

UnionBank

PREPARING FOR THE
**FUTURE OF
BANKING**

2019 ANNUAL REPORT





UnionBank





About UnionBank

Union Bank of the Philippines (UnionBank) is a publicly-listed universal bank that distinguishes itself through superior technology, unique sales and service culture, and centralized backroom operations. It has consistently been recognized as one of Asia's leading companies, ranking among the country's top universal banks in terms of profitability and efficiency.

UnionBank's corporate vision is to become one of the top three universal banks in the Philippines, not in 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 services.

Throughout its years of existence, UnionBank has always been quick to embrace innovation, embedding technology in its way-of-doing-business and leveraging it in making strides to empower its customers. It embraces the future of banking and is the Philippines' leading digital bank enabling it to best serve the growing needs of Filipinos everywhere.

UnionBank is clearly the pioneer in Philippine digital banking. Most notably, the Bank was the first among its peers to start the first bank website; pioneer online banking in the country and launch the country's first electronic savings account, among many other firsts.

Over the years, the Bank has garnered a record-breaking number of awards and recognitions including: Asia's Best Bank Transformation from Euromoney; three-time Best Digital Bank-PH from Asiamoney; three-time Digital Bank of the Year-PH from The Asset Triple A; back-to-back Digital Transformer of the Year from IDC; Best Retail Bank-PH from Digital Banker; SME Bank of the Year from Asian Banking & Finance; as well as Employer of the Year from Stevie Awards for Great Employers.

With its drive to "Tech Up *Pilipinas*" and be an enabler of the Philippines' push to be a G20 country by 2050, UnionBank stands firm in its promise to promote inclusive prosperity and power the future of banking by co-creating innovations for its customers and for a better world!



UnionBank



Purpose

To co-create innovations for a better world

Values

INTEGRITY

I do the right thing at all times.
I am trustworthy, transparent & authentic.
I treat everyone with respect.
I am fair, honest and accountable for any actions.

MAGIS

I am obsessed with the customer.
I continuously innovate.
I learn fast to build capabilities.
I achieve great results with an agile mindset.

UBUNTU

I collaborate.
I seek to understand through courageous conversations.
I give feedback, real-time and on demand.
I communicate clearly & openly.

Corporate Brand Idea

Powering the Future of Banking

Distinguishing Beliefs

Forward-Thinking | Innovative | Open | Agile

Employer Brand

Own the Future. Co-create Innovations.

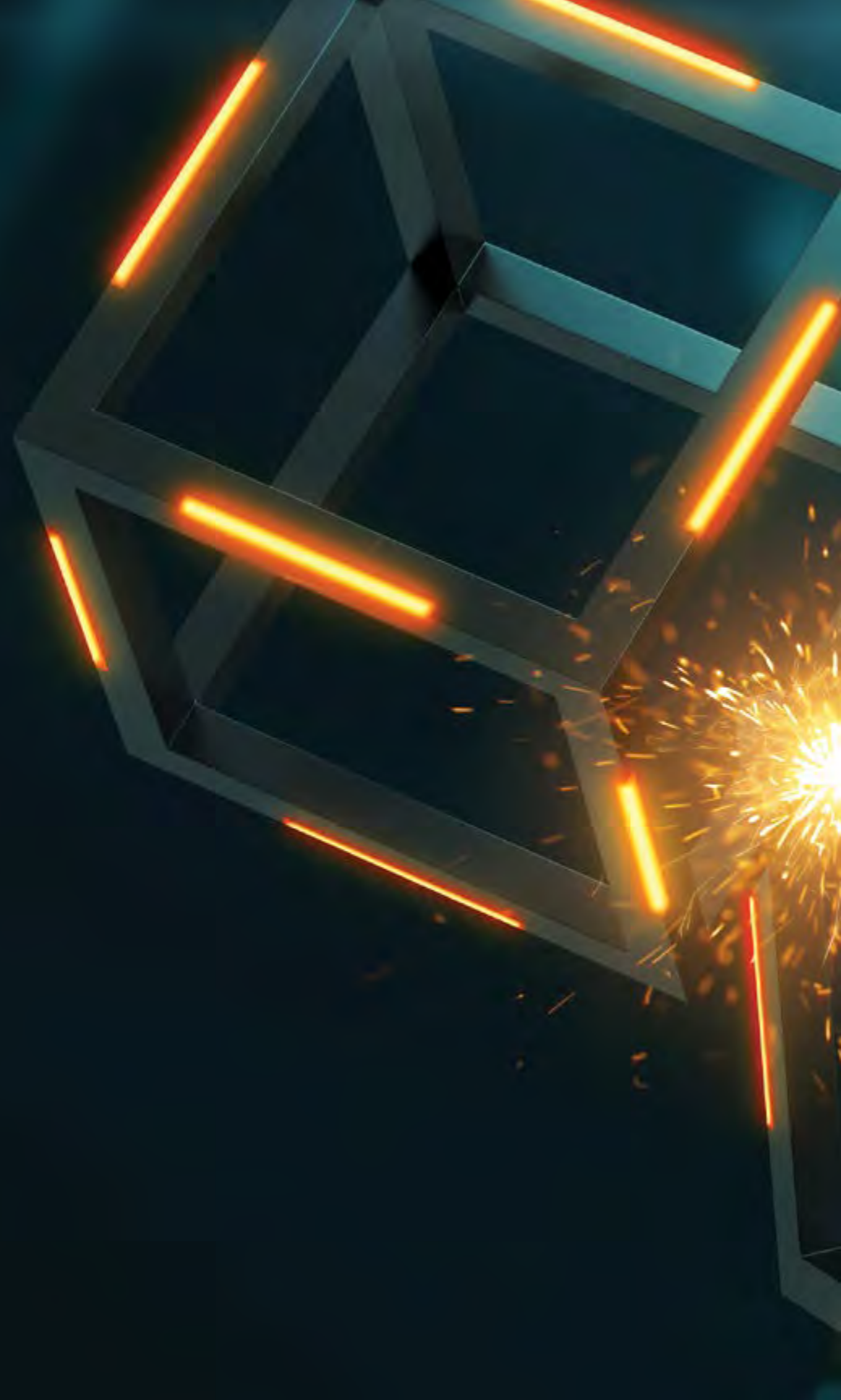
Credo

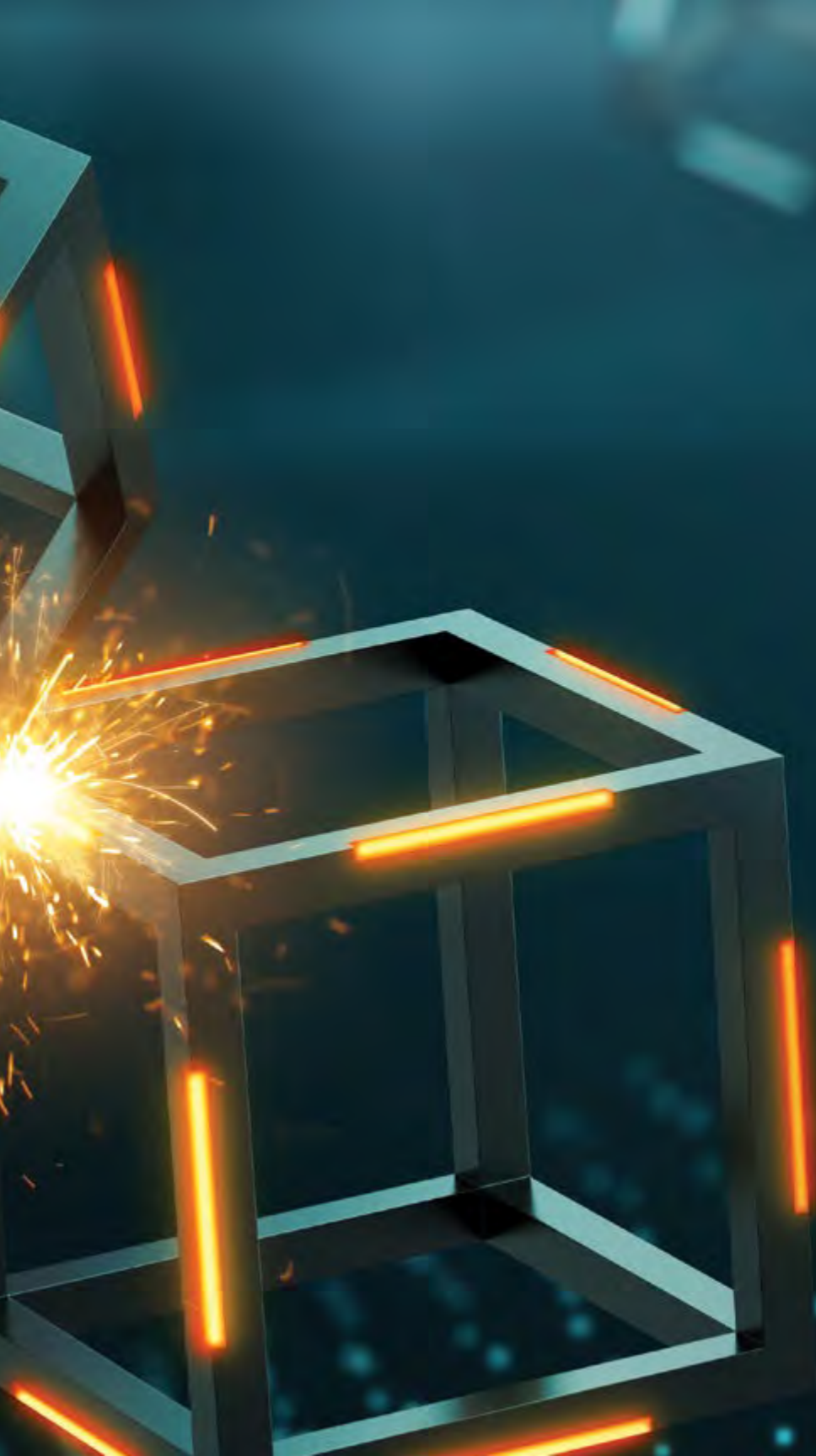
We are a dynamic and caring team of bold, agile and engaged experts committed to make the difference for our stakeholders by creating meaningful experiences, innovative services and solutions.

Vision

To become one of the top three universal banks in the Philippines by building a bank of enduring greatness

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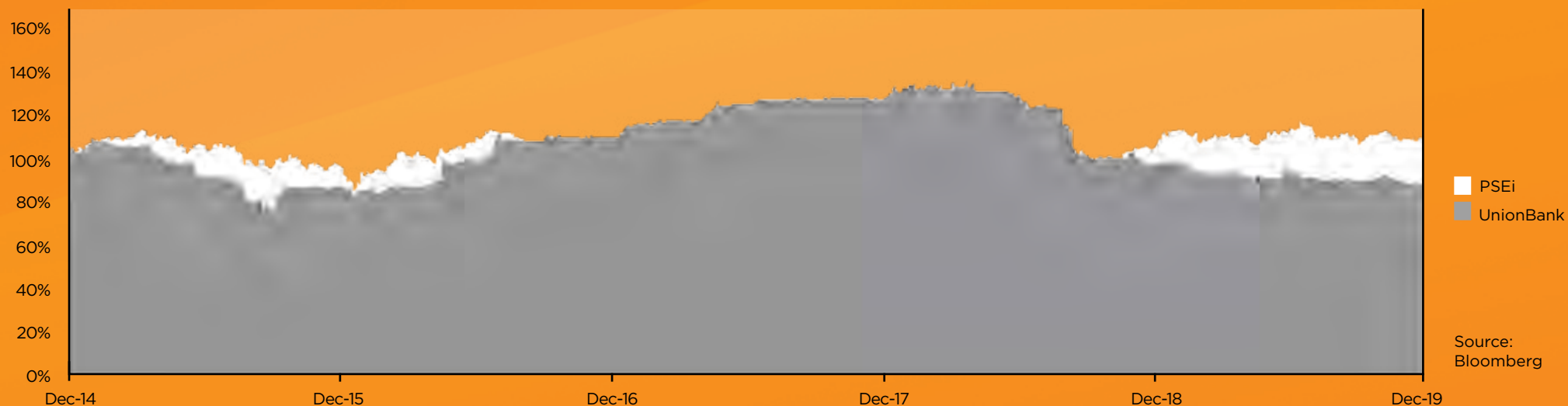
in Php Bn, except ratios and per share data

	Consolidated		Parent Bank	
	2019	2018	2019	2018
Profitability				
Total Net Interest Income	22.3	20.0	16.6	14.2
Total Non-Interest Income	14.3	5.5	14.4	6.8
Total Operating Income	36.7	25.5	31.0	21.0
Allowance for Credit Losses	1.9	0.9	1.5	0.8
Total Operating Income after Allowance for Credit Losses	34.8	24.6	29.5	20.2
Total Other Expenses	20.3	16.7	15.6	13.2
Net Income Before Tax	14.5	7.9	13.9	7.0
Income Tax Expense	0.5	1.0	-0.1	0.2
Net Income	14.0	6.9	14.0	6.8
Balance Sheet				
Liquid Assets	156.2	82.4	147.3	74.8
Trading & Investment Securities	175.2	218.3	175.1	218.2
Loans & Receivables, Net	393.4	326.2	332.9	258.4
Other Assets	46.0	42.7	52.2	46.7
Total Assets	770.8	669.5	707.6	598.2
Deposits	484.3	420.7	439.0	380.7
Other Liabilities	188.4	162.1	170.7	130.9
Total Liabilities	672.8	582.8	609.6	511.6
Total Equity	98.0	86.7	98.0	86.6

in Php Bn, except ratios and per share data

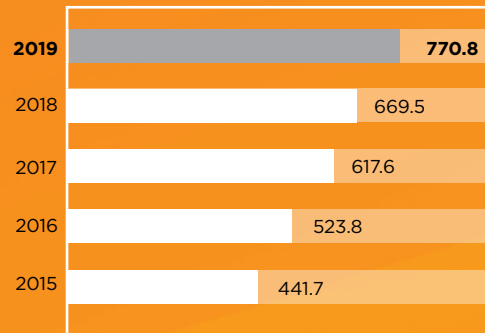
	Consolidated		Parent Bank	
	2019	2018	2019	2018
Selected Ratios				
Return on Average Equity	15.3%	8.8%	15.3%	8.7%
Return on Average Assets	1.9%	1.1%	2.2%	1.2%
CET1 Capital Ratio	13.2%	12.7%	12.7%	12.7%
Tier1 Capital Ratio	13.2%	12.7%	12.7%	12.7%
Capital Adequacy Ratio	15.3%	15.2%	15.0%	15.6%
Per Common Share Data				
Cash Dividends*			3.50	1.90
Earnings:				
Basic	11.5	6.3	11.5	6.2
Diluted	11.5	6.3	11.5	6.2
Book Value	80.1	78.5	80.5	78.8
<i>*Earned for the year but declared and paid the following year</i>				
Others				
Headcount				
Officers			2,578	2,586
Staff			741	797

**UNIONBANK AND PSEI REBASED STOCK PERFORMANCE
(BASE: 2014 LAST TRADING DATE)**

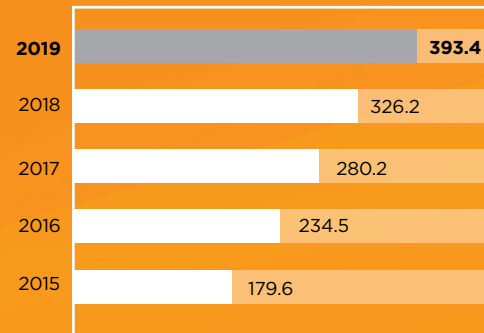


Five-Year Financial Highlights

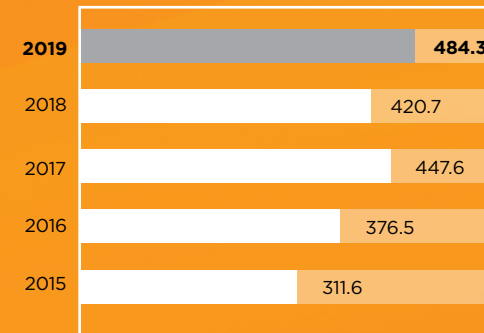
Total Resources



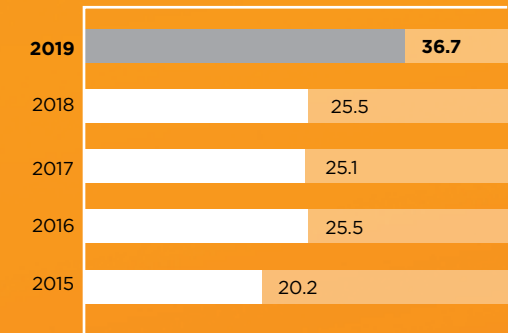
Total Loans



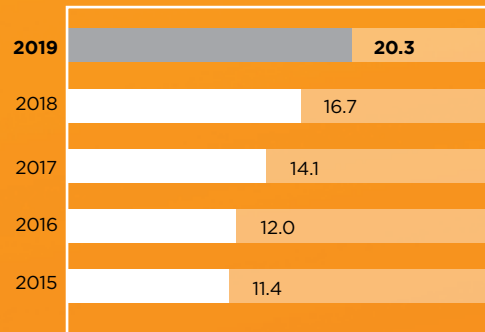
Total Deposits



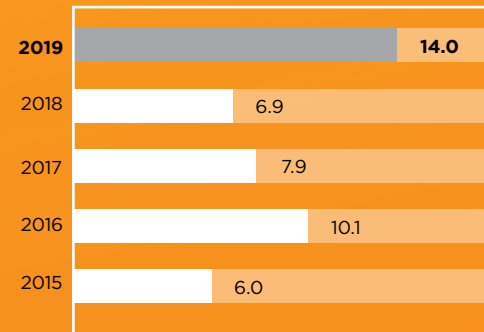
Net Revenues



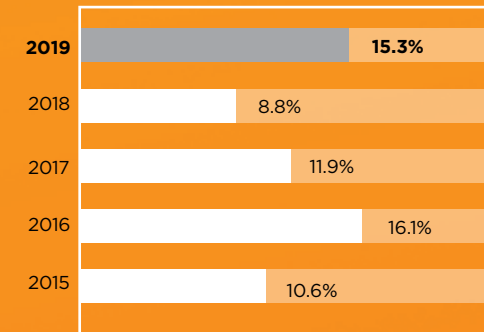
Operating Expenses



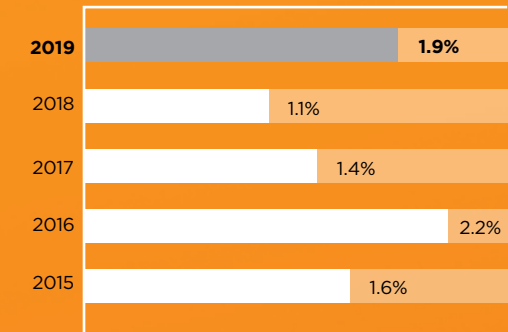
Net Income



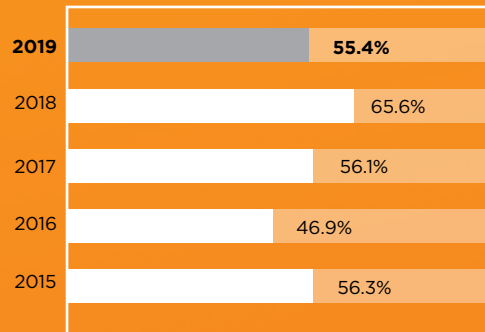
Return on Equity



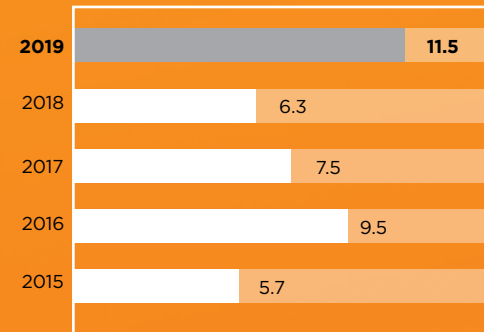
Return on Assets



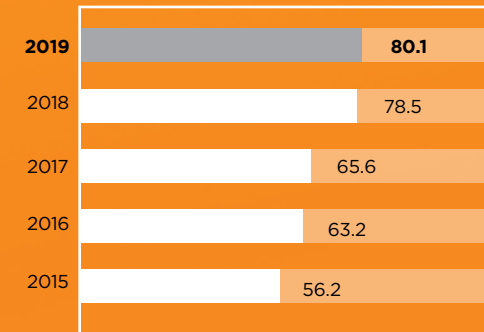
Cost-to-Income Ratio



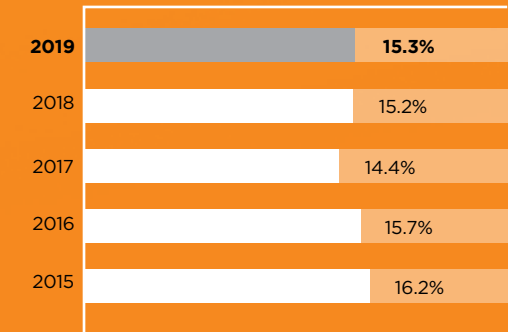
Earnings per Share



Book Value per Share



Total Capital Adequacy Ratio



TO DARE GREATLY

Dr. Justo A. Ortiz
Chairman



Let me share a quote of Teddy Roosevelt. It is who we are: “The Man in the Arena” – “It is not the critic who counts; not the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat”.

The rapid acceleration of technology, the rise of new business models, and the evolution of customer expectations pose great threats to incumbents that choose to remain in status quo. A Boston Consulting Group study of 35,000 publicly-listed companies calculated an average corporate life of 35 years, while Innosight has forecasted that S&P 500 companies will shrink their lifespans to 12 years by 2027. And with the emergence of global market catalysts (e.g. natural disasters, pandemics, wars, etc.), we can expect this to happen at even faster rates. The exception are companies that innovate, have a purpose, and reinvent themselves.

Often, the choice to operate “as-is” is driven by cognitive biases – “If it ain’t broke, don’t fix it”. At UnionBank, we choose instead to “dare greatly” focused on our vision, confident in ourselves, and anchored on our purpose.

The Three Megatrends

As we navigate through the 4th Industrial Revolution, we are building our business model cognizant of certain megatrends, which our strategic scenario planning has identified as opportunities only if we “dare greatly”:

1. Deconstruction of the Firm

Small companies today are getting even more competitive than large corporations, as they have access to global-scale narrowly-focused outsourced services in platforms hosted in the cloud. As such, they are not burdened by large fixed costs

Often, the choice to operate “as-is” is driven by cognitive biases – “If it ain’t broke, don’t fix it”. At UnionBank, we choose instead to “dare greatly” focused on our vision, confident in ourselves, and anchored on our purpose.

from labor and investments. This provides them scalability on demand and agility to generate relevant customer experiences in short time frame sprints, in contrast to integrated vertical command and control corporate structures.

2. Hyper-Personalization at Scale

In contrast to economies of scale organized around mass production techniques, in the future, our business model needs to allow customers to hyper-personalize the product or service they consume. This is now possible with the rise of platforms with do-it-yourself functionalities, open application programming interfaces (APIs), software development kits (SDKs), and other development tools that enable enterprises and individuals to build solutions tailored to their own specific purpose or pain points. The rise

of these self-service tools not only manifests a move towards a hyper-personalized world, but also fuels exponential innovation at unprecedented speed and ease which makes it impossible for corporations who are not agile to keep up.

3. Collaborative Commons

The new economic order could be characterized by the devolution of market powers towards individuals and enterprises who turn themselves into both consumers and producers of goods and services within a shared platform.

The emergence of data-driven and artificial intelligence-powered apps and platforms, acting as resource aggregators, along with the distributed and collaborative nature of the Internet will help facilitate this economic order. Airbnb grew to be the largest hotel chain without owning

any real estate; Grab and Uber as the largest taxi companies without owning any vehicles; Amazon and Alibaba as the most valuable retailers without owning any inventory; and YouTube, Instagram, and Facebook as the top media platforms which own zero content. As tech-driven enterprises continue to embed themselves in our everyday lives, this list will simply go on and eventually, this shared economy could evolve into decentralized autonomous organizations.

Technology Company Also A Bank

UnionBank committed itself to a transformation journey to reinvent its business model in time with the emergence of the above megatrends.

UnionBank’s transformation is not a momentary shift, nor is it about technology alone. It is a multi-faceted engagement harmonizing the personal purpose of each UnionBanker with the purpose of the enterprise.

As we embrace uncertainty and prepare ourselves for the promise of the coming age, we are guided by the constancy of our purpose: To elevate lives. To fulfill dreams. To enable communities through Smart Banking in the spirit of Ubuntu.

- **Culture: Values-based, Purpose-led**

Building a customer-centric culture and living it is a critical component of prospering in the long term. We need to know who we are and why we do what we do. This is our ethos as UnionBank and UnionBankers, and this is what our customers engage with, not just our products and services.

- **Strategy: Aiming for a moonshot**

Aim 10x not 10%; Customer segments of one! Being confronted with seemingly impossible, big, bold and audacious goals pushes us to think beyond our present, and constantly be at the frontier of the future. Collaboration is a key component to attaining this.

- **Space: From Physical to Virtual**

Customer experience is the value proposition of any business. The minimum hygiene is 24/7 availability, 6-sigma reliability, real-time fulfillment, safe and secure. This is the foundation to evolving into self-service personalization and co-creation with customers through a wide variety of development tools and interfaces, only achievable in virtual space.

- **Processes: Being “Digital to the Core”**

Fulfilling the moonshot and bringing our customers to the virtual space cannot happen profitably without being “digital to the core”. Further, with the advent of internet of things and artificial intelligence, for us to deliver the personalized

experience demanded by each and every customer, we need to develop contextual and cognitive insights to pre-empt their needs and wants. The gathering, storing, accessing, and insighting of financial and non-financial data within a data governance framework is only meaningful if all interfaces with platforms and apps and interactions with the customer are in digital form.

- **Ubuntu: Building symbiotic convergence**

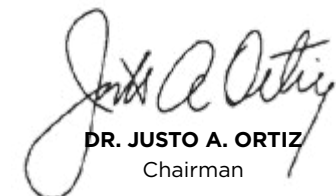
There are immense benefits that can come from large networks, shared resources, distributed risk, well-governed rich data sets, and healthy exchange of ideas. Symbiosis can even exist among competitors in a collaborative commons to deliver unique solutions and superior experiences to customers.

- **People: Agile**

Co-creating products and services, unique solutions, and specific personalized features in a customer-centric organization at the speed required to be competitive cannot be achieved in a command and control, siloed, vertical structure. We need empowered, self-organizing, and multi-functional squads in an agile organization to resiliently and quickly respond in a high-volume, high-frequency, and high-variety co-creative process.

As we embrace uncertainty and prepare ourselves for the promise of the coming age, we are guided by the constancy of our purpose: To elevate lives. To fulfill dreams. To enable communities through Smart Banking in the spirit of Ubuntu. And we will persist to co-create innovations for a better world knowing that it is our customers who will ultimately chart our path forward. Indeed, The Future Begins With U.

Let us once more renew our commitment to UnionBank. Our Bank. Our Future.



DR. JUSTO A. ORTIZ
Chairman



BUSINESS STEADY; DISRUPTION READY

Edwin R. Bautista

President & CEO

2020 Digital Banker of the Year - Asia Pacific

The Asset Triple A Digital Awards 2019



A

Record Year

2019 was a banner year for UnionBank! The Bank delivered an all-time high net income of Php14.0 billion, more than double of 2018's earnings of Php6.9 billion.

The Bank's superior performance resulted in above-industry return on equity of 15.3% and return on assets of 1.9%. This also translated to an impressive cash dividend payout of Php3.50 per share, up by 84% from last year's Php1.90 per share. This increased the shareholders' dividend yield to 6.1% from the previous year's 3.0%.

Revenues jumped by 44% to Php36.7 billion. Key factors drove revenue growth: robust loan expansion in key business segments, quick margin recovery, higher fee income, and strong trading gains.

The Bank's credit portfolio grew by 21% year-on-year (YoY) to Php393.4 billion, propelled by the growth of SME banking loans (up 40%), credit card receivables (up 35%), consumer loans (up 31%), and middle-market/commercial loans (up 16%).

Fee income were up by 24% to Php2.0 billion due to higher transactions volumes across the Parent Bank and subsidiaries, while trading gains grew by 6.1x, further boosting the Bank's bottomline.



Digital Works

In 2019, the Bank continued to reap significant benefits from its digital strategy in terms of customer acquisition and operational efficiency.

Case in point: We onboarded close to 1.3 million customers due to the combined efforts of our digitally equipped salesforce in the Bank's retail, commercial, and corporate segments, as well as the agile teams behind our digital touchpoints (e.g. UnionBank Online, The Portal, etc.). Majority of acquired customers were retail in nature coming from our carded communities such as SSS, GSIS, Pag-IBIG, and corporate payroll.

2019 was also the first year that the Parent Bank kept core operating expenses (i.e. expenses without impact of key acquisitions) flat. Automation and re-engineering of back, middle, and front-end processes allowed the Bank to scale up. At the same time, these enabled us to deliver superior customer experiences without incurring proportionate costs. We sustained our focus on profitability even as we continue to invest in our digital initiatives, such as the setup of our new innovation and technology subsidiary UBX.

Our subsidiaries also ended the year on a high note. City Savings Bank (CSB) maintained industry leadership in teachers' salary loans. And it successfully diversified into the motorcycle lending business through its merger with Philippine Resources (PR) Savings Bank. Motorcycle sales already reached 5,000 units in a month by expanding dealer partnerships nationwide. Moreover, CSB introduced several digital projects - Loan Ranger MC for offsite motorcycle origination, Polaris

for sales mapping and leads prioritization, and chatbot Maria to respond to customer queries. These have helped improve its operational efficiency and sales agents' productivity.

UBX also gained much traction in its first year of operations. It already launched three platform startups, namely: i2i, BUX, and SeekCap.

i2i continues to fulfill its goal of connecting Filipinos from far flung areas to the country's main financial network. It already onboarded 53 rural banks with more than 900 branches nationwide onto its blockchain platform. Fund transfer and bills payment features are raking up transactions. Meanwhile, platform enhancements such as cross-border remittance and agency banking solutions are in the works.

UBX also launched BUX, a payment and logistics fulfillment platform for digital merchants burdened with fragmented processing of payments and delivery. BUX unifies all payment channels (e.g. online banking, credit card, over the counter, and cash on delivery), easily integrates them with sellers' websites or chat apps, and handles delivery through its partners. All these facilitate easier, faster, and secure transactions for its customers who are mostly micro to small entrepreneurs.

Lastly, SeekCap was introduced as a lending marketplace that provides affordable financing options to MSMEs. Together with OneConnect, the fintech arm of Ping An (one of the world's top financial institutions), UBX developed SeekCap with an all-digital application and approval process. With the rise of open platforms and systems, the vision is for SeekCap to

onboard partner lenders into the platform so customers can choose the financing solution fit to their needs.

... Even More During Times of Crises

The country has had a rough start in 2020. Following the eruption of Taal Volcano at the start of the year, we again faced a bigger crisis.

The COVID19 pandemic, combined with the Russia-Saudi Arabia oil price war, caused markets to take a risk-off stance. These led to asset price sell-offs across the world in the early weeks of March. Yields of treasury bonds, stock exchanges (e.g. S&P 500 and Dow Jones), and other economic indices (e.g. US and China's manufacturing and services sectors) hit historical lows in a matter of weeks.

On the local front, the rise of COVID19 cases in the country prompted the national government to impose enhanced community quarantine (ECQ) for months. Given the situation, the Department of Labor and Employment (DOLE) advocated for the private and public sector to adopt alternative work arrangements (e.g. work-from-home, rotation of workers, etc.). Ultimately, for still-operational businesses, this meant limited operations. And for non-essential businesses, this entailed temporary closure until the situation improves.

Indeed, the business disruption was not anticipated yet necessary to combat the spread of the disease. It was only timely that the Bank has long prepared itself to ensure continuous delivery of banking services to customers while ensuring the health and welfare of its

employees. Beyond activating its business continuity plan (BCP), it was UnionBank's Digital Transformation strategy that helped curb the adverse impact of the crisis.

Our customers were able to perform financial transactions from the safety of their homes precisely due to the availability and accessibility of our digital channels - UnionBank Online app (for retail) and The Portal (for corporates). Despite some limitations, operations of our cash management platforms were uninterrupted. Key services such as ATMs, debit and credit card systems, and branch operations were also up and running. Furthermore, the Bank waived fees for online fund transfers. And following BSP's directive, we offered payment extensions without late fees for credit cards and various loan products to alleviate the worry and financial burden of our customers in these trying times.

It is important to note that prior to the implementation of the ECQ, UnionBank employees were already running the Bank under a BCP status. Bank operations were business-as-usual even when the split workforce arrangement, complemented by a work-from-home scheme, was carried out. This was made possible because most of the Bank's systems and applications were available on the cloud. For employees, who need access to exclusively internal systems, connection to virtual private networks were provided.

Ever since the Bank's digital upgrade, real-time, accurate, and remote monitoring of key IT components (such data centers,



“2020 marks the year of commercialization and monetization of the Bank’s digital initiatives. After more than 3 years, I think we have a good head start in our digital transformation.”

digital channels, and branch operations) have been made the norm. Connectivity and meeting tools were readily available to employees, enabling them to continue working from the safety of their homes. During the early days of the ECQ, close to 80% of our operations were run by employees offsite and no further disruptions were experienced due to the readiness of our infrastructure, as well as of our people.

Given that majority of our branches and essential units, the Bank stepped in to support our own “frontliners” with the transportation, accommodation, and food assistance that they needed. While we were expecting for a worse turnout, we were surprised by the commitment of our fellow UnionBankers who chose to face the risks and serve our customers. Their engagement and loyalty to the Bank clearly showed, and for this, we are deeply grateful.

It has been a challenging start, but whether in times of crisis or not, UnionBank remains resolute in serving our customers and carrying on with our plans.

Phase 3 – No Longer the Industry’s Best Kept Secret

2020 marks the year of commercialization and monetization of the Bank’s digital initiatives. After more than 3 years, I think we have a good head start in our digital transformation.

The Bank’s transformation resulted in optimal operations, having supported the Bank’s expanding customer base while keeping costs low and ensuring quality banking experiences.

Early 2020, the Bank launched a massive marketing campaign to support its aspiration to scale up. As we have opted not to do traditional advertising before, it was the first time that UnionBank was made visible in mainstream media (broadcast and billboards) on top of its online marketing efforts. The goal was to boost retail and SME customer acquisition via digital channels. This decision was based on a recent Nielsen study, which revealed that customers who use our UnionBank Online appear more satisfied and more

likely to recommend the Bank to others. With this insight, the Bank’s marketing drive specifically highlighted the advantages of using digital channels over traditional branch banking.

#BankTheWayYouLive, the catchphrase used in the Bank’s marketing materials, alludes to how banking should be – convenient, seamless, and tailor-fit to one’s everyday activities. This was how UnionBank redefined banking and this is what the UnionBank Online app aspires to fulfill for its customers.

Our Digital Marketing Team, Customer Experience Team, and Data Analytics Team are working hand-in-hand to address the needs of our customers and, at the same time, optimize the return for our business. Our Data Analytics Team, for instance, will be beefed up with behavioral science capabilities to enrich business actions with insights on customer attitudes towards money or banking services. Leading this front is our recently hired Senior Advisor for Data and Artificial Intelligence Head, David Hardoon, formerly Monetary Authority of Singapore’s first Chief Data Officer and Head of Data Analytics Group. We are convinced that his topnotch expertise and experience in the international space will certainly help streamline the Bank’s data processes, maximize utilization of customers’ data, and ultimately, propel the Bank to greater heights.

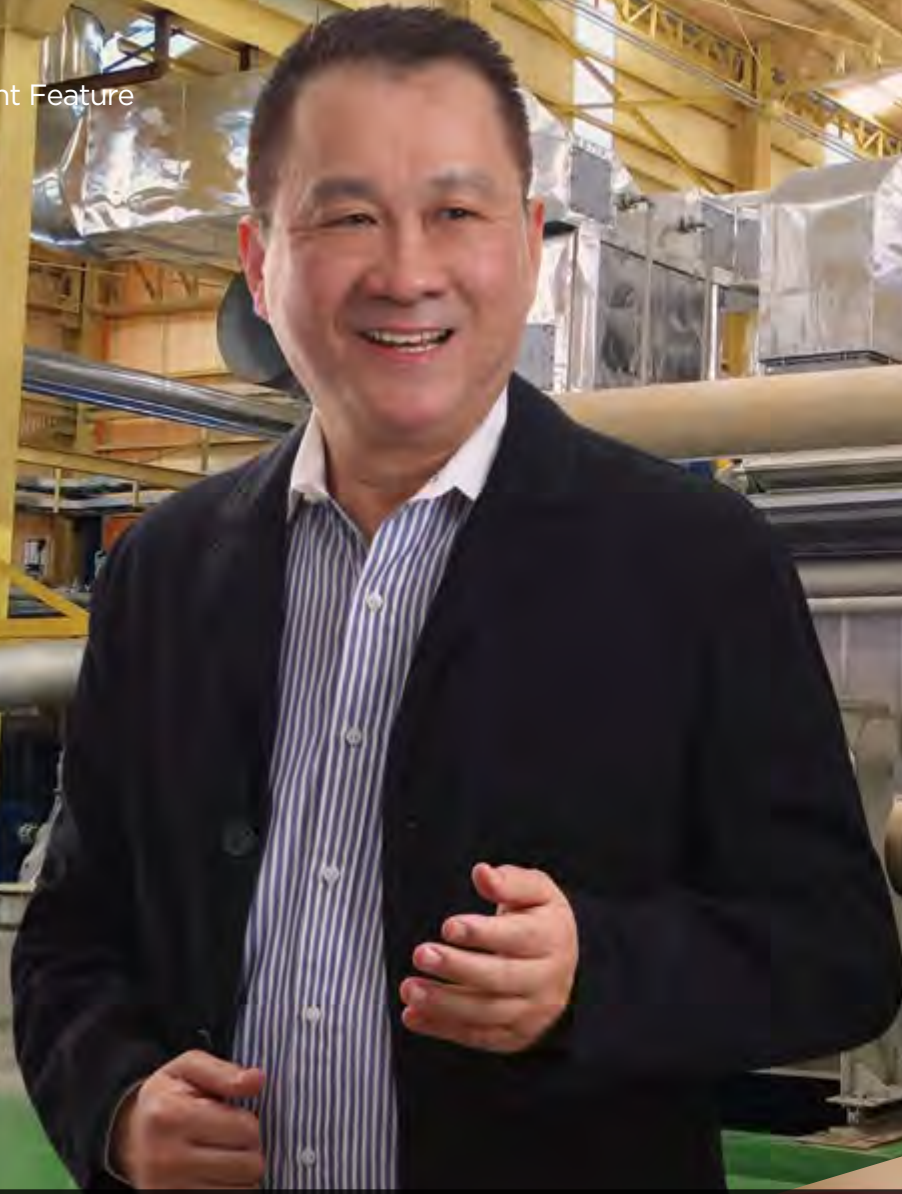
Finally, with the close of the decade, the Bank’s FOCUS 2020 strategy will now advance to FOCUS 2030.

I am confident that synergies of our ABC+D Strategy, led by the Parent Bank (Plan A), UBX (Plan B), CitySavings (Plan C+), and the planned launch of our Digital Mass Market Bank (Plan D), would sustain the Banking Group’s superior performance within and beyond a 10-year horizon.

Our achievements and plans would not have been done without the support of our stakeholders. First and foremost, I would like to take this opportunity to express our appreciation to our Board of Directors for their belief in our vision and continued guidance as we navigate through our desired path. To all UnionBankers, thank you for your hard work and dedication to our purpose. You carried on amidst difficult circumstances – the Bank likewise remains committed to you, our employees. Finally, I would like to thank our customers, partners, and shareholders for their continued patronage through all these years. It is for you that we are powering The Future of Banking. And with your support, we will achieve this. The Future Begins with U.



EDWIN R. BAUTISTA
President & CEO



THE POWER OF VISION

Alfred Y. Huang
President, Bataan 2020



The newspaper you read, the notebook you use to write, the textbook your child brings to school, the brown packing boxes you see in grocery stores, the computer forms at your office, the table napkins in restaurants, and the tissue paper at home in all likelihood came from a Bataan 2020 plant.

The company is the leading manufacturer of fine quality paper, board, and tissue in the Philippines. It operates paper mills in Samal, Bataan and Baesa, Quezon City, producing 100,000 metric tons of paper every year.

Its products include newsprint, white printing and writing paper, uncoated wood-free paper, recycled paper, brown packaging paper, test liner, corrugating medium, and tissue. Its clients include newspaper and textbook publishers, tabulating stock forms manufacturers, paper converters, corrugators, and tissue converters.

In fact, it is the largest tissue manufacturer in the Philippines. “The ones in the supermarkets – except for the imports – are

mostly ours. All the tissue converters here all buy from us,” notes Alfred Huang, President of Bataan 2020.

And it’s not just paper and tissue. Bataan 2020 has grown to include businesses in renewable power generation and chemical manufacturing. Alfred shares, “From 2000, it has expanded so much, from just one machine in Samal, we have three more tissue machines, two power plants, a sodium silicate production plant, and converting facilities. Now, we have an ice plant that we are looking to turn into another business.”

Pulp and paper

All these, however, started 20 years ago with a defunct paper mill. An industry pioneer that started in 1956, the plant unfortunately shut down in 1997. Alfred, who by now has been in the paper business for 40 years, seized the opportunity to revive Bataan Pulp & Paper Mills. “For the last 20 years, it has been proven that picking up the pieces was rewarding,” Alfred says.

Together with his partners – the Rufinos and the Prietos– Alfred acquired the plant and established Bataan 2020. “The term “20/20 vision” is used to describe good visual clarity and sharpness, which was the inspiration to our name and what we do,” he explains.

Diversification

That vision proved to be a key to its success. “When we started up 20 years ago, a considerable production output came from newsprint,” Alfred shares. In contrast today, the company hardly runs any significant volume of newsprint.

In 2003, the corporation revived the operations of an affiliate in Baesa Paper Resources, Inc, a 2.3-hectare paper mill in Baesa, Quezon City. This allowed it to diversify into uncoated wood free paper under its printing and writing grades and paper bag for renewable packaging.

True to its name, the company foresaw the coming disruption of digitalization. “We anticipated where the market was heading. We all know that paper is a challenging industry, so we looked for opportunities to diversify.” Alfred explains. And it’s not just expanding into other paper grades. It’s expanding beyond this. “Paper is a commodity,” he notes. “That’s why we were the first to diversify into packaging and tissue making.”

In 2006, Bataan 2020 acquired a modern tissue-making machine to form its tissue product line. It also built a tissue converting facility to support its existing clients through tolling production.

The corporation also went into producing earth-friendly brown tissue being used across the food

industry. “We’re the first to produce brown tissue in this country. It’s safe to say that almost all the brown tissues you see in this country are from us,” Alfred notes.

It is going further into packaging with the acquisition of a board machine, which will be used for producing white top boxes. From 100,000 metric tons, Alfred says, “We’re going to double that capacity pretty soon.”

Steam and ash

Being in the paper industry, Bataan 2020 is committed to its environmental responsibilities. For example, the company sources its virgin pulp fibers from sustainably managed forest plantations. It actively buys and recycles used and discarded paper, cartons, and other recyclable paper-based products.

To address the pollution caused by the use of bunker fuel in generating the steam necessary to dry its paper produce, Bataan 2020 invested in three low-pressure steam generating facilities fueled by nothing more than biomass in the form of rice hull, a readily available waste product. “We’re the first to go into biomass boilers early in 2005,” Alfred explains.

In 2006, Bataan 2020 began recycling sludge and ash waste residues from its production lines to form sodium silicate.

Alfred says, “With our ash, we found a use for going into sodium silicate, a very diverse chemical that we sell to clients in the food, soap, ceramic, and paper industries.

Two years later, to complete its independence from fossil fuel as a source of its energy requirements, Bataan 2020 built a 12.5MW combined generator (cogen) power plant powered by rice hull. “We were the first to earn carbon credit as brokered by ADB and later, we decided to sell all our power to the grid,” Alfred shares. In 2018, it built another biomass cogen power plant at its 70-hectare Bataan plant, doubling its capacity in anticipation of the company’s expansion.

From its ethically sourced raw materials, innovative re-use of waste to create new products, to the production of its own power and steam through renewable biofuels, Bataan 2020 has proven as forward-looking in its sustainability efforts as in its business diversification.

Indeed, Bataan 2020 is always ahead of the game. Alfred points out, “Being a commodity product, the first to read the tea leaves is very important.”



BRIDGING ISLANDS, DRIVING GROWTH

Allan Alfon
President and General Manager,
Cebu Cordova Link Expressway
Corporation (CCLEC)





Carmageddon. This is what traffic feels like every day in Cebu. For years, Cebuanos have been suffering from road congestion and traffic gridlock. Every day, businesses and individuals in the province lose P1.1 billion due to traffic jams, according to a Japan International Cooperation Agency (JICA) study.

Certainly, Cebu has been a victim of its own success. It has always been an economic powerhouse, but recent years have seen Cebu's rise as one of the fastest growing economies in the country, driven by real estate, outsourcing, and tourism. Its infrastructure, unfortunately, has not kept up.

For one, it needs more roads and skyways. And one of Cebu's biggest problems is that its two existing bridges are already heavily congested. A third bridge is badly needed.

"There is a critical need to address the worsening traffic conditions in the two existing bridge connections of Mactan Island and mainland Cebu," says Allan Alfon, President and General Manager of Cebu Cordova Link Expressway Corporation (CCLEC).

The company was formed in 2016 to undertake the Cebu-Cordova Link Expressway (CCLEX) Project as a joint venture between Metro Pacific Tollways Corporation (MPTC) and the local government units of the City of Cebu and the Municipality of Cordova.

Track record

If there is one company that can build and operate a world-class bridge, it's MPTC, the largest toll road developer and operator in the Philippines. "In the construction of this massive infrastructure project, CCLEC is backed by the vast experience and strong management capability of the Metro Pacific Tollways Group," Allan notes.

He adds, "It is the vision of MPTC to connect the Philippines by developing world-class and high-quality road networks and infrastructure projects around the country." The MPTC is behind big-ticket projects such as the North Luzon Expressway (NLEX), Subic-Clark-Tarlac Expressway (SCTEX), Cavite Expressway (CAVITEX), the Cavite-Laguna Expressway (CALAX), and the NLEX Connector. It has also expanded in other ASEAN countries such as Thailand, Vietnam, and Indonesia.

"The CCLEX project is MPTC's response to the public demand to fast track Cebu's transport infrastructure," Allan says. It is, in fact, MPTC's first venture to the fast-growing Visayas region. "This is seen as a beginning in creating and building more toll roads in high-growth areas outside of Luzon," Allan shares.

Ultimate expressway experience

Operated as a toll expressway, the 8.5-kilometer CCLEX will have two lanes in each direction and 51-meter navigational clearance for shipping traffic. With its design speed of 80 kilometers per hour, CCLEX is expected to serve at least 50,000 vehicles daily.

As with other successful projects of MPTC, motorists in Cebu can expect well-maintained roads and patrol personnel that will provide road assistance. For CCLEX, Allan explains they made sure they selected the "best people and contractors who will be working with us for the construction of this massive project."

CCLEC awarded the "Design and Build" contract for the project to Cebu Link Joint Venture (CLJV) composed of renowned and experienced international and local companies. CLJV is a consortium of Spanish company Acciona Construccion S.A. and Filipino companies First Balfour, and D. M. Consunji Inc. CCLEC also engaged the services of COWI A/S of Denmark with the Philippines' DCCD Engineering Corporation, as its sub-consultant, to be the project's technical advisor/owner's engineer. Norconsult, a Norwegian consultancy firm, was also tapped as the project's independent consultant.

The P30 billion toll expressway boasts of high-tech features, such as an improved RFID system that will lead to higher and more efficient lane throughput, weigh-in-motion sensors that will detect overloaded vehicles, and IP-based speed detection

cameras and HD CCTVs that will cover the entire expressway for traffic monitoring and incident detection.

It will also have service facilities such as gasoline stations, retail outlets, convenience stores, restaurants as well as security, medical, and maintenance centers to ensure the safety and comfort of motorists.

CCLEX will indeed provide the ultimate expressway experience for Cebuanos.

More than traffic decongestion

Beyond easing the traffic woes of Cebuanos, CCLEX is expected to open greater economic opportunities for Cebu and the rest of the Visayan region. Allan expounds, "The toll facility will complement Mactan-Cebu International Airport's global competitiveness, support growth and expansion of Cebu export processing zones, and promote Cebu's tourism destinations."

In fact, Allan adds, "CCLEX is also seen to become a new landmark in the country and a source of pride of the Cebuanos." It is envisioned to become one of the tourist attractions in the Visayas region.

Its iconic structure's design is highlighted by a cross that will be lighted on four sides at night, symbolizing Cebu's significant role as the cradle of Catholic devotion. "The completion of CCLEX is timed with the quincentenary or the 500th anniversary

of the birth of Christianity in the Philippines," Allan shares.

The road ahead

Certainly, the pressure is on for CCLEC. "We have a tight delivery and completion date, given the clamor of the public and stakeholders to finish this project on time because of Cebu's worsening traffic problem," Allan says. "On top of that, there is the pressure to deliver the project within budget, so we must apply the best construction management plans."

Civil works began mid-2018 and the project is scheduled for completion in 2021. Currently, it has already passed the halfway mark.

He expresses high confidence given that CCLEC has "a strong multi-disciplined technical and management team with international and local expertise." And with more than 2,000 workers fielded for the project, Allan also acknowledges the importance in having a highly engaged workforce to continuously push for process and technology innovation, build its people's capability, and develop values-centered culture in the work environment.

And with MPTC's track record in developing world-class and high-quality road networks and infrastructure projects around the country, Allan guarantees, "We will enable the riding public to have a better, safer, and faster experience on the road. We will provide the ultimate mobility experience to our customers."



THE INGREDIENTS OF SUCCESS

Gerry Apolinario
Founder, Gerry's Restaurant & Bar



At one table are a group of millennials hanging out mid-shift. At another are grandparents dining out with their family. Beside them is a family celebrating their baby's baptism. At the far corner are some executives destressing with a few beers. And nearby is a table of *balikbayans* being treated out by friends. All in one place. At Gerry's Restaurant and Bar.

"Although we have a core market, we appeal to everybody," notes Gerry Apolinario, founder of the restaurant chain that bears his name. And it's true. You probably go to a bar after office for some beers, eat out at a Japanese place to celebrate a family occasion, have a quick lunch at a fast food chain, and host relatives or friends from abroad at a touristy Filipino restaurant. But you can go to Gerry's for any occasion.

It's easy to know why. Filipino food is comfort food. And Gerry's offers all the classics. How can you resist *inahaw na pusit*, *sisig*, and crispy *pata*, Gerry's trio of all-time favorites? And that's just for starters.

A turn of events

Surprisingly, Gerry never planned to put up a restaurant. "It was supposed to be a bar with good food," he explains. The original concept was a place for professionals and managers to hang out after office hours for a few beers and good chow. Their early customers did come for the beer but they went back for the food. "What happened was quickly into the operations, some two to three months, they brought their families with them, and before you know it, it became a family restaurant."

You have to give credit to Gerry for that. Most of the items in the menu are from his original recipes. In college and in his 20s, whenever Gerry and his friends hit the beach, he was always the designated cook. With *Kapampangan* roots - known for their culinary skills - and raised by a mom who cooks well, Gerry developed his cooking talent early on. He also frequented various restaurants, so he was exposed to all sorts of great cuisine. In his late 20s, while running their family business, he figured he can make a little money out of the food business.

In 1997, on Valentine's Day, he opened Gerry's Grill in a corner lot in Tomas Morato, to instant success. "We opened at 5:30, by 6:00 we were packed," he recalls. And for the next 10 years as the restaurant grew to five branches, at the height of the grill-themed restaurant

"I enjoy what I do. This is my life, I cook for people, I meet people. It's something that I will never get tired of. That's what keeps me going. That's why I don't actually feel like I'm working. I feel like I'm just doing what I love doing. I'm doing my passion."

popularity, there was always a long line at Gerry's.

Rapid growth

More than two decades and 130 branches later, the rebranded Gerry's Restaurant and Bar is still going on strong. There's a Gerry's all over the Philippines. In 2006, the company expanded to the US, where it now has four branches, and later to Singapore, Qatar, and the UAE, countries where there is a predominant Filipino community.

"We wouldn't have expanded without UnionBank," Gerry shares. He explains that for fast-growing companies like his, the opportunities are larger and faster to come than cash flow. "Let's say you have 10 branches, but you have the opportunity to open 50 because the market wants you, where will you get the funds? UnionBank was there," he says.

Gerry plans to continue its international expansion with a focus on the US. He's particularly excited about a new concept launched in San Francisco called Avenida, a modern Filipino restaurant with a nod to the art deco look of old Manila, back in the days of Avenida, Rizal. Targeting a different demographic, it became a huge hit among non-Filipinos and the tech community.

Secret sauce

Despite the cutthroat competition in the restaurant industry, Gerry's has continued to thrive. Even with ever-changing tastes and fads,

customers still flock to Gerry's. In the end, it's quality and consistency that matter. "There's no secret formula for a restaurant. Just good food, good service, and good ambiance at a good price," Gerry explains.

And while sticking to the classics and staying consistent is key, Gerry's also has to keep innovating. "We are constantly coming up with new recipes," he shares. "And, of course," he adds, "we have transformed our look four times already." He shares they're rolling out a fresh, new design that will be the look for all branches for the next decade.

If there's any secret sauce to the success of Gerry's, it's Gerry himself. "The big difference is I personally cook. I'm involved. I started it all and I'm still part of the team that develops the menu. I spend some time in the office doing the business, but majority of my time is spent in the kitchen because that's where the quality control is."

After 23 years, he doesn't feel burnout. Quite the opposite, he's just as passionate now as on the day he launched Gerry's. He shares, "I enjoy what I do. This is my life, I cook for people, I meet people. It's something that I will never get tired of. That's what keeps me going. That's why I don't actually feel like I'm working. I feel like I'm just doing what I love doing. I'm doing my passion."



YOUR BUSINESS ATM SERVING YOUR AT-THE-MOMENT NEEDS

Jaskaran Singh
Founder and CEO, JK Capital



You could call Jaskaran Singh a new breed of small business lender: Indian in descent,

American in education, and Filipino in spirit. The young founder and CEO of JK Capital, who holds a business administration major in finance degree from the University of Florida, would fit right in Wall Street. But he chose to pursue, as he shares, “an interest in developing country credit opportunities.”

That was in 2014, fresh from graduation and after growing up in the US for 24 years. Jaskaran knew he wanted to work in finance. During a summer stint as an analyst for J.P. Morgan, he saw how relatively effective financial services worked. “The Philippines in particular was familiar to me because I was born here and my family spent 25 years doing business here,” he says.

Jaskaran felt the time was ripe for him to return. The loans market offered enormous opportunities for young, ambitious, and capable financial entrepreneurs like him. “With the developments in applied technologies, improving credit infrastructure,

and pro-market government regulations, it became quite a sizable market opportunity,” Jaskaran points out. He also saw that consumers and companies were moving away from age-old informal lenders to more professional and formal financing companies. “So, after some encouragement from the local players, I decided to take a leap,” he shares.

The need for speed

That’s when he decided to set up a financing company that provides flexible short term, unsecured loans to small businesses, primarily in the wholesale trade, retail, service, construction and food services industries.

JK Capital, however, is not your run-of-the-mill lender. Jaskaran was aware of the huge underserved market of small business owners who do not have access to reliable financing. Those who do have access have to deal with lengthy and trivial loan applications and harsh underwriting practices. “What’s common and traditional in the loans market here,” he explains, “is slow and cumbersome or expensive.”

That’s why Jaskaran made sure that what his company offers is what the market really needs: loans that don’t require a laundry list of requirements and that can be released in seven days or less. “At our company, we continually focus on making speed and access the core value drivers for our loan products,” he explains.

JK Capital currently offers business loans intended for small businesses to finance their inventory purchases, working capital, business expansion, and other cash flow related activities. It also has a rediscounting facility that allows entrepreneurs to discount their customers’ post-dated checks. Check rediscounting, in fact, can be processed in one day.

“By doing this, we act as a business ATM for your at-the-moment (ATM) needs,” Jaskaran says.

Early challenges

Jaskaran understands the needs of small businesses because JK Capital six years ago was also just a startup with its own set of struggles. He shares, “In the beginning, setting up the fully integrated end to end process capabilities in order to give loans was quite challenging, especially when we were a small team.”

His promise of seven-day processing was difficult to execute. He had to learn everything from origination and loan processing to treasury operations and collection management. “You quickly realize why traditional financial institutions like banks weren’t extending loans as widely,” he says. He explains that it didn’t help that borrower data, credit data, payment data, and business data in the Philippines was sparse, the banking system wasn’t as forward with payment systems, and the overall cost structure seemed high.

But after a few cycles of the loan portfolio, JK Capital improved its past due and loss given default rates. “We started to give increasingly better loan approvals after our experiences,” Jaskaran notes. “From there, we really focused on building the right team to scale our loan portfolio,” he adds.

Jaskaran keeps emphasizing the importance of teamwork. Without having the right people handling the right processes, he explains, they would not be effective at managing performing and non-performing loans. “Teamwork makes the dream work,” he sums up.

And it’s not just in the backend; those in the frontlines are just as important. JK Capital has teams dedicated to channel and customer engagement. It makes sure it meets the service agreements expected with channel partners in each of its geographical segments. Jaskaran explains, “In order for us to remain competitive, we have always made it a priority to be the reliable partner to the channels and are providing the best product for them to sell.”

Goal architects

Today, JK Capital has grown to a team of over 100 employees. Aside from its head office in Ortigas, it has branches in Las Pinas, Batangas, Pangasinan, Pampanga, Bulacan, Nueva Ecija, Quezon, and recently opened in Cebu, Cagayan de Oro, and Davao City. It has released a cumulative Php 3 billion in loans

to over 4,000 small businesses. It posted record earnings and high asset quality measures. And yes, it has managed to consistently execute on its guarantee, with an average loan processing turnaround time of 6.5 days.

Jaskaran cautions though against practices that offer 24-hour loan processing. “How sustainable can that be, given the practical data constraints, privacy concerns, low interbank cooperation, and security issues?” He stresses the need to find the risk-adjusted balance in processing time and cost.

And that requires having an integrated value chain that needs to be constantly upgraded, adopting relevant technologies and data that will enable the company to provide cheaper and quicker loans in order to compete. “We ensure the loan processing cycle is run end to end in a smooth manner,” he explains.

Jaskaran is particularly proud that they can provide swift financial solutions to entrepreneurs. “We see ourselves as goal architects, we’re here to help” he says, helping achieve the goals and ambitions of small businesses.



HOT AND FRESH

Vicente L. Gregorio
CEO, Shakey's Pizza Asia Ventures, Inc.



Manager's Choice, Garlic N Cheese, Friday Special, Chicken 'n Mojos, Bunch of Lunch, thin crust, 77-777, SuperCard – they're practically part of our vocabulary. After all, generations of Filipinos grew up on Shakey's. Few restaurants in the Philippines elicit the same kind of loyalty, nostalgia, and yes, craving.

"The brand itself has been well-loved by different generations. We have something for everybody," points out Vicente "Vic" Gregorio, Chief Executive Officer of Shakey's Pizza Asia Ventures Inc. (SPA VI).

There's always a reason for eating at Shakey's. Lunch out with your co-workers? Go to Shakey's. Celebrating a birthday? Party at Shakey's. Having midnight hunger pang? Call Shakey's.

Comfort food, comfort zone

The question is why? Well, there's the savory, comfort food. Vic explains, "We introduced the pizza concept, particularly the thin crust, which is suitable to the Filipino palette because

it is flavorful, unlike other pizzas which are more bread-like."

Plus, the casual dining format is perfect for the communal way of eating for family-oriented and sociable Filipinos. But it's not just the comfort food. Shakey's is also our comfort zone. "You come in, you know what to expect. You know what Manager's Choice is, you know what mojos is," Vic says.

It's all those different parts – the products, the design, the location, the pricing, the promos – that explain its success. "In the end, it's the total experience we have. We provide a Shakey's experience that's distinct," he notes.

Ups and downs

When Shakey's arrived in the Philippines in 1975, it was an instant hit. Founded in Sacramento, California in 1954 by Sherwood "Shakey" Johnson, Shakey's Pizza became popular with families and youth sports groups. Its advertising motto back then was "We serve fun at Shakey's...also pizza".

The local franchise expanded rapidly, but it suffered from one identity crisis to another. First, it evolved into a beer joint with live rock bands and later into a fast food chain. "It was profitable in the beginning, but it strayed away from the wholesome, family concept," Vic recalls. By the late 90s,

Shakey's was in a bind. That's when Vic got the call.

Vic was the perfect choice to turn around Shakey's. He had an engineering background, which means he has the analytical skills needed for re-engineering the operations. He had years of experience launching and managing international franchises, which means he can execute well. And most importantly, he had a strong affinity with Shakey's.

"One advantage I had was I was a product of the brand," Vic shares. He worked as a dishwasher and waiter while waiting to take his board exam in electrical engineering. But his bosses saw his potential and offered to promote him to be a supervisor. Realizing this might be his calling, he took the offer and in less than three years became Shakey's head of operations.

He eventually left to work for another chain, but he always kept an eye on Shakey's. Vic explains, "I already had ideas what to do even before the offer." So when Shakey's hired him back in 2003, he laid down his cards and got the full support of the board.

Fun, Family, Pizza!

"The strategy," Vic explains, "was to bring back the brand closer to its origins, which was a family casual dining restaurant serving pizza at its core." The company rebranded

its logo, redesigned its stores, and relaunched with the tagline "Fun, Family, Pizza!"

Vic also institutionalized a cultural transformation, based on the WOW philosophy. "It's our burning passion to make sure we exceed expectations consistently," he explains. This emanates in all aspects of the business.

As a trained engineer, Vic is obsessed with numbers and data. "We capture and dissect data so we can develop great insights that can be useful for designing programs and products and make the guest experience more delightful."

This obsession over customers and data has translated into numerous innovations. Vic points out, "We offered the first real number hotline, 77-777. We introduced the delivery promise 'If it's late, it's free.' We have SuperCard, now one of the biggest membership cards in the industry."

Sales have skyrocketed since Vic took the helm. And Shakey's continue to churn out new products and programs at a rapid clip. "We can develop a major product from concept to launch in four to five weeks. That kind of dynamism and agility, our very guest-centric approach, has allowed us to stay relevant. That grit, that 'gigil' as we call it,

allows us to move faster than anyone else."

Double digits

The company was acquired in 2016 by the Century Pacific Group and the Singapore-based GIC Private Limited and was listed in the Philippine Stock Exchange with the ticker symbol PIZZA. The IPO gave the company a bigger opportunity to grow faster.

It has since acquired Peri-Peri Charcoal Chicken, bringing the total number of outlets to 282, comprising of 31 Peri-Peri stores and 251 Shakey's, both locally and internationally. With its perpetual rights to put up the Shakey's brand in the Middle East, Asia (excluding Japan and Malaysia), China, Australia, and Oceania, it's poised to grow even more.

"We have had over 16 consecutive years double-digit growth in sales and the bottom line," Vic notes. "It's never been done before. The next milestone is we want to hit 20 years. We will try to extend the run as long as possible. And that has been the story of Shakey's: Better than before, Better than others, Better than expected."



INDUSTRY GAME CHANGER

Rien Hermans
CEO, Singlife



In the family of financial services, insurance can appear to be the slow cousin of banking when it comes to change. It is a slow-paced industry in a fast-changing world. Most insurers are highly conservative, product-centric, and agent-dependent.

In the Philippines, life insurance penetration is a woeful 6% of the insurable market. Premiums are too high, policies are confusing, and products are not very attractive. And customers are subject to a lot of face time with reams of paperwork.

But if there is one industry that understands risk, it is insurance. Digital technology has disrupted many industries, with new players, new business models, and new customer expectations. Insurance is ripe for change.

Enter Singlife.

Cutting edge

Singlife Philippines is the first fully digital life insurance firm in the country. Singlife promises convenience, accessibility, affordability, and transparency. If there is one phrase to describe Singlife, it would be: cutting edge.

With no need to spend hours meeting with agents, clients can just sign up online and get insurance coverage in minutes. They can also access their policy information 24/7 through their mobile phone, tablet, or laptop. And here's the big deal: customers themselves can make changes in their policy on the fly. "Singlife will make it possible to see the status of your insurance policies, deactivate insurance coverages if they are no longer relevant, increase sum insured of a risk that you feel has increased, or put some extra money away for retirement – all by using your mobile device," explains Singlife Philippines CEO Rien Hermans.

In fact, customers can receive real-time quotations as they customize their coverage and policy features, making policies and premiums transparent and easy to understand. Rien notes: "A good analogy is IKEA, where you need to assemble the furniture yourself to get designs at an affordable price; or low-cost airlines, where you conduct self-check-in to fly at lower rates."

And for people who complain about expensive premiums, Singlife offers better coverage protection at a much friendlier price. "By going digital, we can be more efficient, which translates to a better price-to-cost ratio for our clients and allows us to make the products more affordable," Rien says.

He adds, "This efficiency is made possible by asking our customers for their active involvement.

Instead of an advisor helping you find out what you need, we expect you to discover that yourself. Of course, we will help you with tools and tips – packaged in a superior, mobile-centric user experience – to ensure you make the right choice."

The core is the customer

Singlife's business model of cutting out the middleman and selling direct to consumer and giving the consumer tools to customize the product is not only cost-effective. It also gives the customer control.

Rien shares, "We strongly believe that the new generation of clients are much more aware of the responsibility they have to sustain their lifestyles. There is a need to manage your financial future especially when you have loved ones depending on you – and unlike before, many clients would like to be in full control."

Certainly, times have changed. With the explosion in information and the widespread use of digital technologies, customers are better informed and have higher expectations. In the age of mobile and social media, they don't just want things fast, they want it now.

This new generation of consumers is what Singlife Philippines is after. Despite the low adoption of life insurance, the Philippine market has been experiencing significant growth in the sales of new policies of around 15% per year. The penetration rate is expected to double in the medium term, with the bulk coming from an emerging young middle class. This segment is tech-savvy and mobile-first,

used to booking rides and shopping online on their mobile device.

The origin

It is this very insight that led to the birth of Singapore Life Private Ltd. Five years ago, Walter de Oude, a veteran insurance CEO, saw the enormous disparity between the state of digital technology and its actual application in the life insurance industry.

"I met Walter when Singlife was just set up and was impressed by what was built in such a small time. Even more impressive was the vision behind it: creating new value propositions around the financial needs of customers that allow them to unlock the potential of money for everyone," he adds.

Rien himself is a long-time insurance leader, retiring from the top job of the local office of a multinational insurer. So, it was an easy decision for him to lead Singlife Philippines. "Using life insurance to add value to people's lives has been my mission for so long, and always together with the ambition to deliver this in a way that people prefer," he shares.

Singlife Philippines is a joint venture company 65% owned by Singlife with partners Di-Firm and Aboitiz Equity Ventures (AEV) owning 20% and 15%, respectively. With Singlife's fintech expertise and AEV's strategic position across industries, Singlife Philippines is poised to claim its share in the country's life insurance market.

The challenge

The target for Singlife Philippines is to capture half a million clients

in the next five years. It plans to launch its first products by the middle of 2020 through one of its partners, UnionBank. It is a natural choice given not only their common ownership but also their common vision.

Rien explains, "The visions of UnionBank and Singlife for the future of financial services are very much aligned. We both believe in the need to earn the trust of our clients by being reliable partners and to deserve their business giving them the opportunity to interact with us in more satisfying ways."

In the second part of 2020, it is expected to launch its direct to customer proposition. The timing, of course, is a challenging one for the challenger brand. But Rien believes they have the right proposition and the right team: "We are a group of very motivated people, all with relevant experience in different fields and united by the same overarching goal: to create a challenger brand in the financial services industry that differentiates itself by offering better value and a better experience to the growing set of new clients who want to manage, grow, and protect their money."

And perhaps, this is also the right time, as the heightened risk in our "new normal" necessitates a higher need for risk protection. As Rien shares, "This common purpose is what makes us work the extra mile. Volcanoes, typhoons, and now a global pandemic just make us more steadfast in our belief that life insurance should be available and affordable for all."



RISING STRONG

Iñigo Golingay, Jr.
President and CEO, South Pacific Inc.

Arnel Ty
Founder, South Pacific Inc.





When it comes to energy, liquefied petroleum gas (LPG) is giving diesel and gasoline a run for their money. The World LPG Association (WLPGA) reports that strong economic growth, limited natural gas infrastructure in most areas, and energy security issues present a strong opportunity for LPG.

And despite the slowdown in the global economy due to the worldwide health crisis, the future remains bright for LPG, especially for the Philippines. “LPG remains a staple in the kitchens of many Filipino families, considered a basic necessity,” says Iñigo “Jun” Golingay, Jr., President of South Pacific Inc., a fast-growing oil industry player.

Growing demand for electricity will require LPG power generation deployment in the short and medium terms. With limited natural gas infrastructure in most parts of the Philippines, the use of LPG as a “bridging” fuel presents a strong opportunity in the next couple of decades.

The Department of Energy shows an upward trend for the LPG market, which now stands at 1.75 million metric tons (MT) per year, from just over 250 thousand MT in the 1990s. LPG grew 10.5%

year-on-year in 2018. In sharp contrast, diesel oil was up by only 5% and gasoline by 2.4%.

Growth mode

As they say, a rising tide lifts all boats. With a booming LPG industry, all players benefit. This partly explains the success of South Pacific Inc. (SPI), a 100% Filipino-owned company engaged in the downstream business of the LPG industry. It also owns and operates the largest import terminal and LPG storage in the Philippines.

SPI supplies LPG and services clients across Luzon with refilling plants in the National Capital Region, Region 1, Region 3, and Region 4A. It has a terminal in Calaca, Batangas and in San Simon, Pampanga.

When it started its commercial operations in October 25, 2015, SPI had three surface-mounted storage at a combined capacity of 6,000 metric tons (MT). Today, it has a total of 11 fully commissioned and operational surface-mounted storage with a total of 22,000 MT capacity.

Clearly, the company is on aggressive expansion mode. It has also been buying up LPG ISO tanks (bulk LPG) and LPG vessels to transport them to and from its Calaca Terminal as well as to small islands in Visayas and Mindanao. In 2018, it expanded operations in the Visayas, starting in Cebu. Currently, it operates and maintains its terminals in Mandaue, Cebu, with 2x1,000 MT storage capacity.

“SPI considers 2019 as our banner year. Compared to previous year, we have surpassed our sales volume by 45% and gross margin by 128%,” Jun shares.

Fast rise

From a bit player with 3% of market share in 2015 to over 16% by the first half of 2019, SPI is now among the top three in the industry, just behind leaders Petron and Liguiaz. Beyond industry-wide growth and the company’s aggressive expansion, what else explains SPI’s phenomenal ascent in less than five years?

Jun attributes the remarkable growth of the company to several factors. For one, SPI runs the biggest storage facility in the country, giving it the advantage of the lowest importation costs. And that is passed on as lower selling prices to its wholesale customers.

The company is also committed to continuously provide quality LPG products. Recently, it signed up Wanhua Chemical Group as its supplier to ensure security of supply. The Wanhua Group is known for product quality, responsiveness, and sustainability.

“SPI not only assures importing and supplying quality products, but we also understand the need of our customers for a faster turnaround time. We have addressed this by having more supply gantries to load their LPG trucks,” Jun explains.

“Furthermore, we manage and operate our own fleet of LPG trucks that delivers products to our customers. This is more advantageous for them because they don’t have to invest in additional trucks, relieving them from worries over pilferage,” he adds.

As a wholesale business, customer relationship is crucial

to success. SPI boasts of a strong marketing team that works closely with its customers to address their individual requirements. Jun notes, “SPI’s vision is to be the leader in gas industry by exceeding customer needs with the highest standards of safety and quality.”

It is this combination of quality products, low price, reliability of supply, fast turnaround, and customer service that has catapulted SPI.

Powerhouse team

Certainly, Jun deserves a lot of credit for SPI’s success. Starting out as an engineer in the oil industry, Jun has climbed up the ranks where he developed a reputation as a turnaround expert. He pioneered the use of LPG, or autogas, in the Philippines to replace our heavy reliance on gasoline and diesel.

In 2015, Phoenix Petroleum and Republic Gas Corporation tapped him to launch and lead their joint venture SPI from scratch. And with SPI’s current success story, it is obvious that he not only delivered well, he delivered fast.

Jun, on the other hand, attributes the company’s success to his team: “One of the most important factors that led to our success are our employees. I have always believed in the power of teamwork and was able to form a strong management team.”

But none of these smart, strategic investments and large-scale business expansion would have been possible without a strong financial backbone. “SPI is composed of powerhouse stakeholders,

which made our company what it is today,” Jun points out.

The Ty family of Isabela has been in the LPG business since 2008, then targeting Region 2, or Cagayan Valley, as its main market. Jun says, “We are guided by the vision of our founder, Mr. Arnel U. Ty and strong policies set by our Board of Directors led by our Chairman, Mr. Dennis Uy.”

SPI is also backed by Calaca Industrial Seaport Corp. (CISC) which owns and developed the industrial park where the Calaca Terminal is located. CISC is a subsidiary of Udenna Group, the fast-growing conglomerate of young taipan Dennis Uy. Udenna also owns Phoenix Petroleum, FamilyMart, Chelsea, 2GO, Enderun Colleges, Wendy’s Philippines, Clark Global City, among many others.

Upward and onward

There is no stopping SPI’s rapid rise. With its presence in Luzon already well established, it sees its future growth in the small islands throughout the archipelago. SPI plans to build five more terminals in the southern Philippines. It is more challenging in terms of logistics, but Jun believes running its own fleet and focusing on customer relationships are key.

At the rate the company is growing, it would not be a surprise if SPI finds itself soon in the industry’s top two. Jun ends, “SPI commits to continuously provide quality LPG products and render the most efficient service to our customers aligned to our vision of working for a triple bottomline benefiting our business, the community, and our country.”



THE GLASS GIANT

Paul Vincent Go
President, TQMP Glass Manufacturing Corp.



Paul Vincent Go was born to be an entrepreneur. The eldest son of hard-working owners of an aluminum factory in Valenzuela, he was immersed in the world of business from an early age. While his grade school classmates were all playing sports or vacationing abroad, Paul already knew how to hustle and grind.

"I started business when I was nine years old, selling undershirts and t-shirts to our employees," he shares. He sold rice, watches, anything he can get into. At 10, he was already delivering aluminum to his father's customers. Paul recalls, "While I was studying, during the weekends, I helped out in the family business. During summer, I worked full time."

When he asked his father why some people are richer than others, his advice was that Paul should think of ways to be better than everyone else. "He said if everyone's working from eight to five, if I wanted to do better, I had to work harder," he shares.

Big dreams

By the time Paul reached senior year in high school, he already had accumulated his proverbial

10,000 hours of deliberate practice – selling, distributing, earning, planning, dealing with people – all the critical skills of a successful entrepreneur.

His father, whose business has already grown by then, gave him the idea to open a glass and aluminum store to sell to end users. And so, Paul opened a showroom in MC Home Depot in Ortigas.

And by the time he graduated from high school in 1998, Paul set up his own glass trading company, TQMP Marketing, with an initial capital of P1 million. As glass and aluminum are complementary products, it was a natural spinoff from his father's aluminum business.

While in college, "My class schedule was irregular because I had to take care of my business. I wanted to prove that I can do both," Paul shares.

Challenges and success

And he did. After college, Paul got married in 2004, crediting his wife as his key partner in the business. Three years after, they started their glass importation company. It was no walk in the park. Paul narrates, "When I started, I had a hard time. At that time, exporters abroad laughed at us because of our low volume."

He may be a small-time player then, but that didn't deter him. He did what he has always done: work harder than everyone else. He shares, "My wife and I are hard working. When we started, we actually slept in the plant."

"For someone who used to sell shirts and deliver aluminum as a small kid, Paul has definitely gone a long way. All that hard work has paid off."

No one is laughing now. In less than five years, the company was among the top five players in glass importations. Paul shares with pride, "We're now known worldwide in importing glass."

With his well-established local distribution network, Paul set his eyes on the big prize: glass manufacturing.

From Asahi to Pioneer

By then, there was only one glass manufacturing in operation in the Philippines. And it was in dire straits. AGC Flat Glass Philippines, Inc., a wholly owned unit of Asahi Glass of Japan, the world's leader in glass manufacturing, was looking to sell.

The facility is in a sprawling 28-hectare property in Pasig

with a daily production capacity of 500 tons per day. Glass manufacturing is a natural fit for TQMP's glass processing business. For Paul, bigger dreams mean harder work. But it will be all worth it.

"In 2015, we started negotiations with Asahi. After approval in 2017, we acquired it in 2018," Paul narrates, recalling the grueling back-and-forth negotiations. The newly acquired company was renamed Pioneer Float Glass Manufacturing Inc., a nod to its status as an industry pioneer, having been operating in the country for over 60 years.

The transition was a bit like walking on broken glass. Paul recalls all the hardship he went through: "When I acquired the plant, I was sleeping for only two to three hours, and that was for a year. I was only 37 at that time, and I acquired a 60-year old company, so it was a huge challenge."

The plant's 800 employees, however, saw his dedication and perseverance. He dismantled the old hierarchy, allowing employees to go straight to him for any problem, which he resolved right away. And Paul treated them as partners. "They became an asset, not a liability. I told them to treat this business as if it's their own," he explains.

No one was laid off when he took over, and yet he was able to cut operating costs by 30 percent within two years.

They also liked Paul's hands-on approach. He can often be found on the factory floor, checking on production quality and interacting with workers down to the lowest ranks, just like when he was a little kid at his father's aluminum factory.

Soon, the company underwent a big cultural transformation among the employees. Paul says, "They used to be part of a strong union. Now, it's non-unionized and everyone helps each other out. You can see them taking their own initiative; we don't have to hover over them."

Bigger than ever

Despite being a neophyte in glass manufacturing, Paul has proven yet again that he can make it big with sheer determination and business acumen. Even the Japanese from Asahi were impressed for how he has turned around the operations in a short period of time.

With the booming economy, TQMP can ride the rising tide. The group of companies, along with Pioneer Float Glass Manufacturing, is a one-stop-shop for glass products. For someone who used to sell shirts and deliver aluminum as a small kid, Paul has definitely gone a long way. All that hard work has paid off. And from being a small fry, TQMP has now become a giant in the glass industry.

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A woman with long dark hair, wearing a blue and white striped sweater, is looking down at a tablet computer she is holding. She is smiling slightly. The background is a server room with rows of server racks illuminated by warm, yellowish light. The overall mood is professional and modern.

THE NEW DIGITAL BANK



Self-driving cars, drones, artificial intelligence, machine learning, robotics, automation, augmented reality, virtual reality, facial recognition, virtual assistants, 3D printing, wearables, DNA sequencing, materials engineering, genetic engineering, synthetic biology, nanomaterials, Internet of Things, cloud computing, quantum computing, blockchain, cryptocurrencies -- welcome to the Fourth Industrial Revolution.

Coined by Klaus Schwab, founder and executive chairman of the World Economic Forum, the Fourth Industrial Revolution is not just another technological revolution but one that is unprecedented in its scale, scope, and speed.

The First Industrial Revolution mechanized production and was powered by steam. The Second led to mass production and used electric power. The Third automated production through semi-conductors, personal computers, and the Internet. The Fourth Industrial Revolution builds on the Third, a digital revolution that blurs the lines between the physical, digital, and biological.

The impact on businesses across all industries is extensive and, for the most part, disruptive. For the banking and finance sector, it is even more pronounced. New fintech startups are shaking up well-entrenched legacy players. More and more consumers are getting loans

from their mobile phones, demanding customer service from their social media accounts, investing their money via apps, transferring funds using digital wallets and cryptocurrencies, and discovering new products and booking services through online platforms.

They want their customer experience easy, convenient, and fast. They expect personalization, interconnection, and contextualization. For those who can't or won't give what their customers want, there's a hungrier competitor waiting to eat their lunch. For companies, the choice is clear: digitize or die.

UnionBank is no stranger to revolutions. It is one of the pioneers and leaders of the Third Industrial Revolution of the late 90s and early 2000s, having launched the first bank website, first online banking, and first digital savings account, and having dominated electronic corporate cash management services.

And now that we are in the Fourth Industrial Revolution, UnionBank doubled down and went all-in. It was not just about launching new digital and electronic bank products. It was about changing the very concept of banking. UnionBank, in short, is fast reinventing itself from a bank with technology capabilities into a tech company that is embedding banking in platforms and experiences designed to integrate seamlessly in the customer's lifestyle.

Since 2016, it has upskilled its workforce, embraced the agile methodology, refreshed its brand, spun off a tech startup, collaborated with fintechs, automated its processes, pioneered blockchain applications, integrated robotics and AI, launched new platforms, built fully digital branches, embedded products into ecosystems, replaced its old products, and introduced its own tokenized currency, all with the flurry and ferocity of a financial institution in a hurry to power the future of banking.

There is no other bank in the Philippines that has done this relentless, unwavering digital transformation. There is no other local bank that is more prepared to thrive in this brand new world. In fact, there is no bank more advanced and better positioned in the Fourth Industrial Revolution as UnionBank.

FROM BRICK TO CLICK

Banking is as old as time, well at least as old as the ancient civilizations of Greece, Rome, Egypt, and Mesopotamia. Modern banking evolved in London in the 17th century. And the next three centuries saw the introduction of bank notes, cheques, overdrafts, credit cards, central banks, deposit insurance, ATMs, phone banking, and Internet banking. As for brick-and-mortar branches? They're still so 14th century.

Sure, branches look very modern with machines, computers, and CCTVs. But the basic functions of the branch – and branch tellers – are still the same: taking orders. Whether accepting deposits, processing withdrawals, collecting payments, or filling out money transfers, nothing much has changed.

Until now.

Future-forward banks all over the world are changing the face of the bank branch. In the Philippines, UnionBank is leading the charge.

Since 2017, the Bank has been giving branch banking – and in a wider sense, retail banking – an extreme makeover. From fully digital branches to omnichannel banking to customer service robots, UnionBank is transforming retail banking from the inside out.

For the first time ever, customers who choose not to set foot at a branch can actually do so. They can open accounts, make check deposits, transfer funds, pay bills, and apply for loans from their mobile phone.

And as for branch tellers, UnionBank has transformed them into branch ambassadors, guiding customers into using digital channels and offering more complex advisory services.

Teller-less digital banks, fully digital transactions, chatbots, virtual assistants? Now, that's the future of banking.

UnionBank Online: Best-in-Class Digital Banking



You love booking rooms on Airbnb, getting rides on Grab, listening to music on Spotify, watching movies on Netflix, reading news on Flipboard, chatting on Messenger, navigating on Waze, and banking on...

Well, remember those days when you had to go to the branch to apply for an online banking account and then wait for days to get activated? When there was not much to do but check your deposit account balance, transfer funds within the same bank, and pay a few bills? When you had to individually enroll billers yourself? When the features on the website are different from those on the app? When you had to be put on hold for several minutes

on the phone just to re-activate your account access after getting locked out?

Let's face it: the first generation of online banking, whether it's on a website or an app, was a pain. The interface was clunky, the functionalities were limited, and the customer experience, or CX, was a hassle.

Not just the first but the best

As an industry trailblazer, UnionBank was the first to launch online banking in the Philippines with unionbankph.com, the first to offer an electronic savings bank account with EON, and one of the first to roll out a mobile banking app with UMobile.

But UnionBank doesn't just settle for being the pioneer in tech-enabled banking services, it sets out to be the leader. In 2017, it launched the all-new UnionBank Online, a truly convergent banking platform designed for an omni-user experience. Simply put, customers can access and manage their UnionBank accounts with just one online profile across any touchpoint or device, and have access to practically all the same features for both the website and the app.

The online and mobile banking platform was developed from scratch with the goal of empowering retail customers to do mobile-first, self-service banking. All while offering a seamless, engaging, and delightful customer experience that can rival the CX standard of apps such as Airbnb, Grab, and the like. It's more like a fintech app such as Mint or Robinhood in its look and feel than a stodgy bank app.

And instead of waiting for years to launch a "perfect" product, UnionBank set out to create Minimum Viable Product (MVP) that was rolled out in just six months. But minimum didn't mean barebones. The initial launch already included a bevy of features.

And since 2018 and 2019, UnionBank kept iterating in a flurry – adding more useful functions, making the system more stable and secure, and further improving the customer experience. Now, many of the transactions you can do at the branch you can now do through the app. Among local banks, UnionBank Online is no doubt, a cut above the rest.



Sign-Up

- **Digital Account Opening:** UnionBank is the first local bank to enable new customers to open an account through its mobile banking app. Download the app, fill up the form, upload an image of your ID, take a selfie, indicate your Visa debit card's delivery address and your account is opened!
- **Account Funding:** Fund your new account through mobile check deposit. Just take a picture of your check and wait for it to be cleared and credited to your account! No need to go to the branch to deposit.
- **Self-Service Sign-Up:** Sign-up using your existing UnionBank ATM/debit card, account number, credit card number, loan account number, or UITF account. Authenticated with an OTP sent to your registered email or

mobile number. No need to call the bank to sign-up for mobile or online banking.

- **New Accounts Options:** No UnionBank account yet? Just choose from four options: personal savings account, GetGo credit card, Savings Plus, or PlayEveryday.

Login & Authentication

- **Single Sign-On:** Use the same credentials to login on the mobile banking app and online banking.
- **Multi-Factor Authentication:** Your access is secured by something you know (user ID and password), something you have (SMS OTP or in-app OTP) and something you are (biometrics).
- **Biometrics Authentication:** Login using your mobile phone's fingerprint sensor or Face ID.
- **Self-Service Account Recovery:** No need to call the bank to remember your user ID, reset your password, or unblock your access.

Account Management

- **Accounts Dashboard:** View your deposit accounts, credit cards, loans and UITF investments.
- **Account Details and Transaction History:** View your transactions, which are updated in real-time, and download your transaction history for the past 12 months. View your credit card account's available limit, amount due, due date, and statements of account for the last 12 months.

- **Quick Balance:** View your balances without logging using the mobile app or your Apple Watch.

Digital Deposits

- **Depositing Checks:** Take a photo of your UnionBank check with the app, wait for it to clear in two hours, and have it credited right after. You can do this anytime of the week. No need to go to the branch to deposit it!
- **Other Banks:** For checks from other banks, you can do the same process, but it will be cleared with the current clearing house process.

Transfer Funds

- **Sending Money:** Transfer to your own accounts, to other UnionBank accounts, and to any local banks, without any enrolment or going to the branch.

- **InstaPay & PesoNet:** Transfer instantly to other banks through InstaPay and free fund transfers to other banks via PesoNet.
- **Dollar Transfers:** You can do US dollar transfers to other local USD bank accounts via PDDTS.
- **Scheduling:** Schedule future-dated or recurring fund transfers.
- **Saving Recipients:** Save frequently used beneficiaries of your transfers. No need to remember or input account names and numbers every single time.

Bills Payment

- **Paying Bills:** Pay any of 300 billers and counting; including utilities, telcos, etc. without calling the bank or visiting the branch to enroll your billers.
- **Scheduling:** Schedule future-dated or recurring bills payments so you won't miss your due dates.

All your accounts in one-place

Easily accessible on your dashboard





Send Money for Free to any Bank via PESONet

No enrollment necessary

- **Saving Billers:** Save the details of your billers so there's no need to remember or input them again.
- **Bar Code Scanner:** Pay certain utilities like MERALCO easily by scanning the bar code on the statement of account. No need to input the long alphanumeric customer account number.

Prepaid Top-up

- **Buying Prepaid Load:** Top-up your Globe, TM, Sun or Smart prepaid mobile instantly!
- **Saving Mobile Numbers:** Save your prepaid mobile numbers for future top-ups.

Savings Goals

- **Creating Goals:** Want to save for a vacation, a new gadget, or your wedding? Set up a goal and track your savings progress.
- **Automatic Savings:** Have up to three goals funded automatically from your bank account.

Peer-to-Peer Payments

- **Payment Requests:** Send payment requests to other UnionBank Online customers by simply asking for their mobile phone number.
- **Splitting Bills:** Lunch out with friends? Now, who owes what? And how much? Enter the amount of your total bill, input your share, and request payment from them.
- **Paying with QR Code:** Generate your own QR code in-app code and have your friends scan the QR to pay you. Scan your friend's InstapayQR PH or pay a merchant via QR code.

Personalization

- **Selfie:** Add a selfie to your UnionBank Online profile to make it personalized!
- **Transaction Controls:** Lock or unlock your Visa credit cards and set limits or time restrictions on specific types of transactions – international, domestic, and online.

- **In-App Notifications:** Receive transaction receipts, recommendations, and advisories through in-app notifications.

Branch & ATM Visits

- **Site Location:** Find the closest UnionBank ATM or branch with the built-in locator.
- **Scheduling Branch Visits:** Schedule your over-the-counter branch transactions before visiting a UnionBank branch. Set up your transaction in advance on the app. Not only will you be prioritized in the queue, there are no forms or signatures!

Rewards

- **Loyalty Management System:** Redeem your credit card rewards through the app. No need to call the customer service hotline.

- **View Promos, Discounts, Vouchers:** View ongoing promos and discounts and even receive vouchers from third party merchants.
- **PlayEveryday:** Join the Philippines' first and one-of-a-kind gamified rewards program. Choose an alias and create an avatar for your PlayEveryday profile. Every time you use mobile banking or spend lets you earn points, which help you rise up the ranks and claim your rewards!

Quick Loans Availment

- **Salary Loans:** Avail of quick loans through the app. If pre-approved, you can just apply and get real-time crediting of the proceeds to your payroll account.

Deposit a Check

Take photos of your check. UnionBank checks get cleared in 2 hours!



ARKs, Arklites & UBNKs: From Revolution to Evolution



financial transactions, The ARK has transformed the concept of the branch into a welcoming third place for financial advisory, business meetings, and community events.

The ARK has been recognized as the Best Branch Customer Experience in the Asia-Pacific at the Retail Banker International Customer Experience Financial Services Awards. It was also listed among the Top 14 best bank branch designs in the world by finance website The Financial Brand.

At the end of 2019, there are already more than 40 ARKs spread across the Philippines, proving that Filipinos have widely embraced this new branch concept and gradually changing the way they do their banking.

More branch formats

Aside from ARKs, UnionBank also launched ARKlites in 2018. While ARKs are flagship branches in key locations where meetings and events can also take place, ARKlites are smaller, scaled-down versions of The ARK focused mainly on processing transactions.

Customers in different locations have different needs. UnionBank's goal is to match the branch format to prioritize services relevant to the specific location.

In 2019, the Bank launched UBNKs, which are full self-service digital branches. Located in high-traffic malls, UBNKs are designed for quick, in-and-out transactions like bills payments and cash withdrawals, which don't require human intervention from bank ambassadors. They also follow mall operating hours,

The flood is coming. The flood of digital disruption in the banking industry, that is. Ahead of the curve, UnionBank has embarked on a tsunami of digital initiatives to make sure Filipinos are not left behind.

In 2017, UnionBank launched The ARK, the first-ever fully digital and paperless bank branch in the Philippines. It upended the pain points people suffer through in typical bank branches: no long queues, no paper forms, no excruciating waits. And it became a key channel for shifting and handholding bank customers towards self-service, digital banking.

Instead of tellers, there are ambassadors who serve as bank advisors and digital guides for customers. And from merely being an area for processing

allowing customers to do simple banking transactions on weekends and late into the night.

But they are not glorified ATMs. At UBNK, customers can also open an account without the need to submit any paper documents. They can also make cash and check deposits, withdraw cash, transfer funds, and pay bills.

Although they can be unmanned, at present, there are still UBNK ambassadors to ease customers' transition into digital banking and to answer their questions. And now, UnionBank has introduced ANA, its first ever digital ambassador who can also assist the Bank's customers with inquiries on bank products and banking processes.

artificial intelligence (AI), UnionBank is looking for ways to harness the always on, real-time data coming from multiple devices, which will better predict customer preferences, anticipate their needs, and serve them better.

Far from being disrupted by the digital flood, UnionBank is disrupting its own industry. From ARKs to ARKlites to UBNKs, UnionBank is constantly innovating and evolving, changing the way we look at and use the bank branch forever.



ARK 2.0

Already, UnionBank has rolled out the next generation of its digital branches with ARK 2.0, a smart branch with IoT (Internet of Things)-enabled devices that will leverage on 5G technology, making it the first Philippine bank to do so.

Twenty times faster than other networks available, 5G technology will allow branch employees to connect 32 devices at the same time without sacrificing performance. With faster speed, higher bandwidth, and a more stable Internet connection, 5G enables seamless connectivity with IoT-enabled services.

This will take the branch customer experience to the next level with things like augmented reality and virtual reality on their smart phones. At the same time, by combining 5G and



Rise of the Robots

When you think of robots, you probably think of Rosie the Robot Maid from your childhood cartoon show *The Jetsons*. Or perhaps Arnold Schwarzenegger's cyborg character from the movie franchise *The Terminator*. These are different visions of the future of the world. But when it comes to the future of banking, you can start thinking about Rafa, Eve, and Ana.

Robotics is revolutionizing banking in customer service and backend operations. Think chatbots, virtual tellers, robo-advisors, and yes, actual robots. With UnionBank's new focus on expanding its retail business, customer interactions are expected to scale. Robots allow the Bank to support this surge without bloating its cost of serving customers.

Here's Rafa 2.0

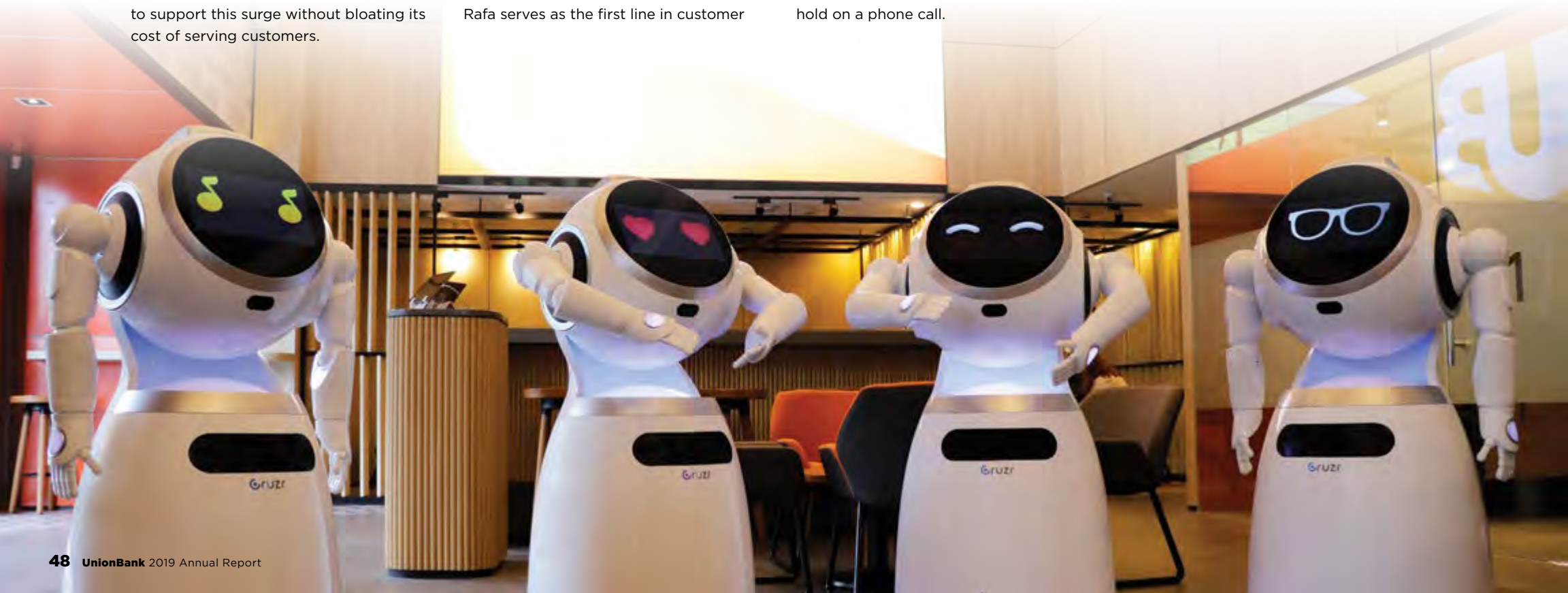
In 2017, UnionBank launched Talk to Rafa, the first chatbot in the Philippines, delivering instant customer service to clients 24 hours a day, 7 days a week, 365 days a year. As Filipinos are the most active social media users in the world, Rafa resides on Facebook Messenger, available on the UnionBank website and Facebook page, ready to answer customer inquiries and concerns instantly and from wherever they are.

It's uncanny because chatting with Rafa feels like talking to a real person. And that's because the Microsoft-AI powered bot uses natural language processing, making the experience conversational.

As a digital customer service officer, Rafa serves as the first line in customer

interactions. Currently, he can assist customers applying for credit cards and loans, check the status of applications and activate credit cards, show deposit and card balances, look for branches and ATMs, file ATM and fund transfer disputes, give out forex rates, and update customer contact details.

Sure, Rafa still can't handle everything. For more sensitive information and complex requests, there's email and private messages as well as call center interactions. But he certainly has made it easier for UnionBank customers to get instant answers to more straightforward questions and faster action on more simple requests, without having to wait for an email reply overnight or being put on hold on a phone call.





Rafa has been on the job for the last three years. Already, he is way more advanced compared to the chatbots of other local banks. Now on version 2.0, he is ready to cover additional tasks based on what customers are looking for. Soon, Rafa will be able to handle more transactions that we call the bank for like reporting unauthorized transactions, requesting for credit card reversals, and more. And he will also get even better in sounding more and more human.

The bot squad

And then, there's Eve. A physical, moving, talking – and yes, singing and dancing – robot (with an attitude). There are, in fact, six Eves spread out in various

ARKs, UnionBank's fully digital branches. Eve works as a robo-ambassador, which means she represents UnionBank as its liaison.

She greets customers and entertains them through song and dance (she is a hit with kids and grownups alike). Eve also guides clients to self-service machines, invites them for coffee, and directs them to human ARK ambassadors.

As an entertainer, Eve will soon be able to expand her entertaining skills from telling jokes, to playing more songs, and adding to her repertoire of dance moves. Beyond all the fun stuff, she also acts as a concierge, touring customers around the branch, directing them to specific machines, and asking them to take a survey.

Eve, however, can't be everywhere. So there's Ana, a virtual assistant in UBNKs, UnionBank's self-service branches manned by just a few human ambassadors. An Amazon Sumerian Host, Ana assists her human counterparts by answering frequently asked questions.

Both still young, they have plenty of potential to do a lot more. Ana and Eve will be programmed to play how-to videos for opening an account or operating a bank machine, list down the bank's products and their features, calculate loan amortizations, and recommend products. They will also soon be able to help clients open a deposit account, apply for a credit card or loan, check the status of applications, activate cards, and convert purchases into in-house installments, among others.

The back end

Beyond a better customer experience, UnionBank is also using robotic process automation (RPA) to automate its processes and data collection, resulting to faster, more efficient, and less error-prone output.

RPA makes use of software robots and artificial intelligence work force programmed to complete repetitive, labor-intensive, large-scale, and low-value tasks. And there are plenty of these processes in banking that can be automated, such as opening applications, copying data, sending emails, etc.

That means that the time, cost, and effort in processing consumer loans, opening new accounts, verifying customer

information, generating compliance reports, and the like are cut drastically. This reduces manual work, freeing bank employees to focus on more complex work and human interaction.

Already, UnionBank has been able to slash certain processing times and processing costs by an astonishing 80 to 90 percent, thus reducing its operating expenses and improving its margins. It can also pass on part of its cost savings by way of lower fees as it grows more in volume.

For UnionBank, the future of banking is happening now. And its robots are already playing a huge part. They can help customers with their concerns, guide clients on their transactions, assist employees to be more productive, and save the Bank a ton of money. And yes, they can also sing and dance.





TECHING UP CORPORATES AND SMEs

Corporate banking has always been UnionBank's strong suit. For decades, it has burnished its reputation as a pioneer and leader in cash management and electronic banking among corporate clients. And it has racked up industry awards for these products year after year.

From collections and payouts to corporate cards and bills payments, UnionBank has tailored solutions to meet the needs of businesses, starting usually from the large corporates and then tapping these clients' own ecosystem of suppliers and dealers, which are mostly SMEs, by extending financing and offering online check writing and bills payment facilities.

By all accounts, the Bank has been reaping the benefits: healthy profits, widespread recognition, and satisfied customers. But instead of letting up, UnionBank doubled down.

For corporates, it launched an all-new business banking website and app that includes all the features of online banking and integrates all its cash management solutions. And it integrated a blockchain-powered financial supply chain system for good measure. It also opened ARK for Business, its fully digital branch for high-volume business transactions and relevant business solutions.

Between large corporations and SMEs, however, UnionBank knew it's the latter that really needs to tech up. That's why the Bank, along with its fintech arm UBX, invested a lot of resources into developing products and platforms so SMEs are not left behind.

It launched SME Business Banking, the SME-friendly version of its online business banking website and app; GlobalLinker, a business networking and e-commerce platform for SMEs; Sentro, a B2B marketplace with a built-in online store builder and payment platform; Bux, an end-to-end e-commerce payment system and fulfillment platform; and SeekCap, a new blockchain-powered SME lending platform.

The launch of these corporate and SME banking products and business platforms is unprecedented, ushering in a new era of digital ready businesses of all sizes.

THE PORTAL: Next Generation CMS

Manage All Your Accounts

Stay up-to-date on all your banking activities and account balances.



When it comes to cash management services for corporates, UnionBank is king. It is the country's pioneer and leading innovator in electronic invoicing, corporate collections, bills payments, payroll cards, checkwriting, funds transfers, government payments, and dealer and supplier financing.

Before, clients just had one or two requirements. But now, as more companies are going cashless and paperless, there is a greater need for a single business banking platform to house all these previously separate systems.

The Portal is UnionBank's all-new business banking website and mobile app that lets corporate clients to view their accounts in one place, transfer funds through multiple channels, pay their bills and taxes, disburse payroll to employees, write checks, and offer financing.

The interface is intuitive, the design is slick, and the functionalities are – at least to people paying bills, preparing payroll, and approving checks– really quite exciting. The Portal is beyond a doubt the best business banking platform in the Philippines. Well, who says business banking has to be boring?

The Portal was designed for a seamless end to end experience, from the time you open an account, use any of the features, up to customer support.

Account Access

- **Single Sign-on.** Enroll all your companies and subsidiaries with a single sign-on. Easily switch between business accounts without having to logout.
- **Secure Log-in.** Access your account with user credentials like username and password, biometrics, and in-app OTP (which lets you generate a one-time PIN from your mobile phone even without a cellular signal).

Account Management

- **Accounts Dashboard.** View your business account balances, transactions, and banking activities in one place.
- **Transaction History.** Download transactions in various formats like .pdf and .xlsx formats.
- **Transaction Details.** See more detailed information for inwards transfers and remittances, so you know who they came from and even for what purpose, making reconciling transactions easy.

Funds Transfers

- **Local Transfers.** Transfer funds from your UnionBank account to another. Transfer to other local banks via PesoNet for free for same or next day processing or InstaPay for instant transfers of up to Php 50,000 for only Php 50.

- **USD Transfers.** Make USD real-time transfers to local banks via PDDTS for only USD 1.
- **International Transfers.** Send funds to any bank account in the world via SWIFT. All the banks worldwide that have SWIFT accounts are on the list. Just select the bank you're remitting to and the system auto-populates the address and the SWIFT code. It removes the inconvenience, cost, and time wasted of going to the branch to make international wire transfers.
- **Scheduling.** Schedule funds transfers for one-time future-dated payments or recurring payments.
- **Payroll.** Transfer salaries to your employees, whether they have a UnionBank account or not.

Bills Payments

- **Paying Bills.** Pay your utilities and other bills in the largest list of billers among all banks in the country.
- **BIR Payments.** Pay your corporate taxes to the Bureau of Internal Revenue (BIR), with its new e-payments facility. Choose the BIR among the list of billers and enter the amount and reference number, just like any other bill.

Approvals

- **Flexible Approval Setup.** Setup your approval process, however simple or complex, whether you have one

approver or multiple approvers. You can set it up based on amount, in sequence, in parallel, and dual or alternate (and/or). No other online business banking app can match this capability.

- **On-the-Go Approvals.** You can approve transactions using the mobile app. Get push notifications like what you get on other apps. Click it and approve the transaction.

API Integration

- **System Integration.** Link your accounting system's API, or application programming interface, so funds transfer and bills payment transactions automatically go straight to The Portal, and vice versa, with approvers just getting a notification to authorize them.

Supply Chain

- **Blockchain-Powered Financial Supply Chain.** The platform has a built-in financial supply chain, powered by blockchain in partnership with IBM. This allows you and your suppliers, customers, and distributors to process your payables and receivables in a distributed ledger technology that is secure, efficient, transparent, and reliable.
- **Supplier Financing.** Whenever you initiate a payment to a supplier in the platform, UnionBank can finance the supplier for the goods or services

that will be provided. Just upload your payables and the Bank can start offering financing to your suppliers.

- **Dealer Financing.** When a dealer buys your goods, the Bank can extend the terms for the dealers, helping improve their cash flow.
- **Easier Reconciliation.** As you can see who has already been paid, this also helps you with reconciliation.

Branch Banking

- **Scheduling Branch Visits.** You can schedule transactions at the branch like deposits through the platform, so you'll be put in the priority queue.
- **Pre-Staging Transactions.** You can set up your transactions ahead in the system and go through the approval process. No need for your messenger to fill out forms.

Facilitate Payments

Manage all your business payments with the most extensive list of government and utility billers.



Tailor-fit Approval Setup

Customize your approval setup to match your business requirements.



UnionBank GlobalLinker: All-in-One MSME Platform



Throw in networking opportunities and business articles like LinkedIn. Mix up sourcing of suppliers like Alibaba. Add e-commerce capabilities like Shopify. And you get UnionBank GlobalLinker, the country's only all-in-one business platform for MSMEs.

Micro, small, and medium enterprises (MSMEs) comprise 99% of all businesses in the Philippines. To connect with other business owners, look for suppliers, find new customers, and get financing, they have to go to a plethora of online directories, social networks, e-commerce platforms, and lending companies.

UnionBank GlobalLinker lets them do all that in one place. The network already boasts of over 270,000 MSMEs in the platform across Southeast Asia. One of them is Audrey's Confectioneries, owned by Audrey Regis.

From banker to entrepreneur

The entrepreneur had been working in the banking industry for two decades. With her son fast growing up, Audrey wanted to spend more time with him. And she felt that starting her own business is the best way for her to do that.

Even though she was in her early forties at that time, Audrey believed it was not too late for her to become an entrepreneur. "I was ripe to start the business. I had enough maturity and exposure to influence major decisions that my business needed," she says.

Audrey decided to sell dried mangoes, something Cebu, her home province, is already known for. But she added a twist: caramel flavor, a personal childhood favorite. Audrey's Confectioneries was born in 2013 and within weeks was selling boxes of her mango caramel products.

Today, her products are sold in department stores and supermarkets such as SM Kultura, SM Snack Exchange, SM Save More, Rustan's, Metro Gaisano, Robinson's, and Waltermart; at various airports, including Manila, Cebu, and Boracay; and retail stores in cities such as Baguio and General Santos.

Audrey's Confectioneries has also added more varieties aside from the original mango caramel, such as chocolate mango caramel, mango caramel cashew, and mango caramel pistachio. She also diversified into making banana chips, with her own take, of course – sweet and salted, thin and crispy.

Global connection

Emboldened by her success in the local market, Aubrey began exporting her flavored dried mangoes. She signed up with GlobalLinker, believing this will help

her find suppliers and customers abroad. “I’m still working towards this dream. UnionBank GlobalLinker is a good start for me to achieve that brand exposure globally,” Audrey shares.

Members can build an online store for free and within minutes with the LINKER store. They have everything they need to start selling online –website creation, custom domain, secure payment gateway, logistics support, inventory management, and data analytics. For many MSMEs without the time, budget, and technical know-how, this is a quick, free, and easy

way to have not just an online presence but an e-commerce store.

The platform is also a valuable place for networking, whether it’s looking for buyers or suppliers, not just in the Philippines but also in other parts of Southeast Asia. Companies are listed by industry, making it easy to find potential customers and partners. “I am able to source suppliers not just from the Philippines but also in Asia,” Aubrey explains.

It even has a calendar tool for scheduling meetings. There is also free storage service called eBriefcase where members can upload Word files, spreadsheets, and slides, which can be shared between users of the platform.

Funding needs

Entrepreneurs on the platform can also avail of special deals and offers that save time, money, and effort. These include discounts on services and pre-negotiated privileges through partners like Sprout Solutions, Taxumo, Xpost, PetNet, HP Print Trader, iStudio, Paperless Trail, Coursera, Kiu, Paynamics, and many more. For MSMEs, anything that can help with their cash flow helps a lot.

Plus, if they need more working capital, address gaps in their cash flow, or expand their business, members can get financing through small business

loans and invoice factoring from Acudeen, Esquire Financing, First Circle, SeedIn, and SeekCap.

Learn and earn

UnionBank GlobalLinker also offers a place for MSMEs to learn about the latest business news and industry trends through news articles, webinars, and events. There are discussion forums where business owners can seek advice, share best practices, and promote their services. “When I need the opinion of other entrepreneurs, I can easily send out questions and other users are nice enough to share their opinions that help me so much in my decisions,” Audrey says.

Since 2018, UnionBank has been sponsoring a delegation of GlobalLinker members to attend Trade Connect in Singapore, where Audrey stood out with her question to a panel of experts. In 2019, she was invited to share her business journey in front of more than 120 delegates from different countries in Asia.

It was a memorable and productive experience for Audrey. “I learned so much from the other speakers from Singapore, India, and Malaysia,” she shares. “Everyone started micro and small, but with enough dedication, determination, and focus, nothing can get in the way of success. You just need to believe in yourself and your products or services.”

With UnionBank GlobalLinker, Audrey is ready to take on the world.



SeekCap: Opening Up a World of Opportunities

Say you're a small business owner. You know cash flow is going to be tight during your lean season. You have receivables you expect to collect in three months while you need to pay your suppliers in 30 days. You need a short-term loan to tide you over. You go to a bank, which then requires a long list of financial documents, some of which you readily have and others need to work on.

Your bank can't tell you soon if it will be approved, let alone when. Meanwhile, you need the cash now.

Welcome to the boot-strapped but often cash-strapped world of micro, small, and medium sized enterprises, or MSMEs. They're called the backbone of the economy, representing more than 99% of all businesses in the Philippines and employing two-thirds of the workforce.

And yet, they get a measly 9% of loans from the banks.

Well, you can't always blame the big banks. Many MSMEs don't have complete or accurate financial statements, a long business track record, and sufficient collateral. Lending to them can be quite a risk. And frankly it's not as cost-efficient to process hundreds of small business loans that are probably the equivalent of one

large corporate client. And yet, MSMEs are the ones that need these loans the most to expand or stay afloat.

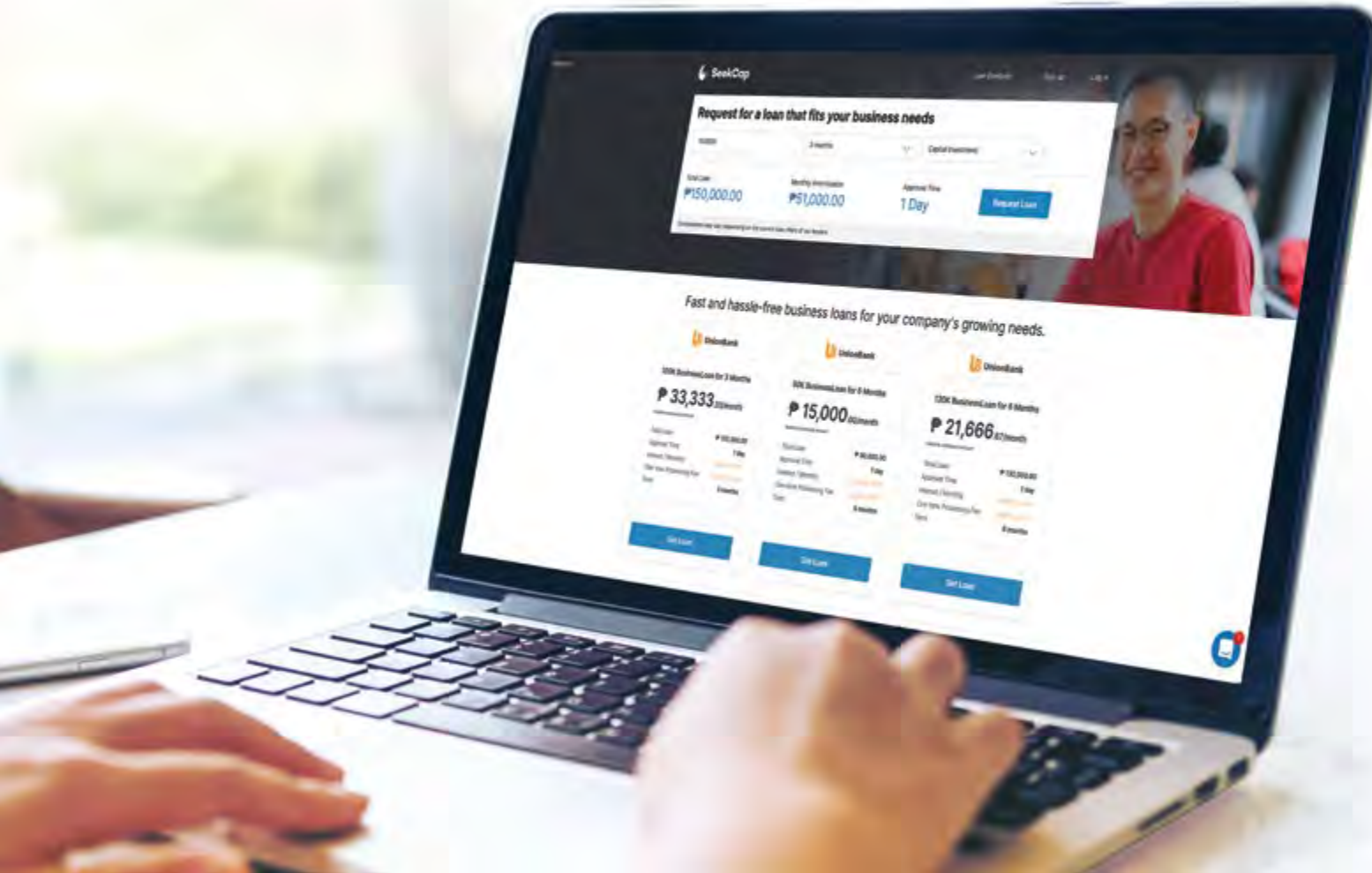
BHAG

So how do you solve this problem? On one hand, you have banks and financing companies that do want to lend to MSMEs but want to limit their exposure to manage the risk. And on the other hand, you have all these MSMEs that need the funds and capital but lack the formal documentary requirements that prove their capacity to pay.

UBX, the fintech subsidiary of UnionBank, likes Big, Hairy, Audacious Goals (BHAGs) like this. And it knows that artificial intelligence, applied to alternative risk models and credit scoring, can solve this kind of problem.

What if there's a way to review a loan application without doing manual credit checks and face-to-face verifications? Or remotely interview an applicant and detect fraud or possible loan default using AI? Or use non-traditional data sources instead of formal financial documents? Or interface with credit bureaus and other fintechs that have their own credit scoring technology to give a more holistic assessment of a borrower?

This technology, in fact, already exists. And this is the foundation for UBX to launch SeekCap, a digital loans marketplace where MSMEs can easily choose loans from a variety of lenders to better manage their cashflow and grow their business.



Connecting with OneConnect

SeekCap is a partnership between UBX and OneConnect Financial Technology Co. Ltd., a leading technology-as-a-service platform for financial institutions. OneConnect is an associate company of Ping An Insurance (Group) Company of China, Ltd., one of the largest financial services companies in the world.

To call SeekCap as cutting-edge is an understatement. It's the first-of-its-kind lending platform for MSMEs in the Philippines.

SeekCap takes advantage of OneConnect's advanced technologies, such as online acceptance and processing of loan applications and eKYC solutions for instant account opening and onboarding. It has built-in anti-fraud and credit risk management engines that uses AI. For instance, its micro-expression technology allows loan officers to remotely interview applicants and detect fraud or possible loan default by analyzing 56 facial muscle movements in real time. This, along with its risk scorecard modeling, will make instant loan approval and disbursement possible.

Using AI, non-traditional data sources, and feedback on actual loan performance, lenders will be able to assess a borrower's credit worthiness. So even without formal financial statements, manual credit checks, and face-to-face verifications, they can minimize credit risk and shorten the

turnaround time for loans processing. So it has become a lot easier, faster, and smarter for lenders to underwrite loans.

A boon for borrowers

For MSMEs, they can just go to SeekCap, browse over loan products on offer (currently loans with tenors of three to six months), and apply online on a single end-to-end platform. After submitting their information, uploading required documents, and being reviewed by the lender, they will receive a

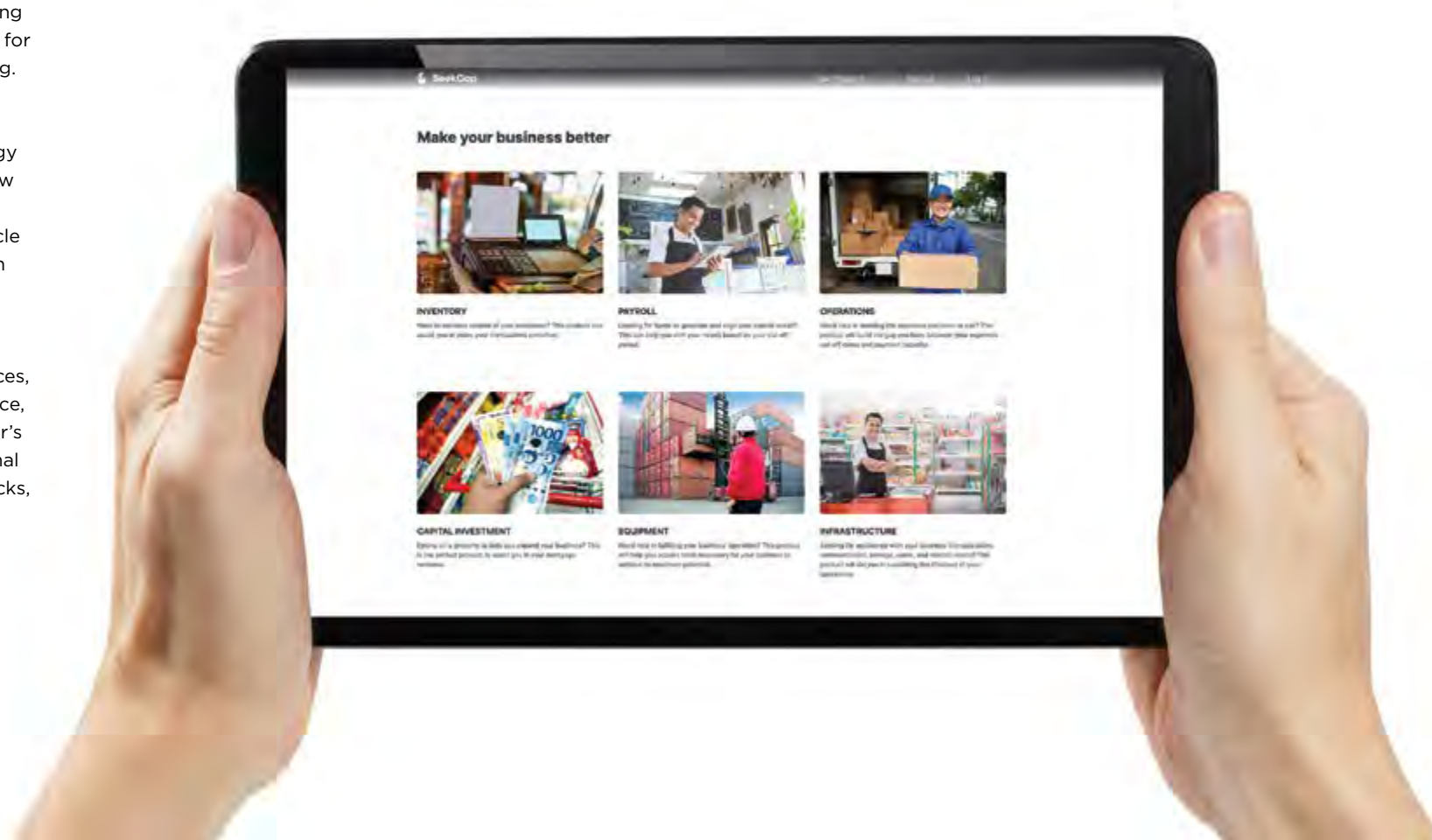
notification on the status of their loan approval, which can be done on the same day. Within three days, they can already receive the loan proceeds.

This smooth, hassle-free banking experience is a far cry from having to go to a branch, submit a long list of documents, and not knowing in real time the status of their loans.

Once UBX plugs SeekCap into its B2B platform Sentro and rural banking platform i2i, MSMEs will also be able to get a loan right when they need it the

most, say at the point of purchase while ordering from a manufacturer or supplier on Sentro. Rural banks and other lenders on i2i meanwhile can offer their loans on SeekCap, widening their market reach.

It's a whole new world of opportunities for both lenders and MSMEs, powered by UBX and UnionBank. Imagine how a platform like SeekCap can do for 99% of all businesses in the country, unleashing their potential and fueling their growth. That's smart lending, smart borrowing, and smart banking.



Blockchain Supply Chain Finance: Putting Trust in Trade



According to the World Trade Organization, 60% of SME trade finance requests worldwide are denied, resulting to a USD 1.5 trillion global trade finance gap. This means a huge number of small and medium-sized businesses cannot access the credit they need to grow, or for some, even to survive.

This is because of the enormous amount of antiquated processes that clog today's trade and trade finance systems. Ledgers are updated separately and manually, making the process slow and prone to error. This, in turn, exposes institutions involved in trade to operational risk and high costs. Why would companies and banks extend trade financing to small and new suppliers if there is this level of uncertainty and distrust?

Reinventing trade finance

In the Philippines, UnionBank is working with IBM on a blockchain-based solution that has the potential to reinvent supply chain finance by enhancing security, transparency, and operational processes.

The IBM Blockchain Platform makes this possible. Its distributed ledger technology, smart contracts, security, built-in governance, and control capabilities give institutions real-time access to trade finance data and information. This helps mitigate risk and eliminate wait times.

This cloud-based application, one of the first projects of its kind in the Philippines outside of traditional banking, is designed to transform trade finance transactions through a permissioned distributed ledger. How does it work?

Invoice discounting

So, what does this mean for players in the supply chain? For suppliers, it means better and faster access to credit.

Invoice discounting, the process of bundling and selling invoices at a discount, is a major source of working capital finance for many suppliers. Historically, the invoice discounting process through the supply chain ecosystem has often been slow and risky as it requires each party to maintain and manually update separate ledgers. It is also often prone to human errors which create inconsistent record. This results in delayed payments and release of capital, thus increasing costs.

With customers and suppliers in UnionBank's blockchain supply chain finance network, there is greater transparency and accuracy. This allows the Bank to access transactions recorded on the shared ledger in near real-time, giving it greater confidence in extending credit to these suppliers through invoice discounting.

However, invoice processes aren't the only thing that can be done in the blockchain. UnionBank and IBM are looking to add other finance supply chain processes to provide, develop and offer new products as well as blockchain services to small and medium scale businesses.

UnionBank's blockchain supply chain finance solution breaks down barriers to trade, creates a better trade experience for buyers and sellers, and empower MSMEs, driving even more robust trading and greater financial inclusion.

EDWIN R. BAUTISTA



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President & Chief Executive Officer

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Chief Technology and
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RAMON VICENTE V. DE VERA, II
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RAMON G. DUARTE
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Platform Development
Transaction Banking

RONALDO FRANCISCO B. PERALTA
Senior Vice President
Chief Risk Officer

**HENRY RHOEL
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B. PERALTA**



**PAOLO EUGENIO
J. BALTAO**



**RAMON VICENTE
V. DE VERA, II**



A hand is shown from the bottom, holding a chain of five glowing, translucent blocks. The blocks are connected by orange lines and have a grid-like structure. The background is a dark blue digital space with glowing lines and data points. The text is overlaid on a black rectangular area at the bottom left.

**BUILDING
THE FUTURE OF BANKING
ONE BLOCK [CHAIN] AT A TIME**

Back in 2017, while people across the world were in a mad rush buying Bitcoin and other cryptocurrencies and driving their prices to a speculative bubble, a small percentage of banks worldwide were launching or experimenting on their own blockchain projects, the technology behind cryptocurrencies. One of those was UnionBank.

Initially, banks saw blockchain technology as an industry threat. New, nimbler fintech players were leveraging blockchain for payments and remittances. Many financial institutions have since realized that they must use blockchain or be rendered obsolete.

Blockchain is not a threat but an opportunity. The technology is, in fact, a perfect fit for financial institutions, as it's transparent, safe, secure, faster, cheaper, and decentralized. All these characteristics make it a viable alternative to traditional channels used to conduct financial transactions.

Banks that have adopted blockchain technology early on have a first mover advantage, better able to anticipate disruption, set business standards, and create new models. And only banks that are forward-looking, innovative, open, and agile are in a position to strike first. It just happens these are the very brand attributes of UnionBank.

No Philippine bank has placed a bigger bet on blockchain than UnionBank. Since 2017, it has been leveraging the technology to make its internal processes more efficient and has been developing internal experts in blockchain.

2019 has been a banner year for UnionBank's blockchain projects. Together with its fintech subsidiary UBX, UnionBank has unleashed blockchain-powered banking products and business platforms one after the other, setting milestone after milestone.

It's the first Philippine bank to roll out virtual currency ATMs, the first to launch its own cryptocurrency, the first to conduct domestic and cross-border transfers on the blockchain, the first to offer blockchain-based trade finance, the first to invest in a cryptocurrency exchange, and the first to use blockchain for microfinance.

These are the building blocks of the blockchain economy and the foundation for creating the future of banking.



GOING CRYPTO

Are cryptocurrencies the future of money? After their dramatic rise in 2017 and spectacular fall in 2018, they may seem like another fad. But Bitcoin, Ethereum, and other cryptocurrencies are here to stay. Just as with any new technologies like the Internet, where speculation is followed by a crash and then followed by widespread adoption, cryptocurrencies will follow the same pattern.

Digital currencies, i.e. money in digital form, have been around longer, with mobile wallets, the likes of PayPal, and online fund transfers proving their utility and popularity. Cryptocurrencies are just another form of digital currency, except they use cryptography and the blockchain, making them more decentralized, transparent, anonymous, and more secure. Like the Internet, they will continue to evolve.

And just like with the Internet at the turn of the century, there are many that will wait in the sidelines and play it safe. And then there are those that will act and make things happen now. Count UnionBank among the latter.

While the Bank already has plenty of use cases for blockchain, which is the technology behind cryptocurrencies, it has also made significant moves towards adopting crypto itself for actual transactions.

Cryptocurrency ATM

One of the first initiatives of UnionBank was launching the first cryptocurrency automated teller machine (ATM) in the Philippines and one of the first in Asia, allowing customers to exchange Bitcoin units for cash. Located in its digital branch The Ark in Makati City, UnionBank clients can buy and sell Bitcoin on the spot and withdraw cash immediately from the machine.

It partnered with fintech company Coins.ph to enable the system and complied with the regulations of the Bangko Sentral ng Pilipinas (BSP). The Bank plans to add more virtual currency ATMs in more of its branches, with the approval of the BSP.

PHX

In an unprecedented move, UnionBank also launched its own cryptocurrency, a stablecoin named

PHX, becoming the first bank in the country to do so.

Unlike cryptocurrencies like Bitcoin and Litecoin, a stablecoin is a cryptocurrency pegged to another asset, like a commodity's price such as gold or a fiat currency like the Philippine peso. This minimizes volatility and preserves its value compared with the other cryptocurrencies, hence the name, making it suitable for money transfers.

PHX is pegged to the Philippine peso and backed by UnionBank. This makes it a landmark stablecoin as it is issued by a major commercial bank that is a publicly listed company and is regulated by the government, making it subject to disclosure and audit requirements. Compare this to other stablecoins issued by fintech startups that are not as heavily regulated or audited, and PHX comes out as a more stable and trustworthy stablecoin.

UnionBank customers can buy PHX by directly debiting from their bank accounts. Conversely, they can redeem PHX for

Philippine peso by having the funds credited to their accounts.

The primary use for PHX for now is on i2i, UnionBank's blockchain network for rural banks. These rural banks can use PHX to conduct buy, transfer, and redemption transactions as well as domestic remittances. The big advantage for them for using PHX is that it solves settlement problems and simplifies audit and compliance problems.

The first PHX transfers were conducted last July 25, 2019. Three rural banks – Summit Rural Bank in Luzon, Progressive Bank in Visayas, and Cantilan Bank in Mindanao – successfully completed live PHX transactions on i2i.

Transacting on i2i is just a start. As PHX is designed to be interoperable, in the future, it can be used across various platforms and wallets in the Philippines and all over the world.

Blockchain remittance

Remittances have always been one of the killer applications for blockchain and cryptocurrencies. In the Philippines, where international and domestic remittances power much of the economy, finding a faster, better, and cheaper way to transfer money has always been the holy grail for finance.

UnionBank is already on this quest. Last June 27, 2019, it successfully piloted cross-border, blockchain-based remittance from Singapore to the Philippines, making it the first local bank to do so. This was done in partnership with OCBC Bank, Singapore's longest established bank, using the Adhara liquidity management and international payments platform and its own i2i platform.

It used blockchain-based tokenized fiat to remit from OCBC Bank in Singapore to

an account holder at Cantilan Bank, a rural bank in Surigao Del Sur. With the pilot's use of i2i, rural banks can now enable for their customers direct-to-account remittances from abroad.

This is a huge win not just for UnionBank but more for the hundreds of thousands of rural bank customers in underserved areas who can now save time, money, and effort in receiving real-time transfers from their relatives overseas. No longer do they need to wait for days to get their funds or pay exorbitant fees at remittance centers. This is financial inclusion at its best.

PDAX

Like forex, cryptocurrencies are also traded in exchanges. The leading cryptocurrency exchange in the Philippines is Philippine Digital Asset Exchange (PDAX), a trading platform licensed by the Bangko Sentral ng Pilipinas (BSP).

Keenly aware of the key role of exchanges in the economy, UnionBank, through its fintech subsidiary UBX, invested in PDAX, which already counts as partners some of the world's biggest names in cryptocurrencies and blockchain, namely BitMEX, Consensus, Ripple, and CMT Digital.

Established in 2017 with the mission of bringing easy, accessible, and inclusive financial services to every Filipino, PDAX is an easy-to-use and secure platform that enables investors to trade digital assets in an open market directly with the Philippine peso (PHP). These include the most popular cryptocurrencies Bitcoin (BTC), Ethereum (ETH), Ripple (XRP), Bitcoin Cash (BCH), and Litecoin (LTC). It also has plans to include the trading of commodities, alternative assets, and derivatives in the near future, something

that is not yet available in the Philippines.

For UnionBank, it is not just an investment for financial gain but more so an investment for the financial inclusion of more and more Filipinos. Beyond just using cryptocurrencies to buy goods or transfer funds, PDAX allows them the ability to save and invest for their own future.

Tracey

One of the untapped financial sectors for cryptocurrencies and blockchain technologies is microfinance. Receiving remittances is critical for low-income Filipinos. But lending money to them to start their micro-businesses and manage their livelihoods have a greater impact in uplifting them from poverty.

Give a man a fish and you feed him for a day. Give fishermen an incentive to report data and you can help them earn more, get micro-loans, and save the environment. That may not be what Confucius said but that's exactly what the Tracey app is all about.

UnionBank partnered with the World Wide Fund for Nature (WWF) Philippines and Finnish consultancy TX to launch Tracey, an app and platform for fisherfolk and other stakeholders that use blockchain technology for documenting and selling catch and traceability data.

This data is important in identifying which areas are overfished and which fishstock is diminishing, as these will threaten the livelihood of fishers and lead to fish scarcity in the market. For this to work, fisherfolk need to be rewarded for reporting accurate and timely catch data, such as fish species, location, and price. And they need the tools and technology to do so.

And that's where Tracey comes in. The app is built on top of Streamr, a blockchain

network, and the data stream is connected to Streamr Marketplace, where third parties like government agencies, NGOs, microfinance institutions, and others can pay to access it. This revenue will then be transferred to fishers.

UnionBank's role is to provide Know Your Client (KYC) support for the app, the use of its stablecoin PHX, and a digital wallet. And it will use the data collected through Tracey to conduct credit assessments, enabling it to provide microloans to fisherfolk.

This is a crucial component in this project. That's because despite high-value fish like yellowfin tuna, many small fishermen remain poor, with two out of five fisherfolk in the Philippines living below the poverty line. Many are also unbanked as they are perceived to be high-risk borrowers, so they have no access to affordable microloans that will help support other business ventures in between fishing seasons.

The Tracey app removes this risk for lenders like UnionBank, as fisherfolk receive accurate credit scores after frequently inputting verified catch and trade data. The Bank, along with other financial institutions, then can provide microloans to creditworthy fishers at the appropriate price.

The first pilot, planned for mid-2020, will be at the WWF-Philippines' Fishery Improvement Project sites in Bicol and Mindoro. And if it proves successful, the project will be scaled throughout Southeast Asia.

With all these initiatives in cryptocurrencies and blockchain applications, UnionBank is not only empowering the unbanked and promoting inclusive prosperity but also ushering in the future of money.



i2i: EQUIPPING RURAL BANKS, EMPOWERING THE UNBANKED

Seventy million. That's the number of Filipinos who are unbanked or underbanked, those with no easy access to formal financial services. And so, they turn to alternatives: loan sharks, pawn shops, money lenders, remittance agents, savings and credit associations, cooperatives, microfinance institutions, payment centers, mobile money operators, and money changers. These channels fill an obvious need. But the tradeoff? Higher costs, whether interest rates or transaction fees.

There is, however, another option: rural banks. There are almost 500 rural banks spread across the country, many with branches in more remote villages wherein commercial banks are not present. They play a critical role in countryside development and financial inclusion.

But the problem is they are excluded from national automated clearing houses such as PESONet and InstaPay as well as international payment networks such as SWIFT. That means their customers cannot send or receive electronic fund transfers within the country or accept remittances from abroad. In a sense, rural banks themselves are unbanked.

A network built on blockchain

So how do you connect these rural banks to one another and to the national and international payment and remittance networks? Use blockchain.

Since 2016, UnionBank has been exploring applications for blockchain technology because of its efficiency, transparency, and security. And financial inclusion has long been a problem it has been itching to solve. UnionBank knew that rural banks represent the last mile in reaching millions of unbanked Filipinos. It just needs to tap into this ecosystem through tech.

In 2018, UBX, the fintech subsidiary of UnionBank, launched Project i2i, a blockchain-based transaction and retail payment system that connects UnionBank to rural banks, giving them the ability

to transact with each other and with commercial banks. It's the first and only blockchain banking platform approved by the Bangko Sentral ng Pilipinas.

The i2i platform, which stands for island-to-island, institution-to-institution, and individual-to-individual, serves as a cost-efficient, secure, and near real-time payment network. Rural banks that are in the network can now have access to PESONet and InstaPay, allowing their customers to do domestic electronic fund transfers to other banks at a fraction of the cost of using money transfer operators. They can send money to their relatives, pay merchants for products and services, and receive local remittances.

Through i2i, these rural banks can also accept bills payments, so their customers can conveniently pay for utility and telco bills, loan amortizations, insurance premiums, school tuition, and more. Soon, they will also be able to buy



micro-insurance and other financial services previously available only to commercial bank customers.

PHX and cross-border remittance

In 2019, UnionBank launched PHX, the first stablecoin in the country. Unlike other cryptocurrencies, this blockchain-based tokenized fiat is pegged to a stable asset, in this case the Philippine peso using UnionBank’s reserves, facilitating the use of blockchain networks like i2i for money transfers because its value is not volatile.

Transactions using PHX have already been successfully carried out by three rural banks on the i2i network. Participants in i2i can buy PHX by directly debiting from their UnionBank accounts, and they can easily redeem PHX for Philippine peso and have the funds credited to their UnionBank account.

UnionBank also used PHX to remit from OCBC Bank in Singapore to an account holder at Cantilan Bank in Surigao del Sur, the first time a Philippine bank successfully tested blockchain-based remittance. The implication is significant – cross-border remittances can now be cheaper, faster, and safer through the i2i network. Customers of rural banks can soon start receiving remittances abroad directly to their account instantly (instead of the usual five to seven days) at a substantially lower cost.

Greater reach and impact

There are already 109 rural banks signed to i2i, with over 800 transactions amounting to close to P100 million flowing through the network in 2019. It’s already trending upwards in 2020. It’s a no-brainer for rural banks to join i2i: more value-added services, greater efficiency, lower costs, and additional revenues, all with minimal investment in time, capital, and manpower.

UBX has also launched a mobile ATM that allows rural bank customers to check their bank balance and withdraw cash at offsite locations. The Bank has started to train and onboard clients.

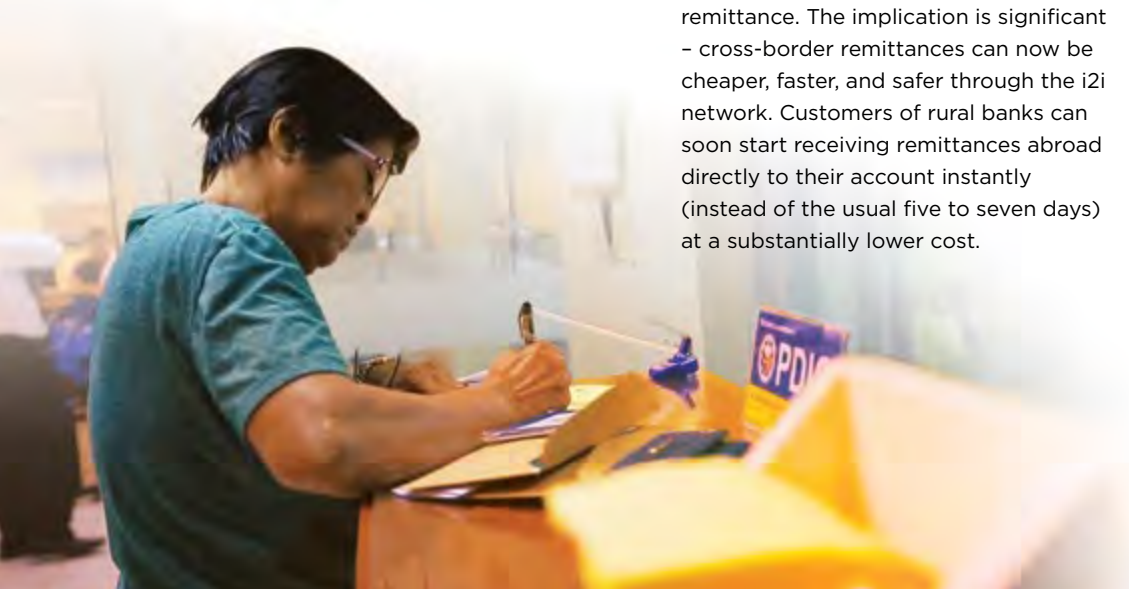
In the pipeline is a world-class, cloud-based core banking software offering that will propel rural banks, long stuck with manual or rudimentary computerized systems, to the digital age.

And for the millions of underserved Filipinos who have to endure exorbitant fees, long waiting times, and sheer inconvenience, being able to send and receive money or pay bills through

a better, cheaper, and faster service is empowering. As UBX stacks i2i with additional financial products and services, it will open up more saving, lending, investing, and insurance opportunities for people living in far-flung communities.

Rural banks are only the beginning. UBX has started to onboard microfinance institutions and cooperatives, with plans to extend the platform even to non-bank financial institutions such as fintechs. Imagine the impact this will make in increasing economic activities and improving the livelihood of entire communities.

Seventy million unbanked and underbanked. That number seems too mind-boggling to process. Financial inclusion has always been the kind of challenge that’s too tough to solve. But UnionBank, committed to its purpose of elevating lives, fulfilling dreams, and enabling communities, may have cracked the code. It’s still not going to be easy, but it is finally possible.



THE XCELLERATOR PROGRAM: FUTURE-PROOFING TODAY'S WORKFORCE

Machine learning specialist. Robotics engineer. Data scientist. Full stack engineer. Blockchain developer. These jobs didn't even exist a few years ago. And yet they are some of the most in-demand jobs in the world. In the Philippines, understandably, there is a dearth of talent in the fields of data science, artificial intelligence, and blockchain technology. When UnionBank decided in 2016 to go all-in with digital transformation, experienced professionals in these areas were scarce. And they still are.

Building capabilities

So what did UnionBank do? Build their own capabilities in-house. In quick succession, the Bank developed several use cases for blockchain and fintech and those leading these projects became real-world experts. It also set up UBX, its fintech subsidiary, tasked to commercialize these projects, incubate its own, and invest in high-potential startups.

That's the good news. The "bad" news? A bigger talent shortage.

With the lack of supply from both industry and academe, UnionBank took matters into its own hands. In 2018, it launched its Blockchain 100 program, training and certifying 100 blockchain developers. The Bank ended up hiring about a third of the graduates and supplying the rest to UBX and its other fintech partners.

Shortly after, UnionBank established DSAI, which stands for data science and artificial intelligence, another in-house training program to supply its growing need for professionals in these fields.

Teching up next gen

With its undisputed success in fintech and its credibility in talent development in this new field, UnionBank realized the Philippines can actually become a major source of talent for blockchain, data science, and artificial intelligence. But the best way to do this is not to do everything by itself but to partner with universities and colleges and train the next generation of blockchain developers.

So in 2019, UnionBank launched the Blockchain Xcellerator program, designed to train professors, mostly in IT and computer science, into experts, who in turn will teach and mentor their students. It's a scalable and sustainable model. The schools can upskill their faculty at no cost to them and provide their students industry-relevant training and experience. The Bank and other companies from across industries - will benefit long-term with a steady supply of much-needed talent.

The eight-week intensive program runs in three phases: Phase 1 consists of online self-paced learning, Phase 2 is an assessment on the participants' knowledge of blockchain technology and Ethereum, and Phase 3 requires them to develop real-world use cases with guidance from UnionBank and UBX mentors.

Not surprisingly, there was a clamor from numerous universities to join the program. AMA University, STI College, Technological Institute of the Philippines, University of the Philippines-Diliman, University of Makati, Mapua Institute of Technology, University of Santo Tomas, and Asia Pacific College have previously joined UnionBank's first experts program. And now, they also want to take part in the Xcellerator Program.

The program, offered to students either as an elective or a replacement of their internship, is already underway in STI, with the first batch of students ready to become full stack front-end and back-end block developers.

A whole lot more

But this training and mentoring program, which UnionBank refers to as its learning pathway, is actually just one aspect – or lot, as it calls it – of Blockchain Xcellerator.

In conjunction with the learning pathway, UnionBank will also provide partner schools with an innovation garage. This is a learning space and working lab inside the school where Xcellerator participants can undergo their training, develop blockchain projects all year-round, and incubate their innovations. STI, De La Salle-Lipa, and Asia Pacific College are already on board to set up their innovation garage.

Envision what a startup environment or co-working space looks like. The partner school will provide the space while UnionBank will supply the materials for free based on the design they work on together. Participants have the opportunity to pitch their projects to the Bank, UBX, and its partners, which have the option to acquire or fund them.

The other lots under Xcellerator are designed to transform the entire school into digital. Smart campus is a whole-scale

project that creates a digital infrastructure for partner schools. It involves developing digital applications for online enrollment, user management, enlistment, bills payment, and the like. It also provides students with digital ID cards for cashless purchases inside the school and beyond.

The goal is to turn the campus infrastructure – processes and payments – to run purely on digital. For partner schools like STI, that means operational efficiency, faster service, and lower costs. And for their students, it becomes a convenient, easy, and high-tech campus experience. Lining up, waiting, and jostling for classes, as just one example, will become a thing of the past.

UnionBank also plans to offer The Block, its all-encompassing HR app, to partner schools. This will digitize timekeeping, leave management approval, and payroll for their own HR function. And it can also include employee loans,

and in the future, student loans as well in partnership with CitySavings.

Xcellerator has already been recognized, with UnionBank winning gold from the Anvil Awards for its capability building program. This further bolsters the Bank's reputation in the area of education, in which it has a long, proven track record of supporting. Its advocacy in PeopleTech – from Blockchain 100 and DSAI to Xcellerator – is its evolution in training and developing employees, professionals, educators, and students in digital technologies.

No doubt Xcellerator is a hugely ambitious initiative. Not only is UnionBank creating the hottest jobs of the new generation, it is also transforming entire schools into smart campuses and future-proofing tomorrow's workforce today.



Joselito
V. Banaag



Arlene Joan
T. Agustin



Antonio Sebastian
T. Corro



Jobart
T. Dator



First Vice Presidents

Myrna
E. Amahan



Conrad Anthony Dominic
L. Banal



Maria Cecilia Teresa
S. Bernad



Montano
D.M. Dimapilis



Gerard
R. Darvin



Catherine Anne
B. Casas



Ma. Theresa
S. Daguiso



Carlo
I. Eñanosa



Eduardo
V. Enriquez, III



Ma. Christina
A. Escolar



Julie
C. Go



Enrique
M. Gregorio



Concepcion
P. Lontoc



Angelbert
G. Macatangay



Michael
P. Magbanua



Rafael
G. Mariano



Leticia
A. Moreno



Ronaldo Jose
M. Puno



Ruby Gisela
L. Perez



Dinesh
M. Sahijwani



Quintin
C. San Diego, Jr.



Christine
V. Siapno



Rahni
R. Svenningsen



Jo-Ann Fatima
L. Tolentino



Joselynn
B. Torres



Jeannette Yvonne
M. Zagala



Not in photo:

Raymond Anthony B. Acosta

Maria Angelica C. Balangue

Luis Alberto A. Castañeda

Efrenilo L. Cayanga, Jr.

Mariano Dominick F. Lacson

Harold Benjamin G. Libarnes

Dave T. Morales

Jose Maria O. Roxas



AGILE

CHANGING THE GAME THROUGH AGILE

Building Capabilities
while Leaving No One
Behind

“Speed has become an important element of strategy.” Take it from the man who launched Intel’s first microprocessor and Apple’s first personal computer. Regis McKenna is the legendary marketing guru who many believe put Silicon Valley on the map.

Today, it is no secret that agility plays a major role in an organization’s successful transformation. UnionBank takes pride in its digital transformation. And we attribute our success in large part to embracing a new way of working – AGILE.

Agile is a practice, which originated in software development. It is characterized by continuous iteration, early launch and frequent testing, self-organizing and cross-functional teams, and quick response to change.

We are agile because acting with speed, having a growth mindset, and adopting new ways of working are imperative in this new world. We believe this is the best path to long-term success – to our enduring greatness.

While on this journey, we have transformed our ways of working. We are constantly building capabilities and evolving our culture with digital DNA traits so that we can launch innovative products, seek new markets, and promote financial technology. Working the agile way means driving innovation everywhere, future proofing ourselves, and continuing to compete in an environment of increasing complexity and disruption.

How do we define this agile environment? We can say we are agile when we design programs with the

customer at the center. We have cross-functional squads and teams who make innovation happen everywhere. Our employee learning and development is self-driven. Product development is iterative and fast. Leaders have transformed into entrepreneurial connectors. And we have a digital culture where agile is embedded everywhere.

The 5 Pillars

To become agile, UnionBank focused on transforming 5 strategic pillars: Culture, Capability, Leadership, Structure, and Employee Experience.

Culture is a powerful component that shapes an organization. We are taking on radical change, and need to shift our

mindset and behavior. We redefined our values so that these capture agile, digital capabilities and behaviors.

We evangelized agile. A crucial part of the culture change process involved communicating the reasons for shifting to agile, what is required, and how each UnionBanker can participate in the transformation.

Our President and CEO Edwin R. Bautista himself steers the agile transformation of the Bank through various reachable channels. We executed on the idea of executives to release Ed Talks, a video podcast featuring agile topics where ERB appears as the interviewee or the interviewer.

We introduced the Agile Operating Model, New Ways of Working, New Behaviors, Agile Terminologies, organizing in Squads and Teams in the Agile Cascade. We followed a leader-led approach, engaging each one in a train-the-trainer activity so they can cascade back to team members.

By end of the year, 3,054 UnionBankers have participated.

In UnionBank’s agile transformation journey, **Capability Building** plays an essential part because of new roles and jobs. As work changes, brought about by digital disruption, UnionBankers need to grow and evolve from their current roles and be what we call #Talents.



We identified and categorized the capabilities of new ways of working into Core, Chapter and Centers of Excellence. These are needed to make us become a tech company with banking utilities. We expanded beyond a build strategy and employed a multi-approach framework that includes buy and borrow of talents.

We had to acquire a diverse talent base needed to carry out missions. Last year, 81% of the people hired were from non-banks. 11% were positions related to digital. We also leveraged on borrowing capabilities readily offered by service providers to accelerate digital delivery.

We created learning pathways curated by the UnionBank University, to guide UnionBankers as they develop and apply these capabilities. We have also introduced new ways of learning. UnionBankers have been empowered to take learning programs at their own pace and at their own time. For instance, the Agile Self-Start Learning Kit, an online learning program to develop agile ways of

working, has been taken by at least 53% of UnionBankers. This shows that with the right mindset and tools, UnionBankers will take the opportunity to grow and build capabilities that are aligned with the Bank's strategy and vision.

The Blockchain Institute is another strategic initiative in building capabilities. There were 98 graduates from the institute, finishing a six-month course. A number of them have been employed to fill the requirements of the Bank. This program ventured into the creation of a Data Science and Artificial Intelligence Institute where more than 50 participants internally and externally were trained and certified to become data scientists. Seeing that capability building is a strong suit, UnionBank reengineered the program into the **UBP Xcellerator** program to advocate digital for capability building by offering emerging tech training courses and partner programs to universities locally and in the region.

Leadership is crucial in the agile transformation journey. Leaders play an important role as an **Entrepreneurial Connector Leader**. Shedding the traditional leadership mold, the UnionBank leader is courageous enough to take the leap when needed, encourages growth of new capabilities, is willing to execute quickly, learns from experience, and collaborates to bring long-term value to the organization.

To build our Entrepreneurial Connector Leaders, we worked on different initiatives, from assessment to development. We customized the Harrison Assessments to profile the six attributes of the Entrepreneurial Connector Leader in order to have a baseline and know what needs to be developed. We have immersion labs where leaders experience firsthand how it is like to be a leader of a tech company. They try their hands on building product prototypes, talk to target customers, and pitch solutions to potential customers. Aside from labs, we have

self-paced programs to build leadership capability.

At UnionBank, we believe in strengthening our leaders today and building the next ones to be future-ready and geared up to take on whatever the future entails and wherever the direction of the Bank leads them. Together with their teams, they will co-create solutions and opportunities that are centered around the customers.

Integrating culture, capabilities, and leadership requires **Structure**. How do we now operate in an agile way? To start, we developed an Agile Operating Model (AOM) that designs our interactions, ways of working, and governance in an agile environment.

From the time that it was initially conceptualized, the Agile Operating Model has now come to life:

- From just four pilots, there are now 33 squads and 75 teams.
- Empowerment, self-organization, and collaboration are encouraged among squads and teams but more importantly, they work towards fulfilling their customer missions.

To allow innovations to happen everywhere, squads deal with complex and chaotic problems and teams work on simple or complex problems. Organized cross-functionally, squads focus on providing emergent or novel solutions through constant experimentation. Both are unit or group-based and utilize



best practices to deliver value to their identified missions. What is common to both is their adoption of the agile ways of working.

Some noteworthy squads and teams include those who launched our Virtual Currency ATM (Project BitBox), the first bank-operated, first central bank-approved, two-way cryptocurrency ATM; Project i2i, the platform that connects rural banks to the country's financial network; The Portal, our online business banking platform that brings together all our award-winning cash management products; Digital Account Opening, which allows customers to open an account digitally with just their phones; Financial Supply Chain on Blockchain, which provides micro, small and medium enterprises (MSMEs) non-traditional financing options for their working capital requirements.

In order to make UnionBankers as engaged, efficient, and productive as possible, we needed to create meaningful employee interactions and touchpoints. This is why **Employee Experience** is an integral strategic pillar.

Physical spaces play an important role in creating a positive employee experience. They provide multiple ways for people to work and interact. And they offer opportunities to reinforce the kind of culture that we want to nurture.

In 2019, we saw the development and use of our agile workspaces. We even involved the employees in the design phase, sparking UnionBankers' imagination early in the process. Because we spend most of our day at work, we



want our people to have the chance to bring their “home” into work.

With the use of Trello, Kanban boards, and JIRA tracking software, there is increased transparency and accountability within squads and teams using these collaboration tools. Our use of Kaizala, Teams, Microsoft's OneDrive, SharePoint, and Power BI has changed the way we use information and data in the way we work.

But we did not just utilize off the shelf platforms. As UnionBankers became more tech-savvy, they got involved in designing and developing digital solutions to empower themselves. These include the Watchtower, which integrates the security, business, and branch operations center. There is also the Digital RM, which equips our relationship managers with the knowledge, tools, methodology, mindset, and information that makes them five times better than their competitive counterparts.

The agility of our people is also shown in our current way of working. We have tested that during the Covid 19 ECQ, 80% of our employee population can run the Bank from home. During this crisis, our agile mindset, work tools, collaboration spirit, and our digital DNA made the shift to working from home seamless. While working from home, our squads were able to launch product releases for UnionBank Online such as the ability to now send instantly to remittance centers like Palawan Express, Perahub, LBC and Cebuana Lhuillier. This was just one of our many ways of responding to the needs of our customers during these trying times.

And for HR, we have our very own One UnionBanker Hub, or 1UHub, the Bank's employee lifestyle app. 1UHub is designed as a one-stop-shop for

UnionBankers with functionalities ranging from loan application to goal setting.

Its most recent feature is a self-contribution pension fund to help team members build the habit of saving and become financially responsible. We continue to improve on its features to bring an even greater employee experience. We believe that digitally experienced employees can convert customers to become digital.

The work is not yet done, but we take pride in claiming that we are the only Bank in the country to have achieved such a feat-agile at scale in less than a year!

Yet agile is not an end itself. It is a means to generating real value – more experimental and innovative people, more engaged teams, and faster time to market – the true marks of business agility.

Fortune favors the bold. And the next bold move is to make agile the new normal.



2019 CHAIRMAN'S AND PRESIDENT'S AWARDEES

Chairman's Award - A team award given to those who deliver innovations that empower Filipinos with the latest and greatest in financial technology, and who embody the UnionBank Digital DNA of agility, collaboration, customer-centricity, data-driven decision making, and who are self-driven and bold to lead the way for the organization's digital transformation.

THE PORTAL

UnionBank's newest homegrown online banking platform that brings together all the Bank's award-winning cash management products into a single platform and more. Designed for both corporate and SME, there are now more than 6,000 organization enrolled, a mix of existing Corporate eBanking clients and new client enrollments.

Awardees: Vivian So To, Lea Caballes, Alex Dizon, Joshua Budol, Trisha Latayan, Ayma Godoy, Arthelle Angeles, Celeste Delos Santos, Reginald Swing, Victor Rafols
Executive Sponsor: Migs Dans

i2i (UBX)

Platforms and operating models that deliver on our vision of providing greater opportunity and access to all. i2i which stands for island-to-island, institution-to-institution and individual-to-individual, is a blockchain-based transaction and payment system. It has served as a catalyst to inclusive prosperity for the unbanked Filipinos by enabling institutions, like rural banks who were once disconnected from the country's financial network, to access universal banking services. With i2i, Filipinos no longer have to deal with non-bank remittance counters that require remitting the funds physically and that charge high fees. This is a testament of our shared commitment to greater financial inclusion through technology.

Awardees: Kiel Desengano, Grey Diamante, Camille Lim, Mike Fermin, Keihertz Besino, Anthony Toh, Joyce Amil, Marco Romero, Anna Mata
Executive Sponsors: Nix Syjuco, Gerb Inajada

THE DIGITAL ACCOUNT OPENING PLATFORM

Real-time account opening 24/7, without the need to visit a branch. KYC is done digitally and accounts are issued with no limits or restrictions. Encompasses the end-to-end process of account opening - from data capture and identity validation, to card issuance and card activation. The team exhibited boldness by challenging our pre-existing notions on on-boarding. As of December 2019, almost 23,000 clients have opened their UnionBank accounts.

Awardees: Joanna Perez, Colleen Toledo, Tracy Banez, George Tuca, Paolo Elemos, Jerem Frejas, Natasska Ku, Kristella Guillermo, Reagan Aguda, Herschel Rivera

FINANCIAL SUPPLY CHAIN ON BLOCKCHAIN

UnionBank took the lead in digitizing the invoicing processes by building a Financial Supply Chain platform. With the Bank's expertise on electronic invoicing through the EIPP and its drive to go full digital, UnionBank launched the first-ever financial supply chain system powered by Blockchain that promotes growth and financial inclusion of MSMEs by offering non-traditional financing options. The platform offers the Suppliers, Distributors and Buyers the ability to request for non-traditional financing option for their working capital requirements using a single-powerful platform. All of these are powered by the Blockchain Hyperledger Technology which greatly help reduce the risk of fraudulent activities such as double financing. This provides efficiency in terms of managing their receivables and payables.

Awardees: Ryan Pasion, Noelyn Morales, Dennis Drucco, Romabelle Advincula, Japhet Luistro
Executive Sponsor: Ranna Feliciano



President's Award - An individual or team award given to those who did extraordinary work to achieve or exceed the goals for process improvement and strategic cost management for high performance and high productivity.

WATCHTOWER

The Bank's Business Operations Center (BOC), also known as "Watchtower" was launched to complete our Integrated Operations Center with the existing Network and Security areas, and to have a more holistic approach in monitoring operations of the Bank. The Watchtower equips our operational units with analytical tools and dashboards to be able to monitor operations and ensure targeted speed, accuracy and consistency of their processes. This is in pursuit of IOC's purpose of delivering 24/7, six sigma, secure and real time customer experience, for our customers as the ultimate beneficiary of this innovation. Manual handling and site visits to 200+ branches and operating units are no longer needed.

Awardees: Jen Taguiam, Mark Kevin Baltazar, Kent Tipan, Noel Paras, Rachelle Alcantara, Allen Raceles, Jera Canlas
Executive Sponsors: Dennies Bico, Arceli Soliman, Mike Martinez, Malou Ferrer, Job Dator

THE DIGITAL RM - MAX

A first-of-its-kind use of a CRM platform for Sales and Marketing in the Philippine Banking and Finance environment. It integrates digital and non-digital initiatives to equip our RMs with the mindset, knowledge, information, methodology and tools to perform five times better than his competitors. All information culled from various bank systems are centralized into Max 5. Prospect leads are qualified by our Data Analytics group and through AI, UnionBank is able to determine what bank products to cross-sell to each existing client to deepen the relationships. RMs are given more time to focus on the more important task of selling and enhancing the UnionBank consumer experience.

Awardees: Migs Joson, Colleen Toledo, Jaysel Bernardino, Sophie Sena
Executive Sponsors: Jaypee Soliman, Toby Ocampo, Adrian Lim, Luis Castaneda, BammBamm Roxas, Pearlie Lontoc

THE DIGITAL RM - POLARIS

A mobile app designed to guide our Sales Associates to prioritize key areas and accounts, and enable them to sell, market and collect the most efficient way possible. Polaris is an all-in-one app that automatically displays the most efficient

route and the best accounts to sell/market to and collect from. It digitally captures data for our Sales Associates to easily analyze their performance and make calculated plans to reach their sales targets. It follows the thrust of the bank to go digital. It anticipates and knows exactly what the customers need, and what our own people need. This elevates our service for the best customer experience.

Awardees: Andrei Ruiz, Kristine Sy, Ferdinand Bernardo, Kevin Asprec, Brian Sangcal, Marissa Togado
Executive Sponsor: Paula Joson, Cathy Cheung

THE SINGAPORE FINTECH FESTIVAL (SFF)

SFF is the largest fintech event in the world with over 60,000 participants from 140 countries worldwide. In 2019, UnionBank's participation showed the world the best of what the Philippines has to offer and lifted the banner of Tech Up Pilipinas at the global arena. This team was key to UnionBank's famous participation at the largest fintech event. One of our biggest stories for 2019 was being the lone Philippine bank at the SFF, attracting guests and dignitaries with its prominent interactive booths and the Tech Up Pilipinas country pavilion, thus, well positioning UnionBank as the best digital bank.

Awardees: Ysa Girang, Pam Gajita, Angelita Enriquez, Alejandro Reyes, Jackie Kumar, Ron Arceo, Mourese Soriano, Yogee Mann, Ron Gonzales, Katrina Gonzalez
Executive Sponsors: May Buencamino, Arvie De Vera

RETAIL LOANS PLATFORM - MORTGAGE

Automated the end-to-end mortgage process, covering Encoding to Approval to Booking. This project provides conditional approval in just 3 minutes and has brought down the loan booking timeline from 5 days to 5 minutes. It was implemented to create a frictionless approach to client servicing from approval to release of loan proceeds. The system allowed UnionBank to increase bookings YOY 2019 vs 2018 by 53%.

Awardees: Sarra Bania, Raymond Ronquillo, Villiam Natividad, Donna Baxa, Aicone De Vera, Kyle Reyes, Enrique Sison, Edhel Salac-Tan
Executive Sponsors: Gigi Villostas, Ruby Perez, Dave Morales

Subsidiaries

CITY SAVINGS BANK, INC.

Edwin R. Bautista
Chairman

Lorenzo T. Ocampo
President & CEO

FAIRBANK, INC.

Teodoro M. Panganiban
Chairman

Dinah F. Verallo
President

FIRST UNION DIRECT CORPORATION

Ana Maria A. Delgado
Chairperson

Romeo C. Kagalingan
President

FIRST UNION INSURANCE AND FINANCIAL AGENCIES, INC.

Ana Maria A. Delgado
Chairperson

Dinesh M. Sahijwani
President

FIRST UNION PLANS, INC.

Edwin R. Bautista
Chairman

Romeo C. Kagalingan
President

PETNET, INC.

Justo A. Ortiz
Chairman

Adrian Alfonso T. Ocampo
President & CEO

PROGRESSIVE BANK

Emmanuel S. Santiago
Chairman

Carlos Jose Virgilio
A. Jalandoni, III
President

UBX PHILIPPINES CORPORATION

Henry Rhoel R. Aguda
Chairman

John F. Januszcak
President & CEO

UBP INVESTMENTS CORPORATION

Edwin R. Bautista
Chairman

Peter Ismael F. Quiambao
President



Lorenzo T. Ocampo



John F. Januszcak





Teodoro M. Panganiban



Dinah F. Verallo



Emmanuel S. Santiago



Carlos Jose Virgilio A. Jalandoni, III



AWARDS 2019-2020

Digital Bank of the Year - Philippines (3 consecutive years)
The Asset Triple A Digital Awards

Best Digital Bank Philippines 2019
Asiamoney

Best Digital Bank Philippines 2019
Global Banking and Finance

2019 Digital Transformer of the Year
IDC Digital Transformation Awards 2019

Digital Banker of the Year - Asia Pacific, President & CEO Edwin R. Bautista
The Asset Triple A Digital Awards 2019

Outstanding Partner for Digital Excellence
BSP Stakeholders Awards Ceremony 2019

Outstanding Partner for Digital Transformation - Universal/Commercial Banks
BSP Stakeholders Awards Ceremony 2019

Best Universal Bank Philippines
Capital Finance International (CFI.co, London, UK)

Bank of the Year Philippines 2019
International Investors Business Awards 2019

Best Retail Bank - Philippines
RBI Asia Trailblazer Awards 2020

Best Retail Bank Philippines
The Digital Banker - Global Retail Banking Innovation Awards

SME Bank of the Year
Asian Banking & Finance - Retail Banking Awards

Best Cash Management Bank Philippines 2019
Global Brands Magazine

Most Innovative Cash Management Services Bank Philippines 2019
Global Banking and Finance

Best Domestic Transaction Bank Philippines 2019
Global Brands Magazine

Top PESONet Volume Contributor
BSP Stakeholders Awards Ceremony 2019

UnionBank as one of the Top 20 Best Banks in the Asia Pacific
IDC Financial Insights 2020

Model Bank Award for Financial Inclusion
Celent Model Bank Awards 2020

Best Digital Financial Inclusion Project - Philippines
The Asset Triple A Digital Awards 2019

Best Financial Inclusion Program Philippines 2019
International Investors Business Awards 2019

Champion - Best Bank in Digital Financial Inclusion
Bankers Institute of the Philippines Inc. (BAIPHIL)

PPP Deal of the Year Philippines
The Asset Infrastructure Awards 2019

Transport Deal of the Year Philippines
The Asset Infrastructure Awards 2019

Banking System Initiative of the Year (API Management Platform)
Asian Banking & Finance - Retail Banking Awards

Best Digital Collaboration - Philippines
The Asset Triple A Digital Awards 2019

Best Digital Upgrade - Philippines
The Asset Triple A Digital Awards 2019

Best Social Media Project - Philippines
The Asset Triple A Digital Awards 2019

Best ATM Project - Philippines
The Asset Triple A Digital Awards 2019

Best Customer Relations & Brand Engagement Initiative
The Digital Banker - Global Retail Banking Innovation Award

Best in APAC Social, Sustainable & Responsible Banking
Efma - APAC Customer Insight & Growth (CIG) Banking Awards 2019

Outstanding Blockchain Initiative for Customer Experience
Digital Banker - Digital CX Awards 2020

Best Customer Loyalty Program
Digital Banker - Digital CX Awards 2020

Highly Acclaimed: Outstanding Customer Experience for Digital Payments
Digital Banker - Digital CX Awards 2020

Highly Acclaimed: Best Bank Account User Experience
Digital Banker - Digital CX Awards 2020

Best Companies to Work for in Asia 2019
HR Asia

Best Employer Brand in Asia
Asia's Best Employer Brand Awards 2019

Best Employer Brand 2019
World HRD Congress - Asia's Best Employer Brands Awards 2019

Outstanding Achievement in Marketing Management, Ana A. Delgado
Philippine Marketing Association - Agora Awards 2019



Best Remittances Initiative

RBI Asia Trailblazer Awards 2020

Best Social Media Marketing Campaign

RBI Asia Trailblazer Awards 2020

Highly Commended - Best Staff Training and Development

RBI Asia Trailblazer Awards 2020

Highly Commended - Best Use of Machine Learning

RBI Asia Trailblazer Awards 2020

Highly Commended - Excellence in Employee Engagement

RBI Asia Trailblazer Awards 2020

Highly Commended - Most Innovative Branch Offering

RBI Asia Trailblazer Awards 2020

Gold Anvil - Excellerator Program

Public Relations Society of the Philippines

Silver Anvil - ED Talks Video Podcasts Program

Public Relations Society of the Philippines

Silver Anvil for PR Program Directed at Specific Stakeholders (Project i2i)

Public Relations Society of the Philippines

Most Influential Payment Professional,

Paolo Baltao

World Payments Congress and Awards 2019

Young Market Masters Awardee,

Ron Batisan

Mansmith and Fielders, Inc.

Best Payment Innovation

RBI Asia Trailblazer Awards 2019

Excellence in Customer Experience - Banking Industry Philippines - Overall Experience

Frost & Sullivan Excellence in Customer Experience Awards 2019

Excellence in Customer Experience - Banking Industry Philippines - ATM Experience

Frost & Sullivan Excellence in Customer Experience Awards 2019

Excellence in Customer Experience - Banking Industry Philippines - Branch Experience

Frost & Sullivan Excellence in Customer Experience Awards 2019

Excellence in Customer Experience - Banking Industry Philippines - Mobile Experience

Frost & Sullivan Excellence in Customer Experience Awards 2019

Excellence in Customer Experience - Banking Industry Philippines - Net Promoter Score

Frost & Sullivan Excellence in Customer Experience Awards 2019

Best Service Provider - Fintech Partner 2019

The Asset Treasury, Trade, Supply Chain and Risk Management Awards 2019

Gold - Data Privacy Management

1st Datos Privados Awards for Excellence, Leadership, Innovation, Transformation, Excellence and Service (ELITE) in Data Privacy and Security

Gold - Enterprise-wide Compliance to Data Privacy Law

1st Datos Privados Awards for Excellence, Leadership, Innovation, Transformation, Excellence and Service (ELITE) in Data Privacy and Security

Gold - Data Privacy Officer, Henry R. Aguda

1st Datos Privados Awards for Excellence, Leadership, Innovation, Transformation, Excellence and Service (ELITE) in Data Privacy and Security

Silver - Nationwide Branch Caravan

1st Datos Privados Awards for Excellence, Leadership, Innovation, Transformation, Excellence and Service (ELITE) in Data Privacy and Security

Bronze - Selyado Data Privacy Campaign

1st Datos Privados Awards for Excellence, Leadership, Innovation, Transformation, Excellence and Service (ELITE) in Data Privacy and Security

Bronze - Selyado Talks

1st Datos Privados Awards for Excellence, Leadership, Innovation, Transformation, Excellence and Service (ELITE) in Data Privacy and Security

Bronze - Exemplary Commitment to Promote Privacy

1st Datos Privados Awards for Excellence, Leadership, Innovation, Transformation, Excellence and Service (ELITE) in Data Privacy and Security

Best HR Initiative, Application or Programme

The Asian Banker Financial Technology Innovation Awards 2019

Gold Stevie: Award for the Innovative Use of Technology in Customer Service

Asia-Pacific Stevie Awards 2019

Dream Companies to Work For 2019

Philippine Best Employer Brand Awards 2019

Award for Excellence in HR through Technology

Philippine Best Employer Brand Awards 2019

Bronze - Employer Award of the Year Asia

Asian Banking & Finance - Retail Banking Awards

Open Banking Initiative of the Year

Asian Banking & Finance - Retail Banking Awards

Award for HR Strategy

World HRD Congress - Asia's Best Employer Brands Awards 2019

Award for Most Innovative Staffing & Recruitment Program

World HRD Congress - Asia's Best Employer Brands Awards 2019

Award of Merit for Communication Management - CSR

17th Philippine Quill Awards

Highly Acclaimed: Best Chatbot Service

The Digital Banker - Global Retail Banking Innovation Awards

Highly Acclaimed: Best Lifestyle App

The Digital Banker - Global Retail Banking Innovation Awards

Highly Acclaimed: Best Digital Banking Initiative

The Digital Banker - Global Retail Banking Innovation Awards

2019 Operating Model Master-Project i2i

IDC Digital Transformation Awards 2019

Mortgage Product of the Year

Asian Banker - Philippine Country Awards 2019

Best Digital Finance Ecosystem Initiative, Application or Programme

Asian Banker - Philippine Country Awards 2019

Best API Platform Initiative, Application or Programme

Asian Banker - Philippine Country Awards 2019

Asia Fintech Leaders Award, Dr. Justo A. Ortiz &

Ramon Vicente de Vera, II
Singapore Fintech Awards 2019

Top Employer Brand of the Year - Asia's Top Employer Brands

2019 Asia CEO Summit and Awarding Ceremony (Influential Brands)

Award for Management Excellence, Edwin R. Bautista

Biz News Asia Magazine

Most Innovative Digital Banking Product (EON) Philippines

International Finance Awards 2018

Best Retail Mobile Banking Experience, Philippines 2018

The Asset Triple A Digital Awards 2018

Most Innovative Core System Project - API Management Platform

The Asset Triple A Digital Awards 2018

Most Innovative Digital Branch Project

The Asset Triple A Digital Awards 2018

Most Innovative Emerging Technologies Project

The Asset Triple A Digital Awards 2018

Risk Management



Risk Culture and Philosophy

Given that banks and financial institutions are in the business of taking risks, UnionBank operates according to its established risk philosophy, where the Board is responsible for approving, reviewing, supervising, and overseeing the Bank's risk strategy, risk policies, risk appetite and risk limits. Following the Board's instruction, the Bank's Senior Management and various risk management committees set up independent risk management functions to ensure that risks are properly understood, controlled, and managed, in addition to the risk processes which must be clearly aligned with the Bank's business strategies.

Risk Appetite and Strategy

UnionBank's risk appetite is the level of risk that it is prepared to accept in pursuit of its business objectives and strategies. It is consistent with UnionBank's risk-taking capacity.

UnionBank's risk appetite is set by the Board of Directors. The risk appetite cannot be defined by a single number as it has many dimensions and is a combination of regulatory requirements and internal policy limits. The Bank's appetite for risk is influenced by a range of factors, including whether a risk is consistent with its core strategy and whether an appropriate return can be achieved from taking that risk. UnionBank has a lower appetite for risks that are not part of its core strategy.

Risk Appetite Framework

A risk appetite framework has been established, which includes the Board-approved risk appetite statements and the related risk policies and limits.

The risk appetite statements establish the philosophy and high-level boundaries for risk-taking activities across UnionBank. The risk policies and limits give more specific guidance for particular risks, providing clarity for management in making day-to-day decisions.

The specific appetite for each risk type is implemented and enforced by an extensive set of specific limits, controls, and governance processes.

Risk Structure and Process

The Bank's risks are managed enterprise-wide by all units of the Bank as it adopted the Three Lines of Defense Model in Enterprise Risk Management (ERM). The process, systems, compliance risks and controls are identified by the Business Units (1st line). The controls to mitigate the risk are assessed based on design and effectiveness by Enterprise Risk Management, Information Security and Compliance (2nd line). The assessments are validated by Internal Audit (3rd line). Tying all this up is an active oversight function by the Board of Directors. The Bank maintains transparent dealings with both external auditors and regulators in relation to the business, vision, plans and strategies.

The Board of Directors (BOD) exercises oversight of the 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 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 Bank. The 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 Bank. To fulfil 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, shall advise the Board of the Bank's overall current and future risk appetite, oversee Senior Management's adherence to the risk appetite statement, and report on the state of risk culture of the Bank.
- c. The Market Risk Committee (MRC), composed of nine members of the BOD, majority of whom are independent directors, including the Chairman. The Committee is primarily responsible for reviewing the risk management policies and practices relating to market risk including interest rate risk in the banking book and liquidity risk.




- d. The Operational Risk Management Committee (ORMC) is composed of at least five members, two members of the Board of Directors of the Bank, one Independent Director and two non-voting members from Senior Management. The ORMC is a board-level committee whose principal responsibility is to review risk management policies and practices relating to bank-wide operational risk.
- e. The Audit Committee (AudComm) is a committee of the BOD that is composed of at least seven members with at least four Independent Directors. All of its members are appointed by the Board of Directors with most members, including the Chairman, preferably with accounting, auditing or related financial management expertise of experience. 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.

Anti-Money Laundering Governance, Culture and Activities

Basic Principles and Practices



COMPLIANCE
Laws and regulations



KYC
Strict adherence to the process



COOPERATION
Law enforcement and other agencies



INFORMATION
Training and dissemination



IMPLEMENTATION
AML risk management system

The members of the Board, Senior Management and all employees of the Bank strictly adhere to the provisions of the Anti-Money Laundering Act (AMLA) as amended, Revised Implementing Rules and Regulations (RIRR) and its own Money Laundering and Terrorist Financing Prevention Program (MTPP).

To ensure full compliance with the AML regulations, employee awareness is key; thus, timely dissemination of the MTPP manual and new AML Issuances and periodic AMLA Training are conducted.

The Anti-Money Laundering Committee (AMLACOM) was created to provide management oversight regarding the implementation of the Bank's AML risk management policies and procedures. The AMLACOM reports to the Corporate Governance Committee (CGC), which in turn assists the Board in fulfilling its responsibilities in the prevention of money laundering and terrorist financing.

Customer Identification and Acceptance

The Bank maintains a system of verifying the true identity of its clients by establishing a clearly written customer acceptance and identification policy procedures, including a set of graduated money laundering criteria for clients categorized depending on the risk it may pose to the Bank. In case of corporate and juridical entities, the legal existence, ownership and control structures as well as the authority and identification of all persons going to act on their behalf are verified. The Bank's risk assessment considers all relevant risk factors that are documented and updated periodically. From the resulting risk assessment, the appropriate level of due diligence is applied. Name screening is employed to assist with the identification of sanctioned individuals and organizations, persons convicted of AML crimes, as well as the illegal activity to which the Bank may be exposed. The screening is done at two levels: customer and transaction, where the customer name screening is done during onboarding and throughout the lifecycle of the customer relationship.

The provisions of the Bank's MTPP are implemented in a manner that is non-discriminatory to all customer types, ensuring that political exposure, religion, race or ethnic origin are not used as the only basis to deny access to the Bank's services.

Record Keeping and Retention

Banking units, groups and branches responsible for safekeeping records and documents as required under the AMLA, as amended, are obligated to ensure that the aforementioned records are made readily available during examinations and/or audits conducted by its regulators.

As a general policy, all customer identification records, such as identification documents, signature cards and documentary requirements submitted by the clients and records pertaining to customer due diligence performed by Bank personnel, shall be maintained and safely stored as long as the account exists.

Meanwhile, all transaction records, including all unusual or suspicious patterns of account activity whether or not a Suspicious Transaction Report (STR) was filed with the AMLC, are maintained and stored for five (5) years from date of transaction as required by law.

In case of account closure, record on customer identification, account files and business correspondences are preserved and safely stored for at least five (5) years.

When the account is involved in a money laundering case, its account opening and transaction documents are retained until the case is decided with finality.

Reporting of Covered and Suspicious Transactions

The designated Operations Unit oversees the transaction monitoring and reporting system for Covered Transactions (CTRs) and Suspicious Transactions (STRs), in coordination with the various units or groups within the Bank. The Unit ensures that the system is working effectively and regularly reviewed so that reports to the regulatory agencies continue to be accurate and submitted within the prescribed period. The Compliance and Corporate Governance Office (CCGO) performs the final review of the STRs prior to filing and automated submission by the system.

Digital solutions via Robotic Programming Application (RPA) and electronic dashboards are implemented for monitoring of AML transaction alerts, tracking of AML review completion, and handling of AML regulatory report submission.

AML Training Program

- 1 Customer identification and due diligence
- 2 On-going monitoring of customer activities
- 3 Covered and suspicious transactions reporting
- 4 Record-keeping and retention
- 5 Employee awareness



Anti-Money Laundering Training for the Board and Employees

Formulation and conduct of AML training and dissemination of updates regarding AML best practices for the members of the Board, Senior Management, Officers and Staff of the Bank and service providers are done by the Compliance and Corporate Governance Office (CCGO). CCGO ensures that all training materials are regularly updated and prepared for the targeted recipients.

AML Training forms part of the New Employee Organization Program (NEOP) and is required to be taken by all newly-hired employees. Refresher courses are likewise provided to employees to ensure that they are updated with AML regulations and best practices. These refreshers are conducted in regional training caravans and via online or E-learning modules to be taken by employees on an annual basis.

Corporate Governance

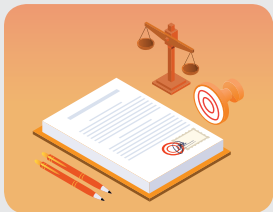
Governance Ethos

Structure and Practices

UnionBank is at the forefront of fostering a culture of sound corporate governance that takes its tone from the members of its board of directors and ensures that its management translates its governance philosophies into policies that create an impact across the company. Anchored on compliance to its statutory and regulatory mandates, UnionBank creates and uses innovative technology to power sustainable business thus enhancing the value that it has created for its stakeholders.

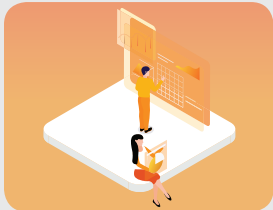
UnionBank is consistent with its substantial compliance with internationally-recognized standards set forth in the ASEAN Corporate Governance Scorecard, as endorsed by the Securities and Exchange Commission as well as with the provisions in the Bangko Sentral ng Pilipinas Circular No. 969 or the Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions. Further, in a bid to remain transparent to its shareholders, UnionBank abides by the disclosure rules set forth by the Philippine Stock Exchange and Philippine Dealing & Exchange Corporation.

PILLARS OF CORPORATE GOVERNANCE



Compliance

Building a culture of strict adherence to the mandates of the Bangko Sentral ng Pilipinas, Securities and Exchange Commission and Philippine Stock Exchange, among other regulatory bodies



Sustainable Business Through Technology

Recognizing technology as the driver of sustainable business and utilizing this to challenge banking conventions to further the interest of its various stakeholders



Transparency

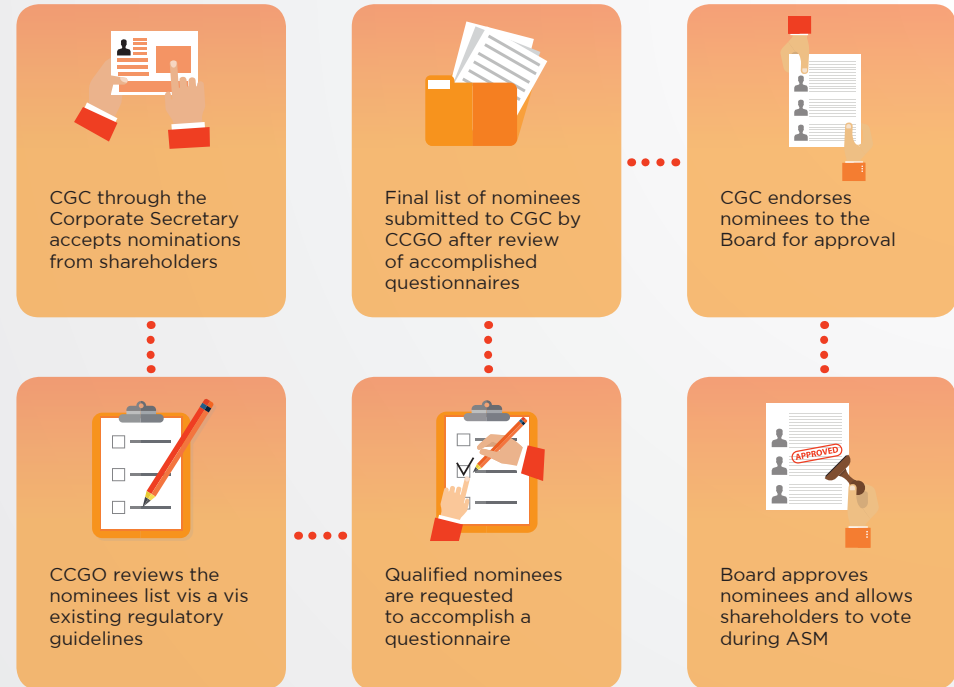
Ensuring that timely and accurate information is disclosed to its shareholders, the investigating public and its various regulatory agencies in order to safeguard their rights

Sifting for the Perfect Fit

Selection Process for the Board of Directors

UnionBank believes that the country is ripe with business leaders who can run a company well but what the Bank really needs are leaders who fit its culture, embody its ethos on governance and whose lives are perfect specimens for integrity and trust. Through its rigid nomination process, UnionBank ensures that it abides by the fit and proper rule set forth by the Bangko Sentral ng Pilipinas and the composition requirements promoted by the Securities and Exchange Commission. Its Corporate Governance Committee (CGC) and Compliance and Corporate Governance Office (CCGO) are in charge of ensuring that the nomination process is adherent to qualification and disqualification rules of regulatory agencies as mentioned in its Manual on Good Corporate Governance.

NOMINATION PROCESS



Growing our Leaders

Selection Process for Senior Management

UnionBank applies a stringent screening and selection process for its senior management team to establish that its candidates have been assessed against the fit and proper standards. The process identifies the best candidates qualified to undertake a role in the Bank's management team, as well as ensures an alignment with its DNA-its culture and values. It includes validation with key Management Committee members through interviews, with all new members of the senior management team and further confirmed by the Board of Directors.

Board Work

Overall Responsibility

Collectively, the board's primary duty is to steer UnionBank towards making strategic decisions in line with its vision and mission while upholding the interests of its shareholders and stakeholders alike. At its core are the values of integrity, fairness and transparency. Its Board created various committees to ensure that active oversight is given to issues relating to strategies, risk-taking and governance, among others.

UnionBank's board is governed by its Revised Manual on Good Corporate Governance whose Article III Sections D and E details the many functions of its members.

On Governance

- ✓ Install a selection process to ensure mix of competent board members
- ✓ Create and implement effective Related Party Transactions (RPT) policies
- ✓ Determine corporate purpose, culture, mission and vision
- ✓ Assess its performance and effectiveness, annually
- ✓ Ensure compliance with relevant laws and regulations
- ✓ Oversee its governance framework and ensure it is relative to its size and operation
- ✓ Properly discharge of board functions and uphold its By-Laws and Articles of Incorporation

On Strategies and Risk

- ✓ Identify stakeholders and ensure an effective Investor Related Program
- ✓ Adopt a culture of internal check and balances
- ✓ Identify key risk areas and key performance indicators and monitor these with due diligence



Chairman Justo A. Ortiz

62 years old, Filipino, Non-Executive Director nominee of AEV, UBP Investments Corporation serving the bank for 26 years and owning 3,229,061 direct and 9,165 indirect shares which constitutes 0.27% of the bank's outstanding shares.

AB Economics, Honor's Program Ateneo de Manila University, Philippines

Relevant Experience

Chief Executive Officer, UnionBank
 Managing Partner for Global Finance, Citibank, N.A.
 Country Executive for Investment Banking, Citibank, N.A.

Current Directorships

UBP Investments Corporation
 City Savings Bank
 PetNet, Inc.
 Philippine Payments Management, Inc. (Chairman)
 Insular Life
 Philippine Trade Foundation, Inc.
 UBX Philippines

*Shares based on 31 March 2020 data.

Acting as the leader of the board of directors, the Chairman has the responsibility to provide direction to the group in order for the latter to seamlessly fulfill its duties and responsibilities. Under Article III of the Manual on Good Corporate Governance, the Chairman carries the following responsibilities

Maintain qualitative and timely lines of communication and information with the Management

Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary

Facilitate the operations and deliberations of the Board

Ensure that the meetings of the board are held in accordance with the By-Laws and focused on strategic matters

Ensure that the Bank abides by its By-Laws and policies

Ensure that Board performance are evaluated at least annually.

Ensure that the Board is properly organized and meets its duties and responsibilities

Work with the CEO to ensure management strategies, plans and performance are presented to the Board

Lead the Board in ensuring that the Bank has an effective senior management

Assures the availability of proper orientation of first-time directors and continuing learning opportunities for all members of the Board

Ensure that the shareholders' view is communicated to the Board

Our Roots

Board of Directors

Composition, Qualification and Committees

Justo A. Ortiz, 62, Filipino

Non-Executive Director, 26 years in the Board
Represents Aboitiz Equity Ventures
3,229,061 (Direct) & 9,165 (Indirect) shares owned*

Serves as Chairman of the Bank. He holds the position of Chairman and/or Director of various subsidiaries of the Bank: PETNET, Inc., City Savings Bank, Inc., UBP Investments Corporation and UBX Philippines Corporation. He is also the Chairman of the following companies: Philippine Payments Management, Inc., Fintech Philippines Association, Inc. and Distributed Ledger Technology Association of the Philippines, Inc. He is a Member of the Board of Trustees of The Insular Life Assurance Co., Ltd., Member of the Board of Governors of Management Association of the Philippines, Member of the Board of Trustees of Philippine Trade Foundation, Inc., Member of the Rotary Club of Manila, Makati Business Club and World Presidents Organization. He was the Chief Executive Officer of the Bank from 1993 to 2017. Prior to his stint in the Bank, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank, N.A.

Mr. Ortiz became a member of the Claustro de Profesores of the University of Santo Tomas (UST) as he was conferred a Doctor of Humanities degree, Honoris Causa, on December 11, 2015. He graduated Magna Cum Laude with a degree in the Economics Honors Program from Ateneo de Manila University.

Member: Executive Committee, Risk Management Committee, Trust Committee, Market Risk Committee, Operations Risk Management Committee, Corporate Governance Committee

Erramon Isidro M. Aboitiz, 63, Filipino

Non-Executive Director, 26 years in the Board
Represents Aboitiz Equity Ventures
379,882 (Direct) & 12,277,304 (Indirect) shares owned*

Serves as Vice Chairman of the Bank. He is the Vice Chairman of City Savings Bank, Inc., a subsidiary of the Bank. He also serves as Chairman of Aboitiz Power Corporation, and a director of Aboitiz Equity Ventures, Inc., both publicly listed companies. Mr. Aboitiz is also the Chairman of the Board of Directors of the following companies: Manila-Oslo Renewable Enterprise, Inc., San Fernando Electric Light and Power Co., and CRH Aboitiz Holdings, Inc. He is Vice Chairman of Republic Cement and Building Materials, Inc. Lastly, he is a director of the Philippine Disaster Recovery Foundation.

Mr. Aboitiz was awarded the Management Association of the Philippines Management Man of the Year and Ernst & Young's Entrepreneur of the Year both in 2011.

Mr. Aboitiz earned a Bachelor of Science degree in Business Administration, Major in Accounting and Finance, from Gonzaga University, Spokane, Washington, U.S.A. He was also conferred an Honorary Doctorate Degree in Management by the Asian Institute of Management. He is not connected with any government agency or instrumentality.

Chairman: Executive Committee

Member: Risk Management Committee,
Market Risk Committee, Corporate Governance Committee

Edwin R. Bautista, 59, Filipino

Executive Director, 4 years in the Board
452,211 (Direct) shares owned*

Serves as Director and President & Chief Executive Officer of the Bank. He also serves as Chairman of the following subsidiaries of the Bank: UBP Investments Corporation and First Union Plans, Inc.; and Director of UBX Philippines Corporation, PETNET, Inc. and Aboitiz Equity Ventures, Inc., a publicly listed company. He was the President and 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.

Member: Executive Committee, Trust Committee

Sabin M. Aboitiz, 55, Filipino

Non-Executive Director, 8 years in the Board
Represents Aboitiz Equity Ventures
200,658 (Direct) & 176,487 (Indirect) shares owned*

He is the President and Chief Executive Officer of Aboitiz Equity Ventures, Inc., a publicly listed company.

He is also the President of AEV Aviation, Inc., and AEV-CRH Holdings, Inc., wholly-owned subsidiaries of Aboitiz Equity Ventures (AEV). Concurrently, he is the President of Philippine Flour Millers Association, Inc. (PAFMIL).

He the Chairman of Aboitiz Foundation, Inc., Aboitiz InfraCapital, Inc., Aboitiz Land, Inc., Pilmico Foods Corporation, Pilmico Animal Nutrition Corporation, Gold Coin Management Holdings, Ltd.; Director and President of AEV CRH Holdings, Inc.;

Director of UnionBank, a publicly listed company, ACO, Republic Cement and Building Materials, Republic Cement Services, Inc., CRH Aboitiz Holdings, Inc., Apo Agua Infraestructura, Inc., Aboitiz Construction International, Inc., Aboitiz Construction, Inc., and Pilmico International; Alternate Director of Aboitiz Power International Pte. Ltd. and AEV International Pte. Ltd.

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.

Member: Executive Committee

Alternate Member: Risk Management Committee, Operations Risk Management Committee, Corporate Governance Committee

Luis Miguel O. Aboitiz, 55, Filipino

Non-Executive Director, 6 years in the Board
Represents Aboitiz Equity Ventures
6,418,106 (Direct) shares owned*

He currently holds the position of Senior Vice President of Aboitiz Equity Ventures, Inc., and Chief Strategy Officer of Aboitiz Power Corporation, both publicly listed companies. He also held various positions for several Aboitiz subsidiaries including Pilmico Animal Nutrition Corporation, Aboitiz Foundation Inc., 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. 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.

Chairman: Technology Steering Committee

Member: Audit Committee, Operations Risk Management Committee

Alternate Member: Executive Committee, Market Risk Committee

Manuel R. Lozano, 49, Filipino

Non-Executive Director, 3 years in the Board
Represents Aboitiz Equity Ventures
1,167 (Indirect) shares owned*

He is currently the Senior Vice President and Chief Financial Officer of Aboitiz Equity Ventures, Inc., a publicly listed company. 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.

Chairman: Trust Committee Member; Executive Committee

Alternate Member: Risk Management Committee, Market Risk Committee

Juan Alejandro A. Aboitiz, 35, Filipino

Non-Executive Director, 1 year & 5 months in the Board
Represents Aboitiz Equity Ventures
25,573 (Indirect) shares owned*

He holds the position of First Vice President for Energy Trading and Sales of Aboitiz Power Corporation, a publicly listed company. He is currently Chairman of the Board of Directors of AP Renewables, Inc., SN Aboitiz Power - Res, Inc. and Therma Luzon, Inc.; Chairman and Chief Financial Officer/Treasurer of Aboitiz Energy Solutions, Inc. and Adventergy, Inc.; Chairman and Chief Financial Officer of Prism Energy, Inc.; and Director of Mazzaraty Energy Corporation. He was Assistant Vice President for Corporate Finance of Aboitiz Equity Ventures, Inc., a publicly listed company, from January 2016 to June 2017. He was also the Department Head for Billing and Collection of Visayan Electric Company, Inc. from March 2012 to June 2013,

and Regulatory Affairs Manager of APC from July 2013 to June 2014. He started his career with the Aboitiz Group as a Management Trainee for the Strategy and Corporate Finance Department of AEV. Prior to joining the Aboitiz Group, he held various positions in SyCip Gorres Velayo & Co. from 2008 to 2011.

Mr. Aboitiz graduated from Loyola Marymount University in Los Angeles, California, U.S.A. with a degree in Bachelor of Science in Accounting and Masters of Business Administration from The Hong Kong University of Science and Technology.

Nina Perpetua D. Aguas, 67, Filipina

Non-Executive Director, 4 years in the Board
Represents Insular Life Assurance Co.
1 (Direct) share owned*

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, a publicly listed company, 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.; Insular Life Management and Development Corporation (ILMADECO); and Insular Life Property Holdings, Inc. where she also serves as President. She's also a Director and Chairperson of Bank of Florida (A Rural Bank). She also sits as Director of Insurance Institute for Asia and the Pacific, Inc. and is a member of the World Bank Group's Advisory Council on Gender and Development.

Member: Executive Committee, Audit Committee, Market Risk Committee, Corporate Governance Committee

Aurora C. Ignacio, 63, Filipina

Non-Executive Director, 1 year in the Board
Represents Social Security System
1 (Direct) share owned*

She is the President and CEO (PCEO) of the Social Security System (SSS) and Vice-Chairperson of the Social Security Commission (SSC). As SSS PCEO, she oversees and supervises the general conduct of operations of the state pension fund and is responsible for carrying out programs and policies. Prior to her appointment as PCEO, she was the Chairperson of the SSC.

Ms. Ignacio was also the former Assistant Secretary for Special Projects in the Office of the President and was designated as the Focal Person for Anti-Illegal Drugs by virtue of Presidential Directive No. 5. She took on multiple responsibilities pertinent to said designation serving as a Guest Member of the Dangerous Drugs Board while at the same time attending to her duties as a Principal Member of Task Force on the Establishment of Rehabilitation and Treatment Center for Drug Users.

In addition, Ms. Ignacio was a council member of the National Food Authority and helped steer the agency through its policies on food security. She also held various positions in different banking institutions. She obtained her Bachelor of Science degree in Commerce, Banking and Finance from the Centro Escolar University.

Member: Executive Committee, Trust Committee, Corporate Governance Committee

Alternate Member: Risk Management Committee, Market Risk Committee, Operations Risk Management Committee, Technology and Steering Committee

Michael G. Regino, 58, Filipino

Non-Executive Director, 2 years in the Board
Represents Social Security System
1 (Direct) share owned*

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, a publicly listed company. Preceding his appointment as Commissioner of the SSC on October 27, 2016, he engaged in various activities which marked 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 shared his expertise 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 degree in Business Administration in 1985 from the Ateneo de Manila University.

Member: Risk Management Committee, Audit Committee, Market Risk Committee, Operations Risk Management Committee, Technology and Steering Committee

Alternate Member: Executive Committee, Corporate Governance Committee

Carlos Bell T. Raymond, Jr. 79, Filipino

Independent Director, 8 years in the Board
123 (Direct) & 7,591 (Indirect) shares owned*

He is also the Chairman of the Risk Management Committee of the Bank and member of the Bank's committees namely: Audit Committee, Market Risk Committee, Operations Risk Management Committee, Corporate Governance 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 in B.S. Business Administration.

Chairman: Risk Management Committee

Member: Audit Committee, Market Risk Committee, Operations Risk Management Committee, Corporate Governance Committee, Related Party Transaction Committee

Chief Justice Reynato S. Puno (Ret.), 79, Filipino,

Independent Director, 7 years in the Board
107 (Direct) shares owned*

He was Chief Justice of the Supreme Court of the Philippines from 2006 to 2010. He also serves as an Independent Director of San Miguel Corporation, a publicly listed company, and San Miguel Brewery Hongkong, Ltd.; Commissioner, PT Delta DJakarta Tbk.; and Board Member of Manila Standard. He is engaged in international arbitration, being accredited by the Permanent Court of Arbitration. 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.

Chairman: Corporate Governance Committee, Related Party Transaction Committee

Member: Audit Committee, Market Risk Committee, Operations Risk Management Committee

Francisco S.A. Sandejas, 52, Filipino

Independent Director, 6 years in the Board
166,203 (Direct) shares owned*

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 cofounded and chairs Stratpoint Technologies, Inc., one of South East Asia's leading software consulting firms for Digital Transformation. He is a Director of Quintic Corporation and Colixo Incorporated, and a member of Board of Trustees of Phil. S & T Development Foundation. He also serves as Independent Director of Sun Life of Canada (Philippines), Inc., Sun Life Financial Plans, Inc., Sun Life Asset Management Company, Inc. and Grepalife Asset Management Corporation.

At Stanford University, 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 graduate of University of the Philippines-Diliman's Applied Physics program and was awarded one of the Ten Outstanding Students of the Philippines. Dr. Sandejas 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), Director Sandejas advises 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.

Chairman: Operations Risk Management Committee

Member: Risk Management Committee, Audit Committee, Market Risk Committee, Corporate Governance Committee

Erwin M. Elechicon, 60, Filipino

Independent Director, 2 years in the Board
65 (Direct) shares owned*

He is presently a member of the Board of Directors of Frabelle Corporation and Alliance Select Foods International, Inc., a publicly listed company. He is also Chairman and President of Pacific Plaza Towers Condominium Corporation, a Founding Partner of the T88C Company, and a member of the Board of Directors of Facility Servisys Inc. He was a former member of the Board of Directors of PETRONAS Dagangan Berhad (Malaysia) and U-BIX Philippines Corporation; and former Chairman of Silver Machine Digital Communications. He began his career with The Procter & Gamble Company and stayed for over 26 years until 2005, when he left as Vice President - Fabric & Home Care, responsible for the Southeast Asia/India/Australia/New Zealand Region. He then joined Jollibee Foods Corporation, a publicly listed company, where he was 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, Mr. Elechicon is the President and member of the Board of Trustees of the P&Gers Fund, Inc.; and former member of the Board of Trustees of Ateneo de Iloilo, Inc.

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

Chairman: Market Risk Committee

Member: Risk Management Committee, Operations Risk Management Committee, Corporate Governance Committee, Technology Steering Committee

Roberto G. Manabat, 73, Filipino

Independent Director, 2 years in the Board
65 (Direct) shares owned*

He is a Certified Public Accountant. He is a Board Adviser on Internal Audits of SM Investments Corporation, a publicly listed company, and its subsidiaries/affiliates. He is also a Director in PA Properties and Development Corp. and Titanium Construction Company. He also sits as Trustee of the Shareholders Association of the Philippines. 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 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 a track record of more than 40 years in the field of accountancy and has been a prominent advisor to many corporate and government agencies on good governance principles and practices.

In 2018, he received The Outstanding Professional Award in the Field of Accountancy given by the Professional Regulation Commission. In 2019, he was honored by The Federation of Asian Institute of Management Alumni Associations, Inc. (FAIM) with an AIM Alumni Achievement (Triple A) Award, the most prestigious recognition given to AIM graduates.

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

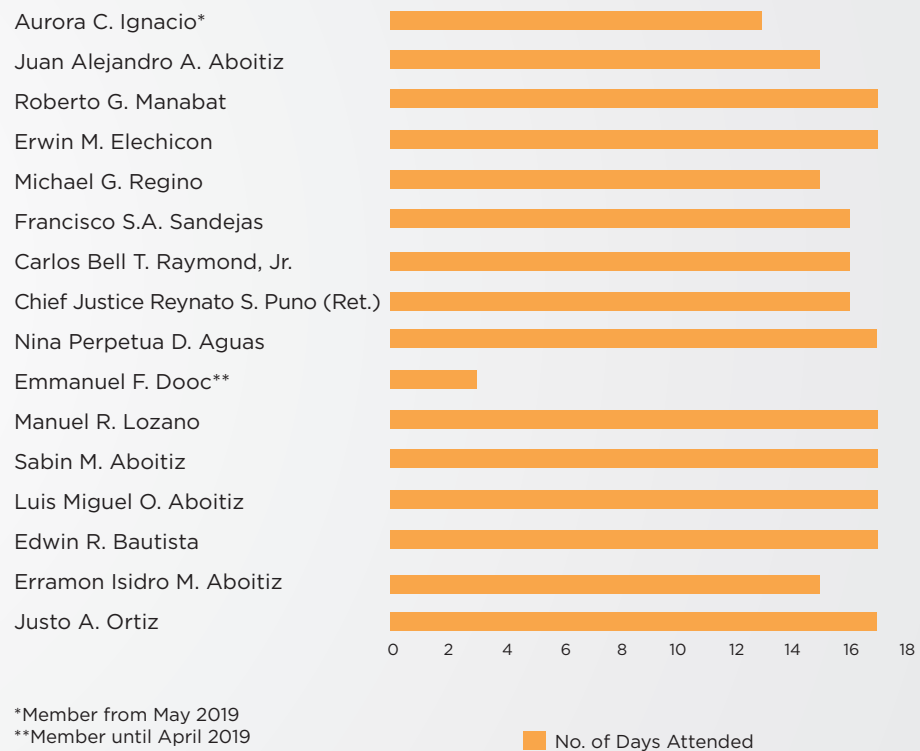
Chairman: Audit Committee

Member: Risk Management Committee, Market Risk Committee, Corporate Governance Committee, Technology Steering Committee, Related Party Transaction Committee

Sturdy Trunk

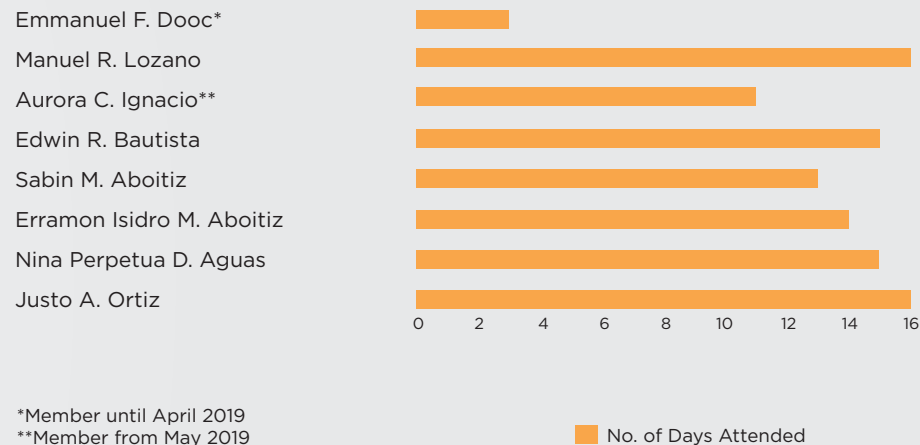
Board Committees

BOARD OF DIRECTORS' 2019 ATTENDANCE



The Board of Directors held eighteen (18) meetings from January to December 2019.

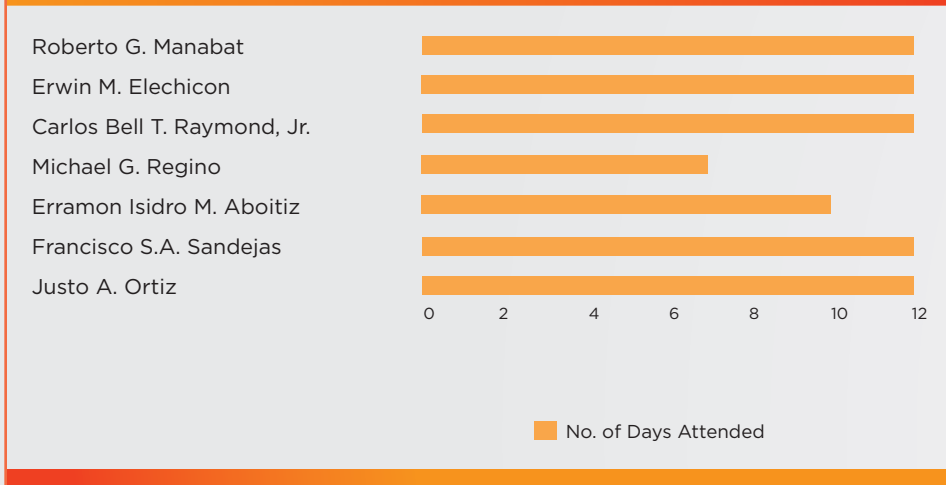
EXECUTIVE COMMITTEE



The Executive Committee (ExCom) is composed of seven (7) members of the Board. It 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. All matters passed and acted upon by the ExComm are reported to the Board of Directors and subject to revision and alterations by the Board provided that no rights or third person are affected thereby.

The Committee held sixteen (16) meetings from January to December 2019.

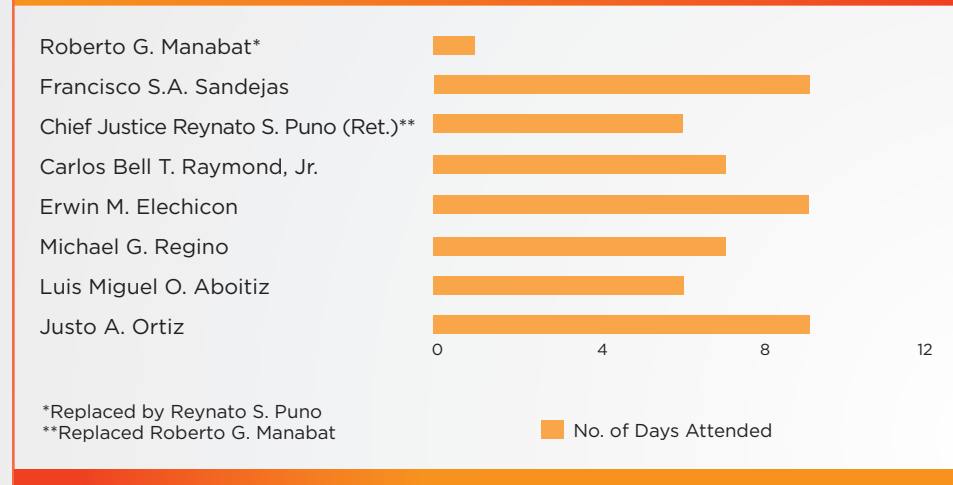
RISK MANAGEMENT COMMITTEE



Risk Management Committee (RMC) consists of seven (7) members of the Board who are tasked to develop appropriate strategies for preventing the occurrence of risk events and minimizing losses. The Committee 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.

The Risk Management Committee held twelve (12) meetings from January to December 2019.

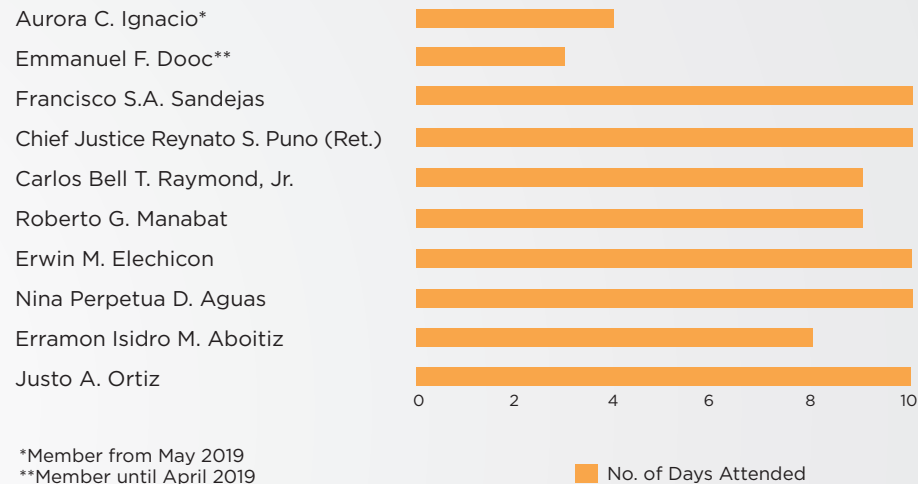
OPERATIONS RISK MANAGEMENT COMMITTEE



The Operations Risk Management Committee (ORMC) is composed of seven (7) members of the Board who are tasked to determine the adequacy of the Bank’s policies, procedures, organization and resources for preventing, or limiting unexpected loss due to deficiencies in information systems, business, operational and management processes, employees’ skills and supervision, equipment and internal controls. The Committee is also asked to conduct periodic or special risk assessments in various businesses and operating units of the Bank to proactively uncover operational risks that can result to actual loss or damage, results of internal audits, BSP examinations and investigations of administrative cases that highlight trends indicative of present or emerging exposures to specific operational risks, risk assessment of major information systems to be implemented in the Bank, regulatory compliance issues, whether currently existing or anticipated to arise as a result of new regulations and business continuity strategies, plans and procedures.

The Operations Risk Management Committee held twelve (12) meetings from January to December 2019.

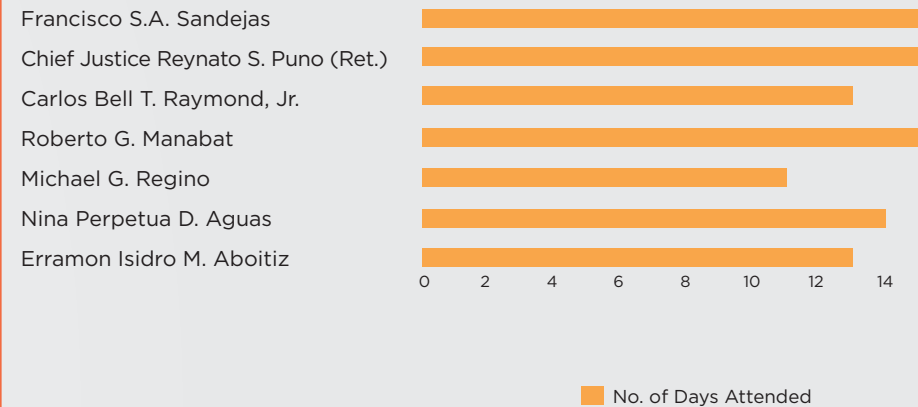
CORPORATE GOVERNANCE COMMITTEE



The Corporate Governance Committee (CGC) is comprised of nine (9) members of the Board whose primary task is to recommend policies to the Board based on regulations of the various regulatory agencies of the bank. The Committee also has the responsibility to provide oversight to the implementation of the corporate governance framework and ensure the adoption of corporate governance policies, its review and regular update as well as its consistent implementation in form and substance, among others. The Committee likewise screens nominees to the board vis a vis existing regulations and reviews remuneration to ensure that it is commensurate with corporate and individual performance. Lastly, the Committee exercises governance oversight on its subsidiaries to ensure adherence to the existing Group Governance Policy.

The Corporate Governance Committee held ten (10) meetings from January to December 2019.

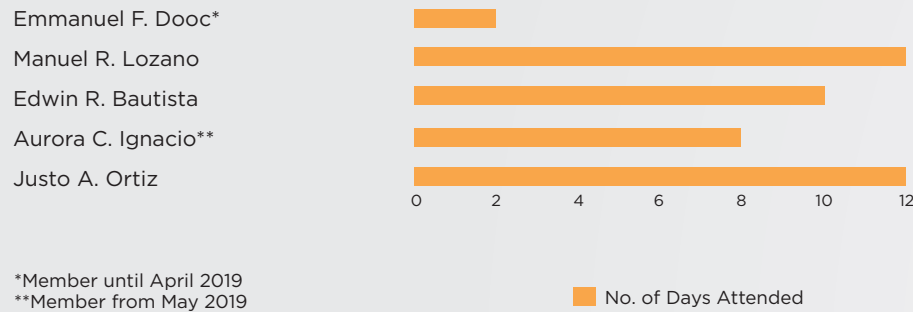
AUDIT COMMITTEE



The Audit Committee (AuditComm) consists of five (5) members who are knowledgeable in accounting, auditing and related financial management matters who are tasked to provide oversight on the Bank's financial reporting and internal control, as well as internal and external audit function. Moreover, the Audit Committee is mandated to monitor and evaluate the adequacy and effectiveness of the Bank's systems of internal control, risk management and corporate governance.

The Audit Committee held fifteen (15) meetings from January to December 2019.

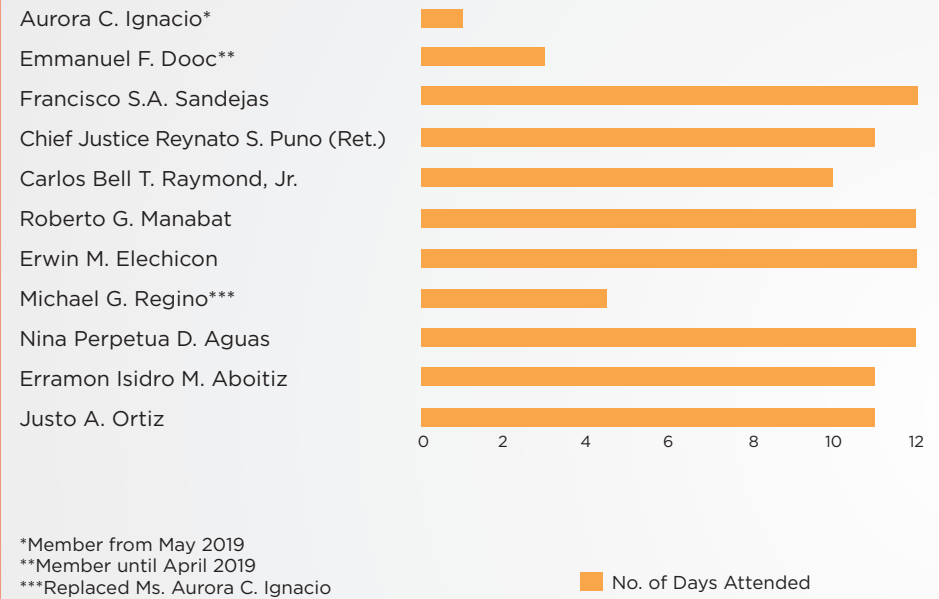
TRUST COMMITTEE



The Trust Committee (TrustComm) is composed of five (5) members who acts within the sphere of authority provided for in the Bank’s By-Laws and/or as may be delegated by the Board such as, but not limited to the 1) acceptance and closing of trust and other fiduciary accounts; 2) initial review of assets placed under the trustee’s fiduciary custody; 3) the investment, reinvestment and disposition of funds and 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 fiduciary relationship.

The Trust Committee held twelve (12) meetings from January to December 2019.

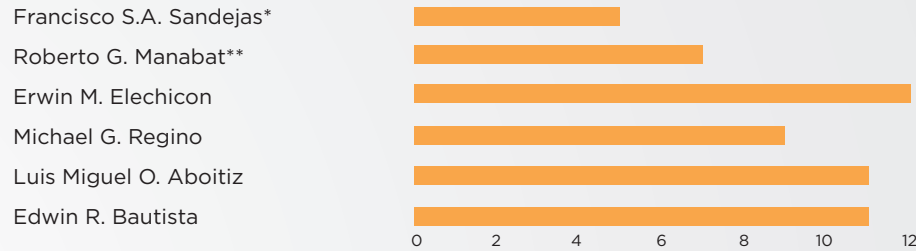
MARKET RISK COMMITTEE



The Market Risk Committee (MRC) consists of nine (9) members whose task is to set policies and standards for market risk, interest rate risk and liquidity risk in terms of identification, measurement, monitoring and control. The Committee’s specific duties include, among others, management and reporting of market risk, interest rate risk in the banking book and liquidity risk. The Committee is also tasked to ensure that the risk management process for these risks satisfy corporate policy, review of the Treasury Portfolio, review and endorsement of Treasury-related products program and manuals for board approval, approval of models and systems used to calculate market, interest and liquidity risks and promotion of continuous development of risk programs and infrastructure.

The Market Risk Committee held twelve (12) meetings from January to December 2019.

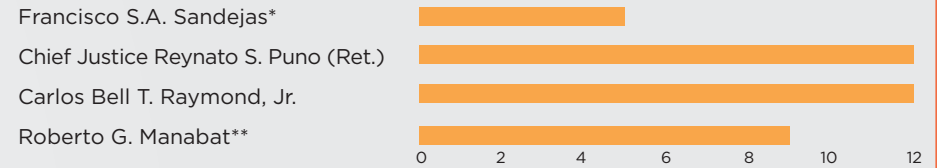
TECHNOLOGY STEERING COMMITTEE



*Replaced by Roberto G. Manabat
 **Replaced Francisco S.A. Sandejas

No. of Days Attended

RELATED PARTY TRANSACTIONS COMMITTEE



*Replaced by Roberto G. Manabat
 **Replaced Francisco S.A. Sandejas

No. of Days Attended

The Technology Steering Committee (TSC) is composed of five (5) members of the board who are responsible in overseeing the overall information technology (IT) strategy of the Bank vis a vis its alignment with the Bank's business strategies and objectives. The Committee also monitors IT performance, status of major projects and other IT-related issues.

The Technology Steering Committee held twelve (12) meetings from January to December 2019.

The Related Party Transactions Committee (RPT) is composed of five (5) members, three (3) of which are Independent Directors including the Committee's Chairman with the Head of Internal Audit and the Chief Compliance Officer as resource persons. The Committee is primarily responsible for assisting the board in fulfilling its corporate governance responsibilities on related party transactions and reviewing and endorsing all significant RPT for board approval or confirmation.

The Related Party Transactions Committee held twelve (12) meetings from January to December 2019.

CHANGES IN THE BOARD

Outgoing	Reason	Incoming
Emmanuel F. Dooc	End of appointment in SSS	Aurora C. Ignacio

Team Members

Key Executives

Edwin R. Bautista, 59, Filipino, serves as Director and President & Chief Executive Officer of the Bank. He also serves as Chairman of the following subsidiaries of the Bank: UBP Investments Corporation and First Union Plans, Inc.; and Director of UBX Philippines Corporation, PETNET, Inc. and Aboitiz Equity Ventures, Inc., a publicly listed company. He was the President and 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.

Henry Rhoel R. Aguda, 51, Filipino, holds the position of Senior Executive Vice President, Chief Technology and Operations Officer and Chief Transformation Officer of the Bank. He is the Chairman of UBX Philippines Corporation, a subsidiary of the Bank. He also sits as member of the Board of Trustees and IT Committee of the Parish Pastoral Council for Responsible Voting. He was the former Chief Information Officer of Globe Telecom, Inc., a publicly listed company. 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 Digital Telecommunications Philippines. He was the Chief Operations Officer and Chief Financial Officer of Nextel Communications Philippines. In addition to these, he also worked in 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, 56, Filipino, holds the position of Senior Executive Vice President, Chief Financial Officer and Treasurer of the Bank. He was also a Director of the Bank subsidiaries - UBP Investments Corporation and First Union Plans, Inc. 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 a Senior Executive Vice President and Chief Operating Officer of East West Bank Corporation, a publicly listed company. 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, both publicly listed companies. He also held positions in International Business Development of Far East Bank & Trust Company and in Treasury Trading of Equitable PCI Bank.

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 the 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.

Roberto F. Abastillas, 59, Filipino, holds the position of Executive Vice President and Center Head of Commercial Banking of the Bank. He is also Director of First Union Insurance & Financial Agencies, Inc. 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.

Antonino Agustin S. Fajardo, 56, Filipino, holds the position of Executive Vice President and Center Head of Corporate Banking of the Bank and he serves as Director of First Union Insurance & Financial Agencies, Inc., a subsidiary of the Bank. He is also a Senior Credit Officer and has had broad experience in the corporate and consumer sectors of the Bank in various leadership roles. He headed the Mortgage Business from 2013 to 2017, and in the early years of the Bank from 1994 to 1998, also played key roles in the Specialized Lending Group, which was involved in general project finance and the on-lending of official development funds to key accounts. Prior to joining the Bank, he was Project Officer for the Private Development Corporation of the Philippines. He is a graduate of the University of the Philippines with a Bachelor's Degree in Business Management.

Mary Joyce S. Gonzalez, 61, Filipina, holds the position of Executive Vice President and Center Head of Retail Banking of the Bank. She was also the former Chairperson of First Union Insurance and Financial Agencies, Inc. She is a Director of UBP Investments Corporation, First Union Direct Corporation and Progressive Rural Bank, Inc., all subsidiaries of the Bank. 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 growths 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.

Dennis D. Omila, 47, Filipino, holds the position of Executive Vice President and Chief Information Officer of the Bank. He is also a Director for UBX Philippines Corporation, a subsidiary of the Bank. He was the former Senior Vice President of the Infrastructure Engineering and Service Operations cluster of Globe Telecom, Inc., a publicly listed company, 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 (BSCSCT).

Michaela Sophia E. Rubio, 55, Filipina, holds the position of Executive Vice President and Chief Human Resource Officer of the Bank. She is also the Lead for CSR and Sustainability. 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 a 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.

Manuel G. Santiago, Jr, 60, Filipino, holds the position of Executive Vice President and Chief Mass Market and Financial Inclusion Executive leading the bank's efforts to serve the unbanked and underbanked markets. He currently serves as Director of PETNET, Inc. and Progressive Bank, Inc. He was also the former Chairman of First Union Direct Corporation, a subsidiary of the Bank. Prior to this he was a Senior Vice President and Head of the Consumer Finance Center managing the Home Loans, Auto Loans, Personal Loans and Credit Card businesses. He previously worked as Director of Operations in American Express Bank in Indonesia and as Director of Operations in American Express International, Manila. He also held various positions in Citibank N.A., Manila.

Atty. Arlene Joan T. Agustin, 51, Filipina, holds the position of Senior Vice President and Head of Private Banking Group of the Bank. Atty. Agustin brings with her more than two decades of experience and expertise in Treasury and Trust. She started her career in banking in 1990 as a Trader in Asiatruster Bank, then moved to China Banking Corp., a publicly listed company, as an Assistant Manager for Treasury. In 1997, she transferred to Jade Progressive Savings and Mortgage Bank where she became the Senior Assistant Vice President-Treasurer. After her two-year stint, she went to join Robinsons Bank and became its First Vice President, Head of Treasury and concurrent Head of Legal & Credit Administration. 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., a publicly listed company, she was appointed as the Customer Solutions Desk Head of the Treasury Capital Markets and Derivatives Division and at the same time served as a First Vice President and Treasurer of BDO Elite Savings Bank until 2011. In the same year, she joined Maybank Philippines, Inc. where she became a Senior Vice President, Treasurer and Head of Global Markets.

Atty. Agustin completed her bachelor's degree in Political Science and Economics from the University of the Philippines, Diliman. She earned her Juris Doctor Law 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, 49, Filipino, 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 worked as Head of the Transaction Advisory Services from 2007 to 2009 and Audit Senior Manager from 1999 to 2003. He was a former Financial Services Industry Audit Leader at Deloitte Philippines from 2011 to 2016. 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.

Paolo Eugenio J. Baltao, 48, Filipino, holds the position of Senior Vice President and Head of EON Banking Group. Prior to joining the Bank, he was the President of G-Xchange, Inc. (GXI), a wholly owned subsidiary of Globe Telecom, Inc., a publicly listed company, which operates and manages its m-commerce product, GCash.

Atty. Joselito V. Banaag, 49, Filipino, 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., a publicly listed company, from 2012 to 2015. He also previously worked at the Philippine Stock Exchange (PSE), a publicly listed company, 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, PNO 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.

Antonio Sebastian T. Corro, 47, Filipino, holds the position of Senior Vice President and Head of Cards Business of the Bank. Prior to joining the Bank, he held various positions from 2001 to 2017 in MasterCard Asia/Pacific Pte. Limited such as Country Manager in Thailand & Myanmar, leading the execution of business development strategies to expand MasterCard products and services throughout Thailand and Myanmar; Country Manager and Chief Representative in Indochina Region, guiding the member banks across the Indochina region Vietnam, Cambodia, Laos and Myanmar, through the execution of franchise related activities, among others; and Vice President for Operations and Member Relations in the Philippines. He also held various positions in Standard Chartered Bank from 1999-2001. Mr. Corro earned his Administracion de Recursos Fisicos Y Financieros from Colegio Universitario Fermin Toro, Venezuela.

Joebart T. Dator, 52, Filipino, holds the position of Senior Vice President, Branch and Customer Engagement Channel Head of the Bank. He has been with the Bank for more than 20 years and has extensive experience in Branch Operations Management. He has obtained Six Sigma Black Belt Certification in 2015. Mr. Dator started handling Customer Engagement Group in mid-quarter of 2019. He started working in UnionBank as a Branch Service Officer, became a Branch Manager and was promoted to Sales Director under Retail Banking Group. Prior to this, he also worked in China Banking Corporation and Metropolitan Bank and Trust Corporation, both publicly listed companies, early in his career. He is a graduate of Bachelor of Science in Business Administration Major in Accounting from Enverga University in Lucena City.

Ramon Vicente V. De Vera, 44, Filipino, holds the position of Senior Vice President and Head of Fintech Business Group of the Bank. He is also a Director for UBX Philippines Corporation and PETNET, Inc., both subsidiaries of the Bank. He joined the Bank in 2010 as Business Development Director and was tasked to fan the innovation flames in the Bank. He also led Corporate Product Management which handles the bank's core transaction banking services. He is a founding member and Vice Chairman of the Blockchain Association of the Philippines whose primary purpose is to educate, regulate and innovate on blockchain technology. He is also a co-founder and director of Tech-Up Pilipinas - a movement that seeks to help small and medium enterprises, individuals, and large corporates benefit from technological advancements in order to "tech-up" the Philippines and pave way for inclusive prosperity; and founding member and board director of the Fintech Association of the Philippines which is part of the

ASEAN Fintech Association. He has an extensive 20-year work experience covering banking (Citibank), telecommunications (Globe/Singtel), and broadcast/digital media (TV5/ABC), with roles spanning product management, sales, finance, strategic planning, and business development.

Ana Maria A. Delgado, 39, Filipina, holds the position of Senior Vice President, Center Head of Consumer Finance and Chief Customer Experience Officer of the Bank. She is the Chairperson of First Union Insurance and Financial Agencies, Inc., and First Union Direct Corporation, subsidiaries of the Bank; and Director of SingLife Philippines, Aboitiz Land, Inc., Aboitiz Infracapital, Inc., and Aboitiz Equity Ventures, Inc., a publicly listed company. She is also 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.

Ramon G. Duarte, 55, Filipino, holds the position of Senior Vice President, Head of Platform Development Group, and the Transaction Banking Center of the Bank. 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.

Ronaldo Francisco B. Peralta, 56, Filipino, 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, a publicly listed company, from June to October 2014.

Myrna E. Amahan, 59, Filipina, 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.

Joselyn B. Torres, 61, Filipino, holds the position of First Vice President and Chief Compliance and Corporate Governance Officer of the Bank. With over thirty years of experience in the financial and compliance services industries, working in the areas of business development and mergers and acquisitions, audit, compliance and quality assurance, most of which were spent in the banking sector. She was the Business Development Head of City Savings Bank, Inc. (a UnionBank subsidiary), heading the product development function and assisted in the microfinance business acquisitions. As Senior Vice President, previously handled Business Development, in charge of mergers & acquisitions, for Philippine Bank of Communications (PBCOM), a publicly listed company; and Compliance and Audit responsibilities for Citibank N.A. Philippines, responsible for the promotion of control and compliance awareness among the employees of the organization.

Alan Jay C. Avila, 46, Filipino, holds the position of Vice President and Trust Officer of the Bank. He was the Head of Business Development and Marketing of the Bank from March 7, 2018 to November 30, 2018. He was previously an Assistant Vice President and Front Office Management Head of Global Markets, Maybank Philippines, Inc. and also served as its Trust Officer from September 2011 to March 2016. He started his career with Keppel IVI Investment, Inc. as Senior Associate from August 1995 to June 2001. He later joined GE Money Bank and held positions such as Senior Manager for Treasury Department and Acting Trust Officer from June 2001 to February 2010. He was also Business Development Officer (Corporate Group) of Banco De Oro Unibank, Inc., a publicly listed company, Trust Department from February 2010 to September 2011. Mr. Avila graduated from Ateneo De Manila University with a degree in A.B. Economics.

Atty. Bueneventura S. Sanguyo, Jr., 50, Filipino, holds the position of Vice President, Deputy Head of the Legal Division and Assistant Corporate Secretary of the Bank. He is also the Corporate Secretary of various subsidiaries of the Bank. Prior to joining the Bank, he was an Assistant Vice President and General Counsel of The Philippine Stock Exchange, Inc., a publicly listed company, from 2012 to 2015. He was previously a Partner at Castro Sanguyo Margarejo and Rosas Law Office. He was also engaged as an Associate of Reyes Francisco & Associates Law Office and Senior Tax Consultant at Isla Lipana & Co./Pricewaterhouse Coopers. He graduated Cum Laude from the University of Santo Tomas with a degree in Bachelor of Arts in Political Science and obtained his Law degree from the University of the Philippines.

Measuring Up


Board Performance Assessment Process

UnionBank recognizes that innovation is key to growth. As such, the Bank ensures that it consistently evaluates itself vis a vis its goals and its execution of strategies. This culture is carried from the top through an annual Board Performance Assessment exercise spearheaded by its Corporate Governance Committee through its Compliance and Corporate Governance Office. The Board Assessment process aims 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 Revised Manual on Good Corporate Governance.

COMPONENTS



Board as collegial body
Self-Assessment



Individual
Self-Assessment



Independent
Assessment by
Corp. Secretary,
Chief Risk and Chief
Compliance Officer

To coincide with the Bank's Annual Shareholders Meeting where election of the members of the board is done, the covered period for the assessment was adjusted to May through April of the next year.

The Scoreboard

Performance Assessment Plan for Senior Management

The Bank updated its performance management system to purposely integrate Balanced Scorecard framework as an effort to strongly align the Bank's strategies and goals in the key areas of Financial Performance, Risk, Operations, Stakeholders, People, and Strategy Execution. Along with this, the Bank also harmonized its performance management and career development system with its adoption of the agile operating model. As such, its performance management system also known as MyPerformance, adheres to the principles of multi-rater approach, rewards for results, self-driven high-performance, and self-driven career. Programs that support these apply to all employees of the Bank including the senior management. Recently included is the multi-rater approach to promote organizational agility, therefore enabling employees to move with versatility around multiple roles and bigger responsibilities.

Sharpening the Saw

Board Orientation and Education Program

UnionBank considers continuous learning as integral to its strategy which is heavily anchored on technology and innovation. As such, it ensures that the members of the board have the option to further their knowledge in financial technology and sustainable business, among others. In its annual strategic planning exercise, members of the board are presented with learning sessions designed to enhance FinTech know-how. Mandatory learnings such as Corporate Governance refreshers are organized by the Compliance and Corporate Governance Office and may be taken in-house or through an accredited learning provider. The Revised Manual on Good Corporate Governance ensures that the culture of continuous learning is promoted across the bank, starting from its board of directors.

Nurturing the Leadership

Senior Management Orientation and Education Program

UnionBank University remains to be the main avenue for continuous learning and development of employees, including the senior executives of the Bank. Compliance courses are accessible in a centralized HR platform, One UnionBanker Hub, to give employees a self-driven, engaging and effortless learning experience. In this platform, compliance courses are made readily available for the Bank's executives' learning convenience. Apart from these courses, members of the senior management team also learn from one another by participating in the quarterly learning session for executives, the Leaders' Learning Circle (LLC), where local and global thought leaders are invited by the Bank to share their expertise and views on emerging topics such as the future of banking and financial services, leading-edge financial and digital technologies and leadership and management disruptions and evolution. More so, the annual Strategic Planning session with the Board of Directors is a great learning opportunity for leaders to keep themselves abreast of the trends and best practices of banking and financial technology, digital strategy, platforms, and emerging technology applications.

Looking Forward

Retirement and Succession Policy

The Bank believes that building a bank of enduring greatness entails building a strong base of leaders who can steer the Bank towards digital transformation. In this regard, the Bank through the conduct of talent review identifies successors to critical positions to ensure leadership continuity and retain these high potentials.

The succession management policy called Building Organizational Muscle (BOM 2.0) promotes line manager accountability in understanding talent gaps and growing high potential talents for the future while ensuring businesses are aligned thus making future-proof succession plans.

Under the Bank's Retirement Policy, the normal retirement age is at 60 years with a provision for late retirement beyond age 60 years subject to the Board of Directors' approval.

Flowers that Bloom

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 in the form of guaranteed salaries, per diem for meeting attendance and variable pay or profit sharing in accordance to the By-Laws. Non-executive Directors receive per diems of Php 120,000.00 for each attendance in meeting except for the Chairman of the Board who receives Php 150,000.00. A Committee Chairman receives Php 85,000.00 per meeting while a member receives Php 60,000.00. The compensation policies and procedures for Senior Management follow a market-based compensation structure, anchored on the principles of meritocracy or pay-for-performance.

Row of Trees

Related Party Policies

It is the policy of the Bank to ensure that related party transactions are all entered into at arm's length standard. The Bank has in place a Related Party Transaction Policy approved by the Board of Directors and strictly implemented across all covered transactions in the Bank. It has guidelines to ensure fairness and transparency. It ensures the appropriate handling and monitoring of Related Party Transactions which cover a wider definition than DOSRI and encompass a broader spectrum of transactions (i.e. not limited to credit exposures). 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 internal guidelines or policies.


It has a provision on transactions that could pose a conflict of interest, material risk or potential abuse to the Bank and its stakeholders. With this, the members of the Board, stockholders and management are obliged to disclose any financial interest in any transaction or matter affecting the Bank especially material facts pertaining to the transaction including whether the terms and conditions of the proposed related party transaction and deviations, if any. Likewise, the Bank officers or employees who are related to the transacting party are required to abstain from the discussion, approval and management of the transaction.

The Related Party Transactions Committee or RPT Committee is responsible for assisting the Board in fulfilling its governance responsibilities on related party transactions (RPTs), as specified in the Related Party Transaction Policy, by:

RPT COMMITTEE




- Evaluating existing relations between and among businesses and counterparties for proper identification and monitoring of relationships;



- Review and endorse all significant RPTs which requires final Board approval or confirmation



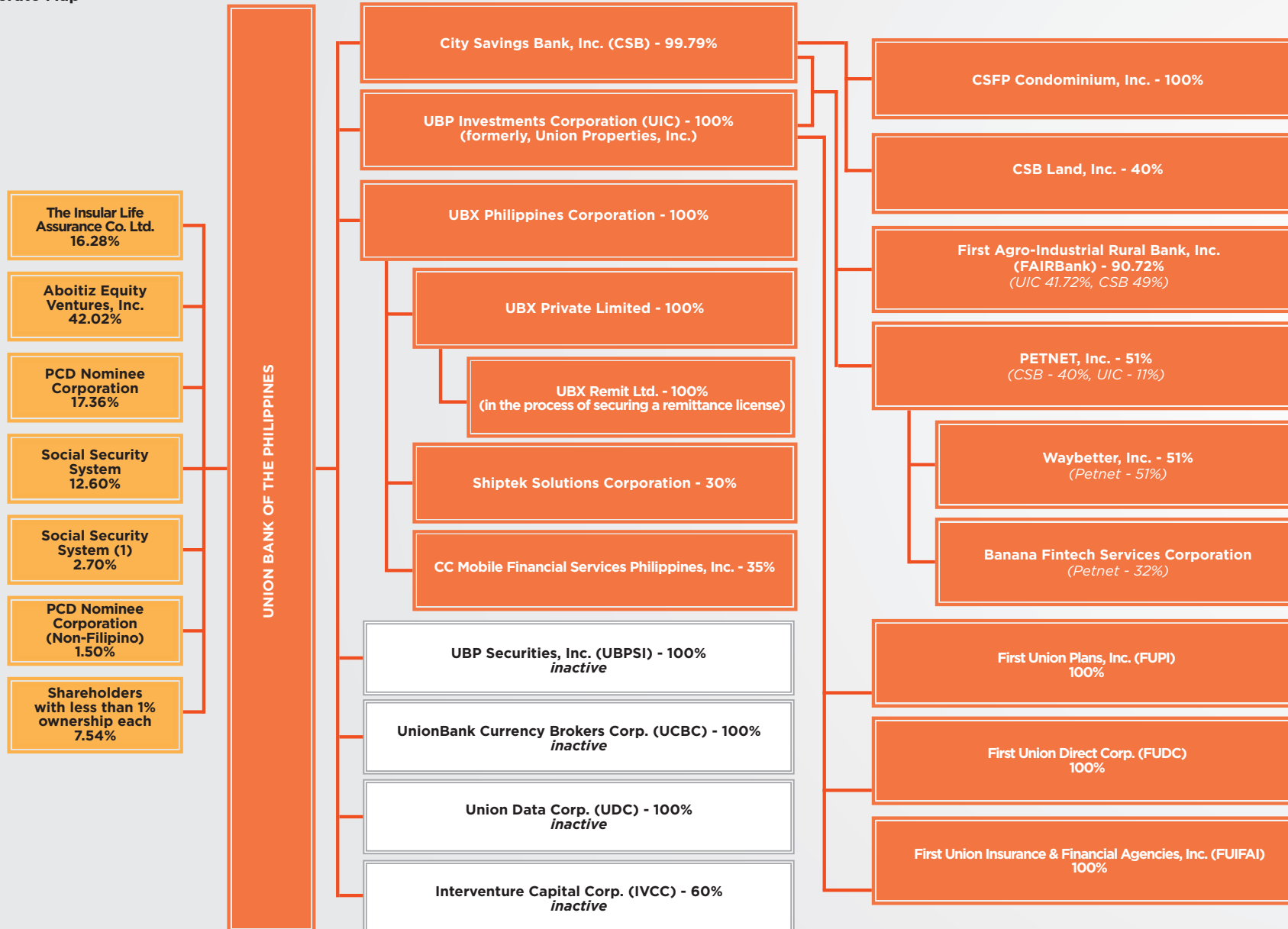
- Evaluating all material RPTs to ensure that these are not undertaken on more favorable economic terms
- Ensure appropriate disclosure;
- Periodic reporting to the Board;



- Ensure that transactions with related parties are subject to periodic audit process
- Overseeing the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including periodic review of RPT policies and procedures

Our Tree

Conglomerate Map



MATERIAL RELATED PARTY TRANSACTIONS

Parent Bank/QB & Subsidiary/Affiliate	Related Counterparty	Relationship between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms
A. Bank/QB						
a. Subsidiaries and Affiliates	City Savings Bank, Inc.	City Savings Bank, Inc. is a subsidiary of Union Bank of the Philippines, with 99.78% shareholding	15/05/19	Renewal of existing short-term credit facilities	Php 8.0 Bn	The line will expire after one year.
b. DOSRI	Tsuneishi Heavy Industries (Cebu), Inc. ("Tsuneishi")	Tsuneishi is a Related Interest of UnionBank by virtue of its Common Stockholder, Aboitiz & Company, Inc. (ACO), which owns 20% of Tsuneishi and effectively owns 23.47% of UnionBank through Aboitiz Equity Ventures, Inc. (AEV).	20/06/19	Renewal of existing short-term credit facilities	Php 1.126 Bn	The line will expire after one year.
	Aboitiz Group	<p>Aboitiz & Company, Inc. (ACO) is effectively wholly-owned by the Aboitiz Family through various holding companies. Erramon I. Aboitiz serves as President/Chief Executive Officer.</p> <p>Aboitiz Equity Ventures, Inc. (AEV) owns 49.34% of UnionBank (based on Public Ownership Report dated June 30, 2019 submitted to the PSE). Meanwhile, Erramon I. Aboitiz, Ana Maria A. Delgado, Sabin M. Aboitiz, Edwin R. Bautista, Manual R. Lozano and Luis Miguel O. Aboitiz (AEV Directors and/or Senior Officers) are also Directors and/or Senior Officers of UnionBank.</p> <p>Aboitiz Power Corporation (APC) is 76.88%-owned by AEV (based on 2019 General Information Sheet submitted to the PSE). Meanwhile, Erramon I. Aboitiz and Luis Miguel O. Aboitiz (APC Directors) are also Directors of UnionBank.</p>	09/08/19	Omnibus Line Domestic Bills Purchase Line Corporate Credit Card	Php 14.26 Bn	The credit lines will expire after one year.
	Insular Group 1. The Insular Life Assurance Company Ltd. ("Insular Life") 2. Insular Health Care, Inc. ("I-Care")	The Insular Life Assurance Co. Ltd. owns 16.28% of UnionBank as of June 30, 2019. Ms. Nina D. Aguas and Mr. Justo A. Ortiz are interlocking directors of both Insular Life and UnionBank. Insular Health Care, Inc., likewise, is a DOSRI account since its parent company, Insular Life, owns 16.28% of UnionBank. I-Care is wholly-owned by Insular Life.	03/10/19	<p>Renewal of the existing Omnibus Line of Insular Life amounting to PHP100.0 MM which is available via Loan Line and DBPL. The Omnibus Line shall be shared with I-Care with a sublimit of Php 50.0 Mn.</p> <p>3. Establishment of a Php 5.0 Mn Corporate Credit Card Facility for Insular Life.</p>	Php 100.0 Mn	<p>Based on prevailing market rate subject to Center Head approval. Note that the availments on the Omnibus Line are limited to low-risk DBPL only.</p> <p>The credit lines will expire after one year.</p>
	Insular Group 1. The Insular Life Assurance Company Ltd. ("Insular Life") 2. Insular Health Care, Inc. ("I-Care")	The Insular Life Assurance Co. Ltd. owns 16.28% of UnionBank as of June 30, 2019. Ms. Nina D. Aguas and Mr. Justo A. Ortiz are interlocking directors of both Insular Life and UnionBank. Insular Health Care, Inc., likewise, is a DOSRI account since its parent company, Insular Life, owns 16.28% of UnionBank. I-Care is wholly-owned by Insular Life.	18/11/19	Renewal of Group Health Insurance	Php 123.0 Mn	One-year subject for review annually
	Philex Mining Corp	Common Ownership – since Social Security System (SSS) owns 15.30% of Union Bank of the Philippines, and 20.09% of Philex Mining Corp. SSS has representatives on both Boards.	18/11/19	Renewal of short term credit facilities	Php 535.0 Mn	One-year subject for review annually

Parent Bank/QB & Subsidiary/Affiliate	Related Counterparty	Relationship between the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price	Terms
c. Others	Alcantara Group 1. Western Mindanao Power Corp. (WMPC) 2. Southern Philippines Power Corp. (SPPC)	Aboitiz Power Corporation (AP) has a 20% interest in WMPC and SPPC. Aboitiz Equity Ventures (AEV) owns 76.88% of AP and 49.36% of UnionBank, and thus effectively owns 15.38% of WMPC and SPPC	04/02/19	First Interim Line Extension from March 1, 2019 to May 31, 2019 Subsequent renewal within the said extension period of WMPC's and SPPC's short term credit facilities (Omnibus Line, Domestic Bills Purchase Line, FX Settlement Line)	Php 308 Mn	Standard terms and conditions except for the following: TR bookings allowed for non-LC transactions Line expiry will be after 12 months.
	Related Party thru AEV	AP Renewable Inc., the beneficiary of the SBLC, is a fully owned subsidiary of Aboitiz Power Corporation, which in turn is 76.88% owned by AEV.	11/02/19	5th renewal of SBLC	Php 129.64 Mn	Renewal under the same terms and conditions; supported by 100% hold-out on time deposits. Line expiry will be after 12 months.
	Almavida Holdings Inc	One of the owners, Mr. Enrique M. Aboitiz Jr. is the brother of the directors of UBP - Erramon Aboitiz and Sabin M. Aboitiz	18/11/19	Renewal of loan line	Php 250.0 Mn	Based on prevailing market rate subject to approval. The credit lines will expire after one year.
	RAFI Micro Finance	Ana Maria Aboitiz-Delgado: UBP Executive, also a Member of the Executive Committee of RAFI Micro Finance (RMF) Carlos Ramon Aboitiz: Brother of Ms. Ana Maria Aboitiz-Delgado, a Member Executive Committee of RAFI Micro Finance (RMF)	11/12/19	Renewal with increase in LOL from Php 0.5 Bn to Php 1.0 Bn	Php 1.0 Bn	Based on prevailing market rate subject to approval. The credit lines will expire after one year.

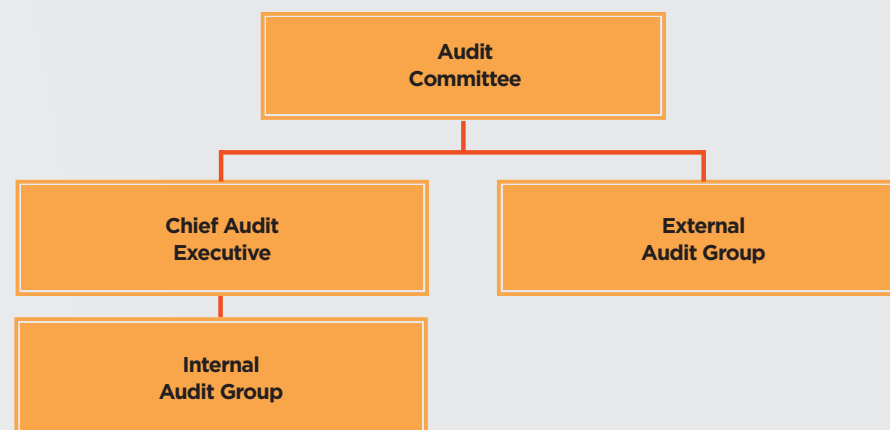
The Audit Committee (AuditComm) consists of seven members who are knowledgeable in accounting, auditing and related financial management matters who are tasked to provide oversight on the Bank's financial reporting and internal control, as well as internal and external audit function. Moreover, the Audit Committee is mandated to monitor and evaluate the adequacy and effectiveness of the Bank's systems of internal control, risk management and corporate governance.

Among the responsibilities of the Audit Committee are:

- Oversight of the financial reporting process. The Audit Committee ensures that the 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.
- Monitoring and evaluation of internal control. The Audit Committee, through the IAD, monitors and evaluates the adequacy and effectiveness of the Bank's internal control framework, integrity of financial reporting, and security of physical assets. The Audit Committee ensures that periodic assessment of the internal control system is conducted to identify weaknesses and evaluates its robustness considering the risk profile and strategic direction of the Parent Bank.
- 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.
- Oversight of the outsourced internal audit activities. The Audit Committee oversees the performance of the internal audit service provider and ensures that they comply with sound internal auditing standards and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics.
- Oversight of the whistle-blowing mechanism. The Audit Committee oversees the establishment of a whistle-blowing mechanism in the Bank by which officers and staff shall in confidence raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It also ensures that arrangements are in place for the independent investigation, appropriate follow-up, action and subsequent resolution of complaints.

Self-Assessment Function

AUDIT SYSTEM



Internal Audit

The Internal Audit Division (IAD) is entirely independent from all other organization units of the Bank. 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. IAD is tasked to report on how well the Bank's processes, systems, operating units and activities are doing towards the attainment of corporate objectives, primarily by ensuring that established organizational controls are designed appropriately and are operating effectively.

IAD conducts assurance and advisory engagements in accordance with the various riskiness levels, such that both audit resources and business time are maximized. And when needed, the IAD avails of third-party services to ensure coverage of all risk areas. In 2018, IAD contracted the services of a professional firm to cover highly technical areas, such as the cloud infrastructure, robotic process automation systems, and cognitive techniques. This was also done to upscale the skills and competencies of the auditors.

Additionally, when called for by the Bank's Code of Conduct, IAD also conducts investigations in aid of administrative or criminal proceedings.

To align with the Bank's initiatives to become a transformed organization that is agile, IAD has also undertaken transformation initiatives that embraces and thrives in a flexible, collaborative, self-organizing, and fast changing environment. IAD established its Agile Internal Audit Manifesto that shows its commitment to the agile ways of working and providing more relevant audit results to our audit clients.

Moreover, IAD acquired and implemented the GRC system which aims to integrate the operational risk management across the Parent Bank. IAD also implemented off-site audit and leveraged on the document management system of the Bank.

In November 2019, the Internal Audit Division has undergone the external quality assessment review and obtained the highest rating of "Generally Conforms". The review showed that the audit activities comply with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. The next external quality assessment of IAD's audit processes and activities will be in 2025.

External Audit

The Bank's external auditors on the other hand examine its financial statements and express an opinion whether the numbers reported in the Bank's Balance Sheet, Income Statement, and other financial statements are fairly presented in accordance with financial reporting standards. The Audit Committee recommends the appointment, re-appointment, and change of external auditors. External audit services are currently provided to the Bank by SGV & Co (EY Philippines).

In behalf of the Board of Directors, the Audit Committee provides oversight of the Bank's financial reporting and control, as well as internal and external audit function. It is also responsible for setting up the internal audit division and for the appointment of the Chief Audit Executive and the Independent External Auditor who both report to the Audit Committee. Moreover, the Audit Committee is mandated to monitor and evaluate the adequacy and effectiveness of the Bank's internal control system.

Compliance Function

The compliance function is independent from the business activities of the Bank. The Compliance Office ensures that the Bank, its branches and subsidiaries comply with all Philippine banking and corporate laws, regulations, policies, corporate governance, ethical standards and other best practices in the implementation of its business operations.

Its functions include 1) Identification of laws and regulations, codes of conduct, ethical standards and best practices in the Philippines including analysis and assessment of risks for non-compliance; 2) Increasing awareness of existing as well as new banking and corporate laws and regulations among bank employees and subsidiaries through orientation, comprehensive training program, meetings and dissemination of regulatory issuances and guidelines; 3) Promotion of open communication; 4) Reporting of compliance issues, risks and other related matters to the Board, the appropriate Board committee and/or senior management; 5) Validation of compliance testing certification resulting from the self-testing exercise based on appropriate frequency and reporting of compliance findings to the appropriate level of management; 6) Promoting a constructive, working relationship with regulatory agencies, especially with the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Philippine Stock Exchange, Philippine Dealing Systems, Philippine Deposit Insurance Corporation and the Anti-Money Laundering Council to name a few; 7) Conduct of orientation and seminar designed to foster a strong and ethical compliance culture; 8) Review and update, at least annually, the Compliance Program to assess its efficiency and ensure its continued relevance; 9) Ensure the Bank's adherence to law, regulations, industry-accepted standards, BSP and SEC regulations and requirements; and compliance with policies and standards issued or promoted by organizations such as the Bankers Association of the Philippines (BAP), Philippine Clearing House Corporation (PCHC), Card associations such as Visa and MasterCard and other similar organizations; 10) Monitor transactions which may qualify as suspicious activities or which may relate to money laundering and their reporting to the Anti-Money Laundering Commission (AMLC).

Bearing Fruit

Dividend Policy

The Board of Directors of the Bank shall declare dividend each year amounting to approximately twenty-five percent (25%) of the prior year's net income after tax, payable out of the Bank's unrestricted retained earnings, subject to prior approval by the relevant regulatory authorities as may be required. In January 24, 2020, the Bank-declared dividend total amounted to Php 4,264,650 (in thousands)

The Giving Tree

Corporate Social Responsibility Initiatives

UnionBank's corporate social responsibility program is aligned with the Bank's overall digital transformation strategy and is guided by our policies on sustainability and corporate social responsibility.

Our Go Beyond Communities program is a successful model of an employee-driven CSR model where UnionBankers literally go out to our customers' communities and design and implement a myriad of collaborations with stakeholders as we contribute solutions to education, environment, inclusion, and employment and livelihood challenges. As of December 31, 2019, Go Beyond Communities has achieved the following:

- Reached 23,000 communities benefiting 2.1 million direct and indirect beneficiaries.
- Performed 175,602 volunteer-hours

On top of this, we also pursue strategic CSR partnerships with organizations and institutions that align with our advocacy on innovation, which is geared towards bringing to life our Group Purpose of "co-creating innovations for a better world." Our notable partnerships include: Microsoft for the education ambassadors programs where our employees get certified and teach the teachers on the application of Microsoft tools in a classroom learning; University of Sto. Tomas for the digital archiving of heritage books and materials dating back to the Spanish era; Ateneo de Manila University for the establishment of the Arete learning hub, which is a space for innovation and collaboration in an academic setting; and the Philippine Disaster and Resiliency Foundation for the strengthening of communities' programs to adapt to climate change.

We see our CSR programs as contributors to the global movement on providing solutions to the Sustainable Development Goals of the United Nations. Our CSR programs will focus on five goals: SDG 1 (No Poverty), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 13 (Climate Action), and SDG 9 (Industry, Innovation, and Infrastructure).

Most importantly, we see our CSR initiatives as incubators of innovation where we both create a positive impact on the community and enhancing our products and services. Last year, we leveled up the CSR project of our IT Group and helped them develop it into a long-term project that benefits the Tahanang Walang Hagdan (TWH), an institution that provides shelter and livelihood for persons with disabilities (PWDs). Recognizing the talents of the PWDs and aware of the challenges they face in commuting to work, the Bank reached out to train the PWDs and provide

employment at their doorstep. Today, a command center is operating there as a satellite office, which is manned by three PWD personnel and supervised from the head office through mobile connectivity.

Lastly, we are looking forward to working on our recently launched UnionBank Xcellerator Program, which will target universities and colleges in developing programs that will build the skills of the future, focusing on capabilities in information technology, blockchain, artificial intelligence, and data science.

The UB Xcellerator Program is designed with seven essential elements, or lots, namely: learning pathways (specific training tracks on innovation), innovation garage (learning and collaboration laboratory, smart campus, student mentoring program), the Block (a lifestyle mobile app for both students and teachers), employee assistance, and an innovation challenge (competition to propose solutions to society's wicked problems).

In November 2019, we successfully completed our first-ever Blockchain Xcellerator Experts Program, introducing a pioneering batch of 52 expert blockchain educators who will inspire future talents in the Philippines.

Of this number, 28 were awarded Blockchain Expert certificates as proof of their in-depth knowledge and understanding of blockchain technology. The rest were awarded Certificates of Participation for finishing the program, giving them an edge over IT professionals who have yet to learn blockchain programming.

Inspired by this initial result, we are working on scaling up the UB Xcellerator Program by partnering with more schools this year. To date, we are firming up collaborations with STI, University of Asia and the Pacific, De La Salle Lipa, and Asia Pacific College.

Safe with us

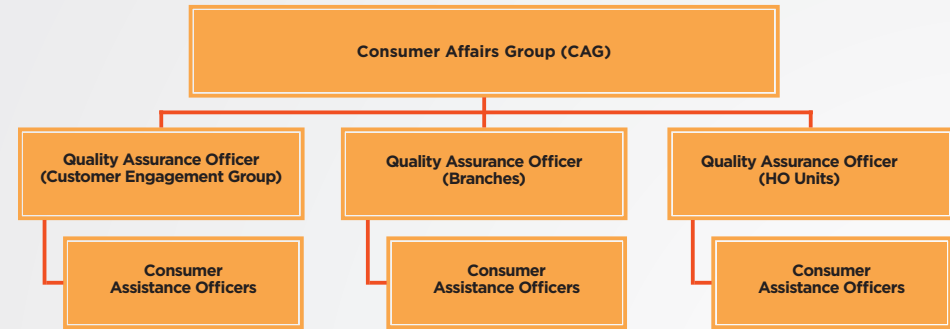
Consumer Protection Practices

The Board and Senior Management are responsible for developing the bank's consumer protection strategy and establishing an effective oversight over the bank's consumer protection programs. The Board is primarily responsible for approving and overseeing the implementation of and compliance with the BSP-prescribed Consumer Protection Framework and the bank's Consumer Protection Policies, while Senior Management ensures that practices are aligned with these policies. The Board monitors the performance of the Risk Management Committee in managing consumer protection risks.

Risk assessment strategies are included as part of the Consumer Assistance Policy and Procedure (CAPP) to analyze the data of complaints/requests, its causes, effects to other products/services, and corrective actions including its costs as well as resources. All monitored complaints, regardless of nature or type, shall be centralized to the Consumer Affairs Group (CAG).

The Consumer Affairs Group (CAG) is the unit responsible with the compliance of BSP Cir. 857 on Financial Consumer Protection. CAG monitors Customer Experience and liaises with BSP-FCPD. They shall be responsible for ensuring that the consumer assistance management process is necessary, updated, and conforming to the internal control framework of the Bank and complied with by all affected units. They are responsible for performing monitoring and oversight over the Bank's Consumer Assistance. The group keeps track, identifies and analyzes trends about the nature of the complaints and, when needed, recommends solutions to avoid recurrence or improve processes to deliver standout Customer Experience. CAG reports and escalates issues and concerns to Senior Management or to the Operational Risk Management Committee and/or other Board level committees on a monthly basis about persistent "complaints against the Bank or UnionBankers" that have been received.

A Consumer Assistance Officer (CAO) receives and acknowledges customer's complaint/request/inquiry through any but not limited to the following channels: web-portal, walk-in or personal branch visit, letter, e-mail and telephone/facsimile. The CAO performs initial investigation to identify concerned unit/s in charge of resolving the complaint/request/inquiry and logs the same into the Bank's central repository system. The client will receive notifications via email in acknowledgment of concern and upon resolution of the case. The Quality Assurance Officer (QAO) monitors progress of investigation to ensure compliance with the prescribed turnaround time and conducts follow-up as deemed necessary. The Resolving Consumer Assistance Officer assesses and investigates the request/complaint then completes the investigation within the required turnaround time based on the type of complaint and communicates the resolution to the customer in simple and clear language.



SUMMARY OF CUSTOMER CONCERNS

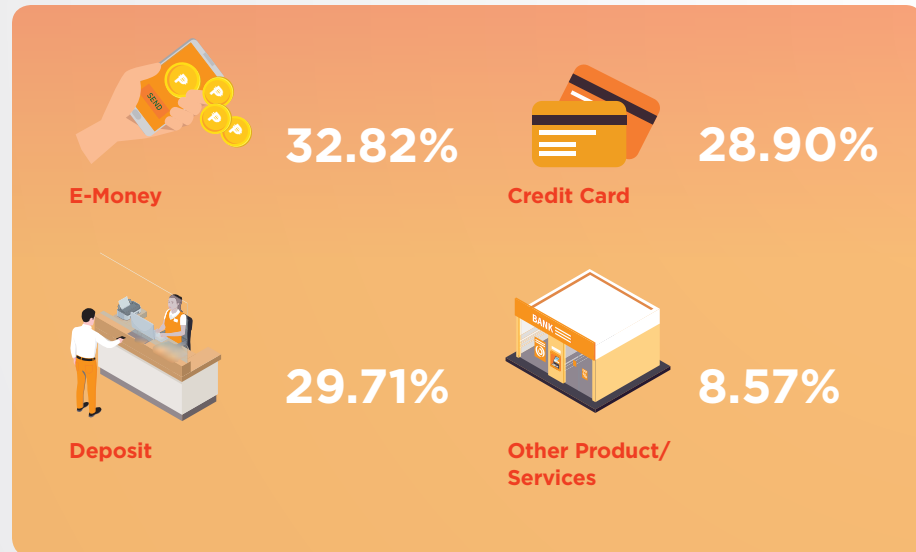
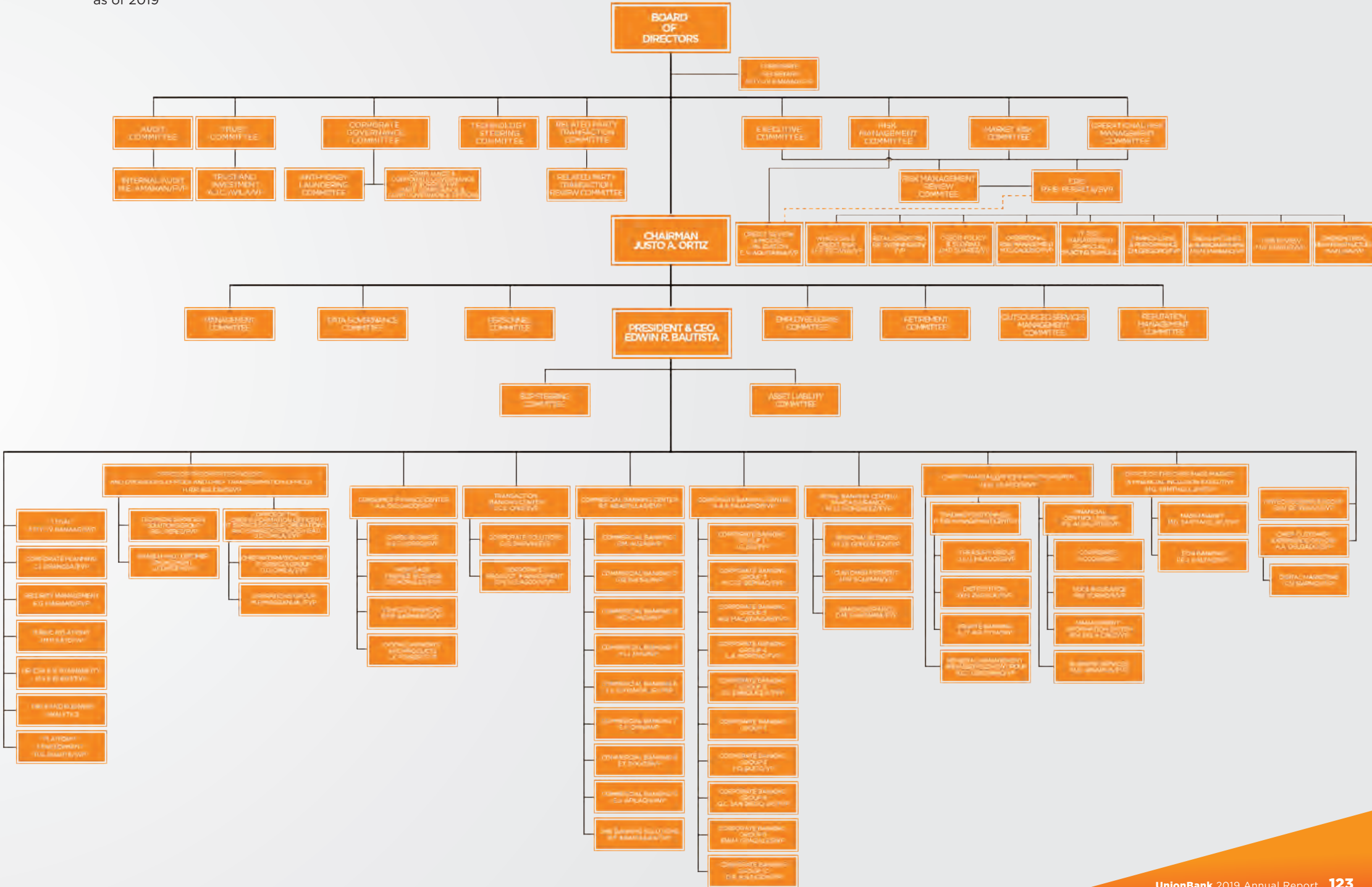


Table of Organization

as of 2019



Sustainability @ UnionBank: Innovating Together

Sustainability at UnionBank is practiced within the broader context of economic, environmental, social, and governance (EESG) while we work on achieving the Bank's digital transformation. In this context, we seek to go beyond compliance to pursue a path of responsible investing where we work together with our stakeholders using innovative platforms and digital technology to co-create innovations for a better world.

Our Sustainability Policy and Framework

UnionBank's Sustainability Policy, Commitments, and Framework guide all our programs and inspire our UnionBankers to become sustainability champions following the pillars on PEOPLE, PLANET, and PURPOSE.

Sustainability Policy Statement

Our Sustainability Policy mandates that we contribute to sustainable development by pursuing digital transformation and investing in relevant and innovative social and environmental programs.

UnionBank's Sustainability Policy is aligned with our vision and brand promise. It describes our ambition to neither cause nor contribute to adverse environmental and social impacts. We extend the scope across all organizational units, companies of which we hold (partial) ownership, and operations in all sites where we are present.

As outlined in our policy, we aim to identify, prevent, mitigate, and account for sustainability risks and performance of our own operations, and the products and services that we offer to the market.

Our Sustainability Policy guides our corporate decision-making at all levels and provides a frame of reference on how we want to deal with opportunities and risks in the context of sustainability impacts.

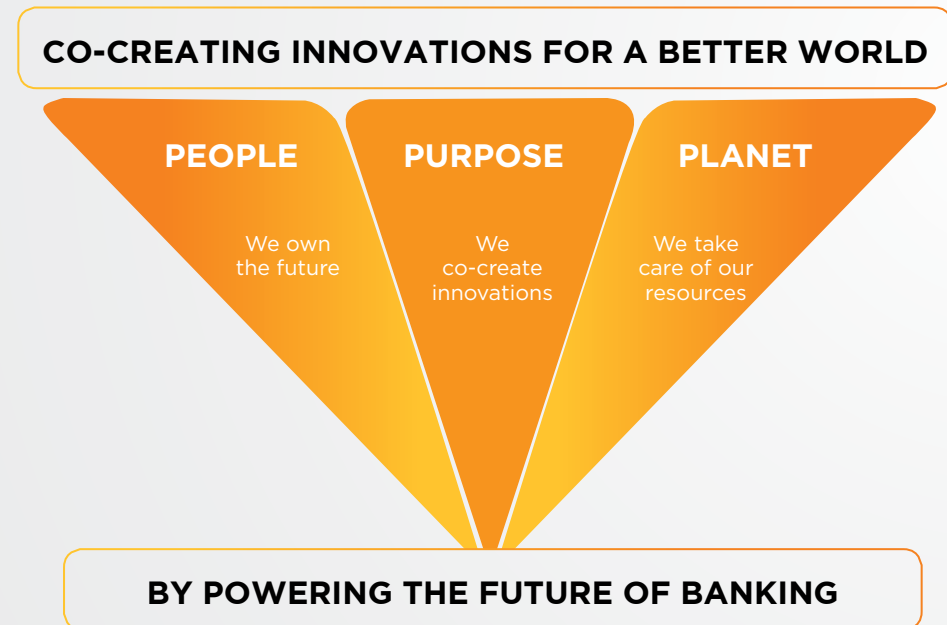
Under this policy, we commit to:

- Uphold, protect, and respect the environment, human rights, and labor standards.
- Contribute to enhancing positive social and environmental impacts.
- Provide products and services that:
 - contribute to the well-being of people, the environment, and the economy
 - reduce or avoid unsustainable practices, and
 - demonstrate positive impacts to the most important issues of the business

- Implement inclusive business programs and initiatives.
- Engage internal and external stakeholders for continuous improvement and to promote cooperation.
- Foster the development of in-house learning, management capacity, and leadership on sustainability issues.
- Comply with all national laws and regulations, and
- Communicate transparently about our sustainability performance.

UnionBank's thrust is to "own the future" while embedding sustainability in our core. We are continuously guided by our three-pillar sustainability framework focusing on PEOPLE, PLANET, and PURPOSE.

Our Sustainability Framework





People: We own the future.

UnionBank is committed to empowering the UnionBanker workforce as the lifeblood of the company. Our employees strive to deliver and engage our customers, investors, and the local communities we serve. We have programs in place to meet their needs for meaningful employment, and to provide them with the necessary skills and capability to be at the forefront of our digital transformation. These range from wellness activities, learning and development programs, and volunteer opportunities to total rewards benefit programs and retirement funds. As we encourage employees to share the responsibility in upholding sustainability, we put value in co-creating a future that will provide security both for the Bank and our employees



Purpose: We make a difference.

With financial inclusivity as the major thrust of the Bank, we have positioned the Bank's digital innovation as our sustainability value proposition that models other ways of addressing societal needs. Beyond profit, UnionBank invests in technology, skills, processes, and various business opportunities that have the potential to make a difference and uplift lives of Filipinos. Elevating lives of Filipinos through financial inclusivity ensures that the Bank fulfills its purpose. Through innovative products and services, UnionBank is constantly changing the game - with a purpose. The Bank designs programs and implements investment strategies that uplift lives of all-including the underserved.



Planet: We take care of our resources.

We regulate our use of resources and manage our environmental impacts, while encouraging our employees, business partners, and customers to lead sustainable lifestyles. Within the bounds of our business, we commit to doing all we can to minimize our carbon footprint, from site construction to maintaining operational efficiencies under the LEED standards, including the adoption of renewable energy, and the proper disposal of waste. While the thrust on LEED certification of branches will be retired, we will continuously strive to meet and apply the standards in all our future investments. Underpinning our sustainability approach is accountability—not just to our current stakeholders, including the regulators, but also to the succeeding generation.



Co-Creating Innovations through Tech Up Pilipinas

Our centerpiece program called Tech Up Pilipinas seeks to create shared value in the following areas: PEOPLE TECH where we build the capability of people to learn the skills of the future, FIN TECH where we apply new technological advancements to provide products and deliver services, and AGRI TECH where we espouse financially inclusive practices that benefit farmers and the many agricultural players in the country. Our subsidiary City Savings Bank is also pursuing financial inclusion through a mass market approach to reach the unbanked sector.

Based on these, we have been developing innovative products and services that bring value to the lives of our customers and key stakeholders. Notable among these include the UB Xcellerator program that is geared toward developing a digital talent pool of blockchain experts, data scientists, artificial intelligence experts, and coders; Project i2i, which extends inter-island banking connectivity and elevates rural banking; and GlobalLinker, which provides digital solutions for micro-, small, and medium entrepreneurs. UnionBank is also known for successfully staging hackathons designed to co-create innovative solutions to society's wicked problems.

Our partnerships are targeted to help develop the local economy and improve the customer experience of banking. From a macro perspective, UnionBank is also exploring solutions that would further strengthen information security and support anti-corruption and anti-money laundering policies and procedures.

Sustainability is in our DNA

To ensure continued sustainable operations, our headquarters at UnionBank Plaza is running on 100% renewable energy sourced through AboitizPower's Cleanergy product. UnionBank subscribes to the US Green Building Council's Leadership in Energy and Environmental Design (LEED) certification program, with our branches either LEED-certified or LEED-compliant. As a result, UnionBank's facilities have become more efficient and resource-saving. The Bank also remains committed to the Aboitiz Group-wide advocacy of planting nine million trees by 2020.

We cultivate an agile workspace for a future-ready, interdisciplinary workforce. To promote holistic development and work-life balance, we established programs geared toward physical fitness and well-being, intellectual growth and satisfaction, financial security and peace of mind, and emotional and spiritual health.

UnionBank's corporate social responsibility program is aligned with our digital transformation strategy and is guided by our policies on sustainability and corporate social responsibility. Our Go Beyond Communities program is a successful model of an employee-driven CSR model where UnionBankers literally go out to our customers' communities and design and implement a myriad of collaborations with stakeholders as we contribute solutions to education, environment, inclusion, and employment and livelihood challenges. Since inception in 2014, Go Beyond Communities has benefitted 2.1 million stakeholders and generated 175,602 of volunteer hours.

On top of this, we also pursue strategic CSR partnerships with organizations and institutions that align with our advocacy on innovation, which is geared towards bringing to life our Group Purpose of "co-creating innovations for a better world."

Most importantly, we see our CSR program as incubators of innovation where we both create a positive impact on the community and enhancing our products and services. Last year, we leveled up the CSR project of our IT Group and helped them develop it into a long-term project that benefits the Tahanang Walang Hagdan (TWH), an institution that provides shelter and livelihood for persons with disabilities (PWDs). Today, a command center is operating there as a satellite office, which is manned by three PWD personnel and supervised from the head office through mobile connectivity.

Contribution to the SDGs

UnionBank supports the United Nations Sustainable Development Goals (UN SDGs) through existing initiatives of the Bank, many of which are tied to broader programs in the Aboitiz Group and in support of the national agenda of the government.

The Bank's core function is financial assistance, financial literacy, and financial inclusion. Ultimately, the Bank promotes long-term economic growth by increasing the capacity of individuals and organizations in wealth management, as well as by empowering small-scale businesses and entrepreneurs. We aim to leverage on technology and digital skills to serve marginalized, unbanked communities.

As such, we are aligned with the following SDGs:



Sustainability Performance Monitoring and Reporting

To aid monitoring and evaluation of its sustainability practice, UnionBank releases an annual sustainability report, which covers topics that are material and most significant both to the bank and our stakeholders. Our report complies with the Philippine Security Exchange Commission's Sustainability Reporting Guidelines for Publicly Listed Companies, and the Global Reporting Initiative (GRI) Standards.

Our set of sustainability performance metrics serve as our guide to monitor progress or to help us close some gaps. For instance, in 2019, we saw a significant increase in paperless transactions in branches as a result of our digitalization process. Today, all 210 UnionBank branches are paperless, a perfect example of how UnionBank can merge resource management with innovation through digital transformation.

We are also happy to report that our scope now includes our subsidiary City Savings Bank. CitySavings has been reporting its sustainability performance even before UnionBank acquired them, which benefits us when it comes to beefing up the integration of process and templates. In 2019, CitySavings expanded its branch sustainability monitoring, allowing us to see a more complete picture.

Our sustainability scorecard shows a general overview of our 2019 performance on People, Planet, and Purpose.

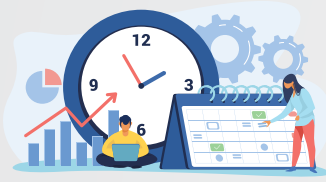
PEOPLE



Employee Count

2019 5,174
People

2018 4,769*
People
(includes CitySavings)



Average Training Hours

2019 21
Hours

2018 21
Hours



Employee Volunteerism

2019 24,595
Hours

2018 17,547
Hours



Employee Engagement

2019 4.24
Engagement Score

2018 4.23
Engagement Score*
(We use the Gallup Tool)

PLANET



Energy

2019 85,612.00
GJ

2018 73,075.42*
GJ



GHG

2019 25,503.19
TCOe

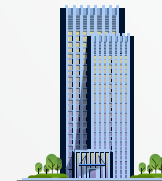
2018 11,189.84*
TCOe



Water

2019 120,787.00
Cubic meter

2018 134,831.74*
Cubic meter



LEED-Certified Branches

2019 22
Branches

2018 20
Branches

*Figures from 2018 have been updated



Paper

2019 **74,861**
Reams

2018 **39,461***
Reams



Ink Toners

2019 **11,104**
Cartridges

2018 **8,887**
Cartridges



Paperless Transactions Processed

2019 **720,198**
Transactions

2018 No data

PURPOSE



Customer Service Satisfaction Rating

2019 **4.61**
Satisfaction Score

2018 **4.28**
Satisfaction Score



Customer Count

2019 **8,525,817**
Accounts

2018 **8,098,734**
Accounts



Corporate Social Responsibility

2019 **2,050,373**
Beneficiaries

2018 **1,982,475**
Beneficiaries



GlobalLinker MSMEs

2019 **40,000**
Sign ups

2018 **35,000**
Sign ups

CASH MANAGEMENT SERVICES

The Portal by UnionBank (Business Banking)

An online cash management platform for corporate and business users to facilitate all their banking activities: initiate fund transfers, pay bills, monitor balances, approve transactions with a single sign-on and many more. Accessible via web or the mobile app (iOS and Android).

Disbursements

- **Business Check** – A standalone software that allows clients to prepare and print checks.
- **Business Check Online** – A facility that allows check preparation and printing and ensures security in issuing checks via online approvals.
- **Checkwriter** – Outsourced check preparation and printing through UnionBank for corporate and Manager's checks. UnionBank can deliver the checks back to client or have the checks released using our branch network.

- **Voucher Payout** – An online platform that allows quick and hassle-free disbursement of payouts through UnionBank branches with the use of vouchers.
- **Electronic Fund Transfers** – Transfer funds to local and international banks in bulk. Transfers may be made using the following facilities:
 - Internal Fund Transfer – Real-time fund transfers to UnionBank accounts
 - PESONet – Peso transfers to local banks
 - InstaPay – Real-time peso transfers to Bancnet member-banks with Php 50,000.00 limit

- Philippine Domestic Dollar Transfer System (PDDTS) – US Dollar transfers to local banks
- Society for the Worldwide Interbank Financial Telecommunication (SWIFT) – Cross-border transfers to international banks

Collections

- **Bills Payment** – A service that allows clients to collect from their customers or business partners through UnionBank's extensive multi-channel facility: branches; ATMs; UnionBank online mobile application and website; and partners
 - Batch Bills – A service for processing multiple payments as a batch transaction through UnionBank's online portal that can be approved anytime, anywhere
 - Auto-Debit Arrangement (ADA) – UnionBank's premiere service for corporate payors to be automatically debited for their utility payments on their specified due dates
 - PartnerPay – UnionBank's expanded over-the-counter collection facility made possible to reach rural and unbanked areas through third-party branch networks
- UnionBank Premiere Automated Settlement System (UPASS) – An auto-debit facility that enables corporate billers to initiate collections from other UnionBank account holders real-time
- **Checkhouse** – Safekeep your Post-Dated Checks (PDCs) for timely deposits. Use UnionBank Checkhouse for your PDCs and leave the monitoring to us. We keep the checks secure and help you track your PDC receivables efficiently and electronically.
- **Expanded Check Collections** – Reduce cost, receive comprehensive collection reports, and effectively collect your customers' check payments. UnionBank does all of these for you, giving you the time to focus on your core functions and activities.
- **Cash Mobilization** – Use our convenient cash collection and delivery service for a more efficient cash flow management.
- **Secure.Pay** – Currently a closed-loop payment facility for ICTSI brokers that provides secure and real-time payment confirmation via an online channel.
- **Collections via Inward Remittances** – A service that provides comprehensive collections report to help Corporate billers identify payments made through local and international remittance channels such as PESONet, Philippine Domestic Dollar Transfer System (PDDTS), Real-Time Gross Settlement (RTGS), and Society for the Worldwide Interbank Financial Telecommunication (SWIFT).



- **PSE Trade/Securities Clearing Corporation of the Philippines (SCCP)** – A fully automated system for the settlement of trade payables to SCCP monitored daily by a dedicated team.

Payroll

- **Payroll Suite** – A one-stop shop for the convenient handling of corporate customers' payroll needs: from account opening to account maintenance. Payroll Suite includes a VISA-enabled debit card with customizable card design, batch account opening, and electronic crediting of payouts. Payees receive SMS alerts upon payroll credits and enjoy 24/7 online banking through UnionBank Online.
 - **Executive Payroll** – A business class payroll card for corporate executives.
 - **Dollar Payroll** – A dollar payroll card designed for frequently travelling employees to save on foreign exchange fees.

Government Payments

- **Bureau of Internal Revenue (BIR)** – UnionBank accepts tax payments via EFPS and ePayments. Over-the-counter payments are also available.
- **Social Security System (SSS)** – Monthly contributions of SSS can be paid online or over-the-counter. Various loan payment types (salary,

calamity, emergency and educational loans) may also be uploaded online or filed for payment at the branches.

- **Philippine Health Insurance Corporation (PhilHealth)** – UnionBank accepts payment of contributions via an online portal or over-the-counter.
- **Home Development Mutual Fund (HDMF/Pag-IBIG)** – Payment for contributions, short-term loans (multipurpose/salary, calamity) and long-term housing loans are accepted via bulk upload in an online portal.
- **Bureau of Customs (BOC)** – Customs duties and taxes may be paid online or at our branches.

Cards

- **Corporate Credit Cards** – A credit card facility where companies can charge expenses without using personal funds or going through the hassle of cash advances. Corporate credit cards are issued to employees who can charge company expenses while earning rewards points or rebates.
- **Government Service Insurance System Unified Multi-Purpose ID (GSIS UMID)/GSIS eCard** – A card for fast crediting of benefits and loans to GSIS members and pensioners. GSIS UMID also serves as a valid government ID.

- **Social Security System Unified Multi-Purpose ID (SSS UMID)/SSS Quickcard** – A card for fast crediting of benefits and loans to SSS members and pensioners. SSS UMID also serves as a valid government ID.
- **Pag-IBIG Loyalty Card Plus** – A loyalty card and savings account for the disbursement of Pag-IBIG proceeds. Pag-IBIG Loyalty Card Plus can be used for discounts in over 300 partner merchants nationwide.
- **International Container Terminal Services, Inc. (ICTSI) Community Card** – A closed-loop debit card for safe and efficient settlement of fees to ICTSI.

Financial Supply Chain

- **Dealer Financing** – A web-based portal that allows dealers and distributors to purchase inventory from their Principals using working capital lines.
- **Supplier Financing** – A program that allows Checkwriter payees to have working capital lines with checkbook and online access.
- **Payables Discounting** – UnionBank's advance payment of Seller's receivables from Buyer at a discounted amount.

- **Electronic Invoice Presentment and Payment (EIPP)** – An automated system that lets you present invoices and collect payments via an online channel.

Liquidity Management

- **Balance Viewing** – 24/7 balance viewing and account management for corporate customers through online banking.
- **Account Pooling** – A facility that allows corporate customers to transfer funds automatically between their UnionBank accounts at the beginning and/or end-of-day based on specified conditions.
- **Account Sweeping** – A facility that allows corporate customers to pool balances from their various UnionBank accounts for disbursement purposes.
- **SWIFT Reports** – The UnionBank MT940 is one of the few SWIFT Peso-Compliant statements in the Philippines. This completes the CMS collections facility as it provides detailed and customizable reports that can be automatically integrated with the client's AP system.

LOAN PRODUCTS

Home Loan – A financing facility available to clients for the purchase of residential properties where the security offered is the property being financed.

Vehicle Financing – A financing facility available to qualified retail and corporate clients for the purchase of vehicles either for personal or commercial use. The credit facilities are available for brand new, second-hand vehicles and premium motorcycle segments and are secured by chattel mortgages.

Quick Loans – An all-digital access credit facility that offers unsecured multipurpose loans to clients. These are granted to individuals on the basis of their regular salary or other fixed compensation.

EON Personal (Gadget) Loan – An unsecured, clean loan product offered to clients for purchasing items like electronics/gadgets, for travel, and the like.

Domestic Bills Purchase – A facility that provides immediate or outright credit to the client for local checks deposited to its account for regular clearing.

Foreign Bills Purchase – A facility that provides immediate or outright credit to client for its foreign-denominated checks that are deposited to its account for regular clearing.

Trade Check Discounting – A facility offered to clients to finance working capital requirements through the purchase of accounts receivable via Post-Dated Checks (PDCs).

Foreign Exchange Line – A facility that is granted to cover the settlement risk or pre-settlement risk in the purchase or sale of foreign exchange.

Working Capital Line – A short-term credit facility to finance a company's receivables or inventory requirements. The line may be availed in peso or foreign currency.

Term Loan – A credit facility whose purpose is to finance the long-term financial requirements of a client for business expansion, such as construction of a building or warehouse, acquisition of a property, purchase of equipment or equity financing. The loan may be availed in peso or foreign currency.

Project Finance Loan – A financing facility granted to a special purpose entity which is created to operate physical assets and where the principal source of repayment is the income generated by the assets being financed. The loan is typically secured by a pledge on the borrower's shares, assignment of the borrower's assets and/or assignment of project revenues/ accounts/or documents. The loan may be availed in peso or foreign currency.

Special Funded Loan – A credit facility that refers to the wholesale lending activities of government banks or loan programs funded by multi-lateral agencies, international or local banks that are granted to participating financial institutions for relending to end-users.

SME BANKING SOLUTIONS

BusinessLine Classic – A multi-purpose and fully secured loan that offers a revolving credit line facility. With loanable amount of up to Php 10 million.

- Access funds via a regular checking account funded by BusinessLine
- No need for Promissory Notes per availment
- Available via Checkbook or Easy-access Debit Card (EADC)
- Accessible via UnionBank Online
- No fixed terms
- No minimum availment required
- Minimal principal payment
- One-time payment of documentary stamps
- Interest is based on the number of days used
- Pay only for the funds used

MD Line – A clean revolving credit line available via checkbook or EasyAccess Debit card for doctors of UnionBank accredited hospitals and/or HMO-affiliated hospitals. Collateral-free line for up to Php 2 million.

- Use your line via checkbook, Easy Access Debit Card (EADC) or online banking
- With minimum principal payments
- With no fixed terms
- Pay once for documentary stamps
- Base your interest on the number of days used



Dealers BusinessLine – A revolving credit line for payment of inventory purchase designed for dealers and distributors via Financial Supply Chain platform. With flexible payment terms, assured payment of goods with real time credits. Collateral-free based on the average volume of the dealer.

Supplier BusinessLine – A collateral-free working capital line for suppliers and contractors with checkbook and online access. Collateral-free line for up to Php 20 million.

EmployeeLine Loan Program – A loan facility against the vested interest of the individual retirement funds and/or deposits in UnionBank. Loan amount of up to Php 5 million with loan term of up to 5 years. Accepted collateral are retirement funds with UnionBank or other financial institutions CASA or Hi-cost deposits with UnionBank.

TRADE SERVICES AND PRODUCTS

Import Financing
Export Financing

Documentary Letter of Credit (LC) – A product offered to clients to guaranty payment to a supplier upon the delivery of goods and upon presentation of complying documents.

Stand-by Letter of Credit – A product offered to clients to guaranty payment of an obligation in case of failure of the other party to comply with the terms and conditions as stipulated in a contract.

Bank Guaranty/Performance Bond – A product offered to clients to guaranty the fulfillment of a contract to a third party.

Non-LC Transactions (Open Account, Documents against Payment, Document against Acceptance, Direct Remittance) – A product that facilitates the payment and documentation of an importation other than through a Letter of Credit.

Export Packing Credit Line – An export financing facility where loan advances are made available to clients for the production of export goods to fill in a purchase order, sales contract or Export Letter of Credit.

Export Bills Purchase Line – An export financing facility where the bank purchases outright sight/usance drafts/or bills presented by the client.

Customs Duties Collection – A product offered to importers and exporters to facilitate the online payment of their customs duties and taxes thru One-Hub, debit to their account or via Manager's Check.

CREDIT CARDS

UnionBank Branded Cards

- UnionBank Classic
- UnionBank Gold
- UnionBank Platinum
- UnionBank Corporate Card

Co-Brand Cards

- Burgoo Visa
- CEB GetGo Gold
- CEB GetGo Platinum
- Cebu Parklane Visa
- First Life Visa
- Home Depot Visa
- Insular Life Visa
- Mapfre Insular Visa
- Medicaard Visa
- Racks Visa
- Riviera Golf Visa
- Suy Sing Visa
- The North Face Visa

Affinity Cards

- Adamson University Visa
- Alpha Phi Omega Visa
- Assumption Alumnae Association Visa
- Ateneo Alumni Association Visa
- Ateneo de Manila High School '87 Visa

- Ateneo de Manila Law Alumni Association Visa
- Ateneo Graduate School of Business Alumni Association Visa
- Cebu Kian Kee Alumni Association Visa
- CEU Alumni Association Visa
- Colegio de San Juan de Letran Visa
- Couples for Christ Visa
- De La Salle Alumni Association Visa
- De La Salle College of Saint Benilde Visa
- De La Salle Dasmariñas Alumni Association Visa
- De La Salle Lipa Alumni Association Visa
- Don Bosco Alumni Visa
- Enderun Colleges Visa
- Free Masons of the Philippines Visa
- La Salle Green Hills Alumni Association Visa
- Lourdes School Alumni Association Visa
- People Management of the Philippines Visa
- Philippine Academy of Ophthalmology Visa
- Philippine Dental Association Visa

- Philippine Medical Association Visa
- Philippine Red Cross Visa
- Sacred Heart School-Ateneo de Cebu Alumni Association Visa
- San Beda College Alumni Association
- Silliman University Visa
- South Western University Alumni Foundation Visa
- St. Paul's College Pasig Visa
- Supreme Council Order of DeMolay Visa
- Team Energy Visa
- University of Sto. Tomas Visa
- University of the East Alumni Association Visa
- University of the Philippines Alumni Association Visa
- World Wild Fund for Nature (WWF) Visa

Cash Back

- UnionBank CashBack Gold Mastercard
- UnionBank CashBack Platinum Mastercard

Specialty Cards

- UnionBank Miles + Platinum
- UnionBank Miles +
- PlayEveryday Credit Card

VISA DEBIT CARDS

- EON Cyber Card
- E-Wallet Card
- CEB GetGo Debit Card
- Suy Sing Super Grocer Card
- USD Debit Card
- Platinum Debit Card
- ePaycard
- PlayEveryday Debit Card

VISA PRE-PAID CARDS

- EON Pre-paid Card
- EON Co-branded Card
 - Pera hub
 - Salarium
- Club Balai Isabel
- DI BA Agents Card
- Semicon Loyalty Card

DEPOSIT PRODUCTS

Business Check – A check writing software which allows streamlining and simplification of the check disbursement process that comes with an initial and minimum ADB of Php 100,000.00 and a deposit insurance of up to Php 500,000.00 per depositor subject to 20% final withholding tax. A Php 500,000.00 ADB is required in order to earn interest of up to 0.10% p.a.

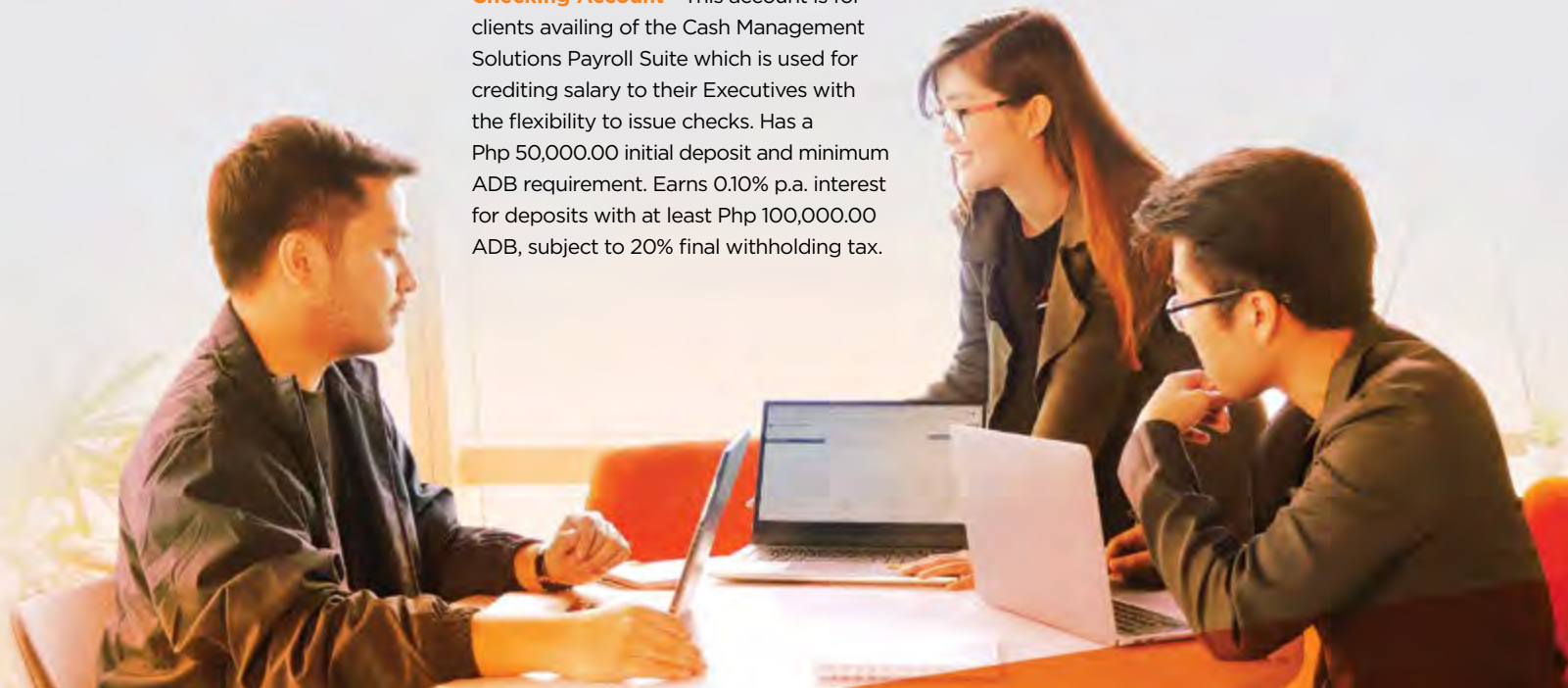
CMS Corporate Checking Account – Corporate cash management solution with a minimum of Php 50,000.00 initial deposit and ADB requirement that allows 0.10 % p.a. interest for at least Php 100,000.00. This account comes with a maximum of Php 500,000.00 deposit insurance per depositor and is subject to 20% final withholding tax.

Corporate Executive Payroll Checking Account – This account is for clients availing of the Cash Management Solutions Payroll Suite which is used for crediting salary to their Executives with the flexibility to issue checks. Has a Php 50,000.00 initial deposit and minimum ADB requirement. Earns 0.10% p.a. interest for deposits with at least Php 100,000.00 ADB, subject to 20% final withholding tax.

Corporate Payroll Checking Account – This account is for clients availing of the Cash Management Solutions Payroll Suite which is used for crediting salary with the flexibility to issue checks. Php 50,000.00 initial deposit and minimum ADB requirement with a 0.10% p.a. interest for deposits with at least Php 100,000.00 ADB subject to 20% final withholding tax.

Corporate US Dollar Payroll Savings Account – Savings account for Cash Management Solutions Payroll Suite clients used for dollar-denominated salary crediting with no initial deposit requirement and comes with a 0.10% interest p.a. for an ADB of at least USD 2,000.00, subject to 15% final withholding tax.

Dollar Access Account – With initial deposit and minimum deposit requirement of USD 10,000.00 and required ADB of USD 25,000.00 to earn 0.10 % interest,



this account provides online banking access with Peso ATM account and a maximum deposit insurance of Php 500,000.00 per depositor and subject to 15% withholding tax.

EON Cyber (Formerly EON) – A deposit savings account primarily used for sending and receiving money and online and point-of-sale (POS) purchases with any VISA-accredited shop. It has no maintaining balance requirement and comes with an Annual Fee of Php 350.00 and is insured up to maximum deposit of Php 500,000.00 per depositor but is subject to a 20% final withholding tax and fees for on-us and off-us withdrawals.

ePaycard – Payroll savings account opened for employees tagged under the umbrella account of a corporate customer. This account is used for disbursement of employees' salary credits. Insured up to maximum deposit of Php 500,000.00 per depositor and is subject to a 20% final withholding tax and may include fees for ATM and OTC withdrawals. Php 100,000.00 ADB is required in order to earn 0.10% interest p.a.

Fleet Card – Closed loop card-based savings account for corporate clients used for the disbursement of their gas allowance. It has access to ATM balance inquiry and POS transactions in selected gas stations and is insured up to a maximum deposit of Php 500,000.00 per depositor with no initial deposit required.

Get Go – Internet-based deposit account that comes with a debit card and earns points for every peso spent which can be used for Cebu Pacific flights. This account can be opened without an initial deposit but will require Php 10,000.00 ADB to earn 0.10 % interest p.a. and a deposit insurance coverage of up to Php 500,000.00 per depositor, subject to 20% final withholding tax.

GSIS-Member Account – This account allows crediting of GSIS benefits to their members and access to ATM, POS, Internet banking & OTC transactions with a maximum deposit insurance of Php 500,000.00 per depositor. Subject to a 20% final withholding tax. With no initial deposit required, an account may earn 0.10% interest p.a. for a minimum ADB of Php 100,000.00.

GSIS-Pensioner Account – This account was designed to accept pension credits and other benefits such as loan availments and other cash claims for GSIS pensioners and access to ATM, POS, Internet Banking and OTC transactions with a maximum deposit insurance of Php 500,000.00 per depositor, subject to a 20% final withholding tax. With no initial deposit required, an account may earn 0.10% interest p.a. for a minimum ADB of Php 100,000.00.

International Container Terminal Services, Inc. (ICTSI) Card – Closed loop card-based savings account for broker corporate clients used for the payment of their dues to ICTSI. It provides access to OTC servicing, ATM payment and point-of-sale (POS) deployed in ICTSI office that comes with a maximum deposit insurance of Php 500,000.00 per depositor with no initial deposit required.

LTNCD (Long-Term Negotiable Certificate of Time Deposit) – Minimum investment of Php 250,000.00 in increments of Php 50,000.00 thereafter with original maturity of 5 years and six months with interest payments made every quarter. UnionBank LTNCD due 2023 carries a fixed coupon of 4.375% p.a. LTNCDs cannot be pre-terminated but can be sold in the secondary market, subject to prevailing market rates and transaction fees.

My First Savings – A savings account designed for minors under 17 years old. Initial deposit required is Php 500.00, while the required average daily balance is Php 5,000.00. To earn interest, customers must maintain at least Php 10,000.00 in the account. Insured up to a maximum deposit of Php 500,000.00 per depositor and subject to 20% final withholding tax.

Personal Savings Account – With no initial deposit or maintaining balance required, this is the easiest way to get a savings account. It can be opened through UnionBank Online or in any branch. This account comes with a Visa debit card with an annual card fee of Php 350.00, which can be waived if a customer maintains at least Php 10,000.00 in average daily balance for one year. Balance to earn interest is Php 10,000.00, with an interest rate of 0.10% p.a. Insured up to a maximum deposit of Php 500,000.00 per depositor and subject to 20% final withholding tax.

Peso Hi-Five – Minimum of Php 50,000.00 long-term (5 years plus 1 day) placement with interest compounded annually wherein payment of interest is made at the end of term with principal deposit, tax-exempt (for individuals only) if maintained until maturity. If pre-terminated, final proceeds will be net of applicable withholding tax on the interest earned and penalty rate based on pre-determined rates.

Peso Optimizer – Minimum placement of Php 50,000.00 for 2, 3, 4, or 5 years plus 1 day with interest credited monthly to a UnionBank account net of withholding tax. Interest is subject to applicable withholding tax based on tenor, while documentary stamp tax on the deposit is at Php 1.50 forevery Php 200.00 and every fraction thereof.

Peso Time Deposit – Minimum placement of Php 50,000.00 for 30-360 days with interest and principal payout at the end of the term. If pre-terminated, default interest rate to be applied is regular savings rate, currently at 0.10% p.a. Interest income is subject to 20% final withholding tax, while

the deposit is subject to Php 1.50 for every Php 200.00 and every fraction thereof multiplied by number of days for documentary stamp tax. Maximum deposit insurance of Php 500,000.00 per depositor. Peso time deposit for tenors between 7-29 days is also available for a minimum placement amount of Php 1,000,000.00.

PlayEveryday – The country’s first and only gamified program that comes with a debit card and earns points thru savings, spending and other digital transactions. Rewards can be redeemed instantly thru the UnionBank Online app. This account requires no maintaining balance and earns 0.10% interest p.a. with at least Php 10,000.00 ADB. It includes a deposit insurance coverage of up to Php 500,000.00 per depositor, subject to 20% final withholding tax.

Power Checking Account – With an initial deposit and minimum ADB requirement of Php 100,000.00 to earn tiered interest up to 0.25% p.a., this account allows maximization of interest on extra funds and the flexibility to issue check payments with a maximum Php 500,000.00 deposit insurance coverage per depositor with a 20% final withholding tax.

Regular Checking Account – With an initial deposit and minimum ADB requirement of Php 10,000.00, our flagship checking account simplifies and facilitates daily disbursement needs. This deposit product is covered up to Php 500,000.00 per depositor, and is not subject to withholding tax.

Regular Savings Account – With an initial deposit and minimum ADB requirement of Php 10,000.00. This can be opened in any UnionBank branch. Balance to earn 0.10% interest p.a. is Php 25,000.00. Insured up to a maximum deposit of Php 500,000.00 per depositor and subject to 20% withholding tax.

Savings + – Offers bundled group life insurance from Insular Life. Eligible customers can receive up to three times their last reported ADB, up to a maximum life insurance coverage of Php 3 Million. Required average daily balance is Php 25,000.00, balance to earn interest is Php 100,000.00. Interest rate is 0.10% p.a. A Visa debit card can be issued at the request of the customer. Insured up to a maximum deposit of Php 500,000.00 per depositor and subject to 20% final withholding tax.

SSS-Member Account – This account allows crediting of SSS benefits to their members and access to ATM, POS, internet banking & OTC with a maximum deposit insurance of Php 500,000.00 per depositor, subject to a 20% final withholding tax. With no initial deposit required, an account may earn 0.10% interest p.a. for a minimum ADB of Php 100,000.00.

SSS Pensioner Account – Account designed to accept pension credits for SSS pensioners with no initial deposit and a Php 100.00 minimum ADB requirement. To earn 0.10% interest, an ADB of Php 100,000.00 is required.

Third Currency Savings Account – AUD, EUR, GBP or JPY - denominated savings account with varying initial deposit and minimum balance required to earn interest depending on the currency and applicable final withholding tax rate of 15% and a maximum deposit insurance of Php 500,000.00 per depositor.

Third Currency Time Deposit – AUD, EUR, GBP or JPY - denominated 30 to 360 days term placement with varying minimum placement amount depending on the currency and applicable final withholding tax rate of 15% and a maximum deposit insurance of Php 500,000.00 per depositor.

USD Optimizer – Minimum placement of USD 10,000.00 for 2, 3, 4, or 5 years with interest credited monthly to a UnionBank account net of 15% withholding tax. This account comes with a maximum deposit insurance of Php 500,000.00 per depositor.



US Dollar Savings Account - With an initial deposit of USD 500.00 and minimum ADB of USD 1,000.00 to earn 0.10% interest p.a., this account comes with a maximum of Php 500,000.00 insurance per depositor subject to 15% final withholding tax.

USD Time Deposit - Minimum placement of USD 1,000.00 for 30-360 days with interest and principal payout at the end of the term. If pre-terminated, default interest rate to be applied is regular savings rate, currently at 0.10% p.a. Interest income is subject to 15% final withholding tax. This account comes with a maximum deposit insurance of Php 500,000.00 per depositor.

INVESTMENT PRODUCTS

Peso Treasury Bills/Notes/Treasury Bonds - Peso denominated fixed income securities issued by and which represent unconditional obligation of the Philippine National Government with tenors ranging from 3 months to 25 years.

Peso Tier 2 Notes - Peso denominated unsecured subordinated debt issued by banks.

Peso Corporate Notes - Peso denominated fixed income debt issued by large Philippine corporations.

Peso LTNCD - Long Term Negotiable Certificates of Time Deposit ("LTNCDs") are certificates of deposit which can be offered to investors looking for a relatively safe long-term investment with a higher interest rate compared to a regular savings or time deposit.

US Dollar ROP Bonds - US Dollar denominated fixed income securities issued by and which represent unconditional obligation of the Philippine National Government

US Dollar Local Corporate Bonds/Notes - US Dollar denominated fixed income debt issued by large Philippine corporations.

Foreign Exchange - Spots and Forwards - Converting one currency for another on either a spot (immediate) or forward (future date) basis.

TRUST SERVICES

Corporate & Institutional Investment Management

UnionBank Trust acts as the Investment Manager authorized to manage a corporation or an institution's funds according to their investment objectives and risk parameters. UnionBank Trust creates a structured and bespoke portfolio for the client by choosing from a wide array of investment outlets

(i.e. Government Securities, Corporate Bonds, Common & Preferred Stocks, TDs, UITF, Global Funds, etc.)

Unit Investment Trust Funds

Unit Invested Trust Funds (UITFs) are open-ended pooled trust funds, which are operated and administered by UnionBank Trust. UITFs are made available by participation and allow clients to invest or redeem their investments at any time from the fund itself. These funds are managed by UnionBank Trust's highly skilled and professional fund managers and are invested in a diversified set of financial instruments such as stocks, bonds, money market securities, and global funds.

The following UITFs are available:
Short-Term Php Fixed Income Portfolio (Php Money Market), Short-Term USD Fixed Income Portfolio (USD Money Market), Intermediate-Term Fixed Income Portfolio, High Net Worth Intermediate-Term Fixed Income Portfolio, Medium-Term Fixed Income Portfolio (Peso Bond Fund), High Net Worth Medium-Term Fixed Income Portfolio, Long-Term Fixed Income Portfolio, Tax-Exempt Fixed Income Portfolio, Dollar Bond Portfolio, Peso Balanced Portfolio, Philippine Equity Index Fund Portfolio, Dividend Play Equity Portfolio, Large Capitalization

Equity Portfolio, and Capital Accumulation Global Fund of Funds Portfolio (available in USD & Php currency classes).

Retirement Fund Management

UnionBank Trust helps institutional clients set up and manage retirement funds for the benefit of both the company and their retiring employees. UnionBank Trust designs and recommends an investment program for the company, with the objective of maximizing the earnings of the retirement fund while taking into consideration the company's risk objectives. Retirement Funds administered by a Trust entity enjoy tax incentives.

Personal Management Trust

UnionBank Trust acts as Trustee in managing a portion of an individual's wealth for the benefit of their designated beneficiary(ies). Personal Management Trust gives clients a convenient access to a wide array of investment products. This is highly customizable and allows you to distribute the proceeds, interests and/or principal to your beneficiary(ies) according to your conditions and provisions.

Escrow Agency

UnionBank Trust acts as an independent third party escrow agent to protect the interests of the contracting parties while the terms and conditions of the principal contract are being fulfilled. An escrow arrangement ensures the protection of the parties' interests while ensuring compliance with specified contractual obligations.

PRIVATE BANKING

Access to Global Funds & Investment Strategies

Via the Allfunds Bank platform, UnionBank Private Banking provides clients access to a wide array of Global Mutual Funds and Exchange Traded Funds, upon inquiry. These global funds are assessed and reviewed by our in-house investments team in terms of their Sharpe ratio and Morning Star rating, among other metrics. Our strategic alliance with Lombard Odier gives clients access to world-class investment strategies, with a core-satellite investment philosophy.

Government Securities, Corporate Bonds, Money Market Securities, UITFs

UnionBank Private Banking gives clients direct access to local investment outlets such as Philippine Government Securities, US Treasuries, Corporate Bond Issuances, Common & Preferred Equities, UITFs, and special rates on Money Market Instruments.

Asset Swaps

UnionBank Private Banking provides clients structured products that will enhance the yield of their plain vanilla investment holding, while taking into consideration credit, liquidity and other related risks that will impact the investment.

Family Services

UnionBank Private Banking will help find the optimal solutions to clients' concerns on Family Wealth Structuring, Succession Planning, Inter-generational Wealth & Business Transition, Retirement & Estate Planning, and Philanthropy & Sustainability. We have legal, tax and cross-border expertise on wealth management matters. Our strategic ally, Lombard Odier, also assists by sharing their world-class family services expertise.

Financial Advisory

UnionBank Private Banking will help structure an optimal investment portfolio for clients, taking into consideration their return objectives and risk profile. An open architecture investment philosophy ensures that clients will have the opportunity to invest in best-in-class investment outlets, even though they may not be UnionBank products.

INVESTMENT BANKING SERVICES

Corporate Finance

- Debt Underwriting
- Private Placements

Syndicated Lending and Project Finance

- Loan Arrangements
- Loan Syndications

Advisory Services

- Corporate Restructuring

FINTECH BUSINESS GROUP

UnionBank API Developer Portal - is a channel that enables fintechs and corporate clients to tap into UnionBank's banking services and other functionalities. Available since 2017, the portal acts as the interface between the Bank's full suite of APIs and its developers community. It allows external entities to easily sign up on it, choose from a catalogue of services, and integrate them to their own platforms. It permits a system-to-system communication between the core client's platform and the Bank's core systems, enabling customers to reach a wider audience and growth.



Accounts

- Sandbox Account Information
- Sandbox Account Balance
- Sandbox Bank Account
- Customer Account Transaction History
- Partner Account Transaction History
- Online Bank Account Information

Authentications

- UnionBank Customer Authentication
- UnionBank Partner Authentication
- One-Time Password Authentication
- Signature Verification

Cards

- Credit Card Inquiry
- UnionBank Credit Card Application
- GetGo Debit Card Application
- UnionBank Prepaid Card
- Partner GetGo Prepaid Top Up Via I2C
- UnionBank Credit Card Perks
- UnionBank Debit Card Perks

Inquiries

- Branch and ATM Location
- Foreign Exchange Rate
- Savings and Current Account Interest Rate
- Time Deposit Interest Rate
- Biller Information

Loans

- Auto Loan Calculator
- Housing Loan Calculator
- Customer UnionBank Loan Application
- Partner UnionBank Loan Payment

- Overdraft Account
- UnionBank Partner Overdraft Account Loan Availment

Partners

- Weather Data by WeatherPH
- Partner Paymaya Wallet Top Up
- Partner Coins.PH Wallet Top Up
- Partner EON Top Up
- Cash Payout by DragonPay
- eGifts by GiftAway
- Business Financing by First Circle
- eTreats by Share Treats
- Airtime Credits by DT One
- Bills Payment by Direct Agent 5
- Credit Scoring by FinScore
- Cryptocurrency Exchange by PDAX
- Salary Loan by Advance Tech Lending

Payments

- Customer Bills Payment
- Partner Bills Payment
- Customer Globe Load Purchase
- Customer Smart Load Purchase
- Partner Smart Load Purchase
- Partner Globe Load Purchase
- Merchant Payment from UnionBank Account

Transfers

- Customer UnionBank-to-UnionBank Fund Transfer
- Partner UnionBank-to-UnionBank Fund Transfer
- Customer InstaPay Fund Transfer

- Partner Instapay Fund Transfer
- Partner PESONet Fund Transfer
- Customer PESONet Fund Transfer API

FINTECH Partners

Payroll calculation and salary disbursement

- **Salarium** - a payroll software-as-a-service (SaaS) company who has served over 500 companies since 2015. It provides payroll, timekeeping, leave management and salary disbursement services to clients - whether small, medium or large enterprises. It gives employees access to a wallet that allows them to transact online and manage money from their mobile phones.

- Benefits
 - Easy government report generation
 - Automated payroll calculation
 - Quick disbursement of salaries
 - Employees receive Visa cards
 - Employees get access to the SALPay app, which lets them pay bills and take out salary loans

- UnionBank Advantage -
 - 20% discount on disbursement fees

Inventory, customer, sales, accounting management

- **Kiu** - a software company that aims to help Small, Medium and Large enterprises manage, automate, and simplify their businesses. Its Business Solutions Platform allows teams to manage Customer Relationship Management, Accounting, Sales Automation, HR, Inventory Management.

- Benefits
 - Quick view on accounting books and financial statements
 - Automation of sales and inventory management processes
 - Generation of government reports
 - HR system for payroll computation and timekeeping
- UnionBank Advantage -
 - 10% discount on monthly fees

Payment collection

- **Dragonpay** - an established alternative payment solution that allows businesses with online stores, and companies that require an online payment collection system to receive payments. This is done via online and offline banking and non-banking payment facilities like convenience stores and pawnshops. It handles millions of transactions for more than 1,500 merchants per year.

- Benefits
 - Accept payments from 15,000 counters nationwide (over-the-counter banking and non-banking)
 - Accept payments from online banking

- UnionBank Advantages -
 - 10% discount on set up fee and next day settlement (minimum required transaction)

E-commerce shipment and cash-on-delivery (COD)

- **Payo** - a logistics aggregator that enables E-commerce sellers/ companies with their own site or social media page to sell online by handling the coordination of purchases with buyers and delivery partners. It also enables cash-on-delivery (COD) payments for e-commerce.

- Benefits
 - Work once with Payo, and get multiple couriers as options
 - Managed delivery process

- Reduced return-to-sender rates
- Safe COD payment option
- COD payment advancing
- UnionBank Advantage -
 - 0.25% discount on fees (transaction or advancing)

Business-To-Business SME Funding

- **First Circle** - provides Business-To-Business SMEs with supply chain financing to meet larger client demands and improve bargaining position with trading partners. Since the company's launch in 2016, it has loaned millions of dollars to thousands of SMEs from various industries within the Philippines - enabling them to grow their businesses without worrying about lack of capital.

- Benefits
 - No collateral needed
 - Simple financing process, online application
 - Transparent pricing, no hidden fees
 - Receive loan/funds transferred to bank account within 5 days

- Improve your cash flow; fulfill larger orders and serve more clients
- UnionBank Advantage -
 - 1.99% waived processing fee

Please note that the UnionBank Advantages are subject to change/ re-negotiation.



The fintech subsidiary of UnionBank that builds financial products to create opportunities and access for financial institutions and MSMEs. We explore business models that aim to make banking invisible.

Bux - End-to-end Ecommerce payment and fulfillment solution catering to businesses of all sizes, from sole proprietors to large organizations. Bux accepts all forms of payment and partners with the best couriers for integrated logistics services.

SeekCap - the Philippines' first same-day approval lending marketplace. A digital loans marketplace where MSMEs can easily choose loans from a variety of lenders to better manage their cashflow and grow their business. This is a partnership between UBX and OneConnect Financial Technology Co. Ltd., a leading technology-as-a-service platform for financial institutions.

- Multi-lender
- Simplified loan application with real-time updates
- Improved access to financing without the need for collateral



UBX-One Connect Lending Engine – the digital platform for lenders and financial institutions for simpler and smarter credit underwriting

- Shorter TAT in approving loans
- Improved risk scoring with integration to credit bureaus and external data sources
- Expand credit offerings and target market

i2i – Connecting rural banks and cooperatives to the national retail payment system. Digital transformation package designed for financial institutions. A full suite of ready-to-use tools from core banking to money transfers and more.

Tech Services – A technology partner providing end-to-end services, full-stack capabilities, with an edge in emerging technologies.

- Artificial Intelligence (AI)
- Business and Process Analysis
- Blockchain Technology
- Design
- Mobile and Web Development
- Software Development

Sentro – An online B2B marketplace comprised of all the products and solutions an MSME needs to jumpstart, run and scale their business.

Biddit – The easiest way to invest in real estate. An online marketplace to conveniently find, bid and purchase vetted foreclosed real estate in the Philippines.

Akin – The only digital ID you will ever need. Self-sovereign, Blockchain Based Identity Platform wherein attested digital IDs of users are shared across a federation, for smoother and frictionless transactions.

ELECTRONIC BANKING SERVICES

UnionBank Online App and Web
www.unionbankph.com
Business Online
eonbankph.com
EON Convergent Banking

PRIORITY BANKING

Business Class – A banking program for UnionBank's high-net worth clients that offers personalized service, exclusive privileges, relationship banking and smart solutions to eligible individuals.

Business Class Corporate – A variant of the Business Class program where eligible corporate clients are given specialized service, relationship banking and preferential pricing.

Business Class for Doctors – A variant of the Business Class program where doctors, via their HMO or hospital affiliation, are entitled to receive their professional fee credits through a UnionBank account.

PRE-NEED (FIRST UNION PLANS)

Income Fund Products

- Cash Contributor
- Asset Accumulator
- Future Funder
- Prime Provider

REAL PROPERTY MANAGEMENT (UBP INVESTMENTS CORPORATION)

The Kingswood Arcade
(Vito Cruz Extension corner Pasong Tamo, Makati City)

Kingswood Makati Project-Sales and Marketing
(Vito Cruz Extension corner Pasong Tamo, Makati City)

UnionBank Centre-Manila
(Dasmariñas corner Q. Paredes Street, Binondo, Manila)

OTHER SERVICES

Foreign/Domestic Collections and Remittances

- Fund Transfers
- Manager's Checks
- Peso/Dollar Demand Draft
- Peso/Dollar Telegraphic Transfer
- PDDTS (Philippine Domestic Dollar Transfer System)

Purchase and Sale of Foreign Exchange

Fund Raising Services for Non-Profit Organizations (NPO)

- Mobile Donations
- Online Donations

Payment Gateway

- Internet
- Mobile



METRO MANILA / GREATER MANILA AREA

MAKATI CITY

ANTEL RESIDENCES

G/F Antel Spa Suites
7829 Makati Avenue
Poblacion, Makati City
(02) 7907-6756
(02) 8846-9190
(0917) 863-9637
(0917) 827-6545

AYALA AVENUE

G/F Don Vicente
Madrigal Building
6793 Ayala Avenue
Makati City
(02) 7500-8183
(02) 7968-8747
(02) 7968-8644
(0917) 863-8791
(0917) 863-8792
(0917) 863-8794

AYALA-RUFINO

Rufino Building
Ayala Avenue cor.
V. Rufino Street
Makati City
(02) 7585-1031
(02) 7968-8763
(0917) 863-8816
(0917) 827-0297

AYALA-SSS

SSS (Makati) Building
Ayala Avenue cor.
V. Rufino Street
Makati City
(02) 7503-1464
(02) 7968-8516
(0917) 863-8840
(0917) 863-8878

CENTURY CITY

G/F Unit 3
The Gramercy Residences
Century City
Salamanca Street cor.
Kalayaan Avenue
Brgy. Poblacion
Makati City
(02) 968-9750
(02) 8894-4700 TEL/FAX
(0917) 827-8341
(0917) 803-1540

DELA ROSA

G/F Insular Health
Care Building
167 Dela Rosa cor.
Legaspi Streets
Legaspi Village
Makati City
(02) 7968-8573
(02) 7989-8260
(0917) 863-8891
(0917) 817-3235

GREENBELT

G/F Twin Cities
Condominium
110 Legaspi Street
Legaspi Village
Makati City
(02) 7577-7631
(02) 7585-0010
(0917) 863-9762
(0917) 827-0376

H.V. DELA COSTA

138 Global Enterprise Building
H.V. Dela Costa Street
Salcedo Village
Makati City
(02) 7585-0977
(0917) 827-0380

INSULAR AYALA PASEO (The ARK)

G/F Insular Life Building
Ayala Avenue cor.
Paseo de Roxas
Makati City
(02) 7971-0052
(02) 7971-0076
(0917) 841-3351
(0917) 863-9893
(0917) 811-7577

J.P. RIZAL

731 J.P. Rizal Street
Makati City
(02) 8897-1085
(0917) 827-0353

MAGALLANES

G/F Maga Center Building
Paseo de Magallanes
Makati City
(02) 8851-3803
(02) 7215-9251
(0917) 827-6158

MAKATI AVENUE

7874 Makati Avenue cor.
Durban Street
Poblacion, Makati City
(02) 7585-1043
(02) 7971-0316
(02) 8899-1544 FAX
(0917) 864-1561
(0917) 827-0371

MAKATI MEDICAL CENTER

Makati Medical Center
2 Amorsolo Street
Legaspi Village, Makati City
(02) 8812-8182
(0917) 827-3172

MULTINATIONAL BANCORP

G/F Multinational
Bancorp. Centre
6805 Ayala Avenue
Makati City
(02) 7971-0029
(02) 7511-1973
(0917) 863-9804
(0917) 827-3317

PASAY ROAD

G/F Salud and
Consuelo Building
912 Pasay Road
San Lorenzo Village
Makati City
(02) 7968-6080
(02) 8813-5430
(02) 8752-7121
(02) 7624-1163
(0917) 864-0163

PASEO DE ROXAS

G/F 111 Paseo de
Roxas Building
Paseo de Roxas cor.
Legaspi Street
Legaspi Village
Makati City
(02) 7796-9057
(02) 7577-7465
(0917) 146-2813
(0917) 863-9823

PASONG TAMO-JTKC

G/F JTKC Centre Building
2155 Pasong Tamo Street
Makati City
(02) 8840-4783
(02) 7585-1044
(0917) 827-0373
(0917) 864-1258

PASONG TAMO EXTENSION

G/F BCS Building
Don Chino Roces Avenue
Pasong Tamo Extension
Makati City
(02) 7971-0221
(02) 8892-0990
(0917) 827-0365
(0917) 864-1065



PEREA

G/F Greenbelt Mansion
Perea Street
Legaspi Village
Makati City
(02) 7219-1203
(02) 7618-5983
(02) 7968-8573
(0917) 846-3785
(0917) 863-9821
(0917) 863-8891

RADA

Prince Building
117 Rada Street
Legaspi Village
Makati City
(02) 7585-0979
(02) 7623-1487
(0917) 827-0389
(0917) 863-9895

SALCEDO

Golden Rock Building
168 Salcedo Street
Legaspi Village
Makati City
(02) 8818-8075
(0917) 803-8622
(0917) 827-0364

VALERO

Le Grand Condominium
130 Valero Street
Salcedo Village
Makati City
(02) 7585-1033
(02) 7503-0522
(0917) 864-0269
(0917) 827-0462

VALERO-ANTEL PLATINUM

G/F Antel Platinum Tower
154 Valero Street
Salcedo Village
Makati City
(02) 7971-0061
(02) 7585-1034
(0917) 863-9795
(0917) 827-0463

VITO CRUZ

Kingswood Arcade
Vito Cruz cor.
Pasong Tamo Streets
Makati City
(02) 8899-2772
(02) 7585-0980
(0917) 827-0391

WORLD CENTRE

G/F The World Centre Building
330 Sen Gil J. Puyat Avenue
Makati City
(02) 8867-8560
(02) 7971-0005
(02) 7215-0950
(0917) 847-2852
(0917) 827-0392
**for closure on July 30, 2020*


CITY OF MANILA
CITYPLACE SQUARE

3/F Lucky Chinatown-
Cityplace Square
Calle Felipe cor.
La Chambre Street
Binondo, Manila
(02) 7261-4167
(02) 8254-9775
(02) 7968-2434
(0917) 827-6546
(0917) 814-0306
(0917) 821-7692

DASMARIÑAS

UnionBank Centre
Manila Building
Dasmariñas cor.
Q. Paredes Streets
Binondo, Manila
(02) 7968-2462
(02) 7968-3119
(02) 7968-2517
(02) 7585-9839
(0917) 827-0352
(0917) 821-8325
(0917) 821-8533
(0917) 822-9479

ESCOLTA

G/F Regina Building
Escolta, Manila
(02) 7968-3324
(02) 8241-8544
(02) 7968-3411
(02) 7968-3453
(0917) 827-0875
(0917) 824-8609
(0917) 849-7273
(0917) 849-7349

ICTSI

G/F ICTSI
Administration Building
Manila International
Container Terminal
MICT South Access Road
Port Area, Manila
(02) 8241-8303
(02) 7585-1265
(0917) 827-0281
(0917) 864-0273

INTRAMUROS

G/F BF Condominium Building
A. Soriano Avenue
Intramuros, Manila
(02) 8404-1720
(02) 7622-4467
(0917) 827-0258

LOURDES HOSPITAL

G/F Main Building
Our Lady of Lourdes Hospital
46 P. Sanchez Street
Sta. Mesa, Manila
(02) 7713-8546
(02) 8968-6780
(0917) 827-0879
(0917) 863-8597

MALATE

G/F Marioco Building
1945 M. Adriatico Street
Malate, Manila
(02) 8525-2741
(02) 7971-0099
(0917) 822-6342

MASANGKAY

911-913 G. Masangkay Street
Binondo, Manila
(02) 8241-5364
(02) 7968-3511
(02) 7618-5520
(0917) 860-9436
(0917) 863-7987

MAYHALIGUE

G/F One Masangkay Place
1420 Masangkay near cor.
Mayhaligue Street
Sta. Cruz, Manila
(02) 7586-3514
(02) 8252-5457 TEL/FAX
(0917) 843-5875
(0917) 863-8209

PANDACAN

1763 Paz M. Guazon Street
Paco, Manila
(02) 7971-0082
(02) 7585-9845
(02) 8564-0537 TEL/FAX
(0917) 827-0355

STO. CRISTO

LG01 and LG02 Burke Plaza
Sto. Cristo Street
Binondo, Manila
(02) 2844-4284
(02) 7623-9579
(02) 7587-2980
(0917) 827-0890
(0917) 863-8235

SOLER

TOPSCO Building
1148 Soler Street
Binondo, Manila
(02) 7586-7094
(02) 7623-9584
(02) 8247-1711
(0917) 827-0892
(0917) 863-8226

TAFT AVENUE

2526 G/F Kassel
Condominium
Taft Avenue near cor.
P. Ocampo Street
Vito Cruz Street
Malate, Manila
(02) 7971-0110
(0917) 827-0358
(0917) 864-0432

T. ALONZO

625 T. Alonzo Street
Sta. Cruz, Manila
(02) 7587-6251
(02) 8736-9858 TEL/FAX
(0917) 836-7203

UNITED NATIONS AVENUE

UN Avenue cor. M.H. del Pilar
and M. Guerrero Streets
Ermita, Manila
(02) 7971-0114
(02) 7585-9864
(0917) 864-0477
(0917) 827-026

**VERTEX ONE-
SAN LAZARO**

G/F Space 12 & 13
Vertex One Building
San Lazaro, Manila
(back of SM San Lazaro)
(02) 8559-9792
(0917) 982-70157


CALOOCAN CITY
EDSA CALOOCAN

512 EDSA cor.
Urbano Plata Street
Caloocan City
(0917) 827-0395
(0917) 864-1574
(0917) 860-5499
(0917) 803-8421

CALOOCAN

357 Rizal Avenue Extension
Grace Park, Caloocan City
(02) 7971-0222
(02) 7971-0239
(0917) 864-1355
(0917) 864-1098
(0917) 860-5871
(0917) 843-6733
(0917) 825-6936
(0917) 839-3985

LAS PIÑAS

LAS PIÑAS-PAMPLONA

Alabang-Zapote Road
 cor. Crispina Avenue
 Pamplona, Las Piñas City
 (02) 7971-0251
 (02) 7971-0244
 (02) 7585-0838
 (0917) 864-1404
 (0917) 864-1191
 (0917) 864-1431
 (0917) 827-0467

MALABON

MALABON

31 Rivera Street cor.
 Gov. Pascual Avenue
 Tinajeros, Malabon City
 (02) 7971-0199
 (02) 7971-0201
 (02) 8288-7382
 (0917) 864-0982
 (0917) 864-0998
 (0917) 834-3262
 (0917) 831-5402

MANDALUYONG CITY

BONI AVENUE

655 Boni Avenue cor.
 Ligaya Street
 Mandaluyong City
 (02) 8968-4727
 (02) 7533-1054
 (0917) 827-0987
 (0917) 863-8517

BSA TOWER-ORTIGAS

G/F BSA Twin Tower
 Bank Drive, Ortigas Center
 Mandaluyong City
 (02) 8477-9838
 (0917) 864-0783
 (0917) 827-1561

EDSA-PIONEER

Level 1, Robinson's
 Cybergate Plaza
 EDSA cor. Pioneer Street
 Mandaluyong City
 (02) 8586-5348
 (02) 7477-4163
 (0917) 863-8565
 (0917) 827-1097

GREENFIELD DISTRICT SOHO

Level 1, Unit 5, Soho Central
 Greenfield District
 Shaw Boulevard
 Mandaluyong City
 (02) 8584-7538
 (02) 7968-6739
 (0917) 863-8592
 (0917) 827-0286

LIBERTAD-MANDALUYONG

Unit A2 Cluster El Dorado
 California Garden Square
 Libertad Street
 Mandaluyong City
 (02) 7470-2743
 (0917) 827-0765

SHAW MANDALUYONG

PICPA Building
 700 Shaw Blvd.
 Mandaluyong City
 (02) 7968-8747
 (02) 8724-2561
 (0917) 827-0994
 (0917) 863-8792

ST. FRANCIS SHANGRI-LA PLACE

Tower 1 G/F
 Retail Internal Road cor.
 Street Francis Street
 Brgy. Wack-Wack
 Mandaluyong City
 (02) 8584-3633 FAX
 (0917) 808-7914
 (0917) 827-0156

WACK-WACK

6 Shaw Boulevard cor.
 Laurel Street
 Mandaluyong City
 (02) 8725-2919
 (02) 7906-9860
 (0917) 863-8748
 (0917) 827-1096

MARIKINA CITY

MARIKINA

WRC 2 Building
 No. 47 Gil Fernando Avenue
 Midtown Subdivision II
 Brgy. San Roque
 Marikina City
 (02) 7971-0006
 (02) 8681-6184
 (0917) 846-6341
 (0917) 827-0993

MUNTINLUPA CITY

ALABANG COUNTRY CLUB

G/F Alabang Country Club
 Acacia Drive
 Ayala Alabang Village
 Muntinlupa City
 (02) 7623-1960
 (02) 8833-9067
 (0917) 864-0894
 (0917) 800-7121

ALABANG TOWN CENTER

Makati Supermart Alabang
 Alabang Town Center
 Muntinlupa City
 (02) 7506-6689
 (02) 8842-0496
 (0917) 804-5785
 (0917) 827-0970

AYALA ALABANG

G/F JD Tower, Commerce
 cor. Acacia Avenues
 Madrigal Business Park
 Ayala Alabang
 Muntinlupa City
 (02) 7585-1038
 (02) 7959-8810
 (02) 7617-0914
 (0917) 864-0946
 (0917) 854-4103
 (0917) 827-0361

MUNTINLUPA

12 Jayson's Building
 National Road
 Putatan, Muntinlupa City
 (02) 7507-3068
 (02) 7623-2028
 (0917) 853-6378
 (0917) 827-0971



RICHVILLE

UG/F Richville
Corporate Tower
Madrigal Business Park
Alabang Zapote Road
Alabang, Muntinlupa City
(02) 7968-9615
(02) 8850-5636
(0917) 859-9060

NAVOTAS**NAVOTAS**

807-817 M. Naval Street
Navotas, Metro Manila
(02) 8282-7502
(02) 8282-7504
(02) 586-8269
(02) 971-0245
(0917) 874-1180
(0917) 864-1165
(0917) 860-8556
(0917) 840-7266

PARAÑAQUE CITY**ASEANA BRADCO AVENUE**

G/F Unit G12 Sole Mare
Park Suites, Bradco Avenue
Aseana Business Park
Parañaque City
(02) 293-6627
(02) 971-0111
(0917) 827-7583
(0917) 864-0268

BF HOMES

55 President's Avenue
BF Homes Subd.
Parañaque City
(02) 7585-1036
(02) 7971-0192
(0917) 864-0952
(0917) 827-0465

BICUTAN

28 Doña Soledad Avenue
Better Living Subd.
Parañaque City
(02) 7971-0305
(02) 7971-0313
(02) 8822-1516
(0917) 864-1549
(0917) 864-1576
(0917) 827-0464

DR. A. SANTOS

G/F MTF Building
Dr. A. Santos Avenue cor.
Kabesang Segundo Street
San Isidro, Parañaque City
(02) 8836-3730
(02) 7506-6716
(0917) 822-7644
(0917) 827-0899

PARAÑAQUE

Quirino Avenue cor.
V. Medina Street
La Huerta, Parañaque City
(02) 7623-2025
(02) 7506-9120
(0917) 804-3835
(0917) 827-1449

PASCOR DRIVE

G/F Sky Freight Center
Ninoy Aquino Avenue cor.
Pascor Drive, Parañaque City
(02) 7585-1001
(0917) 802-8580
(0917) 827-0544

SUCAT-JAKA PLAZA

JAKA Plaza
Dr. A. Santos Avenue
Parañaque City
(02) 7585-1039
(02) 7586-7637
(0917) 863-8216
(0917) 827-0545
(0917) 827-0363

WEST SERVICE ROAD

Rodeo Building
Km. 18 West Service Road
South Luzon Expressway
Parañaque City
(02) 7623-2029
(02) 7971-0003
(0917) 863-2307
(0917) 827-0974

PASAY CITY**GSIS**

GSIS Main Office
Financial Center
Pasay City
(02) 7551-4554
(02) 7971-0024
(02) 7503-3397
(0917) 863-9785
(0917) 863-9790
(0917) 827-0265

PASAY CITY

2528 ERL Building
Taft Avenue, Pasay City
(02) 8833-2959
(0917) 864-0387

NEWPORT CITY

G/F Star Cruises Building
Newport City
Andrews Avenue
Pasay City
(02) 8556-8955
(0917) 864-0349
(0917) 827-1143

PASIG CITY**ADB AVENUE**

G/F Burgundy Empire Tower
ADB Avenue cor.
Sapphire & Garnet Roads
Ortigas Center, Pasig City
(02) 8633-1097 FAX
(0917) 864-0782
(0917) 827-5992

EMERALD AVENUE

G/F Wynsum Corporate
Plaza Building
Emerald Avenue
Ortigas Center
Pasig City
(02) 8633-7604
(0917) 827-0552
(0917) 864-1446

EXCHANGE REGENCY

G/F The Exchange Regency
Exchange Road cor.
Meralco Avenue & Jade Drive
Ortigas Center, Pasig City
(02) 5310-5627
(02) 5310-5631
(02) 7505-5811
(0917) 860-5704
(0917) 827-1336

FRONTERA VERDE

G/F Transcom Centre
Frontera Verde
Ortigas Avenue cor.
C5, Pasig City
(02) 8451-1590
(0917) 827-6172

JULIA VARGAS

G/F Centerpoint Building
J. Vargas Avenue cor.
Garnet Road
Ortigas Center
Pasig City
(02) 8633-5595
(0917) 864-0891
(0917) 827-6165

MEDICAL CITY

B1 The Medical Arts
Tower Building
The Medical City Hospital
Ortigas Avenue
Pasig City
(02) 8633-3862
(0917) 864-0874
(0917) 827-5826

ORTIGAS

G/F The Crescent
Condominium
29 San Miguel Avenue
Ortigas Center
Pasig City
(02) 8633-6443
(02) 7971-0227
(0917) 864-1299
(0917) 827-0556

RENAISSANCE TOWER

G/F Renaissance 1000
Meralco Avenue
Ortigas Center
Pasig City
(02) 8584-8396
(0917) 827-0461
(0917) 864-0876

SHAW BOULEVARD

131-133 Shaw Boulevard
Pasig City
(02) 8623-2126
(02) 8632-9813 FAX
(0917) 864-0890
(0917) 827-0558

SHAW-PASIG

Chipeco Building
Shaw Boulevard cor.
Meralco Avenue
Pasig City
(02) 8631-3957
(0917) 827-5832

TEKTITE

G/F West Tower
Phil. Stock Exchange
Center, Exchange Road
Ortigas Center, Pasig City
(02) 8968-7705
(02) 8796-2913
(0917) 863-8685
(0917) 827-0996
(0917) 831-0034

UNIONBANK PLAZA

UnionBank Plaza Building
Meralco Avenue cor.
Onyx Road, Pasig City
(02) 8634-7907
(0917) 864-0878
(0917) 827-0559

QUEZON CITY

ABS-CBN

West Wing, G/F
ELJ Communications Center
ABS-CBN Broadcast Center
Sgt. EA Esguerra Avenue cor.
Mother Ignacia Street
Quezon City
(02) 7624-8551
(02) 8929-1825
(0917) 827-0294
(0917) 864-0889

ACROPOLIS

171 Bridgeview Building
E. Rodriguez Jr. Avenue
Bagumbayan, Quezon City
(02) 7585-1007
(02) 3438-9332
(02) 7968-8858
(0917) 863-8798
(0917) 827-0549

ALI MALL

Level 2, Financial Center
Ali Mall, Araneta Center
Cubao, Quezon City
(02) 7968-9010
(02) 8911-2677
(0917) 863-8817

ARANETA AVENUE

Del Moral Building
341 G. Araneta Avenue
Quezon City
(02) 8714-4345
(02) 7968-4798
(0917) 863-8521

AURORA-BALETE DRIVE

G/F Marsk Building
Aurora Blvd.
cor. Balete Drive
Quezon City
(02) 7968-7169
(02) 8722-6327
(0917) 863-8608
(0917) 827-0238

AURORA BOULEVARD

677 Aurora Blvd.
(near Broadway Centrum)
New Manila, Quezon City
(02) 7968-4387
(02) 8725-1951
(0917) 863-8496
(0917) 827-2506

BAESA

Dra. C. Pascual Building
142 Quirino Highway
Baesa, Quezon City
(02) 7361-4459
(0917) 827-2511
(0917) 842-7292
(0917) 831-9492

C-5 QC

184-B E. Rodriguez Jr. Avenue
Bagumbayan, Quezon City
(02) 8638-1689
(02) 7968-8407
(0917) 827-0553
(0917) 863-8830

COMMONWEALTH AVENUE

12-13, UG/F Diliman
Commercial Center
Commonwealth Avenue
Diliman, Quezon City
(02) 7623-2616
(02) 8931-9691
(0917) 812-7274
(0917) 827-0446

COMMONWEALTH-LUZON

Avenue UG/F
Kayumanggi Center Building
Commonwealth cor.
Luzon Avenues
Brgy. Matandang Balara
Quezon City
(02) 7971-0002
(02) 8936-3621
(0917) 822-9949

CONGRESSIONAL EXTENSION

Congressional Avenue
near cor. Mindanao Avenue
Gardenville
Brgy. Bahay Toro
Quezon City
(02) 8455-8561
(02) 8504-4107
(0917) 827-0975
(0917) 805-2916
(0917) 860-4683
(0917) 834-1846
(0917) 839-7308

CUBAO

P. Tuazon Street cor.
7th Avenue
Cubao, Quezon City
(02) 7505-5824
(02) 8912-1754 FAX
(0917) 827-0292
(0917) 842-7401

DEL MONTE AVENUE

345 Del Monte Avenue cor.
Banawe Street
Brgy. Manresa
Quezon City
(02) 8330-0227
(02) 8968-9060
(02) 8968-4883
(02) 8968-8941
(0917) 863-8821
(0917) 860-5419
(0917) 863-8825

EASTWOOD CITY

G/F Unit, LGR1-6
Le Grand Tower 1
Palm Tree Avenue
Eastwood City
Brgy. Bagumbayan
Quezon City
(02) 8584-3638
(02) 7211-1596
(0917) 827-0161
(0917) 830-0046



E. RODRIGUEZ

1/F West Katipunan Building
95 E. Rodriguez Sr. Avenue
Quezon City
(02) 8712-1331
(02) 7957-0117
(0917) 827-0983
(0917) 844-5314

GMA-TIMOG

Unit 101 Cabrera Building
103 Timog Avenue
Brgy. Sacred Heart
Quezon City
(02) 8294-3281
(02) 7585-1669
(0917) 827-6152
(0917) 864-0896

KAMIAS

G/F TDS Building
72 Kamias Road
Quezon City
(02) 7502-3780
(02) 8929-7807
(0917) 827-0458
(0917) 832-1956

KATIPUNAN

335 AGCOR Building
Katipunan Avenue
Loyola Heights
Quezon City
(02) 7971-0306
(02) 8926-1768 FAX
(0917) 827-0997
(0917) 864-1533

MAYON

G/F ACI Building
178 Mayon Street
Sta. Mesa Heights
Brgy. Maharlika
Quezon City
(0917) 864-0846
(0917) 864-0835
(0917) 827-0459
(0917) 831-4570
(0917) 835-0247

MUÑOZ

Muñoz Market EDSA cor.
Roosevelt Avenue
Quezon City
(02) 7623-1901
(0917) 827-0986
(0917) 864-0897

NOVALICHES-GULOD

854 Quirino Highway
Gulod, Novaliches
Quezon City
(02) 8971-0266
(0917) 864-1332
(0917) 834-3099
(0917) 841-0912

ROOSEVELT

244 Roosevelt Avenue
San Francisco del Monte
Quezon City
(02) 7217-4751
(02) 3448-6633
(02) 7971-0312
(0917) 827-0460
(0917) 864-1500
(0917) 864-1153

SANTO DOMINGO

G/F Elements Building
560 Quezon Avenue
Brgy Tatalon
Quezon City
(02) 7623-2318
(02) 7743-4671
(0917) 861-2596
(0917) 827-0291

SOUTH TRIANGLE

Quezon Avenue cor.
Scout Albano
Quezon City
(02) 8425-1101
(02) 7971-0091
(0917) 827-0497
(0917) 864-0454
(0917) 814-0909

SSS EAST AVENUE

G/F SSS Main Building
East Avenue, Quezon City
(02) 8294-6517
(02) 7907-2329
(0917) 863-8432

ST. LUKE'S

MEDICAL CENTER
G/F Street Luke's
Medical Center
279 E. Rodriguez Sr.
Boulevard
Quezon City
(02) 8661-4639
(02) 8661-4756
(02) 7623-2157
(0917) 827-0872
(0917) 864-0899

TIMOG

Cabrera Building II
64 Timog Avenue
Quezon City
(02) 7623-9567
(02) 8926-8636
(0917) 864-1483
(0917) 827-1334

TOMAS MORATO

Tomas Morato near cor.
Scout Lozano Street
Quezon City
(02) 8928-5801
(02) 7216-2774
(0917) 827-0498
(0917) 804-9615

WEST AVENUE

27-A West Avenue
Quezon City
(02) 7971-0118
(02) 7968-3659
(02) 8374-6930
(0917) 827-0762
(0917) 864-0456
(0917) 863-8443

WEST AVENUE-BALER

No. 91 Barangay Bungad
West Avenue, Quezon City
(02) 8372-2581
(02) 7971-0196
(0917) 827-2501
(0917) 864-0957

CAINTA, RIZAL**CAINTA**

G/F CRV Building
F. Felix Avenue cor.
Karangalan Drive
Cainta, Rizal
(02) 8646-0295
(02) 7968-9207
(0917) 827-0991
(0917) 863-8857

SAN JUAN**ANNAPOLIS**

G/F Unit 133
Promenade Missouri
Greenhills Shopping Center
Missouri cor. Annapolis Streets
Greenhills, San Juan
(02) 7968-3940
(02) 8944-6282
(0917) 863-8483
(0917) 827-0547

CARDINAL SANTOS

G/F Cardinal Santos
Medical Center
10 Wilson Street
Greenhills West
San Juan City
(02) 7968-5672
(02) 8234-0718 TEL/FAX
(0917) 863-8550
(0917) 827-3092

GREENHILLS

Ortigas Avenue near cor.
Wilson Street
Greenhills, San Juan City
(02) 8726-1395
(0917) 863-8574
(0917) 827-0992

TAGUIG**2ND AVENUE-BGC**

G/F Blue Sapphire Building
2nd Avenue cor. 30th Street
Bonifacio Global City
Taguig City
(02) 8519-0324
(02) 7618-4704
(0917) 827-0378

3RD AVENUE-BGC

G/F Shop B
The Net Square Building
3rd Avenue cor. 28th Street
Bonifacio Global City
Taguig City
(02) 8810-1577
(02) 7617-0584
(0917) 863-8437
(0917) 818-2493

5TH AVENUE-GLOBAL CITY

Unit 103
G/F One Global Place
5th Avenue cor. 25th Street
Bonifacio Global City
Taguig City
(02) 8836-4872
(0917) 863-8442
(0917) 827-2502

7TH AVENUE-BGC

G/F Twenty-Four Seven
McKinley Building cor.
7th Avenue, 24th Street
McKinley Parkway, Bonifacio
Global City, Taguig City
(02) 8573-7281
(0917) 863-8494

26TH STREET-BGC

G/F Unit C-28
South of Market
North Tower
26th Street, Bonifacio
Global City, Taguig City
(02) 8511-7654
(02) 7587-6978
(0917) 863-8282
(0917) 819-3424

32ND STREET-BGC

G/F Trade and
Financial Tower
32nd Street cor.
7th Avenue
Bonifacio Global City
Taguig City
(02) 8478-5876
(02) 8843-2547
(0917) 863-8342

34TH STREET-BGC

G/F Shop 2
Panorama Building
34th Street cor. Lane A
Bonifacio Global City
Taguig City
(02) 8833-2116
(02) 7622-7627
(0917) 827-9070
(0917) 863-8366

38TH STREET-BGC

G/F Orion Building
11th Avenue cor.
38th Street
Bonifacio Global City
Taguig City
(02) 7624-4893
(02) 8815-0187
(02) 7906-7840
(0917) 838-0421
(0917) 863-8385
(0917) 863-8418

BGC-MCKINLEY ROAD

G/F Unit 1, Fairways Towers
5th Avenue
Bonifacio Global City
Taguig City
(02) 8833-8145
(0917) 827-9072
(0917) 863-8576

**BGC THE LUXE
RESIDENCES**

G/F Shop 3
The Luxe Residences
28th Street cor. 4th Avenue
Bonifacio Global City
Taguig City
(02) 7968-4403
(02) 8865-6932
(0917) 863-8511
(0917) 309-4779

BGC TRIANGLE DRIVE

Shop 3, Philplans Building
Corporate Center
1012 North Triangle Drive
Bonifacio Global City
Taguig City
(02) 7622-4313
(02) 8551-7240
(0917) 863-8749
(0917) 827-5854

BGC-UPTOWN PLACE MALL

Unit B106
LG/F Uptown Place Mall
9th Avenue cor. 36th Street
Bonifacio Global City
Taguig City
(02) 7968-8391
(02) 8776-2790
(0917) 863-8761

BONIFACIO HIGH STREET

W Global Center cor.
30th and 9th Avenues
Fort Bonifacio, Taguig City
(02) 8808-2042
(0917) 863-8499
(0917) 827-2918

MCKINLEY HILL

Units 1A & 1B Two World Square
Upper McKinley Road
McKinley Hill Drive
Fort Bonifacio, Taguig City
(02) 7968-4769
(02) 8403-6519
(02) 7623-1862
(0917) 820-1852
(0917) 827-0366

MCKINLEY WEST

Lower G/F Robinsons Cyber
Sigma Building
Lawton Avenue
Bonifacio South
Taguig City
(02) 8824-8027
(02) 7587-2145
(0917) 820-6845
(0917) 863-8612

VALENZUELA

MALINTA

292 Mirjan Building
Maysan Road
Paso de Blas
Valenzuela City
(02) 8277-2922
(02) 7623-9570
(02) 7500-3879
(0917) 827-0870
(0917) 800-5403

VALENZUELA

Km. 12 MacArthur Highway cor.
Fatima Avenue
Marulas, Valenzuela City
(02) 7585-0997
(02) 7971-0217
(02) 7622-0849
(0917) 832-7534
(0917) 864-1242
(0917) 827-0393

**CENTRAL /
NORTH LUZON**

ANGELES

G/F Building 1, Unit 1 & 2
Central Town Mall
263 Fil-Am Friendship
Highway, Brgy. Cutcut
Angeles City, Pampanga
(0917) 821-1365
(0917) 827-3254

BAGUIO

Units PF-7 & PF-7A
PlazaFloor Cedar Building
Gen. Luna cor. Mabini Streets,
Brgy. Kabayanihan
Baguio City
(074) 245-3599
(074) 443-5658
(0917) 863-9684



BALIWAG

G/F Units 3&4
3006 Street Augustine Square
#17 Pinagbarilan Street
Doña Remedios
Trinidad Highway
Baliwag, Bulacan
(044) 766-2442
(044) 233-0041
(0917) 863-9692

CABANATUAN

P. Burgos Street
Barangay Padre Burgos
Cabanatuan City
(044) 4630490
(044) 4630490
(0917) 863-9695

CLARK

M. Roxas Highway
Philexcel Business Park
Clark Freeport Zone
Pampanga
(045) 205-4424
(045) 499-5141
(0917) 809-3519

CAUAYAN, ISABELA

G/F Isabela Trade
Center Building
National Highway
Cauayan City, Isabela
(078) 652-4401
(0917) 863-9707

DAGUPAN

G/F Insular Life Building
Arellano Street
Barangay Pantal
Dagupan City, Pangasinan
(075) 523-5575
(0917) 863-9715

LAOAG-SAN NICOLAS

G/F 365 Plaza Building
National Highway
Brgy. 1 San Nicolas
Ilocos Norte
(077) 770-771
(0917) 863-9703

MEYCAUAYAN

G/F Marian Building
MacArthur Highway
Calvario, Meycauayan
Bulacan
(0917) 816-2712
(0917) 825-0179
(0917) 860-6292
(0917) 8327093
(0917) 815-0071

OLONGAPO

87 Magsaysay Drive,
Olongapo City
(047) 602-2618
(047) 260-3816
(0917) 863-9710

PAMPANGA

G/F Mel-V Building
Olongapo Gapan Road
Dolores, San Fernando
Pampanga City
(045) 961-6141
(0917) 863-9740

REINA MERCEDES

MGPCI Compound
Maharlika Highway
Nappaccu Pequeno
Reina Mercedes, Isabela
(0917) 827-6013

**SAN FERNANDO,
LA UNION**

G/F Nisce Business Center
Quezon Avenue
Brgy. Catbangan
San Fernando, La Union
(0917) 827-9722
(072) 8607-0612
(072) 8252-7587

**SAN FERNANDO,
PAMPANGA**

3M Building
MacArthur Highway
San Agustin
San Fernando
Pampanga
(045) 455-2518
(0917) 863-9742

SANTIAGO

Maharlika Highway
Santiago City, Isabela
(0917) 864-7884

SUBIC

19B Manila Avenue
cor. Canal Street
Subic Bay Freeport Zone
(047) 252-9326
(0917) 864-0749

TARLAC

Jaral Building
MacArthur Highway
cor. Juan Luna Street
Tarlac City
(045) 8982-6490
(0917) 864-1348
(0917) 8641-496

TUGUEGARAO

Bagay Road
cor. Andrews Street
Caritan Centro
Tuguegarao City
Cagayan
(078) 844-3170
(0917) 864-0763

VIGAN

AR Lahoz Building
Jose Singson Street
Vigan, Ilocos Sur
(077) 722-2046
(0917) 864-0765

**BACOR**

Addio Building
Aguinaldo Highway
Talaba, Bacoor, Cavite
(046) 512-9432
(046) 417-1705
(0917) 864-0948

BATANGAS CITY

G/F University of
Batangas Building
Highway Hills, Hilltop
Batangas City
(043) 722-1417
(0917) 864-0934

BIÑAN-CARMONA

National Highway
Bgy. Maduya
Carmona, Cavite
(046) 521-7961
(046) 430-3564
(0917) 864-0950

CALAMBA-PARIAN

G/F Anderson Building
Bgy. Parian, Calamba
Laguna
(049) 545-6673
(049) 250-5264
(049) 250-5270
(0917) 864-1410
(0917) 864-0836

CALAMBA

Marcelita Building
National Highway
Barangay Real
Calamba, Laguna
(049) 250-7895
(049) 545-2614
(0917) 864-0962

DASMARIÑAS-CAVITE

Gov. D. Mangubat Avenue
Congressional Road
Aguinaldo Highway
Dasmariñas, Cavite
(046) 521-7962
(046) 432-1718
(0917) 840-8102

IMUS-CAVITE

G/F Melta Building
cor. Sampaguita Village
Aguinaldo Highway
Imus, Cavite
(046) 513-2155
(046) 970-6975
(0917) 864-0973

LEGASPI

G/F Unit 1, SMC Building
Landco Business Park
Capantawan, Legazpi City
(052) 742-6801
(0917) 864-0980

LIMA

Unit GC-R04 and R05
The Outlets
LIMA Technological Center
Special Economic Zone
Malvar, Lipa City
(043) 8274-7351

LIPA

B. Morada Avenue
Lipa City, Batangas
(043) 756-3822
(043) 236-9159
(043) 236-9161
(0917) 864-1186
(0917) 864-1423

LUCENA

One People Square
M.L. Tagarao Street cor.
Granja Street
Lucena City
(042) 323-7946
(042) 710-6538
(0917) 864-0985

NAGA

G/F Prime Days
Hotel Building
Panganiban Drive
Naga City
(054) 473-7885
(054) 203-1696
(0917) 658-5226
(0917) 864-0986

PUERTO PRINCESA

J.P. Rizal Avenue
Brgy. Maningning
Puerto Princesa City
Palawan
(048) 434-2007
(0917) 864-1037

SAN PEDRO

National Highway
Barangay Landayan
San Pedro, Laguna
(02) 506-5983
(02) 868-8186
(0917) 864-0937

STA. ROSA

Rizal Boulevard cor.
Zavalla Street
Barangay Malusak
Sta. Rosa, Laguna
(049) 534-2548
(049) 250-5227
(0917) 864-1229

PASEO DE STA. ROSA

G/F The Medical City
South Luzon, Greenfield City
United Boulevard
Brgy. San Jose
Sta. Rosa, Laguna
(049) 252-5834
(049) 502-7170
(0917) 864-1013
(0917) 827-3098

TAGAYTAY

G/F Tagaytay
Prime Residences
Tagaytay-Calamba Road
Prime Rotunda
Brgy. San Jose
Tagaytay City
(046) 423-1661
(046) 513-2119
(0917) 864-1356



CEBU A.S. FORTUNA

G/F The Space
A.S. Fortuna cor.
P. Remedio Street, Banilad
Mandaue City, Cebu
(032) 353-4382
(032) 236-6612
(0917) 864-0539
(0917) 809-6001

CEBU-BANILAD

Unit 114 Banilad Town Center
Gov. M. Cuenco Avenue
Banilad, Cebu City
(032) 416-2883
(032) 353-4387
(0917) 864-0573

CEBU-BORROMEO

Door 8 Plaza Borromeo
Borromeo Street
Cebu City
(032) 353-4391
(032) 412-3401
(0917) 864-0574

**CEBU INSULAR BRANCH
(FORMERLY CEBU
BUSINESS PARK)**

G/F Insular Life Cebu
Business Centre
Mindanao Avenue cor.
Biliran Road
Cebu Business Park
Cebu City
(032) 353-4290
(032) 353-4291
(032) 417-1632
(0917) 858-8573
(0917) 863-7970

CEBU BUSINESS PARK

Sumilon Road
G/F Buildcomm Center
Sumilon Road
Cebu Business Park
Cebu City
(0917) 810-8519

CEBU-FUENTE

G/F Rajah Park Place Hotel
Fuente Osmeña Blvd.
Cebu City
(032) 353-4286
(032) 412-5133
(0917) 845-0852

CEBUI.T. PARK

G/F 101 TGU Tower
Salinas Drive
Asiatown IT Park
Lahug, Cebu City
(032) 236-7897
(032) 324-7030
(032) 316-5577
(0917) 863-8173
(0917) 863-8196

CEBU LAPU-LAPU MEPZ II

Pueblo Verde, Basak
Lapu-Lapu City, Cebu
(032) 353-4293
(032) 340-0705
(0917) 863-8203

**CEBU LAPU-LAPU
NATIONAL HIGHWAY**

M.L. Quezon Street
Lapu-Lapu National Highway
Pusok, Lapu-Lapu City, Cebu
(032) 494-0172
(032) 353-4305
(0917) 863-8411

CEBU-LIPATA

G/F Doors 5-7
Pham Central Building
South National Highway cor.
San Roque Road
Lipata, Minglanilla, Cebu
(032) 353-4447
(032) 238-9716
(0917) 864-1255
(0917) 817-4497

CEBU MACTAN NEWTOWN

G/F Retail 2&3
Plaza Magellan Tower 1
Mactan Newtown
Lapu-Lapu City
(032) 342-2091
(032) 353-4294
(0917) 863-8207
(0917) 816-8672

CEBU-MANDAUE

Kentredder Building
A. Cortes Street
Mandaue City
Cebu City
(032) 420-6288
(032) 353-4295
(032) 353-4297
(0917) 863-8250
(0917) 863-8276

CEBU-MAXILOM

G/F Ong Tiak Building
Gen. Maxilom Avenue
Cebu City
(032) 353-4298
(032) 353-4299
(032) 255-6224
(0917) 863-8315
(0917) 863-8331

CEBU-MINGLANILLA

G/F FCT Commercial Building
Poblacion Ward II
Minglanilla, Cebu
(032) 316-8763
(0917) 805-4153



CEBU NORTH DRIVE

G/F North Drive Mall
Ouano Avenue
CSSEAZ, Mandaue City
(032) 353-4300
(032) 384-1927
(0917) 804-5162
(0917) 863-8355

CEBU NORTH ROAD

G/F Khuz'ns Building
North Highway
Estancia, Mandaue City
(032) 420-5802
(032) 353-4301
(0917) 863-8367

CEBU-PLARIDEL

104 Plaridel Street
Barangay Sto. Niño
Cebu
(032) 353-4302
(032) 255-0084
(0917) 863-8374

CEBU-SUBANGDAKU

G/F Units 3&4
A.D. Gothong I.T. Center
Lopez Jaena Street
Brgy. Subangdaku
Mandaue City
(032) 353-4306
(032) 262-4621
(0917) 863-8427
(0917) 805-9641

CEBU-TIMES SQUARE

G/F Big Hotel Suites
Mantawe Avenue
Brgy. Tipolo
North Reclamation Area
Mandaue City, Cebu
(032) 234-9264
(0917) 801-6578
(0917) 853-9210

VISAYAS**BACOLOD**

G/F Philamlife Building
Lacson cor. Galo Streets
Bacolod City
(034) 709-6182
(034) 701-7772
(034) 701-7773
(0917) 864-0939
(0917) 864-0943

BACOLOD-NORTH MANDALAGAN

G/F Unit 101 Codeco
Building Lacson Street cor.
Consuelo Avenue
Barangay Bata
Bacolod City
(034) 701-7899
(034) 701-7900
(0917) 864-0281
(0917) 863-8645

DUMAGUETE

UnionBank Building
Ramon Pastor Sr. Street cor.
San Juan Street,
Dumaguete, Negros Oriental
(035) 422-5038
(035) 404-2588
(0917) 864-1244

ILOILO-IZNART

Villanueva Building
Iznart Street, Iloilo City
(033) 504-5827
(033) 504-5829
(033) 335-0464
(0917) 864-0791
(0917) 864-0849

ILOILO-GENERAL LUNA

Brgy. Villa Anita Village
Gen. Luna Street, Iloilo City
(033) 336-1630
(033) 504-5833
(033) 504-5834
(0917) 864-0852
(0917) 864-0797

TACLOBAN

G/F Tacloban Plaza Building,
Justice Romualdez Street
Tacloban City
(053) 589-3455
(053) 523-8571
(0917) 864-1304
(0917) 827-5962

TAGBILARAN

0041 JS Torralba Street
Brgy. POB II
Tagbilaran City, Bohol
(038) 510-8150
(038) 412-3775
(0917) 864-1340

METRO DAVAO**DAVAO-CABAGUIO**

G/F Dmirie Building
JB Cabaguio Avenue
Brgy Paciano Bangoy
Davao City
(082) 221-4776
(082) 324-3732
(0917) 806-9916

DAVAO-MAGSAYSAY

R. Magsaysay Avenue cor.
E. Jacinto Street
Davao City
(082) 326-1250
(082) 326-1253
(082) 2216-726
(0917) 864-1459
(0917) 864-1457

DAVAO-MONTEVERDE

G/F Mintrade Building
Monteverde Avenue cor.
Sales Street
Davao City
(082) 324-6570
(082) 324-9321
(082) 222-3413
(0917) 864-0974
(0917) 864-0970

DAVAO-QUIRINO

Quirino Avenue cor.
San Pedro
Extension Street
Davao City
(082) 324-4417
(082) 324-4412
(082) 225-1702
(0917) 864-0898
(0917) 864-0955

DAVAO-RIZAL

G/F & 2/F Quibod
Commercial Complex
Rizal Street, Davao City
(082) 326-1149
(082) 326-1181
(082) 225-3004
(0917) 864-1312
(0917) 864-1352

MINDANAO**BUTUAN**

G/F CAP Building
JC Aquino Avenue cor.
J. Rosales Avenue
Butuan City
(085) 342-8982
(085) 304-6215
(085) 304-6216
(0917) 864-1520
(0917) 864-1521

CAGAYAN DE ORO-LAPASAN

Lapasan National Highway
Cagayan de Oro City
(088) 316-6864
(088) 316-6865
(088) 856-6106 FAX
(0917) 807-0789
(0917) 863-5773

GENERAL SANTOS-SOUTH

G/F Laiz Building
Pioneer Avenue
General Santos City
(083) 308-3774
(083) 308-3776
(0917) 864-1401
(0917) 864-1260

ILIGAN

Quezon Avenue
Brgy. Poblacion
Iligan City
(063) 221-5395
(063) 303-3640
(0917) 863-9835

PAGADIAN

Sabado Building
Rizal Avenue
Pagadian City
(062) 312-6798
(062) 214-1841
(062) 214-1332
(0917) 863-9676

ZAMBOANGA CITY

G/F ZAEC Building
Mayor Jaldon Street cor.
Gov. Alvarez Street
Zamboanga City
(062) 314-0110
(062) 314-0177
(062) 991-9799
(0917) 864-1445
(0917) 864-1505



PRESIDENT & CEO

Edwin R. Bautista

SENIOR EXECUTIVE VICE PRESIDENTS

Henry Rhoel R. Aguda Jose Emmanuel U. Hilado

EXECUTIVE VICE PRESIDENTS

Roberto F. Abastillas Mary Joyce S. Gonzalez Michaela Sophia E. Rubio
Antonino Agustin S. Fajardo Dennis D. Omila Manuel G. Santiago, Jr.

SENIOR VICE PRESIDENTS

Arlene Joan T. Agustin Paolo Eugenio J. Baltao Antonio Sebastian T. Corro Ana Maria A. Delgado Ramon G. Duarte
Francis B. Albalate Joselito V. Banaag Joebart T. Dator Ramon Vicente V. De Vera, II Ronaldo Francisco B. Peralta

FIRST VICE PRESIDENTS

Raymond Anthony B. Acosta Efrenilo L. Cayanga, Jr. Julie C. Go Rafael G. Mariano Quintin C. San Diego, Jr.
Myrna E. Amahan Ma. Theresa S. Daguiso Enrique M. Gregorio Dave T. Morales Christine V. Siapno
Maria Angelica C. Balangue Gerard R. Darwin Mariano Dominick F. Lacson Leticia A. Moreno Rahni R. Svenningsen
Conrad Anthony Dominic L. Banal Montano D.M. Dimapilis Harold Benjamin G. Libarnes Ruby Gisela L. Perez Jo-Ann Fatima L. Tolentino
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Catherine Anne B. Casas Carlo I. Eñanosa Angelbert G. Macatangay Jose Maria O. Roxas Jeannette Yvonne M. Zagala
Luis Alberto A. Castañeda Ma. Christina A. Escolar Michael P. Magbanua Dinesh M. Sahijwani

VICE PRESIDENTS

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Gerardo T. Austria Ronan K. De Guzman Stella Marie L. Layug Karina R. Pilares Fides C. Tiongson
Alan Jay C. Avila Hector C. De Leon Adrian H. Lim Philippe D. Quito Menchie M. Tormon
Anna Lea O. Axalan Julie Anne C. Dela Cruz Ma. Regina Cristina L. Lim Jhoel P. Raquedan Maria Paz B. Urmatam
Bryan P. Benedicto Romina R. Dela Torre Girly G. Magnait Jose Paolo G. Rufo Dominador N. Velasco, IV
Mary Ann P. Benedicto Jonathan Jerald V. Deomano Ma. Eloisa Jovita M. Mariano Mylene S. Sanchez Joann B. Velasquez
Maria Carmen R. Benitez Dave Jesus T. Devilles Wilfredo P. Montino, Jr. Buenaventura S. Sanguyo, Jr. Jane Ann C. Vergara
Dennies A. Bico Gladys G. Enriquez Derrick J. Nicdao Myla Angela A. Santos Leo Miguelito D. Villacruz
Dollie B. Buenconsejo Jessine Y. Gamo Christopher Patrick G. Ocampo Paulo Martin G. Santos Grace M. Yu
Vincent Paul M. Castillo Rachel Christine T. Geronimo Gladys M. Ocampo Renato Piccolo R. Sarmiento, Jr.
Roanna Joy Y. Chua Erika Denise D. Go Caesar Antonino M. Ordoñez Jose Paulo R. Soliman

ASSISTANT VICE PRESIDENTS

Emelissa D. Abenir
Amancio G. Abner, Jr.
Maria Cristina D. Acta
Corazon T. Alcantara
Nicolette Nellie S. Al-Hamadah
Jonathan Z. Almeda
Christy Mae R. Almonte
Daisy L. Alvior
Alexander Lee D. Ang, II
Marc Nicholas S. Angeles
Elizabeth S. Apilado
Jose Miguel S. Aquino
Ruben Carlo O. Asuncion
Aaron Jon D. Atienza
Rosma M. Auza
Anna Liza B. Ayugat
Salvador G. Bagamasbad, Jr.
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Ronaldo S. Batisan
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Kelly T. Chan
Margaret O. Chao
Arnel L. Cortez
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Antonio Miguel D. Dans, II
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Gener P. De Guzman
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Kimberly G. Espiritu
Nicole Ranna H. Feliciano

Michaela D. Fernandez
Marilou I. Ferrer
Maria Paz C. Galang
Ma. Vicenta P. Generoso
Pamela Ann B. Gogna
Nerissa A. Gonzaga
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Patrick Joseph O. Guevarra
Alice R. Gutierrez
Maria Cecilia P. Heredia
Juan Carlos D. Ibarra
John Philip A. Ignacio
Barbara Anne G. Ilagan
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Carlota P. Jose
Anna Marie Samantha B. Lacorte
Rica Estela M. Leyritana
Tracy S. Lim
Mary Grace C. Lledo
Gallardo Jesus A. Lopez
Rommel T. Macapagal

Bryan S. Makasiar
Macklen A. Manaois
Nathan J. Marasigan
Michael Cecil B. Martinez
Anna Roxanne M. Matsuda
Maria Francesca R. Montes
Mary Grace P.A. Nabua
Lord Wally E. Noveno
Jose Paolo P. Palacios
Mario Fritz B. Palileo
Ana Isabel P. Payot
Leila P. Paz-Aguba
Pamela Geraldine P. Pepito
Lennie P. Perez
Marcy Leonora V. Pilar
Jennifer Q. Rayala
Cyrus G. Rebueno
Honeylee G. Regala
Michelle P. Rodriguez
Adrian Alexander M. Romualdez
Ricardo Jose V. Ronquillo

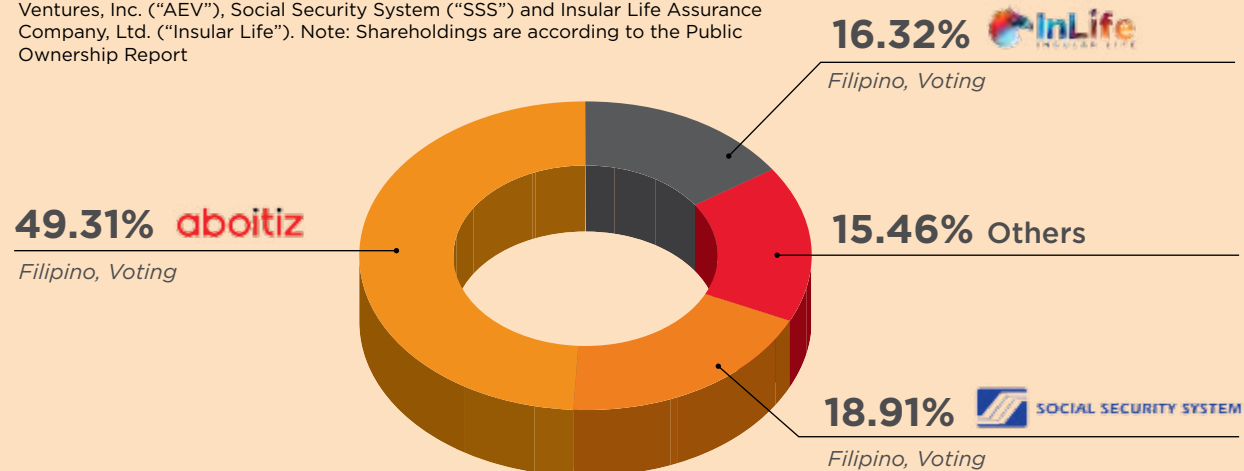
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Wilhelm S. Samson
Andrew A. Selga
Dave Marco D. Sesbreño
Arceli D. Soliman
Ma. Vanessa S. Sta. Ana
Ben P. Sy Chu
Erika T. Sykat
Marnita J. Tan
Michael Paul P. Tan
Leslee May S. Tandoc
Elizabeth C. Tang
John Michael C. Tang
Karen Lynde Q. Tee
Ma. Cristina C. Tismo
Fely C. Umali
Leilani D. Valle
Alma Regina M. Villostas



CORPORATE INFORMATION

Ownership Structure

As of March 31, 2020, UnionBank's major shareholders are Aboitiz Equity Ventures, Inc. ("AEV"), Social Security System ("SSS") and Insular Life Assurance Company, Ltd. ("Insular Life"). Note: Shareholdings are according to the Public Ownership Report



Head Office

UnionBank Plaza, Meralco Avenue
corner Onyx and Sapphire Roads,
Ortigas Center, Pasig City 1605
Trunk Line: (02) 8667-6388
Fax: (02) 8636-5259
SWIFT CODE: UBPHPHMM
Web Site/Internet Bank: www.unionbankph.com

Investor Relations

Carlo I. Eñanosa

First Vice President, Head-Corporate Planning Group
18/F UnionBank Plaza, Meralco Avenue
corner Onyx and Sapphire Roads,
Ortigas Center, Pasig City 1605

Stock Transfer Unit

Reymundo A. Mendoza

Quality Assurance and Allied Services Team Head,
Trust Operations Division
23/F UnionBank Plaza, Meralco Avenue
corner Onyx and Sapphire Roads,
Ortigas Center, Pasig City 1605

Customer Service

Hotline: (02) 8841-8600
Platinum Cards Hotline: (02) 8631-7528

Toll Free Numbers

Domestic Calls (PLDT Landline): 1-800-1888-2277
Universal Toll Free: (IAC)-800-8277-2273
(Applicable in USA, Netherlands, Spain, Switzerland,
Malaysia, Australia, Singapore, Japan,
Korea-Koreatel, Koreaal-Onse, Israel)

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platinum@unionbankph.com

CREDITS

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Photos of Fairbank executive Dinah Verallo; Progressive Bank executives Emmanuel Santiago and Carlos Jose Virgilio Jalandoni III - courtesy of subsidiaries



UnionBank

PREPARING FOR THE

FUTURE OF BANKING

2019 FINANCIAL STATEMENTS



UB UnionBank



02	Two-year Financial Highlights
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Notes to the Financial Statements and digital version
of the Annual Report 2019 can be accessed by
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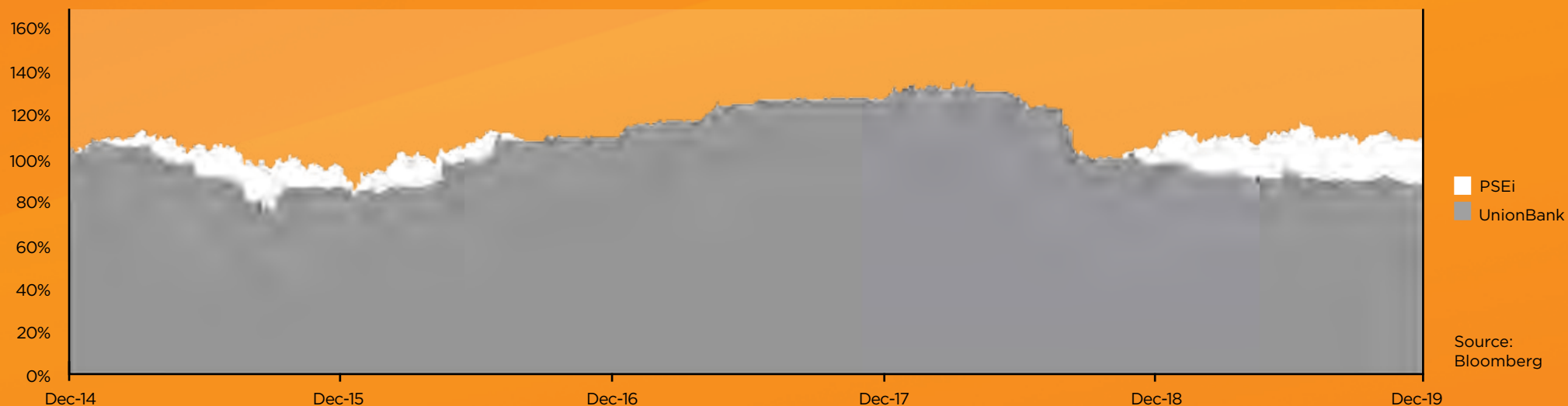
in Php Bn, except ratios and per share data

	Consolidated		Parent Bank	
	2019	2018	2019	2018
Profitability				
Total Net Interest Income	22.3	20.0	16.6	14.2
Total Non-Interest Income	14.3	5.5	14.4	6.8
Total Operating Income	36.7	25.5	31.0	21.0
Allowance for Credit Losses	1.9	0.9	1.5	0.8
Total Operating Income after Allowance for Credit Losses	34.8	24.6	29.5	20.2
Total Other Expenses	20.3	16.7	15.6	13.2
Net Income Before Tax	14.5	7.9	13.9	7.0
Income Tax Expense	0.5	1.0	-0.1	0.2
Net Income	14.0	6.9	14.0	6.8
Balance Sheet				
Liquid Assets	156.2	82.4	147.3	74.8
Trading & Investment Securities	175.2	218.3	175.1	218.2
Loans & Receivables, Net	393.4	326.2	332.9	258.4
Other Assets	46.0	42.7	52.2	46.7
Total Assets	770.8	669.5	707.6	598.2
Deposits	484.3	420.7	439.0	380.7
Other Liabilities	188.4	162.1	170.7	130.9
Total Liabilities	672.8	582.8	609.6	511.6
Total Equity	98.0	86.7	98.0	86.6

in Php Bn, except ratios and per share data

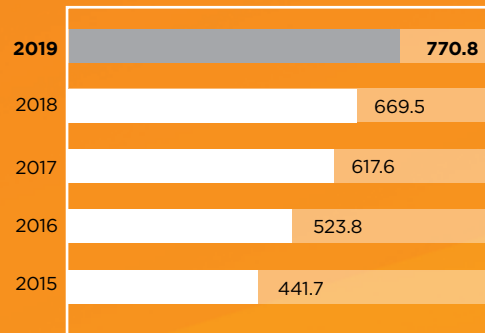
	Consolidated		Parent Bank	
	2019	2018	2019	2018
Selected Ratios				
Return on Average Equity	15.3%	8.8%	15.3%	8.7%
Return on Average Assets	1.9%	1.1%	2.2%	1.2%
CET1 Capital Ratio	13.2%	12.7%	12.7%	12.7%
Tier1 Capital Ratio	13.2%	12.7%	12.7%	12.7%
Capital Adequacy Ratio	15.3%	15.2%	15.0%	15.6%
Per Common Share Data				
Cash Dividends*			3.50	1.90
Earnings:				
Basic	11.5	6.3	11.5	6.2
Diluted	11.5	6.3	11.5	6.2
Book Value	80.1	78.5	80.5	78.8
<i>*Earned for the year but declared and paid the following year</i>				
Others				
Headcount				
Officers			2,578	2,586
Staff			741	797

**UNIONBANK AND PSEI REBASED STOCK PERFORMANCE
(BASE: 2014 LAST TRADING DATE)**

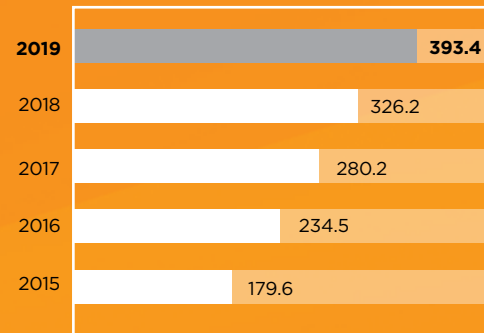


Five-Year Financial Highlights

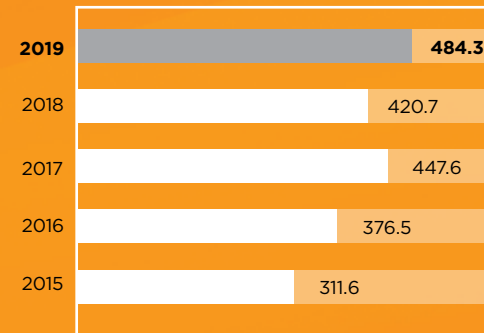
Total Resources



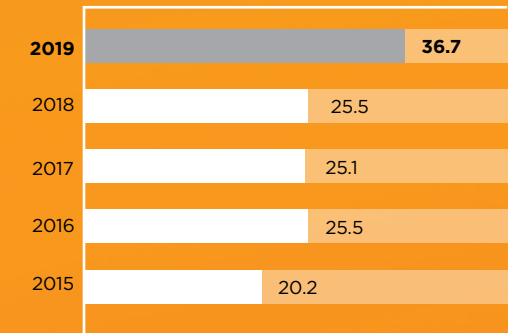
Total Loans



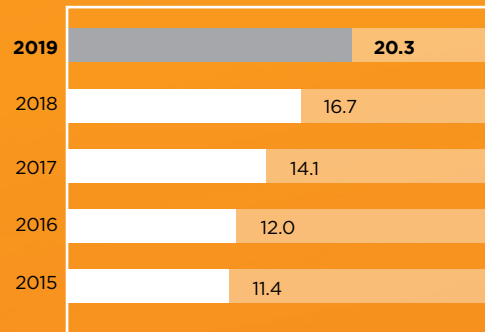
Total Deposits



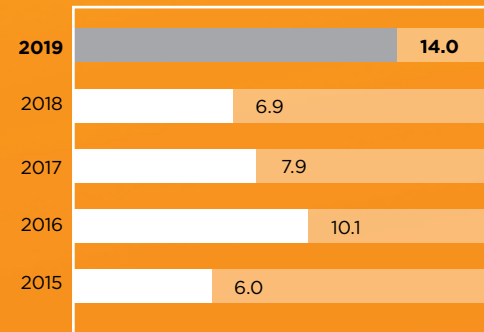
Net Revenues



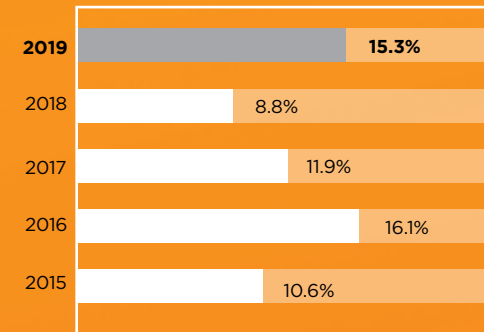
Operating Expenses



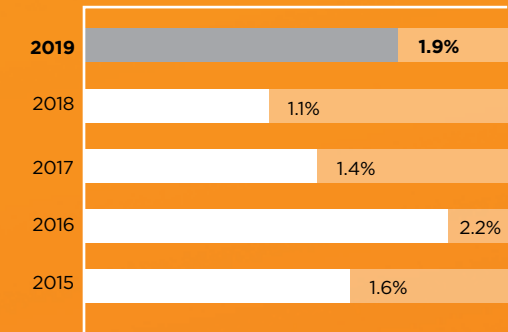
Net Income



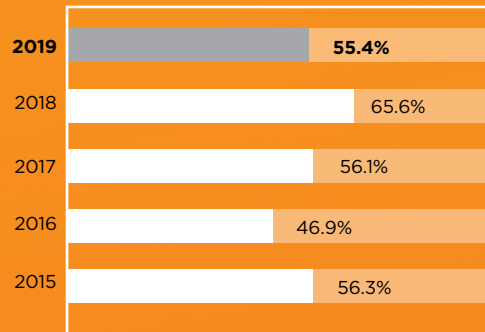
Return on Equity



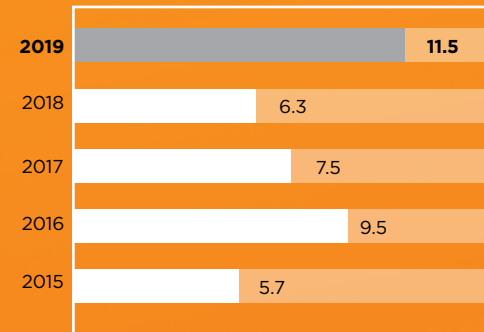
Return on Assets



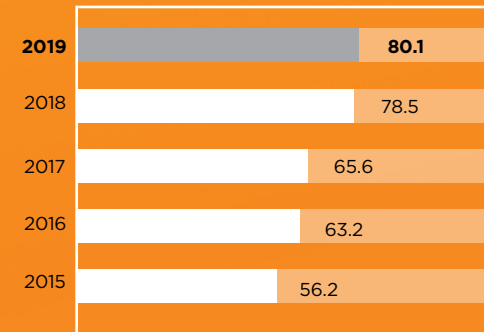
Cost-to-Income Ratio



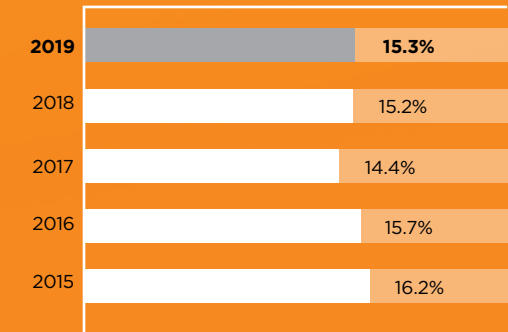
Earnings per Share



Book Value per Share



Total Capital Adequacy Ratio



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, 2019, 2018 and 2017, 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 but 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.

SyCip Gorres Velayo & Co., 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.



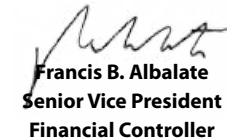
Justo A. Ortiz
Chairman of the Board



Edwin R. Bautista
President and Chief Executive Officer



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



Francis B. Albalade
Senior Vice President
Financial Controller

Independent Auditor's Report

The Board of Directors and Stockholders
Union Bank of the Philippines

Report on the Consolidated and Parent Bank Financial Statements

Opinion

We have audited the consolidated financial statements of Union Bank of the Philippines and its subsidiaries (the Group) and the parent bank financial statements of Union Bank of the Philippines (the Parent Bank), which comprise the consolidated and parent bank statements of financial position as at December 31, 2019 and 2018, and the consolidated and parent bank statements of income, consolidated and parent bank statements of comprehensive income, consolidated and parent bank statements of changes in capital funds and consolidated and parent bank statements of cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated and parent bank financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent bank financial statements present fairly, in all material respects, the financial position of the Group and the Parent Bank as at December 31, 2019 and 2018, and their financial performance and their cash flows for the years ended December 31, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Applicable to the Audit of the Consolidated and Parent Bank Financial Statements*Allowance for expected credit loss (ECL)*

The Group's and the Parent Bank's ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Bank's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts; and, incorporating forward-looking information (called overlays) in calculating ECL.

Refer to Notes 3 and 20 of the consolidated and parent bank financial statements for the disclosures on the details of the allowance for credit losses using the ECL model.

Audit Response

We obtained an understanding of the methodologies and models used for the Group's and the Parent Bank's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments* to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected and considered the results of the PFRS 9 model validation performed by management's specialist.

We (a) assessed the Group's and the Parent Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested the Group's and the Parent Bank's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Bank's lending portfolio and broader industry knowledge; and, (g) tested the effective interest rate used in discounting the expected loss.

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

We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the consolidated and parent bank financial statements.

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

Change in accounting policy for investment property

PAS 40, *Investment Property*, allows the use of either fair value model or cost model in accounting for subsequent measurement of investment properties. Prior to 2019, the Group accounted for its investment properties under the fair value model. Effective January 1, 2019, the Group has changed its accounting policy to the cost model and has accordingly restated the comparative 2018 and 2017 financial information. The change in accounting policy for investment properties is significant to our audit because the impact of the change is material to the consolidated and parent bank financial statements.

The disclosures relating to the change in accounting policy for investment properties are included in Note 2 to the consolidated and parent bank financial statements.

Audit Response

We evaluated management's assessment that the change in accounting policy for investment properties provides a more relevant and reliable financial information. We obtained an understanding of the Group's process in implementing the accounting change from fair value to cost model for investment properties. We obtained the calculation prepared by management on the financial impact of the change to the investment properties and related accounts. We tested the completeness of the investment properties included in the retroactive adjustments by agreeing to the previously audited accounting information. We test computed the calculation on a sample basis. We reviewed the Group's disclosures related to the change in accounting policy based on the requirements of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Accounting for Disposals of Investment Securities under a Hold-to-Collect (HTC) Business Model

In 2019, the Parent Bank disposed of various securities under its HTC portfolio. The debt securities held under a hold-to-collect business model, which are classified as 'Investment securities at amortized cost', are managed with the objective of holding them in order to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The accounting for the disposals is significant to our audit because the amounts of securities sold from the HTC portfolio and the gains from the sale are material to the consolidated and parent bank financial statements. Moreover, it involves exercise of significant judgement by management in assessing that the disposals are consistent with the HTC business model and that it would not impact the measurement of the remaining securities in the affected portfolio.

The Parent Bank's disclosures relating to the disposals from its HTC portfolio are included in Note 3 to the consolidated and parent bank financial statements.

Audit Response

We obtained an understanding of the Parent Bank's reasons for the disposals of HTC securities through inquiries with management and inspection of approved internal documentations, including evidence of governance over the disposals of HTC securities. We assessed the significance and frequency of the disposals made on the affected portfolio. We evaluated management's assessment that the disposals are consistent with the HTC business model in reference to the Parent Bank's existing business model documentation, the provisions of PFRS 9 and regulatory issuances. We reviewed the calculation of the gains on the disposals.

With regard to the outstanding securities of the affected portfolio, we assessed whether the nature and reasons for the disposals did not trigger a change in business model and that all relevant available information were considered in determining that the HTC business model remains appropriate. We reviewed the measurement of the remaining securities in the affected portfolio.

We reviewed the disclosures related to the disposals based on the requirements of PFRS 9 and PFRS 7, *Financial Instruments: Disclosures*, and PAS 1, *Presentation of Financial Statements*.

Adoption of PFRS 16, Leases

Effective January 1, 2019, the Group adopted PFRS 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases. The Group's adoption of PFRS 16 is significant to our audit because the Group has high volume of lease agreements; the recorded amounts are material to the consolidated financial statements; and the adoption involves application of significant judgment and estimation in determining the lease term, including evaluating whether the Group is reasonably certain to exercise options to extend or terminate the lease and determining the incremental borrowing rate.

The disclosures related to the adoption of PFRS 16 applied by the Group are included in Note 2 to the consolidated and parent bank financial statements.

Audit response

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemption, the selection of the transition approach and any election of available practical expedients.

We tested the population of lease agreements in the lease calculation prepared by management by comparing the number of leases against lease contract database and through inquiries with the operating business units for any agreements that may qualify as lease arrangements. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments. For selected lease contracts with renewal and/or termination option, we reviewed the management's assessment of whether it is reasonably certain that the Group will exercise the option to renew or not exercise the option to terminate. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data.

We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

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

Applicable to the Audit of the Consolidated Financial Statements

Impairment testing of goodwill

Under PFRS, the Group performs testing of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The Group's impairment assessment requires significant judgement and is based on management's assumptions, specifically on loan and deposit growth rates, interest margin, and discount rate. The disclosures in relation to the cash-generating units (CGUs) to which the goodwill is allocated and the Group's impairment assessment are included in Notes 3 and 18 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used in calculating the value-in-use (VIU) of the CGUs. We compared the key assumptions used such as loan and deposit growth rates and interest margin against the historical financial performance and the specific plans for the CGUs. We also tested the parameters used in the determination of the discount rate against market data.

Other Matter

The Group and Parent Bank financial statements as of December 31, 2017 and for the year then ended were audited by another auditor whose report dated February 23, 2018 expressed an unqualified opinion on those consolidated and parent bank financial statements. As part of our audit of the 2019 and 2018 consolidated and parent bank financial statements, we also audited the adjustments described in Note 2 that were applied to the 2017 consolidated and parent bank financial statements to come up with the consolidated and parent bank statement of financial position as at January 1, 2018 presented herein as corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 consolidated and parent bank financial statements other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2017 consolidated and parent bank financial statements taken as a whole.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated and parent bank financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated and parent bank 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 consolidated and parent bank 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 Consolidated and Parent Bank Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent bank financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and parent bank financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated and parent bank financial statements, management is responsible for assessing the Group's and 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 Parent Bank financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and parent bank 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 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 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 auditor's report to the related disclosures in the consolidated and parent bank financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent bank financial statements, including the disclosures, and whether the consolidated and parent bank 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

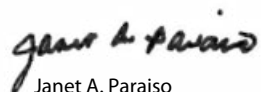
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent bank financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 37 and Revenue Regulations 15-2010 in Note 38 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Union Bank of the Philippines. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Janet A. Paraiso.

SYCIP GORRES VELAYO & CO.



Janet A. Paraiso

Partner

CPA Certificate No. 92305

SEC Accreditation No. 0778-AR-3 (Group A),

June 19, 2018, valid until June 18, 2021

Tax Identification No. 193-975-241

BIR Accreditation No. 08-001998-62-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125203, January 7, 2020, Makati City

February 28, 2020

Statements of Financial Position

December 31, 2019 and 2018

(With Comparative Figures as of January 1, 2018)

(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	December 31	January 1		December 31	January 1	
	2019	2018 (As Restated - Note 2)	2018 (As Restated - Note 2)	2019	2018 (As Restated - Note 2)	2018 (As Restated - Note 2)
RESOURCES						
Cash and Other Cash Items (Note 8)	₱8,580,709	₱10,916,533	₱6,633,237	₱7,832,302	₱10,334,793	₱6,249,122
Due from Bangko Sentral ng Pilipinas (Note 8)	73,749,813	56,510,701	66,276,960	67,798,418	52,961,426	60,350,126
Due from Other Banks (Note 9)	73,675,709	14,942,213	54,520,482	71,497,226	11,550,166	53,690,233
Interbank Loans Receivable (Note 10)	213,062	–	4,793,280	213,062	–	4,793,280
Trading and Investment Securities						
At fair value through profit or loss (Note 11)	7,866,401	8,283,695	3,182,040	7,817,555	8,225,569	3,130,421
At amortized cost (Note 12)	161,664,369	200,173,730	166,471,659	161,664,369	200,173,730	166,471,659
At fair value through other comprehensive income (Note 13)	5,657,636	9,815,040	43,783	5,657,636	9,806,226	43,783
Loans and Other Receivables - net (Note 14)	393,381,209	326,199,466	280,178,875	332,897,554	258,411,076	211,976,032
Investment in Subsidiaries and Associates (Note 15)	159,094	29,558	2,468	20,523,633	18,900,624	17,470,527
Bank Premises, Furniture, Fixtures and Equipment - net (Note 16)	6,500,643	5,108,843	3,765,796	5,294,595	3,957,015	3,456,303
Investment Properties (Note 17)	9,127,581	9,566,621	9,050,318	8,044,119	8,265,355	8,631,925
Goodwill (Note 18)	15,455,564	15,726,267	11,258,251	7,886,898	7,886,898	7,886,898
Other Resources - net (Note 19)	14,755,749	12,239,421	11,425,211	10,486,108	7,695,661	6,539,724
TOTAL RESOURCES	₱770,787,539	₱669,512,088	₱617,602,360	₱707,613,475	₱598,168,539	₱550,690,033

	Group			Parent Bank		
	December 31	2018 (As Restated - Note 2)	January 1 2018 (As Restated - Note 2)	December 31	2018 (As Restated - Note 2)	January 1 2018 (As Restated - Note 2)
	2019			2019		
LIABILITIES AND CAPITAL FUNDS						
LIABILITIES						
Deposit Liabilities (Note 21)						
Demand	₱136,288,738	₱119,253,735	₱127,424,349	₱137,357,451	₱119,847,171	₱128,048,765
Savings	72,000,404	67,348,145	57,744,858	68,830,072	64,079,935	55,737,917
Time	273,046,898	228,100,653	259,447,006	229,766,826	190,783,257	213,187,518
Long-term negotiable certificate of deposits	3,000,000	6,000,000	3,000,000	3,000,000	6,000,000	3,000,000
	484,336,040	420,702,533	447,616,213	438,954,349	380,710,363	399,974,200
Bills Payable (Note 22)	105,087,722	90,964,473	43,070,825	92,149,256	64,723,631	29,009,719
Notes and Bonds Payable (Note 23)	49,331,506	44,522,066	32,128,177	49,182,060	44,335,260	32,128,177
Other Liabilities (Note 24)	34,015,306	26,632,712	25,272,744	29,339,260	21,834,348	19,607,102
	672,770,574	582,821,784	548,087,959	609,624,925	511,603,602	480,719,198
CAPITAL FUNDS						
Capital funds attributable to the Parent Bank's stockholders (Note 25)						
Common stock	12,176,096	12,171,495	10,583,439	12,176,096	12,171,495	10,583,439
Additional paid-in capital	14,172,060	14,146,988	5,819,861	14,172,060	14,146,988	5,819,861
Surplus free	67,851,771	57,236,205	52,273,187	70,201,147	59,281,830	54,506,792
Surplus reserves	4,600,747	3,502,769	1,959,938	2,669,285	1,875,067	235,173
Net unrealized fair value gains on investment securities (Note 13)	78,437	75,165	25	77,986	75,165	25
Remeasurements of defined benefit plan (Note 29)	(1,379,157)	(985,496)	(1,175,320)	(1,308,024)	(985,608)	(1,174,455)
Other reserves	(3,549)	–	–	–	–	–
Total capital funds attributable to the Parent Bank's stockholders	97,496,405	86,147,126	69,461,130	97,988,550	86,564,937	69,970,835
Non-controlling interests	520,560	543,178	53,271	–	–	–
	98,016,965	86,690,304	69,514,401	97,988,550	86,564,937	69,970,835
TOTAL LIABILITIES AND CAPITAL FUNDS	₱770,787,539	₱669,512,088	₱617,602,360	₱707,613,475	₱598,168,539	₱550,690,033

See accompanying Notes to Financial Statements.

Statements of Income

For the Years Ended December 31, 2019 and 2018

(With Comparative Figures for 2017)

(Amounts are presented in thousands of Philippine Pesos, Except Earnings per Share)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
INTEREST INCOME ON						
Loans and other receivables (Note 14)	₱28,004,013	₱23,441,710	₱20,705,022	₱19,237,123	₱15,038,506	₱11,652,103
Investment securities at amortized cost and FVOCI (Notes 12 and 13)	9,491,890	7,836,159	6,658,201	9,491,890	7,836,159	6,658,201
Cash and cash equivalents (Notes 8 and 9)	188,086	207,458	222,252	127,654	148,788	195,651
Trading securities at FVTPL (Note 11)	423,688	36,639	52,425	423,688	36,639	52,425
Interbank loans receivable (Note 10)	247,478	107,254	92,777	247,039	126,167	92,777
	38,355,155	31,629,220	27,730,677	29,527,394	23,186,259	18,651,157
INTEREST EXPENSE ON						
Deposit liabilities (Note 21)	10,160,322	8,841,473	5,949,301	8,069,749	7,045,224	4,529,154
Bills payable and other liabilities (Notes 22, 23, 24 and 29)	5,859,148	2,788,350	996,489	4,847,211	1,983,958	678,134
	16,019,470	11,629,823	6,945,790	12,916,960	9,029,182	5,207,288
NET INTEREST INCOME	22,335,685	19,999,397	20,784,887	16,610,434	14,157,077	13,443,869
PROVISION FOR CREDIT LOSSES (Note 20)	1,857,347	855,991	875,587	1,548,187	803,576	881,744
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	20,478,338	19,143,406	19,909,300	15,062,247	13,353,501	12,562,125
OTHER INCOME						
Gains on sale of investment securities at amortized cost (Note 12)	7,074,044	152,161	272,841	7,074,044	152,161	272,841
Gains (losses) on trading and investment securities at FVTPL and FVOCI (Notes 11 and 13)	2,347,389	1,390,897	(6,260)	2,348,971	1,390,867	(6,393)
Service charges, fees and commissions (Note 27)	1,956,218	1,572,244	1,420,141	1,422,716	1,284,667	1,078,127
Miscellaneous (Note 28)	2,967,381	2,358,277	2,636,839	3,592,846	3,999,191	5,616,778
	14,345,032	5,473,579	4,323,561	14,438,577	6,826,886	6,961,353
TOTAL OPERATING INCOME	34,823,370	24,616,985	24,232,861	29,500,824	20,180,387	19,523,478

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
OTHER EXPENSES						
Salaries and employee benefits (Note 29)	₱8,070,248	₱5,726,593	₱5,285,044	₱6,434,752	₱4,669,491	₱4,386,741
Taxes and licenses (Note 17)	3,052,481	2,563,610	2,091,662	2,239,684	1,776,391	1,312,329
Depreciation and amortization (Note 16)	1,378,194	1,115,607	989,380	904,950	862,997	774,656
Occupancy (Note 16)	962,275	849,476	735,144	676,207	673,387	619,527
Miscellaneous (Note 28)	6,862,168	6,447,574	4,975,293	5,333,354	5,210,328	3,824,015
	20,325,366	16,702,860	14,076,523	15,588,947	13,192,594	10,917,268
PROFIT BEFORE TAX	14,498,004	7,914,125	10,156,338	13,911,877	6,987,793	8,606,210
INCOME TAX EXPENSE (BENEFIT) (Note 30)	494,494	1,039,673	2,243,876	(114,242)	203,123	809,149
NET PROFIT	₱14,003,510	₱6,874,452	₱7,912,462	₱14,026,119	₱6,784,670	₱7,797,061
Attributable to:						
Parent Bank's stockholders	₱14,026,128	6,875,587	7,903,772	₱14,026,119	6,784,670	7,797,061
Non-controlling interests	(22,618)	(1,135)	8,690	—	—	—
	₱14,003,510	₱6,874,452	₱7,912,462	₱14,026,119	₱6,784,670	₱7,797,061
Basic/Diluted Earnings per Share (Note 33)	₱11.52	₱6.26	₱7.47	₱11.52	₱6.18	₱7.37

See accompanying Notes to Financial Statements.



Statements of Comprehensive Income

For the Years Ended December 31, 2019 and 2018

(With Comparative Figures for 2017)

(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
NET PROFIT FOR THE YEAR	₱14,003,510	₱6,874,452	₱7,912,462	₱14,026,119	₱6,784,670	₱7,797,061
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>						
Realized gains on sale of investment securities at FVOCI recognized in profit or loss (Note 13)	(1,072,005)	(1,496,649)	–	(1,072,005)	(1,496,649)	–
Unrealized mark-to-market gains on investment securities at FVOCI	1,075,277	1,571,749	–	1,074,826	1,571,749	–
Cumulative translation adjustment	(3,549)	–	–	–	–	–
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>						
Remeasurement gains (losses) on defined benefit plan (Note 29)	(562,373)	271,197	(51,182)	(336,186)	232,394	(29,087)
Income tax benefit (expense) (Note 30)	168,712	(81,359)	15,355	100,856	(69,718)	8,726
Share in changes in remeasurement gains (losses) of subsidiaries (Note 15)	–	–	–	(87,086)	26,171	(15,264)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(393,938)	264,938	(35,827)	(319,595)	263,947	(35,625)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱13,609,572	₱7,139,390	₱7,876,635	₱13,706,524	₱7,048,617	₱7,761,436
Attributable to:						
Parent Bank's stockholders	₱13,632,190	₱7,140,511	₱7,868,110	₱13,706,524	₱7,048,617	₱7,761,436
Non-controlling interests	(22,618)	(1,121)	8,525	–	–	–
	₱13,609,572	₱7,139,390	₱7,876,635	₱13,706,524	₱7,048,617	₱7,761,436

See accompanying Notes to Financial Statements.

Statements of Changes in Capital Funds

For the Years Ended December 31, 2019 and 2018

(With Comparative Figures for 2017)

(Amounts are presented in thousands of Philippine Pesos)

	Group									
	Equity Attributable to Equity Holders of the Parent Bank									
	Capital Stock	Additional Paid-in Capital	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total	Non-controlling Interests	Total Capital Funds
Balances as at January 1, 2019, as previously reported	₱12,171,495	₱14,146,988	₱61,456,681	₱3,502,769	₱75,165	(₱985,496)	₱50,121	₱90,417,723	₱543,178	₱90,960,901
Effect of change in accounting policy (Note 2)	–	–	(4,220,476)	–	–	–	(50,121)	(4,270,597)	–	(4,270,597)
Balances as at January 1, 2019, as restated	12,171,495	14,146,988	57,236,205	3,502,769	75,165	(985,496)	–	86,147,126	543,178	86,690,304
Total comprehensive income (loss) for the year	–	–	14,026,128	–	3,272	(393,661)	(3,549)	13,632,190	(22,618)	13,609,572
Issuance of new shares (Note 25)	4,601	25,072	–	–	–	–	–	29,673	–	29,673
Cash dividends (Note 25)	–	–	(2,312,584)	–	–	–	–	(2,312,584)	–	(2,312,584)
Appropriations during the year (Note 25)	–	–	(1,097,978)	1,097,978	–	–	–	–	–	–
Balances as at December 31, 2019	₱12,176,096	₱14,172,060	₱67,851,771	₱4,600,747	₱78,437	(₱1,379,157)	(₱3,549)	₱97,496,405	₱520,560	₱98,016,965
Balances as at January 1, 2018, as previously reported before the effect of adoption of PFRS 9, <i>Financial Instruments</i>	₱10,583,439	₱5,819,861	₱56,053,148	₱1,959,938	₱25	(₱1,175,320)	₱50,121	₱73,291,212	₱53,271	₱73,344,483
Effect of change in accounting policy (Note 2)	–	–	(3,779,961)	–	–	–	(50,121)	(3,830,082)	–	(3,830,082)
Balances as at January 1, 2018, as restated before the effect of adoption of PFRS 9	10,583,439	5,819,861	52,273,187	1,959,938	25	(1,175,320)	–	69,461,130	53,271	69,514,401
Effect of adoption of PFRS 9	–	–	1,641,115	–	40	–	–	1,641,155	(860)	1,640,295
Balances as at January 1, 2018, as restated	10,583,439	5,819,861	53,914,302	1,959,938	65	(1,175,320)	–	71,102,285	52,411	71,154,696
Total comprehensive income (loss) for the year, as restated	–	–	6,875,587	–	75,100	189,824	–	7,140,511	(1,121)	7,139,390
Issuance of new shares (Note 25)	1,588,056	8,327,127	–	–	–	–	–	9,915,183	–	9,915,183
Cash dividends (Note 25)	–	–	(2,010,853)	–	–	–	–	(2,010,853)	–	(2,010,853)
Appropriations during the year (Note 25)	–	–	(1,542,831)	1,542,831	–	–	–	–	–	–
Effect of business combination (Note 15)	–	–	–	–	–	–	–	–	493,635	493,635
Acquisition of shares of non-controlling interests	–	–	–	–	–	–	–	–	(1,747)	(1,747)
Balances as at December 31, 2018	₱12,171,495	₱14,146,988	₱57,236,205	₱3,502,769	₱75,165	(₱985,496)	₱–	₱86,147,126	₱543,178	₱86,690,304

(Forward)

Group										
Equity Attributable to Equity Holders of the Parent Bank										
	Capital Stock	Additional Paid-in Capital	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total	Non- controlling Interests	Total Capital Funds
Balances as at January 1, 2017, as previously reported	₱10,583,439	₱5,819,861	₱49,877,917	₱1,734,697	₱25	(₱1,139,658)	₱50,121	₱66,926,402	₱18,840	₱66,945,242
Effect of change in accounting policy (Note 2)	–	–	(3,272,408)	–	–	–	(50,121)	(3,322,529)	–	(3,322,529)
Balances as at January 1, 2017, as restated	10,583,439	5,819,861	46,605,509	1,734,697	25	(1,139,658)	–	63,603,873	18,840	63,622,713
Total comprehensive income (loss) for the year, as restated	–	–	7,903,772	–	–	(35,662)	–	7,868,110	8,525	7,876,635
Cash dividends (Note 25)	–	–	(2,010,853)	–	–	–	–	(2,010,853)	–	(2,010,853)
Appropriations during the year (Note 25)	–	–	(225,241)	225,241	–	–	–	–	–	–
Sale of shares to non-controlling interests	–	–	–	–	–	–	–	–	25,906	25,906
Balances as at December 31, 2017	₱10,583,439	₱5,819,861	₱52,273,187	₱1,959,938	₱25	(₱1,175,320)	₱–	₱69,461,130	₱53,271	₱69,514,401

	Parent Bank							
	Capital Stock	Additional Paid-in Capital	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total Capital Funds
Balances as at January 1, 2019, as previously reported	₱12,171,495	₱14,146,988	₱63,299,634	₱1,875,067	₱75,165	(₱985,608)	₱50,121	₱90,632,862
Effect of change in accounting policy (Note 2)	–	–	(4,017,804)	–	–	–	(50,121)	(4,067,925)
Balances as at January 1, 2019, as restated	12,171,495	14,146,988	59,281,830	1,875,067	75,165	(985,608)	–	86,564,937
Total comprehensive income for the year	–	–	14,026,119	–	2,821	(322,416)	–	13,706,524
Issuance of new shares (Note 25)	4,601	25,072	–	–	–	–	–	29,673
Cash dividends (Note 25)	–	–	(2,312,584)	–	–	–	–	(2,312,584)
Appropriations during the year (Note 25)	–	–	(794,218)	794,218	–	–	–	–
Balances as at December 31, 2019	₱12,176,096	₱14,172,060	₱70,201,147	₱2,669,285	₱77,986	(₱1,308,024)	₱–	₱97,988,550
Balances as at January 1, 2018, as previously reported before the effect of adoption of PFRS 9, <i>Financial Instruments</i>	₱10,583,439	₱5,819,861	₱58,097,354	₱235,173	₱25	(₱1,174,455)	₱50,121	₱73,611,518
Effect of change in accounting policy (Note 2)	–	–	(3,590,562)	–	–	–	(50,121)	(3,640,683)
Balances as at January 1, 2018, as restated before the effect of adoption of PFRS 9	10,583,439	5,819,861	54,506,792	235,173	25	(1,174,455)	–	69,970,835
Effect of adoption of PFRS 9 (Note 2)	–	–	2,014,149	–	40	–	–	2,014,189
Share in effect of adoption of PFRS 9 of subsidiaries (Note 2)	–	–	(373,034)	–	–	–	–	(373,034)
Balances as at January 1, 2018, as restated	10,583,439	5,819,861	56,147,907	235,173	65	(1,174,455)	–	71,611,990
Total comprehensive income for the year, as restated	–	–	6,784,670	–	75,100	188,847	–	7,048,617
Issuance of new shares (Note 25)	1,588,056	8,327,127	–	–	–	–	–	9,915,183
Cash dividends (Note 25)	–	–	(2,010,853)	–	–	–	–	(2,010,853)
Appropriations during the year (Note 25)	–	–	(1,639,894)	1,639,894	–	–	–	–
Balances as at December 31, 2018	₱12,171,495	₱14,146,988	₱59,281,830	₱1,875,067	₱75,165	(₱985,608)	₱–	₱86,564,937
Balances as at January 1, 2017, as previously reported	10,583,439	5,819,861	51,840,442	220,990	25	(1,138,830)	50,121	67,376,048
Effect of change in accounting policy (Note 2)	–	–	(3,105,675)	–	–	–	(50,121)	(3,155,796)
Balances as at January 1, 2017, as restated	10,583,439	5,819,861	48,734,767	220,990	25	(1,138,830)	–	64,220,252
Total comprehensive income (loss) for the year, as restated	–	–	7,797,061	–	–	(35,625)	–	7,761,436
Cash dividends (Note 25)	–	–	(2,010,853)	–	–	–	–	(2,010,853)
Appropriations during the year (Note 25)	–	–	(14,183)	14,183	–	–	–	–
Balances as at December 31, 2017	₱10,583,439	₱5,819,861	₱54,506,792	₱235,173	₱25	(₱1,174,455)	₱–	₱69,970,835

See accompanying Notes to Financial Statements.



Consolidated Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

(With Comparative Figures for 2017)

(Amounts are presented in thousands of Philippine Pesos)

	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	₱14,498,004	₱7,914,125	₱10,156,338	₱13,911,877	₱6,987,793	₱8,606,210
Adjustments for:						
Gains on sale of investment securities at amortized cost (Note 12)	(7,074,044)	(152,161)	(272,841)	(7,074,044)	(152,161)	(272,841)
Provision for credit losses (Note 20)	1,857,347	855,991	875,587	1,548,187	803,576	881,744
Depreciation and amortization (Note 16)	1,883,035	1,115,607	989,380	1,308,500	862,997	774,656
Gain on sale of investment securities at FVOCI (Note 13)	(1,072,005)	(1,496,649)	–	(1,072,005)	(1,496,649)	–
Amortization of premium or discount of financial assets and liabilities	975,812	789,669	776,049	953,206	789,669	776,049
Unrealized foreign exchange loss (gains) - net	(785,049)	208,731	(113,105)	(775,871)	208,731	(113,105)
Gains on disposal of property and equipment (Note 16)	(679,298)	(44,296)	(38,904)	(616,137)	(44,225)	(38,904)
Gains on foreclosure of investment properties (Note 17)	(221,213)	(239,741)	(312,801)	(208,233)	(285,902)	(311,358)
Gains on sale of investment properties (Note 17)	(200,079)	(258,000)	(190,568)	(251,696)	(245,980)	(185,328)
Share in net loss (profit) of subsidiaries and associates (Notes 15 and 28)	464	8	(142)	(1,222,595)	(1,775,210)	(3,429,942)
Changes in operating assets and liabilities:						
Decreases (increases) in:						
Trading securities at FVTPL	417,294	(5,101,655)	607,892	408,014	(5,095,148)	605,136
Loans and other receivables	(52,976,314)	(30,076,903)	(37,241,855)	(57,372,464)	(38,198,505)	(36,866,812)
Other resources	(1,200,710)	(314,679)	(603,254)	(1,754,855)	(1,497,652)	(1,669,911)
Increases (decreases) in:						
Deposit liabilities	66,633,507	(34,333,250)	71,131,081	61,243,986	(22,263,837)	71,935,609
Other liabilities	5,672,031	1,227,633	104,925	6,191,690	2,370,605	1,818,212
Net cash provided by (used in) operations	27,728,782	(59,905,570)	45,867,782	15,217,560	(59,031,898)	42,509,415
Income taxes paid	(1,703,147)	(1,715,018)	(2,223,502)	(1,055,476)	(875,121)	(784,621)
Net cash provided by (used in) operating activities	26,025,635	(61,620,588)	43,644,280	14,162,084	(59,907,019)	41,724,794
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at amortized cost	(26,829,682)	(64,539,694)	(59,251,071)	(26,829,682)	(64,539,694)	(59,251,071)
Investment securities at FVOCI	(54,459,546)	(10,673,937)	–	(54,459,546)	(10,673,937)	–
Bank premises, furniture, fixtures and equipment (Note 16)	(934,553)	(1,042,901)	(781,898)	(810,243)	(906,532)	(703,989)
Proceeds from maturities/sale of:						
Investment securities at amortized cost	71,355,242	12,373,015	10,055,028	71,355,242	12,373,015	10,055,028
Investment securities at FVOCI	59,623,639	20,537,059	–	59,623,188	20,537,059	–
Investment properties (Note 17)	254,865	337,631	381,485	220,404	315,474	371,414
Bank premises, furniture, fixtures and equipment (Note 16)	803,666	70,920	66,580	700,894	64,781	52,189
Acquisition of associates and subsidiaries, net of cash acquired (Note 15)	(130,000)	(6,364,415)	–	(487,500)	(1,747)	(1,845)
Net cash provided by (used in) investing activities	49,683,631	(49,302,322)	(49,529,876)	49,312,757	(42,831,581)	(49,478,274)
(Forward)						

	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments of:						
Bills payable	(P2,291,736,846)	(P613,840,876)	(P170,590,655)	(P2,235,935,766)	(P602,798,238)	(P121,190,186)
Cash dividends	(2,312,584)	(2,010,853)	(2,010,853)	(2,312,584)	(2,010,853)	(2,010,853)
Notes and bonds payable	(3,426,766)	–	–	–	–	–
Long term negotiable certificate of deposits (Note 21)	(3,000,000)	–	–	(3,000,000)	–	–
Lease liabilities	(527,633)	–	–	(426,711)	–	–
Proceeds from:						
Bills payable	2,305,932,334	657,746,587	165,702,992	2,263,433,630	638,847,784	111,174,648
Notes payable (Note 23)	9,199,139	11,013,685	25,097,553	5,800,000	10,863,685	25,097,553
Issuance of new shares (Note 25)	29,673	9,915,183	–	29,673	9,915,183	–
Issuance of long term negotiable certificate of deposits (Note 21)	–	3,000,000	–	–	3,000,000	–
Net cash provided by financing activities	14,157,317	65,823,726	18,199,037	27,588,242	57,817,561	13,071,162
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES	(125,033)	554,301	281,715	(121,484)	554,301	281,715
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,741,550	(44,544,883)	12,595,156	90,941,599	(44,366,738)	5,599,397
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR						
Cash and other cash items	10,916,533	6,633,237	6,021,358	10,334,793	6,249,122	5,630,560
Due from Bangko Sentral ng Pilipinas (BSP)	56,510,701	66,276,960	56,151,239	52,961,426	60,350,126	52,208,244
Due from other banks	14,942,213	54,520,482	42,425,310	11,550,166	53,690,233	41,412,122
Interbank loans receivable	–	4,793,280	24,362,800	–	4,793,280	24,362,800
Securities purchased under repurchase agreement (SPURA)	18,882,000	13,572,371	4,240,467	10,000,000	4,130,362	–
	101,251,447	145,796,330	133,201,174	84,846,385	129,213,123	123,613,726
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	8,580,709	10,916,533	6,633,237	7,832,302	10,334,793	6,249,122
Due from BSP	73,749,813	56,510,701	66,276,960	67,798,418	52,961,426	60,350,126
Due from other banks	73,675,709	14,942,213	54,520,482	71,497,226	11,550,166	53,690,233
Interbank loans receivable	213,062	–	4,793,280	213,062	–	4,793,280
SPURA	34,773,704	18,882,000	13,572,371	28,446,976	10,000,000	4,130,362
	P190,992,997	P101,251,447	P145,796,330	P175,787,984	P84,846,385	P129,213,123
OPERATIONAL CASH FLOWS FROM INTERESTS AND DIVIDENDS						
Interest received	P38,784,259	P30,573,018	P26,515,597	P29,387,709	P22,232,001	P17,751,572
Interest paid	16,173,752	10,573,621	5,730,710	12,942,912	8,137,924	4,307,703
Dividends received	202,888	207,456	209,762	201,858	206,425	204,919

See accompanying Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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 its 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, 2019, the Bank and its subsidiaries (collectively referred to as the "Group") has 358 branches and 375 on-site and 89 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 49.34% 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, 2019 and 2018, are as follows:

Name of Subsidiary	Percentage of ownership		Nature of Business
	2019	2018	
City Savings Bank, Inc. (CSB)	99.79%	99.78%	Thrift bank
Philippine Resources Savings Banking Corp. (PR Savings Bank) ^(a)	—	100.00%	Thrift bank
PetNet, Inc. (PETNET) ^(b)	51.00%	51.00%	Remittances/ money transfer
First-Agro Industrial Rural Bank, Inc. (FAIR Bank) ^(c)	90.72%	87.53%	Rural bank
UBP Investments Corporation (UIC), formerly Union Properties, Inc. (UPI) ^(d)	100.00%	100.00%	Holding company
First Union Plans, Inc. (FUPI) ^(e)	100.00%	100.00%	Pre-need
First Union Direct Corporation (FUDC) ^(e)	100.00%	100.00%	Financial products marketing
First Union Insurance and Financial Agencies, Inc. (FUIFAI) ^(e)	100.00%	100.00%	Agent for insurance and financial products
UBP Securities, Inc. (UBPSI)	100.00%	100.00%	Securities brokerage
UnionBank Currency Brokers Corporation (UCBC)	100.00%	100.00%	Foreign currency brokerage
UnionDataCorp (UDC)	100.00%	100.00%	Data processing
Interventure Capital Corporation (IVCC)	60.00%	60.00%	Venture capital
UBX Philippines Corporation (UBX) ^(f)	100.00%	—	Investment holding and innovation company
UBX Private Ltd. (UBX SG) ^(g)	100.00%	—	Holding company

(a) On February 28, 2019, PR Savings Bank was merged with CSB

(b) Acquired in 2018 through CSB and UIC with 40% and 11% share in ownership, respectively

(c) Acquired in 2017 through CSB and UIC with 49% and 41.72% share in ownership, respectively, as of December 31, 2019

(d) The BOD and shareholders of UIC approved the change of corporate name and primary purpose in their meeting on November 27, 2018 and March 7, 2019, respectively

(e) FUDC, FUPI and FUIFAI are wholly-owned subsidiaries of UIC

(f) Incorporated on February 11, 2019

(g) Incorporated by UIC in October 2018, subsequent acquired by UBX from UIC in April 2019



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.
- (b) In December 2017, CSB and the registered holders and beneficial owners of PR Savings Bank from the Ropali Group signed a share purchase agreement ("SPA"), whereby the former shall acquire 127.72 million common stock of PR Savings Bank with par value of ₱10 per share or a total par value of ₱1,277.23 million. The shares represent 66.28% of the total outstanding capital stock of PR Savings Bank.

As part of the conditions precedent to the obligation of CSB to purchase the common stock, CSB and International Finance Corporation (IFC) entered into a Share Purchase Agreement ("Agreement") on February 23, 2018, whereby the former shall acquire the 65.00 million preferred shares of PR Savings Bank owned by IFC, with par value of ₱10.00 per share or a total par value of ₱650.00 million. The shares represent 33.72% of the total issued and outstanding capital stock.

On April 5, 2018, the Philippine Competition Commission (PCC) approved the acquisition of PR Savings Bank by CSB. The acquisition was also approved by the Monetary Board (MB) of the BSP under MB Resolution No. 1003 dated June 14, 2018 (see Note 15).

On July 5, 2018 and July 10, 2018, the BOD and the stockholders, respectively, of CSB approved the plan of merger with PR Savings Bank, with CSB as the surviving entity. On December 20, 2018, the MB of the BSP approved the merger subject to certain conditions, including completion of the merger within one year from the date of receipt of the BSP approval and that the merger should be effective on the date the SEC issues the certificate of merger. Subsequent to the BSP approval, CSB has applied for merger with the SEC.

PR Savings Bank was the 14th largest thrift bank in the country. 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.

On December 27, 2018 and February 28, 2019, the BSP and the SEC, respectively, approved the merger between CSB and PR Savings Bank, with CSB as the surviving entity.

- (c) In February 2018, CSB and UIC signed an SPA with AEVI for the purchase of 2,461,338 common shares representing 51% ownership of AEVI on PETNET. On May 8, 2018, PCC approved the acquisition of PETNET, Inc. by CSB and UIC. The agreement was approved by the BSP on November 23, 2018. On December 17, 2018, the parties closed the transaction by settling the purchase price and confirming that all closing conditions have been fulfilled (see Note 15).



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.

- (d) 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, UIC 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 UIC (Note 3). On December 15, 2016, the MB of the BSP approved the acquisition by CSB and UIC 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 UIC represented 49.00% and 28.78%, respectively, of the issued and outstanding capital stock of FAIR Bank.

On March 17, 2017, CSB and UIC subscribed to 294,000 and 306,000 new common shares (at par value of ₱100 per share), respectively, for a total amount of ₱60 million. As a result of the subscription, the percentage of ownership of UIC in FAIR Bank increased to 37.67% while CSB's ownership interest stood at 49%.

To meet the minimum capital requirements under the Manual of Regulations for Banks (MORB), CSB and UIC infused an additional capital of ₱50.96 million (equivalent to 50,960 common shares at par value of ₱100 per share) and ₱53.04 million (equivalent to 53,040 common shares at par value of ₱100 per share), respectively, on November 13, 2018. As a result of the additional subscription, the percentage of ownership of CSB's ownership interest in FAIR Bank remained at 49% while UIC's ownership interest in FAIR Bank increased to 38.53%.

Upon BSP's recommendation and to maintain FAIR Bank's capital adequacy ratio ceiling, CSB and UIC infused an additional capital of ₱7.35 million (equivalent to 73,500 common shares at ₱100 par value) and ₱7.65 million (equivalent to 76,500 common shares at ₱100 par value), respectively, or a total of ₱15 million in May 2019. CSB and UIC further infused an additional ₱19.60 million (equivalent to 196,000 common shares at ₱100 par value) and ₱20.40 million (equivalent to 204,000 common shares at ₱100 par value), respectively, or a total of ₱40 million in August 2019. The aggregate infusion in 2019 resulted in UIC's percentage of ownership in FAIR Bank further increasing to 41.72%, while CSB's ownership remained the same at 49%.

- (e) UIC was incorporated and registered with the SEC on December 20, 1993. It is presently engaged in business as a holding company authorized to hold investments of real and personal properties, including shares of stocks, bonds, debentures, notes and other securities and obligations, without engaging in business of an investment company or broker or dealer in securities of stocks. Pursuant to a resolution approved by the BOD of UIC on November 27, 2018 and by the shareholders on March 7, 2019 approving the amendment of UIC's Articles of Incorporation, the primary purpose of UIC was changed from that of a property management company to that of a holding company, while the corporate name was changed to UBP Investments Corporation from its previous corporate name of Union Properties, Inc. The SEC approved such amendment on July 22, 2019. Through its wholly-owned subsidiaries, FUPI, FUDC and FUIFAI, UIC 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.



- (f) On February 11, 2019, the BSP approved the Parent Bank's incorporation of UBX Philippines Corporation (UBX). UBX is incorporated to invest in, hold, own, purchase, lease, manage, sell or otherwise dispose of real and personal properties of every kind and description. It shall also engage in the development of financial technology innovations and engage in electronic commerce business.

On March 21, 2019, UBX then entered into an SPA with UIC to purchase 100 ordinary shares of UBX SG, a Singapore-based entity incorporated by UIC in October 2018, for a total consideration amounting to SGD100. Similar to UBX, UBX SG is incorporated to engage in the development of financial technology innovations and engage in electronic commerce business.

Non-operating subsidiaries

- (a) 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.
- (b) 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. The BOD and the stockholders of UCBC have approved to shorten the company's corporate term to December 31, 2016. UCBC has secured a tax clearance from the Bureau of Internal Revenue (BIR) in 2018.
- (c) 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, and subsequently shortened its corporate term to December 31, 2017 by amending its Articles of Incorporation. The services previously handled by UDC are now undertaken by the Centralized Processing Service Unit of the Parent Bank. UDC is still in process of securing the tax clearance from the BIR.
- (d) 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 total assets, liabilities and capital funds of these non-operating subsidiaries amount to ₱5,260,₱3,158 and ₱2,102, respectively, as of December 31, 2019, and ₱5,211, ₱3,158 and ₱2,053, respectively, as of December 31, 2018.

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.



Approval of Financial Statements

The consolidated financial statements of UnionBank and Subsidiaries (the Group) and the financial statements of the Parent Bank as of and for each of the three years in the period ended December 31, 2019 (including the corresponding figures as of January 1, 2018) were authorized for issue by the Bank's BOD on February 28, 2020.

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.

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). PFRSs 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.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values are presented in thousands of Philippine Pesos except when otherwise indicated.

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.



Adoption of New and Amended PFRS*(a) Effective in 2019 that are Relevant to the Group*

Unless otherwise stated, the following new accounting standards, amendments, interpretations and annual improvements have no material impact to the Group's annual consolidated financial statements as at and for the year ended December 31, 2019:

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Annual Improvements to PFRS 2015 to 2017 Cycle
 - PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously held interest in a joint operation*
 - PAS 12, *Income Taxes - Income tax consequence of payments on financial instruments classified as equity*
 - PAS 23, *Borrowing Costs - Borrowing costs eligible for capitalization*
- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

The Group has lease contracts for branch offices, parking lots, warehouses, stalls that are used for specific events and items of office equipment. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. All other leases (as lessee) were classified as operating leases. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the statement of income over the lease term.

The Group adopted PFRS 16 using the modified retrospective approach and applied certain transition reliefs with the date of initial application of January 1, 2019. The Group elected to use the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying the old standards at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that have lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and for which the underlying assets are of low value ('low-value assets').

Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. The ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized.



PFRS 16 has no significant impact in the financial statements for leases where the Group is the lessor.

The Group has also applied the following practical expedients, apart from those already mentioned above, as permitted by the standard, wherein it:

- (a) Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- (b) Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- (c) Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

As of January 1, 2019, the effect of adopting PFRS 16 is an increase (decrease) in the following accounts in the Group's and the Parent Bank's statement of financial position:

	Group	Parent Bank
<i>Resources</i>		
Right of use asset under 'Bank premises, furniture, fixtures and equipment'	₱1,241,094	₱1,014,624
Other resources	(17,010)	(16,230)
	₱1,224,084	₱998,394
<i>Liabilities</i>		
Lease liabilities	₱1,246,913	₱998,394
Other liabilities	(22,829)	-
	₱1,224,084	₱998,394

The adoption of PFRS 16 did not have an impact on the Group's and the Parent Bank's total equity as of January 1, 2019.

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 as at December 31, 2018 is shown below.

	Group	Parent Bank
Operating lease commitments, December 31, 2018 (PAS 17)	₱2,212,260	₱1,738,207
Recognition exemptions	(735,423)	(543,879)
Operating lease liabilities before discounting	1,476,837	1,194,328
Discount using incremental borrowing rates	(229,924)	(195,934)
<i>Weighted average incremental borrowing rate as at January 1, 2019</i>	6.01% to 7.06%	7.06%
Lease liabilities, January 1, 2019	₱1,246,913	₱998,394



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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

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

(b) Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*



Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Change in Accounting Policy for Investment Properties from Fair value model to Cost model

PAS 40, *Investment Property*, allows the use of either fair value model or cost model in accounting for investment properties. The Group adopted the fair value model in accounting for its investment properties in preparing its general purpose financial statements when the Parent Bank transitioned from previous generally accepted accounting principles to PFRS in 2005. However, the Parent Bank maintained the use of the cost model for investment properties in preparing the Financial Reporting Package (FRP) that it submits to the BSP.

On November 29, 2019, to be more aligned with the BSP financial reporting package, the BOD approved the adoption of the cost model of accounting for subsequent measurements of investment properties in the Bank's general purpose financial statements. PFRS requires that a change in accounting policy be accounted for retroactively and the comparative financial statements be restated. As a result, the Group and the Parent Bank have applied the change in accounting policy on its financial statements as of and for the year ended December 31, 2019 and have restated the comparative financial information as of December 31, 2018 and for the years ended December 31, 2018 and 2017, and presented a third balance sheet as at January 1, 2018.

Summarized below is the effect of the retrospective treatment of the change in accounting policy on the Group's and the Parent Bank's statements of financial position as at December 31, 2018 and January 1, 2018 and the statements of income for the years ended December 31, 2018 and 2017:

	Group					
	December 31, 2018			January 1, 2018		
	As previously reported	Increase (decrease)	As restated	As previously reported	Increase (decrease)	As restated
Statements of financial position						
Investment properties	P15,253,451	(P5,686,830)	P9,566,621	P14,153,546	(P5,103,228)	P9,050,318
Other resources ⁽¹⁾	10,823,188	1,416,233	12,239,421	10,152,065	1,273,146	11,425,211
Surplus free	61,456,681	(4,220,476)	57,236,205	56,053,148	(3,779,961)	52,273,187
Other reserves	50,121	(50,121)	-	50,121	(50,121)	-

⁽¹⁾ relates to deferred tax asset

	For the years ended December 31					
	2018			2017		
	As previously reported	Increase (decrease)	As restated	As previously reported	Increase (decrease)	As restated
Statements of income						
Miscellaneous income ⁽¹⁾	P2,558,625	(P200,348)	P2,358,277	P2,845,712	(P208,873)	P2,636,839
Miscellaneous expenses ⁽²⁾	6,436,520	11,054	6,447,574	5,008,887	(33,594)	4,975,293
Depreciation and amortization	743,409	372,198	1,115,607	634,902	354,478	989,380
Income tax expense	1,182,758	(143,085)	1,039,673	2,266,080	(22,204)	2,243,876

⁽¹⁾ comprises of gain or loss on foreclosure and gain or loss on sale of investment properties

⁽²⁾ relates to provision for (reversal of) impairment losses



	Parent Bank					
	December 31, 2018			January 1, 2018		
	As previously reported	Increase (decrease)	As restated	As previously reported	Increase (decrease)	As restated
Statements of financial position						
Investment properties	₱13,715,250	(₱5,449,895)	₱8,265,355	₱13,523,010	(₱4,891,085)	₱8,631,925
Other resources ⁽¹⁾	6,313,691	1,381,970	7,695,661	5,289,322	1,250,402	6,539,724
Surplus free	63,299,634	(4,017,804)	59,281,830	58,097,354	(3,590,562)	54,506,792
Other reserves	50,121	(50,121)	–	50,121	(50,121)	–

⁽¹⁾relates to deferred tax asset

	For the years ended December 31					
	2018			2017		
	As previously reported	Increase (decrease)	As restated	As previously reported	Increase (decrease)	As restated
Statements of income						
Miscellaneous income ⁽¹⁾	₱4,211,631	(₱212,440)	₱3,999,191	₱5,810,727	(₱193,949)	₱5,616,778
Miscellaneous expenses ⁽²⁾	5,220,056	(9,728)	5,210,328	3,857,609	(33,594)	3,824,015
Depreciation and amortization	506,900	356,097	862,997	432,074	342,582	774,656
Income tax expense	334,690	(131,567)	203,123	827,199	(18,050)	809,149

⁽¹⁾comprises of gain or loss on foreclosure and gain or loss on sale of investment properties

⁽²⁾relates to provision for (reversal of) impairment losses

The restatement did not result in a material change on the statements of cash flows of the Group and the Parent Bank for the years ended December 31, 2018 and 2017.

Prior-Period Adjustments

In 2018, a subsidiary has changed the accounting for upfront fees on Loans and other receivables from outright income to over time recognition as Interest income using the effective interest rate method. The changes have been accounted for retroactively and resulted in reduction in Surplus free, Loans and other receivables and Non-controlling interest amounting to ₱0.64 billion, ₱0.86 billion and ₱0.01 billion, respectively, and increase in Deferred tax asset amounting to ₱0.21 billion as of January 1, 2018. The restatement only resulted in reclassification in the statement of income and did not have an impact on the 2017 net income.

Basis of Consolidated Financial Statements

The Group's financial statements comprise the accounts of the Parent Bank and its subsidiaries, as enumerated in Note 1 and as disclosed under Note 15, 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.

Non-controlling Interests

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Bank.



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 the statements of income. 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.

Investment 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.

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 Note 15).

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 income account in the Parent Bank's separate statements of income.

Changes resulting from other comprehensive income of the subsidiaries 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 holds interests in various subsidiaries as presented in Notes 1 and 15.



Investment in Associates

Associates pertain to all entities over which the Group and the Parent Bank have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Business Combinations and Goodwill

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

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.

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. Impairment losses on goodwill are not reversed.

Gain on bargain purchase 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 statements of 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 the statements of income 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.



Fair Value Measurement

The Group measures financial instruments such as financial assets at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 7.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is the most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. The fair value measurement of a nonfinancial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 7, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial-assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.



Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below. Financial instruments are initially measured at their fair value; except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statements of income unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either at amortized cost, at FVOCI or at FVTPL.

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

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 contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

As part of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.



In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- the expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Group's measurement categories are described below:

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 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, non-restricted balances of Due from BSP, Due from other banks, Interbank loans



receivable and Securities purchased under repurchase agreements included in Loans and other receivables. 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.

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 the statements of income. 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 Gains (losses) on trading and investment securities at FVTPL and FVOCI account in the statements of income.

Interest earned on these investments is reported in the statements of income under Interest income account while dividend income is reported in the statements of income under Miscellaneous income account when the right of payment has been established.

Financial Assets at FVOCI - Equity Investments

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 statements of financial position. 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 the statements of income under Miscellaneous income account.

Financial Assets at FVOCI - Debt Instruments

The Group classifies debt instruments measured at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized in the statements of income in the same manner as for financial assets measured at amortized cost. The ECL calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to the statements of income.

Reclassification of financial assets

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

Applicable beginning January 1, 2018

The adoption of the final version of PFRS 9 has fundamentally changed the Group's impairment method by replacing PAS 39's incurred loss approach with a forward-looking ECL approach. From January 1, 2018, the Group records the allowance for expected credit losses for all loans and other debt financial assets carried at amortized cost, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under PFRS 9.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.



The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Group and the Parent Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group and the Parent Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes more than 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days (i.e. consecutive payments from the borrowers for 180 days).

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors such as downgrade in the credit rating of the borrowers and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold (i.e. 30 days), the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.



ECL is a function of the PD, EAD and LGD, with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts that may be drawn at the time of default. LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are moved to Stage 3.

Applicable for the year ended December 31, 2017

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 the 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.



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 the statements of income.

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 Provision for credit losses account in the statements of income.

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 the statements of income.

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 the statements of income.

(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.

Derivative Financial Instruments

The Group is a counterparty to derivatives contracts, such as forwards, swaps 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.

Changes in the fair value of derivatives are recognized in the statements of income.

Financial Liabilities

Financial liabilities which include deposit liabilities, bills payable, notes and bonds 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 statements 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 and bonds payable are recognized initially at fair value, which is the issue proceeds (fair value of consideration received) less any issuance costs. These are subsequently measured at amortized cost; any difference between the proceeds net of transaction costs and the redemption value is recognized in the statements of income 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 the statements of income.

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 the statements of income.

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 statements 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.

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.

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 the statements of income in the year the item is derecognized.

Effective January 1, 2019, the Group classifies ROU assets as part of property and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.



Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

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. These include parcels of land and buildings and related improvements acquired by the Group from defaulting borrowers.

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is initially measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under Investment properties from foreclosure date. Gain or loss from foreclosure is included as part of Gain or loss on foreclosure account under Miscellaneous Income section of the statement of income.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and amortization and impairment. Depreciation is computed using the straight line method over the useful life of 50 years and 10 years for building held for lease and foreclosed properties, respectively. Land is carried at cost less any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statements of income in the year of retirement or disposal. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs and real estate taxes, are normally charged against income in the period in which costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Intangible Assets

Intangible assets include goodwill and acquired computer software. Goodwill represents the excess of the acquisition cost over the fair value of the net identifiable assets arising from the acquisition of (a) the former International Exchange Bank (iBank) on April 30, 2006; (b) CSB on January 8, 2013, (c) PR Savings Bank by CSB on June 14, 2018, and (d) PETNET on December 17, 2018 (see Note 18). 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.

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.

Computer software licenses are capitalized on the basis of the costs incurred to acquire, develop, 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 as part of Depreciation and amortization under the Other expenses account in the statements of income. Costs associated with maintaining computer software are expensed as incurred. In addition, intangible assets are subject to impairment testing.

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 the statements of income.

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.

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.

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 statements 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:

- 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.
- 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.
- On fully paid plans, provision is equivalent to the present value of future plan benefits discounted using the transitory discount rate.
- 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.
- 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.



- 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 pension 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.

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 statements 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).
- (c) The difference of the 1% required General Loan Loss Provision on Stage 1 on-balance sheet loans over the computed allowance for credit losses on Stage 1 accounts as required by the BSP Circular No. 1011 - *Guidelines on the Adoption of the Philippine Financial Reporting Standard (PFRS) 9 - Financial Instruments*.

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 Exchange differences arising on translation of UBX SG, which is taken to the statement of comprehensive income.

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 statements of income and within the capital funds in the Group's statements of financial position and changes in capital funds.

Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Expenses are recognized in the statements of income 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 income recognized using the effective interest rate method* - Interest income is recognized in the statements of income for all instruments measured at amortized cost and debt instruments classified as financial assets at 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.

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

- (b) *Other interest income* - Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognized using the contractual interest rate and is included under Interest Income on financial assets at fair value through profit or loss.
- (c) *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.



The Group has a loyalty points programme as part of its credit cards business which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the interchange fee is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

(d) *Gain (loss) on trading and investment securities* - Gain (loss) on trading and investment securities is recognized when the risk and rewards 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.

(e) *Miscellaneous* income includes the following accounts:

- *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.
- *Gain (loss) from assets sold or exchanged* - Profit or loss from assets sold or exchanged is recognized when the control of the assets is transferred to the buyer or when the collectibility of the entire sales price is reasonably assured.
- *Rental* - Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases.
- *Income from bancassurance business* - Exclusive access fee (EAF) related to the bancassurance partnership is recognized as revenue by reference to the completion rate of the target cumulative annualized premium earned.
- *Dividend* - Dividend income is recognized when the Group's right to receive payment is established.
- *Income from trust operations* - Trust fees related to investment funds are recognized in reference to the net asset value of the funds. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Leases

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



The Group as Lessee accounts for its leases as follows:

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 the statements of income 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.

Group as a lessee

Applicable beginning January 1, 2019

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

i. Right-of-use assets

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

ii. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest recognized under Interest expense of bills payable and other liabilities and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.



iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases for some branches and the related parking spaces, stalls used for specific events and several office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM offsite locations, signages and several items of office equipment that are considered of low value (i.e. ₱250,000 and below). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term as is recognized as part of 'Occupancy' in the statements of income.

Applicable as at and for the year ended December 31, 2018 and prior years

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 the statements of income on a straight-line basis over the lease term. Associated costs, such as repairs, maintenance and insurance, are expensed as incurred.

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 the statements of income.

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 the statements of income, and other changes in the carrying amount are recognized in other comprehensive income.

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, investment properties, 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 the statements of income 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, except for goodwill.

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 statements of income.

Past-service costs are recognized immediately in the statements of income 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 statements 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, whether paid in cash or in the form of shares of the Parent Bank to be issued under the Employee Stock Plan.

(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.

Income Taxes

Tax expense recognized in the statements of income 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 the statements of income. Effective January 1, 2019, management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.



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.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statements of income, 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.

Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Group and their related parties, regardless of whether or not 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 Parent Bank; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Parent Bank that gives them significant influence over the Parent 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.

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.

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.

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.

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.



Unless otherwise stated, below significant judgments and estimates apply as of and for the years ended December 31, 2019, 2018 and 2017.

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:

Determining functional and presentation currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. The Group has determined that its functional and presentation currency is the Philippine pesos, considering the following:

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

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.

In determining the classification of a financial instrument under PFRS 9, 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). 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.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant 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.

In 2018, the Parent Bank participated in the Republic of the Philippines (ROP) US Dollar bond exchange, as part of the national government's liability management exercise, where it redeemed several series of older debt in exchange for either (i) exchange of new securities or (ii) tenders for cash, and in the bond exchange offering of a foreign issuer. In 2018, The Parent Bank exchanged outstanding securities classified as Investment securities at amortized cost with total carrying amount of \$121.28 million (₱6.4 billion), resulting in Gain on sale of investment securities at amortized cost totaling ₱151.7 million. The Parent Bank has assessed that such sales are not more than infrequent and not more than insignificant and are necessary in order to ensure that the



outstanding securities remain an acceptable liquid quality. The disposals are considered not inconsistent with the objective of hold to collect business model. The remaining securities in the affected hold-to-collect portfolio are continued to be measured at amortized cost.

In 2019, the Parent Bank sold investment securities classified as Investment securities at amortized cost with carrying amount of \$1,054.04 million (₱53.5 billion), resulting in Gain on sale of investment securities at amortized cost totaling ₱7.07 billion. The sales were made as part of the Group's capital raising activities and in response to the regulatory changes which the Parent Bank assessed to have significant impact on its operations.

In aggregate, the sales in 2019 are considered to be more than insignificant and more than infrequent. The Parent Bank assessed that the sales resulted from changes in intention for certain investments classified as Investment securities at amortized cost in response to changes in market conditions and significant changes in the regulations. Further, the Parent Bank assessed that the sales do not reflect a change in the Group's objectives for the hold-to-collect business model. Accordingly, the remaining investment securities in the affected hold-to-collect portfolio are continued to be measured at amortized cost.

Testing the cash flow characteristics of financial assets

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.

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 Note 2 and relevant disclosures are presented in Note 34.

Determining the lease term of contracts with renewal and termination options - Group as lessee Applicable beginning January 1, 2019

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



The Group has several lease contracts that include extension and termination options. Upon adoption of PFRS 16, the Group determined that generally, the options to extend or terminate the lease are not included in the determination of the lease term. These optional periods are not enforceable, as the Group cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Group does not have the right to use the asset beyond the non-cancellable period.

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:

Estimation of impairment losses on Loans and other receivables, Financial assets at amortized cost and Financial assets at FVOCI

Applicable beginning January 1, 2018

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- The Group's internal grading model, which assigns PDs to individual grades. In 2019, the Parent Bank changed the scorecards for credit cards, mortgage and auto loans.
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment. In 2019, the Parent Bank established credit action triggers for the treasury portfolio which works hand-in-hand with the early warning sign model that could trigger an override on the assessment of whether or not there is a significant increase in credit risk.
- The Group's definition of default, which is consistent with regulatory requirements.
- The segmentation of financial assets when the ECL is assessed on a collective basis. In 2019, the Parent Bank's commercial loan exposure were further broken down into financial institution and non-financial institution segments. The Parent Bank's Treasury exposures were also broken down into sovereign and corporate issuers.
- Development of ECL models, including the various formulas and the choice of inputs. In 2019, the Parent Bank recalibrated its PD and LGD models for its wholesale and retail portfolios.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Definition of forward-looking macroeconomic scenario variables.

The carrying amount of loans and other receivables and the related allowance are disclosed in Notes 14 and 20, while the carrying amount of debt financial assets and the related allowances are disclosed in Notes 12, 13 and 20.



Applicable for the year ended December 31, 2017

The Group reviews its loans 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 the statements of income, 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.

The carrying amount of loans and other receivables and the related allowance are disclosed in Notes 14 and 20, while the carrying amount of debt financial assets and the related allowances are disclosed in Notes 12, 13 and 20.

Fair value of derivatives

Management applies valuation techniques to determine the fair value of derivatives that are not quoted in active markets. 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.

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.

The fair value of derivatives as of December 31, 2019 and 2018 are presented and grouped into the fair value hierarchy in Note 7.

Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

Based on forecast, management assessed that it is probable that future taxable income will be available to utilize the deferred tax assets. The carrying value of recognized deferred tax assets is disclosed in Note 30.



Impairment of goodwill

The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The Group determines the recoverable value of goodwill by discounting the estimated excess earnings using the weighted-average cost of capital (WACC) as the discount rate. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management and BOD of the Parent Bank covering a five-year period. The key assumptions used in the calculation of value-in-use are loan and deposit growth rates, net interest margin and discount rate. The discount rate used for the computation of the value in use is the weighted average cost of capital ranging from 7.88% to 12.70% and from 8.71% to 11.72%, in 2019 and 2018, respectively.

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 carrying amount of goodwill is disclosed in Note 18.

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 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 the Parent Bank policies. These estimates may vary depending on future changes in salaries and actual experiences during the year.

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 such as salary rate increase, discount rates, and turnover rates used in estimating such obligation are presented in Note 29.

Fair value determination of assets acquired and liabilities assumed from business combinations

In June and December 2018, the Group provisionally determined the fair values of the assets acquired and liabilities assumed from the acquisition of PR Savings Bank and PETNET, respectively.

The Group determines the provisional acquisition-date fair values of identifiable assets acquired and liabilities assumed from the acquiree without quoted market prices based on the following:

- For assets and liabilities that are short term in nature, carrying values approximate fair values
- For financial assets and liabilities that are long-term in nature, fair values are estimated through the discounted cash flow methodology, using the appropriate market rates (e.g., current lending rates)



- For nonfinancial assets such as property and equipment and investment properties, fair values are determined based on an appraisal which follows sales comparison approach and depreciated replacement cost approach depending on the highest and best use of the assets
- For intangible assets, these are determined based on discounted cash flow over the benefits and liabilities of ownership over the asset acquired, including an exit or terminal value.

In 2019, the Group finalized the determination of the fair values of the assets acquired and liabilities assumed from the acquisitions of PR Savings Bank and PETNET (see Note 15).

*Leases - Estimating the incremental borrowing rate
Applicable beginning January 1, 2019*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the credit spread for a stand-alone credit rating).

The carrying amount of the lease liabilities as of December 31, 2019 is disclosed in Note 24.

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 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.

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 and limits are reviewed regularly and updated to ensure that risks are well-diversified and risk mitigation measures are in place. 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 on a timely basis. 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 over 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 with the risk parameters set by the BOD. The RMUs 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, proposed 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 (7) 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) is composed of seven (7) members of the BOD, majority of whom are independent directors, including the Chairman. The RMC shall advise the BOD of the Parent Bank's overall current and future risk appetite, oversee Senior Management's adherence to the risk appetite statement, and report on the state of risk culture of the Parent Bank. The RMC shall oversee the risk management framework, adherence to the risk appetite of the Parent Bank and the risk management function. 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 is composed of nine (9) members of the BOD, majority of whom are independent directors, including the Chairman. The MRC is primarily responsible for reviewing the risk management policies and practices relating to market risk including interest rate risk in the banking book and liquidity risk.
- (d) The ORMC, composed of seven (7) members of the BOD, reviews various operations risk policies and practices.

Below are the responsibilities of the ORMC:

- (a) Recognize and identify the nature and complexity of the major operational risks of the Bank and the operating environment the Bank is exposed to;
- (b) Approve the operational risk management framework which forms part of the Bank's enterprise risk management system and covers all business lines and functions of the Bank, including outsourced services and services provided to external parties;



- (c) Approve the outsourcing framework of the Bank which makes up of a process for evaluating and managing the risks of all existing and potential outsourcing arrangements and policies relevant to this endeavor. The BOD also provides oversight on all outsourcing activities and ensures effective management of risks arising from these activities;
 - (d) Ensure compliance with all applicable laws, rules and regulations on internal control, internal audit, and disclosure;
 - (e) Provide oversight on the adequacy of resources, including personnel complement, and are supported by appropriate technological systems. The use of technological systems must be commensurate to the activities being undertaken;
 - (f) Provide oversight on the implementation of a sound business continuity management framework. The BOD instills a culture of placing importance on business continuity by supplying the incumbent resources that support Bank's business continuity initiatives;
 - (g) Report to the RMC/BOD results of operational risk and control assessments conducted by the Business and Support Units, summarized results, if any, of internal audits, BSP examinations, and investigations of administrative cases that highlight trends indicative of present or emerging exposures to specific operational risks;
- (e) The Audit Committee is a committee of the BOD that is composed of seven (7) 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. Four of the seven members are independent directors, including the Chairman.

The Audit Committee serves as principal agent of the BOD in ensuring independence of the Parent 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 Parent 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 as well as to determine whether the Parent Bank's 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:

- *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.



- *Monitoring and evaluation of internal control.* The Audit Committee, through the IAD, monitors and evaluates the adequacy and effectiveness of the Parent Bank's internal control framework, integrity of financial reporting, and security of physical assets. The Audit Committee ensures that periodic assessment of the internal control system is conducted to identify weaknesses and evaluates its robustness considering the risk profile and strategic direction of the Parent Bank.
- *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.
- *Oversight of the outsourced internal audit activities.* The Audit Committee oversees the performance of the internal audit service provider and ensures that they comply with sound internal auditing standards and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics.
- *Oversight of the whistle-blowing mechanism.* The Audit Committee oversees the establishment of a whistle-blowing mechanism in the Parent Bank by which officers and staff shall in confidence raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It also ensures that arrangements are in place for the independent investigation, appropriate follow-up, action and subsequent resolution of complaints.

In the performance of these functions, the Audit Committee is supported by the IAD. The Chief Audit Executive derives authority from and is directly accountable to the Audit Committee. However, administratively, the Chief Audit Executive reports to the President of the Parent Bank.

The IAD is entirely independent from all the other organizational units of the Parent 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 Parent 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 Parent Bank units where they perform audits, as well as other specialized services within or outside the Parent Bank.

The IAD presents its annual audit plan at the beginning of its fiscal year and after quarterly re-assessments 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.



To align with the Parent Bank's initiatives to become a transformed organization that is agile, IAD has undertaken transformation initiatives that embrace and thrive in a flexible, collaborative, self-organizing, and fast changing environment. IAD established its Agile Internal Audit Manifesto that shows its commitment to the agile ways of working and providing more relevant audit results to our audit clients.

Moreover, IAD acquired and implemented the GRC system that aims to integrate the operational risk management across the Parent Bank. IAD also implemented offsite audit and leveraged on the document management system of the Bank.

The Parent Bank's IAD has undergone the external quality assessment review in November 2019 and obtained the highest rating of "Generally Conforms". The review showed that the Parent 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 for ensuring the BOD's effectiveness and due observance of corporate governance principles and of oversight over the compliance risk management.

The CGC is composed of at least six (6) members of the BOD, majority of whom, including its Chairman, are independent directors.

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 Parent Bank.

In November 2018, the CGC assumed the functions of the Nominations Committee (NOMCOM), which includes reviewing the qualifications of and screening candidates for the BOD, key officers of the Parent Bank and nominees for independent directors and overseeing the implementation of programs for identifying, retaining and developing critical officers and the succession plan for various units in the organization, and the functions of the Compensation and Remuneration Committee (COMPREM), which includes overseeing implementation of the programs for salaries and benefits of directors and senior management, monitoring adequacy, effectiveness and consistency of the Parent Bank's compensation program vis-à-vis corporate philosophy and strategy.

The Parent Bank's CCGO assists the CGC in fulfilling its functions by apprising the same of (1) pertinent regulations and other issuances relating to compliance or corporate governance, (2) related issues affecting the various units of the Bank and the status of the corrective action plans, and (3) 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. Appropriate recommendations are discussed in the CGC based on such governance issues and practices.



- (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 Committee assists the BOD in the fulfillment of its corporate governance responsibilities on related party transactions by ensuring that the latter are transacted at arm's length terms. The Committee reviews and endorses the related party transactions to the BOD for approval or confirmation, depending on amounts involved.

The major risk types identified by the Group are discussed in the following sections:

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.

The Group and the Parent Bank considers concentration risk to be present when the total exposure to a particular industry exceeds 30.0% of the total exposure, which is similar to the BSP requirement. As of December 31, 2019 and 2018, the Group and the Parent Bank does not exceed the limit in any of its industry concentration.

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 exposures. The table below shows the breakdown of the Group's and the Parent Bank's exposure on receivable from customers and investments and placements as of December 31, 2019 and 2018:

	2019	
	Group	Parent Bank
Corporate loans	₱148,623,003	₱148,623,003
Commercial loans	67,059,401	67,059,401
Home loans	50,794,224	50,794,224
Salary loans	44,303,147	—

(Forward)



	2019	
	Group	Parent Bank
Other retail products	₱20,653,231	₱20,653,231
Other receivables from customers*	26,375,949	17,480,234
Total receivables from customers	357,808,955	304,610,093
Investments and placements	309,210,232	309,210,232
	₱667,019,187	₱613,820,325

*Comprised of HR loans, quick loans and Home Credit receivables

	2018	
	Group	Parent Bank
Corporate loans	₱129,064,051	₱129,064,051
Commercial loans	50,270,027	50,270,027
Home loans	37,039,884	37,039,884
Salary loans	46,925,598	–
Other retail products	17,985,972	17,985,972
Other receivables from customers	26,313,313	15,462,841
Total receivables from customers	307,598,845	249,822,775
Investments and placements	277,087,677	277,087,677
	₱584,686,522	₱526,910,452

Investments and Placements include Parent Bank's financial assets at amortized cost, financial assets at FVOCI, due from other banks, due from BSP and interbank loans receivable and the related accrued interest receivable amounting to ₱2.31 billion and ₱2.62 billion as of December 31, 2019 and 2018, respectively.

The following summarizes the Group's credit risk management practices and the relevant quantitative and qualitative financial information regarding the credit exposure according to portfolios:

Credit risk management practices and credit quality disclosures

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 obligor risk rating master scale.

The Parent Bank transitioned to a new internal rating system in 2018 and currently utilizes a single rating system for both Corporate and Commercial accounts.

The new rating system assesses default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Significant changes in the credit risk considering movements in credit rating, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 loan impairment standards.

Based on foregoing factors, each borrower is assigned a Borrower Risk Rating (BRR), from AAA to D. In addition to the BRR, the Parent Bank assigns a loan exposure rating (LER), a 100-point system which consists 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 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.

The description of each credit quality grouping for the credit scores is explained further as follows:

High Quality Grade - These accounts are of the highest quality and are likely to meet financial obligations.

Standard Grade - These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.

Substandard Grade - These accounts are vulnerable to non-payment but for which default has not yet occurred.

Non-Performing - These refer to accounts which are in default or those that demonstrate objective evidence of impairment.

Below is the breakdown of the Parent Bank's corporate loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2019 and 2018:

Credit Score	Masterscale	December 31, 2019			Total
		Stage 1	Stage 2	Stage 3	
Amounts					
<i>High Quality Grade</i>					
AAA to A-	1	₱-	₱-	₱-	₱-
BBB+	2	9,294,307	-	-	9,294,307
BBB	3	5,280,700	-	-	5,280,700
BBB- to BB+	4	62,485,268	-	-	62,485,268
<i>Standard Grade</i>					
BB to BB-	5	29,064,215	-	-	₱29,064,215
B+	6	18,476,877	-	-	18,476,877
B to B-	7	10,088,965	-	-	10,088,965
CCC+ to CCC	8	13,703,879	-	-	13,703,879
<i>Substandard Grade</i>					
Lower than CCC	9	141,223	-	-	141,223
<i>Non-Performing</i>					
Default	10	-	-	87,569	87,569
		₱148,535,434	₱-	₱87,569	₱148,623,003



		December 31, 2018			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
<i>High Quality Grade</i>					
AAA to A-	1	₱-	₱-	₱-	₱-
BBB+	2	-	-	-	-
BBB	3	23,058,039	-	-	23,058,039
BBB- to BB+	4	49,352,486	-	-	49,352,486
<i>Standard Grade</i>					
BB to BB-	5	13,356,771	-	-	13,356,771
B+	6	25,909,875	-	-	25,909,875
B to B-	7	5,196,673	-	-	5,196,673
CCC+ to CCC	8	10,936,341	-	-	10,936,341
<i>Substandard Grade</i>					
Lower than CCC	9	1,172,921	-	-	1,172,921
<i>Non-Performing</i>					
Default	10	-	-	80,945	80,945
		₱128,983,106	₱-	₱80,945	₱129,064,051

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.

In 2019, non-financial ComBank accounts use an adjusted obligor rating scale derived from the one applied for corporate loans, and follows the same RAAC framework, while ComBank accounts classified as banks and NBFIs are still rated using the 2018 rating scale.

Below is the breakdown of the Parent Bank's commercial loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2019 and 2018 for financial and non-financial institutions:

Financial Institutions

		December 31, 2019			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
<i>High Quality Grade</i>					
AAA to A-	1	₱-	₱-	₱-	₱-
BBB+	2	-	-	-	-
BBB-	3	-	-	-	-
BBB- to BB+	4	752,525	-	-	752,525
<i>Standard Grade</i>					
BB to BB-	5	3,262,842	-	-	3,262,842
B+	6	500,280	-	-	500,280
B to B-	7	12,383,270	-	-	12,383,270
CCC+ to CCC	8	273,292	-	-	273,292
<i>Substandard Grade</i>					
Lower than CCC	9	125,898	-	-	125,898
<i>Non-Performing</i>					
Default	10	-	-	-	-
		₱17,298,107	₱-	₱-	₱17,298,107



Non-financial Institutions

		December 31, 2019			
		Amounts			
Masterscale		Stage 1	Stage 2	Stage 3	Total
1		P-	P-	P-	P-
2		-	-	-	-
3		6,123,078	-	-	6,123,078
4		4,137,269	-	-	4,137,269
5		10,843,787	-	-	10,843,787
6		10,068,926	-	-	10,068,926
7		7,298,001	-	-	7,298,001
8		6,659,372	-	-	6,659,372
9		1,916,217	11,469	-	1,927,686
10		-	-	2,703,175	2,703,175
		₱47,046,650	₱11,469	₱2,703,175	₱49,761,294

Financial and Non-financial Institutions

		December 31, 2018			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
<i>High Quality Grade</i>					
AAA to A-	1	P-	P-	P-	P-
BBB+	2	-	-	-	-
BBB-	3	1,149,059	-	-	1,149,059
BBB- to BB+	4	5,954,268	-	-	5,954,268
<i>Standard Grade</i>					
BB to BB-	5	11,134,892	8,222	-	11,143,114
B+	6	6,091,270	4,348	-	6,095,618
B to B-	7	15,440,687	-	-	15,440,687
<i>Substandard Grade</i>					
CCC+ to CCC	8	5,450,233	-	-	5,450,233
Lower than CCC	9	2,711,796	1,361	-	2,713,157
<i>Non-Performing</i>					
Default	10	-	-	2,323,891	2,323,891
		₱47,932,205	₱13,931	₱2,323,891	₱50,270,027

Retail Financial Products

The consumer loan portfolio of the Parent Bank is composed of four main product lines, namely: Home Loans, Credit Cards, Auto Loans, and Business Line Loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses. Scoring models have been revised and fine-tuned while data analytics have been enhanced to improve portfolio quality and product offers.

On the other hand, CSB, an accredited lending institution of 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.

The Retail products' respective masterscale is defined by the credit scoring models, which consider demographic variables and behavioral performance, to segment the portfolio according to risk masterscale per product. The stages are defined by the approved Significant Increase in Credit Risk (SICR) for Retail which takes into account the following: NPL status, months on books, and credit score rating for Application Score (point of application) and Behavior Score (monthly credit performance).

In 2019, given the different scorecards per portfolio for other retail products, the ratings also differ. For Credit Cards, ratings range from 1 to 7 excluding default rating, while for Business Line, ratings range from 1 to 6, and for Auto Loans ratings range from 1 to 5. For disclosure purposes, these portfolios were combined under 'Other Retail Products'.

In 2018, Credit Cards, Business Line, and Auto Loans have ratings ranging from 1 to 7.

Below is the breakdown of the Parent Bank's major retail portfolio loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2019 and 2018:

Home Loans

December 31, 2019				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱1,873,719	₱-	₱-	₱1,873,719
2	5,847,222	-	-	5,847,222
3	6,639,245	-	-	6,639,245
4	25,249,877	-	-	25,249,877
5	2,591,691	-	-	2,591,691
6	3,331,346	268,952	-	3,600,298
7	1,925,602	924,881	-	2,850,483
Default	-	-	2,141,689	2,141,689
	₱47,458,702	₱1,193,833	₱2,141,689	₱50,794,224

December 31, 2018				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱8,695,257	₱-	₱-	₱8,695,257
2	17,523,071	-	-	17,523,071
3	813,094	13,409	-	826,503
4	8,288,335	358,815	-	8,647,150
5	276,668	23,574	-	300,242
6	128,949	-	-	128,949
Default	-	-	918,712	918,712
	₱35,725,374	₱395,798	₱918,712	₱37,039,884



Parent Bank's Other Retail Products (Credit Cards, Business Line, and Auto Loans)

December 31, 2019				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱2,586,012	₱2	₱-	₱2,586,014
2	796,811	-	-	796,811
3	2,694,775	90	-	2,694,865
4	3,991,774	2,518	-	3,994,292
5	3,404,519	10,786	-	3,415,305
6	3,027,415	79,336	-	3,106,751
7	856,157	267,281	-	1,123,438
Default	-	-	2,935,755	2,935,755
	₱17,357,463	₱360,013	₱2,935,755	₱20,653,231

December 31, 2018				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱4,074,079	₱1,298	₱-	₱4,075,377
2	530,576	1,406	-	531,982
3	2,337,962	3,069	-	2,341,031
4	1,981,767	8,856	-	1,990,623
5	643,088	1,731	-	644,819
6	5,575,088	40,885	-	5,615,973
Default	-	-	2,786,167	2,786,167
	₱15,142,560	₱57,245	₱2,786,167	₱17,985,972

Salary Loans

For salary loans, each borrower is assigned a credit score with E as minimal risk, D as low risk, C as moderate risk, B as average risk and A as high risk.

The description of each credit quality grouping for the credit scores is explained further as follows:

High grade (minimal to low risk) - These are receivables which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the security on the receivables is readily enforceable.

Standard grade (moderate to average risk) - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but with experience of default.

Substandard (high risk) - Accounts classified as "Substandard" are individual credits or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. There exists in such accounts the possibility of future loss to the Bank unless given closer supervision. Those classified as "Substandard" must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.



Below is the breakdown of CSB's salary loans exposure (outstanding balance and accrued interest receivable) by credit score as of December 31, 2019 and 2018:

Credit Score	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
D to E	₱42,618,304	₱-	₱-	₱42,618,304
B to C	-	181,216	-	181,216
A	-	67,551	-	67,551
Default	-	-	1,436,076	1,436,076
	₱42,618,304	₱248,767	₱1,436,076	₱44,303,147

Credit Score	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
D to E	₱44,980,585	₱-	₱-	₱44,980,585
B to C	79,300	48,665	-	127,965
A	-	196,721	-	196,721
Default	-	-	1,620,327	1,620,327
	₱45,059,885	₱245,386	₱1,620,327	₱46,925,598

Other receivables from customers

Other receivables from customers of the Group and the Parent Bank include small portfolios such as, with respect to the Parent Bank, (i) personal loans, (ii) HR loans, (iii) bills purchase and (iv) customer liabilities under acceptance, (v) home credit receivables and (vi) contingents, and, with respect to the subsidiaries, (i) personal loans, and (ii) motorcycle loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses.

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.

Each product was risk rated using techniques appropriate to the Group's and Parent Bank's credit experience. Such methods consider the payment history that are reflected in aging, delinquency, and/or change in rating. These provide the bases for the ECL stage determination.

The description of each groupings according to stage is explained further as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, does not demonstrate significant increase in credit risk.

Stage 2 - those that are considered more 30 days past due but does not demonstrate objective evidence of impairment as of reporting date, and, based on change in rating, delinquencies and payment history, demonstrates significant increase in credit risk.

Stage 3 - Those that are considered default or demonstrates objective evidence of impairment as of reporting date.



Below is a summary as of December 31, 2019 and 2018 of the Group's and Parent Bank's other receivables from customers.

December 31, 2019				
Amounts				
	Stage 1	Stage 2	Stage 3	Total
Group	₱23,430,905	₱573,550	₱2,371,494	₱26,375,949
Parent Bank	16,291,795	42,469	1,145,970	17,480,234

December 31, 2018				
Amounts				
	Stage 1	Stage 2	Stage 3	Total
Group	₱21,621,870	₱522,472	₱4,168,971	₱26,313,313
Parent Bank	12,883,798	42,477	2,536,566	15,462,841

Investments and Placements

Investments and placements include financial assets at amortized cost, debt financial assets through other comprehensive income, due from BSP, interbank loans receivable and due from other banks. Each has established credit risk guidelines and systems for managing credit risk across all businesses.

In 2019, the rating scale for Investments and placements was enhanced in line with sovereign and corporate securities' default experiences. Below is a breakdown of the Group's and the Parent Bank's investments and placements (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2019 and 2018:

Sovereign

December 31, 2019				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱5,107,419	₱-	₱-	₱5,107,419
2	-	-	-	-
3	-	-	-	-
4	9,208,281	-	-	9,208,281
5	724,160	-	-	724,160
6	12,196,427	-	-	12,196,427
7	-	-	-	-
8	4,007,025	-	-	4,007,025
9	94,167,518	-	-	94,167,518
10	-	-	-	-
11	-	719,370	-	719,370
12	8,890,002	-	-	8,890,002
13	-	2,939,437	-	2,939,437
14	-	-	-	-
15	-	-	-	-
16	-	-	-	-
Default	-	-	-	-
	₱134,300,832	₱3,658,807	₱-	₱137,959,639



Corporate

December 31, 2019				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P52,934	P-	P-	P52,934
2	55,769,526	-	-	55,769,526
3	-	-	-	-
4	18,709,865	-	-	18,709,865
5	7,481,020	-	-	7,481,020
6	21,162,758	-	-	21,162,758
7	67,945,332	-	-	67,945,332
8	663	-	-	663
9	27,607	-	-	27,607
10	55,454	-	-	55,454
11	-	-	-	-
12	-	-	-	-
13	45,434	-	-	45,434
Default	-	-	-	-
	P171,250,593	P-	P-	P171,250,593

Total Investments and Placements

December 31, 2018				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P241,253,745	P-	P-	P241,253,745
2	19,231,715	-	-	19,231,715
3	-	-	-	-
4	139,811	747,721	-	887,532
5	13,212,059	-	-	13,212,059
6	2,457,192	-	-	2,457,192
7	-	-	-	-
8	45,434	-	-	45,434
9	-	-	-	-
Default	-	-	-	-
	P276,339,956	P747,721	P-	P277,087,677

Analysis of movements of gross carrying amounts

Movements in 2019 and 2018 for total receivables from customers follow. The balances presented include the related accrued interest receivables:

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	P294,464,999	P1,234,832	P11,899,014	P307,598,845
Newly originated assets that remained in Stage 1 as at December 31, 2019	199,705,775	-	-	199,705,775
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	516,559	1,629,028	2,145,587
Movements in receivable balance (excluding write-offs)	(147,651,225)	125,453	(1,789,261)	(149,315,033)
Amounts written-off	-	-	(2,326,219)	(2,326,219)

(Forward)



	2019			
	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 1	₱927,098	(₱266,982)	(₱660,116)	₱-
Transfers to Stage 2	(1,389,907)	1,539,728	(149,821)	-
Transfers to Stage 3	(2,333,136)	(761,957)	3,095,093	-
Balance at end of year	₱343,723,604	₱2,387,633	₱11,697,718	₱357,808,955

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱259,607,532	₱1,718,411	₱10,479,027	₱271,804,970
Due to consolidation	7,393,104	475,695	637,412	8,506,211
Newly originated assets that remained in Stage 1 as at December 31, 2018	154,566,141	-	-	154,566,141
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	-	323,678	770,097	1,093,775
Movements in receivable balance (excluding write-offs)	(124,993,207)	(808,783)	(1,359,369)	(127,161,359)
Amounts written-off	-	-	(1,210,893)	(1,210,893)
Transfers to Stage 1	1,256,425	(667,775)	(588,650)	-
Transfers to Stage 2	(882,016)	906,153	(24,137)	-
Transfers to Stage 3	(2,482,980)	(712,547)	3,195,527	-
Balance at end of year	₱294,464,999	₱1,234,832	₱11,899,014	₱307,598,845

The breakdown of movements in 2019 and 2018 for total receivables from customers follow:

Corporate Loans - Group and Parent Bank

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱128,983,106	₱-	₱80,945	₱129,064,051
Newly originated assets that remained in Stage 1 as at December 31, 2019	65,803,649	-	-	65,803,649
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	-	8,625	8,625
Movements in receivable balance (excluding write-offs)	(46,237,801)	-	(15,521)	(46,253,322)
Transfers to Stage 3	(13,520)	-	13,520	-
Balance at end of year	₱148,535,434	₱-	₱87,569	₱148,623,003

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱117,639,496	₱-	₱87,445	₱117,726,941
Newly originated assets that remained in Stage 1 as at December 31, 2018	35,354,954	-	-	35,354,954
Movements in receivable balance (excluding write-offs)	(24,011,344)	-	(6,500)	(24,017,844)
Balances at end of year	₱128,983,106	₱-	₱80,945	₱129,064,051

In 2019 and 2018, there were no write-offs of corporate loans. In 2018, there were no transfers between stages for corporate loans.



Commercial Loans - Group and Parent Bank

	2019			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱47,932,205	₱13,931	₱2,323,891	₱50,270,027
Newly originated assets that remained in Stage 1 as at December 31, 2019	57,079,204	–	–	57,079,204
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	431,281	431,281
Movements in receivable balance (excluding write-offs)	(40,601,448)	(9,473)	(110,190)	(40,721,111)
Transfers to Stage 1	19,079	(4,752)	(14,327)	–
Transfers to Stage 2	–	13,124	(13,124)	–
Transfers to Stage 3	(84,283)	(1,361)	85,644	–
Balances at end of year	₱64,344,757	₱11,469	₱2,703,175	₱67,059,401

	2018			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱41,093,594	₱220,910	₱1,896,868	₱43,211,372
Newly originated assets that remained in Stage 1 as at December 31, 2018	42,541,317	–	–	42,541,317
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	4,274	384,309	388,583
Movements in receivable balance (excluding write-offs)	(35,663,206)	(181,537)	(26,502)	(35,871,245)
Transfers to Stage 1	66,799	(6,724)	(60,075)	–
Transfers to Stage 3	(106,299)	(22,992)	129,291	–
Balances at end of year	₱47,932,205	₱13,931	₱2,323,891	₱50,270,027

In 2019 and 2018, there were no write-offs of commercial loans.

Home Loans - Group and Parent Bank

	2019			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱35,725,374	₱395,798	₱918,712	₱37,039,884
Newly originated assets that remained in Stage 1 as at December 31, 2019	18,106,389	–	–	18,106,389
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	15,329	229,800	245,129
Movements in receivable balance (excluding write-offs)	(4,142,822)	(143,843)	(310,513)	(4,597,178)
Transfers to Stage 1	247,939	(117,403)	(130,536)	–
Transfers to Stage 2	(1,163,862)	1,199,688	(35,826)	–
Transfers to Stage 3	(1,314,316)	(155,736)	1,470,052	–
Balances at end of year	₱47,458,702	₱1,193,833	₱2,141,689	₱50,794,224



	2018			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱25,598,593	₱708,457	₱1,053,633	₱27,360,683
Newly originated assets that remained in Stage 1 as at December 31, 2018	13,622,721	–	–	13,622,721
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	252,244	62,750	314,994
Movements in receivable balance (excluding write-offs)	(3,767,526)	(50,686)	(440,302)	(4,258,514)
Transfers to Stage 1	760,610	(516,843)	(243,767)	–
Transfers to Stage 2	(108,488)	113,538	(5,050)	–
Transfers to Stage 3	(380,536)	(110,912)	491,448	–
Balances at end of year	₱35,725,374	₱395,798	₱918,712	₱37,039,884

In 2019 and 2018, there were no write-offs of home loans.

Other Retail Products - Group and Parent Bank

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱15,142,559	₱57,245	₱2,786,168	₱17,985,972
Newly originated assets that remained in Stage 1 as at December 31, 2019	4,232,182	–	–	4,232,182
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	97,139	587,224	684,363
Movements in receivable balance (excluding write-offs)	(1,114,759)	10,207	(345,132)	(1,449,684)
Amounts written-off	–	–	(799,602)	(799,602)
Transfers to Stage 1	68,447	(6,736)	(61,711)	–
Transfers to Stage 2	(203,323)	207,558	(4,235)	–
Transfers to Stage 3	(767,643)	(5,400)	773,043	–
Balance at end of year	₱17,357,463	₱360,013	₱2,935,755	₱20,653,231

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱12,478,941	₱34,518	₱2,454,917	₱14,968,376
Newly originated assets that remained in Stage 1 as at December 31, 2018	4,424,327	–	–	4,424,327
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	40,910	254,043	294,953
Movements in receivable balance (excluding write-offs)	(1,190,964)	(20,932)	(213,095)	(1,424,991)
Amounts written-off	–	–	(276,693)	(276,693)
Transfers to Stage 1	49,245	(15,542)	(33,703)	–
Transfers to Stage 2	(24,804)	24,918	(114)	–
Transfers to Stage 3	(594,186)	(6,627)	600,813	–
Balance at end of year	₱15,142,559	₱57,245	₱2,786,168	₱17,985,972



Salary Loans - Group

	2019			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱45,059,885	₱245,386	₱1,620,327	₱46,925,598
Newly originated assets that remained in Stage 1 as at December 31, 2019	41,790,387	–	–	41,790,387
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	148,339	35,313	183,652
Movements in receivable balance (excluding write-offs)	(44,810,184)	(1,098,215)	1,403,350	(44,505,049)
Amounts written-off	–	–	(91,441)	(91,441)
Transfers to Stage 1	581,952	(137,951)	(444,001)	–
Transfers to Stage 2	(869)	92,889	(92,020)	–
Transfers to Stage 3	(2,867)	998,319	(995,452)	–
Balance at end of year	₱42,618,304	₱248,767	₱1,436,076	₱44,303,147

	2018			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱51,806,928	₱656,074	₱2,058,982	₱54,521,984
Newly originated assets that remained in Stage 1 as at December 31, 2018	46,617,864	–	–	46,617,864
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	1,159	143	1,302
Movements in receivable balance (excluding write-offs)	(52,512,248)	(391,971)	(461,886)	(53,366,105)
Amounts written-off	–	–	(849,447)	(849,447)
Transfers to Stage 1	162,675	(61,852)	(100,823)	–
Transfers to Stage 2	(263,640)	265,807	(2,167)	–
Transfers to Stage 3	(751,694)	(223,831)	975,525	–
Balance at end of year	₱45,059,885	₱245,386	₱1,620,327	₱46,925,598

Other Receivables from Customers

Other receivables from customers include HR loans, quick loans and home credit receivables.

Group

	2019			Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of year	₱21,621,870	₱522,472	₱4,168,971	₱ 26,313,313
Newly originated assets that remained in Stage 1 as at December 31, 2019	12,693,964	–	–	12,693,964
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	255,752	336,785	592,537
Movements in receivable balance (excluding write-offs)	(10,722,249)	1,366,775	(2,433,215)	(11,788,689)
Amounts written-off	–	–	(1,435,176)	(1,435,176)

(Forward)



	2019			
	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 1	9,681	(140)	(9,541)	–
Transfers to Stage 2	(21,853)	26,470	(4,617)	–
Transfers to Stage 3	(150,508)	(1,597,779)	1,748,287	–
Balance at end of year	₱23,430,905	₱573,550	₱2,371,494	₱ 26,375,949

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱10,989,980	₱98,452	₱2,927,182	₱14,015,614
Due to consolidation	7,393,104	475,695	637,412	8,506,211
Newly originated assets that remained in Stage 1 as at December 31, 2018	12,004,958	–	–	12,004,958
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	25,091	68,852	93,943
Movements in receivable balance (excluding write-offs)	(7,847,919)	(163,657)	(211,084)	(8,222,660)
Amounts written-off	–	–	(84,753)	(84,753)
Transfers to Stage 1	217,096	(66,814)	(150,282)	–
Transfers to Stage 2	(485,084)	501,890	(16,806)	–
Transfers to Stage 3	(650,265)	(348,185)	998,450	–
Balance at end of year	₱21,621,870	₱522,472	₱4,168,971	₱26,313,313

Parent Bank

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱12,883,798	₱42,477	₱2,536,566	₱15,462,841
Newly originated assets that remained in Stage 1 as at December 31, 2019	8,068,933	–	–	8,068,933
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	23,459	62,299	85,758
Movements in receivable balance (excluding write-offs)	(4,629,808)	(28,176)	(167,350)	(4,825,334)
Amounts written-off	–	–	(1,311,964)	(1,311,964)
Transfers to Stage 1	1,883	–	(1,883)	–
Transfers to Stage 2	(7,358)	11,571	(4,213)	–
Transfers to Stage 3	(25,653)	(6,862)	32,515	–
Balance at end of year	₱16,291,795	₱42,469	₱1,145,970	₱17,480,234

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱6,931,864	₱33,321	₱2,581,898	₱9,547,083
Newly originated assets that remained in Stage 1 as at December 31, 2018	9,853,577	–	–	9,853,577
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	25,070	68,821	93,891
Movements in receivable balance (excluding write-offs)	(3,883,555)	(8,517)	(102,556)	(3,994,628)
Amounts written-off	–	–	(37,082)	(37,082)
Transfers to Stage 1	16,572	(14,509)	(2,063)	–
Transfers to Stage 2	(14,177)	14,668	(491)	–
Transfers to Stage 3	(20,483)	(7,556)	28,039	–
Balance at end of year	₱12,883,798	₱42,477	₱2,536,566	₱15,462,841



Movements in 2019 and 2018 for investments and placements follow. The balances presented include accrued interest receivables:

Investments and Placements

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱276,339,956	₱747,721	₱-	₱277,087,677
Newly originated assets that remained in Stage 1 as at December 31, 2019	169,811,052	-	-	169,811,052
Movements in the balance (excluding write-offs)	(137,546,725)	(141,772)	-	(137,688,497)
Transfers to Stage 2	(3,052,858)	3,052,858	-	-
Balance at end of year	₱305,551,425	₱3,658,807	₱-	₱309,210,232

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱285,786,101	₱-	₱-	₱285,786,101
Newly originated assets that remained in Stage 1 as at December 31, 2018	130,226,329	-	-	130,226,329
Movements in the balance (excluding write-offs)	(138,961,794)	37,041	-	(138,924,753)
Transfers to Stage 2	(710,680)	710,680	-	-
Balance at end of year	₱276,339,956	₱747,721	₱-	₱277,087,677

In 2019 and 2018, there were no write-offs of investments and placements.

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 and the Parent Bank against loans and other receivables as of December 31, 2019 and 2018 is shown below:

	Group				
	Exposure before collateral	Property	Deposits	Others	Exposure after financial effect of collateral
As of December 31, 2019	₱402,997,555	₱34,007,524	₱653,388	₱12,932,426	₱355,404,217
As of December 31, 2018	₱335,802,301	₱31,702,972	₱595,409	₱11,506,779	₱291,997,141

	Parent Bank				
	Exposure before collateral	Property	Deposits	Others	Exposure after financial effect of collateral
As of December 31, 2019	₱339,333,193	₱33,117,833	₱533,150	₱12,406,131	₱293,276,079
As of December 31, 2018	₱265,732,284	₱30,797,902	₱507,031	₱11,506,779	₱222,920,572

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.



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 financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the contractual date on which the asset will be realized and the liability will be settled. For financial assets at FVTPL, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the expected date the assets will be realized (amounts in millions).

	Group						Total
	2019	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	
<i>Financial assets</i>							
Cash and other cash items	₱8,581	₱-	₱-	₱-	₱-	₱-	₱8,581
Due from BSP	73,750	-	-	-	-	-	73,750
Due from other banks	73,676	-	-	-	-	-	73,676
Interbank loans receivable	-	213	-	-	-	-	213
	156,007	213	-	-	-	-	156,220
<i>Financial assets at FVTPL</i>							
Derivative assets	-	124	94	15	-	173	406
Debt securities	-	4,760	-	-	-	-	4,760
Equity securities	-	2,700	-	-	-	-	2,700
<i>Financial assets at FVOCI</i>							
Debt securities	-	2,625	-	2	95	4,138	6,860
Equity securities	-	-	-	-	-	42	42
<i>Financial assets at amortized cost</i>							
	-	1,255	1,135	1,759	4,149	285,537	293,835
	-	11,464	1,229	1,776	4,244	289,890	308,603
Loans and other receivables	43	85,182	33,861	30,502	32,866	265,844	448,298
Other receivables	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	6,122	6,122
Accrued interest receivable	-	4,981	-	-	-	-	4,981
Sales contract receivable	-	26	51	71	128	2,132	2,408
	43	90,189	33,912	30,573	32,994	274,098	461,809
<i>Other financial assets</i>							
Returned checks and other cash items	-	399	-	-	-	-	399
Sundry debits	-	29	-	-	-	-	29
	-	428	-	-	-	-	428
Total assets	₱156,050	₱102,294	₱35,141	₱32,349	₱37,238	₱563,988	₱927,060
<i>Non-derivative liabilities</i>							
<i>Deposit liabilities</i>							
Demand	₱136,289	₱-	₱-	₱-	₱-	₱-	₱136,289
Savings	73,727	-	-	-	-	-	73,727
Time and LTNCD	311	173,298	68,266	3,272	2,540	30,233	277,920
	210,327	173,298	68,266	3,272	2,540	30,233	487,936
Bills payable	-	56,578	36,944	488	8,995	3,669	106,674
Notes and bonds payable	-	-	7,491	646	11,741	27,139	47,017
Manager's checks	8,536	-	-	-	-	-	8,536
Accrued interest payable	-	1,214	-	-	-	-	1,214
Accounts payable	-	8,106	-	-	-	-	8,106
Other liabilities	-	8,301	-	-	-	1,081	9,382
	218,863	247,497	112,701	4,406	23,276	62,122	668,865
<i>Derivative Liabilities</i>							
	-	169	117	26	3	115	430
Total liabilities	₱218,863	₱247,666	₱112,818	₱4,432	₱23,279	₱62,237	₱669,295



	Group						Total
	2018						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	
<i>Financial assets</i>							
Cash and other cash items	₱10,917	₱-	₱-	₱-	₱-	₱-	₱10,917
Due from BSP	56,511	-	-	-	-	-	56,511
Due from other banks	14,942	-	-	-	-	-	14,942
Interbank loans receivable	-	-	-	-	-	-	-
	82,370	-	-	-	-	-	82,370
<i>Financial assets at FVTPL</i>							
Derivative assets	9	196	89	18	16	50	378
Debt securities	-	5,219	-	-	-	-	5,219
Equity securities	-	2,690	-	-	-	-	2,690
<i>Financial assets at FVOCI</i>							
Debt securities	-	9	41	390	1,431	9,883	11,754
Equity securities	-	-	-	-	-	53	53
<i>Financial assets at amortized cost</i>							
	-	1,243	1,570	4,611	5,904	378,690	392,018
	9	9,357	1,700	5,019	7,351	388,676	412,112
Loans and other receivables	43	42,266	30,217	24,223	26,641	240,761	364,151
<i>Other receivables</i>							
Accounts receivable	-	-	-	-	-	4,711	4,711
Accrued interest receivable	-	5,081	-	-	-	-	5,081
Sales contract receivable	-	24	46	68	135	1,248	1,521
	43	47,371	30,263	24,291	26,776	246,720	375,464
<i>Other financial assets</i>							
Returned checks and other cash items	-	509	-	-	-	-	509
Sundry debits	-	145	-	-	-	-	145
	-	654	-	-	-	-	654
Total assets	₱82,422	₱57,382	₱31,963	₱29,310	₱34,127	₱635,396	₱870,600
<i>Non-derivative liabilities</i>							
<i>Deposit liabilities</i>							
Demand	₱119,253	₱-	₱-	₱-	₱-	₱-	₱119,253
Savings	67,348	-	-	-	-	-	67,348
Time and LTNCD	341	130,740	61,218	9,644	6,160	33,053	241,156
	186,942	130,740	61,218	9,644	6,160	33,053	427,757
Bills payable	-	58,326	13,483	970	15,844	4,275	92,898
Notes and bonds payable	-	37	291	738	1,029	48,089	50,184
Manager's checks	9,417	-	-	-	-	-	9,417
Accrued interest payable	-	1,369	-	-	-	-	1,369
Accounts payable	-	3,956	-	-	-	-	3,956
Other liabilities	-	4,308	-	-	-	234	4,542
	196,359	198,736	74,992	11,352	23,033	85,651	590,123
<i>Derivative liabilities</i>	-	335	31	21	23	-	410
Total liabilities	₱196,359	₱199,071	₱75,023	₱11,373	₱23,056	₱85,651	₱590,533

	Parent Bank						Total
	2019						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	
<i>Financial assets</i>							
Cash and other cash items	₱7,832	₱-	₱-	₱-	₱-	₱-	₱7,832
Due from BSP	67,798	-	-	-	-	-	67,798
Due from other banks	71,497	-	-	-	-	-	71,497
Interbank loans receivable	-	213	-	-	-	-	213
	147,127	213	-	-	-	-	147,340
<i>Financial assets at FVTPL</i>							
Derivative assets	-	124	94	15	-	172	405
Debt securities	-	4,760	-	-	-	-	4,760
Equity securities	-	2,700	-	-	-	-	2,700
<i>Financial assets at FVOCI</i>							
Debt securities	-	2,625	-	2	95	4,138	6,860
Equity securities	-	-	-	-	-	42	42
<i>Financial assets at amortized cost</i>							
	-	1,255	1,135	1,759	4,149	285,537	293,835
	-	11,464	1,229	1,776	4,244	289,889	308,602
Loans and other receivables	43	85,182	33,861	30,502	32,866	265,844	448,298
<i>Other receivables</i>							
Accounts receivable	-	-	-	-	-	6,122	6,122
Accrued interest receivable	-	4,981	-	-	-	-	4,981
Sales contract receivable	-	26	51	71	128	2,132	2,408
	43	90,189	33,912	30,573	32,994	274,098	461,809

(Forward)



	Parent Bank						
	2019						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
Other financial assets							
Returned checks and other cash items	P-	P399	P-	P-	P-	P-	P399
Sundry debits	-	29	-	-	-	-	29
	-	428	-	-	-	-	428
Total assets	P147,170	P102,294	P35,141	P32,349	P37,238	P563,987	P918,179
<i>Non-derivative liabilities</i>							
Deposit liabilities							
Demand	P137,357	P-	P-	P-	P-	P-	P137,357
Savings	68,830	-	-	-	-	-	68,830
Time and LTNCD	180	141,238	67,619	2,465	1,342	20,702	233,546
	206,367	141,238	67,619	2,465	1,342	20,702	439,733
Bills payable	-	55,573	33,923	11	-	3,668	93,175
Notes and bonds payable	-	-	7,491	620	11,716	27,023	46,850
Manager's checks	8,536	-	-	-	-	-	8,536
Accrued interest payable	-	1,082	-	-	-	-	1,082
Accounts payable	-	3,788	-	-	-	-	3,788
Other liabilities	-	7,688	-	-	-	1,081	8,769
	214,903	209,369	109,033	3,096	13,058	52,474	601,933
<i>Derivative liabilities</i>	-	169	117	26	3	115	430
Total liabilities	P214,903	P209,538	P109,150	P3,122	P13,061	P52,589	P602,363
	Parent Bank						
	2018						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
<i>Financial assets</i>							
Cash and other cash items	P10,335	P-	P-	P-	P-	P-	P10,335
Due from BSP	52,961	-	-	-	-	-	52,961
Due from other banks	11,550	-	-	-	-	-	11,550
Interbank loans receivable	-	-	-	-	-	-	-
	74,846	-	-	-	-	-	74,846
Financial assets at FVTPL							
Derivative assets	9	196	89	18	16	50	378
Debt securities	-	5,219	-	-	-	-	5,219
Equity securities	-	2,632	-	-	-	-	2,632
Financial assets at FVOCI							
Debt securities	-	-	41	390	1,431	9,883	11,745
Equity securities	-	-	-	-	-	44	44
Financial assets at amortized cost	-	1,243	1,570	4,611	5,904	378,690	392,018
	9	9,290	1,700	5,019	7,351	388,667	412,036
Loans and other receivables	-	41,405	28,618	21,448	20,108	183,347	294,926
Other receivables							
Accounts receivable	-	-	-	-	-	1,761	1,761
Accrued interest receivable	-	4,459	-	-	-	-	4,459
Sales contract receivable	-	24	46	68	135	1,171	1,444
	-	45,888	28,664	21,516	20,243	186,279	302,590
Other financial assets							
Returned checks and other cash items	-	508,709	-	-	-	-	508,709
Sundry debits	-	145,438	-	-	-	-	145,438
	-	654,147	-	-	-	-	654,147
Total assets	P74,855	P709,325	P30,364	P26,535	P27,594	P574,946	P1,443,619
<i>Non-derivative liabilities</i>							
Deposit liabilities							
Demand	P119,847	P-	P-	P-	P-	P-	P119,847
Savings	64,080	-	-	-	-	-	64,080
Time and LTNCD	279	110,834	57,969	7,742	3,367	20,562	200,753
	184,206	110,834	57,969	7,742	3,367	20,562	384,680
Bills payable	-	49,702	12,512	5	1,362	1,866	65,447
Notes and bonds payable	-	-	291	734	1,025	47,922	49,972
Manager's checks	9,417	-	-	-	-	-	9,417
Accrued interest payable	-	1,108	-	-	-	-	1,108
Accounts payable	-	3,256	-	-	-	-	3,256
Other liabilities	-	4,303	-	-	-	234	4,537
	193,623	169,203	70,772	8,481	5,754	70,584	518,417
<i>Derivative liabilities</i>	-	335	31	21	23	-	410
Total liabilities	P193,623	P169,538	P70,803	P8,502	P5,777	P70,584	P518,827



BSP ReportingLiquidity Coverage Ratio (LCR)

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with Basel III framework. The LCR is calculated as the ratio of stock of high quality liquid assets (HQLA) over the total net cash outflows over the next 30 calendar days, which should not be lower than 100%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019. The Group is required to disclose information related to the liquidity coverage ratio (LCR) in a single currency and on solo and consolidated basis starting year 2019.

The Group's and the Parent Bank's LCR as of December 31, 2019 follows (amounts in millions):

	Group	Parent Bank
Total HQLA	₱176,297	₱163,482
Total net cash outflows	134,821	122,561
LCR Ratio	130.76%	133.39%

Net Stable Funding Ratio (NSFR)

On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR). The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set from July 1 to December 31, 2018. Effective, January 1, 2019, banks shall comply with the prescribed minimum ratio of 100%. As of December 31, 2019 and 2018, the NSFR was at 106.26% and 113.12%, respectively, for the Group, and 108.05% and 109.29%, respectively, for the Parent Bank.

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 Parent Bank 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 Parent Bank uses the historical 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 have the same distribution as they had in the past. This involves running the portfolio across



a set of historical price changes, thus creating a distribution of changes in portfolio value which may or may not be normal. The historical approach does not make any assumptions regarding the distribution of the risk factors and therefore can accommodate any type of distribution.

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 Parent Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the Parent Bank's VaR model.

Since VaR is an integral part of the Parent Bank'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 Parent Bank.

A summary of the Parent Bank's VaR position at December 31, 2019 and 2018 follows (amounts in millions of Philippine pesos):

	Foreign Exchange	Interest Rate	Equity	Total VaR
2019	₱18.7	₱269.6	₱149.2	₱437.5
Average daily	15.8	686.6	166.6	869.0
Highest	43.3	1,127.5	201.5	1,305.8
Lowest	3.1	159.1	149.2	330.6
2018	₱15.9	₱377.9	₱198.4	₱592.2
Average daily	13.1	129.4	198.8	341.2
Highest	86.5	990.0	206.1	1,282.6
Lowest	1.9	–	187.6	189.5

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.

Interest Rate Risk

Interest rate risk in the banking book (IRRBB) is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of the Bank's assets, liabilities and off-balance sheet items, and hence its economic value. On the other hand, changes in interest rates also affect the Bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII).

The Group employs "gap analysis" to measure rate-sensitivity of the income and expenses, also known as Earnings-at-Risk (EaR). This sensitivity analysis is performed at least every month. 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 Bank uses a moving 1-year rolling basis points (bps) assumption, based on movements of actual key policy rates in the last year, with a floor of 100 bps to ensure a minimum level of prudence, as per Basel. 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 2019			Total
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	P157,842	P20,358	P215,181	P393,381
Placements	73,888	-	73,750	147,638
Investments	2,530	250	172,002	174,782
	234,260	20,608	460,933	715,801
<i>Liabilities</i>				
Deposit liabilities	246,694	2,530	235,112	484,336
Bills payable	96,741	3,733	4,614	105,088
Notes and bonds payable	7,200	11,014	31,118	49,332
	350,635	17,277	270,844	638,756
Asset-Liability Gap	(P116,375)	P3,331	P190,089	P77,045

	Group 2018			Total
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	
<i>Resources</i>				
Loans	P102,018	P17,300	P206,881	P326,199
Placements	14,942	-	56,511	71,453
Investments	3,821	949	213,502	218,272
	120,781	18,249	476,894	615,924
<i>Liabilities</i>				
Deposit liabilities	200,442	5,782	214,479	420,703
Bills payable	72,467	14,972	3,525	90,964
Notes and bonds payable	37	150	44,335	44,522
	272,946	20,904	262,339	556,189
Asset-Liability Gap	(P152,165)	(P2,655)	P214,555	P59,735



Parent Bank				
2019				
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	Total
<i>Resources</i>				
Loans	₱141,924	₱11,566	₱179,408	₱332,898
Placements	71,710	–	67,798	139,508
Investments	2,530	250	171,953	174,733
	216,164	11,816	419,159	647,139
<i>Liabilities</i>				
Deposit liabilities	213,434	1,249	224,271	438,954
Bills payable	90,753	–	1,396	92,149
Notes and bonds payable	7,200	10,865	31,118	49,183
	311,387	12,114	256,785	580,286
Asset-Liability Gap	(₱95,223)	(₱298)	₱162,374	₱66,853

Parent Bank				
2018				
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	Total
<i>Resources</i>				
Loans	₱85,622	₱6,558	₱166,231	₱258,411
Placements	11,550	–	52,961	64,511
Investments	3,812	949	213,445	218,206
	100,984	7,507	432,637	541,128
<i>Liabilities</i>				
Deposit liabilities	175,699	3,233	201,778	380,710
Bills payable	61,955	1,315	1,454	64,724
Notes and bonds payable	–	–	44,335	44,335
	237,654	4,548	247,567	489,769
Asset-Liability Gap	(₱136,670)	₱2,959	₱185,070	₱51,359

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.

Additionally, the Bank performs an EAR stress test on a quarterly basis. EAR stress testing involves subjecting the total interest rate sensitive assets and liabilities within 1 year to probable interest rate movements, assuming parallel and non-parallel shifts in the yield curve.

To supplement the EAR, the Bank also measures interest rate risk using the Economic Value of Equity (EVE) method at least every month. EVE gauges the impact of interest rate changes on fair market value of assets, liabilities and equity. While EAR measures the changes in value in the short term, EVE reflects changes in value over the remaining life of the bank's assets and liabilities. EVE is measured as a percentage against qualifying capital.

The Bank's risk management program includes measuring and monitoring the risks associated with fluctuations in market interest rates on the its net interest income and capital ensuring that the exposures in interest rates are kept within acceptable limits.



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):

Increase (decrease) in interest rates (in basis points)	Group		Parent Bank	
	100	(100)	100	(100)
2019				
Change in annualized net interest income	(₱1,144)	₱1,144	(₱1,139)	₱1,139
As a percentage of net interest income	(5.12%)	5.12%	(6.85%)	6.85%
2018				
Change in annualized net interest income	(₱1,623)	₱1,623	(₱1,392)	₱1,392
As a percentage of net interest income	(9.3%)	9.3%	(9.8%)	9.8%

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.

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 the Parent Bank as to foreign currency-denominated balances, translated to Philippine pesos as of December 31, 2019 and 2018 is shown below:

	2019		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱932,881	₱964,563	₱1,897,444
Due from other banks	69,617,555	1,484,563	71,102,118
Interbank loans receivable	–	213,062	213,062
Financial assets at FVTPL	4,262,053	419	4,262,472
Financial assets at FVOCI	2,585,640	–	2,585,640
Financial assets at amortized cost	92,139,645	1,773,489	93,913,134
Loans and other receivables	15,347,068	86,533	15,433,601
	184,884,842	4,522,629	189,407,471
<i>Liabilities:</i>			
Deposit liabilities	94,091,461	3,079,565	97,171,026
Bills payable	77,115,803	13,462	77,129,265
Notes and bonds payable	25,317,500	–	25,317,500
Derivative liabilities	65,017	1,045	66,062
Accrued interest and other expenses	452,953	346	453,299
Other liabilities	2,938,096	159,102	3,097,198
	199,980,830	3,253,520	203,234,350
Currency swaps and forwards	14,734,696	(1,252,162)	13,482,534
Net exposure	(₱361,292)	₱16,947	(₱344,345)



	Group		
	2018		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱2,684,743	₱757,251	₱3,441,994
Due from other banks	8,711,992	1,819,838	10,531,830
Financial assets at FVTPL	1,911,742	–	1,911,742
Financial assets at FVOCI	5,123,978	–	5,123,978
Financial assets at amortized cost	138,214,218	1,873,269	140,087,487
Loans and other receivables	12,603,289	63,554	12,666,843
	169,249,962	4,513,912	173,763,874
<i>Liabilities:</i>			
Deposit liabilities	99,109,399	3,371,657	102,481,056
Bills payable	46,692,300	8,003	46,700,303
Notes and bonds payable	26,233,746	–	26,233,746
Derivative liabilities	10,499	–	10,499
Accrued interest and other expenses	483,756	489	484,245
Other liabilities	1,134,354	158,461	1,292,815
	173,664,054	3,538,610	177,202,664
Currency swaps and forwards	5,229,482	(1,058,691)	4,170,791
Net exposure	₱815,390	(₱83,389)	₱732,001

	Parent Bank		
	2019		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱931,287	₱964,563	₱1,895,850
Due from other banks	69,536,843	1,484,563	71,021,406
Interbank loans receivables	–	213,062	213,062
Financial assets at FVTPL	4,262,053	419	4,262,472
Financial assets at FVOCI	2,585,640	–	2,585,640
Financial assets at amortized cost	92,139,645	1,773,489	93,913,134
Loans and other receivables	15,346,997	86,533	15,433,530
	184,802,465	4,522,629	189,325,094
<i>Liabilities:</i>			
Deposit liabilities	94,091,461	3,079,565	97,171,026
Bills payable	77,115,803	13,462	77,129,265
Notes and bonds payable	25,317,500	–	25,317,500
Derivative liabilities	65,017	1,045	66,062
Accrued interest and other expenses	452,953	346	453,299
Other liabilities	2,938,096	159,102	3,097,198
	199,980,830	3,253,520	203,234,350
Currency swaps and forwards	14,734,696	(1,252,162)	13,482,534
Net exposure	(₱443,669)	₱16,947	(₱426,722)



	Parent Bank		
	2018		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱2,684,743	₱757,251	₱3,441,994
Due from other banks	8,711,992	1,819,838	10,531,830
Financial assets at FVTPL	1,911,742	–	1,911,742
Financial assets at FVOCI	5,123,978	–	5,123,978
Financial assets at amortized cost	138,214,218	1,873,269	140,087,487
Loans and other receivables	12,603,289	63,554	12,666,843
	169,249,962	4,513,912	173,763,874
<i>Liabilities:</i>			
Deposit liabilities	99,109,399	3,371,657	102,481,056
Bills payable	46,692,300	8,003	46,700,303
Notes and bonds payable	26,233,746	–	26,233,746
Derivative liabilities	10,499	–	10,499
Accrued interest and other expenses	483,756	489	484,245
Other liabilities	1,134,354	158,461	1,292,815
	173,664,054	3,538,610	177,202,664
Currency swaps and forwards	5,229,482	(1,058,691)	4,170,791
Net exposure	₱815,390	(₱83,389)	₱732,001

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 table illustrates the sensitivity of the net results and capital funds to the changes in foreign exchange rates on the Parent Bank'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 Parent Bank's foreign currency-denominated financial instruments held at each reporting date, including currency swaps and forwards.

	2019		2018	
	% Change	Effect on Net Profit For the Year	% Change	Effect on Net Profit For the Year
U.S. dollars	1.0%	(4,437)	1.0%	7,591
Japanese yen	1.5%	864	1.5%	1
Euros	1.5%	(543)	1.5%	(428)
Others	1.3%	(235)	1.3%	(637)

Operational Risk

BSP Circular 900, Guidelines on Operational Risk Management, serve as the groundwork for the Bank's Operational Risk Management (ORM) framework. This is to standardize the approach undertaken by the Bank in order to facilitate consistently strong ORM practices across the organization.

Operational risk is defined as the risk of loss arising from direct or indirect loss from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Direct loss being the result primarily from an operational failure while an indirect loss relates to the impact of operational risk on other risks such as market, credit or liquidity risk.



Each specific unit of the Bank has its roles and responsibilities in the management of operational risk and these are clearly stated in the ORM 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. Key to the effective implementation of the operational risk management framework is a governance structure that transparently defines the lines of responsibility from the BOD down to the Business and Functional Units level.

An ORMC 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 ORM, 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 risk evaluation. As part of the product and systems approval process, product owners and 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 (7) 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.

Legal Risk and Regulatory Risk Management

Legal risk pertains to the Parent Bank's exposure to losses arising from cases decided not in favor of the Parent Bank where significant legal costs have already been incurred, or in some instances, where the Parent Bank may be required to pay damages. The Parent Bank is often involved in litigation in enforcing its collection rights under loan agreements in case of borrower default. The Parent Bank may incur significant legal expenses as a result of these events, but the Parent Bank may still end up with non-collection or non-enforcement of claims. The Parent 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 Parent 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 Parent Bank.

Regulatory compliance risk refers to the potential risk for the Parent Bank to suffer financial loss due to changes in the laws, monetary, tax or other governmental regulations of the country. The monitoring of the Parent 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 Parent 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

Regulatory Capital

As the Parent Bank's regulator, the BSP sets and monitors capital requirements of the Parent Bank.

In implementing current capital requirements, the BSP requires the Group and the Parent 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.

On November 29, 2018, the BSP amended the requirements of Subsection X115.1 of the Manual for Regulations for Banks (MORB) through BSP Circular No. 1024. The amendment requires the Group and the Parent Bank to maintain, with respect to the CET 1 requirement, in addition to the minimum, the following capital buffers:

- (a) Capital conservation buffer (CCB) of 2.5%; and
- (b) Countercyclical capital buffer (CCyB) of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed to 2.5%.

The Group's and the Parent Bank's regulatory capital position as of December 31, 2019 and 2018, as reported to the BSP, follow (amounts in millions):

	Group		Parent Bank	
	2019	2018	2019	2018
Common Equity Tier 1 Capital				
Paid-up common stock	₱12,176	₱12,171	₱12,176	₱12,171
Additional paid in capital	14,172	14,145	14,172	14,145
Surplus free	55,725	51,071	56,183	52,476
Undivided profits	13,226	6,712	13,601	6,590
Other comprehensive income	(1,023)	(1,086)	(908)	(1,099)
Minority interest in financial allied subsidiary	522	539	-	-
Sub-total	94,798	83,552	95,224	84,283
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	268	250	240	173
Deferred income tax	5,626	4,888	4,897	3,767
Goodwill	13,650	14,071	7,887	7,887
Other intangible assets	1,539	1,182	1,084	942

(Forward)



	Group		Parent Bank	
	2019	2018	2019	2018
Defined benefit pension fund assets	₱25	₱-	₱17	₱-
Un-booked valuation reserves	2,464	1,886	2,048	1,624
Investments in equity of consolidated subsidiary banks and quasi banks, and other financial allied undertakings	-	-	20,577	18,833
Other equity investments in non-financial allied and non-allied undertakings	-	656	-	656
Total regulatory adjustments to Common Equity				
Tier 1 capital	23,572	22,933	36,750	33,882
Total Common Equity Tier 1 capital	71,226	60,619	58,474	50,401
Total Tier 1 capital	₱71,226	₱60,619	₱58,474	₱50,401
Tier 2 Capital				
General loan loss provision	₱4,005	₱4,417	₱3,078	₱4,141
Unsecured subordinated debt	7,200	7,200	7,200	7,200
Total Tier 2 capital	11,205	11,617	10,278	11,341
Net Tier 1 capital	71,226	60,619	58,474	50,401
Net Tier 2 capital	11,205	11,617	10,278	11,341
Total qualifying capital	82,431	72,236	68,752	61,742
Credit risk-weighted assets	486,279	428,373	420,835	362,102
Market risk-weighted assets	10,002	9,121	10,002	9,121
Operational risk-weighted assets	41,750	38,234	29,050	25,424
Total risk-weighted assets	₱538,031	₱475,728	₱459,887	₱396,647
Capital ratios:				
Total regulatory capital expressed as percentage of total risk weighted assets	15.32%	15.18%	14.95%	15.57%
Total Tier 1 expressed as percentage of total risk-weighted assets	13.24%	12.74%	12.71%	12.71%
Total Common Equity Tier 1 expressed as percentage of total risk-weighted assets	13.24%	12.74%	12.71%	12.71%
Conservation buffer	7.24%	6.74%	6.71%	6.71%

The Group and the Parent Bank have 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 (amounts in millions):

	Group		Parent Bank	
	2019	2018	2019	2018
On-books assets	₱468,659	₱420,680	₱403,215	₱354,409
Off-books assets	10,961	2,628	10,961	2,628
Counterparty risk-weighted assets in the banking books	6,115	4,563	6,115	4,563
assets in the trading books	544	502	544	502
Total Credit Risk-Weighted Assets	₱486,279	₱428,373	₱420,835	₱362,102
Capital Requirements	₱48,628	₱42,837	₱42,084	₱36,210
Interest rate exposures	₱3,714	3,272	₱3,714	3,272
Equity exposures	5,123	5,024	5,123	5,024
Foreign exchange exposures	1,165	825	1,165	825
Total Market Risk-Weighted Assets	₱10,002	₱9,121	₱10,002	₱9,121
Capital Requirements	₱1,000	₱912	₱1,000	₱912
Total Operational Risk-Weighted Assets - Basic indicator	₱41,750	₱38,234	₱29,050	₱25,424
Capital Requirements	₱4,175	₱3,823	₱2,905	₱2,542



The total credit exposure broken down by type of exposures and risk weights follow (amounts in millions):

	Group					Total Weighted Assets
	2019					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
Risk-Weighted On-Books Assets						
Cash on hand	₱8,369	₱8,369	₱8,369	₱-	₱-	₱-
Checks and other cash items	121	121	121	-	-	24
Due from BSP	73,779	73,779	73,779	-	-	-
Due from other banks	73,760	73,760	71,491	2,269	-	32,671
Financial assets at FVTPL	49	49	-	49	-	49
Financial assets at FVOCI	5,840	5,840	5,734	106	-	106
Financial assets at amortized cost	165,551	165,112	126,365	38,747	-	57,121
Loans and receivables	349,392	349,184	9,939	333,051	6,194	344,951
SPURRA	34,774	6,955	6,955	-	-	-
Sales contract receivable (SCR)	₱1,339	₱1,339	₱-	₱363	₱976	₱1,827
ROPA	5,698	5,698	-	-	5,698	8,548
Other assets	23,512	23,512	152	23,360	-	23,360
Total risk-weighted on-books assets not covered by CRM	742,184	713,718	302,905	397,945	12,868	468,657
Total risk-weighted on-books assets covered by CRM	-	28,466	28,464	2	-	2
	₱742,184	₱742,184	₱331,369	₱397,947	₱12,868	₱468,659
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱1,710	₱-	₱-	₱1,710	₱-	₱1,710
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	3,120	-	-	1,560	-	1,560
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	₱38,456	₱-	₱-	₱7,691	₱-	₱7,691
	₱43,286	₱-	₱-	₱10,961	₱-	₱10,961
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱72,382	₱12,035	₱10,337	₱1,698	₱-	₱6,115
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱1,198	₱130	₱71	₱59	₱-	₱95
Exchange Rate Contracts	56,660	793	623	170	-	449
Total	₱57,858	₱923	₱694	₱229	₱-	₱544



	Group 2018					Total Weighted Assets
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
Risk-Weighted On-Books Assets						
Cash on hand	₱10,847	₱10,847	₱10,847	₱–	₱–	₱–
Checks and other cash items	67	67	67	–	–	13
Due from BSP	56,519	56,519	56,519	–	–	–
Due from other banks	14,925	14,925	10,899	4,026	–	9,124
Financial assets at FVTPL	1	1	–	1	–	1
Financial assets at FVOCI	9,838	9,050	5,447	3,603	–	4,007
Financial assets at amortized cost	204,463	201,515	154,395	47,120	–	83,305
Loans and receivables	299,223	299,045	7,910	284,945	6,190	295,970
SPURRA	18,882	3,776	3,776	–	–	–
Sales contract receivable (SCR)	1,513	1,513	–	373	1,140	2,084
ROPA	4,736	4,736	–	–	4,736	7,104
Other assets	17,809	17,809	160	17,649	–	17,649
Total risk-weighted on-books assets not covered by CRM	638,823	619,803	250,020	357,717	12,066	419,257
Total risk-weighted on-books assets covered by CRM	–	19,020	19,012	8	–	1,423
	₱638,823	₱638,823	₱269,032	₱357,725	₱12,066	₱420,680
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱977	₱–	₱–	₱977	₱–	₱977
Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	1,851	–	–	925	–	925
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	3,629	–	–	726	–	726
	₱6,457	₱–	₱–	₱2,628	₱–	₱2,628
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱48,182	₱9,543	₱9,543	₱–	₱–	₱4,563
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱526	₱–	₱–	₱–	₱–	₱–
Exchange Rate Contracts	44,207	761	492	269	–	502
Total	₱44,733	₱761	₱492	₱269	₱–	₱502



	Parent Bank					Total Weighted Assets
	2019					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
Risk-Weighted On-Books Assets						
Cash on hand	₱7,832	₱7,832	₱7,832	₱-	₱-	₱-
Due from BSP	67,824	67,824	67,824	-	-	-
Due from other banks	71,497	71,497	71,228	269	-	30,540
Financial assets through other comprehensive income	5,831	5,831	5,734	97	-	97
Financial assets at amortized cost	165,503	165,064	126,353	38,711	-	57,085
Loans and receivables	298,121	298,001	9,937	284,431	3,633	292,521
SPURRA	28,447	5,689	5,689	-	-	-
SCR	1,331	1,331	-	355	976	1,819
ROPA	4,214	4,214	-	-	4,214	6,321
Other assets	14,830	14,830	-	14,830	-	14,830
Total risk-weighted on-books assets not covered by CRM	665,430	642,113	294,597	338,693	8,823	403,213
Total risk-weighted on-books assets covered by CRM	-	23,317	23,315	2	-	2
	₱665,430	₱665,430	₱317,912	₱338,695	₱8,823	₱403,215
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱1,710	₱-	₱-	₱1,710	₱-	₱1,710
Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	3,120	-	-	1,560	-	1,560
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	₱38,456	₱-	₱-	₱7,691	₱-	₱7,691
	₱43,286	₱-	₱-	₱10,961	₱-	₱10,961
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱72,382	₱12,035	₱10,337	₱1,698	₱-	₱6,115
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱1,198	₱130	₱71	₱59	₱-	₱95
Exchange Rate Contracts	56,660	793	623	170	-	449
Total	₱57,858	₱923	₱694	₱229	₱-	₱544



	Parent Bank					Total Weighted Assets
	2018					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	
Risk-Weighted On-Books Assets						
Cash on hand	₱10,335	₱10,335	₱10,335	₱-	₱-	₱-
Due from BSP	52,967	52,967	52,967	-	-	-
Due from other banks	11,550	11,550	10,588	962	-	5,905
Financial assets through other comprehensive income	9,829	9,041	5,447	3,594	-	3,998
Financial assets at amortized cost	204,084	201,136	154,364	46,772	-	82,957
Loans and receivables	244,090	243,912	7,910	231,496	4,506	240,205
SPURRA	10,000	2,000	2,000	-	-	-
SCR	1,435	1,435	-	294	1,141	2,005
ROPA	4,371	4,371	-	-	4,371	6,556
Other assets	11,358	11,358	-	11,358	-	11,358
Total risk-weighted on-books assets not covered by CRM	560,019	548,105	243,611	294,476	10,018	352,984
Total risk-weighted on-books assets covered by CRM	-	11,914	11,906	8	-	1,425
	₱560,019	₱560,019	₱255,517	₱294,484	₱10,018	₱354,409
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱977	₱-	₱-	₱977	₱-	₱977
Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	1,852	-	-	925	-	925
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	3,629	-	-	726	-	726
	₱6,458	₱-	₱-	₱2,628	₱-	₱2,628
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱48,182	₱9,543	₱9,543	₱-	₱-	₱4,563
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱526	₱-	₱-	₱-	₱-	₱-
Exchange Rate Contracts	44,207	761	492	269	-	502
Total	₱44,733	₱761	₱492	₱269	₱-	₱502

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.

Minimum Capital Requirement

Under the relevant provisions of current BSP regulations, the required minimum capitalization of a universal bank is ₱20.0 billion both as of December 31, 2019 and 2018. As of those dates, the Bank is in compliance with these regulations.



Basel III Leverage Ratio (BLR)

BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The details of the BLR as of December 31, 2019 and 2018 follow (amounts in millions, except for percentages):

	Consolidated		Parent Bank	
	2019	2018	2019	2018
Tier 1 Capital	₱71,226	₱60,619	₱58,474	₱50,402
Exposure Measure	764,787	654,622	688,449	576,075
BLR	9.31%	9.26%	8.49%	8.75%

Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items.

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 Parent 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 Group's risk philosophy, risk appetite, and risk governance framework and structure, and integrates these with: (a) the Group's strategic objectives and long-term strategies; (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.

On January 4, 2018, the BSP issued Circular No. 989 which mandates the conduct of stress testing exercise of banks. The Group's ICAAP Document considered the impacts of severe but plausible scenarios on the Group's capital position. The results are thoroughly discussed during RMC 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 Group 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 III, and their interface with PFRS.

The Group's ICAAP Document is subjected each year to an independent review by the Internal Audit Division (IAD) to provide reasonable assurance that the Group has met the regulatory requirements. For the 2019 ICAAP Document submission, the results of the audit assessment were presented to the Audit Committee and the BOD.

Based on IAD's assessment of the ICAAP document, its related supporting documents, and existing processes and structures, IAD reported that the Group 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 2019, Parent Bank's ICAAP Document was submitted to the BSP on March 27, 2019.

6. Segment Reporting

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 presented below.

(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, 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.

Analysis of Segment Information

Segment information of the Group as of and for the years ended December 31, 2019, 2018 and 2017 follow (amounts in millions):

	Consumer Banking	Corporate and Commercial Banking	Treasury	Headquarters	Total
December 31, 2019					
Results of operations					
Net interest income and other income	₱15,279	₱6,810	₱14,476	₱116	₱36,681
Other expenses	(8,813)	(2,044)	(1,687)	(7,781)	(20,325)
Income before credit losses and income tax	₱6,466	₱4,766	₱12,789	(₱7,665)	16,356
Provision for credit losses					(1,857)
Tax expense					(495)
Net income					₱14,004
Segment resources	₱177,147	₱255,308	₱279,820	₱58,513	₱770,788
Segment liabilities	₱283,771	₱135,677	₱183,904	₱69,419	₱672,771
Other information:					
Depreciation and amortization	₱714	₱14	₱15	₱635	₱1,378
Capital expenditures	377	491	12	1,667	2,547
December 31, 2018					
Results of operations (as restated - Note 2)					
Net interest income and other income	₱12,752	₱5,560	₱4,947	₱2,214	₱25,473
Other expenses	(7,221)	(1,809)	(1,439)	(6,234)	(16,703)
Income before credit losses and income tax	₱5,531	₱3,751	₱3,508	(4,020)	8,770
Provision for credit losses					(856)
Tax expense					(1,040)
Net income					₱6,874
Segment resources (as restated - Note 2)	₱160,639	₱218,001	₱255,622	₱35,250	₱669,512
Segment liabilities (as restated - Note 2)	₱251,495	₱134,105	₱137,054	₱60,168	₱582,822
Other information:					
Depreciation and amortization (as restated - Note 2)	₱269	₱29	₱12	₱806	₱1,116
Capital expenditures	426	142	47	1,714	2,329



Segment Reporting and Fair Value Measurement and Offsetting of Financial Assets and Financial Liabilities

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	Consumer Banking	Corporate and Commercial Banking	Treasury	Headquarters	Total
December 31, 2017					
Results of operations (as restated - Note 2)					
Net interest income and other income	₱13,262	₱4,897	₱4,452	₱2,497	₱25,108
Other expenses	(6,743)	(1,475)	(1,183)	(4,675)	(14,076)
Income before credit losses and income tax	₱6,519	₱3,422	₱3,269	(₱2,178)	11,032
Provision for credit losses					(876)
Tax expense					(2,244)
Net income					₱7,912
Segment resources (as restated - Note 2)	₱152,942	₱190,458	₱250,591	₱23,611	₱617,602
Segment liabilities (as restated - Note 2)	₱248,330	₱127,347	₱123,078	₱49,333	₱548,088
Other information:					
Depreciation and amortization (as restated - Note 2)	₱269	₱34	₱6	₱680	₱989
Capital expenditures	450	135	14	646	1,245

7. Fair Value Measurement and Offsetting of Financial Assets and Financial Liabilities

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.

For assets and liabilities that are recognized at fair value in the statement of financial position on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

a) *Financial instruments measured at fair value*

Group

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱4,711,248	₱-	₱-	₱4,711,248
Equity securities	2,610,202	138,750	-	2,748,952
Derivative assets	-	358,351	47,850	406,201
Trust fund assets	1,716,214	-	-	1,716,214
Financial assets at FVOCI				
Debt securities	5,615,963	-	-	5,615,963
Equity securities	-	-	41,673	41,673
<i>Liabilities</i>				
Derivative liabilities	-	430,476	-	430,476
	December 31, 2018			
	Level 1	Level 2	Level 3	Total
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱5,218,769	₱-	₱-	₱5,218,769
Equity securities	2,569,908	120,490	-	2,690,398
Derivative assets	-	324,840	49,688	374,528
Trust fund assets	2,342,946	-	-	2,342,946
Financial assets at FVOCI				
Debt securities	9,762,403	-	-	9,762,403
Equity securities	-	-	52,637	52,637
<i>Liabilities</i>				
Derivative liabilities	-	407,037	-	407,037

Parent Bank

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱4,711,248	₱-	₱-	₱4,711,248
Equity securities	2,561,356	138,750	-	2,700,106
Derivative assets	-	358,351	47,850	406,201
Financial assets at FVOCI				
Debt securities	5,615,963	-	-	5,615,963
Equity securities	-	-	41,673	41,673
<i>Liabilities</i>				
Derivative liabilities	-	430,476	-	430,476



Fair Value Measurement and Offsetting of Financial Assets and Financial Liabilities

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	December 31, 2018			Total
	Level 1	Level 2	Level 3	
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱5,218,769	₱–	₱–	₱5,218,769
Equity securities	2,511,782	120,490	–	2,632,272
Derivative assets	–	324,840	49,688	374,528
Financial assets at FVOCI				
Debt securities	9,762,403	–	–	9,762,403
Equity securities	–	–	43,823	43,823
<i>Liabilities</i>				
Derivative liabilities	–	407,037	–	407,037

b) *Financial instruments measured at amortized cost and investment properties for which fair value is disclosed*

Group

	December 31, 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
Financial assets at amortized cost	₱161,664,369	₱169,695,933	₱–	₱–	₱169,695,933
Loans and other receivables	393,381,209	–	–	392,151,789	392,151,789
Investment properties	9,127,581	–	–	15,350,636	15,350,636
<i>Liabilities</i>					
Deposit liabilities	484,336,040	–	–	484,383,410	484,383,410
Bills payable	105,087,722	–	104,021,861	–	104,021,861
Notes and bonds payable	49,331,506	–	50,556,036	–	50,556,036

	December 31, 2018				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
Financial assets at amortized cost	₱200,173,730	₱179,655,178	₱–	₱–	₱179,655,178
Loans and other receivables	326,199,466	–	–	329,756,674	329,756,674
Investment properties	9,566,621	–	–	15,253,451	15,253,451
<i>Liabilities</i>					
Deposit liabilities	420,702,533	–	–	420,447,783	420,447,783
Bills payable	90,964,473	–	90,964,473	–	90,964,473
Notes and bonds payable	44,522,066	–	43,197,489	–	43,197,489

Parent Bank

	December 31, 2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
Financial assets at amortized cost	₱161,664,369	₱169,695,933	₱–	₱–	₱169,695,933
Loans and other receivables	332,897,554	–	–	331,668,134	331,668,134
Investment properties	8,044,119	–	–	14,000,308	14,000,308
<i>Liabilities</i>					
Deposit liabilities	438,954,349	–	–	439,001,719	439,001,719
Bills payable	92,149,256	–	91,083,395	–	91,083,395
Notes and bonds payable	49,182,060	–	50,406,590	–	50,406,590

	December 31, 2018				
	Carrying Value	Level 1	Level 2	Level 3	Total
<i>Resources</i>					
Financial assets at amortized cost	₱200,173,730	₱179,655,178	₱–	₱–	₱179,655,178
Loans and other receivables	258,411,076	–	–	261,968,284	261,968,284
Investment properties	8,265,355	–	–	13,715,251	13,715,251
<i>Liabilities</i>					
Deposit liabilities	380,710,363	–	–	380,455,612	380,455,612
Bills payable	64,723,631	–	64,723,631	–	64,723,631
Notes and bonds payable	44,335,260	–	43,010,683	–	43,010,683



There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years. Certain disclosures required for financial instruments classified as Level 3 are not presented as these financial instruments are comprised of derivative assets and unquoted equity securities that are not material to the financial statements.

Below provided information about how the fair values of the Group's classes of financial instruments are determined.

(a) *For Cash and other cash items, Due from BSP and other banks, Interbank loans receivable and Returned checks and other cash items, and Other liabilities such as Manager's checks, Bills purchased, Accounts payable, Accrued interest payable, Payment orders payable and Due to Treasurer of the Philippines*, management considers that the carrying amounts approximate their fair value due to their short-term nature. Accordingly, these are not presented in the tables above.

(b) *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.

(c) *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). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

(d) *Equity securities*

Instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL. These securities are valued based on their closing prices published by the Philippine Stock Exchange.

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.

(e) *Loans and receivables, Deposit liabilities and Bills payable*

The Group 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.

(f) *Notes and bonds payable*

Fair values of notes and bonds payable under Level 2 are determined based on quoted prices at the close of business as appearing on PDEX and Bloomberg. These are classified as Level 2 due to absence of an active market.

(g) *Investment properties*

The fair values of the Group's investment properties are determined on the basis of the appraisals performed by internal appraisers (for investment properties with values below ₱5 million) and independent appraisal companies acceptable to the BSP (for investment properties with fair values above ₱5 million), 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 non-financial assets indicated above is their current use.

The fair values of investment properties are determined 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 property 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.

There has been no change to the valuation techniques used by the Group during the year for its investment properties.

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, 2019 and 2018 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.

	Group							
	December 31, 2019				December 31, 2018			
	Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Exposure	Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Exposure
	Financial Instruments	Collateral Received			Financial Instruments	Collateral Received		
Financial assets								
Derivative assets								
Currency forwards	₱233,731	₱121,064	₱-	₱112,667	₱324,840	₱161,815	₱-	₱163,025
Cross currency interest rate swaps	124,620	114,278	-	10,342	-	-	-	-
Loans and receivables	1,118,264	-	1,118,264	-	849,441	-	849,441	-
Total financial assets	₱1,476,615	₱235,342	₱1,118,264	₱123,009	₱1,174,281	₱161,815	₱849,441	₱163,025
Financial liabilities								
Derivative liabilities								
Currency forwards	₱315,577	₱121,064	₱-	₱194,513	₱407,037	₱161,815	₱-	₱245,222
Cross currency swaps	114,899	114,278	-	621	-	-	-	-
Deposit liabilities	1,753,248	-	1,118,264	634,984	1,294,209	-	849,441	444,768
Total financial liabilities	₱2,183,724	₱235,342	₱1,118,264	₱830,118	₱1,701,246	₱161,815	₱849,441	₱689,990



Fair Value Measurement, Offsetting of Financial Assets and Financial Liabilities and Cash Balances with the BSP

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	Parent Bank							
	December 31, 2019				December 31, 2018			
	Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Exposure	Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net Exposure
	Financial Instruments	Collateral Received			Financial Instruments	Collateral Received		
Financial assets								
Derivative assets								
Currency forwards	₱233,731	₱121,064	₱-	₱112,667	₱324,840	₱161,815	₱-	₱163,025
Cross currency interest rate swaps	124,620	114,278	-	10,342	-	-	-	-
Loans and receivables	1,068,126	-	1,068,126	-	794,541	-	794,541	-
Total financial assets	₱1,426,477	₱235,342	₱1,068,126	₱123,009	₱1,119,381	₱161,815	₱794,541	₱163,025
Financial liabilities								
Derivative liabilities								
Currency forwards	₱315,577	₱121,064	₱-	₱194,513	₱407,037	₱161,815	₱-	₱245,222
Cross currency swaps	114,899	114,278	-	621	-	-	-	-
Deposit liabilities	1,673,420	-	1,068,126	605,294	1,208,244	-	794,541	413,703
Total financial liabilities	₱2,103,896	₱235,342	₱1,068,126	₱800,428	₱1,615,281	₱161,815	₱794,541	₱658,925

8. Cash and Balances with the BSP

These accounts are composed of the following as of December 31:

	Group		Parent Bank	
	2019	2018	2019	2018
Cash and other cash items	₱8,580,709	₱10,916,533	₱7,832,302	₱10,334,793
Due from BSP				
Mandatory reserves	₱48,836,829	₱54,503,045	₱47,027,761	₱51,133,191
Non-mandatory reserves	24,912,984	2,007,656	20,770,657	1,828,235
	₱73,749,813	₱56,510,701	₱67,798,418	₱52,961,426

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 (see Note 21). Due from BSP bears annual interest rates ranging from 3.50% to 5.15% in 2019, from 2.50% to 4.90% in 2018, and from 0.00% to 3.50% in 2017, except for the amounts within the required reserve as determined by the BSP. Total interest income earned by the Group amounted to ₱63,730, ₱68,500, and ₱187,511 in 2019, 2018 and 2017 respectively, while the total interest income earned by the Parent Bank amounted to ₱38,644, ₱40,126, and ₱171,583 in 2019, 2018 and 2017, respectively.

Under Section 254 of the 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	
	2019	2018	2019	2018
Foreign banks	₱67,802,099	₱10,450,895	₱67,802,099	₱10,450,895
Local banks	5,873,610	4,491,318	3,695,127	1,099,271
	₱73,675,709	₱14,942,213	₱71,497,226	₱11,550,166

The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2019	2018	2019	2018
U.S. dollars	₱69,617,555	₱8,711,992	₱69,536,843	₱8,711,992
Philippine pesos	2,573,591	4,410,383	475,820	1,018,336
Other currencies	1,484,563	1,819,838	1,484,563	1,819,838
	₱73,675,709	₱14,942,213	₱71,497,226	₱11,550,166

Annual interest rates on these deposits range from 0.80% to 6.13% in 2019, from 0.00% to 6.80% in 2018 and from 0.00% to 3.00% in 2017. Total interest income on Due from other banks earned by the Group amounted to ₱124,356, ₱138,958 and ₱34,741 in 2019, 2018, and 2017, respectively, while total interest income earned by the Parent Bank amounted to ₱89,010, ₱108,662, and ₱24,068 in 2019, 2018 and 2017, respectively.

10. Interbank Loans Receivable

Interbank loans receivable consists of loans granted to other banks. These loans have terms ranging from 6 to 14 days in 2019 and from 1 to 28 days in 2018.

Interest income on interbank loans amounted to ₱247,478, ₱107,254, and ₱92,777 in 2019, 2018 and 2017, respectively, for the Group, and ₱247,039, ₱126,167 and ₱92,777 in 2019, 2018 and 2017, respectively, for the Parent Bank. Annual interest rates on interbank loans receivable range from 0.60% to 4.69% in 2019, from 1.10% to 4.90% in 2018, and from 0.50% to 3.10% in 2017.

11. Financial Assets at Fair Value through Profit or Loss

The Group's and Parent Bank's financial assets at FVTPL as of December 31, 2019 and 2018 consist of the following:

	Group		Parent Bank	
	2019	2018	2019	2018
Debt securities held for trading	₱4,711,248	₱5,218,769	₱4,711,248	₱5,218,769
Equity securities designated at FVTPL	2,748,952	2,690,398	2,700,106	2,632,272
Derivative assets	406,201	374,528	406,201	374,528
	₱7,866,401	₱8,283,695	₱7,817,555	₱8,225,569



The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2019	2018	2019	2018
Philippine pesos	₱3,603,929	₱6,371,953	₱3,555,083	₱6,313,827
U.S. dollars	4,262,053	1,911,742	4,262,053	1,911,742
Others	419	—	419	—
	₱7,866,401	₱8,283,695	₱7,817,555	₱8,225,569

The Group recognized fair value gains (losses) on financial assets at FVTPL amounting to ₱1,193,129, (₱105,752) and (₱6,260) in 2019, 2018 and 2017, respectively, while the Parent Bank recognized fair value gains (losses) on financial assets at FVTPL amounting to ₱1,193,129, (₱105,782) and (₱6,393) in 2019, 2018 and 2017, respectively, and included as part of Gains (losses) on trading and investment securities at FVTPL and FVOCI in the statements of income.

Interest income generated from these financial assets amounted to ₱423,688, ₱36,639, and ₱52,425 in 2019, 2018, and 2017, respectively, of both the Group and the Parent Bank. In 2019, annual interest rates on these financial assets range from 3.25% to 8.00% and from 1.63% to 9.63% for securities denominated in Philippine peso and U.S. dollars, respectively. In 2018, annual interest rates on these financial assets range from 3.4% to 8.0% and from 3.7% to 6.8% for securities denominated in Philippine peso and U.S. dollars, respectively.

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.

Equity securities include PSE listed securities and club shares.

The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and liabilities of the Group and the Parent Bank (see Note 24) are set out below.

	December 31, 2019		
	Notional Amount	Fair Values	
		Assets	Liabilities
Currency forwards			
Bought	₱40,131,600	₱4,620	₱314,913
Sold	22,704,773	229,111	664
Cross currency interest rate swaps			
Payer	531,668	68,252	62,273
Receiver	541,736	56,368	52,626
Warrants	4,557,150	47,850	—
	₱68,466,927	₱406,201	₱430,476

	December 31, 2018		
	Notional Amount	Fair Values	
		Assets	Liabilities
Currency forwards			
Bought	₱25,992,905	₱15,132	₱394,148
Sold	21,816,419	309,708	12,889
Warrants	4,732,200	49,688	—
	₱52,541,524	₱374,528	₱407,037



12. Financial Assets At Amortized Cost

The Group's and the Parent Bank's financial assets at amortized cost as of December 31, 2019 and 2018 consist of the following:

	2019	2018
Government bonds and other debt securities	₱159,921,013	₱200,008,312
Private bonds and commercial papers	1,856,760	182,556
	161,777,773	200,190,868
Allowance for impairment (Note 20)	(113,404)	(17,138)
	₱161,664,369	₱200,173,730

Investment securities of both the Group and the Parent Bank with an aggregate principal amount of ₱66,431,000 as of December 31, 2019 and ₱71,476,390 as of December 31, 2018 were pledged as collaterals for bills payable under repurchase agreements (see Note 22).

The breakdown of this account as to currency as of December 31, 2019 and 2018 follows:

	2019	2018
U.S. dollars	₱92,139,645	₱138,214,821
Philippine pesos	67,751,234	60,085,640
Others	1,773,490	1,873,269
	₱161,664,369	₱200,173,730

Financial assets at amortized cost denominated in Philippine pesos have fixed interest rates ranging from 3.375% to 18.250% per annum in 2019, 2018 and 2017, while financial assets at amortized cost denominated in U.S. dollars and Euros have fixed interest rates ranging from 2.250% to 9.625% per annum in 2019 and from 2.250% to 9.500% per annum both in 2018 and 2017. These bonds have maturities of until 31 years.

Interest income generated from these financial assets, including amortization of premium or discount, amounted to ₱9,138,830, ₱7,539,909, and ₱6,658,201 in 2019, 2018 and 2017, respectively, and is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statements of income.

In 2019, the Parent Bank sold investment securities classified as Investment securities at amortized cost with carrying amount of \$1,054.04 million (₱53.5 billion), resulting in gain totaling ₱7.07 billion (see Note 3). In 2018, The Parent Bank exchanged outstanding securities classified as Investment securities at amortized cost with total carrying amount of \$121.28 million (₱6.4 billion), resulting in Gain on sale of investment securities at amortized cost amounting to ₱152.2 million.

Government bonds with face value of ₱650,000 and ₱550,000 as of December 31, 2019, and 2018, respectively, are deposited with BSP as security for the Bank's faithful compliance with its fiduciary obligations (see Note 31).



13. Financial Assets at Fair Value Through Other Comprehensive Income

The Group's and the Parent Bank's financial assets at FVOCI as of December 31, 2019 and 2018 consist of the following:

	Group		Parent Bank	
	2019	2018	2019	2018
Debt securities:				
Government bonds	₱5,560,643	₱7,243,985	₱5,560,643	₱7,243,985
Private bonds and commercial papers	55,320	2,518,418	55,320	2,518,418
Equity securities	41,673	52,637	41,673	43,823
	₱5,657,636	₱9,815,040	₱5,657,636	₱9,806,226

The breakdown of this account as to currency as of December 31, 2019 and 2018 follows:

	Group		Parent Bank	
	2019	2018	2019	2018
U.S. dollars	₱2,585,640	₱5,123,978	₱2,585,640	₱5,123,978
Philippine pesos	3,071,996	4,691,062	3,071,996	4,682,248
	₱5,657,636	₱9,815,040	₱5,657,636	₱9,806,226

The Group has designated the above local equity securities as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. Unquoted equity securities pertain to golf club shares and investments in non-marketable equity securities.

Debt securities denominated in Philippines pesos have interest rates ranging from 5.75% to 8.00% per annum for 2019 and from 6.0% to 8.1% per annum in 2018, while debt securities denominated in U.S. dollars have interest rates ranging from 1.63% to 7.38% per annum in 2019 and 2.9% to 7.5% per annum in 2018. Interest income, including amortization of premium or discount, amounted to ₱353,060 and ₱296,250 in 2019 and 2018, respectively, and is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statements of income.

In 2019 and 2018, the Group and the Parent Bank recognized gains from the sale of investments securities at FVOCI amounting to ₱1.1 billion and ₱1.5 billion, respectively. The amounts are included under Gains (losses) on trading and investments securities at FVTPL and FVOCI in the statements of income.



14. Loans and Other Receivables

The Group's and the Parent Bank's loans and other receivables as of December 31, 2019 and 2018 consist of the following:

	Group		Parent Bank	
	December 31		December 31	
	2019	2018	2019	2018
Receivables from customers:				
Loans and discounts	₱343,432,112	₱298,082,575	₱290,281,029	₱240,928,253
Customers' liabilities under acceptances and trust receipts	6,846,490	4,371,148	6,846,490	4,371,149
Bills purchased	5,332,092	2,767,821	5,332,092	2,767,821
Accrued interest receivable	2,198,261	2,377,301	2,150,482	1,755,552
	357,808,955	307,598,845	304,610,093	249,822,775
Unearned discounts	(1,734,026)	(1,501,009)	(137,084)	(118,142)
Allowance for impairment (Note 20)	(6,871,905)	(7,434,714)	(5,307,190)	(6,548,520)
	349,203,024	298,663,122	299,165,819	243,156,113
Other receivables:				
SPURRA	34,773,704	18,882,000	28,446,976	10,000,000
Accounts receivable	6,460,989	4,710,897	2,389,877	1,760,976
Accrued interest receivable	2,453,309	2,703,873	2,448,627	2,703,873
Sales contracts receivable	1,448,587	1,522,261	1,437,620	1,444,660
UDSCL	46,322	377,623	-	-
Installment contracts receivable	5,689	6,802	-	-
	45,188,600	28,203,456	34,723,100	15,909,509
Allowance for impairment (Note 20)	(1,010,415)	(667,112)	(991,365)	(654,546)
	44,178,185	27,536,344	33,731,735	15,254,963
	₱393,381,209	₱326,199,466	₱332,897,554	₱258,411,076

Restructured loans of the Group amounted to ₱1,483,100 and ₱1,745,092 as of December 31, 2019, and 2018, respectively. Interest income on these restructured loans amounted to ₱11,942, ₱14,491, and ₱15,586 in 2019, 2018 and 2017, respectively.

The maturity profile of loans and other receivables (net of unearned discounts) follows:

	Group		Parent Bank	
	2019	2018	2019	2018
Less than one year	₱141,437,460	₱119,014,263	₱129,222,328	₱102,435,981
One year to less than five years	123,301,534	109,127,797	88,622,483	57,652,670
Beyond five years	136,524,535	106,159,232	121,351,298	105,525,491
	₱401,263,529	₱334,301,292	₱339,196,109	₱265,614,142

Loans and other receivables bear annual interest ranging from 4.00% to 18.00% in 2019, from 4.00% to 17.94% in 2018, and from 4.00% to 21.00% in 2017.



The breakdown of loans (receivable from customers excluding accrued interest receivable) as to type of interest rate follows:

	Group		Parent Bank	
	2019	2018	2019	2018
Variable interest rates	₱191,751,315	₱138,078,831	₱191,751,315	₱138,054,443
Fixed interest rates	163,859,379	167,142,713	110,708,296	110,012,780
	₱355,610,694	₱305,221,544	₱302,459,611	₱248,067,223

The amounts of interest income per type of loans and receivables for each reporting period are as follows:

	Group		
	2019	2018	2017
Receivables from customers	₱27,391,437	₱22,847,102	₱20,256,962
Other receivables:			
SPURRA	439,331	390,270	301,038
Sales contracts receivable	172,600	143,700	140,282
Installment contracts receivable	614	1,042	679
UDSCL	–	7,810	5,985
Others	31	51,786	76
	₱28,004,013	₱23,441,710	₱20,705,022

	Parent Bank		
	2019	2018	2017
Receivables from customers	₱18,885,639	₱14,774,556	₱11,355,974
Other receivables:			
SPURRA	185,145	126,947	155,847
Sales contracts receivable	166,339	137,003	140,282
	₱19,237,123	₱15,038,506	₱11,652,103

Loans and discounts amounting to ₱15,000,000, ₱18,000,000 and ₱19,046 as of December 31, 2019, 2018 and 2017, respectively, have been assigned to BSP to secure the Bank's borrowings under BSP rediscounting privileges (see Note 22).

15. Investments in Subsidiaries and Associates

Investment in Subsidiaries

This account in the Parent Bank's financial statements pertains to investments in the following subsidiaries, which are accounted for using the equity method:

	% Interest	2019	2018
Acquisition costs:			
CSB	99.79%	₱6,746,861	₱6,746,861
UIC	100%	712,361	624,861
UBX	100%	400,000	–
UBPSI	100%	5,000	5,000
UDC	100%	3,125	3,125
UBPIBI	100%	2,500	2,500
UCBC	100%	1,000	1,000
		₱7,870,847	₱7,383,347



The movement of investments in subsidiaries is shown below:

	2019	2018	2017
Acquisition costs:			
Beginning balances	₱7,383,347	₱7,381,600	₱7,379,755
Additional investments	487,500	1,747	1,845
	7,870,847	₱7,383,347	₱7,381,600
Accumulated equity in total comprehensive income:			
Beginning balances, as restated	11,517,277	9,715,896	6,674,249
Share in net profit (Note 28)	1,222,595	1,775,210	3,429,942
Share in other comprehensive income (loss) (Note 29)	(87,086)	26,171	(15,264)
	12,652,786	11,517,277	10,088,927
Net investment in subsidiaries	₱20,523,633	₱18,900,624	₱17,470,527

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.

Incorporation of UBX

On February 11, 2019, the BSP approved the Parent Bank's incorporation of UBX. The Parent Bank subscribed and paid ₱400.0 million for the capital stock of UBX.

In October 2018, UIC incorporated UBX SG. UBX then entered into a share purchase agreement with UIC, also a wholly owned subsidiary of the Parent Bank, to purchase 100 ordinary shares of UBX SG for a total consideration amounting to SGD100.

On May 9, 2019, UBX acquired 30% of Shiptek Solutions Corporation's (Shiptek) outstanding capital stock for a total consideration amounting to ₱80.0 million. Shiptek is incorporated in the Philippines to operate, conduct and maintain the business of developing, marketing, selling, distributing and/or licensing the logistics solution technology known as XLOG. Shiptek is accounted for as an investment in associate in the Group's financial statements.

On September 6, 2019, UBX acquired 35% of CC Mobile Financial Services Philippines, Inc. (CCPH) outstanding capital stock for a total consideration amounting to ₱50.0 million. CCPH was incorporated in the Philippines to engage in the business of a financing company by extending credit facilities, by discounting or factoring commercial paper or accounts receivable, by sales finance, by buying and selling contracts, leases, chattel mortgages, or other evidences of indebtedness, or by financial or operating leasing of movable as well as immovable property, and real estate mortgages, without engaging in quasi-banking functions or trust operations. CCPH is accounted for as an investment in associate in the Group's financial statements.

Acquisition of PR Savings Bank

As discussed in Note 1, in June 2018, CSB acquired 100% ownership of PR Savings Bank with par value of ₱10 per share or a total par value of ₱1,277.23 million. The transaction is accounted for as a business combination. The acquisition date, which is the final approval of the BSP, is on June 14, 2018. For convenience purposes, CSB used June 30, 2018 as the date of the business combination.



The total consideration for the acquisition of PR Savings Bank amounted to ₱7.02 billion, ₱300.00 million of which shall be released by CSB directly to a Joint Venture (JV) Company. As part of the other undertakings relevant to the SPA, the sellers shall cause the relevant Ropali Group entity to execute a joint venture agreement with CSB to form an incorporated JV Company within one year from closing date or such longer period as the parties may agree upon in writing. The JV Company shall engage in motorcycle dealership. The parties agree that the remaining balance of ₱300.00 million shall be utilized exclusively to fund the capital subscription of the relevant Ropali Group entity in the JV Company. As of December 31, 2019, the JV Company has not yet been incorporated.

The fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows (amounts in thousands):

	Provisional fair values	Final fair values
Assets		
Cash and other cash items	₱59,281	₱59,281
Due from BSP and Other Banks	870,689	870,689
Loans and receivables	8,699,868	8,726,594
Property and equipment	823,439	862,726
Investment properties	926,208	762,223
Deferred tax assets	100,703	-
Other resources	693,760	862,731
Total assets	12,173,948	12,144,244
Liabilities		
Deposit liabilities	4,419,570	4,419,570
Bills payable	4,323,572	4,323,572
Other liabilities	196,603	205,838
Total liabilities	8,939,745	8,948,980
Net assets acquired	₱3,234,203	₱3,195,264

The acquisition resulted in goodwill determined as follows:

Consideration for the common shares	₱6,127,727
Consideration for the preferred shares held by IFC	888,274
Purchase price	7,016,001
Fair value of net assets acquired	3,234,203
Provisional goodwill	3,781,798
Measurement adjustments on:	
Purchase price	(₱338,542)
Fair value of assets acquired	38,939
Final goodwill	₱3,482,195

Pursuant to the SPA, the previous shareholders of PR Savings Bank agreed to carve out certain assets and settle certain claims totaling ₱338.54 million, which was deducted from the escrow amount, i.e. reduction from the agreed purchase price.

The goodwill arising from the acquisition is attributed to expected synergies from combining operations of the acquiree and the acquirer. None of the goodwill recognized is expected to be deductible for income tax purposes.



The fair value of the loans and receivables acquired as part of the business combination amounted to ₱8.7 billion, with gross contractual amount of ₱9.5 billion. Net cash outflow related to the acquisition PR Savings Bank amounted to ₱5.79 billion, net of cash acquired and unpaid consideration amounting to ₱300 million, which shall be released by CSB directly to the JV Company.

In 2018, PR Savings Bank reported a total operating income and net income of ₱1.1 billion and ₱22.6 million, respectively. Had the acquisition occurred at the beginning of 2018, the consolidated total operating income would have increased by ₱526.54 million and net income would have decreased by ₱20.9 million.

Acquisition of PETNET

As discussed in Note 1, in February 2018, CSB and UIC purchased of 2,461,338 common shares representing 51% ownership of AEVI on PETNET. On December 17, 2018, the parties closed the transaction by settling the purchase price and confirming that all closing conditions have been fulfilled. For convenience purposes, the Group used December 31, 2018 as the date of the business combination.

The fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows (amounts in thousands):

	Provisional fair values	Final fair values
Assets		
Cash and other cash items	₱103,920	₱618,253
Due from other banks	516,883	2,551
Loans and receivables	459,982	445,965
Investment in an associate	27,098	27,098
Property and equipment	49,384	49,384
Other resources	154,393	137,987
Total assets	₱1,311,660	₱1,281,238
Liabilities		
Notes and bonds payable	36,806	36,806
Other liabilities	267,436	265,914
Total liabilities	₱304,242	₱302,720
Net assets acquired	₱1,007,418	₱978,518

The acquisition resulted in goodwill determined as follows:

Purchase price		₱1,200,001
Share in fair value of net assets acquired:		
Fair values of net assets acquired	₱1,007,418	
Less: Proportionate share of non-controlling interest	493,635	513,783
Provisional goodwill		686,218
Adjustments to fair value of net assets acquired		28,900
Final goodwill		₱715,118



The goodwill arising from the acquisition is attributed to the expected increase in network of the Group's agency banking services. None of the goodwill recognized is expected to be deductible for income tax purposes.

Net cash outflow related to the acquisition PETNET amounted to ₱579.20 million, net of cash acquired.

In 2018, PETNET reported a total operating income and net loss of ₱282.27 million and ₱10.50 million, respectively. Had the acquisition occurred at the beginning of 2018, the consolidated total operating income would have increased by ₱143.96 million and net income would have decreased by ₱5.35 million.

The retroactive effect to the comparative 2018 financial statements of the finalization in 2019 of the purchase price allocation for both PR Savings Bank and PETNET is not material.

Investment in Associates

As of December 31, 2019 and 2018, the Group has investment in associates with aggregate carrying amounts of ₱159,094 and ₱29,558, respectively. The aggregate share in gains (losses) for these associates amounted to ₱464, ₱8 and (₱142) for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 28).

Summarized Financial Information

The following table presents the financial information for CSB, FAIR Bank, PETNET, UIC and UBX as of and for the years ended December 31, 2019 and 2018:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2019				
CSB	₱77,416,639	₱61,407,021	₱9,078,157	₱1,439,131
FAIR Bank	541,436	354,401	126,561	(35,821)
PETNET	1,273,860	296,017	620,381	(41,820)
UIC	2,737,603	2,186,963	250,211	7,474
UBX	387,073	57,775	25,928	(67,153)
2018				
CSB	₱86,378,163	₱69,709,899	₱3,336,511	₱1,946,749
FAIR Bank	477,862	314,607	114,858	(24,477)
PETNET	1,311,660	304,242	282,275	(32,597)
UIC	3,549,940	2,966,626	232,597	(57,667)



16. Bank Premises, Furniture, Fixtures and Equipment

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment as of December 31, 2019 and 2018 are shown below.

	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold Rights and Improvements	
December 31, 2019						
Cost	₱765,374	₱2,783,641	₱4,184,851	₱1,766,048	₱1,348,799	₱10,848,713
Accumulated depreciation and amortization	–	(626,335)	(2,347,347)	(504,841)	(869,547)	(4,348,070)
Net carrying amounts	₱765,374	₱2,157,306	₱1,837,504	₱1,261,207	₱479,252	₱6,500,643
December 31, 2018						
Cost	₱814,032	₱2,490,500	₱4,474,682	₱–	₱1,277,706	₱9,056,920
Accumulated depreciation and amortization	–	(570,302)	(2,681,114)	–	(696,661)	(3,948,077)
Net carrying amounts	₱814,032	₱1,920,198	₱1,793,568	₱–	₱581,045	₱5,108,843
	Parent Bank					
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold Rights and Improvements	Total
December 31, 2019						
Cost	₱248,301	₱2,468,812	₱3,106,903	₱1,433,164	₱556,948	₱7,814,128
Accumulated depreciation and amortization	–	(509,424)	(1,411,031)	(403,550)	(195,528)	(2,519,533)
Net carrying amounts	₱248,301	₱1,959,388	₱1,695,872	₱1,029,614	₱361,420	₱5,294,595
December 31, 2018						
Cost	₱289,619	₱2,194,723	₱3,553,389	₱–	₱521,294	₱6,559,025
Accumulated depreciation and amortization	–	(477,062)	(1,960,466)	–	(164,482)	(2,602,010)
Net carrying amounts	₱289,619	₱1,717,661	₱1,592,923	₱–	₱356,812	₱3,957,015

A reconciliation of the carrying amounts at the beginning and end of 2019 and 2018 of this account (including right-of-use assets) is shown below:

	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Rights and Improvements	
Balances at January 1, 2019, net of accumulated depreciation and amortization	₱814,032	₱1,920,198	₱1,793,568	₱–	₱581,045	₱5,108,843
Effect of adoption of PFRS 16 (Note 2)	–	–	–	1,241,094	–	1,241,094
Additions	–	314,721	535,946	524,954	83,886	1,459,507
Disposals	(62,549)	(23,402)	(38,417)	–	–	(124,368)
Reclassifications/adjustments	–	(15,178)	17,009	–	(12,793)	(10,962)
Depreciation and amortization charges for the year	–	(64,429)	(470,602)	(504,841)	(172,886)	(1,212,758)
Adjustments to provisional fair value (Note 15)	13,891	25,396	–	–	–	39,287
Balances at December 31, 2019, net of accumulated depreciation and amortization	₱765,374	₱2,157,306	₱1,837,504	₱1,261,207	₱479,252	₱6,500,643



	Group					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Rights and Improvements	
Balances at January 1, 2018, net of accumulated depreciation and amortization	₱262,558	₱1,752,836	₱1,418,974	₱-	₱331,428	₱3,765,796
Additions	39,448	93,268	652,215	-	257,970	1,042,901
Disposals	-	-	(26,624)	-	-	(26,624)
Reclassifications/ adjustments	-	(4,681)	1,055	-	(2,512)	(6,138)
Depreciation and amortization charges for the year	-	(56,529)	(355,109)	-	(128,277)	(539,915)
Effect of business combinations (Note 15)	512,026	135,304	103,057	-	122,436	872,823
Balances at December 31, 2018, net of accumulated depreciation and amortization	₱814,032	₱1,920,198	₱1,793,568	₱-	₱581,045	₱5,108,843

	Parent Bank					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Rights and Improvements	
Balances at January 1, 2019, net of accumulated depreciation and amortization	₱289,619	₱1,717,661	₱1,592,923	₱-	₱356,812	₱3,957,015
Effect of adoption of PFRS 16 (Note 2)	-	-	-	1,014,624	-	1,014,624
Additions	-	312,901	461,688	418,540	35,654	1,228,783
Disposals	(41,318)	(23,402)	(20,038)	-	-	(84,758)
Reclassifications/adjustments	-	(5,324)	2,434	-	-	(2,890)
Depreciation and amortization charges for the year	-	(42,448)	(341,135)	(403,550)	(31,046)	(818,179)
Balances at December 31, 2019 net of accumulated depreciation and amortization	₱248,301	₱1,959,388	₱1,695,872	₱1,029,614	₱361,420	₱5,294,595
Balances at January 1, 2018, net of accumulated depreciation and amortization	₱250,171	₱1,672,399	₱1,331,674	₱-	202,059	₱3,456,303
Additions	39,448	92,044	560,210	-	214,650	906,352
Disposals	-	-	(20,556)	-	-	(20,556)
Reclassifications/ adjustments	-	(4,694)	6,029	-	(2,361)	(1,026)
Depreciation and amortization charges for the year	-	(42,088)	(284,434)	-	(57,536)	(384,058)
Balances at December 31, 2018, net of accumulated depreciation and amortization	₱289,619	₱1,717,661	₱1,592,923	₱-	₱356,812	₱3,957,015

The Group's leasing activities qualified to recognize right-of-use assets mainly comprise of branch offices and parking lots with remaining lease terms ranging from 2 to 5 years.

Generally, the Group is restricted from assigning and subleasing the leased assets. The lease contracts are cancellable and non-cancellable upon mutual agreement of the parties. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5%. As of December 31, 2019 and 2018, the Group has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.



The details of depreciation and amortization in the consolidated statement of income follow:

	Group		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Bank premises, furniture, fixtures and equipment	₱707,917	₱539,915	₱472,664
Investment properties (Note 17)	371,529	372,198	354,478
Computer software (Note 19)	216,112	166,923	120,957
Foreclosed machineries and chattel (Note 19)	82,636	36,571	41,281
	₱1,378,194	₱1,115,607	₱989,380

	Parent Bank		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Bank premises, furniture, fixtures and equipment	₱414,629	₱384,058	₱302,854
Investment properties (Note 17)	356,583	356,097	342,581
Computer software (Note 19)	133,738	108,083	87,940
Foreclosed machineries and chattel (Note 19)	–	14,759	41,281
	₱904,950	₱862,997	₱774,656

In 2019, depreciation charges for the Right-of-use asset of the Group and the Parent Bank amounting to ₱504.84 million and ₱403.55 million, respectively, is shown as part of Occupancy in the consolidated and parent bank statements of income.

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the Parent Bank's unimpaired capital. As of December 31, 2019 and 2018, the Parent Bank has satisfactorily complied with this requirement.

As of December 31, 2019 and 2018, the acquisition cost of the Group's fully-depreciated bank premises, furniture, fixtures and equipment that are still in use amounted to ₱2,303,403 and ₱1,861,570, respectively, while the acquisition cost of the Parent Bank's fully-depreciated bank premises, furniture, fixtures and equipment that are still in use amounted to ₱1,452,030 and ₱1,270,337, respectively.

17. Investment Properties

The Group's and the Parent Bank's investment properties include several parcels of land and buildings held for rentals and foreclosed properties. As discussed in Note 2, in 2019, the Group changed its accounting policy on investment properties from fair value model to cost model and restated the comparative financial information for 2018 and 2017. The composition of and movements in this account under the cost model are shown below.

	Group			Parent		
	As at December 31 2019	2018	As at January 1 2018	As at December 31 2019	2018	As at January 1, 2018
Cost	₱11,622,884	₱11,838,062	₱11,183,243	₱10,380,251	₱10,392,928	₱10,657,144
Accumulated depreciation	(2,315,745)	(2,071,782)	(1,912,905)	(2,175,058)	(1,948,698)	(1,805,199)
Accumulated impairment loss	(179,558)	(199,659)	(220,020)	(161,074)	(178,875)	(220,020)
Net carrying amounts	9,127,581	9,566,621	9,050,318	8,044,119	8,265,355	8,631,925



The movements in the Group's and the Parent Bank's investment properties are shown below.

	Group 2019		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,502,647	₱9,335,415	₱11,838,062
Adjustments to provisional fair values (Note 15)	-	(168,949)	(168,949)
Additions	2,736	343,087	345,823
Disposals	-	(392,052)	(392,052)
Balances at December 31	2,505,383	9,117,501	11,622,884
Accumulated depreciation and amortization			
Balances at January 1	578,853	1,492,929	2,071,782
Adjustments to provisional fair values (Note 15)	-	4,964	4,964
Depreciation	53,155	318,374	371,529
Disposals	-	(132,530)	(132,530)
Balances at December 31	632,008	1,683,737	2,315,745
Accumulated impairment losses			
Balance at January 1	-	199,659	199,659
Reversals (Note 28)	-	(13,173)	(13,173)
Disposals	-	(6,928)	(6,928)
Balances at December 31	-	179,558	179,558
Net book values	₱1,873,375	₱7,254,206	₱9,127,581

	Group 2018 (As restated - Note 2)		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,500,639	₱8,682,604	₱11,183,243
Effect of business combination (Note 15)	-	929,949	929,949
Reclassifications	(3,743)	-	(3,743)
Additions	5,751	528,604	534,355
Disposals	-	(805,742)	(805,742)
Balances at December 31	2,502,647	9,335,415	11,838,062
Accumulated depreciation and amortization			
Balances at January 1	525,783	1,387,122	1,912,905
Depreciation	53,070	319,128	372,198
Disposals	-	(213,321)	(213,321)
Balances at December 31	578,853	1,492,929	2,071,782
Accumulated impairment losses			
Balances at January 1	-	220,020	220,020
Reversals (Note 28)	-	11,054	11,054
Disposals	-	(31,415)	(31,415)
Balances at December 31	-	199,659	199,659
Net book values	₱1,923,794	₱7,642,827	₱9,566,621



	Parent Bank		
	2019		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,171,110	₱8,221,818	₱10,392,928
Additions	–	342,608	342,608
Disposals	–	(355,285)	(355,285)
Balances at December 31	2,171,110	8,209,141	10,380,251
Accumulated depreciation and amortization			
Balances at January 1	467,424	1,481,274	1,948,698
Depreciation	45,186	311,397	356,583
Disposals	–	(130,223)	(130,223)
Balances at December 31	512,610	1,662,448	2,175,058
Accumulated impairment losses			
Balances at January 1	–	178,875	178,875
Reversals (Note 28)	–	(10,873)	(10,873)
Disposals	–	(6,928)	(6,928)
Balances at December 31	–	161,074	161,074
Net book values	₱1,658,500	₱6,385,619	₱8,044,119

	Parent Bank		
	2018 (As restated - Note 2)		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,173,670	₱8,483,474	₱10,657,144
Reclassifications	(2,560)	–	(2,560)
Additions	–	528,400	528,400
Disposals	–	(790,056)	(790,056)
Balances at December 31	2,171,110	8,221,818	10,392,928
Accumulated depreciation and amortization			
Balances at January 1	422,238	1,382,961	1,805,199
Depreciation	45,186	310,912	356,098
Disposals	–	(212,599)	(212,599)
Balances at December 31	467,424	1,481,274	1,948,698
Accumulated impairment losses			
Balances at January 1	–	220,020	220,020
Reversals (Note 28)	–	(9,728)	(9,728)
Disposals	–	(31,417)	(31,417)
Balances at December 31	–	178,875	178,875
Net book values	₱1,703,686	₱6,561,669	₱8,265,355

Real property taxes related to these investment properties paid by the Group and recognized as expense for the years ended December 31, 2019, 2018 and 2017 totaled ₱34,110, ₱23,578, and ₱36,344, respectively, and are presented as part of Taxes and licenses account under Other expenses in the statements of income.

Rent income earned by the Group on its investment properties under operating leases amounted to ₱156,407, ₱154,899, and ₱184,375 in 2019, 2018 and 2017, respectively, and is included as part of Rental account under Miscellaneous income in the statements of income (see Note 28).

The gain from foreclosure of loan collaterals, presented as part of Miscellaneous income in the statements of income (see Note 28), amounted to ₱221.21 million, ₱239.74 million (as restated) and ₱312.80 million (as restated) in 2019, 2018, and 2017, respectively, for the Group, and ₱208.23 million, ₱285.90 million (as restated) and ₱311.36 million (as restated) in 2019, 2018, and 2017, respectively, for the Parent Bank.



The gain on disposal of foreclosed properties, presented as part of Miscellaneous income in the statements of income (see Note 28), amounted to ₱200.08 million, ₱258.00 million (as restated) and ₱190.57 million (as restated) in 2019, 2018, and 2017, respectively, for the Group, and ₱251.70 million, ₱245.98 million (as restated) and ₱185.33 million (as restated) in 2019, 2018, and 2017, respectively, for the Parent Bank.

Information about the fair value of investment properties are presented in Note 7.

18. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value arising from the acquisitions of (a) former iBank's in April 2006; (b) CSB in January 2013, (c) PR Savings Bank by CSB in June 2018 and (d) PETNET in December 2018 (see Note 1).

None of the goodwill recognised is expected to be deductible for income tax purposes.

For impairment testing purposes, the goodwill of the Group acquired through business combination is allocated to the following CGUs:

- With respect to acquisition of iBank, to the Parent Bank's Consumer Banking and Commercial Banking.
- With respect to the goodwill from the acquisition of CSB and PR Savings Bank, the separate cash generating unit of CSB at entity level; and
- With respect to the goodwill from the acquisition of PETNET, the separate cash generating unit of PETNET at entity level.

The following presents the movement of goodwill of the Group for 2019 and 2018:

	Group	
	2019	2018
Beginning balance	₱15,726,267	₱11,258,251
Acquisition of subsidiaries*	-	4,468,016
Effect of finalization of purchase price allocation (Note 15)	(270,703)	-
Ending balance	15,455,564	15,726,267

*Based on provisional fair values

The goodwill of the Group is allocated to the following CGUs:

	Group		Parent Bank	
	2019	2018	2019	2018
iBank				
Parent Bank's Corporate and Commercial Banking	₱3,208,998	₱3,208,998	₱3,208,998	₱3,208,998
Parent Bank's Consumer Banking	4,677,900	4,677,900	4,677,900	4,677,900
	7,886,898	7,886,898	7,886,898	7,886,898
CSB*	6,853,548	7,153,151	-	-
PETNET	715,118	686,218	-	-
	₱15,455,564	₱15,726,267	₱7,886,898	₱7,886,898

*Includes goodwill arising from acquisition of CSB and PR Savings Bank amounting to ₱3.37 billion and ₱3.48 billion, respectively. Refer to Note 15 for the discussion on the acquisition of and merger with PR Savings Bank.



19. Other Resources

The composition of Other resources account as of December 31 follows:

	Group		Parent Bank	
	2019	2018 (As restated - Note 2)	2019	2018 (As restated - Note 2)
Deferred tax assets (Note 30)	₱5,643,858	₱4,440,860	₱4,847,325	₱3,580,027
Trust fund assets	1,708,515	2,436,441	–	–
Software under development	1,596,310	759,169	1,596,310	759,169
Computer software - net	1,238,896	1,138,503	1,084,355	942,484
Advances and other investments	1,040,582	195,684	852,660	195,684
Prepaid expenses	463,841	570,259	332,805	450,085
Returned checks and other cash items	399,288	508,709	399,288	508,709
Non-current assets held for sale	303,160	210,165	–	–
Documentary stamps	286,586	387,470	243,875	230,690
Net retirement asset (Note 29)	81,960	135,093	–	17,496
Sundry debits	28,854	145,438	29,056	145,438
Miscellaneous	2,015,105	1,510,163	1,126,007	1,016,501
	14,806,955	12,437,954	10,511,681	7,846,283
Allowance for impairment (Note 20)	(51,206)	(198,533)	(25,573)	(150,622)
	₱14,755,749	₱12,239,421	₱10,486,108	₱7,695,661

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 trust fund assets are managed by the Parent Bank's Trust and Investments Services Group (TISG).

The details of FUPI's trust fund assets as of December 31 follow:

	2019	2018
Due from BSP and other banks	₱246,512	₱95,768
Financial assets at FVTPL	911,241	1,365,738
Financial assets at amortized cost	536,189	988,847
Miscellaneous - net	14,573	(13,912)
	₱1,708,515	₱2,436,441

Financial assets at FVTPL comprise of investments in shares of listed companies, government securities and other corporate debt instruments. The trust fund generated income of ₱72.5 million, ₱198.92 million and ₱261.65 million in 2019, 2018 and 2017, respectively (see Note 28).

The movements in the Computer software account follow:

	Group		Parent Bank	
	2019	2018	2019	2018
Balance at beginning of year	₱1,138,503	₱674,497	₱942,484	₱640,123
Additions	320,265	530,009	278,420	410,444
Amortization charges for the year	(216,112)	(166,923)	(133,738)	(108,083)

(Forward)



**Other Resources and
Allowance for Impairment**

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	Group		Parent Bank	
	2019	2018	2019	2018
Adjustment to provisional fair values (Note 15)	(P937)	P-	P-	P-
Effect of business combinations (Note 15)	-	100,920	-	-
Reclassifications	(2,823)	-	(2,811)	-
Balance at end of year	P1,238,896	P1,138,503	P1,084,355	P942,484

Miscellaneous includes foreclosed machineries, chattels, motorcycle and automobiles, security deposits and ongoing improvements on the Group's and the Parent Bank's branches and offices.

20. Allowance for Impairment

The breakdown of allowance for impairment is shown in the table below:

	Group		Parent Bank	
	2019	2018	2019	2018
Receivable from customers (Note 14)	P6,871,905	P7,434,714	P5,307,190	P6,548,520
Other receivables (Note 14)	1,010,415	667,112	991,365	654,546
Investments and placements (Note 12)	113,911	17,626	113,911	17,626
Others (Notes 17 and 19)	230,764	398,192	186,647	329,497
	P8,226,995	P8,517,644	P6,599,113	P7,550,189

Allowance for impairment of investments and placements include the Parent Bank's financial assets at amortized cost, debt financial assets at FVOCI, due from other banks and interbank loans receivable. The ECL allowance for financial assets at FVOCI amounted to P0.51 million and P0.49 million as of December 31, 2019 and 2018, respectively. Others refers to allowance for impairment of investment properties and other resources.

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.

The reconciliation of allowance for the total receivables from customers follows.

Total Receivables from Customers - Group

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	P1,362,369	P30,278	P6,042,067	P7,434,714
Newly originated assets that remained in Stage 1 as at December 31, 2019	995,317	-	-	995,317
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	-	116,810	535,399	652,208
Effect of collections and other movements in receivable balance (excluding write-offs)	(766,590)	4,307	(118,998)	(881,281)
Amounts written-off	-	-	(2,258,659)	(2,258,659)

(Forward)



	2019			Total
	Stage 1	Stage 2	Stage 3	
Transfers to Stage 1	₱92,152	(₱12,888)	(₱79,264)	₱-
Transfers to Stage 2	(9,353)	27,198	(17,846)	-
Transfers to Stage 3	(71,313)	(130,395)	201,708	-
Impact on ECL of exposures transferred between stages	(155,400)	18,188	448,724	311,512
Impact of changes in ECL model and assumptions	(103,268)	47,137	674,227	618,094
Balances at end of year	₱1,343,912	₱100,635	₱5,427,358	₱6,871,905

	2018			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱1,041,393	₱32,442	₱6,721,889	₱7,795,724
Newly originated assets that remained in Stage 1 as at December 31, 2018	811,862	-	-	811,862
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	-	20,405	247,922	268,327
Effect of collections and other movements in receivable balance (excluding write-offs)	(494,156)	(4,934)	(224,690)	(723,780)
Amounts written-off	-	-	(1,210,893)	(1,210,893)
Transfers to Stage 1	159,505	(19,597)	(139,908)	-
Transfers to Stage 2	(3,421)	4,136	(715)	-
Transfers to Stage 3	(37,329)	(5,817)	43,146	-
Impact on ECL of exposures transferred between stages	(115,485)	3,643	605,316	493,474
Balances at end of year	₱1,362,369	₱30,278	₱6,042,067	₱7,434,714

Reconciliation of the allowance for impairment by class follows:

Corporate Loans - Group and Parent Bank

	2019			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱436,244	₱-	₱80,945	₱517,189
Newly originated assets that remained in Stage 1 as at December 31, 2019	193,096	-	-	193,096
Newly originated assets that moved to Stage 3 as at December 31, 2019	-	-	2,575	2,575
Effect of collections and other movements in receivable balance (excluding write-offs)	(296,670)	-	(6,507)	(303,177)
Transfers to Stage 3	(4)	-	4	-
Impact on ECL of exposures transferred between stages	-	-	1,341	1,341
Impact of changes in ECL model and assumptions	(65,000)	-	-	(65,000)
Balances at end of year	₱267,666	₱-	₱78,358	₱346,024



	2018			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱190,504	₱-	₱87,445	₱277,949
Newly originated assets that remained in Stage 1 as at December 31, 2018	343,305	-	-	343,305
Effect of collections and other movements in receivable balance (excluding write-offs)	(97,565)	-	(6,500)	(104,065)
Balances at end of year	₱436,244	₱-	₱80,945	₱517,189

In 2019 and 2018, there were no write-offs for corporate loans. In 2018, there were no transfers between stages for corporate loans.

Commercial Loans - Group and Parent Bank

	2019			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱283,970	₱104	₱1,548,716	₱1,832,790
Newly originated assets that remained in Stage 1 as at December 31, 2019	148,412	-	-	148,412
Newly originated assets that moved to Stage 3 as at December 31, 2019	-	-	128,245	128,245
Effect of collections and other movements in receivable balance (excluding write-offs)	(116,407)	-	(33,578)	(149,985)
Transfers to Stage 1	4,275	-	(4,275)	-
Transfers to Stage 2	-	3,916	(3,916)	-
Transfers to Stage 3	(4,795)	(2)	4,797	-
Impact on ECL of exposures transferred between stages	(4,271)	(3,862)	19,763	11,630
Impact of changes in ECL model and assumptions	(122,528)	(102)	231,183	108,553
Balances at end of year	₱188,656	₱54	₱1,890,935	₱2,079,645

	2018			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱203,331	₱1,353	₱1,351,598	₱1,556,282
Newly originated assets that remained in Stage 1 as at December 31, 2018	264,613	-	-	264,613
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	-	99	173,008	173,107
Effect of collections and other movements in receivable balance (excluding write-offs)	(183,220)	(1,296)	(5,147)	(189,663)
Transfers to Stage 1	27,042	-	(27,042)	-
Transfers to Stage 3	(759)	(52)	811	-
Impact on ECL of exposures transferred between stages	(27,037)	-	55,488	28,451
Balances at end of year	₱283,970	₱104	₱1,548,716	₱1,832,790

In 2019 and 2018, there were no write-offs for commercial loans.



Home Loans - Group and Parent Bank

	2019			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱5,456	₱23,724	₱130,012	₱159,192
Newly originated assets that remained in Stage 1 as at December 31, 2019	8,781	–	–	8,781
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	207	5,499	5,706
Effect of collections and other movements in receivable balance (excluding write-offs)	(5,642)	(918)	4,651	(1,909)
Amounts written off	–	–	(790)	(790)
Transfers to Stage 1	3,351	(2,328)	(1,023)	–
Transfers to Stage 2	(36)	164	(128)	–
Transfers to Stage 3	(34)	(2,416)	2,450	–
Impact on ECL of exposures transferred between stages	(3,344)	9,650	9,257	15,563
Impact of changes in ECL model and assumptions	770	(17,319)	(61,872)	(78,422)
Balances at end of year	₱9,301	₱10,764	₱88,056	₱108,121

	2018			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱17,310	₱22,199	₱104,265	₱143,774
Newly originated assets that remained in Stage 1 as at December 31, 2018	3,633	–	–	3,633
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	16,027	5,445	21,472
Effect of collections and other movements in receivable balance (excluding write-offs)	(13,487)	(772)	(5,835)	(20,094)
Transfers to Stage 1	22,939	(15,961)	(6,978)	–
Transfers to Stage 2	(32)	165	(133)	–
Transfers to Stage 3	(2,035)	(4,136)	6,171	–
Impact on ECL of exposures transferred between stages	(22,872)	6,202	27,077	10,407
Balances at end of year	₱5,456	₱23,724	₱130,012	₱159,192

In 2019 and 2018, there were no write-offs for home loans.



Other Retail Products - Group and Parent Bank

Other Retail Products include auto loans, business line, and credit cards.

	2019			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱149,371	₱2,396	₱1,408,316	₱1,560,083
Newly originated assets that remained in Stage 1 as at December 31, 2019	61,076	–	–	61,076
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	15,647	62,077	77,724
Effect of collections and other movements in receivable balance (excluding write-offs)	(69,678)	(2,689)	221,765	149,398
Amounts written-off	–	–	(783,668)	(783,668)
Transfers to Stage 1	16,048	(3,881)	(12,167)	–
Transfers to Stage 2	(4,323)	6,102	(1,779)	–
Transfers to Stage 3	(11,105)	(19,908)	31,013	–
Impact on ECL of exposures transferred between stages	(15,736)	27,485	266,610	278,359
Impact of changes in ECL model and assumptions	58,957	24,825	193,105	276,887
Balances at end of year	₱184,610	₱49,977	₱1,385,272	₱1,619,859

	2018			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱140,619	₱1,430	₱1,410,608	₱1,552,657
Newly originated assets that remained in Stage 1 as at December 31, 2018	27,508	–	–	27,508
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	2,037	30,233	32,270
Effect of collections and other movements in receivable balance (excluding write-offs)	(12,842)	(382)	(39,316)	(52,540)
Amounts written-off	–	–	(276,693)	(276,693)
Transfers to Stage 1	14,620	(763)	(13,857)	–
Transfers to Stage 2	(45)	52	(7)	–
Transfers to Stage 3	(6,167)	(243)	6,410	–
Impact on ECL of exposures transferred between stages	(14,322)	265	290,938	276,881
Balances at end of year	₱149,371	₱2,396	₱1,408,316	₱1,560,083



Salary Loans - Group

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱107,943	₱117	₱204,809	₱312,869
Newly originated assets that remained in Stage 1 as at December 31, 2019	149,267	–	–	149,267
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	4,452	4,464	8,915
Effect of collections and other movements in receivable balance (excluding write-offs)	(117,460)	(216,581)	176,849	(157,193)
Amounts written-off	(345)	(132)	(3,363)	(3,841)
Transfers to Stage 1	68,314	(6,670)	(61,644)	–
Transfers to Stage 2	(89)	11,902	(11,813)	–
Transfers to Stage 3	(207)	133,610	(133,403)	–
Impact on ECL of exposures transferred between stages	(57,081)	79,126	86,309	108,354
Balances at end of year	₱150,341	₱5,824	₱262,207	₱418,371

	2018			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱135,705	₱1,338	₱1,001,866	₱1,138,909
Newly originated assets that remained in Stage 1 as at December 31, 2018	35,018	–	–	35,018
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	18	614	632
Effect of collections and other movements in receivable balance (excluding write-offs)	(52,355)	(997)	(40,818)	(94,170)
Amounts written-off	–	–	(849,447)	(849,447)
Transfers to Stage 1	12,877	(133)	(12,744)	–
Transfers to Stage 2	(1,801)	2,075	(274)	–
Transfers to Stage 3	(10,373)	(2)	10,375	–
Impact on ECL of exposures transferred between stages	(11,128)	(2,182)	95,237	81,927
Balances at end of year	₱107,943	₱117	₱204,809	₱312,869

Other Receivables from CustomersGroup

	2019			
	Stage 1	Stage 2	Stage 3*	Total
Balances at beginning of year January 1, 2019	₱379,385	₱3,937	₱2,699,269	₱3,082,591
Newly originated assets that remained in Stage 1 as at December 31, 2019	434,685	–	–	434,685
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	96,504	332,539	429,043

(Forward)



	2019			Total
	Stage 1	Stage 2	Stage 3*	
Effect of collections and other movements in receivable balance (excluding write-offs)	(P145,421)	P224,495	(P497,492)	(P418,417)
Amounts written-off	–	–	(1,470,360)	(1,470,360)
Transfers to Stage 1	163	(9)	(155)	–
Transfers to Stage 2	(4,904)	5,113	(209)	–
Transfers to Stage 3	(55,168)	(241,679)	296,847	–
Impact on ECL of exposures transferred between stages	(22,837)	(65,263)	290,948	202,848
Impact of changes in ECL model and assumptions	(27,598)	10,785	86,308	69,494
Balances at end of year	P558,306	P33,883	P1,737,694	P2,329,884

*Includes long outstanding receivables from customers that are fully provided with allowance amounting to P0.79 billion as of December 31, 2019.

	2018			Total
	Stage 1	Stage 2	Stage 3*	
Balances at beginning of year	P353,924	P6,122	P2,766,107	P3,126,153
Newly originated assets that remained in Stage 1 as at December 31, 2018	137,785	–	–	137,785
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	2,224	38,622	40,846
Effect of collections and other movements in receivable balance (excluding write-offs)	(134,687)	(1,487)	(127,074)	(263,248)
Amounts written-off	–	–	(84,753)	(84,753)
Transfers to Stage 1	82,027	(2,740)	(79,287)	–
Transfers to Stage 2	(1,543)	1,844	(301)	–
Transfers to Stage 3	(17,995)	(1,384)	19,379	–
Impact on ECL of exposures transferred between stages	(40,126)	(642)	136,576	95,808
Balances at end of year	P379,385	P3,937	P2,669,269	P3,052,591

*Includes long outstanding receivables from customers that are fully provided with allowance amounting to P2.18 billion as of December 31, 2018.

Parent Bank

	2019			Total
	Stage 1	Stage 2	Stage 3*	
Balances at beginning of year	P50,003	P1,688	P2,427,575	P2,479,266
Newly originated assets that remained in Stage 1 as at December 31, 2019	89,106	–	–	89,106
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	1,288	46,807	48,095
Effect of collections and other movements in receivable balance (excluding write-offs)	(15,283)	(12,143)	(159,221)	(186,647)
Amounts written-off	–	–	(1,347,262)	(1,347,262)
Transfers to Stage 1	122	–	(122)	–
Transfers to Stage 2	(10)	185	(175)	–
Transfers to Stage 3	(112)	(195)	307	–

(Forward)



	2019			Total
	Stage 1	Stage 2	Stage 3*	
Impact on ECL of exposures transferred between stages	(P121)	(P178)	P1,789	P1,490
Impact of changes in ECL model and assumptions	(27,598)	10,785	86,308	69,495
Balances at end of year	P96,107	P1,430	P1,056,006	P1,153,543

*Includes long outstanding receivables from customers that are fully provided with allowance amounting to P0.79 billion as of December 31, 2019.

	2018			Total
	Stage 1	Stage 2	Stage 3*	
Balances at beginning of year	P64,797	P755	P2,500,902	P2,566,454
Newly originated assets that remained in Stage 1 as at December 31, 2018	38,769	–	–	38,769
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2018	–	1,409	34,670	36,079
Effect of collections and other movements in receivable balance (excluding write-offs)	(51,504)	(168)	(81,373)	(133,045)
Amounts written-off	–	–	(37,082)	(37,082)
Transfers to Stage 1	629	(142)	(487)	–
Transfers to Stage 2	(297)	576	(279)	–
Transfers to Stage 3	(1,794)	(429)	2,223	–
Impact on ECL of exposures transferred between stages	(597)	(313)	9,001	8,091
Balances at end of year	P50,003	P1,688	P2,427,575	P2,479,266

*Includes long outstanding receivables from customers that are fully provided with allowance amounting to P2.18 billion as of December 31, 2019.

Investments and Placements - Group and Parent Bank

	2019			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	P4,981	P12,645	P–	P17,626
Newly originated assets that remained in Stage 1 as at December 31, 2019	18,188	–	–	18,188
Effect of collections and other movements in receivable balance (excluding write-offs)	(71,040)	–	–	(71,040)
Transfers to Stage 2	(406)	406	–	–
Impact on ECL of exposures transferred between stages	–	87,082	–	87,082
Impact of changes in ECL model and assumptions	60,155	1,900	–	62,055
Balances at end of year	P11,878	P103,930	P–	P113,911



	2018			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱26,201	₱–	₱–	₱26,201
Newly originated assets that remained in Stage 1 as at December 31, 2018	13,045	–	–	13,045
Effect of collections and other movements in receivable balance (excluding write-offs)	(34,173)	–	–	(34,173)
Transfers to Stage 2	(92)	92	–	–
Impact on ECL of exposures transferred between stages	–	12,553	–	12,553
Balances at end of year	₱4,981	₱12,645	₱–	₱17,626

In 2019 and 2018, there were no transfers to Stage 1 and Stage 3. There were also no write-offs for investments and placements during the year.

21. Deposit Liabilities

The breakdown of deposit liabilities account follows:

	Group		Parent Bank	
	2019	2018	2019	2018
Due to banks:				
Demand	₱687,119	₱688,657	₱686,051	₱687,587
Savings	409,083	222,880	352,623	149,471
Time	81,222	936,143	7,040	752,523
Long-term certificate of deposits	3,000,000	–	3,000,000	–
	4,177,424	1,847,680	4,045,714	1,589,581
Due to customers:				
Demand	135,601,619	118,565,078	136,671,400	119,159,584
Savings	71,591,321	67,125,265	68,477,449	63,930,464
Time	272,965,676	227,164,510	229,759,786	190,030,734
Long-term certificate of deposits	–	6,000,000	–	6,000,000
	480,158,616	418,854,853	434,908,635	379,120,782
	₱484,336,040	₱420,702,533	₱438,954,349	₱380,710,363

The breakdown of deposit liabilities account as to currency follows:

	Group		Parent Bank	
	2019	2018	2019	2018
Philippine pesos	₱387,165,015	₱318,221,477	₱341,783,323	₱278,229,306
Foreign currencies	97,171,025	102,481,056	97,171,026	102,481,057
	₱484,336,040	₱420,702,533	₱438,954,349	₱380,710,363

Deposit liabilities bear annual interest at rates ranging from 0.0% to 8.5% in 2019, 2018 and 2017 for the Group and from 0.0% to 5.54% in 2019 and from 0.0% to 7.9% both in 2018 and 2017 for the Parent Bank. Demand and savings deposits usually have either fixed or variable interest rates while time deposits have fixed interest rates.

On December 12, 2017, the MB of the BSP approved the Parent Bank's issuance of up to ₱20,000,000 of Long-term Negotiable Certificate of Deposits (LTNCD). Out of the approved amount, ₱3,000,000 were issued on February 21, 2018 at a fixed coupon rate of 4.375% per annum, payable quarterly and will mature on August 21, 2023. The net proceeds were utilized to further improve the Parent Bank's maturity profile and support business expansion plans.



On August 8, 2013, the MB of the BSP approved the Parent Bank's issuance of up to ₱5,000,000 of LTNCD. Out of the approved amount, ₱3,000,000 were issued on October 18, 2013 at a coupon rate of 3.50% per annum, payable quarterly, which matured and repaid by the Parent Bank on April 17, 2019. The net proceeds from this issuance were used to improve the Parent Bank's deposit maturity profile and support business expansion plans.

Interest expense on the deposit liabilities amounted to ₱10,160,322, ₱8,841,473 and ₱5,949,301 in 2019, 2018 and 2017, respectively, in the Group's statements of income, and ₱8,069,749, ₱7,045,224 and ₱4,529,154 in 2019, 2018 and 2017, respectively, in the Parent Bank's statements of income.

Under existing BSP regulations, non-FCDU deposit liabilities of the Bank are subject to unified reserve requirement equivalent to 20.0% from May 30, 2014 to March 1, 2018 (under BSP Circular 832), 19.0% from March 2, 2018 to May 31, 2018 (under BSP Circular 997), and 18.0% from June 1, 2018 and thereafter (under BSP Circular 1004). In 2019, BSP Circulars 1041, 1056 and 1063 were issued further reducing the reserve requirement to 14%.

LTNCDs are subject to required reserves of 4.0% if issued under BSP Circular 304, and 7.0% if issued under BSP Circular 842. As of December 31, 2019 and 2018, the Group is in compliance with such regulations.

Regular reserves as of December 31, 2019 and 2018 amounted to ₱48,836,829 and ₱54,503,045, respectively, for the Group, and ₱47,027,761 and ₱51,133,191, respectively, for the Parent Bank (see Note 8).

22. Bills Payable

Bills payable consist of borrowings from:

	Group		Parent Bank	
	2019	2018	2019	2018
Banks, other financial institutions and individuals	₱89,994,582	₱63,709,472	₱77,056,116	₱46,604,139
BSP	15,000,000	18,000,000	15,000,000	18,000,000
Others	93,140	9,255,001	93,140	119,492
	₱105,087,722	₱90,964,473	₱92,149,256	₱64,723,631

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 14).

Other bills payable of the Group mainly pertain to availments of short-term loan lines from certain related parties (see Note 32).



The breakdown of bills payable as to currency follows:

	Group		Parent Bank	
	2019	2018	2019	2018
Foreign currencies	₱77,129,265	₱46,700,303	₱77,129,266	₱46,700,303
Philippine pesos	27,958,457	44,264,170	15,019,990	18,023,328
	₱105,087,722	₱90,964,473	₱92,149,256	₱64,723,631

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			Parent Bank		
	2019	2018	2017	2019	2018	2017
Banks, other financial institutions and individuals	₱3,234,392	₱1,177,258	₱381,244	₱2,142,488	₱567,059	₱141,812
BSP	217,472	39,435	–	217,472	39,435	–
Others	1,694	190,158	82,485	1,694	69	2,941
	₱3,453,558	₱1,406,851	₱463,729	₱2,361,654	₱606,563	₱144,753

The range of interest rates of bills payable per currency follows:

	Group and Parent Bank		
	2019	2018	2017
Philippine pesos	3.75% to 8.28%	2.80% to 6.75%	2.59% to 12.0%
Foreign currencies	1.69% to 3.35%	1.40% to 3.56%	0.20% to 2.50%

23. Notes and Bonds Payable

The Group's and the Parent Bank's notes and bonds payable as of December 31, 2019 and 2018 consist of the following:

	Coupon Interest	Principal Amount	Outstanding Balance		Issue Date	Maturity Date	Redemption Date
			2019	2018			
Senior debt	3.369%	₱24,965,000	₱25,275,609	₱26,233,746	November 29, 2017	November 29, 2022	
Senior fixed rate bonds	7.061%	11,000,000	10,952,898	10,901,514	December 7, 2018	December 7, 2020	
Unsecured subordinated notes	5.375%	7,200,000	7,200,000	7,200,000	November 20, 2014	February 20, 2025	February 20, 2020
Corporate bonds	6.000%	5,800,000	5,753,553	–	June 3, 2019	June 3, 2022	June 3, 2022
Total for Parent Bank		48,965,000	49,182,060	44,335,260			
Loans payable	5.750%	150,000	149,446	150,000	May 31, 2018	May 31, 2023	
Others	2.900%	36,806	–	36,806	January 2, 2019	December 31, 2019	
Total for Group		₱49,151,806	₱49,331,506	₱44,522,066			

Senior Debt

- The 2017 Notes were issued on the initial issue date at 100% with face value of USD500 million; and
- 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.

Senior Fixed Rate Bonds

- The Bonds were issued on December 7, 2018 in scripless form in denominations of ₱100 as a minimum and increments of ₱50 thereafter, and were registered and represented by a Master Certificate of Indebtedness. Pursuant to the BSP Circular No. 1010, the Bonds were listed in the PDEX.



- (b) The Bonds will be redeemed at their principal amount on maturity date which is on December 7, 2020. The Bank may redeem the Bonds in whole and not only in part on the Early Redemption Date at the face value of the Bonds, plus accrued and unpaid interest as of but excluding the Early Redemption Date.
- (c) The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

Unsecured Subordinated Notes (see Note 36)

- (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 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;
- (c) The Parent Bank may, at its option, on a Redemption Option Date (last day of the 21st interest period), at the Redemption Option Price (100% of face value), upon compliance with the notice requirements and subject to the Redemption Conditions being satisfied, redeem all and not less than all of the outstanding Notes by paying the Noteholder the Voluntary Redemption Amount; 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.

Corporate bonds

- (a) The Bonds were issued on June 3, 2019 in scripless form in denominations of ₱100 as a minimum and increments of ₱50 thereafter, and traded in denominations of ₱10 in the secondary market, under its ₱39,000,000 Bond Program consisting of 6.00% per annum Series B Bonds due 2022, and were registered and represented by a Master Certificate of Indebtedness. Pursuant to the BSP Circular No. 1010, the Bonds were listed in the PDEX.
- (b) The Bonds shall be redeemed at par on maturity date which is on June 3, 2022.
- (c) The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.



Loans Payable

On May 31, 2018, UIC entered into an agreement to avail of a term loan in the amount of ₱150,000 with certain local bank. The loan is unsecured and carries a fixed interest rate of 5.75% per annum payable semi-annually. The term of the loan is five (5) years and is payable in seven (7) equal semi-annual amortization commencing at the end of the second year from availment.

Others pertain to PETNET's various bank loans which bear annual interest rates ranging from 2.14% to 3.50%, with terms ranging from one (1) to thirty-one (31) days. These bank loans represent drawdowns from the PETNET's unsecured credit line with local banks, which are used to finance transactions during the holidays and long weekends.

The interest expense on notes and bonds payable amounted to ₱2,439,856, ₱1,335,698 and ₱461,778 in 2019, 2018, and 2017, respectively, for the Group, and ₱2,419,326, ₱1,330,657 and ₱461,778 in 2019, 2018, and 2017, respectively, for the Parent Bank. These are 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	
	2019	2018	2019	2018
Manager's checks	₱8,535,817	₱9,417,061	₱8,535,717	₱9,417,048
Bills purchased - domestic and foreign	5,296,394	2,733,492	5,296,394	2,733,492
Accrued taxes and other expenses	5,091,614	3,276,120	4,396,513	2,561,710
Accounts payable	4,906,323	3,955,546	3,787,732	3,256,082
Payment orders payable	3,101,930	1,335,586	3,101,930	1,335,586
Pre-need reserves	1,910,292	2,678,321	–	–
Lease liabilities	1,337,296	–	1,064,941	–
Unearned income - bancassurance (Note 32)	733,333	733,333	733,333	733,333
Other dormant credits	683,465	474,228	661,942	467,407
Derivative liabilities (Note 11)	430,476	407,037	430,476	407,037
Post-employment defined benefit obligation (Note 29)	421,951	98,806	400,256	23,127
Withholding taxes payable	322,237	228,019	229,734	214,602
Miscellaneous	1,244,178	1,295,163	700,292	684,924
	₱34,015,306	₱26,632,712	₱29,339,260	₱21,834,348

The unearned income represents the unamortized portion of the Exclusive Access Fees (EAF) arising from the Parent Bank's bancassurance agreement with a related party (see Note 32).

Set out below is the carrying amount of lease liabilities and the movements during the year:

	Group	Parent Bank
As at January 1, 2019	₱1,246,913	₱998,394
Additions	524,954	418,540
Payments	(534,042)	(426,711)
Accretion of interest	99,471	74,718
As at December 31, 2019	₱1,337,296	₱1,064,941

Accretion of interest is included as part of Interest expense on bills payable and other liabilities account in the statements of income.



As at December 31, 2019, the Group has not committed to leases which had not yet commenced.

The breakdown of Accrued taxes and other expenses account follows:

	Group		Parent Bank	
	2019	2018	2019	2018
Accrued interest payable	₱1,214,306	₱1,368,588	₱1,081,974	₱1,107,926
Accrued sick leave benefits	465,292	331,307	464,098	329,707
Accrued income and other taxes	433,533	323,542	258,537	88,424
Other accruals	2,978,483	1,252,683	2,591,904	1,035,653
	₱5,091,614	₱3,276,120	₱4,396,513	₱2,561,710

Other accruals represent mainly fringe and other personnel benefits.

25. Capital Funds

Capital Stock

The Parent Bank's capital stock as of December 31, 2019 and 2018 consists of the following:

	Shares		Amount	
	2019	2018	2019	2018
Common – ₱10 par value				
Authorized	1,311,422,420	1,311,422,420	₱13,114,224	₱13,114,224
Issued and outstanding	1,217,609,561	1,217,149,512	12,176,096	12,171,495
Preferred – ₱100 par value, non-voting				
Authorized	100,000,000	100,000,000	₱10,000,000	₱10,000,000
Issued and outstanding	–	–	–	–

On June 29, 1992, the Parent 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 ₱22.50. As of December 31, 2019 and 2018, there are 1,217.6 million and 1,217.1 million shares listed at the PSE, respectively. The number of holders and the closing price of the said shares is 4,949 and ₱57.70 per share as of December 31, 2019, respectively, and 4,957 and ₱63.95 per share as of December 31, 2018, respectively.

On September 29, 2018, the Parent Bank issued new shares through a stock rights offering. The total number of shares issued was 158,805,583 shares with par value of ₱10 per share, issued at a price of ₱62.97 per share.

On March 8, 2019, the Parent Bank issued 460,049 common shares to qualified employees under the Parent Bank's Employee Stock Plan.



Surplus Free

The following is a summary of the dividends declared and distributed by the Parent Bank in 2019, 2018 and 2017:

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Outstanding Shares	Total Amount
January 25, 2019	February 11, 2019	N/A	February 28, 2019	₱1.90	1,217,149,512	₱2,312,584
January 26, 2018	February 12, 2018	N/A	February 27, 2018	1.90	1,058,343,929	2,010,853
January 27, 2017	February 10, 2017	N/A	February 24, 2017	1.90	1,058,343,929	2,010,853

In compliance with BSP regulations, the Parent 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.

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. FUPI transferred out ₱112.1 million and ₱97.1 million from appropriated reserves for the years ended December 31, 2019 and December 31, 2018, respectively, representing Trust fund losses incurred and other adjustments while FUPI appropriated ₱211.1 million for the year ended December 31, 2017, representing Trust fund income earned and other adjustments.

In compliance with BSP regulations, a portion of the Group's income from trust operations is setup as Surplus Reserves. For the years ended December 31, 2019, 2018 and 2017, the Group and the Parent Bank appropriated ₱16.1 million, ₱15.7 million and ₱14.2 million, respectively.

In 2018, the BSP has required the appropriation for the difference of the 1% general loan loss provision (GLLP) over the computed ECL allowance for credit losses related to Stage 1 accounts. As of December 31, 2019 and 2018, surplus reserves related to excess GLLP over ECL allowance amounted to ₱2.82 billion and ₱1.60 billion, respectively, for the Group and, ₱2.40 billion and ₱1.60 billion, respectively, for the Parent Bank.

26. Maturity Profile of Assets and Liabilities

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

	Group					
	2019			2018		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and other cash items	₱8,580,709	₱-	₱8,580,709	₱10,916,533	₱-	₱10,916,533
Due from BSP	73,749,813	-	73,749,813	56,510,701	-	56,510,701
Due from other banks	73,675,709	-	73,675,709	14,942,213	-	14,942,213
IBLR	213,062	-	213,062	-	-	-
Trading and investment securities						
at FVTPL	7,866,401	-	7,866,401	8,283,695	-	8,283,695
at amortized cost - gross	504,253	161,273,520	161,777,773	3,436,506	196,754,362	200,190,868
at FVOCI	2,530,320	3,127,315	5,657,635	2,551,692	7,263,348	9,815,040

(Forward)



Maturity Profile of Assets and Liabilities, Service Charges, Fees and Commissions and Miscellaneous Income and Expenses

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	Parent Bank					
	2019			2018		
	Due within one year	Due beyond one year	Total	Due within one year	Due beyond one year	Total
Financial Liabilities						
Deposit liabilities	₱420,595,435	₱18,358,914	₱438,954,349	₱359,660,844	₱21,049,519	₱380,710,363
Bills payable	89,075,645	3,073,611	92,149,256	63,292,883	1,430,748	64,723,631
Notes and bonds payable	10,952,898	38,229,163	49,182,061	10,901,514	33,433,746	44,335,260
Other liabilities	26,045,504	1,101,874	27,147,378	20,010,054	23,127	20,033,181
	546,669,482	60,763,562	607,433,044	453,865,295	55,937,140	509,802,435
Nonfinancial Liabilities						
Accrued income and other taxes	258,537	—	258,537	88,424	—	88,424
Other liabilities	229,734	1,703,611	1,933,345	214,602	1,498,141	1,712,743
	488,271	1,703,611	2,191,882	303,026	1,498,141	1,801,167
	₱547,157,753	₱62,467,173	₱609,624,926	₱454,168,321	₱57,435,281	₱511,603,602

27. Service Charges, Fees and Commissions

This account is broken down as follows:

	Group			Parent Bank		
	2019	2018	2017	2019	2018	2017
Service charges	₱1,169,886	₱1,066,576	₱940,310	₱1,000,367	₱866,172	₱789,064
Bank commissions	206,408	116,551	128,175	143,569	111,473	121,174
Others	579,924	389,117	351,656	278,780	307,022	167,889
	₱1,956,218	₱1,572,244	₱1,420,141	₱1,422,716	₱1,284,667	₱1,078,127

Others include commission income and other fees earned by the Parent Bank on the insurance policies sold under the bancassurance deal with Insular Life (see Note 32).

28. Miscellaneous Income and Expenses

Miscellaneous Income

Miscellaneous income is composed of the following:

	2019	Group	
		2018 (As restated - Note 2)	2017 (As restated - Note 2)
Foreign exchange gains - net	₱682,371	₱584,920	₱593,419
Gain on sale of property and equipment	679,298	44,296	38,904
Gain on foreclosure of investment properties (Note 17)	221,213	239,741	312,801
Dividend	202,888	207,456	209,762
Gain on sale of investment properties (Note 17)	200,079	258,000	190,568
Rental (Notes 17 and 34)	163,730	160,713	190,025
Income from trust operations (Note 31)	160,929	156,524	141,831
Recoveries from charged-off assets	143,781	112,378	14,057
Fines and penalties	131,537	131,690	79,299
Trust fund income (Note 19)	72,534	198,919	261,653
EAF earned (Note 32)	—	100,000	166,667
Gain from bargain purchase	—	—	129,920
Others	309,021	163,640	307,933
	₱2,967,381	₱2,358,277	₱2,636,839



	Parent Bank		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Share in net profit of subsidiaries (Note 15)	₱1,222,595	₱1,775,210	₱3,429,942
Gain on sale of property and equipment	616,137	44,225	38,904
Foreign exchange gains - net	398,739	584,904	593,418
Gain on sale of investment properties (Note 17)	251,696	245,980	185,328
Gain on foreclosure of investment properties (Note 17)	208,233	285,902	311,358
Dividend	201,858	206,425	204,919
Rental (Notes 17 and 34)	165,523	156,276	186,357
Income from trust operations (Note 31)	161,078	156,524	141,831
EAF earned (Note 32)	-	100,000	166,667
Others	366,987	443,745	358,054
	₱3,592,846	₱3,999,191	₱5,616,778

Miscellaneous Expenses

The breakdown of miscellaneous expenses follows:

	Group		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Insurance	₱912,531	₱931,079	₱922,020
Outside services	829,185	695,084	758,629
Repairs and maintenance	880,378	868,804	437,336
Advertising and publicity	765,796	700,155	352,428
Supervision and compliance costs	541,818	553,058	244,939
Management and professional fees	502,090	550,908	352,871
Communication	418,923	347,516	251,089
Transportation and travel	276,988	252,775	194,442
Card related expenses	253,815	224,190	308,592
Stationery and supplies	169,668	171,523	163,342
Litigation	148,568	176,599	202,383
Plan benefits	108,000	158,000	215,321
Representation and entertainment	57,529	83,701	81,364
Fines and penalties	40,873	105,566	113,642
Provision (reversal) of impairment on investment properties (Note 17)	(13,173)	11,054	(33,594)
Others	969,179	617,562	410,489
	₱6,862,168	₱6,447,574	₱4,975,293

	Parent Bank		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Insurance	₱811,700	₱819,369	₱806,393
Repairs and maintenance	812,255	818,647	409,708
Outside services	647,026	615,933	533,354
Advertising and publicity	719,042	619,463	285,695
Supervision and compliance costs	453,467	528,003	218,923
Management and professional fees	417,295	504,644	342,697
Communication	291,884	280,262	199,436
Card related expenses	253,815	224,190	308,592
Litigation	145,785	175,716	201,184
Transportation and travel	137,353	171,099	128,196
Stationery and supplies	122,257	143,869	127,471
Representation and entertainment	52,093	75,204	80,225
Reversal of impairment on investment properties (Note 17)	(10,873)	(9,728)	(33,594)
Others	480,255	243,657	215,735
	₱5,333,354	₱5,210,328	₱3,824,015



29. Salaries and Employee Benefits

Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are as follows:

	Group		
	2019	2018	2017
Short-term benefits:			
Salaries and wages	₱3,956,706	₱3,289,797	₱2,899,712
Bonuses and fringe benefits	3,369,550	1,792,877	1,729,149
Social security costs	194,438	139,182	93,627
Other benefits	126,626	102,110	107,748
Post-employment benefits	336,957	337,837	386,734
Other long-term benefits	85,971	64,790	68,074
	₱8,070,248	₱5,726,593	₱5,285,044

	Parent Bank		
	2019	2018	2017
Short-term benefits:			
Bonuses and fringe benefits	₱3,068,768	₱1,529,952	₱1,450,364
Salaries and wages	2,836,275	2,631,683	2,395,817
Social security costs	93,198	78,849	68,124
Other benefits	107,215	103,048	72,104
Post-employment benefits	247,801	261,170	332,966
Other long-term benefits	81,495	64,789	67,366
	₱6,434,752	₱4,669,491	₱4,386,741

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 Parent Bank's TISG for the Parent Bank, UIC and CSB and by trustee banks that are legally separated from the Group for FUIFAI, PR Savings Bank and PETNET. Under these pension plans, all covered employees are entitled to cash benefits after satisfying certain age and service requirements.

The Group maintains seven 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 five pension plans are for UIC, CSB, FUIFAI, PR Savings Bank and PETNET 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 Parent 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 Parent 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.



UIC 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 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 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 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.

PR Savings Bank Plan

The normal retirement age is 60. Retirement benefit is an amount equivalent to 100%, 150% or 200% of the latest basic monthly salary for each year of credited service if the years of service is 10 years but less than 15 years, 15 years but less than 20 years and 20 years or more, respectively.

PETNET Plan

The normal retirement age is 60. The plan also provides for an early retirement at age 50 with the completion of at least ten years of service and late retirement beyond age 60. However, early and late retirement are subject to the approval of the company. Retirement benefit is an amount equivalent to 92% of the final monthly salary for each year of continuous service.

(b) Analysis 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 2019 and 2018.



The amounts of post-employment defined benefit obligation (net retirement asset) recognized in the statements of financial position are determined as follows (see Notes 19 and 24):

	Group	
	2019	2018
Present value of the obligation	₱3,912,530	₱3,344,042
Fair value of plan assets	3,572,539	3,380,329
	₱339,991	(₱36,287)

As of December 31, 2019 and 2018, the net retirement obligation (asset) amounting to ₱339,991 and (₱36,287) is separately shown as Net retirement asset of ₱81,960 and ₱135,093, respectively (see Note 19), and as Post-employment defined benefit obligation of ₱421,951 and ₱98,806, respectively (see Note 24).

	Parent Bank – UnionBank Plan	
	2019	2018
Present value of the obligation	₱2,862,263	₱2,363,016
Fair value of plan assets	2,471,361	2,339,889
	₱390,902	₱23,127

	Parent Bank – Former iBank Plan	
	2019	2018
Present value of the obligation	₱550,665	₱482,049
Fair value of plan assets	541,311	499,545
	₱9,354	(₱17,496)

The movements in the present value of the post-employment benefit obligation recognized in the financial statements are as follows:

	Group		
	2019	2018	2017
Balance at beginning of year	₱3,344,042	₱4,175,532	₱3,664,572
Current service cost	307,103	337,837	386,734
Interest expense	226,273	187,136	172,511
Past service cost	29,854	–	–
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	376,639	(549,408)	(127,015)
Experience adjustments	(25,206)	217,217	353,737
Changes in demographic assumptions	(7,483)	(23,676)	(119,078)
Benefits paid	(338,692)	(1,095,626)	(155,929)
Effects of business combinations (Note 15)	–	95,030	–
Balance at end of year	₱3,912,530	₱3,344,042	₱4,175,532

	Parent Bank - UnionBank Plan		
	2019	2018	2017
Balance at beginning of year	₱2,363,016	₱3,084,669	₱2,771,342
Current service cost	220,321	227,011	295,295
Interest expense	162,028	138,432	131,402
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	270,193	(458,958)	(124,961)
Experience adjustments	24,637	230,179	231,948
Changes in demographic assumptions	(3,097)	–	(122,153)
Benefits paid	(174,835)	(858,317)	(98,204)
Balance at end of year	₱2,862,263	₱2,363,016	₱3,084,669



	Parent Bank - Former iBank Plan		
	2019	2018	2017
Balance at beginning of year	₱482,049	₱729,661	₱611,652
Current service cost	27,480	34,159	37,671
Interest expense	32,881	30,819	25,894
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	55,384	(100,142)	(28,656)
Experience adjustments	(5,842)	12,860	160,838
Changes in demographic assumptions	1,157	–	(31,099)
Benefits paid	(42,444)	(225,308)	(46,639)
Balance at end of year	₱550,665	₱482,049	₱729,661

The movements in the fair value of plan assets are presented below.

	Group		
	2019	2018	2017
Balance at beginning of year	₱3,380,329	₱3,236,803	₱2,130,338
Interest income	235,128	143,434	101,529
Return on plan asset (excluding amounts included in net interest)	(218,422)	(84,670)	158,826
Contributions to the plan	514,196	977,032	1,002,039
Benefits paid	(338,692)	(1,095,626)	(155,929)
Effects of business combinations (Note 15)	–	203,356	–
Balance at end of year	₱3,572,539	₱3,380,329	₱3,236,803

	Parent Bank - UnionBank Plan		
	2019	2018	2017
Balance at beginning of year	₱2,339,889	₱2,384,204	1,436,298
Interest income	168,308	107,423	69,448
Return on plan asset (excluding amounts included in net interest)	(12,610)	(90,466)	49,046
Contributions to the plan	150,609	797,045	927,616
Benefits paid	(174,835)	(858,317)	(98,204)
Balance at end of year	₱2,471,361	₱2,339,889	2,384,204

	Parent Bank - Former iBank Plan		
	2019	2018	2017
Balance at beginning of year	₱499,545	₱588,903	₱489,750
Interest income	35,088	24,661	21,208
Return on plan asset (excluding amounts included in net interest)	18,856	6,799	7,784
Contributions to the plan	30,266	104,490	116,800
Benefits paid	(42,444)	(225,308)	(46,639)
Balance at end of year	₱541,311	₱499,545	₱588,903

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	
	2019	2018
Bank deposits	₱535,718	₱738,575
Quoted equity securities:		
Financial and insurance activities	1,393,071	1,348,208
Electricity, gas and water	47,099	41,576
Real estate activities	17,971	8,364

(Forward)



	Group	
	2019	2018
Other service activities	₱–	₱28,766
Wholesale and retail trade	–	37,179
Others	104,375	4,951
	1,562,516	1,469,044
Debt securities:		
Philippine government bonds	576,310	539,926
Corporate bonds	776,788	615,629
	1,353,098	1,155,555
Others	121,207	17,155
	₱3,572,539	₱3,380,329
	Parent Bank - UnionBank Plan	
	2019	2018
Bank deposits	₱357,363	₱500,412
Quoted equity securities:		
Financial and insurance activities	791,098	790,059
Wholesale and retail trade	–	37,179
Electricity, gas and water	37,957	32,686
Real estate activities	9,555	–
Other service activities	–	13,475
Others	93,603	–
	932,213	873,399
Debt securities:		
Corporate bonds	637,213	507,399
Philippine government bonds	487,336	443,759
	1,124,549	951,158
Others	57,236	14,920
	₱2,471,361	₱2,339,889
	Parent Bank - Former iBank Plan	
	2019	2018
Bank deposits	₱33,906	₱38,647
Quoted equity securities:		
Financial intermediation	401,257	352,542
Wholesale and retail trade	–	–
Others	–	4,890
	401,257	357,432
Debt securities:		
Corporate bonds	82,465	76,814
Philippine government bonds	16,652	25,713
	99,117	102,527
Others	7,031	939
	₱541,311	₱499,545



Equity securities under the fund are primarily investments in corporations listed in the PSE, which include ₱154,225 and ₱204,244 investments in the shares of stocks of the Parent Bank as of December 31, 2019 and 2018, respectively, while debt securities represent investments in government and corporate bonds, which include ₱199,000 and ₱103,900 investment in the notes of the Parent Bank as of December 31, 2019 and 2018, respectively (see Note 32).

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 Parent 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 include ₱342,409 and ₱498,603 deposits with the Parent Bank as of December 31, 2019 and 2018, respectively (see Note 32).

Actual returns on plan assets amounted to ₱155,698 in 2019, ₱16,957 in 2018 and ₱118,494 in 2017 for UnionBank Plan and ₱53,944 in 2019, ₱31,460 in 2018 and ₱28,992 in 2017 for Former iBank Plan.

The amounts recognized in the statements of income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2019	2018	2017
Current service cost	₱307,103	₱337,837	₱386,734
Past service cost	29,854	-	-
Net interest expense (income)	(8,855)	43,702	70,982
	₱328,102	₱381,539	₱457,716

	Parent Bank - UnionBank Plan		
	2019	2018	2017
Current service cost	₱220,321	₱227,011	₱295,295
Net interest expense (income)	(6,280)	31,009	61,954
	₱214,041	₱258,020	₱357,249

	Parent Bank - Former iBank Plan		
	2019	2018	2017
Current service cost	₱27,480	₱34,159	₱37,671
Net interest expense (income)	(2,207)	6,158	4,686
	₱25,273	₱40,317	₱42,357

The amounts recognized in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2019	2018	2017
Actuarial losses (gains) arising from changes in:			
Financial assumption	₱376,639	(₱549,408)	₱127,015
Experience adjustments	(25,206)	217,217	(353,737)
Demographic assumptions	(7,483)	(23,676)	119,078
Return on plan assets (excluding amounts included in net interest)	218,423	84,670	158,826
	₱562,373	(₱271,197)	₱51,182



	Parent Bank - UnionBank Plan		
	2019	2018	2017
Actuarial losses (gains) arising from changes in:			
Financial assumption	₱270,193	(₱458,958)	₱124,961
Experience adjustments	24,637	230,179	(231,948)
Demographic assumptions	(3,097)	–	122,153
Return on plan assets (excluding amounts included in net interest)	12,610	90,466	49,046
	₱304,343	(₱138,313)	₱64,212

	Parent Bank - Former iBank Plan		
	2019	2018	2017
Actuarial losses (gains) arising from changes in:			
Financial assumption	₱55,384	(₱100,142)	(₱28,656)
Experience adjustments	(5,842)	12,860	160,838
Demographic assumptions	1,157	–	(31,099)
Return on plan assets (excluding amounts included in net interest)	(18,856)	(6,799)	(7,784)
	₱31,843	(₱94,081)	₱93,299

In addition to the above items, the Parent Bank also recognized its share of the other comprehensive income of subsidiaries in respect of the post-employment defined benefit plan amounting to ₱87,086 loss, ₱26,171 gain and, ₱15,264 loss in 2019, 2018 and 2017, respectively (see Note 15).

The Group and the Parent Bank expects to contribute ₱271,928 and ₱248,361, respectively, in 2020.

In determining the retirement benefits, the following actuarial assumptions were used:

	Group		
	2019	2018	2017
Retirement age	60	60	60
Average remaining working life	6-19 years	5-20 years	6-20 years
Discount rate	4.62%-5.21%	7.18%-7.88%	5.57% - 5.95%
Expected rate of salary increase	4.00%-10.00%	4.00%-10.00%	6.00% - 10.00%
Employee turnover rate	0%-22%	0%-22%	0%-22%

	Parent Bank - UnionBank Plan		
	2019	2018	2017
Retirement age	60	60	60
Average remaining working life	9 years	9 years	9 years
Discount rate	4.87%	7.30%	5.95%
Expected rate of salary increase	5.00%	6.00%	7.00%
Employee turnover rate	0%-14%	0%-14%	0%-14%

	Parent Bank - Former iBank Plan		
	2019	2018	2017
Retirement age	60	60	60
Average remaining working life	10 years	9 years	7 years
Discount rate	4.71%	7.20%	5.57%
Expected rate of salary increase	5.00%	6.00%	7.00%
Employee turnover rate	0%-12%	0%-15%	0%-22%

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.

- *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.

- *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 result 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.

- *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:

Group

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2019			
Discount rate	+/-1.0%	(302,699)	351,641
Salary growth rate	+/-1.0%	366,772	(321,540)
Turn-over rate	+/-1.0%	(32,066)	41,191
December 31, 2018			
Discount rate	+/-1.0%	(P221,059)	P255,718
Salary growth rate	+/-1.0%	277,653	(245,328)
Turn-over rate	+/-1.0%	(2,725)	2,529



UnionBank Plan

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2019			
Discount rate	+/-1.0%	(₱204,270)	₱236,408
Salary growth rate	+/-1.0%	247,894	(218,149)
Turn-over rate	+/-1.0%	(15,473)	16,260
December 31, 2018			
Discount rate	+/-1.0%	(₱149,302)	₱170,721
Salary growth rate	+/-1.0%	187,809	(166,972)
Turn-over rate	+/-1.0%	(1,864)	1,622

Former iBank Plan

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2019			
Discount rate	+/-1.0%	(₱40,081)	₱45,817
Salary growth rate	+/-1.0%	47,926	(42,685)
Turn-over rate	+/-1.0%	(432)	439
December 31, 2018			
Discount rate	+/-1.0%	(₱29,274)	₱33,034
Salary growth rate	+/-1.0%	36,610	(32,980)
Turn-over rate	+/-1.0%	(780)	825

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.

- *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, 2019 and 2018 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.

- *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

	2019	2018
Within one year	₱634,928	₱396,512
More than one year to five years	1,417,993	1,425,452
More than five years to ten years	2,037,029	2,055,480
More than ten years to 15 years	2,707,479	2,733,449
More than 15 years to 20 years	2,556,124	2,700,010
More than 20 years	6,422,060	7,175,972
	₱15,775,613	₱16,486,875

UnionBank Plan

	2019	2018
Within one year	₱537,628	₱286,902
More than one year to five years	1,082,022	1,110,827
More than five years to ten years	1,569,155	1,592,433
More than ten years to 15 years	1,958,481	2,122,283
More than 15 years to 20 years	1,611,519	1,759,740
More than 20 years	4,218,289	4,907,616
	₱10,977,094	₱11,779,801

Former iBank Plan

	2019	2018
Within one year	₱47,946	₱50,748
More than one year to five years	214,362	249,960
More than five years to ten years	244,704	252,331
More than ten years to 15 years	331,108	308,656
More than 15 years to 20 years	272,497	266,372
More than 20 years	199,485	218,950
	₱1,310,102	₱1,347,017

The weighted average duration of the defined benefit obligation is 18 years and 16 years in 2019 and 2018, respectively.



30. Income Taxes

Current and Deferred Income Taxes

The components of income tax expense (benefit) for the years ended December 31, 2019, 2018, and 2017 are as follows:

	Group		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax at 20%, 10% and 7.5%	₱878,067	₱747,296	₱607,277
Regular corporate income tax (RCIT) at 30%	580,264	504,017	1,474,296
MCIT at 2%	225,424	216,024	141,929
	1,683,755	1,467,337	2,223,502
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(1,189,261)	(427,664)	20,374
	₱494,494	₱1,039,673	₱2,243,876
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	₱168,712	(₱81,359)	₱15,355
	Parent Bank		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax at 20%, 10% and 7.5%	₱813,187	₱672,123	₱607,117
MCIT at 2%	221,523	182,501	141,929
RCIT at 30%	17,488	22,425	35,575
	1,052,198	877,049	784,621
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(1,166,440)	(673,926)	24,528
	(₱114,242)	₱203,123	₱809,149
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	₱100,856	(₱69,718)	₱8,726



The reconciliation of the statutory income tax rate and the effective income tax rate follows:

	Group		
	2019	2018	2017
Statutory income tax rate	30.00%	30.00%	30.00%
Adjustment for income subjected to lower income tax rates	(3.13)	(3.48)	(2.54)
Tax effects of:			
FCDU income before tax	(24.17)	(13.66)	(7.97)
Non-taxable income	(5.64)	(8.27)	(14.45)
Non-deductible expenses	2.86	5.84	12.95
Others	3.48	3.49	3.22
Effective income tax rate	3.40%	13.92%	21.21%

	Parent Bank		
	2019	2018	2017
Statutory income tax rate	30.00%	30.00%	30.00%
Adjustment for income subjected to lower income tax rates	(2.45)	(3.38)	(2.41)
Tax effects of:			
FCDU income before tax	(25.18)	(15.38)	(9.36)
Non-taxable income	(5.69)	(9.15)	(12.68)
Non-deductible expenses	2.82	6.08	4.30
Others	(0.31)	(3.73)	(0.78)
Effective income tax rate	(0.81%)	4.44%	9.07%

The components of the net deferred tax assets presented under Other resources (see Note 19) as of December 31, 2019, 2018 and 2017 are as follows:

	Group		
	2019	2018 (As restated - Note 2)	2017 (As restated - Note 2)
Deferred tax assets:			
Allowance for credit losses	₱2,186,535	₱2,786,039	₱3,235,437
Accrued other expenses	824,916	295,701	257,786
Net operating loss carry over (NOLCO)	720,386	209,217	-
Excess MCIT	550,535	334,219	141,929
Unrealized foreign exchange loss	521,160	329,292	10,254
Deferred service fees	494,571	427,832	529,841
Investment properties	293,319	203,355	145,548
Others	645,074	643,062	550,682
	6,236,496	5,228,717	4,871,477
Deferred tax liabilities:			
Unrealized foreign exchange gain	510,600	379,140	71,015
Capitalized interest	28,554	29,653	30,751
Others	53,484	379,064	35,470
	592,638	787,857	137,236
Net deferred tax assets	₱5,643,858	₱4,440,860	₱4,734,241



	2019	Parent Bank	
		2018 (As restated - Note 2)	2017 (As restated - Note 2)
Deferred tax assets:			
Allowance for credit losses	₱1,966,291	₱2,189,686	₱2,923,968
Accrued other expenses	753,705	259,250	257,786
Net operating loss carry-over (NOLCO)	714,314	193,268	–
Excess MCIT	545,953	324,430	141,929
Unrealized foreign exchange loss	521,160	329,292	10,254
Investment properties	282,578	193,496	144,301
Others	630,368	547,046	486,208
	5,414,369	4,036,468	3,964,446
Deferred tax liabilities:			
Unrealized foreign exchange gain	509,550	375,762	71,011
Capitalized interest	28,554	29,653	30,751
Others	28,940	51,026	23,661
	567,044	456,441	125,423
Net deferred tax assets	₱4,847,325	₱3,580,027	₱3,839,023

Other deferred tax asset includes post-retirement obligation and other future deductible items.

In 2019 and 2018, the Parent Bank incurred MCIT amounting to ₱221,523 and ₱182,501, respectively, that can be applied against income tax liability for the next three consecutive years after the MCIT was incurred.

Additionally, in 2019 and 2018, the Parent Bank incurred NOLCO amounting to ₱1.74 billion and ₱644.23 million, respectively, that can also be applied against RCIT for the next three consecutive years from the year the NOLCO was incurred.

Relevant Tax Regulations

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 are now subjected to a higher rate.

The following are the relevant tax regulations affecting the Group:

Income Tax

- (a) MCIT, computed at 2% 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 resident foreign corporations (RFCs) under the expanded foreign currency deposit system, while withholding tax of 15% is imposed on interest earned by residents other than RFCs; and,
- (d) Net operating loss carry-over (NOLCO) can be claimed as deductions against taxable income within three years after NOLCO is incurred. The excess of the MCIT over income tax due may be carried over to the three succeeding taxable years and credited against income tax due provided the company is in RCIT position.

Gross Receipts Tax

Banks are subject to gross receipts tax under Sec. 121 of the National Internal Revenue Code as amended.

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 of 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.

The significant provisions relating to DST under TRAIN are summarized below:

- (a) On every original issue of debt instruments, there shall be collected a DST of 1.50 on each 200 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 1.50 on each 200, or fractional part thereof, of the par value of such stock.
- (c) On all bills of exchange (between points within the Philippines) or drafts, there shall be collected a DST of 0.60 on each 200, 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 250,000 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.



Itemized Deduction

In 2019, 2018 and 2017, the Parent Bank opted to claim itemized deductions.

31. Trust Operations

The following securities and other properties held by the Parent 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 Parent Bank (see Note 34).

	2019	2018
Investments	₱49,480,781	₱40,441,543
Others	4,841,484	5,127,241
	₱54,322,265	₱45,568,784

In compliance with the requirements of the General Banking Act relative to the Parent Bank's trust functions:

- (a) Investment in government securities with a total face value of ₱650,000 and ₱550,000 as of December 31, 2019 and 2018, respectively, are deposited with BSP as security for the Parent Bank's faithful compliance with its fiduciary obligations (see Note 12); and,
- (b) Ten percent of the Parent 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 Parent 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, 2019, the reserve for trust functions amounted to ₱263,834 and is included as part of Surplus reserves in the statements of financial position (see Note 25).

Income from trust operations of the Group and the Parent Bank amounted to ₱160,929 and ₱161,078, respectively, for the year ended December 31, 2019. Income from trust operations of both the Group and the Parent Bank amounted to ₱156,524 and ₱141,831 for the years ended December 31, 2018 and 2017, respectively, and shown as Income from trust operations account under Miscellaneous income in the statements of income (see Note 28).

32. 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, 2019 and 2018 are as follows:

Related Party Category	2019		2018		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
Applicable to the Parent Bank					
Subsidiaries					
Lease of properties:					
Lease income	₱22,062	₱-	₱12,726		₱- Lease renewed every 5 years
Refundable deposits	-	-	-		- with 5% escalation rate



Related Party Category	2019		2018		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
Management services	₱68,181	₱-	₱78,656	₱-	Project management fee, commission and service charges paid to subsidiaries
Trust fee income	149	-	13	-	Fees paid by subsidiaries
Deposit liabilities:					
Outstanding balance	-	1,195,155	-	788,484	With interest rate based on average daily bank deposit rate. Deposit liabilities in 2019 includes ₱718,175
Net movements	406,671	-	(151,171)	-	collateralized with government securities amounting to
Interest expense on deposits	7,611	-	3,618	-	₱533,736
Interbank borrowing					
Interest expense	112,082	-	29,629	-	Short term borrowing with annual fixed rate ranging from 3.90% to 5.25%. No outstanding balances as of 2019 and 2018.
Loans:					
Interest income	-	-	18,913	-	Peso-denominated loans with annual interest rates ranging from 6.83% to 7.12%, paid off during the year. No outstanding balances as of 2019 and 2018.
Advances:					
Outstanding balance	-	49,175	-	17,706	Various expenses advanced by the Bank
Net movements	31,469	-	15,822	-	
Other liabilities	-	6,037	-	33,403	Variable fee for credit card transactions and security deposits paid
Applicable to the Group and the Parent Bank					
Stockholders and related parties under common ownership					
Deposit liabilities:					
Outstanding balance	-	6,116,433	-	8,309,367	With interest rate based on average daily bank deposit rate
Net movements	(2,192,934)	-	(4,568,448)	-	
Interest expense on deposits	216,652	-	385,079	-	With interest rate based on average daily bank deposit rate
Bills payable:					
Outstanding balance	-	1,077,077	-	8,593,874	Short term liabilities with annual fixed rate of 2.80% to 6.75%
Net movements	(7,516,797)	-	8,520,075	-	
Interest expense	230,836	-	215,080	-	
Income from bancassurance business:					
EAF earned	-	-	100,000	-	Exclusive Access Fee paid at inception. Income recognized on sale of insurance policies in accordance with the bancassurance agreement.
Commission income	164,507	-	179,695	-	Unearned income from Exclusive Access Fees arising from the bancassurance agreement
Unearned income	-	733,333	-	733,333	Secured borrowings with annual interest rate of 9.0% in 2019 and 8.0% in 2018
Loans receivable	13,200	13,200	797	797	



Key management personnel Directors, officers and other related interests:	₱1,826,566	₱-	₱1,861,027	₱-	Employee benefits related to key management personnel.
Loans	483,623	483,623	492,051	492,051	Employee fringe benefit loans with annual fixed interest rate from 0.00% to 8.00%
Accounts receivable	116,480	116,480	117,889	117,889	Fringe benefits related to employee cars and laptop lease.
Bills purchased:					
Outstanding balance	-	-	-	16,196	Short term receivables
Net movements	(16,196)	-	16,196	-	
Others	10,514	-	-	-	Standby LCs

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.

The Parent Bank and its subsidiaries' retirement plans have transactions directly and indirectly with the Parent Bank as of December 31, 2019 and 2018 as follows:

	2019		2018	
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Investment in Bank shares	(₱50,019)	₱154,225	(₱48,339)	₱204,244
Investments in Parent Bank notes payable:				
Outstanding balance	-	199,000	-	103,900
Net movements	95,100	-	-	-
Interest income	6,415	-	5,565	-
Accrued interest income	-	1,515	-	171
Deposit liabilities:				
Outstanding balance	-	342,410	-	498,603
Net movements	(156,193)	-	129,897	-
Interest income on deposits	10,159	-	13,043	-
Dividend income	4,921	-	110	-

Lease of Properties

In February 2014, the Parent Bank entered into a lease agreement with UIC, whereby the latter, as a lessee, leases one of the Parent Bank's investment properties for a period of five years. UIC pays the Parent Bank a monthly rent of ₱95, exclusive of VAT.

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 Parent Bank pays a fixed monthly service fee of ₱4,123 both in 2019 and 2018 and ₱4,618, in 2017 (net of applicable taxes and service charges) plus fixed commission per approved principal card.

Deposit Liabilities and Interest Expense

The deposit accounts of subsidiaries and stockholders with the Parent Bank generally earn interest based on daily bank deposit rates.



Advances

The Parent Bank also has advances to CSB and FUDC as of December 31, 2019 and 2018. These are generally settled in cash upon demand.

Bills Payable and Interest Expense

In 2017, CSB availed loan with Aboitiz Foundation, Inc., a related party, amounting to ₱74,000 which is payable in five years and bears an annual interest rate of 4.5%. This borrowing with outstanding balance of ₱73,953 and ₱73,874 (net of unamortized debt issue costs) as of December 31, 2019 and December 31, 2018, respectively, is included as part of Others under the Bills payable account in the consolidated statements of financial position (see Note 22).

In 2018, CSB availed of short-term borrowings from AEVI, Aboitiz Power Corporation and Aboitiz and Co., Inc., related parties under common ownership, amounting to ₱2,250,000, ₱300,000, and ₱5,670,000, respectively. These were subsequently paid in the following month.

In 2019, CSB availed of short-term borrowings from Aboitiz Power Corporation, related party under common ownership, amounting to ₱1,003,124. This was subsequently paid in the following month.

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). Under the Agreement, Insular Life paid the Parent Bank an amount representing Exclusive Access Fee (EAF) with a term of 15 years. In the event that the cumulative annualized premium earned (APE) sold during the first five year period is less than the agreed minimum amount, the Parent Bank shall refund the proportion of EAF that equals the proportion by which the cumulative APE is less the minimum amount. EAF recognized for 2018 and 2017 is presented as Income from bancassurance business under Miscellaneous Income account in the statements of income. Unearned income arising from this transaction is presented as part of Miscellaneous under Other liabilities account in the statements 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 Parent 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 Parent Bank shall earn commissions on all insurance policies sold by the Parent Bank. Commissions earned for the years ended December 31, 2019 and 2018 are presented as part of Others under Service charges, fees and commissions account in the statements of income (see Note 28).

Key Management Personnel Compensation

The compensation of key management personnel for the Group and Parent Bank follows:

	Group		
	2019	2018	2017
Short-term benefits	₱1,729,322	₱1,673,823	₱1,584,646
Post-employment benefits	70,011	115,052	147,560
Other long-term benefits	27,233	72,152	67,365
	₱1,826,566	₱1,861,027	₱1,799,571



	Parent Bank		
	2019	2018	2017
Short-term benefits	₱1,466,293	₱1,486,828	₱1,363,854
Post-employment benefits	58,879	103,092	129,683
Other long-term benefits	21,306	72,140	67,366
	₱1,546,478	₱1,662,060	₱1,560,903

Directors' fees incurred by the Group amounted to ₱80,948 in 2019, ₱75,800 in 2018, and ₱60,707 in 2017, and by the Parent Bank amounted to ₱69,274 in 2019, ₱66,672 in 2018, ₱55,681 in 2017, and are included as part of Salaries and employee benefits account in the statements of income.

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	
	2019	2018	2019	2018
Total DOSRI loans*	₱496,823	₱509,044	₱411,452	₱427,749
Unsecured DOSRI loans*	150,080	147,413	79,275	66,119
% of DOSRI loans to total loan portfolio	0.14%	0.2%	0.14%	0.2%
% of unsecured DOSRI loans to total DOSRI loans*	-%	-%	-%	-%
% of past due DOSRI loans to total DOSRI loans	-%	-%	-%	-%
% of non-accruing DOSRI accounts to total DOSRI loans	-%	-%	-%	-%

*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 Parent 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.

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 Parent 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 Parent Bank and its subsidiaries as of December 31, 2019 and 2018 are the following:

	Group		Parent Bank	
	2019	2018	2019	2018
Investments in:				
Equity securities	₱1,562,515	₱1,469,044	₱1,333,468	₱1,230,831
Debt securities	1,353,098	1,155,555	1,223,666	1,053,685
Bank deposits	535,718	738,575	391,269	539,059
Others	121,208	17,155	64,269	15,859
	₱3,572,539	₱3,380,329	₱3,012,672	₱2,839,434

As of December 31, 2019 and 2018, 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 Parent Bank amounting to ₱154,225 and ₱199,000, respectively, as of December 31, 2019 and ₱204,244 and ₱103,900, respectively, as of December 31, 2018. The investment in Parent 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 Parent Bank have deposits with the Parent Bank amounting to ₱342,409 and ₱319,473, respectively, as of December 31, 2019 and ₱498,603 and ₱380,790, respectively, as of December 31, 2018.

The related dividend income and interest income amounted to ₱4,921 and ₱16,574, respectively, in 2019, ₱110 and ₱18,608, respectively, in 2018 and ₱4,049 and ₱11,228, respectively, in 2017.

Group Health 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 2018 to September 2019 is at ₱127,000.

33. Earnings Per Share

In 2019, 2018 and 2017, 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:

	2019	Group	
		2018 (As restated - Note 2)	2017 (As restated - Note 2)
Net profit attributable to Parent Bank's stockholders	₱14,026,128	₱6,875,587	₱7,903,772
Divided by the weighted average number of outstanding common shares (thousands)	1,217,605	1,098,045	1,058,344
Basic and diluted earnings per share	₱11.52	₱6.26	₱7.47



	2019	Parent Bank	
		2018 (As restated - Note 2)	2017 (As restated - Note 2)
Net profit	₱14,026,120	₱6,784,670	₱7,797,061
Divided by the weighted average number of outstanding common shares (thousands)	1,217,605	1,098,045	1,058,344
Basic and diluted earnings per share	₱11.52	₱6.18	₱7.37

34. Commitments and Contingent Liabilities

Leases

Group as Lessee

The Parent 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 Parent 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, 2019 and 2018, the Parent Bank has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2019 as required by PFRS 16:

	Group	Parent Bank
1 year or less	₱489,440	438,554
more than 1 years to 2 years	360,514	332,086
more than 2 years to 3 years	251,408	237,076
more than 3 years to 4 years	153,517	150,381
more than 5 years	44,460	44,291

As of December 31, 2018, the estimated minimum future annual rentals payable under non-cancellable operating leases follows:

	Group	Parent Bank
Within one year	550,115	₱405,313
Beyond one year but within five years	1,582,936	1,288,890
Beyond five years	79,209	44,004
	₱2,212,260	₱1,738,207

Rentals charged against current operations included as part of Occupancy account in the statements of income are as follows:

	2019*	2018	2017
Group	260,013	₱664,291	₱571,260
Parent Bank	139,243	525,146	484,214

*2019 rentals refers to short-term leases and leases of low value assets (see Note 24)



Group as Lessor

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 28) by the Group and the Parent Bank for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Group	₱163,730	₱160,713	₱190,025
Parent Bank	165,523	156,276	186,357

The estimated minimum future annual rentals receivable under non-cancellable operating leases follows:

	Group	
	2019	2018
Within one year	₱171,122	₱131,424
Beyond one year but within five years	272,084	189,418
Beyond five years	77,977	5,884
	₱521,183	₱326,726

	Parent Bank	
	2019	2018
Within one year	₱152,687	₱116,643
Beyond one year but within five years	313,277	164,341
	₱465,964	₱280,984

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, 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, 2019, 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.

There are several suits, assessments or notices and claims that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such suits, assessments and claims will not have a material effect on the Group's and the Parent Bank's financial position and results of operations.

UIC acts as the project and fund manager of Kingswood Project. As fund manager, UIC is responsible for the treasury and money management as well as arranging the necessary facilities and accounting for the development of the project. UIC 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. Notes to the Statements of Cash Flows

Presented below is the supplemental information on the Group's and the Parent Bank's liabilities arising from financing activities:

	Group				Total
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities	
Balances at January 1, 2019	₱6,000,000	₱90,964,473	₱44,522,066	₱-	₱141,486,539
Cash flows from financing activities:					
Additions	-	2,305,932,334	9,199,139	524,954	2,315,656,427
Repayment of borrowings	(3,000,000)	(2,291,736,846)	(3,426,766)	(534,042)	(2,298,697,654)
Non-cash financing activities:					
Adoption of PFRS 16	-	-	-	1,246,913	1,246,913
Effects of foreign exchange rate changes	-	(72,239)	(981,678)	-	(1,053,917)
Amortization of debt issue costs and accretion of interest	-	-	18,745	99,471	118,216
Balances as of December 31, 2019	₱3,000,000	₱105,087,722	₱49,331,506	₱1,337,296	₱158,756,524

	Group				Total
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities	
Balances at January 1, 2018	₱3,000,000	₱43,070,825	₱32,128,177	₱-	₱78,199,002
Cash flows from financing activities:					
Additions	3,000,000	657,746,587	11,013,685	671,760,272	671,760,272
Repayment of borrowings	-	(613,840,876)	-	(613,840,876)	(613,840,876)
Effect of business combinations	-	4,323,571	36,806	4,360,377	4,360,377
Non-cash financing activities:					
Effects of foreign exchange rate changes	-	(335,634)	1,325,000	989,366	989,366
Amortization of debt issue cost	-	-	18,398	18,398	18,398
Balances as of December 31, 2018	₱6,000,000	₱90,964,473	₱44,522,066	₱141,486,539	₱141,486,539

	Parent Bank				Total
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities	
Balances at January 1, 2019	₱6,000,000	₱64,723,631	₱44,335,260	₱-	₱115,058,891
Cash flows from financing activities:					
Additions	-	2,263,433,630	5,800,000	418,540	2,269,652,170
Repayment of borrowings	(3,000,000)	(2,235,935,766)	-	(426,711)	(2,239,362,477)
Non-cash financing activities:					
Adoption of PFRS 16	-	-	-	998,394	998,394
Effects of foreign exchange rate changes	-	(72,239)	(972,500)	-	(1,044,739)
Amortization of debt issue costs and accretion of interest	-	-	19,301	74,718	94,019
Balances as of December 31, 2019	₱3,000,000	₱92,149,256	₱49,182,061	₱1,064,941	₱145,396,258

	Parent Bank				Total
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities	
Balances at January 1, 2018	₱3,000,000	₱29,009,719	₱32,306,823	₱-	₱64,316,542
Cash flows from financing activities:					
Additions	3,000,000	638,847,784	10,863,685	652,738,469	652,738,469
Repayment of borrowings	-	(602,798,238)	-	(602,798,238)	(602,798,238)
Non-cash financing activities:					
Effects of foreign exchange rate changes	-	(335,634)	1,325,000	989,366	989,366
Amortization of debt issue cost	-	-	18,398	18,398	18,398
Balances as of December 31, 2018	₱6,000,000	₱64,723,631	₱44,513,906	₱115,264,537	₱115,264,537



36. Events After the End of the Reporting PeriodDividend Declaration

On January 24, 2020, the Parent Bank's BOD approved the declaration of cash dividends at ₱3.50 per share or for a total of ₱4,264,650 based on the outstanding common stock of 1,218,471 shares as of January 24, 2020. Record date for stockholders entitled to said cash dividend is February 7, 2020 while payment is expected to be made on February 24, 2020.

Redemption of Unsecured Subordinated Notes Qualifying as Tier 2 Capital Due 2025

On February 20, 2020, the Parent Bank exercised its Voluntary Redemption Option to pre-terminate its ₱7.2 billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital issued on November 20, 2014 and due 2025.

Issuance of Unsecured Subordinated Notes Qualifying as Tier 2 Capital Due 2030

On February 24, 2020, the Parent Bank issued and listed on the Philippine Dealing and Exchange Corporation ("PDEX") its ₱6.8 billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital Due 2030 under its BSP-approved issuance of ₱20.0 billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.

Acquisition of Bangko Kabayan, Inc.

On February 6, 2019, CSB and UIC signed an SPA with the shareholders of Bangko Kabayan, Inc. for the purchase of 2,574,178 common shares representing 70% ownership of Bangko Kabayan, Inc. On September 19, 2019, the BSP approved the transfer of the voting shares of stock of Bangko Kabayan, Inc. to CSB and UIC, subject to certain conditions. However, CSB was enjoined by the BSP to comply with PCC requirements. On January 9, 2020, the PCC found that the acquisition by CSB and UIC of shares in Bangko Kabayan, Inc. will not likely result in substantial lessening of competition and thus resolved to take no further action with respect to the proposed acquisition.

Bangko Kabayan, Inc. was authorized to engage in the business of extending financial services to farmers, employees, entrepreneurs, commercial, manufacturing and industrial enterprises and to such other persons or entities that require financial intermediation, and to have and to exercise all authority and powers and to do and perform all acts and to transact all business which may legally be done by Thrift Banks organized under and in accordance with the existing New Thrift Banks Act of 1995 (Republic Act No. 7906). The bank has 23 branches, including the head office, in the area of Batangas, Laguna and Quezon (Southern Luzon), and one microfinance other banking office in Lobo, Batangas.



Other than Cash and other cash items, Due from BSP, and Due from other banks, the Group determined the provisional fair values of identifiable assets and liabilities acquired, which will be adjusted once relevant information has been obtained, including the valuation of external appraisers. The provisional fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows (amounts in thousands):

	Provisional fair values recognized on acquisition date
Assets	
Cash and other cash items	₱68,528
Due from Bangko Sentral ng Pilipinas	375,899
Due from other banks	355,284
Investment securities	307,977
Loans and receivables	1,903,282
Property and equipment	107,042
Investment properties	88,152
Other resources	41,114
Total assets	3,247,278
Liabilities	
Deposit liabilities	2,554,985
Other liabilities	92,118
Total liabilities	2,647,103
Net assets acquired	₱600,175

The acquisition resulted in provisional goodwill determined as follows:

Purchase price	₱681,745
Share in fair value of net assets acquired:	
Provisional fair values of net assets acquired	₱600,175
Less: Proportionate share of non-controlling interest	180,053
Provisional Goodwill	₱261,623

The goodwill arising from the acquisition is attributed to expected synergies from the operations of the acquiree and the acquirer. None of the goodwill recognized is expected to be deductible for income tax purposes.

The provisional fair value of the loans and receivables acquired as part of the business combination amounted to ₱1.90 billion, with gross contractual amount of ₱1.92 billion.

Net cash inflow related to the acquisition Bangko Kabayan, Inc. amounted to ₱117.96 million, net of cash acquired.

For the year ended December 31, 2019, Bangko Kabayan, Inc. reported a total operating income and net income of ₱369.94 million and ₱77.39 million, respectively. Had the acquisition occurred at the beginning of 2019, the consolidated operating income and consolidated net profit for the year ended December 31, 2019 would have increased by ₱369.94 million and ₱77.39 million, respectively.



37. Supplementary Information Required Under BSP Circular 1074

Presented below is the supplementary information required by the BSP under BSP Circular 1074.

Basic quantitative indicators of financial performance

Group	2019	2018 (As restated - see Note 2)	2017 (As restated - see Note 2)
Return on average capital funds:			
$\frac{\text{Net profit}}{\text{Average total capital funds}^*}$	15.3%	8.8%	11.9%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}^*}$	1.9%	1.1%	1.4%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest-earning resources}^*}$	3.6%	3.7%	4.4%
Liquidity ratio:			
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	56.4%	42.5%	49.1%
Debt-to-equity ratio:			
$\frac{\text{Liabilities}}{\text{Equity}}$	6.9:1	6.7:1	7.9:1
Asset-to-equity ratio:			
$\frac{\text{Asset}}{\text{Equity}}$	7.9:1	7.7:1	8.9:1
Interest rate coverage ratio:			
$\frac{\text{Earnings before interestsand taxes}}{\text{Interest expense}}$	1.9:1	1.7:1	2.5:1

*Average amount is calculated based on current year-end and previous year-end balances



Parent Bank	2019	2018 (As restated - see Note 2)	2017 (As restated - see Note 2)
Return on average capital funds:			
<u>Net profit</u>	15.3%	8.7%	11.6%
Average total capital funds*			
Return on average resources:			
<u>Net profit</u>	2.2%	1.2%	1.5%
Average total resources*			
Net interest margin:			
<u>Net interest income</u>	3.1%	3.0%	3.2%
Average interest-earning resources*			
Liquidity ratio:			
<u>Current Assets</u>	53.9%	41.9%	49.9%
Current Liabilities			
Debt-to-equity ratio:			
<u>Liabilities</u>	6.2:1	5.9:1	6.9:1
Equity			
Asset-to-equity ratio:			
<u>Asset</u>	7.2:1	6.9:1	7.9:1
Equity			
Interest rate coverage ratio:			
<u>Earnings before interests and taxes</u>	2.1:1	1.8:1	2.7:1
Interest expense			

*Average amount is calculated based on current year-end and previous year-end balances

Capital instruments issued

The Parent Bank's capital instruments consist of the following:

Capital stock

As of December 31, 2019 and 2018, the Parent Bank has outstanding capital stock shown below (peso amounts in thousands):

	Shares		Amounts	
	2019	2018	2019	2018
Common – ₱10 par value				
Authorized	1,311,422,420	1,311,422,420	₱13,114,224	₱13,114,224
Issued and outstanding	1,217,609,561	1,217,149,512	12,176,096	12,171,495
Preferred – ₱100 par value, non-voting				
Authorized	100,000,000	100,000,000	₱10,000,000	₱10,000,000
Issued and outstanding	–	–	–	–



Unsecured subordinated debt

As of December 31, 2019 and 2018, the Parent Bank's unsecured subordinated debt is eligible as risk-based capital. The unsecured subordinated debt has an outstanding balance of ₱7.2 billion issued on November 20, 2014 ("2014 Notes"). A summary of the terms and conditions are as follows:

- (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 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;
- (c) The Parent Bank may, at its option, on a Redemption Option Date (last day of the 21st interest period), at the Redemption Option Price (100% of face value), upon compliance with the notice requirements and subject to the Redemption Conditions being satisfied, redeem all and not less than all of the outstanding Notes by paying the Noteholder the Voluntary Redemption Amount; 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.

On February 20, 2020, the Parent Bank exercised its Voluntary Redemption Option to pre-terminate the 2014 Notes.

Concentration of credit exposures

An analysis of concentrations of credit risk for loans and other receivables and investment securities (grossed up for any allowance for credit losses and unearned discounts) of the Group and the Parent Bank by industry and by geographic location as of December 31, 2019 and 2018 is shown below (amounts in thousands):

	Group			
	2019			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Real estate activities	₱69,744,416	17.31	₱606,797	₱70,351,213
Financial and insurance activities	46,768,436	11.61	136,551,897	183,320,333
Information and communication	44,788,932	11.11	-	44,788,932
Wholesale and retail trade, repair of motor vehicles	27,242,887	6.76	136	27,243,023
Electricity, gas steam and air conditioning supply	21,198,130	5.26	31,866,652	53,064,782
Manufacturing	22,211,189	5.51	952	22,212,141
Accommodation and food service activities	1,294,820	0.32	-	1,294,820
Transportation and storage	16,232,252	4.03	-	16,232,252
Activities of households as employers and undifferentiated goods and services	7,178,219	1.78	-	7,178,219
Construction	7,949,876	1.97	-	7,949,876
Other service activities	8,894,506	2.21	3,315,190	12,209,696

(Forward)



	Group 2019			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
Agriculture, forestry and fishing	₱2,881,109	0.71	₱-	₱2,881,109
Professional, scientific and technical activities	542,800	0.13	-	542,800
Arts, entertainment and recreation	13,806,681	3.42	-	13,806,681
Others	112,263,302	27.87	45,370	112,308,672
	₱402,997,555	100.00	₱172,386,994	₱575,384,549
<i>Concentration by location</i>				
Philippines	₱401,672,516	99.67	₱80,042,253	₱481,714,769
Others - Asia	792,011	0.20	64,344,389	65,136,400
South America	301,667	0.07	17,292,235	17,593,902
North America	209,845	0.05	8,151,039	8,360,884
United States	21,516	0.01	2,555,582	2,577,098
Europe	-	0.00	1,497	1,497
	₱402,997,555	100.00	₱172,386,995	₱575,384,550

	Group 2018			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Real estate activities	₱54,175,125	16.13	₱2,518,418	₱56,693,543
Financial and insurance activities	49,709,176	14.80	171,571,585	221,280,761
Information and communication	31,377,131	9.34	804,521	32,181,652
Wholesale and retail trade, repair of motor vehicles	27,711,422	8.25	424	27,711,846
Electricity, gas steam and air conditioning supply	23,179,406	6.90	37,776,215	60,955,621
Manufacturing	18,153,915	5.41	2,826,502	20,980,417
Accommodation and food service activities	11,932,740	3.55	-	11,932,740
Transportation and storage	11,851,921	3.53	-	11,851,921
Activities of households as employers and undifferentiated goods and services	9,256,381	2.76	-	9,256,381
Construction	5,836,312	1.74	-	5,836,312
Other service activities	3,805,692	1.13	3,532	3,809,224
Agriculture, forestry and fishing	2,266,941	0.68	-	2,266,941
Professional, scientific and technical activities	431,161	0.13	-	431,161
Arts, entertainment and recreation	106,928	0.03	-	106,928
Others	86,008,050	25.62	45,370	86,053,420
	₱335,802,301	100.00	₱215,546,567	₱551,348,868
<i>Concentration by location</i>				
Philippines	₱334,255,563	99.54	₱100,196,959	₱434,452,522
Others - Asia	846,364	0.25	75,903,425	76,749,789
South America	342,098	0.10	22,161,154	22,503,252
North America	216,422	0.06	9,728,961	9,945,383
Russia	110,650	0.04	4,890,490	5,001,140
United States	22,343	0.01	2,656,717	2,679,060
Europe	8,861	0.00	8,861	17,722
	₱335,802,301	100.00	₱215,546,567	₱551,348,868

	Parent Bank 2019			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Real estate activities	₱69,736,138	20.54	₱606,797	₱70,342,935
Financial and insurance activities	46,271,152	13.63	136,551,897	182,823,049
Information and communication	44,788,252	13.20	-	44,788,252
Wholesale and retail trade, repair of motor vehicles	26,658,739	7.86	136	26,658,875
Electricity, gas steam and air conditioning supply	21,198,130	6.25	31,866,652	53,064,782
Manufacturing	22,209,636	6.55	952	22,210,588

(Forward)



Parent Bank				
2019				
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
Accommodation and food service activities	₱1,290,537	0.38	₱-	₱1,290,537
Transportation and storage	15,904,179	4.69	-	15,904,179
Activities of households as employers and undifferentiated goods and services	7,178,219	2.12	-	7,178,219
Construction	7,949,656	2.34	-	7,949,656
Other service activities	7,766,846	2.29	3,315,190	11,082,036
Agriculture, forestry and fishing	1,560,224	0.46	-	1,560,224
Professional, scientific and technical activities	542,740	0.16	-	542,740
Arts, entertainment and recreation	13,806,628	4.07	-	13,806,628
Others	52,472,116	15.46	45,370	52,517,486
	₱339,333,192	100.00	₱172,386,994	₱511,720,186
<i>Concentration by location</i>				
Philippines	₱338,008,153	99.61	₱80,042,253	₱418,050,406
Others - Asia	792,011	0.23	64,344,389	65,136,400
South America	301,667	0.09	17,292,235	17,593,902
North America	209,845	0.06	8,151,039	8,360,884
United States	21,516	0.01	2,555,582	2,577,098
Europe	-	0.00	1,497	1,497
	₱339,333,192	100.00	₱172,386,995	₱511,720,187

Parent Bank				
2018				
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Real estate activities	₱54,174,341	20.39	₱2,518,418	₱56,692,759
Financial and insurance activities	39,747,749	14.95	171,571,585	211,319,334
Information and communication	31,376,526	11.81	804,521	32,181,047
Wholesale and retail trade, repair of motor vehicles	27,093,681	10.19	424	27,094,105
Electricity, gas steam and air conditioning supply	23,179,406	8.72	37,776,215	60,955,621
Manufacturing	18,148,319	6.83	1,820	18,150,139
Accommodation and food service activities	11,866,239	4.47	-	11,866,239
Transportation and storage	11,209,175	4.22	2,824,682	14,033,857
Activities of households as employers and undifferentiated goods and services	9,256,381	3.48	-	9,256,381
Construction	5,835,706	2.20	-	5,835,706
Other service activities	3,507,739	1.32	3,532	3,511,271
Agriculture, forestry and fishing	788,735	0.30	-	788,735
Professional, scientific and technical activities	430,218	0.16	-	430,218
Arts, entertainment and recreation	105,694	0.04	-	105,694
Others	29,012,375	10.92	45,370	29,057,745
	₱265,732,284	100.00	₱215,546,567	₱481,278,851
<i>Concentration by location</i>				
Philippines	₱264,185,546	99.42	₱100,196,959	₱364,382,505
Others - Asia	846,364	0.32	75,903,425	76,749,789
South America	342,098	0.13	22,161,154	22,503,252
North America	216,422	0.08	9,728,961	9,945,383
Russia	110,650	0.04	4,890,490	5,001,140
United States	22,343	0.01	2,656,717	2,679,060
Europe	8,861	-	8,861	17,722
	₱265,732,284	100.00	₱215,546,567	₱481,278,851



Breakdown of total loans as to security and status*As to security*

The breakdown of total loans and other receivables (net of unearned discounts) as to secured, with corresponding collateral types, and unsecured loans follows (amounts in thousands):

	Group		Parent Bank	
	2019	2018	2019	2018
Secured:				
Government securities	₱6,326,728	₱2,158,268	₱-	₱2,158,268
Real estate	11,082,543	11,056,039	10,448,441	10,354,217
Chattel mortgage	2,245,099	2,152,924	1,718,804	2,152,924
Deposit hold-out	1,088,604	850,190	1,038,466	795,291
Others	15,049,503	4,637,030	14,964,752	4,631,885
	35,792,477	20,854,451	28,170,463	20,092,585
Unsecured	365,471,052	313,446,841	311,025,646	245,521,557
	₱401,263,529	₱334,301,292	₱339,196,109	₱265,614,142

The breakdown as to secured and unsecured of non-accruing loans of the Group and the Parent Bank as of December 31 follows:

	Group		Parent Bank	
	2019	2018	2019	2018
Secured	₱1,996,246	₱2,102,549	₱1,857,468	₱1,956,567
Unsecured	13,588,717	12,403,358	9,408,526	8,823,908
	₱15,584,963	₱14,505,907	₱11,265,994	₱10,780,475

As to status

Non-performing loans (NPLs) of the Group and the Parent Bank as of December 31, 2019 and 2018 are presented below, net of specific allowance for credit losses in compliance with BSP Circular 855, respectively (amounts in thousands).

	Group		Parent Bank	
	2019	2018	2019	2018
Gross NPLs	₱11,940,663	₱12,403,326	₱8,494,852	₱8,681,263
Specific allowance for credit losses on NPLs	(5,106,021)	(5,329,156)	(4,289,056)	(3,045,136)
	₱6,834,642	₱7,074,170	₱4,205,796	₱5,636,127

Under BSP Circular 941, an account or exposure is considered non-performing, even without any missed contractual payments, when it is deemed impaired under existing applicable accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, in the case of secured accounts. All other accounts, even if not considered impaired, shall be considered non-performing if any contractual principal and/or interest are past due for more than ninety (90) days, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.



Non-performing loans, investment, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until (a) there is a sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

Related party loans

As of December 31, 2019 and 2018, the Group's and the Parent Bank's related party loans solely consist of DOSRI loans, as shown below (peso amounts in thousands):

	Group		Parent Bank	
	2019	2018	2019	2018
Total DOSRI loans	₱496,823	₱509,044	₱411,452	₱427,749
Unsecured DOSRI loans	150,080	147,413	79,275	66,119
% of DOSRI loans to total loan portfolio	0.14%	0.2%	0.14%	0.2%
% of unsecured DOSRI loans to total DOSRI loans	—%	—%	—%	—%
% of past due DOSRI loans to total DOSRI loans	—%	—%	—%	—%
% of non-accruing DOSRI accounts to total DOSRI loans	—%	—%	—%	—%

Secured liability and assets pledged as security

The Group's and the Parent Bank's bills payable under repurchase agreements amounted to ₱60.35 billion and ₱38.64 billion.

The following are the carrying values of the investment securities and loans and discounts pledged against bills payable under repurchase agreement of the Group and the Parent Bank (amounts in thousands):

	2019	2018
Investment securities at amortized cost	₱71,704,809	₱80,336,648
Loans and discounts	15,000,000	₱18,000,000
	₱86,704,809	₱98,336,648

Commitments and Contingencies

Following is a summary of the Parent Bank's commitments and contingent accounts (amounts in thousands):

	2019	2018
Trust department accounts	₱54,320,418	₱45,568,784
Forward exchange bought	40,131,599	25,992,905
Forward exchange sold	22,704,773	21,816,419
Inward bills for collections	21,400,791	32,323,461
Unused commercial letters of credit	4,736,371	3,041,698
Spot exchange sold	2,896,275	3,102,639
Spot exchange bought	1,941,913	3,096,944
Outstanding guarantees issued	493,824	573,842
Late deposits/payments received	45,174	63,446
Outward bills for collection	36,451	41,377
Other contingent accounts	3,045	3,148



38. 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.

Gross Receipts Tax

In lieu of the value-added tax (VAT), the Parent Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries pursuant to Section 121 of the Tax Code.

The Parent Bank reported total GRT amounting to ₱1,082,250 in 2019 as shown under Taxes and Licenses account. Total GRT payable as of December 31, 2019 amounted to ₱247,631 and is included as part of Accrued taxes and other expenses under Other liabilities account in the 2019 statement of financial position.

Documentary Stamp Tax

The Bank is enrolled under the Electronic DST System. In general, the Parent Bank's DST transactions arise from the execution of debt instruments, security documents, and bills of exchange.

For the year ended December 31, 2019, DST affixed amounted to ₱2,031,999.

Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2019 are shown below:

Final	₱1,811,443
Expanded	182,951
Compensation and benefits	766,344
	₱2,760,738

Taxes and Licenses

The details of taxes and licenses in 2019 of the Parent Bank are as follows:

GRT	₱1,082,250
DST	941,067
Real property tax	38,115
Fringe benefit tax (FBT)	37,941
Local and business permits	31,605
Miscellaneous	146,647
Less:	
FBT charged to employee benefits	37,941
	₱2,239,684

Excise Taxes

The Parent Bank does not have excise taxes accrued since it did not have any transactions subject to excise tax.



Claim for Refund

The Parent Bank has a pending claim for refund of taxes arising from the BIR's denial of the Parent 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 Parent Bank in the amount of ₱90,923. The CTA en banc affirmed this decision on July 14, 2014. The BIR subsequently appealed this decision before the Supreme Court.

On July 4, 2018, the Supreme Court affirmed the CTA decision granting the Bank's claim for refund amounting to ₱90,923. On September 12, 2018, the BIR filed a Motion for Reconsideration of the Supreme Court's Resolution.

Other Required Tax Information

The Parent 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, 2019.

