 5, 2019 - February 4, 2020
Bacoor, Cavite	G/F Unit - 1,2,3 Lemon Grass Building Lot-3 Tirona Highway Habay 1, Bacoor Cavite	36,000.00		March 4, 2015 - March 3, 2016
		36,000.00		March 4, 2016 - March 3, 2017
		37,800.00		March 4, 2017 - March 3, 2018
		39,690.00		March 4, 2018 - March 3, 2019
		41,674.50	March 3, 2020	March 4, 2019 - March 3, 2020
San Jose, Nueva Ecija	MARIO SALVADOR BUILDING, MAHARLIKA HIGHWAY BRGY. MALASIN	87,750.00		April 1, 2015 - March 31, 2016

	SAN JOSE CITY, NUEVA ECIJA	87,750.00		April 1, 2016 - March 31, 2017
		92,137.50		April 1, 2017 - March 31, 2018
		96,744.37		April 1, 2018 - March 31, 2019
		101,581.58	March 31, 2020	April 1, 2019 - March 31, 2020
San Jose Del Monte, Bulacan	DALISAY BLDG., QUIRINO HIGHWAY, BRGY. MAHARLIKA, SAN JOSE DEL MONTE CITY, BULACAN	76,792.80		April 13, 2015 - April 12, 2016
		76,792.80		April 13, 2016 - April 12, 2017
		80,632.44		April 13, 2017 - April 12, 2018
		84,664.05		April 13, 2018 - April 12, 2019
		88,897.25	April 12, 2020	April 13, 2019 - April 12, 2020
Angeles, Pampanga	G/F Diamond Spring Hotel, 192 McArthur Highway, Brgy. Balibago Angeles City, Pampanga	95,746.56		April 7, 2015 - April 6, 2016
		95,746.56		April 7, 2016 - April 6, 2017
		100,533.88		April 7, 2017 - April 6, 2018
		105,560.58		April 7, 2018 - April 6, 2019
		110,838.60		April 7, 2019 - April 6, 2020
		116,380.53		April 7, 2020 - April 6, 2021
		122,199.54		April 7, 2021 - April 6, 2022
		128,309.51		April 7, 2022 - April 6, 2023
		134,724.99		April 7, 2023 - April 6, 2024
		141,461.23	April 6, 2025	April 7, 2024 - April 6, 2025
Valenzuela City	389 MCARTHUR HIGHWAY, MALINTA VALENZUELA CITY	112,000.00		April 1, 2015 - March 31, 2016
		112,000.00		April 1, 2016 - March 31, 2017
		117,600.00		April 1, 2017 - March 31, 2018
		123,480.00		April 1, 2018 - March 31, 2019

		129,654.00	March 31, 2020	April 1, 2019 - March 31, 2020
Daet, Camarines Norte	G/F CENTRAL PLAZA MALL, CENTRAL PLAZA COMPLEX, BRGY. LAG-ON, DAET, CAMARINES NORTE	80,640.00		May 1, 2015 - April 30, 2016
		80,640.00		May 1, 2016 - April 30, 2017
		80,640.00		May 1, 2017 - April 30, 2018
		84,672.00		May 1, 2018 - April 30, 2019
		88,905.60	April 30, 2020	May 1, 2019 - April 30, 2020
Iriga, Camarines Sur	G/F HIGHWAY 1, SAN MIGUEL, IRIGA CITY	64,640.00		June 13, 2015 - June 12, 2016
		64,640.00		June 13, 2016 - June 12, 2017
		64,640.00		June 13, 2017 - June 12, 2018
		67,872.00		June 13, 2018 - June 12, 2019
		71,265.60	June 12, 2020	June 13, 2019 - June 12, 2020
Solano, Nueva Viscaya	G/F ONGTAO BUILDING, JP RIZAL AVE. COR. BURGOS ST., SOLANO, NUEVA VISCAYA	50,000.00		May 1, 2015 - April 30, 2016
		52,500.00		May 1, 2016 - April 30, 2017
		57,750.00		May 1, 2017 - April 30, 2018
		63,525.00		May 1, 2018 - April 30, 2019
		69,877.50	April 30, 2020	May 1, 2019 - April 30, 2020
Pagadian, Zamboanga Del Sur	F&N BUILDING, SAN FRANCISCO DISTRICT, PAGADIAN CITY, ZAMBOANGA DEL SUR	63,157.89		May 1, 2015 - April 30, 2016
		66,947.36		May 1, 2016 - April 30, 2017
		70,964.21		May 1, 2017 - April 30, 2018
		75,222.06		May 1, 2018 - April 30, 2019
		79,735.37	April 30, 2020	May 1, 2019 - April 30, 2020
España, Manila	1880 Espana Gallery Building, San Diego and Quintos Sts., cor. España Blvd., Sampaloc, Manila	168,000.00		May 28, 2015 - May 27, 2016
		168,000.00		May 28, 2016 - May 27, 2017
		176,400.00		May 28, 2017 - May 27, 2018
		185,220.00		May 28, 2018 - May 27, 2019
		194,481.00	May 27, 2020	May 28, 2019 - May 27, 2020
Tondo, Manila	Ushio Plaza V Honorio Lopez Blvd., Tondo, Manila	75,000.00		June 10, 2015 - June 9, 2016

		75,000.00		June 10, 2016 - June 9, 2017
		78,750.00		June 10, 2017 - June 9, 2018
		82,687.50		June 10, 2018 - June 9, 2019
		86,821.87	June 9, 2020	June 10, 2019 - June 9, 2020
San Jose, Occidental Mindoro	Lebrilla Ang Building - Burgos St., corner Rizal St., Brgy. Poblacion 1 San Jose, Occidental Mindoro	63,157.89		July 1, 2015 - June 30, 2016
		63,157.89		July 1, 2016 - June 30, 2017
		63,157.89		July 1, 2017 - June 30, 2018
		66,315.78		July 1, 2018 - June 30, 2019
		69,631.57	June 30, 2020	July 1, 2019 - June 30, 2020
Infanta, Quezon	General Luna St. Poblacion 39, Infanta, Quezon	15,789.47		August 1, 2015 - July 31, 2016
		15,789.47		August 1, 2016 - July 31, 2017
		16,578.95		August 1, 2017 - July 31, 2018
		17,407.89		August 1, 2018 - July 31, 2019
		18,278.29		August 1, 2019 - July 31, 2020
		19,192.21		August 1, 2020 - July 31, 2021
		20,151.82		August 1, 2021 - July 31, 2022
		21,159.41		August 1, 2022 - July 31, 2023
		22,217.38		August 1, 2023 - July 31, 2024
		23,328.25	July 31, 2025	August 1, 2024 - July 31, 2025
Masbate	Gaisano Capital Masbate - Upper Ground Floor Quezon St., Crossing Masbate City	62,788.32		August 31, 2015 - August 30, 2016
		62,788.32		August 31, 2016 - August 30, 2017
		65,927.74		August 31, 2017 - August 30, 2018
		69,224.12		August 31, 2018 - August 30, 2019
		72,685.32	August 30, 2020	August 31, 2019 - August 30, 2020
Anonas, Quezon City		61,600.00		July 23, 2015 - July 22, 2016

	Ground Floor Belmont Place Bldg. No.5 Anonas St., Project 3, Quezon City	64,680.00		July 23, 2016 - July 22, 2017
		67,914.00		July 23, 2017 - July 22, 2018
		71,309.71		July 23, 2018 - July 22, 2019
		74,875.19	July 22, 2020	July 23, 2019 - July 22, 2020
Alaminos, Pangasinan	Quezon Avenue Poblacion, Alaminos City Pangasinan	75,000.00		July 1, 2015 - June 30, 2016
		75,000.00		July 1, 2016 - June 30, 2017
		75,000.00		July 1, 2017 - June 30, 2018
		78,750.00		July 1, 2018 - June 30, 2019
		82,687.50	June 30, 2020	July 1, 2019 - June 30, 2020
Dipolog, Zamboanga Del Norte	Bulosan Building, Sergio Osmeña St., Central Barangay, Dipolog City, Zamboanga Del Norte	31,578.95	July 23, 2020	July 24, 2015 - July 23, 2020
Koronadal, SOCCSKSARGEN	Villa Amor Hotel, General Santos Drive, cor., Arellano Street, Koronadal City, South Cotabato	76,160.00		July 23, 2015 - July 22, 2016
		76,160.00		July 23, 2016 - July 22, 2017
		79,968.00		July 23, 2017 - July 22, 2018
		83,966.40		July 23, 2018 - July 22, 2019
		88,164.72	July 22, 2020	July 23, 2019 - July 22, 2020
Zamboanga City	RHW Building Mayor Jaldon St., Brgy. Canelar, Zamboanga City	63,157.89		December 21, 2015 - December 20, 2016
		63,157.89		December 21, 2016 - December 20, 2017
		66,315.79		December 21, 2017 - December 20, 2018
		69,631.58		December 21, 2018 - December 20, 2019
		73,113.16	December 20, 2020	December 21, 2019 - December 20, 2020
Kidapawan, North Cotabato	G/F Aspilla Bldg. Quirino Drive, North Cotabato, Kidapawan City	50,000.00		June 16, 2016 - June 15, 2017
		50,000.00		June 16, 2017 - June 15, 2018

		52,500.00		June 16, 2018 - June 15, 2019
		55,125.00		June 16, 2019 - June 15, 2020
		57,881.25	June 15, 2021	June 16, 2020 - June 15, 2021

Fair Bank

BRANCH NAME	Complete Address	Monthly Rental	Expiration of Lease	Term of Renewal
Carcar	Upper Cogon, Poblacion 1, Carcar City, Cebu	20,000.00	03/01/2020	every 3 years
Mandaue	CQR Bldg., 251 S.B. Cabahug St., Ibabao, Mandaue City, Cebu – Bet. Exquisite Building & Cosmopolital Funeral Homes	15,000.00	09/16/2019	every 3 years
Toledo	Rafols St., Poblacion, Toledo City, Cebu	26,315.79	02/01/2020	every 5 years
Danao	Rizal cor. B. Durano St., Danao City, Cebu	6,850.00	10/09/2020	every 3 years

UnionBank Plaza
Meralco Avenue cor. Onyx &
Sapphire Roads, Ortigas Center
Pasig City 1605
Tel: (632) 667 6388 Fax: (632) 636 6289
www.unionbankph.com

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for Union Bank of the Philippines for the period ended December 31, 2017.

In discharging this responsibility, I hereby declare that:

__✓__ I am the Division Head of Corporate Accounting of Union Bank of the Philippines.

_____ I am the _____of _____and was contracted to perform this service.

Furthermore, in my compilation services for preparation of the Financial Statements and notes to the Financial Statements, I was not assisted by or did not avail of the services of Punongbayan & Araullo who/which is the external auditor who rendered the audit opinion for the said Financial Statements and notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of the Revised Accountancy Law, that my statements are true and correct.

LALAINE ANN L. BATAC, CPA
TIN No. 215-700-828
PROFESSIONAL IDENTIFICATION CARD NUMBER: 0104970
VALID UNTIL: FEBRUARY 9, 2019

ACCREDITATION NUMBER: 4059
VALID UNTIL: FEBRUARY 9, 2020

APR 13 2018

SUBSCRIBED AND SWORN to before me this ___day of _____ 2018 at Pasig City, affiant exhibiting to me her competent evidence of identity pursuant to 2004 Rules on Notarial Practice.

Doc No. 202
Page No. 41
Book No IV
Series No. 2018

EUGENIO E. REYES
Notary Public for Pasig, San Juan
And Paterns, Metro Manila
Commission Expires December 31, 2018
IBP No. 1051548/ 12-20-16
PTR No. 3803181/ 1-3-17/ Quezon City
Roll of Attorneys No. 14436
Appointment No. 57 (2017-2018)
MCLE Compliance No. V-0023536
18/F, UnionBank Plaza Bldg.
Meralco Ave., cor. Onyx St. Pasig City

UNIONBANK

UnionBank Plaza
Meralco Avenue cor. Onyx &
Sapphire Roads, Ortigas Center
Pasig City 1605
Tel: (632) 667 6388 Fax: (632) 636 6289
www.unionbankph.com

APR 13 2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Union Bank of the Philippines** (the Bank) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Justo A. Ortiz
Chairman of the Board

Edwin R. Bautista
President and Chief Executive Officer

Jose Emmanuel U. Hilado
Senior Executive Vice President
Chief Financial Officer and Treasurer

Francis B. Albalate
Senior Vice President
Financial Controller

FEB 2 6 2018

SUBSCRIBED AND SWORN to before me this _____ of _____, 2018 at Pasig City, the following affiants personally known to me and exhibiting to me their SSS I.D. Number bearing their photographs and genuine signatures as competent evidence of identity in accordance with 2004 Rules on Notarial Practice.

Name	SSS I.D. No.
Justo A. Ortiz	03-4550955-4
Edwin R. Bautista	03-6940724-7
Jose Emmanuel U. Hilado	03-8160817-6
Francis B. Albalate	33-1489981-0

Notary Public

Doc No. 484
Page No. 97
Book No. II
Series of 2018

EUGENIO E. REYES
Notary Public for Pasig, San Juan
And Pateros, Metro Manila
Commission Expires December 31, 2018
IBP No. 1051548/ 12-20-16
PTR No. 3803181/ 1-3-17/ Quezon City
Roll of Attorneys No. 14436
Appointment No. 57 (2017-2018)
MCLE Compliance No. V-0023536
18/F, UnionBank Plaza Bldg.
Meralco Ave., cor. Onyx St. Pasig City

P&A
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The Enterprise Center
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Report of Independent Auditors

The Board of Directors and Stockholders
Union Bank of the Philippines
UnionBank Plaza, Meralco Avenue
Corner Onyx Street and Sapphire Road
Ortigas Center, Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Union Bank of the Philippines and subsidiaries (the Group) and of Union Bank of the Philippines (the Parent Bank), which comprise the statements of financial position as of December 31, 2017 and 2016, and the statements of income, statements of comprehensive income, statements of changes in capital funds and statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Bank as of December 31, 2017 and 2016, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

(a) Impairment of Loans and Other Receivables

Description of the Matter

Under Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*, an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The allowance for impairment of loans and other receivables is considered to be a matter of significance as it requires the application of credit judgment. Also, the Group and the Parent Bank had loans and other receivables amounting to P281,035 million and P211,976 million, respectively, as of December 31, 2017, which contributed to 45% and 38% of the Group's and the Parent Bank's total resources, respectively.

The Group's and the Parent Bank's gross loan portfolio comprises of different loan products that may require different approach in the assessment for specific allowances by management. There are significant loans in the Group's and Parent Bank's loan portfolio which require management to monitor each of those borrowers' repayment abilities to determine any allowance for impairment. On the other hand, a great number of customers in the loan portfolios with smaller loan values are not monitored individually but are grouped on the basis of similar credit risk characteristics. Portfolios are monitored through historical loss experience as basis in the impairment assessment and adjusted on the basis of the current observable data.

The Group's and the Parent Bank's disclosures on the valuation of loans and other receivables and, on the allowance for impairment and the related credit risk are in Notes 4, 13 and 20 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of loans and other receivables, which was considered to be a significant risk, included:

- obtaining an understanding of the Group's and the Parent Bank's credit policy and loan impairment process;
- testing of controls over the approval, recording and monitoring of loans and other receivables, and determining and recording of the allowance for impairment;
- checking and evaluating the methodologies, inputs and assumptions used by the Group and the Parent Bank in performing both individual and collective impairment assessment in accordance with PAS 39;
- assessing the borrower's repayment abilities by examining payment history for selected loan accounts;
- evaluating the management's forecast of recoverable cash flows, and estimates of recovery from other sources of collection on selected loan accounts;
- for loan accounts assessed individually, recomputing the recoverable amounts determined by the Group and the Parent Bank and comparing them against the carrying values as of December 31, 2017; and,
- for loan accounts assessed collectively, checking the grouping based on shared credit risk characteristics.

(b) Valuation of Investment Properties

Description of the Matter

The valuation of the Group's and the Parent Bank's investment properties was a key area of focus of our audit due to the significance of the judgments and estimates made by management. The fair value of the Group's and the Parent Bank's investment properties are determined on the basis of the appraisals performed by independent appraisal companies accredited by the Bangko Sentral ng Pilipinas (BSP), with appropriate qualifications and relevant experience in the valuation of similar properties. The fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset in an orderly transaction between market participants as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, etc.), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties. As of December 31, 2017, investment properties contributed to 2% of both the Group's and the Parent Bank's total resources.

The Group's and the Parent Bank's disclosures on the measurement of investment properties are in Notes 7 and 16 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures, included among others, evaluating the appropriateness of management's valuation policy, as well as evaluating the qualifications of the external appraisers. We also examined the appraisal reports for all investment properties that were appraised in 2017 and we evaluated the appropriateness of the valuation methodologies used by the appraisal companies in determining the fair value of the investment properties. As part of our examination of the appraisal reports, we assessed whether the selection of comparable properties and determination of price adjustments due to size and features are appropriate. We further compared the selling price of selected investment properties that were sold by the Group and the Parent Bank in 2017 to the prior period appraised values to determine the reliability of the fair value measurement of the Group's independent appraisal companies.

(c) Goodwill

Description of the Matter

Under PAS 36, *Impairment of Assets*, the Group and the Parent Bank is required to annually test the amount of impairment for goodwill. This annual impairment test was significant to our audit because it involves accounting estimates that have high estimation uncertainty. The Group and the Parent Bank engaged a third party consultant in performing the test of impairment for goodwill. The impairment testing made use of certain judgments, assumptions and estimates including determining the cash generating units (CGUs) where the goodwill is allocated, forecasted statement of financial position and net profit of those particular CGUs and discount rate used, which are affected by expected future market or economic conditions.

The Group's and the Parent Bank's disclosures about goodwill are included in Notes 3 and 18 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to impairment of goodwill included, among others, evaluating the assumptions and methodologies used by the Group and the Parent Bank, in particular, those relating to the forecasted statement of financial position and net profit as well as the discount rate used. We also evaluated the qualifications of the external appraiser.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A, both of which do not include the financial statements and our auditors' report thereon, and Annual Report for the year ended December 31, 2017. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Bank 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 Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent Bank to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2017 required by the Bureau of Internal Revenue as disclosed in Note 36 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with the PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the 2017 audit resulting in this independent auditors' report is Anthony L. Ng.

PUNONGBAYAN & ARAULLO

By: **Anthony L. Ng**
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 6616016, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-38-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 23, 2018

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(With Corresponding Figures as of January 1, 2016)
(Amounts in Thousands of Philippine Pesos)

	Notes	GROUP		PARENT BANK		
		December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016 (As Restated - see Note 2)	January 1, 2016 (As Restated - see Note 2)
RESOURCES						
CASH AND OTHER CASH ITEMS	8	**P 6,633,237**	P 6,021,358	**P 6,249,122**	P 5,630,560	P 6,190,565
DUE FROM BANGKO SENTRAL NG PILIPINAS	8	**66,276,960**	56,151,239	**60,350,126**	52,208,244	60,992,001
DUE FROM OTHER BANKS	9	**54,520,482**	42,425,310	**53,690,233**	41,412,122	18,376,441
INTERBANK LOANS RECEIVABLE	10	**4,793,280**	24,362,800	**4,793,280**	24,362,800	16,884,953
TRADING AND INVESTMENT SECURITIES						
At fair value through profit or loss	11	**3,182,040**	3,789,932	**3,130,421**	3,735,557	4,433,277
At amortized cost	12	**166,471,659**	117,778,563	**166,471,659**	117,778,228	105,413,994
At fair value through other comprehensive income		**43,783**	43,783	**43,783**	43,783	47,116
LOANS AND OTHER RECEIVABLES - Net	13	**281,034,759**	235,386,066	**211,976,032**	171,921,347	126,812,091
INVESTMENTS IN SUBSIDIARIES	14	-	-	**18,111,116**	14,694,593	12,763,015
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	15	**3,765,796**	3,523,273	**3,456,303**	3,119,151	2,851,825
INVESTMENT PROPERTIES	16	**14,153,546**	13,524,963	**13,523,010**	13,101,547	12,988,426
ASSETS HELD FOR SALE - Net	17	-	-	-	-	73,943
GOODWILL	18	**11,258,251**	11,258,251	**7,886,898**	7,886,898	7,886,898
OTHER RESOURCES - Net	19	**9,977,538**	10,166,609	**5,326,144**	4,445,572	3,832,593
TOTAL RESOURCES		**P 622,111,331**	P 524,432,147	**P 555,008,127**	P 460,340,402	P 379,547,138

	Notes	GROUP		PARENT BANK		
		December 31, 2017	December 31, 2016	**December 31, 2017**	December 31, 2016 (As Restated - see Note 2)	January 1, 2016 (As Restated - see Note 2)
LIABILITIES AND CAPITAL FUNDS						
DEPOSIT LIABILITIES	21					
Demand		**P 127,424,349**	P 121,166,835	**P 128,048,765**	P 121,866,838	P 105,652,058
Savings		**57,744,858**	49,320,538	**55,737,917**	47,152,780	39,429,326
Time		**262,447,006**	205,997,759	**216,187,518**	159,018,973	123,590,039
Total Deposit Liabilities		**447,616,213**	376,485,132	**399,974,200**	328,038,591	268,671,423
BILLS PAYABLE	22	**43,070,825**	48,100,192	**29,009,719**	39,166,961	30,567,307
NOTES PAYABLE	23	**32,165,000**	7,200,000	**32,165,000**	7,200,000	7,200,000
OTHER LIABILITIES	24	**25,272,744**	25,059,515	**19,607,102**	17,918,214	13,387,902
Total Liabilities		**548,124,782**	456,844,839	**480,756,021**	392,323,766	319,826,632
CAPITAL FUNDS	25					
Capital funds attributable to the Parent Bank's stockholders:						
Common stock		**10,583,439**	10,583,439	**10,583,439**	10,583,439	10,583,439
Additional paid-in capital		**5,819,861**	5,819,861	**5,819,861**	5,819,861	5,819,861
Surplus free		**56,693,737**	50,518,506	**58,737,942**	52,481,030	43,829,931
Surplus reserves		**1,959,938**	1,734,697	**235,173**	220,990	206,103
Net unrealized fair value gains on investment securities		**25**	25	**25**	25	25
Remeasurements of defined benefit plan		**(1,175,320)**	(1,139,658)	**(1,174,455)**	(1,138,830)	(768,974)
Other reserves		**50,121**	50,121	**50,121**	50,121	50,121
Total capital funds attributable to the Parent Bank's stockholders		**73,931,801**	67,566,991	**74,252,106**	68,016,636	59,720,506
Non-controlling interests		**54,748**	20,317	**-**	-	-
Total Capital Funds		**73,986,549**	67,587,308	**74,252,106**	68,016,636	59,720,506
TOTAL LIABILITIES AND CAPITAL FUNDS		**P 622,111,331**	P 524,432,147	**P 555,008,127**	P 460,340,402	P 379,547,138

See Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Thousands of Philippine Pesos, Except Per Share Data)

	Notes	GROUP			PARENT BANK		
		2017	2016	2015	**2017**	2016	2015
INTEREST INCOME							
Loans and other receivables	13	**P 17,415,519**	P 14,804,757	P 11,817,850	**P 11,652,103**	P 9,352,410	P 7,297,226
Trading and investment securities	11, 12	**6,710,626**	4,778,618	3,756,328	**6,710,626**	4,778,618	3,756,328
Cash and cash equivalents	8, 9	**367,444**	527,533	793,623	**195,651**	359,731	571,825
Interbank loans receivable	10	**92,777**	80,449	22,988	**92,777**	80,449	22,988
		24,586,366	20,191,357	16,390,789	**18,651,157**	14,571,208	11,648,367
INTEREST EXPENSE							
Deposit liabilities	21	**5,949,301**	4,294,180	3,301,386	**4,529,154**	3,041,798	2,140,221
Bills payable and other liabilities	22, 23, 28	**996,489**	980,261	938,329	**678,134**	554,611	464,215
		6,945,790	5,274,441	4,239,715	**5,207,288**	3,596,409	2,604,436
NET INTEREST INCOME		**17,640,576**	14,916,916	12,151,074	**13,443,869**	10,974,799	9,043,931
IMPAIRMENT LOSSES - Net	20	**875,587**	1,594,120	659,013	**881,744**	1,163,393	142,037
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**16,764,989**	13,322,796	11,492,061	**12,562,125**	9,811,406	8,901,894
OTHER INCOME							
Service charges, fees and commissions	26	**4,312,471**	4,514,555	3,735,579	**1,078,127**	957,368	825,391
Gain on trading and non-trading financial assets - net	11, 12	**266,581**	3,815,001	274,226	**266,448**	3,813,921	267,548
Premium revenues	2	**-**	8,056	1,828,291	**-**	-	-
Miscellaneous	27	**2,845,711**	2,069,821	2,199,191	**5,810,727**	5,336,225	4,624,227
		7,424,763	10,407,433	8,037,287	**7,155,302**	10,107,514	5,717,166
Balance carried forward		**P 24,189,752**	P 23,730,229	P 19,529,348	**P 19,717,427**	P 19,918,920	P 14,619,060

	Notes	GROUP 2017	GROUP 2016	GROUP 2015	PARENT BANK 2017	PARENT BANK 2016	PARENT BANK 2015
Balance brought forward		**P 24,189,752**	P 23,730,229	P 19,529,348	**P 19,717,427**	P 19,918,920	P 14,619,060
OTHER EXPENSES							
Salaries and employee benefits	28	**5,285,044**	5,072,619	3,872,273	**4,386,741**	4,333,819	3,196,825
Taxes and licenses	36	**2,091,662**	1,435,798	1,026,780	**1,312,329**	866,243	762,402
Occupancy	34	**735,144**	686,239	643,213	**619,527**	571,405	544,743
Depreciation and amortization	15, 19	**634,902**	716,429	618,596	**432,074**	483,923	415,786
Trust fund due	2	**-**	7,618	1,728,055	**-**	-	-
Miscellaneous	27	**4,756,905**	3,835,581	3,472,876	**3,857,609**	2,928,074	2,654,286
		13,503,657	11,754,284	11,361,793	**10,608,280**	9,183,464	7,574,042
PROFIT BEFORE TAX		**10,686,095**	11,975,945	8,167,555	**9,109,147**	10,735,456	7,045,018
TAX EXPENSE	29	**2,266,080**	1,909,587	2,150,575	**827,199**	481,954	970,766
NET PROFIT		**P 8,420,015**	P 10,066,358	P 6,016,980	**P 8,281,948**	P 10,253,502	P 6,074,252
Attributable to:							
Parent Bank's stockholders		**P 8,411,325**	P 10,058,276	P 6,008,032	**P 8,281,948**	P 10,253,502	P 6,074,252
Non-controlling interests		**8,690**	8,082	8,948	**-**	-	-
		P 8,420,015	P 10,066,358	P 6,016,980	**P 8,281,948**	P 10,253,502	P 6,074,252
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	32	**P 7.95**	P 9.50	P 5.68	**P 7.83**	P 9.69	P 5.74

See Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Thousands of Philippine Pesos)

	Notes	GROUP			PARENT BANK		
		2017	2016	2015	**2017**	2016	2015
NET PROFIT FOR THE PERIOD		**P 8,420,015**	P 10,066,358	P 6,016,980	**P 8,281,948**	P 10,253,502	P 6,074,252
OTHER COMPREHENSIVE LOSS							
Items that will not be reclassified subsequently to profit or loss:							
Net unrealized fair value losses on financial assets at fair value through other comprehensive income		**-**	(276)	(23,724)	**-**	-	(24,000)
Remeasurements of defined benefit plan	28	**(51,182)**	(527,789)	(158,683)	**(44,351)**	(537,419)	(153,721)
Tax income	29	**15,355**	158,337	47,605	**8,726**	167,563	43,109
		(35,827)	(369,452)	(111,078)	**(35,625)**	(369,856)	(110,612)
Other Comprehensive Loss - net of tax		**(35,827)**	(369,728)	(134,802)	**(35,625)**	(369,856)	(134,612)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**P 8,384,188**	P 9,696,630	P 5,882,178	**P 8,246,323**	P 9,883,646	P 5,939,640
Comprehensive income attributable to the:							
Parent Bank's stockholders		**P 8,375,663**	P 9,688,675	P 5,873,420	**P 8,246,323**	P 9,883,646	P 5,939,640
Non-controlling interests		**8,525**	7,955	8,758	**-**	-	-
		P 8,384,188	P 9,696,630	P 5,882,178	**P 8,246,323**	P 9,883,646	P 5,939,640

See Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
STATEMENTS OF CHANGES IN CAPITAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Thousands of Philippine Pesos)

		GROUP								
		Attributable to Parent Bank's Stockholders								
	Notes	Common Stock	Additional Paid-in Capital	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities	Remeasurements of Defined Benefit Plan	Other Reserves	Total	Non-controlling Interests	Total Capital Funds
Balance at January 1, 2017		P 10,583,439	P 5,819,861	P 50,518,506	P 1,734,697	P 25	(P 1,139,658)	P 50,121	P 67,566,991	P 20,317	P 67,587,308
Total comprehensive income (loss) for the year	28	-	-	8,411,325	-	-	(35,662)	-	8,375,663	8,525	8,384,188
Cash dividends	25	-	-	(2,010,853)	-	-	-	-	(2,010,853)	-	(2,010,853)
Appropriations during the year	25, 30	-	-	(225,241)	225,241	-	-	-	-	-	-
Sale of shares to non-controlling interest during the year	1	-	-	-	-	-	-	-	-	25,906	25,906
Balance at December 31, 2017		**P 10,583,439**	**P 5,819,861**	**P 56,693,737**	**P 1,959,938**	**P 25**	**(P 1,175,320)**	**P 50,121**	**P 73,931,801**	**P 54,748**	**P 73,986,549**
Balance at January 1, 2016		P 10,583,439	P 5,819,861	P 42,322,902	P 1,459,541	P 301	(P 770,333)	P 50,121	P 59,465,832	P 23,793	P 59,489,625
Total comprehensive income (loss) for the year	28	-	-	10,058,276	-	(276)	(369,325)	-	9,688,675	7,955	9,696,630
Cash dividends	25	-	-	(1,587,516)	-	-	-	-	(1,587,516)	(3,619)	(1,591,135)
Appropriations during the year	25, 30	-	-	(275,156)	275,156	-	-	-	-	-	-
Acquisition of shares of non-controlling interest during the year	1	-	-	-	-	-	-	-	-	(7,812)	(7,812)
Balance at December 31, 2016		P 10,583,439	P 5,819,861	P 50,518,506	P 1,734,697	P 25	(P 1,139,658)	P 50,121	P 67,566,991	P 20,317	P 67,587,308
Balance at January 1, 2015		P 10,583,439	P 5,819,861	P 38,822,845	P 1,174,088	P 24,025	(P 659,445)	P 50,121	P 55,814,934	P 21,194	P 55,836,128
Total comprehensive income (loss) for the year	28	-	-	6,008,032	-	(23,724)	(110,888)	-	5,873,420	8,758	5,882,178
Cash dividends	25	-	-	(2,222,522)	-	-	-	-	(2,222,522)	-	(2,222,522)
Appropriations during the year	25, 30	-	-	(285,453)	285,453	-	-	-	-	-	-
Acquisition of shares of non-controlling interest during the year	1	-	-	-	-	-	-	-	-	(6,159)	(6,159)
Balance at December 31, 2015		P 10,583,439	P 5,819,861	P 42,322,902	P 1,459,541	P 301	(P 770,333)	P 50,121	P 59,465,832	P 23,793	P 59,489,625

See Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
STATEMENTS OF CHANGES IN CAPITAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Thousands of Philippine Pesos)

		PARENT BANK							
	Notes	Common Stock	Additional Paid-in Capital	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities	Remeasurements of Defined Benefit Plan	Other Reserves	Total Capital Funds
Balance at January 1, 2017									
As previously reported		P 10,583,439	P 5,819,861	P 52,236,330	P 220,990	P 244,725	(P 1,138,830)	P 50,121	P 68,016,636
Effect of correction of prior period adjustment	2	-	-	244,700	-	(244,700)	-	-	-
As restated		10,583,439	5,819,861	52,481,030	220,990	25	(1,138,830)	50,121	68,016,636
Total comprehensive income (loss) for the year	28	-	-	8,281,948	-	-	(35,625)	-	8,246,323
Cash dividends	25	-	-	(2,010,853)	-	-	-	-	(2,010,853)
Appropriations during the year	25, 30	-	-	(14,183)	14,183	-	-	-	-
Balance at December 31, 2017		**P 10,583,439**	**P 5,819,861**	**P 58,737,942**	**P 235,173**	**P 25**	**(P 1,174,455)**	**P 50,121**	**P 74,252,106**
Balance at January 1, 2016									
As previously reported		P 10,583,439	P 5,819,861	P 43,585,231	P 206,103	P 244,725	(P 768,974)	P 50,121	P 59,720,506
Effect of correction of prior period adjustment	2	-	-	244,700	-	(244,700)	-	-	-
As restated		10,583,439	5,819,861	43,829,931	206,103	25	(768,974)	50,121	59,720,506
Total comprehensive income (loss) for the year	28	-	-	10,253,502	-	-	(369,856)	-	9,883,646
Cash dividends	25	-	-	(1,587,516)	-	-	-	-	(1,587,516)
Appropriations during the year	25, 30	-	-	(14,887)	14,887	-	-	-	-
Balance at December 31, 2016		P 10,583,439	P 5,819,861	P 52,481,030	P 220,990	P 25	(P 1,138,830)	P 50,121	P 68,016,636
Balance at January 1, 2015									
As previously reported		P 10,583,439	P 5,819,861	P 39,750,041	P 189,564	P 268,725	(P 658,362)	P 50,121	P 56,003,389
Effect of correction of prior period adjustment	2	-	-	244,700	-	(244,700)	-	-	-
As restated		10,583,439	5,819,861	39,994,741	189,564	24,025	(658,362)	50,121	56,003,389
Total comprehensive income (loss) for the year	28	-	-	6,074,252	-	(24,000)	(110,612)	-	5,939,640
Cash dividends	25	-	-	(2,222,523)	-	-	-	-	(2,222,523)
Appropriations during the year	25, 30	-	-	(16,539)	16,539	-	-	-	-
Balance at December 31, 2015		P 10,583,439	P 5,819,861	P 43,829,931	P 206,103	P 25	(P 768,974)	P 50,121	P 59,720,506

See Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Thousands of Philippine Pesos)

	Notes	GROUP			PARENT BANK		
		2017	2016	2015	**2017**	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 10,686,095**	P 11,975,945	P 8,167,555	**P 9,109,147**	P 10,735,456	P 7,045,018
Adjustments for:							
Impairment losses - net	20	**875,587**	1,594,120	659,013	**881,744**	1,163,393	142,037
Depreciation and amortization	15, 19	**634,902**	716,429	618,596	**432,074**	483,923	415,786
Fair value gains on investment properties	16, 27	**(620,074)**	(385,687)	(416,173)	**(603,706)**	(385,687)	(404,432)
Gain on sale and exchange of properties	27	**(183,938)**	(149,970)	(542,129)	**(174,883)**	(148,837)	(537,507)
Share in net profit of subsidiaries	14	**-**	-	-	**(3,429,942)**	(3,474,490)	(2,432,552)
Operating profit before working capital changes		**11,392,572**	13,750,837	8,486,862	**6,214,434**	8,373,758	4,228,350
Decrease in financial assets at fair value through profit or loss		**607,892**	699,388	25,086,852	**605,136**	697,720	25,109,720
Increase in financial assets at amortized cost		**(48,693,096)**	(12,364,233)	(54,721,480)	**(48,693,431)**	(12,364,234)	(54,721,144)
Increase in loans and other receivables		**(46,524,280)**	(57,428,344)	(40,982,577)	**(40,936,429)**	(46,272,649)	(32,949,638)
Decrease in investment properties		**122,893**	415,364	811,500	**320,545**	465,453	744,817
Decrease in assets held for sale		**-**	73,943	209,422	**-**	73,943	209,422
Decrease (increase) in other resources		**(530,756)**	(111,606)	(1,478,288)	**(1,597,413)**	(1,421,919)	245,405
Increase (decrease) in deposit liabilities		**71,131,081**	64,901,694	505,994	**71,935,609**	59,367,168	(13,530,273)
Increase (decrease) in other liabilities		**(1,438,658)**	1,238,749	(3,116,479)	**1,491,023**	3,956,127	(4,066,943)
Cash generated from (used in) operations		**(13,932,352)**	11,175,792	(65,198,194)	**(10,660,526)**	12,875,367	(74,730,284)
Cash paid for income taxes		**(607,277)**	(400,897)	(429,244)	**(607,117)**	(408,585)	(383,137)
Net Cash From (Used in) Operating Activities		**(14,539,629)**	10,774,895	(65,627,438)	**(11,267,643)**	12,466,782	(75,113,421)
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisitions of bank premises, furniture, fixtures and equipment	15	**(781,898)**	(668,123)	(896,938)	**(703,989)**	(527,534)	(649,757)
Proceeds from sale of bank premises, furniture, fixtures and equipment		**66,580**	114,251	137,487	**52,189**	61,148	124,782
Additional investment in a subsidiary	14	**-**	-	-	**(1,845)**	(1,832)	(5,982)
Decrease in financial assets at fair value through other comprehensive income		**-**	3,057	3,009,431	**-**	3,333	3,000,000
Dividends received from subsidiaries		**-**	-	-	**-**	1,565,869	64,300
Net Cash From (Used in) Investing Activities		**(715,318)**	(550,815)	2,249,980	**(653,645)**	1,100,984	2,533,343
CASH FLOWS FROM FINANCING ACTIVITIES							
Repayments of bills payable	22, 37	**(170,590,655)**	(144,125,571)	(165,047,816)	**(121,190,186)**	(73,734,958)	(70,200,511)
Availments of bills payable	22, 37	**165,702,992**	150,674,062	158,214,874	**111,174,648**	82,334,612	71,643,626
Net availments of notes payable	23	**25,135,000**	-	-	**25,135,000**	-	-
Dividends paid	25	**(2,010,853)**	(1,587,516)	(2,222,522)	**(2,010,853)**	(1,587,516)	(2,222,522)
Net Cash From (Used in) Financing Activities		**18,236,484**	4,960,975	(9,055,464)	**13,108,609**	7,012,138	(779,407)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**281,715**	589,873	(119,060)	**281,714**	589,862	(119,068)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ***(Carried Forward)***		**P 3,263,252**	P 15,774,928	(P 72,551,982)	**P 1,469,035**	P 21,169,766	(P 73,478,553)

	Notes	2017	2016	2015	2017	2016	2015
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS *(Brought Forward)*		**P 3,263,252**	P 15,774,928	(P 72,551,982)	**P 1,469,035**	P 21,169,766	(P 73,478,553)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD							
Cash and other cash items	8	**6,021,358**	6,566,176	6,667,885	**5,630,560**	6,190,565	6,259,380
Due from Bangko Sentral ng Pilipinas (BSP)	8	**56,151,239**	70,036,867	112,829,122	**52,208,244**	60,992,001	104,001,928
Due from other banks	9	**42,425,310**	19,697,783	16,021,008	**41,412,122**	18,376,441	15,441,459
Interbank loans receivable	10	**24,362,800**	16,884,953	50,219,746	**24,362,800**	16,884,953	50,219,746
		128,960,707	113,185,779	185,737,761	**123,613,726**	102,443,960	175,922,513
CASH AND CASH EQUIVALENTS AT END OF PERIOD							
Cash and other cash items	8	**6,633,237**	6,021,358	6,566,176	**6,249,122**	5,630,560	6,190,565
Due from BSP	8	**66,276,960**	56,151,239	70,036,867	**60,350,126**	52,208,244	60,992,001
Due from other banks	9	**54,520,482**	42,425,310	19,697,783	**53,690,233**	41,412,122	18,376,441
Interbank loans receivable	10	**4,793,280**	24,362,800	16,884,953	**4,793,280**	24,362,800	16,884,953
		P 132,223,959	P 128,960,707	P 113,185,779	**P 125,082,761**	P 123,613,726	P 102,443,960

Supplemental Information on Non-cash Investing Activities

1. Additions to investment properties in settlement of loans and receivables amounted to P549,438 in 2017, P405,571 in 2016 and P501,423 in 2015 in the Group's financial statements and P346,920 in 2017, P399,821 in 2016 and P501,424 in 2015 in the Parent Bank's financial statements (see Note 16).

2. In 2016 and 2015 (nil in 2017), certain investment properties with carrying values of P86,878 and P150,552, respectively, were reclassified to Bank Premises, Furnitures, Fixtures and Equipment in the Group's financial statements and P86,878 and P88,492, respectively, in the Parent Bank's financial statements (see Notes 15 and 16).

See Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Thousands of Philippine Pesos, Except Par Value, Per Share Data, Exchange Rates and as Indicated)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Union Bank of the Philippines (the Bank, UnionBank or the Parent Bank) was incorporated in the Philippines on August 16, 1968 and operates as a universal bank through its universal banking license acquired in July 1992. The Philippine Securities and Exchange Commission (SEC) has approved the Bank's amendment on it Articles of Incorporation on October 31, 2013 for the extension of the Bank's corporate life for another 50 years until August 16, 2068.

The Bank provides expanded commercial banking products and services such as loans and deposits, cash management, retail banking, foreign exchange, capital markets, corporate and consumer finance, investment management and trust banking. As of December 31, 2017, the Bank and its subsidiaries (the Group) has 317 branches and 265 on-site and 61 off-site automated teller machines (ATMs), located nationwide.

The Bank's common shares are listed in the Philippine Stock Exchange (PSE). The Bank is effectively 48.83% owned by Aboitiz Equity Ventures, Inc. (AEVI), a company incorporated and domiciled in the Philippines. AEVI is the holding and management company of the Aboitiz Group of Companies.

The Bank's subsidiaries (all incorporated in the Philippines), effective percentage of ownership and the nature of the subsidiaries' businesses, as of December 31, 2017, are as follow:

Name of Subsidiary	Percentage of Ownership	Nature of Business
City Savings Bank, Inc. (CSB)	99.77%	Thrift bank
First-Agro Industrial Rural Bank, Inc. (FAIR Bank)*	86.67%	Rural Bank
Union Properties, Inc. (UPI)	100.00%	Real estate administration
First Union Plans, Inc. (FUPI)**	100.00%	Pre-need
First Union Direct Corporation (FUDC)**	100.00%	Financial products marketing
First Union Insurance and Financial Agencies, Inc. (FUIFAI) **	100.00%	Agent for insurance and financial products
UBP Insurance Brokers, Inc. (UBPIBI)	100.00%	Insurance brokerage
UBP Securities, Inc. (UBPSI)	100.00%	Securities brokerage
UnionBank Currency Brokers Corporation (UCBC)	100.00%	Foreign currency brokerage
UnionDataCorp (UDC)	100.00%	Data processing
Interventure Capital Corporation (IVCC)	60.00%	Venture capital

** Newly acquired subsidiary in 2017 through CSB and UPI with 49% and 37.67% share in ownership, respectively.*
*** FUDC, FUPI and FUIFAI are wholly-owned subsidiaries of UPI.*

Other relevant information about the subsidiaries' nature of businesses and their status of operations are discussed in the sections that follow:

(a) CSB was incorporated and registered with the SEC on December 9, 1965. On December 9, 2014, the SEC approved the amendment extending CSB's corporate term for another 50 years from December 9, 2015. It is a thrift bank specializing in granting teacher's loans under the Department of Education's Automatic Payroll Deduction System.

On January 23, 2015, the Board of Directors (BOD) approved the proposal to purchase the remaining 894 common shares of CSB held by some 41 minority shareholders, of which 203 shares, 59 shares and an additional 9 shares were acquired in December 2015, February 2016 and March 2016, respectively, thereby, further increasing the Bank's percentage ownership to 99.73%, 99.75% and 99.76% as of those respective dates.

In 2017, the number of shares of CSB currently held by the Bank is 257,671 shares as it has acquired 37 new shares bringing its percentage of ownership at 99.77%.

(b) FAIR Bank was registered with the SEC on September 15, 1998 primarily to engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprises. FAIR Bank has one (1) banking office and ten (10) branches located all over Cebu. On December 21, 2015, CSB, UPI and the major stockholders of FAIR Bank signed a Memorandum of Agreement which provided for the terms of the acquisition of a total of 77.78% of the issued and outstanding capital stock of FAIR Bank by CSB and UPI [see Note 3.1(b)]. On December 15, 2016, the Monetary Board of the BSP approved the acquisition by CSB and UPI of FAIR Bank's 441,000 common shares and 259,002 common shares, respectively, from the selling shareholders of FAIR Bank. The common shares acquired by CSB and UPI represented 49.00% and 28.78%, respectively, of the issued and outstanding capital stock of FAIR Bank. The funds for the payment of the acquisition were deposited in an escrow account with UnionBank TISG and the escrow amount will be released in tranches, subject to the fulfillment of certain conditions necessary to fully transfer ownership over the acquired shares to CSB and UPI.

On March 17, 2017, CSB and UPI subscribed to 294,000 and 306,000 new common shares, respectively, of FAIR Bank at par value of P100 per share. As a result of the subscription, the percentage of ownership of UPI in FAIR Bank increased to 37.67% while CSB's ownership interest stood at 49%.

(c) UPI was incorporated and registered with the SEC on December 20, 1993. It is presently engaged in the administration and management of the Parent Bank's premises and other properties such as buildings, condominium units and other real estate, wholly or partially owned by the Group. Pursuant to the action of the BOD of UPI approving the amendment of its Articles of Incorporation on May 13, 2004, the primary purpose of UPI was changed from a real estate developer to a real estate administrator. The SEC approved such amendment on December 13, 2004. Through its wholly-owned subsidiaries, FUPI, FUDC and FUIFAI, UPI is also engaged in the sale of pre-need plans, marketing of financial products and being an agent for life and non-life insurance products.

(d) UBPIBI was organized to engage in the insurance brokerage business. It was incorporated and registered with the SEC on February 27, 1992. In 1995, the BOD of UBPIBI approved the cessation of its operations.

(e) UBPSI was incorporated and registered with the SEC on March 2, 1993. It was organized to engage in the business of buying, selling or dealing in stocks and other securities. In January 1995, as approved by UBPSI's stockholders and BOD, UBPSI sold its stock exchange seat in the PSE. Accordingly, UBPSI ceased its stock brokerage activities.

(f) UCBC was registered in the SEC on June 14, 1994. It was organized to engage in the foreign currency brokerage business. On March 23, 2001, the BOD of UCBC approved the cessation of its business operations effective on April 16, 2001. Since then, UCBC's activities were significantly limited to the settlement of its liabilities.

(g) UDC was registered with the SEC on September 8, 1998. It was organized to handle the centralized branch accounting services as well as the processing of credit card application forms of the Parent Bank and the entire backroom operations of FUPI. On July 1, 2003, the BOD of UDC approved the cessation of its business operations effective on August 30, 2003. The services previously handled by UDC are now undertaken by the Centralized Processing Service Unit of the Parent Bank.

(h) IVCC was incorporated and registered with the SEC on October 10, 1980. It was organized to develop, promote, aid and assist financially any small or medium scale enterprises and to purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and otherwise deal with such real and personal property, including securities and bonds of other corporations as the transaction of the lawful business of the corporation may reasonably and necessarily require, subject to the limitations prescribed by law and the constitution. IVCC has ceased operations since 1992.

The BOD and the stockholders of UBPIBI, UCBC and UDC have approved to dissolve the Companies by amending their respective Articles of Incorporation shortening their company's corporate term to December 31, 2016. UBPIBI has secured a tax clearance from Bureau of Internal Revenue (BIR) in 2017 while UCBC and UDC are still in process of securing their respective tax clearances from the BIR.

The total assets, liabilities and capital funds of these subsidiaries amount to P5,425, P3,155 and P2,090, respectively, as of December 31, 2017 and P5,710, P2,029 and P3,681, respectively, as of December 31, 2016.

The Bank's registered address, which is also its principal place of business, is at UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road, Ortigas Center, Pasig City. AEVI's registered address is located at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

1.2 Approval of Financial Statements

The consolidated financial statements of UnionBank and Subsidiaries and the financial statements of the Parent Bank as of and for the year ended December 31, 2017 (including the comparative financial statements as of December 31, 2016 and for the years ended December 31, 2016 and 2015, and the corresponding figures as of January 1, 2016) were authorized for issue by the Bank's BOD on February 23, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS 1), *Presentation of Financial Statements*. The Group presents statement of comprehensive income separate from the statement of income.

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

In 2016, the Parent Bank has applied the amendment to PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements,* retrospectively in accordance with its transitional provisions. Consequently, it restated the comparative separate financial statements for December 31, 2015 and the corresponding figures as of January 1, 2015. However, the application of the restatement resulted in the recognition of additional Net Unrealized Fair Value Gains on Investment Securities account instead of applying such to the Surplus Free account. Accordingly, the Parent Bank presents a third separate statement of financial position as of January 1, 2016 without the related notes, except for the disdosures required under PAS 8, *Accounting Polices, Changes in Accounting Estimates and Errors*.

The effect of the correction of prior period error on the affected capital funds components of the Parent Bank is shown below.

	As Previously Reported	Effects of Prior Period Error	As Restated
December 31, 2016			
Changes in components of capital funds:			
Surplus free	P 52,236,330	P 244,700	P 52,481,030
Net unrealized fair value gains on investment securities	244,725	(244,700)	25
		P -	
January 1, 2016			
Changes in components of capital funds:			
Surplus free	P 43,585,231	P 244,700	P 43,829,931
Net unrealized fair value gains on investment securities	244,725	(244,700)	25
		P -	

The correction did not have any impact on the Parent Bank's statements of income, statements of comprehensive income and statements of cash flows for the years ended December 31, 2016 and 2015.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated (see also Note 2.18).

Items included in the financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2017 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses
Annual Improvements to PFRS (2014-2016 Cycle)		
PFRS 12	:	Disclosures of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests classified as held for sale

Discussed below are the relevant information about these amendments and improvements.

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). It requires an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, it suggests a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities, which includes both cash and non-cash changes are presented in Note 37.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of this amendment had no impact on the Group's financial statements.

(iii) Annual improvements to PFRS (2014-2016 Cycle) made minor amendments to PFRS 12 (Amendments), *Disclosure of Interest in Other Entities Scope Clarification on Disclosure of Summarized Financial Information for Interests classified as held for sale*. The amendment clarifies that the disclosure requirements of PFRS 12 applies to interest in other entities classified as held for sale with practical concession in the presentation of summarized financial information. The amendment states that an entity need not present summarized financial information for interests in subsidiaries, associates, or joint ventures that are classified as held for sale.

(b) Effective Subsequent to 2017 but not Adopted Early

There are new PFRS, amendments, interpretation and annual improvements, to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

(i) PAS 40 (Amendment), *Investment Property – Reclassification to and from investment property* (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. Management has assessed that this amendment has no significant impact on the Group's financial statements.

(ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions), herein referred to as PFRS 9. In addition to the principal classification categories for financial assets and financial liabilities, which were early adopted by the Group on January 1, 2014, PFRS 9 (2014) includes the following major provisions presented in the succeeding pages.

- limited amendments to the classification and measurement requirements for financial assets introducing a fair value through other comprehensive income (FVOCI) measurement for eligible debt securities; and;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset.

Based on an assessment and comprehensive study of the Group's financial assets and financial liabilities as of December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- In compliance with PFRS9, the Expected Credit Loss (ECL) will be calculated for all assets classified under Amortized Cost and FVOCI, which include, but are not limited to, corporate loans, consumer finance loans, and bonds. The ECL is composed of three major components -- probability of default (PD), loss given default (LGD), and exposure at default (EAD). PD captures the obligor or borrower risk. LGD reflects, in part, how collateral is being managed. EAD is largely the on-balance amount and off-balance amount (for committed lines) in the event of a default. The off-balance amount to be included shall be computed through the credit conversion factor (CCF).

  The significant increase/improvement in credit risk (SICR) model shall be used to classify accounts into PFRS 9 ECL's three stages. A set of defined empirical-based rules and expert judgment that discriminate good and bad credit make up the SICR. The 12-month ECL is computed for Stage 1 accounts, while the lifetime ECL is calculated for Stage 2 and Stage 3 accounts. Accounts with evident impairment are classified under Stage 3 and shall follow the Bank's impairment methodology. On the other hand, Stage 1 and Stage 2 accounts shall use future values derived from the term structures of the PD, LGD, and CCF. These future values also take into consideration prospective business environment conditions through the inclusion of macroeconomic forecasts.

  Altogether, the resulting value is called the baseline ECL. In order to compute for the probability-weighted ECL, calibration factors and scenario weights are embedded into the baseline model. Finally, risk management policies complement the application of probability-weighted ECL models. Together, ECL models and their corresponding policies, should enhance the assessment and monitoring of accounts.

Management has assessed that the application of the ECL model will not result in significantly lower or higher impairment losses as compared with PAS 39.

- The FVOCI category for debt instruments, both for government securities and corporate bonds, will be available effective January 1, 2018, in addition to the financial assets at amortized cost and FVTPL categories of the previously adopted PFRS 9 (2009, 2010 and 2013 versions). Financial assets classified under the FVOCI category are held in order to collect contractual cash flows but may be subsequently sold. Changes in the fair value of FVOCI securities are recognized in other comprehensive income up until derecognition, when the fair value change will be recognized in profit or loss. The Group may classify securities under the FVOCI category consistent with its business model, impact of which is minimal as majority of the portfolio will remain to be in the financial assets at amortized cost category.

(iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. The amendments did not have a significant impact on the Group's financial statements.

(iv) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services.* This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on an assessment and comprehensive study of the Group's revenue streams as of December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined that this new standard has no material impact on the Group's financial statements.

(v) IFRIC 22, *Foreign Currency Transactions and Advance Consideration - Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this amendment has no material impact on the Group's financial statements.

(vi) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PAS 28 (Amendment), *Investment in Associates – Clarification on Fair Value through Profit or Loss Classification* (effective from January 1, 2018) is relevant to the Group. The amendment clarifies that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture. Management has initially assessed that this amendment has no impact on the Group's financial statements.

(vii) PAS 28 (Amendment), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendment clarifies that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendment further clarifies that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of this new standard in its financial statements.

(viii) PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the solely payments of principal and interest (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI. Management is currently assessing the impact of this new standard in its financial statements.

(ix) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its financial statements.

(x) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this new interpretation in its financial statements.

(xi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income taxes – Tax Consequences of Dividends.* The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing costs – Eligibility for Capitalization.* The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation.* The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.3 Basis of Consolidated and Separate Financial Statements

The Group's financial statements comprise the accounts of the Bank and its subsidiaries, as enumerated in Note 1.1 and as disclosed under Note 14, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, and expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in the separate financial statements are also eliminated in full. Intercompany losses that indicate impairment are recognized in the Group's financial statements.

The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Bank using consistent accounting policies, except CSB and FAIR Bank.

Certain accounting policies applied by CSB and FAIR Bank in the preparation of their respective financial statements are not consistent with the accounting policies applied by the Group. Upon consolidation of the Group and computation for the Parent Bank's share in net profit or loss and in other comprehensive income or loss of CSB and FAIR Bank, certain adjustments were made to the financial statements of these entities to be consistent with the Group's accounting policies.

The Group's and Parent Bank's investments in special purpose companies (SPCs), as described in Note 14, are recognized in the financial statements through the Investment Properties account instead of equity investments. Individually identifiable assets of these SPCs (land and building) acquired by the Group are classified as investment properties and not as investments in the shares of stock of the SPCs.

In the Parent Bank's separate financial statements, investments in subsidiaries are initially recognized at cost and subsequently accounted for using the equity method (see Notes 14).

All subsequent changes to the share in the equity of the subsidiaries are recognized in the carrying amount of the Parent Bank's investment. Changes resulting from the profit or loss generated by the subsidiaries are reported as Share in net profit of subsidiaries under Miscellaneous account in the Parent Bank's separate statement of income.

Changes resulting from other comprehensive income of the subsidiaries or items that have been directly recognized in the subsidiaries' equity are recognized in other comprehensive income of the Parent Bank. Any distributions received from the subsidiaries (e.g., dividends) are recognized as reduction in the carrying amount of investment in subsidiaries. However, when the Parent Bank's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Parent Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the subsidiary. If the subsidiary subsequently reports profits, the Parent Bank recognizes its share on those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

In computing the Parent Bank's share in net profit or loss of subsidiaries, unrealized gains or losses on transactions between the Parent Bank and its subsidiaries are eliminated to the extent of the Parent Bank's interest in the subsidiaries. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a group perspective.

The Parent Bank accounts for its investments in subsidiaries and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has the power over the entity, it is exposed, or has rights to, variable returns from its involvement with the entity, and it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.4).

(b) Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in capital funds. Disposals of equity investments to non-controlling interests may result in gains and losses for the Group that are also recognized in capital funds.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related resources or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Bank holds interests in various subsidiaries as presented in Notes 1.1 and 14.

2.4 Business Combinations

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and is carried at cost less accumulated losses. Impairment losses on goodwill are not reversed (see Note 2.19).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is recognized directly to profit.

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

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

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

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

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described on the succeeding page.

(i) Financial Assets at Amortized Cost

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,

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

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

The Group's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Interbank Loans Receivable, Financial Assets at Amortized Cost under Trading and Investment Securities, Loans and Other Receivables and certain accounts under Other Resources.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including Cash and Other Cash Items and non-restricted balances of Due from BSP, Due from Other Banks and Interbank Loans Receivable. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. In 2017 and 2016, the Group has not made such designation.

(ii) Financial Assets at FVTPL

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include government securities, corporate bonds and equity securities which are held for trading purposes.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or,

- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Unrealized gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL category and realized gains or losses arising from disposals of these instruments are included in Gain (Loss) on Trading and Non-trading Financial Assets account in the statement of income.

Interest earned on these investments is reported in profit or loss under Interest Income account while dividend income is reported in profit or loss under Miscellaneous Income account when the right of payment has been established.

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

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in Net Unrealized Fair Value Gains (Losses) on Investment Securities in the statement of changes in capital funds. When the asset is disposed of, the cumulative gain or loss previously recognized in the Net Unrealized Fair Value Gains (Losses) on Investment Securities account is not reclassified to profit or loss, but is reclassified directly to Surplus Free account.

Any dividends earned on holding these equity instruments are recognized in profit or loss as part of Miscellaneous Income account, when the Group's right to receive dividends is established in accordance with PAS 18, *Revenue*, unless the dividends clearly represent recovery of a part of the cost of the investment.

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

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about certain loss events, including, among others: (i) significant financial difficulty of the issuer or debtor; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) the Group granting the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that lender would not otherwise consider; (iv) it is probable that the borrower will enter bankruptcy or other financial reorganization; (v) the disappearance of an active market for that financial asset because of financial difficulties; or, (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Financial Assets Carried at Amortized Cost

For financial assets classified and measured at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

If a financial asset carried at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of collective evaluation of impairment for loans and receivables, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The Group also takes into account basic guidelines in setting up allowance for credit losses as prescribed under BSP Circular No. 855 (Appendix 18). Financial institutions with credit operations that may not economically justify a more sophisticated loan loss estimation methodology or where practices fall short of expected standards shall be subject to the said guidelines.

When possible, the Group seeks to restructure loans rather than to take possession of the collateral. This may involve extending the payment arrangement and agreement for new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria evidencing the good quality of the loan are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. The difference between the recorded amount of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized as part of Impairment Losses account in profit or loss.

When a loan receivable is determined to be uncollectible, it is written-off against the related allowance for impairment. Such loan or receivable is written-off after all the prescribed procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written-off decrease the amount of impairment losses in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in statement of income.

(ii) Financial Assets Carried at Fair Value with Changes Recognized in Other Comprehensive Income

For financial assets at FVOCI, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of investments classified as financial assets at FVOCI, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for equity investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from other comprehensive income and recognized in profit or loss.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

(c) Derecognition of Financial Assets

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

2.6 Derivative Financial Instruments

The Group is a counterparty to derivatives contracts, such as currency forwards and warrants. These contracts are entered into as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as those of its customers.

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as resources when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument. When such evidence exists, which indicates a fair value different from the transaction price, the Group recognizes a gain or loss at initial recognition.

For more complex instruments, the Group uses proprietary models, which usually are developed from recognized valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognized initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference in fair value indicated by valuation techniques is recognized in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

Changes in the fair value of derivatives are recognized in profit or loss.

2.7 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization, and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the depreciable assets as follows:

Buildings	25 – 50 years
Furniture, fixtures and equipment	5 – 10 years

Leasehold rights and improvements are amortized over the term of the lease or the estimated useful lives of the improvements of five to ten years, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

If a change in use requires an item of bank premises, furniture, fixtures and equipment to be reclassified to investment properties, the difference between the carrying amount of such asset and its fair value as of the date of change in use is recognized in other comprehensive income and accumulated in equity under the Other Reserves account. If the asset is subsequently retired or disposed of, the related revaluation surplus is transferred directly to Surplus Free account.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at acquisition cost which comprise its purchase price and directly attributable cost incurred. These include parcels of land and buildings and related improvements acquired by the Group from defaulting borrowers not held for sale in the next 12 months. Subsequently, investment properties are accounted for under the fair value model. It is revalued every three years except those significantly high-valued properties (which are appraised every other year) and is reported in the statement of financial position at its market value as determined by independent appraisal companies acceptable by the BSP. The carrying amounts recognized in the statement of financial position reflect the prevailing market conditions at the reporting date.

Investment properties of the Group under construction or development, if the fair value of these properties cannot be reliably measured, are measured at cost until construction or development is complete. At completion, these properties are measured at fair value.

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains or losses on investment properties under Miscellaneous Income or Expenses account in the statement of income.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes are normally charged against current operations in the period in which these costs are incurred.

2.9 Intangible Assets

Intangible assets include goodwill and acquired computer software. Goodwill represents the excess of the acquisition cost over the fair value of the identifiable net assets (a) of the former International Exchange Bank (iBank) in its merger with the Bank on April 30, 2006; and, (b) of CSB upon its acquisition by the Bank on January 8, 2013 (see Note 1.1). Goodwill has indefinite useful life and, thus, not subject to amortization but requires an annual test for impairment. Goodwill is subsequently carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill sometimes cannot be allocated on a non-arbitrary basis to individual cash-generating units, but only to groups of cash-generating units. As a result, the lowest level within the Parent Bank at which goodwill is monitored for internal management purposes sometimes comprises a number of cash-generating units. The Group's cash-generating unit represents all the branches and segments of the Parent Bank, including the units that were integrated to the Parent Bank as a result of the acquisitions.

Acquired computer software used in administration is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. These costs are amortized on a straight-line basis over the expected useful lives ranging from five to ten years, as the lives of these intangible assets are considered finite. These costs are recognized in profit or loss as part of Depreciation and amortization under the Other Expenses account in the statement of income. Costs associated with maintaining computer software are expensed as incurred. In addition, intangible assets are subject to impairment testing as described in Note 2.19.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.10 Other Resources

Other resources pertain to resources controlled by the Group as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

2.11 Financial Liabilities

Financial liabilities which include deposit liabilities, bills payable, notes payable, and other liabilities (except tax-related payables, pre-need reserves and post-employment defined benefit obligation) are recognized when the Group becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as an expense in the statement of income under the caption Interest Expense.

Deposit liabilities are stated at amounts in which they are to be paid. Interest is accrued periodically and recognized in a separate liability account before recognizing as part of deposit liabilities.

Bills payable and notes payable are recognized initially at fair value, which is the issue proceeds (fair value of consideration received). These are subsequently measured at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Derivative liabilities, which are included as part of Other Liabilities, are recognized initially and subsequently measured at fair value with changes in fair value recognized in profit or loss.

Other liabilities, apart from derivative liabilities, are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

2.12 Offsetting Financial Instruments

Financial resources and liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events (e.g., legal dispute or onerous contracts).

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessment and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Pre-Need Reserves and Insurance Premium Reserves

(a) Pre-need Reserves

In the Group's consolidated financial statements, pre-need reserves (PNR), presented as part of Other Liabilities in the consolidated statement of financial position, are recognized for all pre-need benefits guaranteed and payable by FUPI as defined in the pre-need pension plan contracts.

PNR for pension plans are determined using the requirements on provisioning of PAS 37 and the specific method of computation required by the Insurance Commission (IC) as described below.

The amount recognized as a provision to cover the PNR is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The risks and uncertainties that inevitably surround many events and circumstances were taken into account in reaching the best estimate of a provision.

PNR is computed based on the following considerations:

(i) On actively paying plans, provision is equivalent to the present value of future plan benefits reduced by the present value of future trust fund contributions required per product model discounted using the transitory discount rate which does not exceed the lower of the attainable rate as certified by the Trustee, and the discount interest rate prescribed by the IC in accordance with IC Circular Letter No. 23-2012, *Valuation of Transitory Pre-need Reserves*, for old basket of plans previously approved by the SEC.

(ii) On lapsed plans, provision is equivalent to the present value of future plan benefits reduced by the present value of future trust fund contributions at lapse date, multiplied by the reinstatement rate.

(iii) On fully paid plans, provision is equivalent to the present value of future plan benefits discounted using the transitory discount rate.

(iv) Future events that may affect the foregoing amounts are reflected in the amount of the provision for PNR where there is sufficient objective evidence that they will occur.

(v) The rates of surrender, cancellation, reinstatement, utilization and inflation, when applied, represent the actual experience of FUPI in the last three years, or the industry, in the absence of a reliable experience.

(vi) The probability of pre-termination or surrender of fully paid plans are considered in determining the PNR of fully paid plans. A pre-termination experience on fully paid plans of 5% and below are considered insignificant. In such cases, derecognition of liability shall be recorded at pre-termination date.

The computation of the foregoing assumptions is validated by the IC-accredited actuary of FUPI.

Any excess in the amount of the trust fund as a result of the revised reserving requirement shall neither be released from the fund nor be credited/set-off to future required contributions.

(b) Insurance Premium Reserves

Insurance premium reserves for life, pension and educational plans represents FUPI's actuarially-determined liability in accordance with PAS 37 to guarantee the benefits provided in the plan in consideration of the insurance premium funds assigned for this purpose as determined and certified by the IC-accredited actuary.

2.15 Capital Funds

Common stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of common stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Surplus free includes all current and prior period results as reported in the statement of income and which are available and not restricted for use by the Group, reduced by the amounts of dividend declared, if any.

Surplus reserves pertains to the following:

(a) Portion of the Group's income from trust operations set-up on a yearly basis in compliance with BSP regulations. The surplus set-up is equal to 10% of the net profit accruing from the trust business until the surplus shall amount to 20% of authorized capital stock. The reserve shall not be paid out as dividends, but losses accruing in the course of the trust business may be charged against this account.

(b) Accumulated trust fund income of FUPI that is automatically restricted to payments of benefits of planholders and related payments in accordance with the amended Pre-need Uniform Chart of Accounts (PNUCA).

Net unrealized fair value gains (losses) on investment securities pertains to cumulative mark-to-market valuation of financial assets at FVOCI.

Remeasurements of defined benefit plan refer to accumulated actuarial losses, net of gains, as a result of remeasurements of post-employment defined benefit plan and return on plan assets (excluding amount included in net interest).

Other reserves pertains to the difference between the net carrying amount and fair value of certain properties that were reclassified from owner-occupied properties to investment properties to reflect the change in use.

Non-controlling interests represent the portion of the net resources and profit or loss not attributable to the Group which are presented separately in the Group's statement of income and within the capital funds in the Group's statement of financial position and changes in capital funds.

2.16 Revenue and Cost Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be reliably measured. Expenses are recognized in profit or loss upon utilization of the resources or services or at the date these are incurred. All finance costs are reported on an accrual basis. The following specific recognition criteria of income and expenses must also be met before income or expense is recognized:

(a) *Interest* – Interest income and expenses are recognized in profit or loss for all instruments measured at amortized cost and debt instruments classified as financial assets at FVTPL and FVOCI using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of impairment, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) *Service charges, fees and commissions* – Service charges, fees and commissions are generally recognized when the service has been provided. Loan commitment fees are earned as services are provided, recognized as other income on a time proportion basis over the commitment period.

(c) *Gain (loss) on trading and non-trading financial assets* – Gain (loss) on trading and non-trading financial assets is recognized when the ownership of the securities is transferred to the buyer (at an amount equal to the difference of the selling price and the carrying amount of securities) and as a result of the mark-to market valuation of outstanding securities classified as FVTPL at year-end.

(d) *Premium revenues* – Premiums from sale of pre-need plans are recognized as earned when collected inclusive of advance premium payments. When premiums are recognized as income, the related cost of contracts is computed and recognized, with the result that the benefits and expenses are matched with such revenue.

(e) *Miscellaneous* income includes the following accounts:

(i) *Commissions earned on credit cards* – Commissions earned on credit cards are recognized as income 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. Purchases by the credit cardholders, collectible on installment basis, are recorded at the cost of the items purchased. Interest income is recognized on every term of installment billed to the cardholders and computed using the effective interest method.

(ii) *Gain (loss) from sale of assets* – Profit or loss from assets sold or exchanged is recognized when the risks and rewards to the assets is transferred to the buyer or when the collectibility of the entire sales price is reasonably assured.

(iii) *Rental* – Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases (see Note 2.17).

(iv) *Income from bancassurance business* – Exclusive access fee (EAF) related to the bancassurance partnership is recognized using the straight line method as income over the first five years of the bancassurance partnership.

(v) *Dividend* – Dividend income is recognized when the Group's right to receive payment is established.

(vi) *Income from trust operations* – Trust fees related to investment funds are recognized ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

2.17 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs, maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.18 Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos except for the Foreign Currency Deposit Unit (FCDU) of the Parent Bank which are maintained in United States (U.S.) dollars. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the Philippine Dealing System closing rates (PDSCR) prevailing at the end of the period (for resources and liabilities) and at the average PDSCR for the period (for income and expenses).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

2.19 Impairment of Non-financial Assets

The Group's intangible assets (consisting of goodwill and computer software recorded as part of Other Resources), bank premises, furniture, fixtures and equipment, investments in subsidiaries (for Parent Bank only) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill, are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value, reflecting market conditions, less costs to sell and value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.20 Employee Benefits

The Group's employment benefits to employees are as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan (included as part of Other Liabilities) is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows arising from expended benefit payments using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is included as part of Interest Expense or Interest Income in the statement of income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity, such as the Social Security System. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Profit-Sharing and Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Parent Bank's shareholders, as indicated in the statement of income, after certain regulatory adjustments. The Group recognizes a provision where it is contractually obliged to pay the bonus plans. The Group also recognizes a provision for profit-sharing and bonus plans where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting date. They are included as part of Accrued taxes and other expenses under the Other Liabilities account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.21 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

For tax reporting purposes, capitalized borrowing costs are recognized as expense in the period they are incurred. When the qualifying assets, in which the borrowing costs are capitalized, are subsequently sold or depreciated, the capitalized borrowing costs are added back in the profit before tax for the purpose of computing the taxable income.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.22 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in capital funds, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply 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 end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in capital funds. In this case, the tax is also recognized in other comprehensive income or directly in capital funds, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Group and their related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.24 Earnings Per Share

Basic earnings per share are determined by dividing the net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, after retroactive effect to any stock dividends declared in the current year.

Diluted earnings per common share are also computed by dividing net profit by the weighted average number of common shares subscribed and outstanding at the end of the reporting period, after making adjustments to reflect the effects of any potentially dilutive preferred shares, stock options and warrants.

2.25 Trust and Fiduciary Activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These resources and the related income arising thereon are excluded from these financial statements, as they are neither resources nor income of the Group.

2.26 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's products and services as disclosed in Note 6, which represent the main products and services provided by the Group.

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

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a particular segment.

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

The Group's operations are organized according to the nature of the products and services provided. Financial information on business segments is presented in Note 6.

2.27 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's position at the statement of financial position date (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SUMMARY OF ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Determining Functional and Presentation Currency

The Group has determined that its functional and presentation currency is the Philippine pesos, which is the currency of the primary environment in which the Group operates.

(b) Assessment of Control or Significant Influence over an Investee Company

Judgment is exercised in determining whether the Group already has significant influence or control over an entity. In assessing each interest over an entity, the Group considers the power over 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 the amount of the investor's returns.

As discussed in Note 1.1(b), a MOA was executed between the major Sellers of FAIR Bank and the Group, whereby the latter agreed to purchase all of the Sellers' rights, title and interest in FAIR Bank. In 2017, the Deed of Absolute Sale covering the shares was executed and all corresponding taxes on the transaction were paid. Furthermore, the Group has acquired additional shares in 2017 increasing its ownership to 86.67% of FAIR Bank's common stock. Hence, management considers that the Group only acquired control or significant influence over FAIR Bank in 2017.

(c) Evaluation of Business Model in Managing Financial Instruments

The Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group.

(d) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

(e) Distinction Between Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generated cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(f) Distribution Between Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of resources and liabilities. As of December 31, 2017 and 2016, management has determined that the Group's existing lease agreements are operating leases.

(g) Classification of Acquired Properties and Fair Value Determination of Investment Properties

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations and as Investment Properties if the Group intends to hold the properties for capital appreciation or for lease, or as Financial Assets in accordance with PFRS 9. At initial recognition, the Group determines the fair value of acquired properties based on valuations performed by independent appraisal companies accredited by the BSP. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property.

(h) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosures of provisions and of contingencies are discussed in Notes 2.13 and relevant disclosures are presented in Note 34.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Impairment Losses on Loans and Other Receivables and Financial Assets at Amortized Cost

The Group reviews its loan and other receivables and investment portfolios to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio before the decrease can be identified with an individual item in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment losses on loans and other receivables recognized in profit or loss are discussed in Notes 13 and 20, while the information about debt securities is disclosed in Note 12.

(b) Distinction of Fair Value Measurement of Financial Assets and Financial Liabilities

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The financial assets and financial liabilities measured at fair value in the statements of financial position as of December 31, 2017 and 2016 are grouped into the fair value hierarchy as presented in Note 7.3.

The carrying amounts and fair values of those financial assets and financial liabilities not presented in the statement of financial position at their fair values are summarized in Note 7.1.

(i) Due from BSP and Other Banks

Due from BSP pertains to deposits made by the Group to BSP for clearing and reserve requirements. Due from other banks include interbank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximates the nominal value.

(ii) Loans and Other Receivables

Loans and other receivables are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Deposits and Borrowings

The estimated fair value of demand deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(iv) Other Liabilities

Due to their short duration, the carrying amounts of other liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

(c) Determination of Fair Value of Derivatives

The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation.

Valuation techniques are used to determine fair values which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(d) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment and Computer Software, Leasehold, Rights and Improvements

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of bank premises, furniture, fixtures and equipment and computer software is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

In 2017, based on current facts and circumstances, management have changed the estimated useful life of leasehold, rights and improvements. The change in useful life of these assets which were applied prospectively did not result in material change in the annual depreciation expense.

The carrying amounts of bank premises, furniture, fixtures and equipment, leasehold, rights and improvements and computer software are presented in Notes 15 and 19, respectively.

(e) Determination of Fair Value of Investment Properties

The Group's investment properties is composed of land, buildings and related improvements carried at fair value at the end of the reporting period.

The fair value of investment properties is determined based on valuations performed by independent appraisal companies accredited by the BSP at the end of each reporting period. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties. The amounts of revaluation and fair value gains recognized on certain land, buildings and land improvements are disclosed in Note 16.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

The fair value determination for investment properties is discussed in Note 7.5.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets is disclosed in Note 29.

(g) Estimation of Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.19. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. The Group determines the recoverable value of goodwill by discounting the estimated excess earnings using the Group's cost of equity as the discount rate. The recoverable value of goodwill is being determined by an external appraiser. The same data (i.e., estimated excess earnings and the Group's cost of equity) used by the Group was used by the external appraiser in evaluating whether the asset is impaired or not.

Impairment losses recognized on non-financial assets are disclosed in Note 20.

(h) Valuation of Post-employment and Other Benefits

The determination of the Group's obligation and cost of pension and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rates of salary increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit obligation, as well as significant assumptions used in estimating such obligation are presented in Note 28.2.

The Group also estimates other employee benefit obligations and expenses, including the cost of paid leaves based on historical leave availments of employees, subject to the Group and Parent Bank policies. These estimates may vary depending on future changes in salaries and actual experiences during the year.

(i) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period. In 2016, the Group, through CSB and UPI, entered in a MOA to purchase common shares of FAIR Bank, and the Deed of Sale was executed on January 9, 2017, with the corresponding taxes on the transaction paid in February 2017. On March 17, 2017, the Group acquired additional shares, gaining control over FAIR Bank, with a total of 86.67% ownership.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks are inherent in the business activities of the Group. Among its identified risks are credit risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, operational risk, legal risk, and regulatory risk. These are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an ongoing basis.

Risk management is the process by which the Group identifies its key risks, obtains consistent and understandable risk measures, decides which risks to take on or reduce and how this will be done, and establishes procedures for monitoring the resulting risk positions. The objective of risk management is to ensure that the Group conducts its business within the risk levels set by the BOD while business units pursue their objective of maximizing returns.

4.1 Risk Management Strategies

The Group maintains a prudent risk management strategy to ensure its soundness and profitability. Business units are held accountable for all the risks and related returns, and ensure that decisions are consistent with business objectives and risk tolerance. Strategies, policies and limits are reviewed regularly and updated to ensure that risks are well-diversified and risk mitigation measures are undertaken when necessary. A system for managing and monitoring risks is in place so that all relevant issues are identified at an early stage and appropriate actions are taken. The risk policies, guidelines and processes are designed to ensure that risks are continuously identified, analysed, measured, monitored and managed. Risk reporting is done on a regular basis, either monthly or quarterly.

Although the BOD is primarily responsible for the overall risk management of the Group's activities, the responsibility rests at all levels of the organization. The risk appetite is defined and communicated through an enterprise-wide risk policy framework.

4.2 Risk Management Structure

The BOD of the Parent Bank exercises oversight of the Parent Bank's risk management process as a whole and through its various risk committees. For the purpose of day-to-day management of risks, the Parent Bank has established independent Risk Management Units (RMUs) that objectively review and ensure compliance to the risk parameters set by the BOD. They are responsible for the monitoring and reporting of risks to senior management and the various committees of the Parent Bank.

On the other hand, the risk management processes of its subsidiaries are handled separately by their respective BODs.

The Parent Bank's BOD is primarily responsible for setting the risk appetite, approving risk parameters, credit policies, and investment guidelines, as well as establishing the overall risk taking capacity of the Parent Bank. To fulfill its responsibilities in risk management, the BOD has established the following committees, whose functions are described in the succeeding page.

(a) The Executive Committee (EXCOM), composed of seven members of the BOD, exercises certain functions as delegated by the BOD including, among others, the approval of credit proposals, asset recovery and real and other properties acquired (ROPA) sales within its delegated limits.

(b) The Risk Management Committee (RMC), composed of seven members of the BOD, is responsible for the development and oversight of the Parent Bank's risk management program. It assists the BOD in the management of identified risks and reviewing risk policies, strategies and procedures. It receives and reviews management reports on risk exposures and provides guidance when needed. The RMC also provides oversight, direction, and guidance to the other risk committees, specifically the Market Risk Committee (MRC) and the Operations Risk Management Committee (ORMC).

(c) The MRC, composed of six members of the BOD, sets policies and standards for market risk identification, analysis and management. The MRC also monitors the sensitivity of the Group's financial condition to the effects of market volatility and adverse price changes on the Group's portfolio of financial instrument and oversees the Group's liquidity position through the Asset and Liability Committee (ALCO).

(d) The ORMC, composed of at least three members of the BOD and two members from Senior Management, reviews various operations risk policies and practices.

(e) The Audit Committee is a committee of the BOD that is composed of five members, most of whom are with accounting, auditing, or related financial management expertise or experience. The skills, qualifications, and experience of the committee members are appropriate for them to perform their duties as laid down by the BOD. Two of these five members are independent directors, including the Chairman.

The Audit Committee serves as principal agent of the BOD in ensuring independence of the Bank's external auditors and the internal audit function, the integrity of management, and the adequacy of disclosures and reporting to stockholders. It also oversees the Bank's financial reporting process on behalf of the BOD. It assists the BOD in fulfilling its fiduciary responsibilities as to accounting policies, reporting practices and the sufficiency of auditing relative thereto, and regulatory compliance.

To effectively perform these functions, the Audit Committee has a good understanding of the Parent Bank's business including the following: Parent Bank's structure, business, controls, and the types of transactions or other financial reporting matters applicable to the Parent Bank. The Audit Committee also has a good understanding of the Parent Bank's internal controls to determine whether these controls are adequate, functioning as designed, and operating effectively. It also considers the potential effects of emerging business risks and their impact on the Parent Bank's financial position and results of operations.

Among the responsibilities of the Audit Committee are:

(i) *Oversight of the financial reporting process.* The Audit Committee ensures that the Parent Bank has a high-quality reporting process that provides transparent, consistent and comparable financial statements. In this regard, the Audit Committee works closely with management especially the Office of the Financial Controller, the Internal Audit Division (IAD), as well as the external auditors, to effectively monitor the financial reporting process and the existence of significant financial reporting issues and concerns.

(ii) *Oversight of the audit process.* The Audit Committee is knowledgeable on the audit function and the audit process. The Audit Committee maintains supportive, trusting and inquisitive relationships with both internal and external auditors to enhance its effectiveness.

In the performance of these functions, the Audit Committee is supported by the IAD. The IAD Head derives authority from and is directly accountable to the Audit Committee. However, administratively, the IAD Head reports to the President of the Bank.

The IAD is entirely independent from all the other organizational units of the Bank, as well as from the personnel and work that are to be audited. It operates under the direct control of the Audit Committee and is given an appropriate standing within the Bank to be free from bias and interference. The IAD is free to report its findings and appraisals internally at its own initiative to the Audit Committee.

The IAD is authorized by the Audit Committee to have unrestricted access to all functions, records, property, and personnel of the Bank subject to existing mandate and applicable laws. This includes the authority to allocate resources, set audit frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish the audit engagement objectives.

The IAD is also authorized to obtain the necessary assistance from personnel within the Bank units where they perform audits, as well as other specialized services within or outside the Bank.

The IAD presents its annual audit plan at the beginning of the year for approval by the Audit Committee.

At least once a month, the Audit Committee meets to discuss the results of the assurance and consulting engagements and case investigations by IAD. The results of these meetings are regularly reported by the Audit Committee Chairman to the BOD in its monthly meetings.

In response to the increasing role of internal audit under Basel II, the IAD acquired the right skill set and approach to fulfill its role to conduct an annual independent review of the Bank's Internal Capital Adequacy Assessment Process (ICAAP) document and its underlying processes and procedures.

The Bank's IAD passed and obtained the highest rating of "Generally Conforms" on the external quality assessment conducted in January 2014. The review showed that the Bank's IAD audit activities comply with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

(f) The Corporate Governance Committee (CGC) is primarily responsible for helping the BOD fulfill its corporate governance responsibilities. It is responsible in ensuring the BOD's effectiveness and due observance of corporate governance principles and guidelines.

CGC's specific duties include, among others, making recommendations to the BOD regarding continuing education of directors, overseeing the periodic performance evaluation of the BOD, its committees, senior management, and the function of the Chief Compliance and Corporate Governance Officer. It also performs oversight functions over the Compliance and Corporate Governance Office (CCGO) and the Anti-Money Laundering Committee of the Bank.

The CGC is composed of seven (7) members of the BOD, two (2) of whom are independent directors, including its Chairman, and one (1) belonging to the Bank's senior management. It has two (2) sub-committees, namely, the Nominations Sub-Committee (NOMCOM) and the Compensation and Remuneration Sub-Committee (COMPREM).

The NOMCOM is comprised of six (6) voting members of the BOD, one of whom is an independent director, and one non-voting member in the person of the Human Resources Director. The NOMCOM is responsible for reviewing the qualifications of and screening candidates for the BOD, key officers of the Bank and nominees for independent directors. It oversees the implementation of programs for identifying, retaining and developing critical officers and the succession plan for various units in the organization.

The COMPREM is composed of seven (7) members of the BOD, two (2) of whom are independent directors, including its Chairman. It is responsible for overseeing implementation of the programs for salaries and benefits of directors and senior management. It monitors adequacy, effectiveness and consistency of the Bank's compensation program vis-à-vis corporate philosophy and strategy.

(g) The Related Party Transaction Committee is a board-level committee composed of five (5) members, three (3) of whom are independent directors including its Chairman. The other two (2) members are the Head of Internal Audit Division and the Chief Compliance and Corporate Governance Officer who are both non-voting members. The Committee assists the BOD in the fulfillment of its corporate governance responsibilities on related party transactions by ensuring that these are transacted at arm's length terms. Where applicable, the Committee reviews and approves related party transactions or endorses them to the BOD for approval or confirmation.

The Bank's CCGO assists the CGC in fulfilling its functions by apprising the same of pertinent regulations and other issuances relating to compliance or corporate governance and continuously giving updates thereon. In addition, the CCGO keeps the CGC abreast of governance issues being brought about among private organizations and individuals advocating good governance practices. It then makes recommendations to the CGC based on such governance issues and practices applicable and relevant to the Bank.

The major risk types identified by the Group are discussed in the following sections:

4.3 Credit Risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation to the Group. The risk may arise from lending, trade finance, treasury, investments, derivatives and other activities undertaken by the Group. Credit risk is managed through strategies, policies and limits that are approved by the respective BOD of the various companies within the Group. With respect to the Parent Bank, it has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments.

The RMU undertakes several functions with respect to credit risk management. The RMU independently performs credit risk assessment, evaluation and review for its retail, commercial and corporate financial products to ensure consistency in the Parent Bank's risk assessment process. It also ensures that the Parent Bank's credit policies and procedures are adequate and are constantly updated to meet the changing demands or risk profiles of the business units.

The RMU's portfolio management function involves the review of the Parent Bank's loan portfolio, including the portfolio risks associated with particular industry sectors, regions, loan size and maturity, and the development of a strategy for the Parent Bank to achieve its desired portfolio mix and risk profile. The RMU reviews the Parent Bank's loan portfolio quality in line with the Parent Bank's policy of avoiding significant concentrations of exposure to specific industries or groups of borrowers. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features. Concentrations indicate the relative sensitivity of the Parent Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Parent Bank's policies and procedures include guidelines for maintaining a diversified portfolio mix (e.g., concentration limits). Identified concentrations of credit risks are controlled and managed accordingly. The RMU also monitors compliance to the BSP's limit on exposure to any single person or group of connected persons to an amount not exceeding 25% of the Parent Bank's adjusted capital accounts.

4.3.1 Corporate Loans

Corporate lending activities are undertaken by the Parent Bank's Corporate Banking Center. The customer accounts under this group belong to the top tier corporations, conglomerates and large multinational companies. The Parent Bank undertakes a comprehensive procedure for the credit evaluation and risk assessment of large corporate borrowers based on its Internal Credit Risk Rating System (ICRRS). The rating system assesses risks on a three-dimensional level: Borrower Risk, Facility Risk and Security Risk. It also has established concentration limits depending on the Borrower Risk Rating and overall credit quality.

Borrower risk is evaluated by considering (a) quantitative factors, such as profitability, liquidity, capital adequacy and sales growth; (b) qualitative factors, such as management skills and management integrity; and, (c) industry risk. Industry risk is assessed by considering certain industry characteristics, such as its importance to the economy, growth outlook, cyclicality, industry structure and relevant government policies.

Based on foregoing factors, each borrower is assigned a Borrower Risk Rating (BRR), a 10-grade scoring system that ranges from AAA to D, with AAA to A as High Grade, BBB to B as Standard Grade and CCC and lower as Substandard grade. Borrowers with high grade BRRs are considered to have very strong credits where the Parent Bank may be comfortable in granting clean short-term facilities. Borrowers with standard BRRs are similarly acceptable credits but may require collateral to mitigate the credit risk. On the other hand, borrowers with substandard BRRs are deemed to be high risk and thus may be required by the Bank to pledge high grade collateral or other forms of credit enhancements.

Below is a summary as of December 31, 2017 and 2016 of the Parent Bank's corporate loans that are subject to the Corporate ICRRS (gross of the related allowance for impairment) with their respective credit scores:

			Amount	
	Credit Score	**Description**	**2017**	2016
High grade	AA	High quality	**P -**	P -
	A	Satisfactory quality	**54,685,093**	43,909,730
Standard grade	BBB	Average	**28,762,773**	43,881,100
	BB	Fair	**23,215,725**	3,542,106
	B	Low	**239,850**	5,302,000
		Non-rated	**4,093,273**	3,213,738
Substandard grade	CCC and below	Substandard	**6,612,570**	4,024,459
			P 117,609,284	P 103,873,133

The description of each credit score is explained further as follows:

Highest Quality - These borrowers have a high degree of stability, substance and diversity. They are expected to remain of high quality in virtually all economic conditions and have access to substantial amount of funds through the public markets at any time.

High Quality - These borrowers have a comfortable degree of stability, substance and diversity. They have access to substantial amount of funds through the public market under normal conditions. These are normally the quality multinationals or local corporations which are well capitalized.

Satisfactory Quality - These borrowers have strong cash flows and acceptable degree of stability and substance under normal market conditions. However, they may be susceptible to cyclical changes or concentrations of business risk may be present.

Average - These borrowers have adequate cash flows to meet its commitments and can withstand normal business cycles. However, any prolonged unfavorable economic period would create deterioration beyond acceptable levels as clear risk elements exists reflecting volatility of earnings and performance.

Fair - These borrowers have adequate cash flows to meet its commitments but faces on-going uncertainties and exposure to adverse business, financial or economic conditions.

Low - Although these borrowers currently have adequate cash flows to meet their commitments, their performance have already been weakened and any continuation of adverse business, financial or economic conditions or further downturns are already expected to impair their capacity or willingness to meet their financial commitments.

Substandard - These borrowers have inadequate cash flows and are exposed to a real risk of non-payment of principal. The probability of default increases as the credit score goes down to CCC and lower.

In addition to the BRR, the Parent Bank assigns a loan exposure rating (LER), a 100-point system which is comprised of a Facility Tenor Rating (FTR) and a Security Risk Rating (SRR). The FTR measures the maturity risk based on the length of loan exposure, while the SRR measures the quality of the collateral and risk of its potential deterioration over the term of the loan. The FTR and the SRR, each a 100-point scoring system, are given equal weight in determining the LER.

Once the BRR and the LER have been determined, the credit limit to a borrower is determined under the Risk Asset Acceptance Criteria (RAAC) which is a range of acceptable combinations of the BRR and the LER. Under the RAAC system, a borrower with a high BRR will have a broader range of acceptable LERs.

The credit rating for each borrower is reviewed annually or earlier if the borrower has a higher risk profile or when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy. Any major change in the credit scoring system, the RAAC range and/or the risk-adjusted pricing system is presented to and approved by the RMC.

4.3.2 Commercial Loans

The Parent Bank's commercial banking activities are undertaken by its Commercial Banking Center (ComBank). These consist of banking products and services rendered to customers which are entities that are predominantly small and medium scale enterprises (SMEs). These products and services are similar to those provided to large corporate customers, with the predominance of trade finance-related products and services.

ComBank uses a separate 10-grade credit scoring system for commercial accounts, comprised of: an Obligor Risk Rating (ORR), a Facility Risk Adjustment (FRA) and a Final Risk Rating (FRR). An Estimated Cash Risk Position is indicated to determine the secured and unsecured portion of the obligation.

The ORR is an assessment of the creditworthiness of the borrower (or guarantor) without considering the type or amount of the facility, or its security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations in the foreseen manner. In determining the ORR, the focus lies on the outlook of the borrower. Although the borrower's financial condition is evaluated on the basis of the historical financial statements, this is primarily to determine any trend in the company's financial position going forward, and how it will impact the company's future solvency or debt-service capabilities.

Based on above factors, each borrower is assigned an ORR that ranges from 1 to 10, with 1 to 3 as High Grade, 4 to 6 as Standard Grade and 7 and lower as Substandard Grade. Borrowers with high grade ORRs are usually granted clean short-term loan facilities. Borrowers with standard ORRs may be required by the Parent Bank to provide collateral to enhance their credit rating. On the other hand, borrowers with substandard ORRs are deemed to be high risk, thus, may be required by the Bank to pledge high grade collateral.

On the next page is a summary as of December 31, 2017 and 2016 of the Parent Bank's commercial loans that are subject to the Corporate ICRRS (gross of related allowance for impairment) with their respective credit scores.

	Credit Score	Description	Amount 2017	2016
High grade	1	Substantially risk-free	**P -**	P -
	2	Minimal risk	**7,309,526**	3,293,382
	3	Moderate risk	**15,395,067**	9,116,919
Standard grade	4	Average risk	**8,337,772**	5,034,097
	5	Above average risk	**5,921,403**	6,601,784
	6	High risk	**1,414,847**	294,853
Substandard grade	7 and below	Past due and C rated	**2,975,667**	4,344,707
Non-rated			**2,209,528**	562,320
			P 43,563,810	P 29,248,062

Substantially Risk-free - These borrowers have high degree of stability, substance and diversity. They are expected to remain of high quality in virtually all economic conditions and have access to substantial amount of funds through the public market at any time.

Minimal Risk - These borrowers have strong market and financial position with history of successful performance. The overall debt service capacity as measured by cash flow to total debt service, as well as their ability to meet their financial commitments, is very strong.

Moderate Risk - These borrowers have strong cash flows and acceptable degree of stability and substance under normal market conditions. However, they may be susceptible to cyclical changes or concentrations of business risk may be present.

Average Risk - These borrowers have adequate cash flows to meet its commitments and can withstand normal business cycles. However, any prolonged unfavorable economic period would create deterioration beyond acceptable levels as clear risk elements exists reflecting volatility of earnings and performance.

Above Average Risk - These borrowers have adequate cash flows to meet its commitments but faces on-going uncertainties and exposure to adverse business, financial or economic conditions.

High Risk - Although these borrowers currently have adequate cash flows to meet their commitments, their performance have already been weakened and any continuation of adverse business, financial or economic conditions or further downturns are already expected to impair their capacity or willingness to meet their financial commitments.

Substandard - These borrowers represent inadequacy of cash flows and real risk of non-payment of principal. The probability of default increases as credit rating goes down from seven.

Basically independent from influence of any transactional factors, the ORR is combined with the FRA to allow a more precise depiction of risk. The FRA takes into account the conduct or handling of the borrower's loan and depository accounts. The combination of the ORR and the FRA results in a borrower risk rating which may be combined with other relevant factors not considered initially in the credit scoring system to determine the FRR.

4.3.3 Retail Financial Products

The consumer loan portfolio of the Parent Bank is composed of four main product lines, namely: Credit Cards, Auto Loans, Home Loans, and Salary Loans. Each of these products has an established credit risk guidelines and systems for managing credit risk across all businesses. Scoring models have been revised and fine-tuned while data analytics has been enhanced to improve portfolio quality and product offers.

On the other hand, CSB, an accredited lending institution with the Department of Education (DepEd), provides salary loans to teachers under an agreement with DepEd for payroll deductions.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate.

4.3.4 Exposure to Credit Risk

Maximum exposure to credit risk without taking into account any collateral held or other credit enhancements for on-books financial assets and off-books items, net of allowance, are shown in the table below and on the next page.

	Group		Parent Bank	
	2017	2016	**2017**	2016
Credit risk exposures relating to on-books items:				
Due from BSP	**P 66,276,960**	P 56,151,239	**P 60,350,126**	P 52,208,244
Due from other banks	**54,520,482**	42,425,310	**53,690,233**	41,412,122
Interbank loans receivable	**4,793,280**	24,362,800	**4,793,280**	24,362,800
	125,590,722	122,939,349	**118,833,639**	117,983,166
Financial assets at FVTPL				
Derivative assets	**365,950**	90,634	**365,950**	90,634
Debt securities	**-**	890,312	**-**	890,312
	365,950	980,946	**365,950**	980,946
Balance carried forward	**P 125,956,672**	P 123,920,295	**P 119,199,589**	P 118,964,112

	Group		Parent Bank	
	2017	2016	**2017**	2016
Balance brought forward	**P 125,956,672**	P 123,920,295	**P 119,199,589**	P 118,964,112
Financial assets at amortized cost				
Government bonds and other debt securities	**163,654,915**	114,278,277	**163,654,915**	114,278,277
Other debt securities – Private bonds and commercial papers	**2,816,744**	3,499,951	**2,816,744**	3,499,951
Redeemable preferred shares	**-**	335	**-**	-
	166,471,659	117,778,563	**166,471,659**	117,778,228
Loans and receivables				
Receivables from customers				
Corporate	**116,261,352**	102,830,443	**116,261,352**	102,830,443
Consumer	**91,456,123**	84,366,536	**35,157,389**	28,090,446
Commercial	**47,189,182**	31,406,165	**47,124,310**	31,401,414
Bills purchased	**3,423,349**	4,430,024	**3,423,349**	4,430,024
Securities purchased under reverse repurchase agreement (SPURRA)	**13,572,371**	4,240,467	**4,130,362**	-
Accrued interest receivable (AIR)	**1,796,717**	1,257,994	**1,280,056**	1,056,687
Others	**582,916**	457,811	**423,159**	457,811
Accounts receivable	**3,014,315**	3,069,893	**855,655**	802,708
AIR - other receivables	**2,136,868**	1,482,707	**2,133,724**	1,479,804
Sales contract receivables	**1,186,676**	1,372,010	**1,186,676**	1,372,010
Unquoted debt securities classified as loans (UDSCL)	**404,698**	459,422	**-**	-
Installment contracts receivable	**10,192**	12,594	**-**	-
	281,034,759	235,386,066	**211,976,032**	171,921,347
Credit risk exposures relating to off-books items:				
Financial guarantees (see Note 34.2)	**4,703,587**	4,061,235	**4,703,587**	4,061,235
Loan commitments and other credit-related liabilities	**24,186,916**	23,701,658	**23,936,916**	23,701,658
	28,890,503	27,762,893	**28,640,503**	27,762,893
	P 602,353,593	P 504,847,817	**P 526,287,783**	P 436,426,580

(a) Cash and Cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are Due from BSP, Due from Other Banks and Interbank Loans Receivable.

(b) Investments

The Group continuously monitors defaults of borrowers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. All investments held by the Group are considered as either as high grade or standard grade that is neither past due nor specifically impaired.

(c) Loans and Other Receivables

The RMU reviews the Parent Bank's loan portfolio quality in line with the Parent Bank's policy of avoiding significant concentrations of exposure to specific industries or groups of borrowers. In order to avoid excessive concentrations of risk, the Parent Bank's policies and procedures include guidelines for maintaining a diversified portfolio (e.g., concentration limits). Identified concentrations of credit risks are controlled and managed accordingly. The RMU also monitors compliance to the BSP's limit on exposure to any single person or group of connected persons to an amount not exceeding 25% of the Parent Bank's adjusted capital accounts.

4.3.5 Concentrations of Credit Risk

An analysis of concentrations of credit risk for loans and other receivables and investment securities (grossed up for any allowance for impairment losses and unearned discounts) of the Group and the Parent Bank by industry and by geographic location as of December 31, 2017 and 2016 is shown in the succeeding pages.

Group

	2017			
	Loans and Other Receivables		Investment	
	Amount	%	Securities	Total
Concentration by industry				
Real estate activities	**P 46,910,394**	**16.02**	**P 2,641,001**	**P 49,551,395**
Financial and insurance activities	**43,289,049**	**14.79**	**138,346,287**	**181,635,336**
Information and communication	**30,842,229**	**10.53**	**7,577**	**30,849,806**
Electricity, gas steam and air conditioning supply	**25,744,226**	**8.79**	**25,794,080**	**51,538,306**
Wholesale and retail trade, repair of motor vehicles	**19,832,471**	**6.77**	**508**	**19,832,979**
Manufacturing	**13,064,296**	**4.46**	**2,787**	**13,067,083**
Transportation and storage	**9,454,975**	**3.23**	**-**	**9,454,975**
Accommodation and food Service activities	**8,543,498**	**2.92**	**-**	**8,543,498**
Other service activities	**4,538,525**	**1.55**	**-**	**4,538,525**
Construction	**4,312,242**	**1.47**	**-**	**4,312,242**
Activities of households as employers and undifferentiated goods and services	**1,924,257**	**0.66**	**-**	**1,924,257**
Agriculture, forestry and fishing	**1,315,692**	**0.45**	**-**	**1,315,692**
Arts, entertainment and Recreation	**1,174,569**	**0.40**	**-**	**1,174,569**
Professional, scientific and technical activities	**290,146**	**0.10**	**-**	**290,146**
Others	**81,551,398**	**27.86**	**45,369**	**81,596,767**
	P 292,787,967	**100.00**	**P 166,837,609**	**P 459,625,576**
Concentration by location				
Philippines	**P 291,725,048**	**99.64**	**P 92,408,663**	**P 384,133,711**
Others - Asia	**706,602**	**0.24**	**53,243,125**	**53,949,727**
North America	**110,132**	**0.04**	**4,749,146**	**4,859,278**
South America	**131,489**	**0.04**	**9,847,069**	**9,978,558**
Russia	**91,427**	**0.03**	**4,062,066**	**4,153,493**
United States	**21,217**	**0.01**	**2,525,581**	**2,546,798**
Europe	**2,052**	**-**	**1,959**	**4,011**
	P 292,787,967	**100.00**	**P 166,837,609**	**P 459,625,576**

Group

	2016			
	Loans and Other Receivables		Investment	
	Amount	%	Securities	Total
Concentration by industry				
Real estate activities	P 41,027,847	16.59	P 2,630,708	P 43,658,555
Financial and insurance activities	31,952,213	12.92	99,054,779	131,006,992
Information and communication	16,924,790	6.85	-	16,924,790
Electricity, gas steam and air conditioning supply	15,942,777	6.45	16,405,457	32,348,234
Manufacturing	14,422,167	5.83	887	14,423,054
Transportation and storage	8,408,403	3.40	-	8,408,403
Wholesale and retail trade, repair of motor vehicles	7,803,800	3.16	7	7,803,807
Other service activities	6,222,979	2.52	-	6,222,979
Accommodation and food Service activities	5,920,925	2.39	619,873	6,540,798
Construction	3,328,150	1.35	-	3,328,150
Agriculture, forestry and fishing	2,453,595	0.99	-	2,453,595
Activities of households as employers and undifferentiated goods and services	1,940,583	0.78	-	1,940,583
Arts, entertainment and Recreation	378,454	0.15	-	378,454
Professional, scientific and technical activities	199,659	0.08	-	199,659
Others	90,323,213	36.54	47,798	90,371,011
	P 247,249,555	100.00	P 118,759,509	P 366,009,064
Concentration by location				
Philippines	P 246,664,313	99.76	P 77,697,652	P 324,361,965
Others - Asia	576,781	0.24	38,763,208	39,339,989
Europe	8,461	-	1,537	9,998
United States	-	-	2,297,112	2,297,112
	P 247,249,555	100.00	P 118,759,509	P 366,009,064

Parent Bank

	2017			
	Loans and Other Receivables		Investment	
	Amount	%	Securities	Total
Concentration by industry				
Real estate activities	**P 46,812,854**	**21.11**	**P 2,641,001**	**P 49,453,855**
Financial and insurance activities	**33,196,029**	**14.97**	**138,346,287**	**171,542,316**
Information and communication	**30,842,230**	**13.91**	**7,577**	**30,849,807**
Electricity, gas steam and air conditioning supply	**25,692,121**	**11.59**	**25,794,080**	**51,486,201**
Manufacturing	**13,064,296**	**5.89**	**2,787**	**13,067,083**
Transportation, storage	**9,454,975**	**4.26**	**-**	**9,454,975**
Wholesale and retail trade, repair of motor vehicles	**19,829,137**	**8.94**	**508**	**19,829,645**
Other service activities	**4,525,322**	**2.04**	**-**	**4,525,322**
Accommodation and food service activities	**8,543,498**	**3.85**	**-**	**8,543,498**
Construction	**4,302,415**	**1.94**	**-**	**4,302,415**
Activities of households as employers and undifferentiated goods and services	**1,731,586**	**0.78**	**-**	**1,731,586**
Arts, entertainment and Recreation	**1,174,569**	**0.53**	**-**	**1,174,569**
Agriculture, forestry and fishing	**636,018**	**0.29**	**-**	**636,018**
Professional, scientific and technical activities	**290,146**	**0.13**	**-**	**290,146**
Others	**21,670,384**	**9.77**	**45,369**	**21,715,753**
	P 221,765,580	**100.00**	**P 166,837,609**	**P 388,603,189**
Concentration by location				
Philippines	**P 220,702,661**	**99.52**	**P 92,408,663**	**P 313,111,324**
Others - Asia	**706,602**	**0.32**	**53,243,125**	**53,949,727**
Europe	**2,052**	**-**	**1,959**	**4,011**
North America	**110,132**	**0.05**	**4,749,146**	**4,859,278**
South America	**131,489**	**0.06**	**9,847,069**	**9,978,558**
Russia	**91,427**	**- 0.04**	**4,062,066**	**4,153,493**
United States	**21,217**	**- 0.01**	**2,525,581**	**2,546,798**
	P 221,765,580	**100.00**	**P 166,837,609**	**P 388,603,189**

Parent Bank

	2016			
	Loans and Other Receivables		Investment	
	Amount	%	Securities	Total
Concentration by industry				
Real estate activities	P 40,941,172	22.55	P 2,630,708	P 43,571,880
Financial and insurance activities	26,990,913	14.86	99,054,779	126,045,692
Information and communication	16,924,790	9.32	-	16,924,790
Electricity, gas steam and air conditioning supply	15,942,777	8.78	16,405,122	32,347,899
Manufacturing	14,422,167	7.94	887	14,423,054
Transportation, storage	8,408,403	4.63	-	8,408,403
Wholesale and retail trade, repair of motor vehicles	7,803,800	4.30	7	7,803,807
Other service activities	6,220,166	3.43	-	6,220,166
Accommodation and food service activities	5,916,028	3.26	619,873	6,535,901
Construction	3,328,150	1.83	-	3,328,150
Activities of households as employers and undifferentiated goods and services	1,940,583	1.07	-	1,940,583
Arts, entertainment and Recreation	378,454	0.20	-	378,454
Agriculture, forestry and fishing	219,653	0.12	-	219,653
Professional, scientific and technical activities	199,659	0.11	-	199,659
Others	31,951,557	17.60	47,798	31,999,355
	P 181,588,272	100.00	P 118,759,174	P 300,347,446
Concentration by location				
Philippines	P 181,003,030	99.68	P 77,697,317	P 258,700,347
Others - Asia	576,781	0.32	38,763,208	39,339,989
Europe	8,461	-	1,537	9,998
United States	-	-	2,297,112	2,297,112
	P 181,588,272	100.00	P 118,759,174	P 300,347,446

4.3.6 Credit Quality of Financial Assets

The credit quality of loans and other receivables as well as investment securities are summarized below.

Group

	2017		
	Loans and Other Receivables	**Investment Securities**	**Total**
Neither past due nor impaired	**P 274,436,809**	**P 166,837,609**	**P 441,274,418**
Past due but not impaired	**6,299,072**	**-**	**6,299,072**
Impaired	**11,121,860**	**-**	**11,121,860**
	291,857,741	**166,837,609**	**458,695,350**
Allowance for impairment	**(10,822,982)**	**-**	**(10,822,982)**
	P 281,034,759	**P 166,837,609**	**P 447,872,368**

	2016		
	Loans and Other Receivables	Investment Securities	Total
Neither past due nor impaired	P 233,332,535	P 118,759,509	P 352,092,044
Past due but not impaired	6,449,327	-	6,449,327
Impaired	6,517,813	-	6,517,813
	246,299,675	118,759,509	365,059,184
Allowance for impairment	(10,913,609)	-	(10,913,609)
	P 235,386,066	P 118,759,509	P 354,145,575

Parent Bank

	2017		
	Loans and Other Receivables	**Investment Securities**	**Total**
Neither past due nor impaired	**P 207,291,620**	**P 166,837,609**	**P 374,129,229**
Past due but not impaired	**4,275,920**	**-**	**4,275,920**
Impaired	**10,053,832**	**-**	**10,053,832**
	221,621,372	**166,837,609**	**388,485,981**
Allowance for impairment	**(9,645,340)**	**-**	**(9,645,340)**
	P 211,976,032	**P 166,837,609**	**P 378,813,641**

	2016		
	Loans and Other Receivables	Investment Securities	Total
Neither past due nor impaired	P 170,595,388	P 118,759,174	P 289,354,562
Past due but not impaired	4,947,378	-	4,947,378
Impaired	5,934,994	-	5,934,994
	181,477,760	118,759,174	300,236,934
Allowance for impairment	(9,556,413)	-	(9,556,413)
	P 171,921,347	P 118,759,174	P 290,680,521

The table below shows the credit quality per class of financial assets that are neither past due nor impaired, based on the Bank's rating system.

Group

	2017			
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	P 66,276,960	P -	P -	P 66,276,960
Due from other banks	53,655,721	864,761	-	54,520,482
Interbank loans receivable	4,793,280	-	-	4,793,280
	124,725,961	864,761	-	125,590,722
Financial assets at FVTPL				
Derivative assets	281,314	84,636	-	365,950
Debt securities	-	-	-	-
	281,314	84,636	-	365,950
Financial assets at amortized cost				
Government bonds and other debt securities	136,967,485	26,687,430	-	163,654,915
Other debt securities – Private bonds and commercial papers	2,816,744	-	-	2,816,744
	139,784,229	26,687,430	-	166,471,659
Loans and other receivables				
Receivables from customers				
Corporate	54,685,093	56,352,686	6,582,943	117,620,722
Commercial	22,641,030	24,072,062	30,500	46,743,592
Consumer	-	85,471,597	-	85,471,597
Bills purchased	-	3,463,370	-	3,463,370
Accrued interest receivable	-	1,766,776	-	1,766,776
Others	-	645,633	-	645,633
SPURRA	13,572,370	-	-	13,572,370
UDSCL	56,686	348,012	-	404,698
AIR – other receivables	3,143	2,133,724	-	2,136,867
Accounts receivable	-	175,731	1,670,793	1,846,524
Sales contract receivable	-	764,660	-	764,660
	90,958,322	175,194,251	8,284,236	274,436,809
	P 355,749,826	P 202,831,078	P 8,284,236	P 566,865,140

	2016			
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	P 56,151,239	P -	P -	P 56,151,239
Due from other banks	38,454,755	3,970,555	-	42,425,310
Interbank loans receivable	24,362,800	-	-	24,362,800
	118,968,794	3,970,555	-	122,939,349
Financial assets at FVTPL				
Derivative assets	72,460	18,174	-	90,634
Debt securities	-	890,312	-	890,312
	72,460	908,486	-	980,946
Financial assets at amortized cost				
Government bonds and other debt securities	101,540,949	12,737,328	-	114,278,277
Other debt securities –				
Private bonds and commercial papers	-	3,499,951	-	3,499,951
Redeemable preferred shares	-	335	-	335
	101,540,949	16,237,614	-	117,778,563
Loans and other receivables				
Receivables from customers				
Corporate	43,909,730	55,942,322	3,975,787	103,827,839
Commercial	12,324,097	15,576,268	3,000,263	30,900,628
Consumer	-	83,413,713	-	83,413,713
Bills purchased	-	4,473,125	-	4,473,125
Accrued interest receivable	-	1,001,030	-	1,001,030
Others	-	496,409	-	496,409
SPURRA	4,240,467	-	-	4,240,467
UDSCL	111,410	348,012	-	459,422
AIR – other receivables	2,903	1,681,111	-	1,684,014
Accounts receivable	-	170,221	1,691,792	1,862,013
Sales contract receivable	-	973,875	-	973,875
	60,588,607	164,076,086	8,667,842	233,332,535
	P 281,170,810	P 185,192,741	P 8,667,842	P 475,031,393

Parent Bank

	2017			
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	P 60,350,126	P -	P -	P 60,350,126
Due from other banks	53,655,579	34,654	-	53,690,233
Interbank loans receivable	4,793,280	-	-	4,793,280
	118,798,985	34,654	-	118,833,639
Financial assets at FVTPL				
Derivative assets	281,314	84,636	-	365,950
Debt securities	-	-	-	-
	281,314	84,636	-	365,950
Financial assets at amortized cost				
Government bonds and other debt securities	136,967,485	26,687,430	-	163,654,915
Other debt securities – Private bonds and commercial papers	2,816,744	-	-	2,816,744
	139,784,229	26,687,430	-	166,471,659
Loans and other receivables				
Receivables from customers				
Corporate	54,685,093	56,352,686	6,582,943	117,620,722
Commercial	22,641,030	24,013,036	30,500	46,684,566
Consumer	-	30,587,343	-	30,587,343
Bills purchased	-	3,463,370	-	3,463,370
Accrued interest receivable	-	1,250,114	-	1,250,114
Others	-	497,126	-	497,126
SPURRA	4,130,362	-	-	4,130,362
AIR – other receivables	-	2,133,724	-	2,133,724
Accounts receivable	-	169,077	-	169,077
Sales contract receivable	-	755,216	-	755,216
	81,456,485	119,221,692	6,613,443	207,291,620
	P 340,321,013	P 146,028,412	P 6,613,443	P 492,962,868

	2016			
	High Grade	Standard Grade	Substandard Grade	Total
Due from BSP	P 52,208,244	P -	P -	P 52,208,244
Due from other banks	38,454,613	2,957,509	-	41,412,122
Interbank loans receivable	24,362,800	-	-	24,362,800
	115,025,657	2,957,509	-	117,983,166
Financial assets at FVTPL				
Derivative assets	72,460	18,174	-	90,634
Debt securities	-	890,312	-	890,312
	72,460	908,486	-	980,946
Financial assets at amortized cost				
Government bonds and other debt securities	101,540,949	12,737,328	-	114,278,277
Other debt securities – Private bonds and commercial papers	-	3,499,951	-	3,499,951
	101,540,949	16,237,279	-	117,778,228
Loans and other receivables				
Receivables from customers				
Corporate	43,909,730	55,942,322	3,975,787	103,827,839
Commercial	12,324,097	15,571,470	3,000,263	30,895,830
Consumer	-	27,326,419	-	27,326,419
Bills purchased	-	4,473,125	-	4,473,125
Accrued interest receivable	-	1,001,030	-	1,001,030
Others	-	496,409	-	496,409
AIR – other receivables	-	1,479,804	-	1,479,804
Accounts receivable	-	131,806	-	131,806
Sales contract receivable	-	963,126	-	963,126
	56,233,827	107,385,511	6,976,050	170,595,388
	P 272,872,893	P 127,488,785	P 6,976,050	P 407,337,728

The table below shows the aging analysis of past due but not impaired financial assets per class of the Group.

	2017				
	Less than 31 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Loans					
Commercial	**P 1,425,691**	**P 1,108,943**	**P 347,124**	**P 1,294,613**	**P 4,176,371**
Consumer	**111,326**	**52,968**	**11,112**	**16,534**	**191,940**
Corporate	**903**	**9,672**	**14,509**	**486,289**	**511,373**
Accrued interest receivable	**17,270**	**7,400**	**-**	**-**	**24,670**
Others	**13,477**	**10,321**	**-**	**-**	**23,798**
	1,568,667	**1,189,304**	**372,745**	**1,797,436**	**4,928,152**
Sales contracts receivable	**256,931**	**110,063**	**52,655**	**12,560**	**432,209**
	P 1,825,598	**P 1,299,367**	**P 425,400**	**P 1,809,996**	**P 5,360,361**
Other receivables - Accounts receivable	**P 202,033**	**P 134,515**	**P 101,656**	**P 500,507**	**P 938,711**

	2016				
	Less than 31 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Loans					
Consumer	P 913,576	P 464,233	P 189,992	P 2,073,009	P 3,640,810
Commercial	81,075	29,085	198,068	6,467	314,695
Corporate	50,274	10,219	1,772	963,622	1,025,887
Accrued interest receivable	20,506	6,077	-	-	26,583
	1,065,431	509,614	389,832	3,043,098	5,007,975
Sales contracts receivable	224,128	96,974	40,010	49,617	410,729
	P 1,289,559	P 606,588	P 429,842	P 3,092,715	P 5,418,704
Other receivables - Accounts receivable	P 210,351	P 77,639	P 204,349	P 538,284	P 1,030,623

The table below shows the aging analysis of past due but not impaired financial assets per class of the Parent Bank.

	2017				
	Less than 31 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Loans					
Consumer	**P 110,993**	**P 52,379**	**P 11,112**	**P 16,534**	**P 191,018**
Commercial	**1,154,609**	**633,106**	**40,478**	**698,561**	**2,526,754**
Corporate	**903**	**9,672**	**14,509**	**486,289**	**511,373**
Accrued interest receivable	**17,270**	**7,400**	**-**	**-**	**24,670**
Others	**9,439**	**4,320**	**-**	**-**	**13,759**
	1,293,214	**706,877**	**66,099**	**1,201,384**	**3,267,574**
Sales contracts receivable	**256,931**	**110,002**	**52,567**	**11,960**	**431,460**
	P 1,550,145	**P 816,879**	**P 118,666**	**P 1,213,344**	**P 3,699,034**
Other receivables – Accounts receivable	**P -**	**P 121,966**	**P 92,298**	**P 362,592**	**P 576,886**

	2016				
	Less than 31 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Loans					
Consumer	P 736,147	P 226,914	P 14,031	P 1,636,587	P 2,613,679
Commercial	81,075	29,085	198,068	6,467	314,695
Corporate	50,274	10,219	1,772	963,622	1,025,887
Accrued interest receivable	20,506	6,077	-	-	26,583
	888,002	272,295	213,871	2,606,676	3,980,844
Sales contracts receivable	224,128	96,799	39,757	48,200	408,884
	P 1,112,130	P 369,094	P 253,628	P 2,654,876	P 4,389,728
Other receivables – Accounts receivable	P -	P 39,511	P 189,613	P 328,526	P 557,650

4.3.7 Collateral Held As Security and Other Credit Enhancements

The Group holds collateral against loans and other receivables from customers in order to mitigate risk. The collateral may be in the form of mortgages over real estate property, chattels, inventory, cash, securities and/or guarantees. The Bank regularly monitors and updates the fair value of the collateral depending on the type of credit exposure. Estimates of the fair value of collateral are considered in the review and assessment of the adequacy of allowance for credit losses. In general, the Bank does not require collateral for loans and advances to other banks, except when securities are held as part of reverse repurchase agreements.

An estimate of the fair value of collateral and other security enhancements held by the Group against loans and other receivables as of December 31, 2017 and 2016 is shown below.

	2017	2016
Against individually impaired		
Property	**P 57,136**	P 2,443,398
Deposits	**25,002**	47,423
Others	**41,610**	15,558,440
	123,748	18,049,261
Against collectively impaired		
Property	**3,594,897**	2,013,131
Deposits	**272**	-
	3,595,169	2,013,131
Against past due but not impaired		
Property	**3,661,467**	5,665,602
Deposits	**526**	-
Others	**53,860**	9,510
	3,715,853	5,675,112
Against neither past due nor impaired		
Property	**42,266,886**	81,039,950
Deposits	**114,634**	610,781
Others	**35,334,038**	1,699,377
	77,715,558	83,350,108
	P 85,150,328	P 109,087,612

The Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of the assets after foreclosure proceedings have taken place.

4.4 Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Group's customers and repay deposits on maturity. The ALCO and the Treasurer of the Group ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. Liquidity is monitored by the Group on a daily basis and under stressed situations.
A contingency plan is formulated to set out the amount and the sources of funds (such as unused credit facilities) that are available to the Group and the circumstances under which the Group may use such funds.

The Group also manages its liquidity risks through the use of a Maximum Cumulative Outflow (MCO) limit which regulates the outflow of cash on a cumulative basis and on a tenor basis. To maintain sufficient liquidity in foreign currencies, the Group has also set an MCO limit for certain designated foreign currencies. The MCO limits are endorsed by the MRC and approved by the BOD.

The table below shows the maturity profile of the financial liabilities based on contractual undiscounted cash flows (amounts in millions of Philippine pesos).

Group

	2017						
	On demand	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Beyond 1 year**	**Total**
Non-derivative liabilities							
Deposit liabilities							
Demand	**P 127,424**	**P -**	**P -**	**P -**	**P -**	**P -**	**P 127,424**
Savings	**57,745**	**-**	**-**	**-**	**-**	**-**	**57,745**
Time	**117**	**159,980**	**71,771**	**9,329**	**7,505**	**18,371**	**267,073**
	185,286	**159,980**	**71,771**	**9,329**	**7,505**	**18,371**	**452,242**
Bills payable	**1**	**30,769**	**2,301**	**1,226**	**7,359**	**1,855**	**43,511**
Notes payable	**-**	**-**	**97**	**518**	**615**	**36,013**	**37,243**
Manager's checks	**8,677**	**-**	**-**	**-**	**-**	**-**	**8,677**
Accrued interest payable	**-**	**941**	**-**	**-**	**-**	**-**	**941**
Accounts payable	**-**	**2,855**	**-**	**-**	**-**	**-**	**2,855**
Other liabilities	**-**	**4,085**	**-**	**-**	**-**	**189**	**4,274**
	193,964	**198,630**	**74,169**	**11,073**	**15,479**	**56,428**	**549,743**
Derivative liabilities							
Outflow	**-**	**3,934**	**32**	**13**	**8**	**-**	**3,987**
Inflow	**-**	**(3,911)**	**(32)**	**(12)**	**(8)**	**-**	**(3,963)**
	-	**23**	**-**	**1**	**-**	**-**	**24**
Total liabilities	**P 193,694**	**P 198,653**	**P 74,169**	**P 11,074**	**P 15,479**	**P 56,428**	**P 549,767**

	2016						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Non-derivative liabilities							
Deposit liabilities							
Demand	P 121,167	P -	P -	P -	P -	P -	P 121,167
Savings	49,321	-	-	-	-	-	49,321
Time	30,206	104,828	42,846	9,913	9,105	11,291	208,189
	200,694	104,828	42,846	9,913	9,105	11,291	378,677
Bills payable	1	41,037	2,958	98	1,108	3,389	48,591
Notes payable	-	-	97	97	194	8,071	8,459
Manager's checks	6,177	-	-	-	-	-	6,177
Accrued interest payable	-	605	-	-	-	-	605
Accounts payable	-	2,144	-	-	-	-	2,144
Other liabilities	-	5,729	-	-	-	179	5,908
	206,872	154,343	45,901	10,108	10,407	22,930	450,561
Derivative liabilities							
Outflow	-	6,198	45	-	-	-	6,243
Inflow	-	(6,063)	(44)	-	-	-	(6,107)
	-	135	1	-	-	-	136
Total liabilities	P 206,872	P 154,478	P 45,902	P 10,108	P 10,407	P 22,930	P 450,697

Parent Bank

	2017						
	On demand	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Beyond 1 year**	**Total**
Non-derivative liabilities							
Deposit liabilities							
Demand	**P 128,049**	**P -**	**P -**	**P -**	**P -**	**P -**	**P 128,049**
Savings	**55,738**	**-**	**-**	**-**	**-**	**-**	**55,738**
Time	**64**	**128,491**	**66,569**	**7,820**	**6,498**	**8,670**	**218,112**
	183,851	**128,491**	**66,659**	**7,820**	**6,498**	**8,670**	**401,899**
Bills payable		**26,577**	**2,301**	**7**	**161**	**49**	**29,095**
Notes payable	**-**	**-**	**97**	**518**	**615**	**36,013**	**37,243**
Manager's checks	**8,677**	**-**	**-**	**-**	**-**	**-**	**8,677**
Accrued interest payable	**-**	**793**	**-**	**-**	**-**	**-**	**793**
Accounts payable	**-**	**2,367**	**-**	**-**	**-**	**-**	**2,367**
Other liabilities	**-**	**4,084**	**-**	**-**	**-**	**187**	**4,271**
	192,528	**162,312**	**69,057**	**8,345**	**7,274**	**44,919**	**484,345**
Derivative liabilities							
Outflow	**-**	**3,934**	**32**	**13**	**8**	**-**	**3,987**
Inflow	**-**	**(3,911)**	**(32)**	**(12)**	**(8)**	**-**	**(3,963)**
	-	**23**	**-**	**1**	**-**	**-**	**24**
Total liabilities	**P 192,528**	**P 162,335**	**P 69,057**	**P 8,346**	**P 7,274**	**P 44,919**	**P 484,369**

	2016						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Non-derivative liabilities							
Deposit liabilities							
Demand	P 121,867	P -	P -	P -	P -	P -	P 121,867
Savings	47,153	-	-	-	-	-	47,153
Time	29,953	69,564	39,488	9,572	7,783	3,694	160,054
	198,973	69,564	39,488	9,572	7,783	3,694	329,074
Bills payable	-	36,301	2,889	18	26	57	39,291
Notes payable	-	-	97	97	194	8,071	8,459
Manager's checks	6,177	-	-	-	-	-	6,177
Accrued interest payable	-	491	-	-	-	-	491
Accounts payable	-	1,875	-	-	-	-	1,875
Other liabilities	-	5,727	-	-	-	178	5,905
	205,150	113,958	42,474	9,687	8,003	12,000	391,272
Derivative liabilities							
Outflow	-	6,198	45	-	-	-	6,243
Inflow	-	(6,063)	(44)	-	-	-	(6,107)
	-	135	1	-	-	-	136
Total liabilities	P 205,150	P 114,093	P 42,475	P 9,687	P 8,003	P 12,000	P 391,408

All derivative liabilities for both the Group and Parent Bank in 2017 and 2016 pertains to foreign currency forwards.

4.5 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading book or banking book. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology. Meanwhile, the market risk for the non-trading positions are managed and monitored using other sensitivity analyses.

The Group applies a VaR methodology to assess the market risk of positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

The Group uses the parametric VaR approach in assessing the possible changes in the market value of investment securities based on historical data for a rolling one year period. 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 correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption.

VaR may also be underestimated or overestimated 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% confidence level.

The VaR figures are backtested daily against actual and hypothetical profit and loss of the trading book to validate the robustness of the VaR model. To supplement the VaR, the Group performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the Group's VaR model.

Since VaR is an integral part of the Group's market risk management, VaR limits are established annually for all financial trading activities and exposures against the VaR limits and are monitored on a daily basis. Limits are based on the tolerable risk appetite of the Group.

A summary of the Group's VaR position at December 31, 2017 and 2016 follows (amounts in millions of Philippine pesos):

	Foreign Exchange	Interest Rate	Equity	Total VaR
2017	**P 13.2**	**P -**	**P 196.0**	**P 209.2**
Average daily	**15.9**	**3.3**	**204.0**	**223.3**
Highest	**39.9**	**16.3**	**215.4**	**256.5**
Lowest	**3.8**	**-**	**152.5**	**161.7**
2016	P 8.1	P 2.9	P 161.3	P 172.3
Average daily	14.9	14.4	167.1	196.5
Highest	52.6	78.7	179.9	273.7
Lowest	4.9	2.2	152.3	169.4

The high and low of the total portfolio may not equal to the sum of the individual components as the highs and lows of the individual portfolios may have occurred on different trading days. The VaR for foreign exchange is the foreign exchange risk throughout the Parent Bank.

4.6 Interest Rate Risk

A critical element of the Group's risk management program consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Group's net interest income and ensuring that the exposure in interest rates is kept within acceptable limits.

The Group employs "gap analysis" to measure the interest rate sensitivity of its assets and liabilities, also known as Earnings-at-Risk (EaR). This sensitivity analysis is performed at least every quarter. The EaR measures the impact on the net interest income for any mismatch between the amounts of interest-earning assets and interest-bearing liabilities within a one-year period. The EaR is calculated by first distributing the interest sensitive assets and liabilities into tenor buckets based on time remaining to the next repricing date or the time remaining to maturity if there is no repricing and then subtracting the liabilities from the assets to obtain the repricing gap. The repricing gap per tenor bucket is then multiplied by the assumed interest rate movement and appropriate time factor to derive the EaR per tenor. The total EaR is computed as the sum of the EaR per tenor within one year. To manage the interest rate risk exposure, BOD-approved EaR limits were established.

Non-maturing or repricing assets or liabilities are considered to be non-interest rate sensitive and are not included in the measurement.

A positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities while a negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Accordingly, during a period of rising interest rates, an entity with a positive gap will have more interest rate sensitive assets repricing at a higher interest rate than interest rate sensitive liabilities which will be favorable to it. During a period of falling interest rates, an entity with a positive gap will have more interest rate sensitive assets repricing at a lower interest rate than interest rate sensitive liabilities, which will be unfavorable to it.

The asset-liability gap position of the Group and Parent Bank at carrying amounts follows (amounts in millions of Philippine pesos):

Group

	2017			
	Up to Six Months	**Beyond Six Months to One Year**	**Beyond One Year**	**Total**
Resources				
Loans	**P 102,288**	**P 26,362**	**P 151,981**	**P 280,631**
Placements	**61,425**	**-**	**64,165**	**125,590**
Investments	**801**	**-**	**168,897**	**169,698**
Other financial assets	**289**	**63**	**52**	**404**
	164,803	**26,425**	**385,095**	**576,323**
Liabilities				
Deposit liabilities	**239,684**	**7,188**	**200,744**	**447,616**
Bills payable	**33,180**	**7,161**	**2,730**	**43,071**
Notes payable	**-**	**-**	**32,165**	**32,165**
	272,864	**14,349**	**235,639**	**522,852**
Asset-Liability Gap	**(P 108,061)**	**P 12,076**	**P 149,456**	**P 53,471**

	2016			
	Up to Six Months	Beyond Six Months to One Year	Beyond One Year	Total
Resources				
Loans	P 151,354	P 25,190	P 58,842	P 235,386
Placements	71,775	-	51,164	122,939
Investments	-	850	120,762	121,612
	223,129	26,040	230,768	479,937
Liabilities				
Deposit liabilities	187,133	8,881	180,471	376,485
Bills payable	43,777	1,093	3,230	48,100
Notes payable	-	-	7,200	7,200
	230,910	9,974	190,901	431,785
Asset-Liability Gap	(P 7,781)	P 16,066	P 39,867	P 48,152

Parent Bank

	2017			
	Up to Six Months	**Beyond Six Months to One Year**	**Beyond One Year**	**Total**
Resources				
Loans	**P 81,963**	**P 15,952**	**P 114,061**	**P 211,976**
Placements	**58,586**	**-**	**60,248**	**118,834**
Investments	**801**	**-**	**168,845**	**169,646**
	141,350	**15,952**	**343,154**	**500,456**
Liabilities				
Deposit liabilities	**201,984**	**6,317**	**191,673**	**399,974**
Bills payable	**28,799**	**162**	**49**	**29,010**
Notes payable	**-**	**-**	**32,165**	**32,165**
	230,783	**6,479**	**223,887**	**461,149**
Asset-Liability Gap	**(P 89,433)**	**P 9,473**	**P 119,267**	**P 39,307**

	2016			
	Up to Six Months	Beyond Six Months to One Year	Beyond One Year	Total
Resources				
Placements	P 70,715	P -	P 47,268	P 117,983
Loans	136,337	14,796	20,788	171,921
Investments	-	850	120,707	121,557
	207,052	15,646	188,763	411,461
Liabilities				
Deposit liabilities	147,964	7,585	172,490	328,039
Bills payable	39,084	26	57	39,167
Notes payable	-	-	7,200	7,200
	187,048	7,611	179,747	374,406
Asset-Liability Gap	P 20,004	P 8,035	P 9,016	P 37,055

The Parent Bank's maturing financial liabilities within the one to six month period pertain to time deposits as well as bills payable due to banks and other financial institutions. Maturing bills payable are usually settled through repayments. When maturing financial assets are not sufficient to cover the related maturing financial liabilities, the bills payable and other currently maturing financial liabilities are rolled over/refinanced or are settled by entering into new borrowing arrangements with other counterparties.

The following table sets out, the impact of changes in interest rates on the Group's and Parent Bank's net interest income (amounts in millions of Philippine pesos).

	Group		Parent Bank	
Change in interest rates (in basis points)	100	(100)	100	(100)
2017				
Change in annualized net interest income	**(P 1,243.9)**	**P 1,243.9**	**(P 993.0)**	**P 993.0**
As a percentage of net interest income	**(7.1%)**	**7.1%**	**(7.4%)**	**7.4%**
2016				
Change in annualized net interest income	(P 294.4)	P 294.4	(P 5.4)	P 5.4
As a percentage of net interest income	(2.0%)	2.0%	0.0%	0.0%

This sensitivity analysis is performed for risk management purposes and assumes no other changes in the repricing structure. Actual changes in net interest income may vary from the Bank's internal model.

4.7 Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates.

The Group's net foreign exchange exposure, taking into account any spot or forward exchange contracts, is computed as foreign currency assets less foreign currency liabilities. The foreign exchange exposure is limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Group's branches, as well as foreign exchange trading with corporate accounts and other financial institutions. The Group is permitted to engage in proprietary trading to take advantage of foreign exchange fluctuations.

The breakdown of the financial resources and financial liabilities of the Group and Parent Bank as to foreign currency-denominated balances, translated to Philippine pesos as of December 31, 2017 and 2016 is shown below.

	2017		
	U.S. Dollars	**Other Foreign Currencies**	**Total**
Resources:			
Cash and other cash items	**P 551,642**	**P 163,435**	**P 715,077**
Due from other banks	**50,579,934**	**2,449,693**	**53,029,627**
Interbank loans receivables	**4,793,280**	**-**	**4,793,280**
Financial assets at FVTPL	**52,917**	**-**	**52,917**
Financial assets at amortized cost	**106,618,631**	**421,183**	**107,039,814**
Loans and other receivables	**10,829,857**	**12,829**	**10,842,686**
	173,426,261	**3,047,140**	**176,473,401**
Liabilities:			
Deposit liabilities	**105,604,603**	**2,848,048**	**108,452,651**
Bills payable	**28,953,460**	**6,951**	**28,960,411**
Notes payable	**24,965,000**	**-**	**24,965,000**
Derivative liabilities	**6,742**	**-**	**6,742**
Accrued interest and other expenses	**355,778**	**495**	**356,273**
Other liabilities	**365,901**	**72,563**	**438,464**
	160,251,484	**2,928,057**	**163,179,541**
Currency swaps and forwards	**(12,640,760)**	**(115,203)**	**(12,755,963)**
Net exposure	**P 534,017**	**P 3,880**	**P 537,897**

	2016		
	U.S. Dollars	Other Foreign Currencies	Total
Resources:			
Cash and other cash items	P 409,160	P 36,536	P 445,696
Due from other banks	39,153,372	1,953,494	41,106,866
Interbank loans receivables	24,362,800	-	24,362,800
Financial assets at FVTPL	942,257	-	942,257
Financial assets at amortized cost	73,400,273	363,798	73,764,071
Loans and other receivables	10,713,586	11,188	10,724,774
	148,981,448	2,365,016	151,346,464
Liabilities:			
Deposit liabilities	95,435,562	2,199,446	97,635,008
Bills payable	39,102,076	6,110	39,108,186
Derivative liabilities	4,471	-	4,471
Accrued interest and other expenses	237,586	567	238,153
Other liabilities	979,707	75,420	1,055,127
	135,759,402	2,281,543	138,040,945
Currency swaps and forwards	(13,098,723)	(138,918)	(13,237,641)
Net exposure	P 123,323	(P 55,445)	P 67,878

The Bank's foreign currency position for BSP reporting purposes is determined by also considering the foreign currency position of non-financial assets and non-financial liabilities that are denominated in foreign currencies, such as sundry debits, due from head office and branches, sundry credits and other dormant credits. The Bank's net foreign currency exposure for BSP reporting, which is required to be presented in aggregate net U.S. dollar amounts and translated to Philippine pesos, as of December 31, 2017 and 2016 follows:

	2017	2016
In U.S. dollars	**$ 11,315**	$ 643
In Philippine pesos	**P 564,958**	P 31,970

The Parent Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Bank 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 Parent Bank is involved.

The following tables illustrate the sensitivity of the net results and capital funds to the changes in foreign exchange rates on the Group's financial assets and financial liabilities. The percentages change (increase and decrease) have been determined based on the average market volatility in exchange rates in the previous 12 months, using a confidence level of 99%. The sensitivity analysis is based on the Group's and the Parent Bank's foreign currency-denominated financial instruments held at each reporting date, including currency swaps and forwards.

	2017		2016	
	% change	**Effect on net profit for the year**	% change	Effect on net profit for the year
U.S. dollars	**0.5%**	**P 2,670**	1.0%	P 1,276
Japanese yen	**1.5%**	**28**	2.5%	42
Euros	**1.5%**	**357**	1.5%	580
Others	**1.3%**	**(745)**	1.7%	(1,941)

4.8 Operational Risk

To standardize the practice and to conform to international standards, the Parent Bank has adopted the Basel Committee's definition of operational risk. This is formalized in the Parent Bank's approved Operational Risk Management Framework. Operational risk is the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events. This definition also covers legal risk as well as, the risk arising from dealings with Outsourced Service Providers (OSPs) and the use of technology-related products, services, delivery channels, and processes. This definition excludes strategic and reputational risk.

Each specific unit of the Parent Bank has its roles and responsibilities in the management of operational risk and these are clearly stated in the operational risk management framework. At the BOD level, an ORMC was formed to provide overall direction in the management of operational risk, aligned with the overall business objectives.

The ORMC covers the following areas of concern:

(a) The adequacy of the Parent Bank's policies, procedures, organization and resources for preventing, or limiting the damage from unexpected loss due to deficiencies in information systems, business, operational and management processes, employee skills and supervision, equipment and internal controls.

(b) Results of periodic or special risk assessments conducted in various businesses, operating units, products and information systems of the Parent Bank, to proactively uncover operational and information technology risks that may result to actual loss or damage to the Parent Bank.

(c) Summarized results of internal audits, BSP examinations and investigation of administrative cases that highlight trends indicative of present or emerging exposures to specific operational risks.

(d) Regulatory compliance issues, whether currently existing, or anticipated to arise as a result of new laws or regulations.

(e) Business continuity strategies, plans, and resources.

An Operational Risk Management Unit (ORMU) was formed and given the mandate to build and lead the roadmap in developing the foundations and systems necessary for the effective implementation of an Operational Risk Management Framework. The ORMU, together with all other Risk Units, reports directly to the Chief Risk Officer.

In managing products, services and systems, these are implemented only after a thorough operational and technical risk evaluation. As part of the product and systems approval process, product managers ensure that risks are clearly identified and adequately controlled and mitigated. For existing products, services and systems, regular reviews are conducted and controls are assessed to determine continued effectiveness. The Parent Bank, as part of its continuing effort to manage operational risk, has ensured that the basic controls to manage exposure to operational risk have been embedded in its processes.

For all technology-related activities and initiatives, the Parent Bank has a board level Technology Steering Committee (TSC) to provide oversight function. It is composed of seven members, two (2) of whom are members of the Bank's BOD while five (5) are Senior Management officers from both the business and the operational units, thereby allowing a comprehensive and high-level guidance on technology-related issues that may impact the Parent Bank. The Parent Bank has developed and implemented a Business Continuity Plan to give assurance that Bank services will continue in the event of disasters or unforeseen circumstances.

4.9 Legal Risk and Regulatory Risk Management

Legal risk pertains to the Bank's exposure to losses arising from cases decided not in favor of the Bank where significant legal costs have already been incurred, or in some instances, where the Bank may be required to pay damages. The Bank is often involved in litigation in enforcing its collection rights under loan agreements in case of borrower default. The Bank may incur significant legal expenses as a result of these events, but the Bank may still end up with non-collection or non-enforcement of claims. The Bank has established measures to avoid or mitigate the effects of these adverse decisions and engages several qualified legal advisors, who were endorsed to and carefully approved by senior management. At year-end, the Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have arisen from legal proceedings involving the Bank.

Regulatory compliance risk refers to the potential risk for the Bank to suffer financial loss due to changes in the laws, monetary, tax or other governmental regulations of the country. The monitoring of the Bank's compliance with these regulations, as well as the study of the potential impact of new laws and regulations, is the primary responsibility of the Bank's Chief Compliance and Corporate Governance Officer. The Chief Compliance and Corporate Governance Officer is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing and regularly reporting to the CGC and the BOD.

5. CAPITAL MANAGEMENT

5.1 Regulatory Capital

As the Bank's lead regulator, the BSP sets and monitors capital requirements of the Bank.

In implementing current capital requirements, the BSP requires the Bank to maintain a minimum capital amount and a prescribed ratio of qualifying capital to risk-weighted assets, known as the "capital adequacy ratio" (CAR). Risk-weighted assets is the aggregate value of assets weighted by credit risk, market risk, and operational risk, based on BSP-prescribed formula provided under BSP Circular No. 360 and BSP Circular No. 538 which contain the implementing guidelines for the revised risk-based capital adequacy framework to conform to Basel II recommendations.

Effective January 1, 2014, the BSP has adopted the new risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for the Philippine banking system in accordance with the Basel III standards through BSP Circular No. 781. The adopted Basel III risk-based capital adequacy framework requires the Group to maintain:

(a) Common Equity Tier 1 (CET1) of at least 6.0% of risk-weighted assets;
(b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
(c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
(d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET1 Capital.

The Group's and the Parent Bank's regulatory capital position as of December 31, 2017 and 2016, as reported to the BSP, follow (amounts in millions):

	Group		Parent Bank	
	2017	2016	**2017**	2016
Common Equity Tier 1 Capital				
Paid-up common stock	**P 10,583**	P 10,583	**P 10,583**	P 10,583
Additional paid in capital	**5,820**	5,820	**5,820**	5,820
Surplus free	**45,062**	37,629	**45,062**	37,629
Undivided profits	**7,603**	9,318	**7,202**	9,055
Other comprehensive income	**(911)**	(736)	**(894)**	(754)
Minority interest in financial allied subsidiary	**44**	28	**-**	-
Sub-total	**68,201**	62,642	**67,773**	62,333
Less Regulatory Adjustments:				
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	**213**	195	**149**	136
Deferred income tax	**4,443**	4,492	**3,782**	3,811
Goodwill	**11,331**	11,331	**7,887**	7,887
Other intangible assets	**731**	628	**640**	529
Investments in equity of consolidated subsidiary banks and quasi banks, and other financial allied undertakings	**-**	-	**16,786**	13,548
Other equity investments in non-financial allied and non-allied undertakings	**853**	543	**853**	543
Total regulatory adjustments to Common Equity Tier 1 capital	**17,571**	17,189	**30,097**	26,454
Total Common Equity Tier 1 capital	**P 50,630**	P 45,453	**P 37,676**	P 35,879
Total Tier 1 capital	**P 50,630**	P 45,453	**P 37,676**	P 35,879
Tier 2 Capital				
General loan loss provision	**P 2,524**	P 2,392	**P 2,000**	P 1,823
Unsecured subordinated debt	**7,200**	7,200	**7,200**	7,200
Total Tier 2 capital	**9,724**	9,592	**9,200**	9,023
Net Tier 1 capital	**50,630**	45,453	**37,676**	35,879
Net Tier 2 capital	**9,724**	9,592	**9,200**	9,023
Total qualifying capital	**P 60,354**	P 55,045	**P 46,876**	P 44,902

	Group		Parent Bank	
	2017	2016	**2017**	2016
Credit risk-weighted assets	**P 376,145**	P 312,803	**P 314,104**	P 251,648
Market risk-weighted assets	**7,691**	6,459	**7,691**	6,459
Operational risk-weighted assets	**35,307**	31,281	**25,563**	25,077
Total risk-weighted assets	**P 419,143**	P 350,543	**P 347,358**	P 283,184
Capital ratios:				
Total regulatory capital expressed as percentage of total risk weighted assets	**14.40%**	15.70%	**13.50%**	15.86%
Total Tier 1 expressed as percentage of total risk-weighted assets	**12.08%**	12.97%	**10.85%**	12.67%
Total Common Equity Tier 1 expressed as percentage of total risk-weighted assets	**12.08%**	12.97%	**10.85%**	12.67%
Conservation buffer	**6.08%**	6.97%	**4.85%**	6.67%

The Group has fully complied with the CAR requirements of the BSP.

The breakdown of credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets follow (in millions):

	Group		Parent Bank	
	2017	2016	**2017**	2016
On-books assets	**P 371,439**	P 309,521	**P 309,398**	P 248,366
Off-books assets	**2,917**	3,204	**2,917**	3,204
Counterparty risk-weighted assets in the banking books	**1,542**	-	**1,542**	-
assets in the trading books	**247**	78	**247**	78
Total Credit Risk-Weighted Assets	**P 376,145**	P 312,803	**P 314,104**	P 251,648
Capital Requirements	**P 37,615**	P 31,280	**P 31,410**	P 25,165
Interest rate exposures	**P 156**	P 997	**P 156**	P 997
Equity exposures	**5,288**	5,314	**5,288**	5,314
Foreign exchange exposures	**2,247**	148	**2,247**	148
Total Market Risk-Weighted Assets	**P 7,691**	P 6,459	**P 7,691**	P 6,459
Capital Requirements	**P 769**	P 646	**P 769**	P 646
Total Operational Risk-Weighted Assets - Basic indicator	**P 35,307**	P 31,281	**P 25,563**	P 25,077
Capital Requirements	**P 3,531**	P 3,128	**P 2,556**	P 2,508

The total credit exposure broken down by type of exposures and risk weights follow (in millions):

Group

	2017					
	Total Credit Risk Exposure	**Total Credit Risk Exposure after Risk Mitigation**	**0%-50%**	**75%-100%**	**150%**	**Total Credit Risk Weighted Assets**
Risk-Weighted On-Books Assets						
Cash on hand	**P 6,622**	**P 6,622**	**P 6,622**	**P -**	**P -**	**P -**
Checks and other cash items	**9**	**9**	**9**	**-**	**-**	**2**
Due from BSP	**66,278**	**66,278**	**66,278**	**-**	**-**	**-**
Due from other banks	**54,534**	**54,532**	**53,656**	**8,779**	**-**	**23,840**
Financial assets at FVTPL	**1**	**1**	**-**	**1**	**-**	**1**
Financial assets at FVOCI	**44**	**44**	**-**	**44**	**-**	**44**
Financial assets at amortized cost	**169,992**	**166,769**	**136,880**	**29,889**	**-**	**61,957**
UDSCL	**406**	**406**	**58**	**348**	**-**	**348**
Loans and receivables	**266,462**	**266,229**	**12,631**	**250,517**	**3,081**	**257,702**
SPURRA	**13,572**	**10,270**	**10,270**	**-**	**-**	**-**
Sales contract receivable (SCR)	**1,097**	**1,097**	**-**	**245**	**852**	**1,523**
ROPA	**4,916**	**4,916**	**-**	**-**	**4,916**	**7,373**
Other assets	**18,086**	**18,086**	**155**	**17,930**	**-**	**17,930**
Total risk-weighted on-books assets not covered by CRM	**602,019**	**595,259**	**286,559**	**307,753**	**8,849**	**370,720**
Total risk-weighted on-books assets covered by CRM	**-**	**6,760**	**6,760**	**-**	**-**	**719**
	P 602,019	**P 602,019**	**P 293,319**	**P 307,753**	**P 8,849**	**P 371,439**
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	**P 1,199**	**P -**	**P -**	**P 1,199**	**P -**	**P 1,199**
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	**2,404**	**-**	**-**	**1,202**	**-**	**1,202**
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	**2,581**	**-**	**-**	**516**	**-**	**516**
	P 6,184	**P -**	**P -**	**P 2,917**	**P -**	**P 2,917**
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	**P 25,925**	**P 3,951**	**P 3,951**	**P -**	**P -**	**P 1,542**
Counterparty Risk-Weighted Assets in the Trading Books						
Exchange Rate Contracts	**P 15,531**	**P 4,634**	**P 332**	**P 132**	**P -**	**P 247**
Total	**P 649,659**	**P 610,604**	**P 297,602**	**P 310,802**	**P 8,849**	**P 376,145**

	2016					
	Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Credit Risk Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	P 6,010	P 6,010	P 6,010	P -	P -	P -
Checks and other cash items	15	15	15	-	-	3
Due from BSP	56,155	56,155	56,155	-	-	-
Due from other banks	42,420	42,420	38,453	3,967	-	19,440
Financial assets at FVTPL	1	1	-	-	-	1
Financial assets at FVOCI	44	44	-	44	-	44
Financial assets at amortized cost	120,506	118,654	102,267	16,387	-	40,835
UDSCL	606	606	258	348	-	348
Loans and receivables	250,262	249,866	32,055	216,136	1,674	225,466
SPURRA	4,240	848	848	-	-	-
Sales contract receivable (SCR)	1,267	1,267	-	299	968	1,751
ROPA	5,062	5,062	-	-	5,062	7,594
Other assets	13,477	13,477	-	13,477	-	13,477
Total risk-weighted on-books assets not covered by CRM	500,065	494,425	236,061	250,658	7,704	308,959
Total risk-weighted on-books assets covered by CRM	-	562	1,118	3	-	562
	P 500,065	P 494,987	P 237,179	P 250,661	P 7,704	P 309,521

	2016					
	Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Credit Risk Weighted Assets
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	P 960	P -	P -	P 960	P -	P 960
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	2,077	-	-	1,038	-	1,038
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	6,029	-	-	1,206	-	1,206
	P 9,066	P -	P -	P 3,204	P -	P 3,204
Counterparty Risk-Weighted Assets in the Trading Books						
Exchange Rate Contracts	P 10,718	P -	P 118	P 27	P -	P 78
Total	P 519,849	P 494,987	P 237,297	P 253,892	P 7,704	P 312,803

Parent Bank

	2017					
	Total Credit Risk Exposure	**Total Credit Risk Exposure after Risk Mitigation**	**0%-50%**	**75%-100%**	**150%**	**Total Credit Risk Weighted Assets**
Risk-Weighted On-Books Assets						
Cash on hand	**P 6,249**	**P 6,249**	**P 6,249**	**P -**	**P -**	**-**
Due from BSP	**60,351**	**60,351**	**60,351**	**-**	**-**	**-**
Due from other banks	**53,690**	**53,690**	**53,656**	**35**	**-**	**22,995**
Financial assets through other comprehensive income	**44**	**44**	**-**	**44**	**-**	**44**
Financial assets at amortized cost	**169,992**	**166,768**	**136,880**	**29,888**	**-**	**61,957**
Loans and receivables	**209,415**	**209,182**	**12,627**	**195,409**	**1,147**	**199,737**
SPURRA	**4,130**	**826**	**826**	-	-	-
SCR	**1,097**	**1,097**	**-**	**245**	**852**	**1,523**
ROPA	**4,831**	**4,831**	**-**	**-**	**4,831**	**7,247**
Other assets	**15,176**	**15,176**	**-**	**15,176**	**-**	**15,176**
Total risk-weighted on-books assets not covered by CRM	**524,975**	**518,214**	**270,589**	**240,797**	**6,830**	**308,679**
Total risk-weighted on-books assets covered by CRM	**-**	**6,760**	**6,760**	**-**	**-**	**719**
	P 524,975	**P 524,974**	**P 277,349**	**P 240,797**	**P 6,830**	**P 309,398**
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g. general guarantee of indebtedness and acceptances)	**P 1,199**	**P -**	**P -**	**P 1,199**	**P -**	**P 1,199**
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	**2,404**	**-**	**-**	**1,202**	**-**	**1,202**
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one (1) year	**2,581**	**-**	**-**	**516**	**-**	**516**
	P 6,184	**P -**	**P -**	**P 2,917**	**P -**	**P 2,917**
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	**P 25,925**	**P 3,951**	**P 3,951**	**P -**	**P -**	**P 1,542**
Counterparty Risk-weighted Assets in the Trading Books						
Exchange Rate Contracts	**P 15,532**	**P 464**	**P 331**	**P 132**	**P -**	**P 247**
Total Credit Risk-Weighted Assets	**P 572,616**	**P 529,389**	**P 281,631**	**P 243,846**	**P 6,830**	**P 314,104**

	2016					
	Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Credit Risk Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	P 5,631	P 5,631	P 5,631	P -	P -	P -
Checks and other cash items	2	2	3	-	-	-
Due from BSP	52,211	52,211	52,211	-	-	-
Due from other banks	41,410	41,410	38,453	2,958	-	18,431
Financial assets through other comprehensive income	44	44	-	44	-	44
Financial assets at amortized cost	120,506	118,654	102,267	16,387	-	40,835
Loans and receivables	193,412	193,017	32,052	160,047	917	168,240
SCR	1,267	1,267	-	299	968	1,751
ROPA	5,062	5,062	-	-	5,062	7,593
Other assets	10,910	10,910	-	10,910	-	10,910
Total risk-weighted on-books assets not covered by CRM	430,455	428,208	230,617	190,645	6,947	247,804
Total risk-weighted on-books assets covered by CRM	-	2,247	2,244	3	-	562
	P 430,455	P 430,455	P 232,861	P 190,648	P 6,947	P 248,366
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g. general guarantee of indebtedness and acceptances)	P 960	P -	P -	P 960	P -	P 960
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	2,077	-	-	1,038	-	1,038
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one (1) year	6,029	-	-	1,206	-	1,206
	P 9,066	P -	P -	P 3,204	P -	P 3,204
Counterparty Risk-weighted Assets in the Trading Books						
Exchange Rate Contracts	P 10,718	P -	P 118	P 27	P -	P 78
Total	P 450,239	P 430,455	P 232,979	P 193,879	P 6,947	P 251,648

Risk weighted on-balance sheet assets covered by credit risk mitigants were based on collateralized transactions as well as guarantees by the Philippine National Government and those guarantors and exposures with the highest credit rating.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by Standard & Poor's, Moody's, Fitch and Philratings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporations and Corporates.

5.2 Minimum Capital Requirement

Under the relevant provisions of current BSP regulations, the required minimum capitalization of a universal bank is P20.0 billion both as of December 31, 2017 and 2016. As of those dates, the Bank is in compliance with these regulations.

5.3 Ensuring Sufficient Capital

On January 15, 2009, the BSP issued Circular No. 639, which articulates the need for banks to adopt and document an Internal Capital Adequacy Assessment Process (ICAAP). All universal and commercial banks are expected to perform a thorough assessment of all their material risks, as well as maintain capital adequate to support these risks. This is intended to complement the current regulatory capital requirement of at least 10% of risk assets, which only covers credit, market and operational risks. On December 29, 2009, the BSP issued Circular No. 677 that effectively extends the implementation of the ICAAP from January 2010 to January 2011.

Cognizant of the importance of a strong capital base to meet strategic and regulatory requirements, the Bank has adopted a robust ICAAP on a group-wide level that is consistent with its risk philosophy and risk appetite. The ICAAP Document embodies the Bank's risk philosophy, risk appetite, and risk governance framework and structure, and integrates these with: (a) the Bank's strategic objectives and long-term strategies called FOCUS 2020; (b) the five-year financial and business plans; and, (c) the capital plan and dividend policy.

The ICAAP's objective is to ensure that the BOD and Senior Management actively and promptly identify and manage the material risks arising from the general business environment, and that an appropriate level of capital is maintained to cover these risks. To test the adequacy of its capital even under difficult conditions, the Bank conducts regular stress testing to assess the effects of extreme but plausible events on its capital. The results are thoroughly discussed during Risk Management Committee meetings, and reported to the Board. In the course of its discussions, the BOD and Senior Management may request for additional stress testing scenarios or revisions to the test assumptions in order to better align these to current trends and forecasts.

The Bank has a cross-functional ICAAP technical team, comprised of representatives from the core risk management units – credit, market, operational, information technology, and emerging risks; corporate planning; financial controllership; treasury; internal audit; and compliance. This ensures a well-coordinated approach to the development, documentation, implementation, review, improvement, and maintenance of the various sub-processes included in the ICAAP. The key members of the ICAAP technical team are enrolled in further training as well as various fora and briefings to enhance their knowledge and expertise particularly on the subjects of ICAAP, Basel II and III, and their interface with International Financial Reporting Standard.

On January 15, 2013, the BSP issued Circular No. 781, which specifies the implementing guidelines on the revised risk-based capital adequacy framework in accordance with the Basel III standards, applicable to universal and commercial banks as well as their subsidiary banks and quasi-banks effective January 1, 2014. Beginning 2013, the Bank's ICAAP Document considered the possible impact of Basel III implementation on the eligibility of unsubordinated notes as qualifying capital and the changes in composition of qualifying capital.

On January 8, 2013, the BOD approved the purchase of CSB, aligned with the Bank's long-term strategy of building asset businesses based on consumers. With the materiality of CSB' assets in relation to the entire Group and the former's expansion plans, the Bank's ICAAP Document showed the results of scenario analyses on a solo and consolidated basis.

The BSP, on October 29, 2014, issued Circular No. 856 that requires banks identified as Domestic Systemically Important Banks (D-SIBs) to comply with a higher loss absorbency (HLA) requirement on top of the common equity tier 1 and capital conservation buffer to increase going concern loss absorbency and reduce extent or impact of failure on the domestic economy. The HLA requirement will be phased-in from January 1, 2017 with full implementation by January 1, 2019. For the purposes of the ICAAP Document submitted starting 2016, the Bank included in the assessment the implications of the circular to its capital targets.

On March 10, 2016, BSP issued Circular No. 904 that sets out the guidelines that D-SIBs should follow in maintaining a recovery plan for future destabilizing events and/or crises. The Bank's first recovery plan, approved by the BOD in May 2016, was submitted to the BSP in June 2016 as a supplement to the 2016 ICAAP Document. Moving forward, the recovery plan shall form an integral part of the annual ICAAP Document submitted to BSP on or before March 31 of each year. The Bank's Capital Management Manual was also updated and presented to the BOD in June 2016 to align with the D-SIB recovery plan guidelines set by the Circular.

The Bank's ICAAP document is subjected each year to an independent review by the Internal Audit Division (IAD) to provide reasonable assurance that the Bank has met the regulatory requirements. For the 2017 ICAAP document submission, the results of the audit assessment were presented to the Audit Committee and the BOD in May 2017. Based on IAD's assessment of the ICAAP document, its related supporting documents, and existing processes and structures, IAD reported that the Bank has satisfactorily complied with the minimum requirements prescribed in BSP Circular No. 639. Presence of a proper governance and oversight function of the ICAAP, comprehensive risk management framework, and sound capital management process were verified in the audit process. For 2017, the Bank's ICAAP document was submitted to the BSP on March 30, 2017.

6. SEGMENT REPORTING

6.1 Business Segments

The Group's main operating businesses are organized and managed separately according to the nature of products and services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Group in reporting to its chief operating decision-maker for its strategic decision-making activities. The Group's main business segments are as presented in the succeeding pages.

(a) Consumer Banking

This segment principally handles individual customers' deposits and provides consumer type loans, such as automobiles and mortgage financing, credit card facilities and funds transfer facilities.

(b) Corporate and Commercial Banking

This segment principally handles loans and other credit facilities and deposit and current accounts for corporate, institutional, small and medium enterprises, and middle market customers.

(c) Treasury

This segment is principally responsible for managing the Bank's liquidity and funding requirements, and handling transactions in the financial markets covering foreign exchange and fixed income trading and investments and derivatives.

(d) Headquarters

This segment includes corporate management, support and administrative units not specifically identified with Consumer Banking, Corporate and Commercial Banking or Treasury.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment resources and liabilities comprise operating resources and liabilities including items such as taxation and borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

6.2 Analysis of Segment Information

Segment information of the Group as of and for the years ended December 31, 2017, 2016 and 2015 follow (in millions):

	Consumer Banking	Corporate and Commercial Banking	Treasury	Headquarters	Total
December 31, 2017					
Results of operations					
Net interest income and other income	P 13,262	P 4,897	P 4,452	P 2,455	P 25,066
Other expenses	(6,743)	(1,475)	(1,183)	(4,103)	(13,504)
Income before impairment losses and income tax	P 6,519	P 3,422	P 3,269	(P 1,648)	11,562
Impairment losses					(876)
Tax expense					(2,266)
Net income					P 8,420
Segment resources	P 152,942	P 190,458	P 250,591	P 28,120	P 622,111
Segment liabilities	P 248,330	P 127,347	P 123,078	P 49,370	P 548,125
Other information:					
Depreciation and amortization	P 268,871	P 34,202	P 6,125	P 325,704	P 634,902
Capital expenditures	P 449,638	P 135,144	P 14,133	P 645,595	P 1,244,510

	Consumer Banking	Corporate and Commercial Banking	Treasury	Headquarters	Total
December 31, 2016					
Results of operations					
Net interest income and other income	P 12,899	P 4,291	P 7,059	P 1,075	P 25,324
Other expenses	(5,715)	(1,235)	(683)	(4,121)	(11,754)
Income before impairment losses and income tax	P 7,184	P 3,056	P 6,376	(P 3,046)	13,570
Impairment losses					(1,594)
Tax expense					(1,910)
Net income					P 10,066
Segment resources	P 134,896	P 157,913	P 203,603	P 28,020	P 524,432
Segment liabilities	P 227,834	P 106,232	P 100,085	P 22,694	P 456,845
Other information:					
Depreciation and amortization	P 341	P 54	P 6	P 315	P 716
Capital expenditures	P 109	P 11	P 1	P 253	P 374
December 31, 2015					
Results of operations					
Net interest income and other income	P 11,192	P 3,990	P 3,821	P 1,185	P 20,189
Other expenses	(5,173)	(1,066)	(687)	(4,435)	(11,362)
Income before impairment losses and income tax	P 6,019	P 2,924	P 3,134	(P 3,250)	8,827
Impairment losses					(659)
Tax expense					(2,151)
Net income					P 6,017
Segment resources	P 118,994	P 118,362	P 175,185	P 29,117	P 441,658
Segment liabilities	P 193,405	P 98,289	P 68,583	P 21,891	P 382,168
Other information:					
Depreciation and amortization	P 326	P 53	P 5	P 235	P 619
Capital expenditures	P 314	P 4	P 7	P 315	P 640

7. CATEGORIES, FAIR VALUE MEASUREMENT AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

7.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

Group

	2017			
	Classes			
	At Amortized Cost	At Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost				
Cash and other cash items	**P 6,633,237**	**P -**	**P 6,633,237**	**P 6,633,237**
Due from BSP	**66,276,960**	**-**	**66,276,960**	**66,276,960**
Due from other banks	**54,520,482**	**-**	**54,520,482**	**54,520,482**
Interbank loans receivable	**4,793,280**	**-**	**4,793,280**	**4,793,280**
Financial assets at amortized cost	**166,471,659**	**-**	**166,471,659**	**161,669,316**
Loans and other receivables	**281,034,759**	**-**	**281,034,759**	**281,068,917**
Trust fund assets	**1,881,808**		**1,881,808**	**1,881,808**
Returned checks and other cash items	**260,780**	**-**	**260,780**	**260,780**
At fair value				
Financial assets at FVTPL	**-**	**3,182,040**	**3,182,040**	**3,182,040**
Financial assets at FVOCI	**-**	**43,783**	**43,783**	**43,783**
Trust fund assets	**-**	**1,886,861**	**1,886,861**	**1,886,861**
Financial Liabilities				
At amortized cost				
Deposit liabilities	**447,616,213**	**-**	**447,616,213**	**447,599,503**
Bills payable	**43,070,825**	**-**	**43,070,825**	**43,070,825**
Notes payable	**32,165,000**	**-**	**32,165,000**	**32,013,570**
Manager's checks	**8,676,900**	**-**	**8,676,900**	**8,676,900**
Bills purchased – domestic and foreign	**3,463,370**	**-**	**3,463,370**	**3,463,370**
Accounts payable	**2,853,536**	**-**	**2,853,536**	**2,853,536**
Accrued interest payable	**941,243**	**-**	**941,243**	**941,243**
Payment orders payable	**430,508**	**-**	**430,508**	**430,508**
Due to Treasurer of the Philippines	**3,005**	**-**	**3,005**	**3,005**
At fair value				
Derivatives with negative fair values	**-**	**23,684**	**23,684**	**23,684**

	2016			
	Classes			
	At Amortized Cost	At Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost				
Cash and other cash items	P 6,021,358	P -	P 6,021,358	P 6,021,358
Due from BSP	56,151,239	-	56,151,239	56,151,239
Due from other banks	42,425,310	-	42,425,310	42,425,310
Interbank loans receivable	24,362,800	-	24,362,800	24,362,800
Financial assets at amortized cost	117,778,563	-	117,778,563	110,524,789
Loans and other receivables	235,386,066	-	235,386,066	235,495,954
Trust fund assets	2,665,776	-	2,665,776	2,665,776
Returned checks and other cash items	101,939	-	101,939	101,939
At fair value				
Financial assets at FVTPL	-	3,789,932	3,789,932	3,789,932
Financial assets at FVOCI	-	43,783	43,783	43,783
Trust fund assets	-	2,216,668	2,216,668	2,216,668
Financial Liabilities				
At amortized cost				
Deposit liabilities	376,485,132	-	376,485,132	376,428,873
Bills payable	48,100,192	-	48,100,192	48,100,192
Notes payable	7,200,000	-	7,200,000	7,127,637
Manager's checks	6,177,372	-	6,177,372	6,177,372
Bills purchased – domestic and foreign	4,473,125	-	4,473,125	4,473,125
Accounts payable	2,143,522	-	2,143,522	2,143,522
Payment orders payable	1,073,911	-	1,073,911	1,073,911
Accrued interest payable	604,606	-	604,606	604,606
Due to Treasurer of the Philippines	3,005	-	3,005	3,005
At fair value				
Derivatives with negative fair values	-	135,957	135,957	135,957

Parent Bank

	2017			
	Classes			
	At Amortized Cost	**At Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets				
At amortized cost				
Cash and other cash items	**P 6,249,122**	**P -**	**P 6,249,122**	**P 6,249,122**
Due from BSP	**60,350,126**	**-**	**60,350,126**	**60,350,126**
Due from other banks	**53,690,233**	**-**	**53,690,233**	**53,690,233**
Interbank loans receivable	**4,793,280**	**-**	**4,793,280**	**4,793,280**
Financial assets at amortized cost	**166,471,659**	**-**	**166,471,659**	**161,669,316**
Loans and other receivables	**211,976,032**	**-**	**211,976,032**	**212,010,190**
Returned checks and other cash items	**260,780**	**-**	**260,780**	**260,780**
At fair value				
Financial assets at FVTPL	**-**	**3,130,421**	**3,130,421**	**3,130,421**
Financial assets at FVOCI	**-**	**43,783**	**43,783**	**43,783**

	2017			
	Classes			
	At Amortized Cost	At Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost				
Deposit liabilities	**P 399,974,200**	**P -**	**P 399,974,200**	**P 399,957,489**
Bills payable	**29,009,719**	**-**	**29,009,719**	**29,009,719**
Notes payable	**32,165,000**	**-**	**32,165,000**	**32,013,570**
Manager's checks	**8,676,900**	**-**	**8,676,900**	**8,676,900**
Bills purchased – domestic and foreign	**3,463,370**	**-**	**3,463,370**	**3,463,370**
Accounts payable	**2,367,083**	**-**	**2,367,083**	**2,367,083**
Accrued interest payable	**792,842**	**-**	**792,842**	**792,842**
Payment orders payable	**430,508**	**-**	**430,508**	**430,058**
Due to Treasurer of the Philippines	**3,005**	**-**	**3,005**	**3,005**
At fair value				
Derivatives with negative fair values	**-**	**23,684**	**23,684**	**23,684**

	2016			
	Classes			
	At Amortized Cost	At Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost				
Cash and other cash items	P 5,630,560	P -	P 5,630,560	P 5,630,560
Due from BSP	52,208,244	-	52,208,244	52,208,244
Due from other banks	41,412,122	-	41,412,122	41,412,122
Interbank loans receivable	24,362,800	-	24,362,800	24,362,800
Financial assets at amortized cost	117,778,228	-	117,778,228	110,524,454
Loans and other receivables	171,921,347	-	171,921,347	172,031,235
Returned checks and other cash items	101,939	-	101,939	101,939
At fair value				
Financial assets at FVTPL	-	3,735,557	3,735,557	3,735,557
Financial assets at FVOCI	-	43,783	43,783	43,783
Financial Liabilities				
At amortized cost				
Deposit liabilities	328,038,591	-	328,038,591	327,982,332
Bills payable	39,166,961	-	39,166,961	39,166,961
Notes payable	7,200,000	-	7,200,000	7,127,637
Manager's checks	6,177,372	-	6,177,372	6,177,372
Bills purchased – domestic and foreign	4,473,125	-	4,473,125	4,473,125
Accounts payable	1,874,825	-	1,874,825	1,874,825
Accrued interest payable	490,735	-	490,735	490,735
Payment orders payable	1,073,911	-	1,073,911	1,073,911
Due to Treasurer of the Philippines	3,005	-	3,005	3,005
At fair value				
Derivatives with negative fair values	-	135,957	135,957	135,957

7.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

7.3 Financial Instruments Measured at Fair Value

The financial assets and liabilities measured at fair value in the statements of financial position as of December 31, 2017 and 2016 are grouped into the fair value hierarchy as follows (in millions).

Group

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2017					
Resources					
Financial assets at FVTPL	11				
Equity securities		**P 2,719**	**P 97**	**P -**	**P 2,816**
Derivative assets		**319**	**-**	**47**	**366**
Trust fund assets	19	**1,887**	**-**	**-**	**1,887**
Financial assets at FVOCI					
Equity securities		**-**	**-**	**44**	**44**
		P 4,925	**P 97**	**P 91**	**P 5,113**
Liabilities					
Derivatives with negative fair values	24	**P 24**	**P -**	**P -**	**P 24**
December 31, 2016					
Resources					
Financial assets at FVTPL	11				
Equity securities		P 2,724	P 85	P -	P 2,809
Debt securities		890	-	-	890
Derivative assets		-	91	-	91
Trust fund assets	19	2,217	-	-	2,217
Financial assets at FVOCI					
Equity securities		-	-	44	44
		P 5,831	P 176	P 44	P 6,051
Liabilities					
Derivatives with negative fair values	24	P -	P 136	P -	P 136

Parent Bank

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2017					
Resources					
Financial assets at FVTPL	11				
Equity securities		**P 2,667**	**P 97**	**P -**	**P 2,764**
Derivative assets		**319**	**-**	**47**	**366**
Financial assets at FVOCI					
Equity securities		**-**	**-**	**44**	**44**
		P 2,986	**P 97**	**P 91**	**P 3,174**
Liabilities					
Derivatives with negative fair values	24	**P 24**	**P -**	**P -**	**P 24**

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2016					
Resources					
Financial assets at FVTPL	11				
Equity securities		P 2,669	P 85	P -	P 2,754
Debt securities		890	-	-	890
Derivative assets		-	91	-	91
Financial assets at FVOCI					
Equity securities		-	-	44	44
		P 3,559	P 176	P 44	P 3,779
Liabilities					
Derivatives with negative fair values	24	P -	P 136	P -	P 136

There were no gains or losses recognized in profit or loss for Level 3 instruments. There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Group and Parent Bank's classes of financial assets are determined.

(a) Debt securities

Fair values of debt securities under Level 1, composed of government securities issued by the Philippine government and other foreign governments and private debt securities, are determined based on quoted prices at the close of business as appearing on Bloomberg.

(b) Derivatives

The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation (see Note 3.2).

(c) Equity securities

As of December 31, 2017 and 2016, instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL. These securities were valued based on their closing prices on the PSE.

Club shares classified as financial assets at FVTPL are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

7.4 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of financial assets and financial liabilities which are not measured at fair value in the 2017 and 2016 statements of financial position but for which fair value is disclosed.

Group

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Cash and other cash items	**P 6,633,237**	**P -**	**P -**	**P 6,633,237**
Due from BSP	**66,276,960**	**-**	**-**	**66,276,960**
Due from other banks	**54,520,482**	**-**	**-**	**54,520,482**
Interbank loans receivable	**-**	**-**	**4,793,280**	**4,793,280**
Financial assets at amortized cost	**161,669,316**	**-**	**-**	**161,669,316**
Loans and other receivables	**-**	**-**	**281,068,917**	**281,068,917**
Trust fund assets	**1,881,808**	**-**	**-**	**1,881,808**
Returned checks and other cash items	**-**	**-**	**260,780**	**260,780**
Financial Liabilities				
Deposit liabilities	**447,599,503**	**-**	**-**	**447,599,503**
Bills payable		**43,070,825**	**-**	**43,070,825**
Notes payable	**-**	**32,013,570**	**-**	**32,013,570**
Manager's checks	**-**	**-**	**8,676,900**	**8,676,900**
Bills purchased – domestic and foreign	**-**	**-**	**3,463,370**	**3,463,370**
Accounts payable	**-**	**-**	**2,853,536**	**2,853,536**
Accrued interest payable	**-**	**-**	**941,243**	**941,243**
Payment orders payable	**-**	**-**	**430,508**	**430,508**
Due to Treasurer of the Philippines	**-**	**-**	**3,005**	**3,005**

	2016			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and other cash items	P 6,021,358	P -	P -	P 6,021,358
Due from BSP	56,151,239	-	-	56,151,239
Due from other banks	42,425,310	-	-	42,425,310
Interbank loans receivable	-	-	24,362,800	24,362,800
Financial assets at amortized cost	110,524,789	-	-	110,524,789
Loans and other receivables	-	-	235,495,954	235,495,954
Trust fund assets	2,665,776	-	-	2,665,776
Returned checks and other cash items	-	-	101,939	101,939
Financial Liabilities				
Deposit liabilities	376,428,873	-	-	376,428,873
Bills payable	-	48,100,192	-	48,100,192
Notes payable	-	7,127,637	-	7,127,637
Manager's checks	-	-	6,177,372	6,177,372
Bills purchased – domestic and foreign	-	-	4,473,125	4,473,125
Accounts payable	-	-	2,143,522	2,143,522
Accrued interest payable	-	-	604,606	604,606
Payment orders payable	-	-	1,073,911	1,073,911
Due to Treasurer of the Philippines	-	-	3,005	3,005

Parent Bank

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
Cash and other cash items	**P 6,249,122**	**P -**	**P -**	**P 6,249,122**
Due from BSP	**60,350,126**	**-**	**-**	**60,350,126**
Due from other banks	**53,690,233**	**-**	**-**	**53,690,233**
Interbank loans receivable	**-**	**-**	**4,793,280**	**4,793,280**
Financial assets at amortized cost	**161,669,316**	**-**	**-**	**161,669,316**
Loans and other receivables	**-**	**-**	**212,010,190**	**212,010,190**
Returned checks and other cash items	**-**	**-**	**260,780**	**260,780**
Financial Liabilities				
Deposit liabilities	**399,957,489**	**-**	**-**	**399,957,489**
Bills payable	**-**	**29,009,719**	**-**	**29,009,719**
Notes payable	**-**	**32,013,570**	**-**	**32,013,570**
Manager's checks	**-**	**-**	**8,676,900**	**8,676,900**
Bills purchased – domestic and foreign	**-**	**-**	**3,463,370**	**3,463,370**
Accounts payable	**-**	**-**	**2,367,083**	**2,367,083**
Accrued interest payable	**-**	**-**	**792,842**	**792,842**
Payment orders payable	**-**	**-**	**430,508**	**430,508**
Due to Treasurer of the-Philippines	**-**	**-**	**3,005**	**3,005**

	2016			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and other cash items	P 5,630,560	P -	P -	P 5,630,560
Due from BSP	52,208,244	-	-	52,208,244
Due from other banks	41,412,122	-	-	41,412,122
Interbank loans receivable	-	-	24,362,800	24,362,800
Financial assets at amortized cost	110,524,454	-	-	110,524,454
Loans and other receivables	-	-	172,031,235	172,031,235
Returned checks and other cash items	-	-	101,939	101,939
Financial Liabilities				
Deposit liabilities	327,982,332	-	-	327,982,332
Bills payable	-	39,166,961	-	39,166,961
Notes payable	-	7,127,637	-	7,127,637
Manager's checks	-	-	6,177,372	6,177,372
Bills purchased – domestic and foreign	-	-	4,473,125	4,473,125
Accounts payable	-	-	1,874,825	1,874,825
Accrued interest payable	-	-	490,735	490,735
Payment orders payable	-	-	1,073,911	1,073,911
Due to Treasurer of the Philippines	-	-	3,005	3,005

For financial assets and financial liabilities whose fair values are included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 in the preceding pages, which are not traded in an active market, are determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

7.5 Fair Value Measurement of Investment Properties

The table below shows the levels within the hierarchy of investment properties measured at fair value on a recurring basis as of December 31, 2017 and 2016.

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Group				
Investment properties				
Land	**P -**	**P 7,988,116**	**P -**	**P 7,988,116**
Building and improvements	**-**	**-**	**6,165,430**	**6,165,430**
Parent Bank				
Investment properties				
Land	**-**	**7,832,606**	**-**	**7,832,606**
Building and improvements	**-**	**-**	**5,690,404**	**5,690,404**

	2016			
	Level 1	Level 2	Level 3	Total
Group				
Investment properties				
Land	P -	P 7,709,442	P -	P 7,709,442
Building and improvements	-	-	5,815,521	5,815,521
Parent Bank				
Investment properties				
Land	-	7,709,442	-	7,709,442
Building and improvements	-	-	5,392,105	5,392,105

The fair value of the Group's and the Parent Bank's investment properties (see Note 16) are determined on the basis of the appraisals performed by independent appraisal companies acceptable by the BSP, with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation process is conducted by the appraisers with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, appraisal companies take into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management's assessment, the best use of the Group's and the Parent Bank's non-financial assets indicated above is their current use.

The fair value of investment properties were determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 2 fair value of land was derived using the market data approach that reflects observable and recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable and recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value will be the lower level of the hierarchy or Level 3. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

(b) Fair Value Measurement for Building and Improvements

The Level 3 fair value of the investment properties was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Group during the year for its investment properties. The movements in the investment properties categorized under Level 3 of the fair value hierarchy follow:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Balance at beginning of year	**P 5,815,521**	P 5,663,920	**P 5,392,105**	P 5,245,544
Additions	**315,475**	302,257	**273,938**	296,507
Fair value gains	**245,973**	19,761	**228,966**	19,761
Adjustments	**4,710**	-	**11,644**	-
Net reclassification from (to) bank premises, furniture, fixtures and equipment	**-**	(86,878)	**-**	(86,878)
Disposals	**(216,249)**	(83,539)	**(216,249)**	(82,829)
Balance at year-end	**P 6,165,430**	P 5,815,521	**P 5,690,404**	P 5,392,105

Fair value gains recognized from these investment properties are presented as part of Fair value gains on investment properties under the Miscellaneous Income account in the statements of income (see Note 27.1). On the other hand, realized gains from the sale of these investment properties recognized by the Group and the Parent Bank amounted to P125,867 and P125,833, respectively, in 2017, P89,656 and P89,010, respectively, in 2016, P44,087 and P40,159, respectively, in 2015 for both the Group and the Parent Bank, and are presented as part of Gain from sale of assets under the Miscellaneous Income account in the statements of income (see Note 27.1).

7.6 Offsetting Financial Assets and Financial Liabilities

Certain financial assets and financial liabilities of the Group and the Parent Bank with amounts presented in the statements of financial position as of December 31, 2017 and 2016 are subject to offsetting, enforceable master netting arrangements and similar agreements. However, there were no financial assets and financial liabilities presented at net in the statements of financial position. Presented below is the financial assets and financial liabilities subject to offsetting but the related amounts are not set-off in the statements of financial position.

	December 31, 2017			December 31, 2016		
	Related amounts not set off in the statement of financial position			Related amounts not set off in the statement of financial position		
	Financial instruments	**Collateral received**	**Net amount**	Financial instruments	Collateral received	Net amount
Group						
Financial assets						
Financial assets at FVTPL						
Currency forwards	**P 318,766**	**P -**	**P 318,766**	P 43,649	P -	P 43,649
Warrants	**47,184**	**-**	**47,184**	46,986	-	46,986
Loans and receivables	**753,518**	**753,518**	**-**	978,478	978,478	-
Total financial assets	**P 1,119,468**	**P 753,518**	**P 365,950**	P 1,069,113	P 978,478	P 90,635
Financial liabilities						
Derivative liabilities	**P 23,684**	**P -**	**P 23,684**	P 135,957	P -	P 135,957
Deposit liabilities	**1,055,806**	**753,518**	**302,288**	1,286,400	978,478	307,922
Total financial liabilities	**P 1,079,490**	**P 753,518**	**P 325,972**	P 1,422,357	P 978,478	P 443,879
Parent Bank						
Financial assets						
Financial assets at FVTPL						
Currency forwards	**P 318,766**	**P -**	**P 318,766**	P 43,649	P -	P 43,649
Warrants	**47,184**	**-**	**47,184**	46,986	-	46,986
Loans and receivables	**753,518**	**753,518**	-	977,413	977,413	-
Total financial assets	**P 1,119,468**	**P 753,518**	**P 365,950**	P 1,068,048	P 977,413	P 90,635
Financial liabilities						
Derivative liabilities	**P 23,684**	**P -**	**P 23,684**	P 135,957	P -	P 135,957
Deposit liabilities	**1,055,631**	**753,518**	**302,113**	1,284,723	977,413	307,310
Total financial liabilities	**P 1,079,315**	**P 753,518**	**P 325,797**	P 1,420,680	P 977,413	P 443,267

8. CASH AND BALANCES WITH THE BSP

These accounts are composed of the following as of December 31:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Cash and other cash items	**P 6,633,237**	P 6,021,358	**P 6,249,122**	P 5,630,560
Due from BSP				
Mandatory reserves	**P 63,651,796**	P 51,163,740	**P 59,922,734**	P 47,267,745
Non-mandatory reserves	**2,625,164**	4,987,499	**427,392**	4,940,499
	P 66,276,960	P 56,151,239	**P 60,350,126**	P 52,208,244

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including ATMs. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours.

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims. Due from BSP bears annual interest rates ranging from 0.0% to 3.5% in 2017,from 0.0% to 3.5% in 2016, and from 0.0% to 2.5% in 2015, except for the amounts within the required reserve as determined by BSP. Total interest income earned by the Group amounted to P332,703, P500,610, and P768,034 in 2017, 2016 and 2015, respectively, while the total interest income earned by the Parent Bank amounted to P171,583, P338,891, and P555,393 in 2017, 2016 and 2015, respectively. These are presented as part of Interest Income on Cash and Cash Equivalents account in the statements of income.

Cash and other cash items and due from BSP are included in cash and cash equivalents for cash flow statement reporting purposes.

Under Section 254 of the Manual of Regulations for Banks (MORB), a bank shall keep its required reserves in the form of deposits placed in the bank's demand deposit account with the BSP. Section 254.1 of the MORB further provides that such deposit account with the BSP is not considered as a regular current account as drawings against such deposits shall be limited to: (a) settlement of obligation with the BSP, and (b) withdrawals to meet cash requirements.

9. DUE FROM OTHER BANKS

The balance of this account consists of regular deposits with the following:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Foreign banks	**P 52,867,637**	P 40,715,205	**P 52,867,637**	P 40,715,205
Local banks	**1,652,845**	1,710,105	**822,596**	696,917
	P 54,520,482	P 42,425,310	**P 53,690,233**	P 41,412,122

The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2017	2016	**2017**	2016
U.S. dollars	**P 50,579,934**	P 39,153,372	**P 50,579,934**	P 39,153,372
Philippine pesos	**1,490,855**	1,318,444	**660,606**	305,256
Other currencies	**2,449,693**	1,953,494	**2,449,693**	1,953,494
	P 54,520,482	P 42,425,310	**P 53,690,233**	P 41,412,122

Annual interest rates on these deposits range from 0.00 to 3.00% in 2017 and 0.00% to 1.60% in both 2016 and 2015. Total interest income on Due from Other Banks earned by the Group amounted to P34,741, P26,923, and P25,589 in 2017, 2016, and 2015, respectively, while total interest income earned by the Parent Bank amounted to P24,068, P20,840, and P16,432 in 2017, 2016 and 2015, respectively. These are presented as part of Interest Income on Cash and Cash Equivalents account in the statements of income.

Due from other banks are included in cash and cash equivalents for cash flow statement reporting purposes.

10. INTERBANK LOANS RECEIVABLE

Interbank loans receivable consists of loans granted to other banks. These loans have terms ranging from 1 to 37 days in 2017 and 1 to 77 days in 2016.

All Interbank loans receivables of both the Group and the Parent Bank amounting to P4,793,280 and P24,362,800 in 2017 and 2016, respectively, are denominated in foreign currencies. Interest income earned on interbank loans amounted to P92,777 in 2017, P80,449 in 2016, and P22,988 in 2015 and is presented as Interest Income on Interbank Loans Receivable account in the statements of income. Annual interest rates on interbank loans receivable range from 0.5% to 3.1% in 2017, 0.07% to 2.6% in 2016, and 0.01% to 2.5% in 2015.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account is composed of the following as of December 31:

	Group		Parent	
	2017	2016	**2017**	2016
Equity securities	**P 2,816,090**	P 2,808,986	**P 2,764,471**	P 2,754,611
Derivative assets	**365,950**	90,634	**365,950**	90,634
Debt securities	**-**	890,312	**-**	890,312
	P 3,182,040	P 3,789,932	**P 3,130,421**	P 3,735,557

The breakdown of this account as to currency follows:

	Group		Parent	
	2017	2016	**2017**	2016
Philippine pesos	**P 3,129,123**	P 2,847,675	**P 3,077,504**	P 2,793,300
U.S. dollars	**52,917**	942,257	**52,917**	942,257
	P 3,182,040	P 3,789,932	**P 3,130,421**	P 3,735,557

All financial assets at FVTPL are held for trading. Fair values of derivative assets were determined through valuation technique using the net present value computation. The fair values of debt and equity securities have been determined directly by reference to published prices quoted in active markets (see Note 7.3).

The Group recognized fair value losses on financial assets at FVTPL amounting to P13,220, P86,632 and P117,514 in 2017, 2016 and 2015, respectively, in the Group's and Parent Bank's financial statements and is netted against Gains on Trading and Non-trading Financial Assets account in the statements of income.

The Group recognized trading gains on disposal due to sale of financial assets at FVTPL amounting to P6,960 and P449,496 in 2017 and 2015, respectively, and a trading loss of P49,554 in 2016 are presented as part of Gain on Trading and Non-trading Financial Assets account in the statements of income.

Interest income generated from these financial assets amounted to P52,425, P59,058, and P498,004 in 2017, 2016, and 2015, respectively, and is shown as part of Interest Income on Trading and Investment Securities account in the statements of income.

Derivative instruments include foreign currency forwards and warrants. Foreign currency forwards represent commitments to purchase/sell foreign currency on a future date at an agreed exchange rate.

The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and liabilities (see Note 24) are set out below.

	December 31, 2017		
	Notional Amount	Fair Values	
		Assets	Liabilities
Currency forwards			
Bought	**P 5,197,401**	**P 1,796**	**P 23,577**
Sold	**16,681,238**	**316,970**	**107**
Warrants	**4,493,700**	**47,184**	**-**
	P 26,372,339	**P 365,950**	**P 23,684**

	December 31, 2016		
	Notional Amount	Fair Values	
		Assets	Liabilities
Currency forwards			
Bought	P 1,610,738	P 20,886	P 283
Sold	13,256,823	22,763	135,674
Warrants	4,474,800	46,985	-
	P 19,342,361	P 90,634	P 135,957

12. FINANCIAL ASSETS AT AMORTIZED COST

The Group's and Parent Bank's financial assets at amortized cost as of December 31, 2017 and 2016 consist of the following:

	Group		Parent	
	2017	2016	**2017**	2016
Government bonds and other debt securities	**P 163,654,915**	P114,278,277	**P 163,654,915**	P 114,278,277
Other debt securities:				
Private bonds and commercial papers	**2,816,744**	3,499,951	**2,816,744**	3,499,951
Redeemable preferred shares	**-**	335	**-**	-
	P 166,471,659	P 117,778,563	**P 166,471,659**	P 117,778,228

Investment securities of both the Group and the Parent Bank with an aggregate principal amount of P24,216,050 as of December 31, 2017 and P38,518,084 as of December 31, 2016 were pledged as collaterals for bills payable under repurchase agreements.

The breakdown of this account as to currency as of December 31, 2017 and 2016 follows:

	Group		Parent	
	2017	2016	**2017**	2016
U.S. dollars	**P 106,618,631**	P 73,400,273	**P 106,618,631**	P 73,400,273
Philippine pesos	**59,431,845**	44,014,492	**59,431,845**	44,014,157
Euros	**421,183**	363,798	**421,183**	363,798
	P 166,471,659	P 117,778,563	**P 166,471,659**	P 117,778,228

Financial assets at amortized cost denominated in Philippine pesos have fixed interest rates ranging from 3.375**%** to 18.250% per annum in 2017 and from 3.375% to 9.375% per annum in 2016 and 2015, while financial assets at amortized cost denominated in U.S. dollars and Euros have fixed interest rates ranging from 2.250% to 9.50% per annum in 2017 and from 2.875% to 9.5% per annum in 2016 and 2015. These bonds have maturities of 5 to 31 years.

Interest income generated from these financial assets, including amortization of premium or discount, amounted to P6,658,201, P4,719,560, and P3,258,324 in 2017, 2016 and 2015, respectively, and is shown as part of Interest Income on Trading and Investment Securities account in the statements of income. The fair values of the Group's and Parent Bank's financial assets at amortized cost as of December 31, 2017 amounted to P161,669,316, while the fair values of the Group's and Parent Bank's financial assets at amortized cost as of December 31, 2016 amounted to P110,524,789 and P110,524,454 respectively (see Note 7.4).

Debt securities with face value of P6,918,030, P34,039,249 and P1,346,906 were disposed in 2017, 2016 and 2015, respectively, as permitted under the Group's business model and in accordance with PFRS 9. The Group recognized gains amounting to P272,841, P3,951,187 in 2017 and 2016, respectively, and loss of P57,756 in 2015, and is included as part of Gain on Trading and Non-trading Financial Assets account in the statements of income.

Government bonds with face value of P701,316, P825,524, P899,792 as of December 31, 2017, 2016 and 2015, respectively, are deposited with BSP as security for the Bank's faithful compliance with its fiduciary obligations (see Note 30).

13. LOANS AND OTHER RECEIVABLES

This account consists of the following as of December 31:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Receivables from customers:				
Loans and discounts	**P 261,785,276**	P 226,261,989	**P 203,311,422**	P 167,800,408
Customers' liabilities under acceptances and trust receipts	**4,633,892**	3,789,963	**4,633,892**	3,789,963
Bills purchased	**3,497,698**	4,507,453	**3,497,698**	4,507,453
Accrued interest receivable	**1,888,104**	1,327,085	**1,371,443**	1,125,778
	271,804,970	235,886,490	**212,814,455**	177,223,602
Unearned discounts	**(930,226)**	(949,880)	**(144,208)**	(110,512)
Allowance for impairment	**(10,165,105)**	(10,187,637)	**(9,000,632)**	(8,846,265)
	260,709,639	224,748,973	**203,669,615**	168,266,825
Other receivables:				
SPURRA	**13,572,371**	4,240,467	**4,130,362**	-
Accounts receivable	**3,668,341**	3,792,015	**1,497,724**	1,510,218
Accrued interest receivable	**2,136,868**	1,482,707	**2,133,724**	1,479,804
Sales contracts receivable	**1,189,315**	1,374,648	**1,189,315**	1,374,648
UDSCL	**404,698**	459,422	**-**	-
Installment contracts receivable	**11,404**	13,806	**-**	-
	20,982,997	11,363,065	**8,951,125**	4,364,670
Allowance for impairment	**(657,877)**	(725,972)	**(644,708)**	(710,148)
	20,325,120	10,637,093	**8,306,417**	3,654,522
	P 281,034,759	P 235,386,066	**P 211,976,032**	P 171,921,347

Non-performing loans (NPLs) of the Bank as of December 31, 2017 and 2016 as reported to the BSP are presented below, net of specific allowance for impairment in compliance with BSP Circular 855, respectively.

	Group		Parent Bank	
	2017	2016	**2017**	2016
Gross NPLs	**P 10,504,321**	P 9,308,299	**P 7,919,234**	P 7,778,179
Specific reserves	**(7,323,304)**	(7,726,683)	**(6,682,900)**	(6,954,582)
Net NPLs	**P 3,181,017**	P 1,581,616	**P 1,236,334**	P 823,597

Under Section X309 of the MORB, non-performing loans shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing.

In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three or more installments are in arrears. In the case of loans payable in daily, weekly or semi-monthly installments, the total outstanding balance thereof shall be considered non-performing at the same time that they become past due i.e. when the total amount of arrearages reaches 10% of the total loan/receivable balance. Restructured loans shall be considered non-performing except when as of restructuring date, the principal and interest payments have been updated and the loan is yielding a rate of interest that fully compensates the Bank for its cost of funds and credit risk.

Restructured loans of the Group amount to P1,596,891 as of December 31, 2017 and P1,611,582 as of December 31, 2016. Interest income on these restructured loans amounted to P15,586, P15,786, and P14,747 in 2017, 2016 and 2015, respectively.

As of December 31, 2017 and 2016, total loan loss reserves of the Group amounted to P10,073,718 and P10,118,546, respectively. These represent the balance of the allowance for impairment on receivables from customers as of December 31, 2017 and 2016 less the allowance for impairment on accrued interest receivable of P91,387 and P69,091 respectively.

The breakdown of total loans and other receivables (net of unearned discounts) as to secured, with corresponding collateral types, and unsecured loans follows:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Secured:				
Government securities	**P 1,806,818**	P 1,256,691	**P 1,806,818**	P 1,256,691
Real estate	**10,656,277**	10,755,668	**10,594,916**	10,732,100
Chattel mortgage	**3,024,432**	3,568,714	**3,024,432**	3,568,714
Deposit hold-out	**753,612**	978,478	**753,518**	977,413
Others	**1,972,158**	2,694,157	**1,972,158**	2,694,157
	18,213,297	19,253,708	**18,151,842**	19,229,075
Unsecured	**273,644,444**	227,045,967	**203,469,530**	162,248,685
	P 291,857,741	P 246,299,675	**P 221,621,372**	P 181,477,760

The breakdown as to secured and unsecured of non-accruing loans of the Group, which the Bank reported to the BSP as of December 31, follows:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Secured	**P 1,549,145**	P 1,810,499	**P 1,530,260**	P 1,809,545
Unsecured	**9,493,714**	7,956,832	**6,916,550**	6,427,666
	P 11,042,859	P 9,767,331	**P 8,446,810**	P 8,237,211

The maturity profile of loans and other receivables follows:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Less than one year	**P 96,245,948**	P 75,520,634	**P 80,430,667**	P 66,078,176
One year to less than five years	**101,585,096**	85,901,699	**47,229,828**	30,843,431
Beyond five years	**94,026,697**	84,877,342	**93,960,877**	84,556,153
	P 291,857,741	P 246,299,675	**P 221,621,372**	P 181,477,760

Loans and other receivables bear annual interest ranging from 4.00% to 21.00% in 2017, from 0.95% to 17.94% in 2016, and from 4.39% to 18.37% in 2015.

The breakdown of loans (receivable from customers excluding accrued interest receivable) as to type of interest rate follows:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Variable interest rates	**P 191,270,498**	P 157,378,556	**P 191,230,409**	P 157,378,556
Fixed interest rates	**78,646,368**	77,180,849	**20,212,603**	18,719,268
	P 269,916,866	P 234,559,405	**P 211,443,012**	P 176,097,824

The amounts of interest income per type of loans and receivables for each reporting period are as follows:

	2017	2016	2015
Group			
Receivables from customers	**P 17,112,650**	P 14,546,273	P 11,649,979
Other receivables:			
SPURRA	**155,847**	101,175	20,688
Sales contracts receivable	**140,282**	149,084	137,248
UDSCL	**5,985**	7,456	8,221
Instalment contracts receivable	**679**	649	1,252
Others	**76**	120	462
	P 17,415,519	P 14,804,757	P 11,817,850
Parent Bank			
Receivables from customers	**P 11,355,974**	P 9,102,151	P 7,139,290
Other receivables:			
SPURRA	**155,847**	101,175	20,688
Sales contracts receivable	**140,282**	149,084	137,248
	P 11,652,103	P 9,352,410	P 7,297,226

Loans and discounts amounting to P19,046 for both December 31, 2017 and 2016 have been assigned to BSP to secure the Bank's borrowings under BSP rediscounting privileges (see Note 22).

The movements in the allowance for impairment of loans and other receivables are summarized below (see Note 20):

	Group		Parent Bank	
	2017	2016	**2017**	2016
Balance at beginning of year	**P 10,913,609**	P 10,693,134	**P 9,556,413**	P 9,621,992
Impairment losses - net during the year	**875,587**	1,594,120	**881,744**	1,163,393
Other adjustments/transfers	**(966,214)**	(1,373,645)	**(792,817)**	(1,228,972)
Balance at end of year	**P 10,822,982**	P 10,913,609	**P 9,645,340**	P 9,556,413

14. INVESTMENTS IN SUBSIDIARIES

This account in the Parent Bank financial statements pertains to the Parent Bank's investments in the following subsidiaries, which are accounted for using the equity method:

	% Interest Held	**2017**	2016
Acquisition costs:			
CSB	99.77%	**P 6,745,114**	P 6,743,269
UPI	100%	**624,861**	624,861
UBPSI	100%	**5,000**	5,000
UDC	100%	**3,125**	3,125
UBPIBI	100%	**2,500**	2,500
UCBC	100%	**1,000**	1,000
		7,381,600	7,379,755
Accumulated equity in total comprehensive income:			
Balance at beginning of year		**7,314,838**	5,385,091
Share in net profit – *see Note 27.1*		**3,429,942**	3,474,490
Share in other comprehensive income (loss) – *see Note 28*		**(15,264)**	21,126
Dividends		**-**	(1,565,869)
		10,729,516	7,314,838
Net investment in subsidiaries		**P 18,111,116**	P 14,694,593

The Parent Bank's subsidiaries are all incorporated in the Philippines. The principal place of business of these subsidiaries is in Metro Manila, Philippines except for CSB and FAIR Bank, which have their principal place of operations in Cebu, Philippines.

The Parent Bank is the ultimate parent bank of UPI's wholly-owned subsidiaries, FUPI, FUDC and FUIFAI. In 2017, the Bank gained control of FAIR Bank through the 86.67% shared ownership of UPI and CSB of its shares. No equity investment account is reflected in the Parent Bank's separate financial statements in 2016 for FUPI, FUDC, and FUIFAI and including FAIR Bank in 2017, since the related investments in these subsidiaries were already eliminated at consolidation level for UPI and CSB.

Other subsidiaries of the Parent Bank are dormant. IVCC was not included in the consolidation due to immateriality of its account balances.

The Group, through CSB and UPI, obtained control of FAIR Bank on March 17, 2017 after acquiring 77.78% of the issued and outstanding capital stock of FAIR Bank. The purchase is aligned with the Bank's long-term strategy of building asset or business based on consumers.

The following table summarizes the consideration paid for the acquisition of FAIR Bank and the recognized amounts of the identifiable assets acquired and liabilities assumed, as well as the fair value at the acquisition date of the non-controlling interests in FAIR Bank. For purposes of determining the gain from purchase, the Bank determined the fair value of the identified net assets as of March 17, 2017.

Total cash consideration	P 102,777
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Investment properties	198,509
Loans and receivables	163,425
Cash and cash equivalents	45,607
Property, plant and equipment	26,101
Other resources	34,986
Deposit liabilities	(242,181)
Other liabilities	(27,181)
Total identifiable net assets	199,266
Non-controlling interests in FAIR Bank	(26,569)
Total identifiable net assets acquired	172,697
Branch licenses granted by the BSP	60,000
	232,697
Gain from purchase (see Note 27.1)	P 129,920

The gain from purchase was caused by the fair value adjustment of FAIR Bank's investment properties and the branch licenses granted by BSP.

The fair value of the loans and receivables acquired as part of the business combination amounted to P163,425, with a gross contractual amount of P195,972. As of the acquisition date, the Group best estimate of the contractual cash flow not expected to be collected amounted to P32,547.

The following table presents the financial information for CSB, UPI, FUPI, FUDC, FUIFAI and FAIR Bank as of and for the years ended December 31, 2017 and 2016:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2017				
CSB	**P 77,585,53**	**P 63,733,321**	**P 8,931,671**	**P 3,340,769**
FAIR Bank	**473,218**	**311,722**	**255,916**	**86,228**
UPI	**778,577**	**32,074**	**33,936**	**(37,523)**
FUPI	**4,053,478**	**4,203,440**	**262,067**	**30,119**
FUDC	**13,635**	**7,303**	**25,766**	**(432)**
FUIFAI	**70,546**	**25,079**	**119,345**	**55,275**
2016				
CSB	P 70,539,062	P 60,015,642	P 8,977,115	P 3,321,669
UPI	798,271	30,039	91,312	64,627
FUPI	5,038,875	5,340,146	131,206	(197,958)
FUDC	7,421	658	4,398	854
FUIFAI	130,567	47,254	203,200	95,160

The Parent Bank also has investments in certain SPCs. These SPCs were established primarily to manage certain investment properties of the Bank. In the Group and Parent Bank financial statements, these SPCs are consolidated through the Investment Properties account instead of equity investments even if the Bank acquired the shares of stock of the SPCs and not the investment properties themselves.

15. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the end of 2017 and 2016 are shown below.

Group

	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2017					
Cost	**P 262,558**	**P 2,266,640**	**P 3,685,321**	**P 739,202**	**P 6,953,721**
Accumulated depreciation and amortization	**-**	**(513,804)**	**(2,266,347)**	**(407,774)**	**(3,187,925)**
Net carrying amount	**P 262,558**	**P 1,752,836**	**P 1,418,974**	**P 331,428**	**P 3,765,796**
December 31, 2016					
Cost	P 255,614	P 2,220,775	P 3,166,510	P 614,194	P 6,257,093
Accumulated depreciation and amortization	-	(451,793)	(1,993,062)	(288,965)	(2,733,820)
Net carrying amount	P 255,614	P 1,768,982	P 1,173,448	P 325,229	P 3,523,273
January 1, 2016					
Cost	P 255,614	P 2,123,110	P 2,697,621	P 1,278,803	P 6,355,148
Accumulated depreciation and amortization	-	(396,569)	(1,731,000)	(920,775)	(3,048,344)
Net carrying amount	P 255,614	P 1,726,541	P 966,621	P 358,028	P 3,306,804

Parent Bank

	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
December 31, 2017					
Cost	**P 250,171**	**P 2,107,391**	**P 3,060,417**	**P 309,005**	**P 5,726,984**
Accumulated depreciation and amortization	**-**	**(434,992)**	**(1,728,743)**	**(106,946)**	**(2,270,681)**
Net carrying amount	**P 250,171**	**P 1,672,399**	**P 1,331,674**	**P 202,059**	**P 3,456,303**
December 31, 2016					
Cost	P 250,171	P 2,081,675	P 2,596,200	P 210,541	P 5,138,587
Accumulated depreciation and amortization	-	(393,356)	(1,549,123)	(76,957)	(2,019,436)
Net carrying amount	P 250,171	P 1,688,319	P 1,047,077	P 133,584	P 3,119,151
January 1, 2016					
Cost	P 250,171	P 1,991,946	P 2,207,895	P 917,530	P 5,367,542
Accumulated depreciation and amortization	-	(347,823)	(1,392,441)	(775,453)	(2,515,717)
Net carrying amount	P 250,171	P 1,644,123	P 815,454	P 142,077	P 2,851,825

A reconciliation of the carrying amounts at the beginning and end of 2017 and 2016 of bank premises, furniture, fixtures and equipment is shown below.

Group

	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2017, net of accumulated depreciation and amortization	**P 255,614**	**P 1,768,982**	**P 1,173,448**	**P 325,229**	**P 3,523,273**
Additions	**6,944**	**36,359**	**587,114**	**105,116**	**735,533**
Disposals	**-**	**-**	**(18,655)**	**-**	**(18,655)**
Reclassifications/ adjustments	**-**	**797**	**(1,428)**	**(1,060)**	**(1,691)**
Depreciation and amortization charges for the year	**-**	**(53,302)**	**(321,505)**	**(97,857)**	**(472,664)**
Balance at December 31, 2017, net of accumulated depreciation and amortization	**P 262,558**	**P 1,752,836**	**P 1,418,974**	**P 331,428**	**P 3,765,796**
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 255,614	P 1,726,541	P 966,621	P 358,028	P 3,306,804
Additions	-	14,629	541,017	112,477	668,123
Disposals	-	(3,788)	(21,453)	-	(25,241)
Reclassifications/ adjustments	-	86,991	6,728	(2,530)	91,189
Depreciation and amortization charges for the year	-	(55,391)	(319,465)	(142,746)	(517,602)
Balance at December 31, 2016, net of accumulated depreciation and amortization	P 255,614	P 1,768,982	P 1,173,448	P 325,229	P 3,523,273

Parent Bank

	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2017, net of accumulated depreciation and amortization	**P 250,171**	**P 1,688,319**	**P 1,047,077**	**P 133,584**	**P 3,119,151**
Additions	**-**	**26,261**	**540,066**	**91,297**	**657,624**
Disposals	**-**	**-**	**(13,285)**	**-**	**(13,285)**
Reclassifications/ adjustments	**-**	**(545)**	**(2,856)**	**(932)**	**(4,333)**
Depreciation and amortization charges for the year	**-**	**(41,636)**	**(239,328)**	**(21,890)**	**(302,854)**
Balance at December 31, 2017, net of accumulated depreciation and amortization	**P 250,171**	**P 1,672,399**	**P 1,331,674**	**P 202,059**	**P 3,456,303**
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 250,171	P 1,644,123	P 815,454	P 142,077	P 2,851,825
Additions	-	6,692	453,508	67,334	527,534
Disposals	-	(3,788)	(14,532)	-	(18,320)
Reclassifications/ adjustments	-	86,878	2,236	(2,609)	86,505
Depreciation and amortization charges for the year	-	(45,586)	(209,589)	(73,218)	(328,393)
Balance at December 31, 2016, net of accumulated depreciation and amortization	P 250,171	P 1,688,319	P 1,047,077	P 133,584	P 3,119,151

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the Bank's unimpaired capital. As of December 31, 2017 and 2016, the Bank has satisfactorily complied with this requirement.

As of December 31, 2017 and 2016, the acquisition cost of the Group's fully-depreciated bank premises, furniture, fixtures and equipment that are still in use is P1,584,258 and P672,906, respectively, while the acquisition cost of the Parent Bank's fully-depreciated bank premises, furniture, fixtures and equipment that are still in use is P1,156,697 and P379,182, respectively.

16. INVESTMENT PROPERTIES

The Group's and Parent Bank's investment properties include several parcels of land and buildings held for capital appreciation and are stated at fair value. Investment properties with carrying value of P5,000 and above are revalued every other year and must be determined by independent appraisal companies acceptable by the BSP. While investment properties with carrying value of below P5,000 are revalued once every three years. The breakdown of this account as to type is shown in the succeeding page.

	Group		Parent Bank	
	2017	2016	**2017**	2016
Land	**P 7,988,116**	P 7,709,442	**P 7,832,606**	P 7,709,442
Building	**2,914,397**	2,813,274	**2,439,371**	2,389,858
Land improvements	**3,251,033**	3,002,247	**3,251,033**	3,002,247
	P 14,153,546	P 13,524,963	**P 13,523,010**	P 13,101,547

The net fair value gains and losses from investment properties account is presented under Miscellaneous Income account in the statements of income (see Note 27.1). Real property taxes related to these investment properties paid by the Group and recognized as expense for the years ended December 31, 2017, 2016 and 2015 totaled P36,344, P26,561, and P23,811, respectively, and are presented as part of Taxes and Licenses account under Other Expenses in the statements of income.

The changes in this account can be summarized as follows:

	Group		Parent	
	2017	2016	**2017**	2016
Balance at beginning of year	**P 13,524,963**	P 13,406,802	**P 13,101,547**	P 12,988,426
Additions	**549,438**	405,571	**346,920**	399,821
Fair value gains	**620,074**	385,687	**603,706**	385,687
Adjustments	**(4,611)**	-	**2,323**	-
Net reclassification to bank premises, furniture, fixtures and equipment (see Note 15)	**-**	(86,878)	**-**	(86,878)
Disposals	**(536,318)**	(586,219)	**(531,486)**	(585,509)
Balance at end of year	**P 14,153,546**	P 13,524,963	**P 13,523,010**	P 13,101,547

Rent income earned by the Group on its investment properties under operating leases amounted to P184,375, P181,028, and P175,958 in 2017, 2016 and 2015, respectively, while rent income earned by the Parent Bank on these investment properties amounted to P180,708, P166,891, and P165,276 in 2017, 2016 and 2015, respectively, and is included as part of Rental account under Miscellaneous Income in the statements of income (see Note 27.1).

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 7.5.

17. ASSETS HELD FOR SALE

In 2015, management assessed that certain assets held for sale no longer meet the criteria to be classified as held for sale in accordance with PFRS 5; hence, the carrying amount of these assets held for sale were reclassified to Other Resources. Prior to its reclassification out of held for sale classification, these assets were remeasured to the lower of its recoverable amount and its carrying amount before the assets were classified as held for sale, adjusted for depreciation that would have been recognized had these assets not been classified as held for sale. Consequently, the previously recognized impairment losses, which amounted to P54,391 was accordingly reversed in 2015. The reversal of impairment losses is included as part of Impairment Reversals account in the 2015 statement of income.

18. GOODWILL

Goodwill represents the excess of the acquisition cost over the fair value of (a) former iBank's identifiable net assets on its merger with the Bank on April 30, 2006; and (b) the identifiable net assets of CSB at the date the Bank acquired ownership interest on January 8, 2013 (see Note 1.1). Goodwill is classified as intangible asset with indefinite useful life, and thus, not subject to amortization but would require an annual test for impairment. Goodwill is subsequently carried at cost less accumulated impairment losses, if any.

19. OTHER RESOURCES

The composition of Other Resources account as of December 31 follows:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Trust fund assets	**P 3,768,669**	P 4,882,444	**P -**	P -
Deferred tax assets – net (see Note 29.1)	**3,247,277**	3,304,076	**2,588,622**	2,622,474
Computer software – net	**674,497**	573,115	**640,123**	529,336
Documentary stamps and other supplies on hand	**267,519**	164,630	**164,874**	109,455
Returned checks and other cash items	**260,780**	101,939	**260,780**	101,939
Prepaid expenses	**244,930**	193,009	**215,730**	174,102
Software under development	**239,743**	59,718	**239,743**	59,718
Sundry debits	**160,650**	186,808	**160,667**	184,672
Miscellaneous – net	**1,275,188**	862,585	**1,199,410**	807,681
	10,139,253	10,328,324	**5,469,949**	4,589,377
Allowance for impairment	**(161,715)**	(161,715)	**(143,805)**	(143,805)
	P 9,977,538	P 10,166,609	**P 5,326,144**	P 4,445,572

Trust fund assets are maintained to cover pre-need liabilities of FUPI for pre-need plans computed based on the provisions of PAS 37 as required by the IC and validated by a qualified actuary in compliance with the rules and regulations of the IC based on the amended PNUCA. The details of FUPI's trust fund assets as of December 31 follow:

	2017	2016
Due from BSP and other banks	**P 346,977**	P 1,723,292
Financial assets at FVTPL	**1,886,861**	2,216,668
Financial assets at amortized cost	**1,517,322**	931,161
Miscellaneous – net	**17,509**	11,323
	P 3,768,669	P 4,882,444

Financial assets at FVTPL comprise of investments in shares of listed companies, government securities, other corporate debt instruments and investments in certain unit investment trust funds (UITF). Except for the Group's investments in UITFs, the fair value of financial assets at FVTPL have been determined directly by reference to quoted prices generated in active markets. On the other hand, the fair value of investments in UITFs have been determined based on the closing market and trade prices of the securities comprising the fund's portfolio adjusted for the period end performance of the funds including all trades made within the funds and the related income and expenses arising therefrom. Fair value is derived using the Net Asset Value per unit of the funds (computed by dividing the net asset value of the fund by the number of outstanding units at the end of the reporting period) published by the trustee banks and the Investment Company Association of the Philippines (see Note 7).

The movements in the Computer software account follow:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Balance at beginning of year	**P 573,115**	P 460,834	**P 529,336**	P 391,346
Additions	**299,656**	236,823	**276,265**	219,057
Amortization charges for the year	**(120,957)**	(118,147)	**(87,940)**	(74,851)
Reclassifications	**(77,317)**	(6,395)	**(77,538)**	(6,216)
Balance at end of year	**P 674,497**	P 573,115	**P 640,123**	P 529,336

Miscellaneous includes foreclosed machineries with carrying amount of P25,638 and P53,095 as of December 31, 2017 and 2016, respectively. In addition, as of December 31, 2017 and 2016, miscellaneous other resources also include foreclosed chattel with carrying amount of P20,211 and P47,530, respectively. Depreciation expense recognized by the Group and the Parent for these foreclosed machineries and chattel amounted to P41,280 in 2017, P80,679 in 2016, and P87,260 in 2015, and is included as part of Depreciation and Amortization account in the statements of income.

20. ALLOWANCE FOR IMPAIRMENT

Movements in the allowance for impairment are shown in the table below:

	Notes	Group		Parent Bank	
		2017	2016	**2017**	2016
Balance at beginning of year:					
Loans and other receivables	13	**P 10,913,609**	P 10,693,134	**P 9,556,413**	P 9,621,992
Other resources	19	**161,715**	161,715	**143,805**	143,805
Financial Assets at FVOCI		**40**	40	**40**	40
		11,075,364	10,854,889	**9,700,258**	9,765,837
Movements during the year:	13				
Provision (reversal) of impairment		**875,587**	1,594,120	**881,744**	1,163,393
Write-off/sale		**(753,610)**	(1,274,203)	**(540,518)**	(1,129,530)
Adjustments/ Reclassifications		**(212,604)**	(99,442)	**(252,299)**	(99,442)
		(90,627)	220,475	**88,927**	(65,579)
Balance at end of year:					
Loans and other receivables	13	**10,822,982**	10,913,609	**9,645,340**	9,556,413
Assets held for sale and other resources	19	**161,715**	161,715	**143,805**	143,805
Financial assets at FVOCI		**40**	40	**40**	40
		P 10,984,737	P 11,075,364	**P 9,789,185**	P 9,700,258

With the foregoing level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance for any losses that the Group may incur from the non-collection or nonrealization of its receivables and other risk assets.

Reconciliation of the allowance for impairment by class follows:

Group

	2017											
	Loans and Receivables											
	Corporate *	Commercial	Consumer	Accounts Receivable	Accrued Interest Receivable	Sales and Installment Contract Receivable	Other Loan Accounts *	Total	Financial Assets at FVOCI	Assets Held for Sale and Other Resources	Total
Balance at beginning of year	P 4,300,912	P 1,009,327	P 4,659,950	P 722,122	P 69,091	P 3,850	P 148,357	P 10,913,609	P 40	P 161,715	P 11,075,364
Provision during the year	243,026	189,290	421,036	3,501	25,269	(7,038)	503	875,587	-	-	875,587
Other adjustments	(81,225)	78,360	(964,547)	(71,596)	(2,973)	7,038	68,729	(966,214)	-	-	(966,214)
Balance at end of year	P 4,462,713	P 1,276,977	P 4,116,439	P 654,027	P 91,387	P 3,850	P 217,589	P 10,822,982	P 40	P 161,715	P 10,984,737
Impairment at end of year broken down as to individual and collective assessment:											
Individual impairment	P 4,317,365	P 1,181,255	P 6,072	P 645,611	P 91,387	P 3,850	P 20,605	P 6,266,145	P 40	P 161,715	P 6,427,900
Collective impairment	145,348	95,722	4,110,367	8,416	-	-	196,984	4,556,837	-	-	4,556,837
	P 4,462,713	P 1,276,977	P 4,116,439	P 654,027	P 91,387	P 3,850	P 217,589	P 10,822,982	P 40	P 161,715	P 10,984,737

** Corporate includes accounts under Asset Recovery Group. Other loan accounts include Bills Purchase, Branch Loans, HR Loans and Salary Loans*

Parent Bank

	2017											
	Loans and Receivables											
	Corporate *	Commercial	Consumer	Accounts Receivable	Accrued Interest Receivable	Sales and Installment Contract Receivable	Other Loan Accounts*	Total	Financial Assets at FVOCI	Assets Held for Sale and Other Resources	Total
Balance at beginning of year	P 4,300,912	P 1,009,183	P 3,318,722	P 707,509	P 69,091	P 2,639	P 148,357	P 9,556,413	P 40	P 143,805	P 9,700,258
Provision during the year	243,026	189,098	422,157	2,194	25,269	-	-	881,744	-	-	881,744
Other adjustments	(81,225)	73,902	(763,514)	(67,634)	(2,973)	-	48,627	(792,817)	-	-	(792,817)
Balance at end of year	P 4,462,713	P 1,272,183	P 2,977,365	P 642,069	P 91,387	P 2,639	P 196,984	P 9,645,340	P 40	P 143,805	P 9,789,185
Impairment at end of year broken down as to individual and collective assessment:											
Individual impairment	P 4,317,365	P 1,176,606	P -	P 642,069	P 91,387	P 2,639	P -	P 6,230,066	P 40	P 143,805	P 6,373,911
Collective impairment	145,348	95,577	2,977,365	-	-	-	196,984	3,415,274	-	-	3,415,274
	P 4,462,713	P 1,272,183	P 2,977,365	P 642,069	P 91,387	P 2,639	P 196,984	P 9,645,340	P 40	P 143,805	P 9,789,185

** Corporate includes accounts under Asset Recovery Group. Other loan accounts include Bills Purchase, Branch Loans, HR Loans and Salary Loans.*

Group

	2016										
	Loans and Receivables										
	Corporate *	Commercial	Consumer	Accounts Receivable	Accrued Interest Receivable	Sales and Installment Contract Receivable	Other Loan Accounts *	Total	Financial Assets at FVOCI	Assets Held for Sale and Other Resources	Total
Balance at beginning of year	P 4,021,504	P 981,847	P 4,893,384	P 623,474	P 69,825	P 1,211	P 101,889	P 10,693,134	P 40	P 161,715	P 10,854,889
Provision during the year	345,454	(5,907)	1,096,317	95,265	8,217	2,639	52,135	1,594,120	-	-	1,594,120
Other adjustments	(66,046)	33,387	(1,329,751)	3,383	(8,951)	-	(5,667)	(1,373,645)	-	-	(1,373,645)
Balance at end of year	P 4,300,912	P 1,009,327	P 4,659,950	P 722,122	P 69,091	P 3,850	P 148,357	P 10,913,609	P 40	P 161,715	P 11,075,364

** Corporate includes accounts under Asset Recovery Group. Other loan accounts include Bills Purchase, Branch Loans, HR Loans and Salary Loans*

Impairment at end of year broken down as to individual and collective assessment:

Individual impairment	P 4,259,283	P 963,606	P -	P 722,122	P 69,091	P 3,850	P 77,429	P 6,095,381	P 40	P 161,715	P 6,257,136
Collective impairment	41,629	45,721	4,659,950	-	-	-	70,928	4,818,228	-	-	4,818,228
	P 4,300,912	P 1,009,327	P 4,659,950	P 722,122	P 69,091	P 3,850	P 148,357	P 10,913,609	P 40	P 161,715	P 11,075,364

Parent Bank

	2016										
	Loans and Receivables										
	Corporate *	Commercial	Consumer	Accounts Receivable	Accrued Interest Receivable	Sales and Installment Contract Receivable	Other Loan Accounts*	Total	Financial Assets at FVOCI	Assets Held for Sale and Other Resources	Total
Balance at beginning of year	P 4,021,504	P 981,709	P 3,836,832	P 610,233	P 69,825	P -	P 101,889	P 9,621,992	P 40	P 143,805	P 9,765,837
Provision during the year	345,454	(5,912)	666,966	93,894	8,217	2,639	52,135	1,163,393	-	-	1,163,393
Other adjustments	(66,046)	33,386	(1,185,076)	3,382	(8,951)	-	(5,667)	(1,228,972)	-	-	(1,228,972)
Balance at end of year	P 4,300,912	P 1,009,183	P 3,318,722	P 707,509	P 69,091	P 2,639	P 148,357	P 9,556,413	P 40	P 143,805	P 9,700,258

** Corporate includes accounts under Asset Recovery Group. Other loan accounts include Bills Purchase, Branch Loans, HR Loans and Salary Loans.*

Impairment at end of year broken down as to individual and collective assessment:

Individual impairment	P 4,259,283	P 963,606	P -	P 707,509	P 69,091	P 2,639	P 77,429	P 6,079,957	P 40	P 143,805	P 6,223,402
Collective impairment	41,629	45,577	3,318,722	-	-	-	70,928	3,476,856	-	-	3,476,856
	P 4,300,912	P 1,009,183	P 3,318,722	P 707,509	P 69,091	P 2,639	P 148,357	P 9,556,413	P 40	P 143,805	P 9,700,258

21. DEPOSIT LIABILITIES

The breakdown of deposit liabilities account follows:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Due to banks:				
Demand	**P 382,180**	P 452,648	**P 840,085**	P 998,070
Savings	**263,076**	255,674	**218,659**	215,342
Time	**5,540,072**	4,032,991	**5,536,935**	4,029,906
	6,185,328	4,741,313	**6,595,679**	5,243,318
Due to customers:				
Demand	**127,042,169**	120,714,187	**127,208,680**	120,868,768
Savings	**57,481,782**	49,064,864	**55,519,258**	46,937,438
Time	**256,906,934**	201,964,768	**210,650,583**	154,989,067
	441,430,885	371,743,819	**393,378,521**	322,795,273
	P 447,616,213	P 376,485,132	**P 399,974,200**	P 328,038,591

The breakdown of deposit liabilities account as to currency follows:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Philippine pesos	**P 339,163,562**	P 278,850,124	**P 291,521,549**	P 230,403,583
Foreign currencies	**108,452,651**	97,635,008	**108,452,651**	97,635,008
	P 447,616,213	P 376,485,132	**P 399,974,200**	P 328,038,591

The maturity profile of this account is presented below.

	Group		Parent Bank	
	2017	2016	**2017**	2016
Less than one year	**P 431,693,529**	P 366,292,647	**P 389,316,706**	P 324,418,297
One to five years	**6,415,111**	6,658,128	**1,166,880**	85,937
Beyond five years	**9,507,573**	3,534,357	**9,490,614**	3,534,357
	P 447,616,213	P 376,485,132	**P 399,974,200**	P 328,038,591

Deposit liabilities bear annual interest at rates ranging from 0.0% to 9.0% in 2017, from 0.0% to 9.0% in 2016, and from 0.0% to 8.5% in 2015 in the Group's financial statements and from 0.0% to 3.5% in 2017, 2016 and 2015 in the Parent Bank's financial statements. Demand and savings deposits usually have either fixed or variable interest rates while time deposits have fixed interest rates.

On August 8, 2013, the Monetary Board of the BSP approved the Parent Bank's issuance of up to P5,000,000 Long-term Negotiable Certificate of Deposits (LTNCD). Out of the approved P5,000,000, P3,000,000 were issued on October 18, 2013 at a coupon rate of 3.50% per annum, payable quarterly and will mature on April 17, 2019. The net proceeds was utilized to improve the Parent Bank's maturity profile and support business expansion plans.

Under existing BSP regulations, non-FCDU deposit liabilities of the Bank are subject to unified reserve requirement equivalent to 18.0% from April 6, 2012 to April 10, 2014 (under BSP Circular 753), 19.0% from April 11, 2014 to May 29, 2014 (under BSP Circular 830), and 20.0% from May 30, 2014 and thereafter (under BSP Circular 832). LTNCDs are subject to required reserves of 3% up to April 10, 2014 and 4.0% from April 11, 2014 and thereafter. As of December 31, 2017 and 2016, the Group is in compliance with such regulations.

Regular reserves as of December 31, 2017 and 2016 amounted to P63,279,707 and P50,748,472 of the Group, respectively, while that of the Parent Bank's amounted to P59,375,188 and P46,861,188, respectively.

22. BILLS PAYABLE

Bills payable consist of borrowings from:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Banks, other financial institutions and individuals	**P 42,797,416**	P 43,266,312	**P 28,810,109**	P 39,108,186
BSP	**19,046**	19,046	**19,046**	19,046
Others	**254,363**	4,814,834	**180,564**	39,729
	P 43,070,825	P 48,100,192	**P 29,009,719**	P 39,166,961

Bills payable to banks and other financial institutions consist mainly of amortized cost balance of short-term borrowings. Certain bills payable to banks and other financial institutions are collateralized by investment securities (see Note 12).

Bills payable to BSP mainly represent short-term borrowings availed of under the rediscounting facility of the BSP. These are collateralized by eligible loans (see Note 13).

Other bills payable of the Group mainly pertain to availments of short-term loan lines from certain related parties (see Note 31.5).

The breakdown of bills payable as to currency follows:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Foreign currencies	**P 28,960,411**	P 39,108,186	**P 28,960,411**	P 39,108,186
Philippine pesos	**14,110,414**	8,992,006	**49,308**	58,775
	P 43,070,825	P 48,100,192	**P 29,009,719**	P 39,166,961

The breakdown of interest expense on bills payable, which is presented as part of Interest Expense on Bills Payable and Other Liabilities account in the statements of income, follows:

	Group		
	2017	2016	2015
Banks, other financial institutions and individuals	**P 381,244**	P 358,913	P 303,456
Others	**82,485**	185,379	207,566
	P 463,729	P 544,292	P 511,022

	Parent Bank		
	2017	2016	2015
Banks, other financial institutions and individuals	**P 141,812**	P 114,425	P 30,501
Others	**2,941**	4,217	6,408
	P 144,753	P 118,642	P 36,909

The range of interest rates of bills payable per currency follows:

	Group and Parent Bank		
	2017	2016	2015
Philippine pesos	**2.59% to 12.0%**	2.6% to 12.0%	2.4% to 12.0%
Foreign currencies	**0.20% to 2.50%**	0.0% to 2.05%	0.0% to 1.3%

23. NOTES PAYABLE

The Group's notes payable as of December 31, 2017 and 2016 consist of the following:

	Coupon Interest	Principal Amount	Outstanding Balance 2017	Outstanding Balance 2016	Issue Date	Maturity Date	Redemption Date
Senior debt	3.369%	P 24,965,000	**P24,965,000**	P -	November 29, 2017	November 29, 2022	November 29, 2022
Unsecured subordinated notes	5.375%	7,200,000	**7,200,000**	7,200,000	November 20, 2014	February 20, 2025	February 20, 2020
		P32,165,000	**P32,165,000**	P 7,200,000			

23.1 Senior Debt

(a) The 2017 Notes were issued on the initial issue date at 100% with face value of USD500;

(b) The 2017 Notes cannot be redeemed prior to their stated maturity (other than (i) in specified instalments, if applicable; (ii) for taxation reasons; or (iii) following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

(c) The 2017 Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Parent Bank and will rank *pari passu* among themselves and equally with all other unsecured obligations of the Parent Bank from time to time outstanding; and,

(d) There are restrictions on the offer, sale and transfer of the Notes in the United State, the European Economic Area (including the United Kingdom), the Netherlands, Japan, Hong Kong, Singapore, the Philippines and the People's Republic of China and such restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes.

23.2 Unsecured Subordinated Notes

(a) The 2014 Notes have a loss absorption feature which means the 2014 Notes are subject to a non-viability write-down in case of a non-viability trigger event. A non-viability trigger event is deemed to have occurred when the Parent Bank is considered non-viable as determined by the BSP. Upon the occurrence of a non-viability trigger event, the full principal amount of the 2014 Notes may be permanently written down to the extent required by the BSP, which could go to as low as zero, and the 2014 Notes may be cancelled;

(b) The 2014 Notes shall not be used as collateral for any loan made by the Parent Bank or any of its subsidiaries and affiliates. The 2014 Noteholders or their transferees shall not be allowed, and waive their right to set-off any amount that may be due the Parent Bank;

(c) The 2014 Notes constitute direct, unconditional, unsecured and subordinated obligations of the Parent Bank. Claims of 2014 Noteholders in respect of the 2014 Notes shall at all times rank pari passu and without any preference among themselves; and,

(d) The 2014 Notes shall not be redeemable or terminable at the instance of the 2014 Noteholders before the maturity date, unless otherwise expressly provided therein.

Interest expense on notes payable amounted to P461,778 in 2017 and P387,000 both in 2016 and 2015 and is included under Interest Expense on Bills Payable and Other Liabilities account in the statements of income.

24. OTHER LIABILITIES

Other liabilities consist of the following as of December 31:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Manager's checks	**P 8,676,900**	P 6,177,372	**P 8,676,900**	P 6,177,372
Pre-need reserves	**4,124,818**	5,329,205	**-**	-
Bills purchased – domestic and foreign	**3,463,370**	4,473,125	**3,463,370**	4,473,125
Accounts payable	**2,853,536**	2,143,522	**2,367,083**	1,874,825
Accrued taxes and other expenses	**2,618,810**	2,444,229	**1,932,164**	1,839,911
Post-employment defined benefit obligation (see Note 28.2)	**938,729**	1,534,234	**841,223**	1,456,946
Unearned income-bancassurance (see Note 31.6)	**833,333**	-	**833,333**	-
Payment orders payable	**430,508**	1,073,911	**430,508**	1,073,911
Other dormant credits	**377,337**	358,265	**374,530**	355,046
Withholding taxes payable	**163,890**	118,341	**126,039**	85,067
Derivative liabilities (see Note 11)	**23,684**	135,957	**23,684**	135,957
Due to Treasurer of the Philippines	**3,005**	3,005	**3,005**	3,005
Miscellaneous	**764,824**	1,268,349	**535,263**	443,049
	P 25,272,744	P 25,059,515	**P 19,607,102**	P 17,918,214

The breakdown of Accrued taxes and other expenses account follows:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Accrued interest payable	**P 941,243**	P 604,606	**P 792,842**	P 490,735
Accrued income and other taxes (see Note 36.1)	**574,936**	518,936	**76,043**	62,773
Accrued sick leave benefits	**338,984**	271,980	**335,032**	269,071
Other accruals	**763,647**	1,048,707	**728,247**	1,017,332
	P 2,618,810	P 2,444,229	**P 1,932,164**	P 1,839,911

Other accruals represent mainly fringe and other Bank personnel benefits.

25. CAPITAL FUNDS

25.1 Capital Stock

The Bank's capital stock in both 2017 and 2016 consists of the following:

	Shares	Amount
Common – P10 par value		
Authorized	1,311,422,420	P 13,114,224
Issued and outstanding	1,058,343,929	P 10,583,439
Preferred – P100 par value, non-voting		
Authorized	100,000,000	P 10,000,000
Issued and outstanding	-	P -

The authorized capital stock of the Bank is P23,114,224 divided into 1,311,422,420 common shares at P10 par value and 100,000,000 preferred shares at P100 par value. The Bank's outstanding common stock as of December 31, 2017 is 1,058,343,929 shares. No preferred shares have been issued to date.

On June 29, 1992, the Bank was originally listed with the then Makati Stock Exchange, now PSE. A total of 89.7 million shares were issued at an issue price of P22.50. As of December 31, 2017 and 2016, there are 1,058.3 million shares listed at the PSE. The number of holders and the closing price of the said shares is 4,995 and P86.65 per share as of December 31, 2017, respectively, and 5,042 and P74.60 per share as of December 31, 2016, respectively.

25.2 Surplus Free

The following is a summary of the dividends declared and distributed by the Group in 2017, 2016 and 2015:

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Shares Outstanding	Total Amount
January 27, 2017	**February 10, 2017**	**N/A**	**February 24, 2017**	**P 1.90**	**1,058,343,929**	**P 2,010,853**
January 22, 2016	February 9, 2016	N/A	February 19, 2016	1.50	1,058,343,929	1,587,516
January 23, 2015	April 23, 2015	April 1, 2015	May 20, 2015	2.10	1,058,343,929	2,222,522

In compliance with BSP regulations, the Bank ensures that adequate reserves are in place for future bank expansion requirements. The foregoing cash dividend declarations were made within the BSP's allowable limit of dividends.

25.3 Surplus Reserves

The amended PNUCA requires that the portion of retained earnings representing Trust Fund Income of FUPI be automatically restricted to payments of benefits of plan holders and related payments as allowed in the amended PNUCA. The accumulated Trust Fund income should be appropriated and presented separately as Surplus Reserves in the statements of changes in capital funds. For the years ended December 31, 2017 and 2016 (nil in 2015), FUPI appropriated P261.7 million and P122.8 million, respectively, representing Trust Fund Income earned in those years.

26. SERVICE CHARGES, FEES AND COMMISSIONS

This account is broken down as follows:

	Group		
	2017	2016	2015
Service charges	**P 3,832,640**	P 4,067,623	P 3,455,209
Bank commissions	**128,175**	115,804	97,177
Others	**351,656**	331,128	183,193
	P 4,312,471	P 4,514,555	P 3,735,579

	Parent Bank		
	2017	2016	2015
Service charges	**P 789,064**	P 695,099	P 676,044
Bank commissions	**121,174**	115,804	94,401
Others	**167,889**	146,465	54,946
	P 1,078,127	P 957,368	P 825,391

Others include commissions earned from bancassurance partnership earned in 2017 (see Note 31.6).

27. MISCELLANEOUS INCOME AND EXPENSES

27.1 Miscellaneous Income

Miscellaneous income is composed of the following:

		Group		
	Notes	**2017**	2016	2015
Fair value gains on investment properties	7.5, 16	**P 620,074**	P 385,687	P 416,173
Foreign exchange gains – net		**593,419**	589,873	-
Trust fund income	25.3	**261,653**	122,733	(87,527)
Dividend		**209,762**	206,245	392,683
Rental	16, 34	**190,025**	186,796	181,626
EAF earned	31.6	**166,667**	-	-
Gain from sale of assets	7.5	**173,792**	132,971	513,009
Income from trust operations	30	**141,831**	148,873	165,399
Gain from purchase	14	**129,920**	-	-
Penalties		**79,299**	73,225	146,942
Gains from acquisition of investment properties		**10,146**	16,999	29,120
Others		**269,123**	206,419	441,766
		P 2,845,711	P 2,069,821	P 2,199,191

		Parent Bank		
	Notes	**2017**	2016	2015
Share in net profit of subsidiaries	14	**P 3,429,942**	P 3,474,490	P 2,432,552
Fair value gains on investment properties	7.5, 16	**603,706**	385,687	404,432
Foreign exchange gains – net		**593,418**	589,862	-
Dividend		**204,919**	133,458	325,216
Rental	16, 34	**186,357**	182,613	170,944
EAF earned	31.6	**166,667**	-	-
Gain from sale of assets	7.5	**164,737**	131,838	508,387
Income from trust operations	30	**141,831**	148,873	165,399
Penalties		**79,299**	73,225	146,942
Gains from acquisition of investment properties		**10,146**	16,999	29,120
Others		**229,705**	199,180	441,235
		P 5,810,727	P 5,336,225	P 4,624,227

The Parent Bank has not recognized its share of the net profit or losses earned or incurred by FUPI and UBPSI since the Parent Bank's accumulated share in net losses from these subsidiaries already exceeded the investment value. Detailed breakdown of the amount recognized and not recognized is shown in the succeeding page.

	2017	2016	2015
FUPI			
Accumulated loss	**P 1,195,843**	P 1,347,150	P 1,432,272
Recognized share in accumulated net loss	**1,045,880**	1,045,880	1,323,438
Unrecognized share in net loss	**P 149,963**	P 301,270	P 108,834
UBPSI			
Accumulated loss	**P 6,698**	P 8,167	P 8,839
Recognized share in accumulated net loss	**-**	-	-
Unrecognized share in net loss	**P 6,698**	P 8,167	P 8,839

27.2 Miscellaneous Expenses

The breakdown of miscellaneous expenses follows:

	Group		
	2017	2016	2015
Insurance	**P 922,020**	P 726,459	P 619,102
Outside services	**758,629**	521,564	485,553
Repairs and maintenance	**437,336**	369,655	342,735
Card related expenses	**308,592**	205,450	111,837
Management and professional fees	**352,871**	288,431	181,835
Advertising and publicity	**352,428**	341,828	240,290
Litigation	**202,383**	162,857	199,918
Communication	**251,089**	179,137	171,100
Plan benefits	**215,321**	301,500	299,588
Transportation and travel	**194,442**	165,891	145,629
Stationery and supplies	**163,342**	133,510	142,252
Supervision fees	**149,755**	120,385	108,667
Representation and entertainment	**81,364**	87,339	135,211
Foreign exchange loss – net	**-**	-	119,060
Others	**367,333**	231,575	170,099
	P 4,756,905	P 3,835,581	P 3,472,876

	Parent Bank		
	2017	2016	2015
Insurance	**P 806,393**	P 631,162	P 527,296
Outside services	**533,354**	463,880	414,184
Repairs and maintenance	**409,708**	323,096	299,869
Card related expenses	**308,592**	205,450	111,837
Management and professional fees	**342,697**	233,675	143,148
Litigation	**201,184**	162,857	199,837
Advertising and publicity	**285,695**	180,215	140,662
Communication	**199,436**	140,162	138,220
Supervision fees	**126,689**	102,801	95,380
Transportation and travel	**128,196**	111,253	98,890
Stationery and supplies	**127,471**	97,757	93,054
Representation and entertainment	**80,225**	86,228	133,540
Foreign exchange loss – net	**-**	-	119,068
Others	**307,969**	189,538	139,301
	P 3,857,609	P 2,928,074	P 2,654,286

28. SALARIES AND EMPLOYEE BENEFITS

28.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are as follows:

	Group		
	2017	2016	2015
Short-term benefits:			
Salaries and wages	**P 2,899,712**	P 2,376,970	P 2,157,374
Bonuses	**654,234**	1,304,972	398,125
Fringe benefits	**1,074,915**	791,504	756,195
Social security costs	**93,627**	77,504	72,439
Other benefits	**107,748**	171,439	144,175
Post-employment benefits	**386,734**	289,697	302,330
Other long-term benefits	**68,074**	60,533	41,635
	P 5,285,044	P 5,072,619	P 3,872,273

	Parent Bank		
	2017	2016	2015
Short-term benefits:			
Salaries and wages	**P 2,395,817**	P 1,981,598	P 1,807,763
Bonuses	**432,575**	1,099,287	217,564
Fringe benefits	**1,017,789**	739,779	694,744
Social security costs	**68,124**	57,869	54,738
Other benefits	**72,104**	144,374	127,802
Post-employment benefits	**332,966**	250,379	252,579
Other long-term benefits	**67,366**	60,533	41,635
	P 4,386,741	P 4,333,819	P 3,196,825

28.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains funded, tax-qualified, noncontributory pension plans covering all regular full-time employees that are being administered by the Bank's Trust and Investment Services Group (TISG) for the Parent Bank, UPI and CSB and by a trustee bank that is legally separated from the Group for FUIFAI. Under these pension plans, all covered employees are entitled to cash benefits after satisfying certain age and service requirements.

The Group maintains five separate retirement plans. Two of which are being maintained for UnionBank and former iBank employees, hence, the Parent Bank presents pension information in its financial statements separately for the two plans. The other three pension plans are for UPI, CSB and FUIFAI employees.

UnionBank Plan

The normal retirement age is 60. The plan also provides for an early retirement at age 55, or age 50 with the completion of at least ten years of service. However, late retirement is subject to the approval of the Bank's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly salary for each year of credited service.

Former iBank Plan

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of service and late retirement subject to the approval of the Bank's BOD on a case-to-case basis. Normal retirement benefit is an amount equivalent to 125% of the final monthly covered compensation for every year of credited service.

UPI Plan

The optional retirement age is 60 and the compulsory retirement age is 65. Both must have a minimum of five years of credited service. Both have the retirement benefit equal to one-half month's salary as of the date of retirement multiplied by the employee's year of service. Upon retirement of an employee, whether optional or compulsory, his services may be continued or extended on a case to case basis upon agreement of management and employee.

This is based on the retirement plan benefits provided in the Retirement Law (R.A. No. 7641).

Under the law, unless the parties provide for broader inclusions, the term one-half (1/2) month salary shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of not more than (5) days of service incentive leaves.

CSB Plan

The normal retirement age is 60 or his completion of 30 years of service whichever is earlier. The service of any member, however, may be extended from year to year beyond the normal retirement date, provided such an extension of service is with the consent of the member concerned and the express approval of CSB. The plan also provides for an early retirement after completion of at least ten years of service. Normal retirement benefit is an amount equivalent to 100% of the final basic monthly salary multiplied by the number of years of service prior to January 1, 2008 and 150% of the final basic monthly salary for services rendered starting January 1, 2008.

FUIFAI Plan

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of FUIFAI's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the subsequent pages are based on the actuarial valuation reports obtained from independent actuaries in 2017 and 2016.

The amounts of post-employment defined benefit obligation recognized in the statements of financial position are determined as follows (see Note 24):

	Group		
	2017	2016	2015
Present value of the obligation	**P 4,175,532**	P 3,664,572	P 3,326,413
Fair value of plan assets	**3,236,803**	2,130,338	2,328,087
	P 938,729	P 1,534,234	P 998,326

	Parent Bank – UnionBank Plan		
	2017	2016	2015
Present value of obligation	**P 3,084,669**	P 2,771,342	P 2,509,697
Fair value of plan assets	**2,384,204**	1,436,298	1,705,407
	P 700,465	P 1,335,044	P 804,290

	Parent Bank – Former iBank Plan		
	2017	2016	2015
Present value of obligation	**P 729,661**	P 611,652	P 544,008
Fair value of plan assets	**588,903**	489,750	454,694
	P 140,758	P 121,902	P 89,314

The movements in the present value of the post-employment benefit obligation recognized in the financial statements are as follows:

	Group		
	2017	2016	2015
Balance at beginning of year	**P 3,664,572**	P 3,326,413	P 3,081,799
Current service cost	**386,734**	289,697	302,330
Interest expense	**172,511**	160,581	140,951
Remeasurements –			
Actuarial losses (gains) arising from:			
- changes in financial assumptions	**(127,015)**	141,932	(81,664)
- experience adjustments	**353,737**	274,664	46,387
- changes in demographic assumptions	**(119,078)**	5,316	828
Benefits paid	**(155,929)**	(534,031)	(164,218)
Balance at end of year	**P 4,175,532**	P 3,664,572	P 3,326,413

	Parent Bank – UnionBank Plan		
	2017	2016	2015
Balance at beginning of year	**P 2,771,342**	P 2,509,697	P 2,393,606
Current service cost	**295,295**	209,394	207,145
Interest expense	**131,402**	126,238	110,585
Remeasurements –			
Actuarial losses (gains) arising from:			
- changes in financial assumptions	**(124,961)**	135,930	(71,190)
- experience adjustments	**231,948**	285,922	(20,210)
- changes in demographic assumptions	**(122,153)**	14,566	17,753
Benefits paid	**(98,204)**	(510,405)	(127,992)
Balance at end of year	**P 3,084,669**	P 2,771,342	P 2,509,697

	Parent Bank – Former iBank Plan		
	2017	2016	2016
Balance at beginning of year	**P 611,652**	P 544,008	P 482,375
Current service cost	**37,671**	40,985	45,434
Interest expense	**25,894**	24,372	20,452
Remeasurements:			
Actuarial losses (gains) arising from:			
- changes in financial assumptions	**(28,656)**	23,008	(7,828)
- experience adjustments	**160,838**	7,553	48,578
- changes in demographic assumptions	**(31,099)**	(9,250)	(17,000)
Benefits paid	**(46,639)**	(19,104)	(28,003)
Balance at end of year	**P 729,661**	P 611,652	P 544,008

The movements in the fair value of plan assets are presented below.

	Group		
	2017	2016	**2015**
Balance at beginning of year	**P 2,130,338**	P 2,328,087	P 2,260,771
Interest income	**101,529**	111,612	103,691
Return on plan asset (excluding amounts included in net interest)	**158,826**	(105,877)	(193,132)
Contribution to the plan	**1,002,039**	330,547	320,975
Benefits paid	**(155,929)**	(534,031)	(164,218)
Balance at end of year	**P 3,236,803**	P 2,130,338	P 2,328,087

	Parent Bank – UnionBank Plan		
	2017	2016	2015
Balance at beginning of year	**P 1,436,298**	P 1,705,407	P 1,669,178
Interest income	**69,448**	85,782	77,117
Return on plan asset (excluding amounts included in net interest)	**49,046**	(90,867)	(155,078)
Contribution to the plan	**927,616**	246,381	242,182
Benefits paid	**(98,204)**	(510,405)	(127,992)
Balance at end of year	**P 2,384,204**	P 1,436,298	P 1,705,407

	Parent Bank – Former iBank Plan		
	2017	2016	2015
Balance at beginning of year	**P 489,750**	P 454,694	P 458,319
Interest income	**21,208**	20,370	19,433
Return on plan asset (excluding amounts included in net interest)	**7,784**	(9,869)	(38,514)
Contribution to the plan	**116,800**	43,659	43,459
Benefits paid	**(46,639)**	(19,104)	(28,003)
Balance at end of year	**P 588,903**	P 489,750	P 454,694

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	Group		
	2017	2016	2015
Bank deposits	**P 1,121,080**	P 294,001	P 468,881
Quoted equity securities:			
Financial and insurance activities	**1,502,927**	1,468,358	1,571,871
Electricity, gas steam and air conditioning supply	**135,987**	26,712	23,815
Other service activities	**82,106**	-	-
Real estate activities	**11,967**	11,719	3,010
Wholesale and retail trade	**-**	82,088	82,171
Manufacturing	**-**	158	-
Others	**159**	63	56
	1,733,146	1,589,098	1,680,923
Debt securities:			
Philippine government bonds	**232,832**	104,824	56,719
Corporate bonds	**145,727**	141,094	120,800
	378,559	245,918	177,519
Others	**4,018**	1,321	764
	P 3,236,803	P 2,130,338	P 2,328,087

	Parent Bank – UnionBank Plan		
	2017	2016	2015
Bank deposits	**P 878,453**	P 167,578	P 378,256
Quoted equity securities:			
Financial and insurance activities	**998,963**	998,456	1,114,885
Electricity, gas and water	**107,840**	16	12
Other service activities	**76,796**	-	-
Wholesale and retail trade	**-**	76,758	76,805
Others	**15**	5	6
	1,183,614	1,075,235	1,191,708
Debt securities:			
Philippine government bonds	**206,174**	83,517	41,067
Corporate bonds	**112,726**	109,302	93,800
	318,900	192,819	134,867
Others	**3,237**	666	576
	P 2,384,204	P 1,436,298	P 1,705,407

	Parent Bank – Former iBank Plan		
	2017	2016	2015
Bank deposits	**P 121,091**	P 52,885	P 34,374
Quoted equity securities:			
Financial intermediation	**412,120**	399,647	388,015
Wholesale and retail trade	**5,310**	5,330	5,240
Others	**17,148**	-	-
	434,578	404,977	393,255
Debt securities –			
Corporate bonds	**33,001**	31,791	27,000
Others	**233**	97	65
	P 588,903	P 489,750	P 454,694

Equity securities under the fund are primarily investments in corporations listed in the PSE, which includes P252,583 and P194,527 investments in the shares of stocks of the Bank as of December 31, 2017 and 2016, respectively (see Note 31.9); while debt securities represent investments in government and corporate bonds.

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments in the Bank's shares of stocks covered by any restriction and liens. Bank deposits are maintained with reputable financial institutions, which includes P368,706 and P275,570 deposits to the Bank as of December 31, 2017 and 2016, respectively.

Actual returns on plan assets were P118,494 in 2017, (P5,085) in 2016, and (P77,962) in 2015 for UnionBank and P28,992 in 2017, P10,502 in 2016, and (P19,081) in 2015 for iBank.

The amounts recognized in profit or loss in respect of the post-employment defined benefit plan are as follows:

	Group		
	2017	2016	2015
Current service cost	**P 386,734**	P 289,697	P 302,330
Net interest expense	**70,982**	48,969	37,260
	P 457,716	P 338,666	P 339,590

	Parent Bank – UnionBank Plan		
	2017	2016	2015
Current service cost	**P 295,295**	P 209,394	P 207,145
Net interest expense	**61,954**	40,456	33,468
	P 357,249	P 249,850	P 240,613

	Parent Bank – Former iBank Plan		
	2017	2016	2015
Current service cost	**P 37,671**	P 40,985	P 45,434
Net interest expense	**4,686**	4,002	1,019
	P 42,357	P 44,987	P 46,453

The amounts recognized in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2017	2016	2015
Actuarial gains (losses) arising from changes in:			
Financial assumption	**(P 127,015)**	(P 141,932)	P 81,664
Experience adjustments	**353,737**	(274,664)	(46,387)
Demographic assumptions	**(119,078)**	(5,316)	(828)
Return on plan assets (excluding amounts included in net interest)	**(158,826)**	(105,877)	(193,132)
	(P 51,182)	(P 527,789)	(P 158,683)

	Parent Bank – UnionBank Plan		
	2017	**2016**	2015
Actuarial gains (losses) arising from changes in:			
Financial assumption	**(P 124,961)**	(P 135,930)	P 71,190
Experience adjustments	**231,948**	(285,922)	20,210
Demographic assumption	**(122,153)**	(14,566)	(17,753)
Return on plan assets (excluding amounts included in net interest)	**(49,046)**	(90,867)	(155,078)
	(P 64,212)	(P 527,285)	(P 81,431)

	Parent Bank – Former iBank Plan		
	2017	2016	2015
Actuarial gains (losses) arising from changes in:			
Financial assumption	**(P 28,656)**	(P 23,088)	P 7,828
Experience adjustments	**160,838**	(7,553)	(48,578)
Demographic assumption	**(31,099)**	9,250	17,000
Return on plan assets (excluding amounts included in net interest)	**(7,784)**	(9,869)	(38,514)
	P 93,299	(P 31,260)	(P 62,264)

In addition to the above items, the Bank also recognized its share of the other comprehensive income of subsidiaries in respect of the post-employment defined benefit plan which amounted to P15,264 loss, P21,126 gain, and P10,026 loss in 2017, 2016 and 2015, respectively (see Note 14).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

The Group expects to contribute P469,781 in 2018 while the Parent Bank expects to pay P358,628 and P60,396 for the UnionBank Plan and for the Former iBank Plan, respectively, in 2018.

In determining the retirement benefits, the following actuarial assumptions were used:

	Parent Bank – UnionBank Plan		
	2017	2016	2015
Retirement age	**60**	60	60
Average remaining working life	**9 years**	26 years	17 years
Discount rate	**5.34%**	5.03%	4.62%
Expected rate of salary increase	**7.00%**	6.00%	6.00%
Employee turnover rate	**9.00%**	3.00%	3.00%

	Former iBank Plan		
	2017	2016	2015
Retirement age	**60**	60	60
Average remaining working life	**7 years**	18 years	13 years
Discount rate	**4.83%**	4.48%	4.24%
Expected rate of salary increase	**7.00%**	6.00%	6.00%
Employee turnover rate	**5.00%**	5.00%	22%

	UPI		
	2017	2016	2015
Retirement age	**60**	60	60
Average remaining working life	**6 years**	14 years	15 years
Discount rate	**4.93%**	4.93%	4.49%
Expected rate of salary increase	**7.00%**	7.00%	6.00%
Employee turnover rate	**3.00%**	5.00%	3.00%

	CSB		
	2017	2016	2015
Retirement age	**60**	60	60
Average remaining working life	**16 years**	19 years	19 years
Discount rate	**5.58%**	5.58%	4.89%
Expected rate of salary increase	**6.00%**	6.00%	7.00%
Employee turnover rate	**5.00%**	5.00%	5.00%

	FUIFAI		
	2017	2016	2015
Retirement age	**60**	60	60
Average remaining working life	**20 years**	23 years	22 years
Discount rate	**5.70%**	5.38%	4.89%
Expected rate of salary increase	**10.00%**	10.00%	10.00%

Assumptions regarding future mortality and disability are based on published statistics and mortality tables. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risk Associated with the Retirement Plan

The plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risk

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plans are mostly invested in equity securities. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will results in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding pages.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

		Impact on Post-employment Defined Benefit Obligation	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Group			
December 31, 2017			
Discount rate	**+/-1.0%**	**(P 253,895)**	**P 294,607**
Salary growth rate	**+/-1.0%**	**299,468**	**(263,560)**
Turn-over rate	**+/-1.0%**	**(15,635)**	**16,373**
December 31, 2016			
Discount rate	+/-1.0%	(P 258,915)	P 411,600
Salary growth rate	+/-1.0%	389,477	(254,939)
Turn-over rate	+/-1.0%	(237,298)	104,017

	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
UnionBank Plan			
December 31, 2017			
Discount rate	**+/-1.0%**	**(P 181,200)**	**P 209,923**
Salary growth rate	**+/-1.0%**	**210,433**	**(185,613)**
Turn-over rate	**+/-1.0%**	**(13,236)**	**13,851**
December 31, 2016			
Discount rate	+/-1.0%	(P 197,988)	P 308,954
Salary growth rate	+/-1.0%	290,611	(193,296)
Turn-over rate	+/-1.0%	(216,449)	96,797
Former iBank Plan			
December 31, 2017			
Discount rate	**+/-1.0%**	**(P 34,852)**	**P 39,335**
Salary growth rate	**+/-1.0%**	**42,869**	**(38,719)**
Turn-over rate	**+/-1.0%**	**(2,319)**	**2,440**
December 31, 2016			
Discount rate	+/-1.0%	(P 22,069)	P 55,529
Salary growth rate	+/-1.0%	51,348	(21,716)
Turn-over rate	+/-1.0%	(21,631)	6,512

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Retirement Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets as of December 31, 2017 and 2016 consists of equity securities and bonds, although the Group also invests in bank deposits. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a diversified portfolio of investments in corporations listed in the PSE.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

There is no minimum funding requirement in the country.

The maturity profile of undiscounted expected benefits payments from the plan follows:

Group

	2017	2016
Within one year	**P 267,815**	P 815,104
More than one year to five years	**1,319,237**	843,236
More than five years to ten years	**1,937,696**	1,346,789
More than ten years to 15 years	**2,464,946**	2,695,260
More than 15 years to 20 years	**2,590,312**	3,744,380
More than 20 years	**7,363,165**	31,949,645
	P 15,943,171	P 41,394,414

UnionBank Plan

	2017	2016
Within one year	**P 171,484**	P 621,299
More than one year to five years	**997,656**	710,673
More than five years to ten years	**1,487,729**	962,254
More than ten years to 15 years	**1,947,381**	2,093,349
More than 15 years to 20 years	**1,836,381**	2,644,472
More than 20 years	**5,538,972**	28,211,488
	P 11,979,603	P 35,243,535

Former iBank Plan

	2017	2016
Within one year	**P 57,097**	P 151,078
More than one year to five years	**288,995**	117,772
More than five years to ten years	**301,502**	270,400
More than ten years to 15 years	**293,055**	401,858
More than 15 years to 20 years	**232,972**	570,684
More than 20 years	**184,041**	1,551,154
	P 1,357,662	P 3,062,946

The weighted average duration of the defined benefit obligation is 15 years and 17 years in 2017 and 2016.

29. TAXES

29.1 Current and Deferred Taxes

The components of tax expense (income) for the years ended December 31, 2017, 2016, and 2015 are as follows:

	Group		
	2017	2016	2015
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 1,474,296**	P 1,610,317	P 1,514,656
Final tax at 20%, 10% and 7.5%	**607,277**	408,741	420,285
MCIT at 2%	**141,929**	362	276
	2,223,502	2,019,420	1,935,217
Deferred tax expense (income) relating to origination and reversal of temporary differences	**42,578**	(109,833)	215,358
	P 2,266,080	P 1,909,587	P 2,150,575
Reported in other comprehensive income			
Deferred tax income relating to origination and reversal of actuarial gains or losses	**P 15,355**	P 158,337	P 47,605

	Parent Bank		
	2017	2016	2015
Reported in profit or loss			
Current tax expense:			
Final tax at 20%, 10% and 7.5%	**P 607,117**	P 400,740	P 374,123
MCIT at 2%	**141,929**	-	-
RCIT at 30%	**35,575**	191,047	211,359
	784,621	591,787	585,482
Deferred tax expense (income) relating to origination and reversal of temporary differences	**42,578**	(109,833)	385,284
	P 827,199	P 481,954	P 970,766
Reported in other comprehensive income			
Deferred tax income relating to origination and reversal of actuarial gains or losses	**P 8,726**	P 167,563	P 43,109

The reconciliation of the tax on pretax profit computed at the statutory tax rates to tax expense is shown below.

	Group		
	2017	2016	2015
Tax on pretax profit at 30%	**P 3,205,829**	P 3,592,784	P 2,450,267
Adjustment for income subjected to lower income tax rates	**(271,960)**	(320,670)	(136,338)
Tax effects of:			
FCDU income before tax	**(852,176)**	(1,768,406)	(217,988)
Non-taxable income	**(1,543,785)**	(600,632)	(382,987)
Non-deductible expenses	**1,384,203**	321,509	744,681
Unrecognized deferred tax asset	**132**	392	5,844
Others	**343,837**	684,610	(312,904)
Tax expense reported in profit or loss	**P 2,266,080**	P 1,909,587	P 2,150,575

	Parent Bank		
	2017	2016	2015
Tax on pretax profit at 30%	**P 2,732,744**	P 3,220,636	P 2,184,207
Adjustment for income subjected to lower income tax rates	**(219,077)**	(120,222)	(112,237)
Tax effects of:			
FCDU income before tax	**(852,176)**	(1,768,406)	(217,988)
Non-taxable income	**(1,154,912)**	(1,132,269)	(1,098,831)
Non-deductible expenses	**391,659**	297,737	529,000
Others	**(71,039)**	(15,522)	(313,385)
Tax expense reported in profit or loss	**P 827,199**	P 481,954	P 970,766

The components of the net deferred tax assets (presented under Other Resources – (see Note 19) as of December 31, 2017 and 2016 are as follows:

	Group's Statements of Financial Position	
	2017	2016
Deferred tax assets:		
Allowance for impairment	**P 3,278,384**	P 3,522,609
Accrued other expenses	**257,786**	349,474
Deferred service fees	**273,076**	334,395
Unrealized foreign exchange loss	**10,254**	261,315
Others	**692,611**	343,109
	4,512,111	4,810,902
Deferred tax liabilities:		
Fair value gains on investment properties	**1,127,598**	1,135,486
Unrealized foreign exchange gain	**71,015**	170,609
Capitalized interest	**30,751**	31,849
Others	**35,470**	168,882
	1,264,834	1,506,826
Net deferred tax assets	**P 3,247,277**	P 3,304,076

	Parent's Bank Statements of Financial Position	
	2017	2016
Deferred tax assets:		
Allowance for impairment	**P 2,923,968**	P 2,888,180
Accrued other expenses	**257,786**	336,656
Excess MCIT	**141,929**	-
Unrealized foreign exchange swap loss	**10,254**	261,315
Others	**486,208**	498,073
	3,820,145	3,984,224
Deferred tax liabilities:		
Fair value gains on investment properties	**1,106,101**	1,133,454
Unrealized foreign exchange gain	**71,011**	170,605
Capitalized interest	**30,751**	31,849
Others	**23,661**	25,842
	1,231,523	1,361,750
Net deferred tax assets	**P 2,588,622**	P 2,622,474

	Group Statements of Income		
	2017	2016	2015
Accrued other expenses	**P 91,688**	P 205,803	(P 98,991)
Impairment reversals (losses)	**244,225**	98,785	(370,588)
MCIT	**(141,929)**	(84,801)	(202,345)
Unrealized foreign exchange gain (loss)	**251,061**	79,988	(81,798)
Net fair value gains (losses) on investment properties	**7,888**	35,919	6,658
Foreign currency swap revaluation gain	**99,594**	-	77,439
Others	**(509,949)**	(445,527)	884,983
Deferred tax expense (income)	**P 42,578**	(P 109,833)	P 215,358

	Parent Bank Statements of Income		
	2017	2016	2015
Impairment reversals	**(P 35,788)**	P 255,810	P 503,776
Accrued other expenses	**78,870**	(196,576)	100,496
Foreign currency swap revaluation gain (loss)	**251,061**	(88,107)	(250,647)
Excess MCIT	**(141,929)**	(84,801)	(202,345)
Net fair value gains (losses) on investment properties	**(27,353)**	33,887	(6,658)
Unrealized foreign exchange gain (loss)	**(99,594)**	8,117	255,004
Others	**17,311**	(38,163)	(14,342)
Deferred tax expense (income)	**P 42,578**	(P 109,833)	P 385,284

The Parent Bank is subject to the MCIT which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. In 2014 and 2013, the Parent Bank recognized MCIT amounting to P100,846 and P95,555, respectively, which was applied against RCIT in 2016.

As of December 31, 2017, the Parent Bank has MCIT amounting to P141,929 that can be applied against RCIT for the next three consecutive years after the MCIT was incurred.

29.2 Relevant Tax Regulations

The following are the relevant tax regulations affecting the Group:

29.2.1 Income Tax

(a) MCIT, computed at 2% of gross income, net of allowable deductions as defined under the tax regulations, or to RCIT of 30%, whichever is higher;

(b) FCDU transactions with non-residents of the Philippines and other offshore banking units (offshore income) are tax-exempt, while interest income on foreign currency loans from residents other than offshore banking units (OBUs) or other depository banks under the expanded system is subject to 10% income tax;

(c) Withholding tax of 7.5% is imposed on interest earned by residents under the expanded foreign currency deposit system; and,

(d) Net operating loss carry-over (NOLCO) can be claimed as deduction against taxable income within three years after NOLCO is incurred.

29.2.2 Gross Receipts Tax

Banks are subject to gross receipts tax under Sec. 121 of the National Internal Revenue Code as amended.

29.2.3 Documentary Stamp Tax

Documentary stamp taxes (DST) (at varying rates) are imposed on the following:

(a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;

(b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government or any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other not payable on sight or demand;

(c) Acceptance of bills of exchange and letters of credit; and,

(d) Bills of lading or receipt.

On February 7, 2004, RA No. 9243, *An Act Rationalizing the Provisions on the Documentary Stamp Tax of the NIRC*, was passed amending the rates of DST, the significant provisions of which are summarized below.

(a) On every issue of debt instruments, there shall be collected a DST of P1.00 on each P200 or fractional part thereof of the issue price of any such debt instrument; provided, that for such debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days; provided further that only one DST shall be imposed on either loan agreement or promissory notes to secure such loan.

(b) On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of P0.75 on each P200, or fractional part thereof, of the par value of such stock.

(c) On all bills of exchange or drafts, there shall be collected a DST of P0.30 on each P200, or fractional part thereof, of the face value of any such bill of exchange or draft.

(d) The following instruments, documents and papers shall be exempt from DST:

- Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;
- Loan agreements or promissory notes, the aggregate of which does not exceed P250,000 or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use;
- Sale, barter or exchange of shares of stock listed and traded through the local stock exchange (as amended by RA No. 9648);
- Fixed income and other securities traded in the secondary market or through an exchange;
- Derivatives including repurchase agreements and reverse repurchase agreements;
- Bank deposit accounts without a fixed term or maturity; and,
- Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

29.2.4 Itemized Deduction

In 2017, 2016 and 2015, the Bank opted to claim itemized deductions.

29.2.5 Tax Reform for Acceleration and Inclusion Law

The Republic Act 10963, *The Tax Reform for Acceleration and Inclusion (TRAIN),* is the first package of the comprehensive tax reform program envisioned by the government. The bill was signed into law on December 19, 2017 and took effect on January 1, 2018, amending the old Philippine tax system.

Except for resident foreign corporations, which is still subject to the existing rate of 7.5%, tax on interest income of foreign currency deposits was increased to 15% under TRAIN. Documentary stamp tax on bank checks, drafts, certificate of deposit not bearing interest, all debt instruments, bills of exchange, letters of credit, mortgages, deeds and others will be subjected to a higher rate.

30. TRUST OPERATIONS

The following securities and other properties held by the Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the accompanying statement of financial position since these are not properties of the Bank (see Note 34.2).

	2017	2016
Investments	**P 42,073,308**	P 36,558,627
Others	**961**	23,586
	P 42,074,269	P 36,582,213

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

(a) investment in government securities with a total face value of P701,316 and P825,524 as of December 31, 2017 and 2016, respectively, are deposited with BSP as security for the Bank's faithful compliance with its fiduciary obligations (see Notes 12); and,

(b) ten percent of the Bank's trust income is transferred to surplus reserves. This yearly transfer is required until the surplus reserves for trust function is equivalent to 20% of the Bank's authorized capital stock. No part of such reserves shall at anytime be paid out as dividends, but losses accruing in the course of business may be charged against such surplus. As of December 31, 2017, the reserve for trust functions amounted to P232,074 and is included as part of Surplus Reserves in the statements of changes in capital funds.

Income from trust operations of the Group and Parent Bank amounted to P141,831, P148,873 and P165,399 for the years ended December 31, 2017, 2016 and 2015, respectively, and shown as Income from trust operations account under Miscellaneous Income in the statements of income (see Note 27.1).

31. RELATED PARTY TRANSACTIONS

The Group's and Parent Bank's related parties include subsidiaries, stockholders, key management personnel and others as described below.

The summary of the Group's significant transactions with its related parties as of and for the years ended December 31, 2017 and 2016 are as follows:

Related Party Category	Note	2017 Amount of Transaction	2017 Outstanding Balance	2016 Amount of Transaction	2016 Outstanding Balance
Subsidiaries					
Lease of properties	31.1				
Lease income		**P 10,715**	**P -**	P 9,954	P -
Refundable deposits		**-**	**683**	-	683
Management services	31.2	**25,153**	**-**	2,528	-
Trust fee income		**25**	**-**	-	-
Deposit liabilities	31.3				
Outstanding balance		**-**	**939,655**	-	910,229
Net movements		**29,426**	**-**	(143,829)	-
Interest expense on deposits		**4,079**	**-**	2,195	-
Advances	31.4				
Outstanding balance		**-**	**1,884**	-	5
Net movements		**1,879**	**-**	(6,025)	-
Stockholders and related parties under common ownership					
Deposit liabilities	31.3				
Outstanding balance		**-**	**12,877,815**	-	13,991,723
Net movements		**(1,113,908)**	**-**	3,820,895	-
Interest expense on deposits		**209,276**	**-**	182,883	-
Bills payable	31.5				
Outstanding balance		**-**	**73,799**	-	4,693,619
Net movements		**(4,619,820)**	**-**	(1,930,611)	-
Interest expense		**3,263**	**-**	177,322	-
Income from bancassurance business					
EAF earned	31.6	**166,667**	**-**	-	-
Commission income	31.6	**72,044**	**72,044**	-	-
Loans	31.8	**849**	**849**	887	887
Key management personnel	31.7	**1,799,571**	**-**	1,382,626	-
Directors, officers and other related interests					
Loans	31.8	**449,157**	**449,157**	540,588	540,588
Accounts receivable		**95,123**	**95,123**	-	-
Bills Purchased	31.8				
Outstanding balance		**-**	**-**	-	19,433
Net movements		**(19,433)**	**-**	19,433	-

Outstanding receivables from and payables to related parties, if any, arising from lease of properties, management services and advances are unsecured, noninterest-bearing and generally settled in cash within 12 months or upon demand. No impairment losses were provided for any outstanding receivables or advances as of December 31, 2017 and 2016, except for the impairment provided for the advances to UBPSI (see Note 31.4).

The Bank and its subsidiaries' retirement plans have transactions directly and indirectly with the Bank as of December 31, 2017 and 2016 as follows (see Note 31.9):

	2017		2016	
	Amount of Transaction	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Investment in Bank shares	**P 58,056**	**P 252,583**	P 60,946	P 194,527
Investment in Bank notes payable				
Outstanding balance	**-**	**103,900**	-	103,900
Interest income	**5,460**	**-**	5,448	-
Accrued interest income	**-**	**367**	-	348
Deposit liabilities				
Outstanding balance	**-**	**368,706**	-	275,570
Net movements	**93,136**	**-**	(111,952)	-
Interest income on deposits	**5,768**	**-**	3,300	-
Dividend income	**4,049**	**-**	4,049	-

31.1 Lease of Properties

In February 2014, the Parent Bank entered into a lease agreement with UPI, whereby the latter, as a lessee, leases one of the Parent Bank's investment properties for a period of five years. UPI pays the Parent Bank a monthly rent of P95, exclusive of VAT. Refundable deposit of UPI to the Bank amounted to P683 in both 2017 and 2016.

31.2 Management Services

The Bank entered into a sales management agreement with FUDC whereby the latter sells UnionBank Visa Credit Cards through its direct selling network. Under the terms of the agreement, the Bank pays a fixed monthly sales management fee of P4,618 and P250 in 2017 and 2016, respectively, (net of applicable taxes and service charges) plus commission per approved principal card.

31.3 Deposit Liabilities and Interest Expense

The deposit accounts of subsidiaries and stockholders with the Bank generally earn interest based on daily bank deposit rates.

31.4 Advances

The Bank also has advances to CSB and FUDC as of December 12, 2017. These are generally settled in cash upon demand. No impairment losses were provided for these advances as of December 31, 2017 and 2016.

31.5 Bills Payable and Interest Expense

In 2016, CSB availed of short-term borrowings from AEVI and Aboitiz Power Corporation, a related party under common ownership, amounting to P2,576,407 and P2,117,212, respectively. These were subsequently paid during the first quarter of the following year.

In 2017, CSB availed another loan with Aboitiz Foundation, Inc., a related party, amounting to P73,799 and payable in five years which bears an annual interest rate of 4.5%. This borrowing is included as part of Others under the Bills Payable account in the statements of financial position (see Note 22).

31.6 Bancassurance Agreement

On January 27, 2017, the Parent Bank and its subsidiary, CSB, entered into a bancassurance partnership (the Agreement) with Insular Life Assurance Company, Ltd. (Insular Life). The Agreement has a term of 15 years from commencement date. Under the Agreement, Insular Life paid the Bank an amount representing Exclusive Access Fee (EAF) that is being recognized as income over the first five years of the Agreement. EAF recognized for 2017 amounting to P166,667 is presented as Income from bancassurance business under Miscellaneous Income account in the 2017 statement of income. Unearned income arising from this transaction is presented as part of Miscellaneous under Other Liabilities account in the 2017 statement of financial position (see Note 24).

Under the distribution agreement, Insular Life will have exclusive access to the branch network of the Parent Bank and CSB. Additionally, the Bank's sales force, composed of relationship managers and financial advisors, shall be trained and licensed to sell life insurance products. Under the same Agreement, the Bank shall earn commissions on all insurance policies sold by the Bank. Commissions earned for the year ended December 31, 2017 is presented as part of Others under Service charges, fees and commissions account in the 2017 statement of income (see Note 26).

31.7 Key Management Personnel Compensation

The compensation of key management personnel for the Group and Parent Bank follows:

	Group		
	2017	2016	2015
Short-term benefits	**P 1,584,646**	P 1,224,869	P 1,173,060
Post-employment benefits	**147,560**	97,224	87,040
Other long-term benefits	**67,365**	60,533	41,635
	P 1,799,571	P 1,382,626	P 1,301,735

	Parent Bank		
	2017	2016	2015
Short-term benefits	**P 1,363,854**	P 1,096,136	P 1,050,572
Post-employment benefits	**129,683**	83,255	79,740
Other long-term benefits	**67,366**	60,533	41,635
	P 1,560,903	P 1,239,924	P 1,171,947

Directors' fees incurred by the Group amounted to P60,707 in 2017, P59,678 in 2016, and P54,731 in 2015, and by the Parent Bank amounted to P55,681 in 2017, P55,031 in 2016, and P49,896 in 2015 and are included as part of Salaries and Employee Benefits account in the statements of income.

31.8 Loans and Other Transactions

In the ordinary course of business, the Group has loans, deposits and other transactions with its related parties and with certain DOSRI. Under the Group's existing policies, these transactions are made substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Group. In the aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the Group, whichever is lower.

The following additional information is presented relative to DOSRI loans:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Total DOSRI loans*	**P 450,006**	P 560,908	**P 384,084**	P 502,203
Unsecured DOSRI loans*	**118,407**	194,567	**53,333**	135,861
% of DOSRI loans to total loan portfolio	**0.2%**	0.2%	**0.2%**	0.3%
% of unsecured DOSRI loans to total DOSRI loans*	**0.0%**	0.0%	**0.0%**	0.0%
% of past due DOSRI loans to total DOSRI loans	**0.0%**	0.0%	**0.0%**	0.0%
% of non-accruing DOSRI accounts to total DOSRI loans	**0.0%**	0.0%	**0.0%**	0.0%

**Total DOSRI loans and Unsecured DOSRI loans include fringe benefits that are excluded in determining the compliance with the individual ceiling under subsection X330.1 of the MORB.*

On January 31, 2007, BSP issued Circular No. 560 which provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the Bank's subsidiaries and affiliates shall not exceed 10% of bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank.

31.9 Transactions with the Retirement Plan

The retirement fund of the Group covered under defined benefit post-employment plan maintained for qualified employees is administered by the Retirement Committee. The members of the Retirement Committee are Senior Executives and officers of the Bank as approved by the Chairman/Chief Executive Officer. Through its Retirement Committee, it has appointed TISG as the trustee for the retirement fund which is covered by trust agreements.

The composition of the retirement plan assets of the Bank and its subsidiaries as of December 31, 2017 and 2016 are the following:

	Group		Parent Bank	
	2017	2016	**2017**	2016
Investments in:				
Equity securities	**P 1,733,146**	P 1,589,098	**P 1,618,192**	P 1,480,212
Debt securities	**378,560**	245,918	**351,901**	224,610
Bank deposits	**1,121,080**	294,001	**999,544**	220,463
Others	**4,017**	1,321	**3,470**	763
	P 3,236,803	P 2,130,338	**P 2,973,107**	P 1,926,048

As of December 31, 2017 and 2016, the carrying value of the fund is equivalent to its fair value.

The retirement fund of the Group includes investments in shares of stock and notes payable of the Bank amounting to P252,583 and P103,900, respectively, as of December 31, 2017 and P194,527 and P103,900, respectively, as of December 31, 2016. The investment in Bank shares are primarily held for re-sale and the Group's retirement fund does not intend to exercise its voting rights over those shares. The terms of the investment in notes payable are discussed in Note 23.

The combined retirement fund of the Group and the retirement funds of the Bank have deposits with the Bank amounting to P368,706 and P259,074, respectively, as of December 31, 2017 and P275,570 and P212,992, respectively, as of December 31, 2016.

The related dividend income, interest income and trading gain amounted to P4,049, P11,228 and nil, respectively, in 2017 and P4,049, P8,748 and P283, respectively, in 2016.

31.10 Group Life Insurance from a Related Party

The Parent Bank entered into a contract with Insular Life for its group health insurance. The amount of the group health insurance package covering October 2017 to September 2018 is at P93,000.

32. EARNINGS PER SHARE

As of December 31, 2017, 2016 and 2015, the Group and the Parent Bank have no outstanding potentially dilutive securities hence, basic earnings per share are equal to diluted earnings per share. The basic and diluted earnings per share were computed as follows:

	Group		
	2017	2016	2015
Net profit attributable to Parent Bank's stockholders	**P 8,411,325**	P 10,058,276	P 6,008,032
Divided by the weighted average number of outstanding common shares (thousands)	**1,058,344**	1,058,344	1,058,344
Basic and diluted earnings per share	**P 7.95**	P 9.50	P 5.68

	Parent Bank		
	2017	2016	2015
Net profit	**P 8,281,948**	P 10,253,502	P 6,074,252
Divided by the weighted average number of outstanding common shares (thousands)	**1,058,344**	1,058,344	1,058,344
Basic and diluted earnings per share	**P 7.83**	P 9.69	P 5.74

33. SELECTED FINANCIAL PERFORMANCE INDICATORS

The following are some measures of the Group and Parent Bank's financial performance:

	2017	2016	2015
Group			
Return on average capital funds:			
$\frac{\text{Net profit}}{\text{Average total capital funds}}$	**12.0%**	16.3%	10.6%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}}$	**1.5%**	2.2%	1.6%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest-earning resources}}$	**4.0%**	4.1%	4.0%
Liquidity ratio:			
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	**49.1%**	51.0%	50.7%

	2017	2016	2015
Debt-to-equity ratio:			
$\frac{\text{Liabilities}}{\text{Equity}}$	**7.4:1**	6.8:1	6.4:1
Asset-to-equity ratio:			
$\frac{\text{Asset}}{\text{Equity}}$	**8.4:1**	7.8:1	7.4:1
Interest rate coverage ratio:			
$\frac{\text{Earnings before interests and taxes}}{\text{Interest expense}}$	**2.5:1**	3.3:1	2.9:1

	2017	2016	2015
Parent Bank			
Return on average capital funds:			
$\frac{\text{Net profit}}{\text{Average total capital funds}}$	**11.9%**	16.6%	10.7%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}}$	**1.7%**	2.7%	1.9%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest-earning resources}}$	**3.6%**	3.7%	3.7%
Liquidity ratio:			
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	**49.9%**	53.2%	53.2%
Debt-to-equity ratio:			
$\frac{\text{Liabilities}}{\text{Equity}}$	**6.5:1**	6.5:1	5.9:1
Asset-to-equity ratio:			
$\frac{\text{Asset}}{\text{Equity}}$	**7.5:1**	7.5:1	6.9:1
Interest rate coverage ratio:			
$\frac{\text{Earnings before interests and taxes}}{\text{Interest expense}}$	**2.7:1**	4.0:1	3.7:1

34. COMMITMENTS AND CONTINGENT LIABILITIES

34.1 Leases

The Bank leases various branch premises for an average period of seven years. The lease contracts are cancellable upon mutual agreement of the parties or renewable at the Bank's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5%. Some leases include a clause to enable adjustment of the rental charge on an annual basis based on prevailing market rates. As of December 31, 2017, 2016 and 2015, the Bank has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

Rentals charged against current operations included as part of Occupancy account in the statements of income are as follows:

	2017	2016	2015
Group	**P 571,260**	P 533,258	P 493,272
Parent	**P 484,214**	P 447,218	P 412,466

The estimated minimum future annual rentals payable under non-cancellable operating leases follows:

	Group		
	2017	2016	2015
Within one year	**P 342,660**	P 319,781	P 298,900
Beyond one year but within five years	**1,132,481**	683,446	631,373
Beyond five years	**71,043**	11,151	27,372
	P 1,546,184	P 1,014,378	P 957,645

	Parent Bank		
	2017	2016	2014
Within one year	**P 263,515**	P 239,095	P 228,459
Beyond one year but within five years	**823,167**	391,580	383,985
Beyond five years	**54,386**	2,736	2,334
	P 1,141,068	P 633,411	P 614,778

The Group has entered into commercial property leases on the Group's surplus offices. These non-cancellable leases have remaining non-cancellable lease terms of one to four years.

Total rent income earned (included under Miscellaneous Income account in the statements of income – see Note 27.1) by the Group and the Parent Bank for the years ended December 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
Group	**P 190,025**	P 186,796	P 181,626
Parent Bank	**P 186,357**	P 182,613	P 170,944

The estimated minimum future annual rentals receivable under non-cancellable operating leases follows:

	Group		
	2017	2016	2015
Within one year	**P 139,709**	P 180,115	P 167,674
Beyond one year but within five years	**133,061**	284,413	255,182
	P 272,770	P 464,528	P 422,856

	Parent Bank		
	2017	2016	2015
Within one year	**P 128,554**	P 174,915	P 157,403
Beyond one year but within five years	**129,668**	281,677	251,160
	P 258,222	P 456,592	P 408,563

34.2 Others

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2017, no additional material losses or liabilities are required to be recognized in the accompanying financial statements as a result of the above commitments and transactions.

Following is a summary of the Bank's commitments and contingent accounts:

	Notes	**2017**	2016
Trust department accounts	30	**P 42,074,269**	P 36,582,213
Inward bills for collections		**17,221,005**	18,199,559
Unused commercial letters of credit	4.3.4	**4,038,136**	3,286,112
Outstanding guarantees issued	4.3.4	**665,451**	775,123
Late deposits/payments received		**5,642**	46,101
Outward bills for collection		**32,288**	27,718
Other contingent accounts		**3,016**	2,911

There are several suits and claims that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such cases and claims will not have a material effect on the Bank's financial position and results of operations.

UPI acts as the project and fund manager of Kingswood Project. As fund manager, UPI is responsible for the treasury and money management as well as arranging the necessary facilities and accounting for the development of the project. UPI also receives a certain percentage of the sales price related to Kingswood Project as sales commission and to compensate for the marketing expenses incurred.

35. EVENTS AFTER THE END OF THE REPORTING PERIOD

35.1 Dividend Declaration

On January 26, 2018, the Parent Bank's BOD approved the declaration of cash dividends at P1.90 per share or for a total of P2,010,853 based on the outstanding common stock of 1,058,343,929 shares as of December 31, 2017. Record date for stockholders entitled to said cash dividend is February 12, 2018 while payment was made on February 27, 2018.

35.2 Acquisition of Philippine Resources Savings Bank

On December 29, 2017, CSB signed a share purchase agreement (SPA) to acquire 100% of Philippine Resources Savings Banking Corp. (PR Savings Bank) from the Ropali Group. The deal involves the purchase of 127,723,385 common shares held by the Ropali Group, which represent 66.27% of the total outstanding capital stock of PR Savings Bank. CSB also signed an SPA with International Finance Corporation on February 23, 2018 for the 65,000,000 preferred shares of PR Savings Bank which is equivalent to 33.73%. Subject to approval from the Philippine Competition Commission (PCC) and BSP, the transaction is estimated to be completed by the second quarter of 2018.

PR Savings is the 14th largest thrift bank in the country, with assets of P12,917,000. Most of its 102 offices are located in Luzon offering motorcycle, agri-machinery, and salary loans to over 131,000 borrowers, mostly from the mass market segment.

The transaction will enable CSB to expand its reach in Luzon, and enter into new market segments, such as motorcycle and agri-machinery financing.

35.3 Acquisition of PETNET, Inc.

In February 2018, CSB and UPI signed an SPA with AEVI for the purchase of 2,461,338 common shares representing the 51% ownership of AEVI on PETNET, Inc. (PETNET). Subject to approval from the PCC and BSP, the transaction is estimated to be completed by the second quarter of 2018.

PETNET, more widely-known by its retail brand name PERA HUB, has the largest network of Western Union outlets in the Philippines. PETNET has over 2,800 outlets nationwide. It offers a variety of cash-based services including remittance, currency exchange and bills payment.

35.4 LTNCD

On February 21, 2018, the Parent Bank successfully issued LTNCD amounting to P3.0 billion due in August 2023 with a fixed rate of 4.375% per annum payable quarterly. This is the initial tranche of the Parent Bank's P20.0 billion LTNCD program as approved by BSP. This constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Parent Bank. The net proceeds from the issuance of LTNCD will be used to diversify the Parent Bank's maturity profile of funding sources and to support its business expansion plans.

36. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 15-2010

Presented below is the supplementary information required by the Bureau of Internal Revenue (BIR) under RR 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

36.1 Gross Receipts Tax

In lieu of the value-added tax (VAT), the Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries pursuant to Section 121 of the Tax Code.

The Bank reported total GRT amounting to P653,995 in 2017 as shown under Taxes and Licenses account (see Note 36.4). Total GRT payable as of December 31, 2017 amounted to P64,086 is included as part of Accrued taxes and other expenses under Other Liabilities account in the 2017 statement of financial position (see Note 24).

36.2 Documentary Stamp Tax

The Bank is enrolled under the Electronic DST System. In general, the Bank's DST transactions arise from the execution of debt instruments, security documents, and bills of exchange.

For the year ended December 31, 2017, DST affixed amounted to P1,060,279.

36.3 Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2017 are shown below:

Final	P	856,867
Expanded		475,680
Compensation and benefits		122,889
	P	**1,455,436**

36.4 Taxes and Licenses

The details of taxes and licenses in 2017 of the Parent Bank are as follows:

	Note		
GRT	36.1	P	653,995
DST			563,018
Real property taxes			36,698
Fringe benefits tax (FBT)			30,249
Local taxes and business permits			21,797
Miscellaneous			36,821
Less:			
FBT charged to employee benefits			30,249
		P	**1,312,329**

36.5 Excise Taxes

The Bank does not have excise taxes accrued since it did not have any transactions subject to excise tax.

36.6 Deficiency Tax Assessments and Tax Cases

The Bank has no outstanding deficiency tax assessments pending with the BIR.

The Bank's existing tax assessments pending with the Court of Tax Appeals (CTA) for tax liabilities of the former iBank and the Bank were all covered by the BIR's tax amnesty program for calendar years 2005 and earlier pursuant to R.A. 9480, *An Act Enhancing Revenue Administration and Collection by Granting an Amnesty on All Unpaid Internal Revenue Taxes*. The Bank availed of this amnesty program on February 4 and 19, 2008.

The Bank has a pending claim for refund of taxes arising from the BIR's denial of the Bank's applications for administrative abatement in 2007. On August 5, 2013, the CTA granted the claim for refund, ordering the BIR to refund or issue a tax credit certificate to the Bank in the amount of P90,923. The CTA en banc affirmed this decision on July 14, 2014. The BIR appealed this decision before the Supreme Court. On July 11, 2015, the Bank filed its Comment on the Petition for Review on Certiorari filed by the BIR. On July 20, 2015, the Supreme Court issued a Resolution noting the Bank's Comment. As of the issuance of the financial statements, the Bank is still awaiting for the decision of the Supreme Court.

36.7 Other Required Tax Information

The Bank has not paid or accrued any excise taxes or customs' duties and tariff fees as it had no importation for the year ended December 31, 2017.

37. SUPPLEMENTARY INFORMATION ON LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the supplemental information on the Group's and Parent's liabilities arising from financing activities:

	Bills payable	Notes Payable	Total
Group			
Balance at January 1, 2017	P 48,100,192	P 7,200,000	P 55,300,192
Cash flows from financing activities			
Additions	165,702,992	25,135,000	190,837,992
Repayment of borrowings	(170,590,655)	-	(170,590,655)
Non-cash financing activities			
Effects of foreign exchange rate changes	(141,704)	(170,000)	(311,704)
Balance as of December 31, 2017	**P 43,070,825**	**P 32,165,000**	**P 75,235,825**
Parent Bank			
Balance at January 1, 2017	P 39,166,961	P 7,200,000	P 46,366,961
Cash flows from financing activities			
Additions	111,174,648	25,135,000	136,309,648
Repayment of borrowings	(121,190,186)	-	(121,190,186)
Non-cash financing activities			
Effects of foreign exchange rate changes	(141,704)	(170,000)	(311,704)
Balance as of December 31, 2017	**P 29,009,719**	**P 32,165,000**	**P 61,174,719**

P&A
Grant Thornton

An instinct for growth™

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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The Board of Directors and Stockholders
Union Bank of the Philippines
UnionBank Plaza, Meralco Avenue
Corner Onyx Street and Sapphire Road
Ortigas Center, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Union Bank of the Philippines and subsidiaries (the Group) and the financial statements of Union Bank of the Philippines for the year ended December 31, 2017, on which we have rendered our report dated February 23, 2018. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Anthony L. Ng**
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 6616016, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-38-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 23, 2018

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

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DECEMBER 31, 2017

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Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

Reconciliation of Surplus Free Available for Dividend Declaration

Map Showing the Relationship Between and Among the Bank and its Related Entities

* These schedules and supplementary information are not included as these are not applicable to Group.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road
Ortigas Center, Pasig City

Selected Financial Performance Indicators
December 31, 2017 and 2016

	2017	2016
Return on average capital funds		
Net profit / Average total capital funds	**12.0%**	16.3%
Return on average resources		
Net profit / Average total resources	**1.5%**	2.2%
Net interest margin		
Net interest income / Average interest-earning resources	**4.0%**	4.1%
Liquidity ratio		
Current Assets / Current Liabilities	**49.1%**	51.0%
Debt-to-equity ratio		
Liabilities / Equity	**7.4:1**	6.8:1
Asset-to-equity ratio		
Asset / Equity	**8.4:1**	7.8:1
Interest rate coverage ratio		
Earnings before interests and taxes / Interest expense	**2.5:1**	3.3:1

Union Bank of the Philippines and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule A - Financial Assets
December 31, 2017

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt Securities				
Bureau of Treasury				P 16,437,502
Alliance Global Group Inc	-	-	-	35,987,763
Total Debt Securities		-	-	P 52,425,265
Equity Securities				
SMC Series 2C	33,049,760	P 2,643,980,800	P 2,643,980,800	P 198,298,560
Alabang Country Club, Inc. - A	2	10,600,000	10,600,000	
Alabang Country Club, Inc. - B	1	5,300,000	5,300,000	
Manila Polo Club	5	81,750,000	81,750,000	
Baguio Country Club, Corporation	1	2,400,000	2,400,000	
Manila Southwoods Golf & Country Club	2	1,600,000	1,600,000	
The Orchard Golf & Country Club	1	380,000	380,000	
Canlubang Golf & Country Club,Inc.	2	2,000,000	2,000,000	
Tagaytay Midlands Golf Club, Inc.	1	550,000	550,000	
Quezon City Sports Club, Inc.	1	480,000	480,000	
Celebrity (Sports) Plaza, Inc.	1	180,000	180,000	
Valley Golf & Country Club, Inc.	1	280,000	280,000	`
Alta Vista Golf & Country Club	1	-	-	
Batulao Golf & Mountain Resort, Inc.	6	-	-	
Calatagan Golf Club, Inc.	3	150,000	150,000	
Capitol Hills Golf & Country Club, Inc.	28	-	-	
Cebu Country Club	1	5,000,000	5,000,000	
City Sports Club	1	-	-	
Club Strata	1	-	-	
Green Valley Country Club of Baguio	1	-	-	
Green Valley Country Club	1	-	-	
Iloilo Golf & Country Club, Inc.	2	-	-	
Makati (Sports) Club, Inc.	3	1,200,000	1,200,000	
Makati (Sports) Club, Inc.	4	1,680,000	1,680,000	
Mt. Malarayat Golf & Country Club	1	250,000	250,000	
The Metropolitan Club, Inc. - A	10	2,000,000	2,000,000	
The Metropolitan Club, Inc. - B	13	2,600,000	2,600,000	
Palms Country Club	1	450,000	450,000	
Pueblo De Oro Golf & Country Club Inc.	1	450,000	450,000	
The Country Club at Tagaytay Highlands	1	200,000	200,000	
Tagaytay Highlands International Golf Club, Inc.	1	550,000	550,000	
Tower Club, Inc.	2	260,000	260,000	
Club Filipino	1	180,000	180,000	-
		P 120,490,000	P 120,490,000	P -

Union Bank of the Philippines and Subsidiaries
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Schedule A - Financial Assets
December 31, 2017

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
ABACORE CAPITAL	256,000	P 79,360	P 79,360	
AGP INDUSTRIAL CORP. - B (Halted – Prev. Close 11/23/01)	200	-	-	
ARANETA PROP(INT. CHROME) A	544	1,240	1,240	
ARANETA PROP(INT. CHROME) B	1,800	-	-	
ASIA AMALGAMATED HOLDINGS	6,500			
ASIA BEST GROUP INTERNATIONAL, INC.. formerly AGP INDUSTRIAL (	4	69	69	
BANCO DE ORO - (formerly Equitable PCI Inc.)	72	11,808	11,808	
BENGUET CORP. -A	355	614	614	
BENGUET CORP. -B	1,702	2,979	2,979	
COSCO Capital (formerly ALCORN GOLD RESOURCES – B)	99,000	762,300	762,300	
GOTESCO LAND (SURICON) A	9,863	-	-	
IMPERIAL RESOURCES INC – A	30	79	79	
ISM COMMUNICATIONS CORP.	5,588	7,823	7,823	
KEPPEL PHIL. PROPERTIES - A	593	2,491	2,491	
KEPPEL PHIL. PROPERTIES – B	113	-	-	
LAFARGE REPUBLIC INC. (formerly REPUBLIC CEMENT CORP. A)	94	-	-	
LANDOIL RESOURCES CORP. - A	212,672	-	-	
LANDOIL RESOURCES CORP. - B	47,640	-	-	
LEISURE & RESORTS WORLD CORP – A	166	661	661	
MABUHAY HOLDINGS, INC.	170,000	51,850	51,850	
MARSTEEL CONSOLIDATED – B	24,500	-	-	
OMICO MINING & INDUSTRIAL CORP.	800	360	360	
PHIL. NATIONAL CONSTRUCTION	1,000	-	-	
PHILCOMSAT HOLDINGS CORP. (formerly LIBERTY MINES, INC.)	1,360	-	-	
PHILODRILL CORP.- B	280,554	3,367	3,367	
PICOP-A	348	-	-	
PICOP-B	16	-	-	
PRIME MEDIA HOLDINGS	939	1,080	1,080	
SIME DARBY INT'L	47	-	-	
WELLEX INDS., INC.(REPUBLIC RESOURCES)	333	61	61	
ABACORE CAPITAL (ABACUS)	200,000	62,000	62,000	
ANSCOR	31,250	220,313	220,313	6,250
EMPIRE EAST	5,857,808	3,807,575	3,807,575	
GLOBAL ESTATES RESORT (formerly Fil-Estate Land)	760,500	1,087,515	1,087,515	
PETRON	249,100	2,284,247	2,284,247	24,910
PHILIPPINE DEPOSITORY & TRUST CORP. (formely Phil. Central Depositor	5,228	1,336,605	1,336,605	
PROJECT QUEST	8,750,000	38,109,902	38,109,902	875,000
REPUBLIC GLASS	893,750	2,323,750	2,323,750	67,031
SHANG PROP (formerly KOUK)	147,142	460,554	460,554	24,278
SOLID GROUP	625,000	981,250	981,250	43,750
PLDT	14	19,110	19,110	
ABOITIZ EQUITY VENTURES		-	-	3,802,255
		51,618,963	51,618,963	4,843,475
Total Equity Securities		P 2,816,089,763	P 2,816,089,763	P 203,142,035

Union Bank of the Philippines and Subsidiaries
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Schedule A - Financial Assets
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Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
Derivative Assets				
ANZ BANK LTD - MEL		P 672,575	P 672,575	P -
ANZBANK - MNL		122,631,312	122,631,312	
ASIAPRIMERA INC - MNL		495,514	495,514	
BDO - MNL		99,315,356	99,315,356	
BNP - PAR		172,123	172,123	
BSP - MNL		1,542,350	1,542,350	
CHINABANK - MNL		2,099,537	2,099,537	
CIGNAL TV INC - MNL		7,576,678	7,576,678	
CITIBK - SIN		85,668	85,668	
ESSEL PROPACK PI - MNL		1,126,591	1,126,591	
HSBC - MNL		814,055	814,055	
ING BANK - MNL		935,515	935,515	
IREMIT - MNL		4,978,829	4,978,829	
JP MORGAN - SIN		82,423	82,423	
MALAYAN BANK - MNL		6,427	6,427	
MANDARIN SECURITIES - MNL		384	384	
MAYBANK PHILS INC - MNL		6,344,756	6,344,756	
MICRO MECHANICS TH - MNL		3,279	3,279	
MONARK EC - MNL		508,193	508,193	
PHIL RESINS - MNL		1,161,717	1,161,717	
RCBC BANK - MNL		12,974,342	12,974,342	
SBC - MNL		52,163,876	52,163,876	
SCB BK - SIN		194,768	194,768	
UBS - ZUR		1,333,291	1,333,291	
UCPB - MNL		1,547,243	1,547,243	
Republic of the Philippines		47,183,850	47,183,850	-
Total Derivative Asssets		365,950,654	365,950,654	-
Total - Financial Assets at Fair Value through Profit or Loss		**P 3,182,040,417**	**P 3,182,040,417**	**P 255,567,299**
FINANCIAL ASSETS AT AMORTIZED COST				
Government bonds and other debt securities				
National Food Authority		P 701,068,321	P 701,068,321	P 33,997,357
Republic of Indonesia		22,703,454,973	22,703,454,973	1,286,970,163
Power Sector Asset & Liabilities Management		1,428,917,667	1,428,917,667	24,494,009
PT Pertamina(Persero)		5,748,202,022	5,748,202,022	320,243,149
Gasprom OAO		4,062,066,146	4,062,066,146	110,580,343
Perusahaan Listrik Negara(PLN)Indonesia		5,792,862,832	5,792,862,832	291,718,980
Republic of the Philippines		87,098,524,258	87,098,524,258	3,096,355,853
Abu Dhabi National Energy Co.(TAQA)		384,426,260	384,426,260	868,161
US TREASURY N/B		2,525,580,749	2,525,580,749	16,066,463
CHINA NATIONAL OFFSHORE OIL CORPORATION		1,406,864,402	1,406,864,402	60,610,362
CHINA PETROCHEMICAL CORPORATION(SINOPEC)		2,052,453,717	2,052,453,717	70,048,112
BRESIL (REPUBLIQUE FEDERATIVE DU)		3,464,254,486	3,464,254,486	126,806,325
SULTANATE OF OMAN		697,437,244	697,437,244	26,985,855
KINGDOM OF SAUDI ARABIA		4,878,753,161	4,878,753,161	213,559,302
REPUBLIC OF TURKEY		2,870,898,217	2,870,898,217	106,893,470
PETROLIAM NASIONAL BERHAD - MALAYSIA		169,140,655	169,140,655	6,393,363
STATE OF QATAR		6,538,049,887	6,538,049,887	256,712,741
Republic of Peru		1,738,405,141	1,738,405,141	6,853,545
REPUBLIC OF COLOMBIA		4,644,408,920	4,644,408,920	95,346,909
PETROLEOS MEXICANOS - PEMEX		4,749,146,055	4,749,146,055	283,275,117
Total Government bonds and other debt securities		163,654,915,111	163,654,915,111	6,434,779,579
Private bonds and commercial papers				
JG Summit		130,373,196	130,373,196	5,633,088
TRAVELLERS INTL HOTEL				18,406,541
SM Investment Corporation				2,432,741
Megaworld		99,814,191	99,814,191	6,894,332
STI EDUCATION SERVICES GROUP, INC		45,370,000	45,370,000	2,233,738
Vista Land & Landscapes Inc		2,541,186,408	2,541,186,408	187,821,102
		2,816,743,795	2,816,743,795	223,421,541
Total - Financial Assets at Amortized Cost		**P 166,471,658,906**	**P 166,471,658,906**	**P 6,658,201,120**

Union Bank of the Philippines and Subsidiaries
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Schedule A - Financial Assets
December 31, 2017

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Equity Securities				
BankNet, Inc.	50,000	P 5,000,000	P 5,000,000	P 3,786,000
BAP Consulting, Inc.	12,500	1,250,000	1,250,000	
BAP-Credit Bureau		50,000	50,000	
Coop Society Swift		3,139	3,139	
Cruztelco	30	3,000	3,000	
Cruztelco	30	3,000	3,000	
Cruztelco	30	3,000	3,000	
Eastern Visayas Tel Co.	100	5,000	5,000	
Fixed Income Exchange	125,000	1,250,000	1,250,000	
Local Government Unit Guaranty Corporation	100,000	10,000,100	10,000,100	66,000
Makati Executive Center	1	31,500	31,500	
Meralco - B	21,934	219,340	219,340	
Metropolitan Threater	1	40,000	40,000	
MWSS (formerly NAWASA)		150	150	
PHILAM	2	1,000,000	1,000,000	
Philam Properties Corp.		500,000	500,000	
Philippine Dealing System Holdings Corporation (formerly Philippine Central Dep	31,690	3,169,000	3,169,000	2,768,416
Philippine Clearing House Corporation	21,500	2,150,000	2,150,000	
Philippine Clearing House Corporation	21,000	5,000,000	5,000,000	
PLDT Communications and Energy Ventures, Inc. (formerly PILTEL)	75	6,000	6,000	
Rockwell Land Corporation	2	700,000	700,000	
Steel Asia		13,439,870	13,439,870	-
Total Equity Securities		**43,823,099**	**43,823,099**	**6,620,416**
Allowance for Credit Losses		**(40,000)**	**(40,000)**	**-**
Total Equity Securities, net		**43,783,099**	**43,783,099**	**6,620,416**
Total - Financial Assets at Fair value through OCI		**43,783,099**	**43,783,099**	**6,620,416**
GRAND TOTAL		**P 169,697,482,421**	**P 169,697,482,421**	**P 6,920,388,836**

Union Bank of the Philippines and Subsidiaries

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2017

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written-off	Current	Not Current	

RECEIVABLES FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDDERS ARE WITHIN THE ORDINARY COURSE OF BUSINESS OF THE BANK

Union Bank of the Philippines and Subsidiaries

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2017

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Ending Balance		Balance at End of Year
			Amounts Collected	Amounts Written off	Current	Not Current	
City Savings Bank, Inc. (Subsidiary)	P -	P 1,258,493	P -	P -	P 1,258,493	P -	P 1,258,493
UBP Securities, Inc. (Subsidiary)	-	-	-	-	-	-	-
Union Properties, Inc. (Subsidiary)	-	-	-	-	-	-	-
First Union Direct (Subsidiary)	-	626,018	-	-	626,018	-	626,018
First Union Plans, Inc. (Subsidiary)	4,539	-	4,539	-	-	-	-
	P 4,539	**P 1,884,511**	**P 4,539**	**P -**	**P 1,884,511**	**P -**	**P 1,884,511**

Union Bank of the Philippines and Subsidiaries
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Schedule D - Intangible/Other Assets
December 31, 2017

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Goodwill	P 11,258,251,349	P -	P -	P -	P -	P 11,258,251,349
Computer software *	573,115,152	299,656,006	(120,956,675)	(15,848,797)	(61,468,875)	674,496,812
Branch license*	58,504,743	60,000,000	-	-	-	118,504,743
Prepayments*						
Insurance	87,674,758	162,391,178	(156,252,387)	-	209,019	94,022,568
Rental	8,369,407	34,849,472	(32,850,909)	-	(320)	10,367,649
Software maintenance	2,305,941	141,469,814	(138,986,389)	-	(14,849,918)	(10,060,552)
Uniforms	12,958,995	16,880,900	(16,041,142)	-	-	13,798,753
Taxes and licenses	62,249,466	79,688,159	(90,303,676)	-	(141)	51,633,809
Group hospitalization plan	(10,420,250)	135,214,992	(117,654,758)	-	-	7,139,985
Deferred transaction cost	14,081,358	1,076,788,761	(1,015,092,802)	-	-	75,777,316
Membership fees	3,292,937	93,825,017	(91,948,908)	-	-	5,169,046
Newspaper subscription	194,002	-	(16,979)	-	-	177,023
Others	12,302,843	154,731,728	(170,022,983)	-	(107,409)	(3,095,822)
	193,009,456	1,895,840,020	(1,829,170,932)	-	(14,748,769)	244,929,776
Grand Total	**P 12,082,880,701**	**P 2,255,496,026**	**(P 1,950,127,607)**	**(P 15,848,797)**	**(P 76,217,644)**	**P 12,296,182,680**

* - under Other Resources

P 1,037,931,331

Union Bank of the Philippines and Subsidiaries
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule E - Long-term Debt
December 31, 2017

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption"Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption"Long-term Debt" in related Statement of Financial Condition
Long Term Negotiable Certificate of Deposit	P 5,000,000,000	P -	P 3,000,000,000
Unsecured Subordinated Notes	10,000,000,000	-	7,200,000,000
Senior Debt	49,930,000,000	-	24,965,000,000

Details:

	Maturity Date	Interest Rate
Long Term Negotiable Certificate of Deposit	April 17, 2019	3.500%
Unsecured Subordinated Notes	February 20, 2025	5.375%
Senior Debt	November 29, 2022	3.369%

Union Bank of the Philippines and Subsidiaries

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule H - Capital Stock

December 31, 2017

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common Stock	1,311,422,420	1,058,343,929	-	688,361,044	37,218,944	332,763,941
Preferred Stock	100,000,000	-	-	-	-	-

UNION BANK OF THE PHILIPPINES
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters [(e)]	✓		
	Amendments to PFRS 1: Government Loans [(e)]	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions [(b)] *(effective January 1, 2018)*			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation [(b)] (*effective January 1, 2019)*			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts* [(b)] *(effective January 1, 2018)*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets[(d)]	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition [(d)]	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2009, 2010 and 2013 versions) [(a)]	✓		
	Financial Instruments (2014) [(b)] *(effective January 1, 2018)*			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation [(b)] *(effective January 1, 2019)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities [(c)]	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [(b)] *(effective date deferred indefinitely)*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation [(b)] (*effective January 1, 2019)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers [b] *(effective January 1, 2018)*			✓
PFRS 16	Leases [b] *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts [b] *(effective January 1, 2021)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the End of the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends [b] *(effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants [c]	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation [c]	✓		
PAS 23 (Revised)	Borrowing Costs [c]	✓		
	Amendment to PAS 23: Eligibility for Capitalization [c]	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities [c]	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [b] *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss [b] *(effective January 1, 2018)*			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture [b] *(effective January 1, 2019)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation [c]	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities [(d)]	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions [(d)]	✓		
	Amendments to PAS 39: The Fair Value Option [(d)]	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts [(d)]	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets [(d)]	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition [(d)]	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives [(c)]	✓		
	Amendments to PAS 39: Eligible Hedged Items [(c)]	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting [(c)]	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property [(b)] (*effective January 1, 2018*)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities [(c)]	✓		
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds [(c)]	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9 [(d)]	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction [(c)]	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners [(e)]	✓		
IFRIC 18	Transfers of Assets from Customers [(c)]	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments [(e)]	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mines			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration [(b)] (*effective January 1, 2018*)			✓
IFRIC 23	Uncertainty Over Income Tax Treatments [(b)] (effective *January 1, 2019*)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders [(c)]	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services [(c)]	✓		
SIC-32	Intangible Assets - Web Site Costs [(c)]	✓		

[(a)] PFRS 9 (2009, 2010 and 2013 versions) is effective January 1, 2018 but the Bank opted to early adopt with January 1, 2014 as the date of initial application.

[(b)] These standards will be effective for periods subsequent to 2017 and are not early adopted by the Bank.

[(c)] These standards have been adopted in the preparation of financial statements but the Bank has no significant transactions covered in both years presented.

[(d)] PAS 39 and all related amendments, improvements and interpretations thereto were applied by the Bank prior to January 1, 2014. These were superseded by PFRS 9 (2009, 2010 and 2013 versions) effective January 1, 2014 except for the principles relating to impairment and hedge accounting.

[(e)] These standards have been adopted in the preparation of financial statements but the Bank has no transactions at all covered in both years presented.

UNION BANK OF THE PHILIPPINES
UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road
Ortigas Center, Pasig City

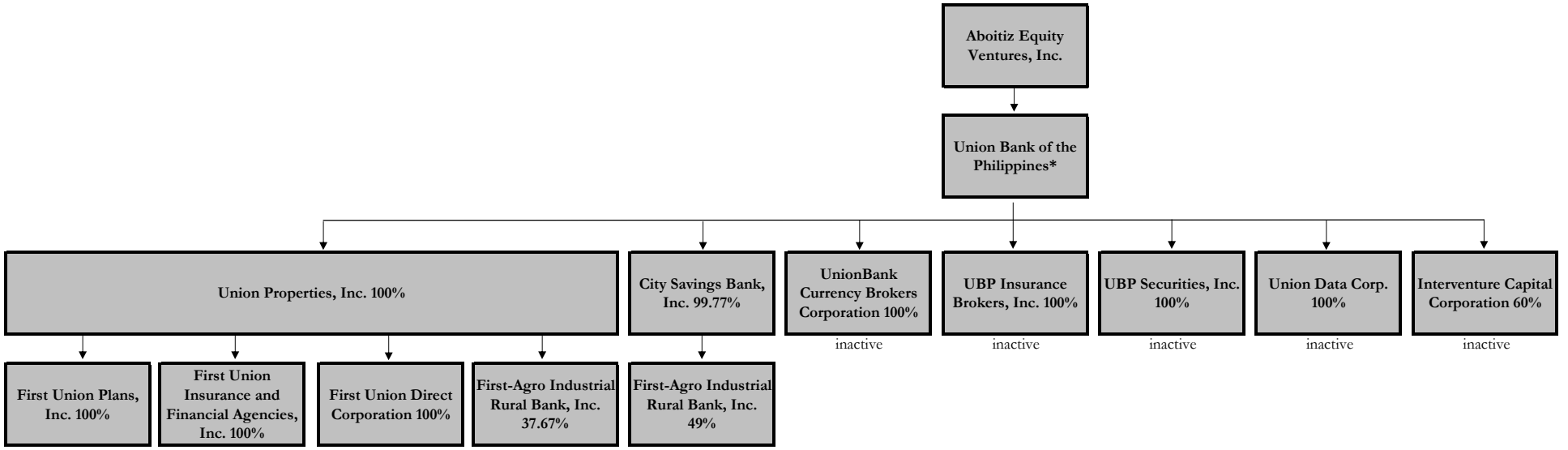
Reconciliation of Surplus Free Available for Dividend Declaration
For the Year Ended December 31, 2017
(Amounts in Thousands of Philippine Pesos)

Unappropriated Retained Earnings at Beginning of Year, as Restated		P 52,481,030
Prior Years' Outstanding Reconciling Items, net of tax		
Accumulated equity in net profit of subsidiaries		(7,134,476)
Deferred tax assets		(3,984,224)
Accumulated fair value gains on investment properties		(3,265,741)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		38,096,589
Net Profit Realized during the Year		
Net profit per audited financial statements		8,281,948
Non-actual/unrealized income, net of tax		
Share in net profit of subsidiaries	P 3,429,942	
Unrealized fair value gains on financial assets through profit of loss	9,860	
Unrealized foreign exchange gain	141,767	
Net fair value gains on investment properties	422,594	
Decrease in deferred tax asset	(5,242)	(3,998,921)
		4,283,027
Other Transactions During the Year		
Cash dividends	2,010,853	
Appropriation of retained earnings	14,183	(2,025,036)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 40,354,580**

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road,
Ortigas Center, Pasig City

Map Showing the Relationship Between and Among the Bank and its Related Entities**
December 31, 2017

CONGLOMERATE MAPPING



* Union Bank of the Philippines (UBP) is effectively 48.83% owned by Aboitiz Equity Ventures, Inc. (AEVI); hence, UBP is an associate of AEVI in accordance with PAS 28,*Investments in Associates*.

** Required by Securities and Exchange Commssion Securities Regulation Code Rule 68, as Amended, dated October 20, 2011.