

THE FUTURE IS HERE, NOW:

DIGITAL ACCELERATED

2020 ANNUAL REPORT





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.

The Bank'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 among the first to embrace technological innovations to empower its customers into the future of banking. Undoubtedly the Philippines' pioneer in digital banking, it was the first among its peers to start a bank website; spearheaded online banking; and launched the country's first electronic savings account, to name a few.

Over the years, the Bank has garnered a record-breaking number of awards and recognition including four-time "Digital Bank of the Year" by The Asset Triple A; "Asia Pacific's Digital Trailblazer" by IDC Asia Pacific; ranked "Top 2 Most Helpful Banks in Asia Pacific during COVID-19" by BankQuality.com; "Bank of the Year 2020, in the Philippines" by The Banker; "Asia's Best Bank Transformation" from Euromoney; three-time "Best Digital Bank-PH" from Asiamoney; "Asia Pacific Retail Bank of the Year" by Retail Banker International; "Best Retail Bank PH" by The Asian Banker; "Domestic Retail Bank of the Year" by Asian Banking and Finance; "Best Universal Bank PH" from Capital Finance International; "Best Bank for SMEs" by Asiamoney; and Employer of the Year from Stevie Awards for Great Employers, among many more.

Determined to be an enabler of the Philippines' bid to be a G20 country by 2050, UnionBank stands firm in its promise to power the future of banking through "Tech-Up *Pilipinas*" to best serve the growing needs of Filipinos everywhere, while pioneering innovations 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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The background image shows a modern office interior with a curved wooden slat ceiling, a long curved sofa in the foreground, and people working at desks in the background.

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TWO-YEAR FINANCIAL HIGHLIGHTS

in Php Bn, except ratios and per share data	Consolidated		Parent Bank	
	2020	2019	2020	2019
Profitability				
Total Net Interest Income	28.7	22.3	21.9	16.6
Total Non-Interest Income	13.4	14.3	13.2	14.4
Total Operating Income	42.1	36.7	35.1	31.0
Allowance for Credit Losses	8.4	1.9	7.5	1.5
Total Operating Income after Allowance for Credit Losses	33.7	34.8	27.7	29.5
Total Other Expenses	21.4	20.3	16.3	15.6
Net Income Before Tax	12.3	14.5	11.3	13.9
Income Tax Expense	0.8	0.5	0.1	-0.1
Net Income	11.6	14.0	11.3	14.0
Balance Sheet				
Liquid Assets	181.4	156.2	156.4	147.3
Trading & Investment Securities	205.4	175.2	202.6	175.1
Loans & Receivables, Net	339.5	392.6	273.3	332.1
Other Assets	48.1	46.8	56.5	53.0
Total Assets	774.5	770.8	688.9	707.6
Deposits	527.8	484.3	465.2	439.0
Other Liabilities	141.5	188.4	119.1	170.7

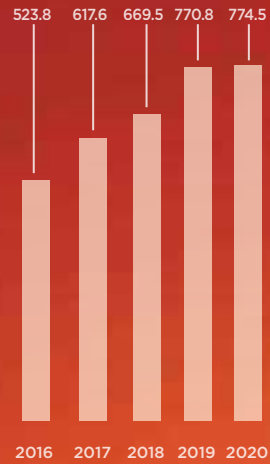
in Php Bn, except ratios and per share data	Consolidated		Parent Bank	
	2020	2019	2020	2019
Total Liabilities	669.3	672.8	584.3	609.6
Total Equity	105.2	98.0	104.6	98.0
Selected Ratios				
Return on Average Equity	11.5%	15.3%	11.1%	15.3%
Return on Average Assets	1.5%	1.9%	1.6%	2.2%
CET1 Capital Ratio	15.0%	13.2%	14.7%	12.7%
Tier1 Capital Ratio	15.0%	13.2%	14.7%	12.7%
Capital Adequacy Ratio	17.0%	15.3%	16.9%	15.0%
Per Common Share Data				
Cash Dividends*	3.50	3.50	3.50	3.50
Earnings:				
Basic	9.5	11.5	9.2	11.5
Diluted	9.5	11.5	9.2	11.5
Book Value	85.6	80.1	85.8	80.5
<i>*Earned for the year but declared and paid the following year</i>				
Others				
Headcount				
Officers	3,869	3,611	2,806	2,784
Staff	2,125	1,873	700	741

UNIONBANK AND PSEI REBASED STOCK PERFORMANCE
(BASE: 2015 LAST TRADING DATE)

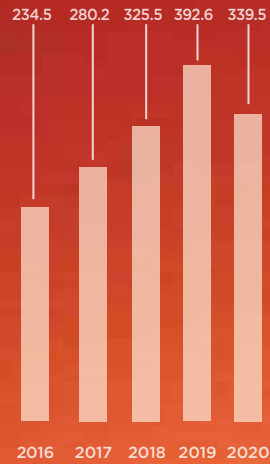


FIVE-YEAR FINANCIAL HIGHLIGHTS

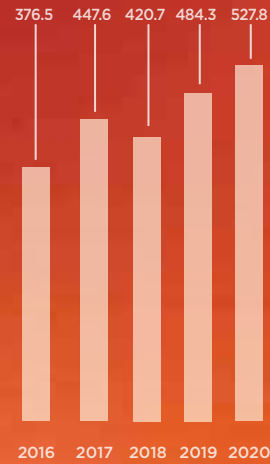
TOTAL RESOURCES



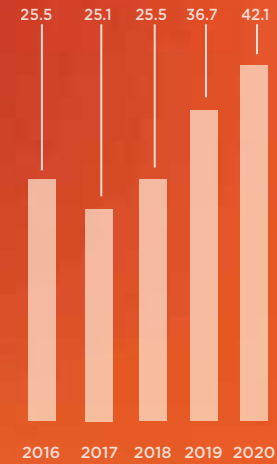
TOTAL LOANS



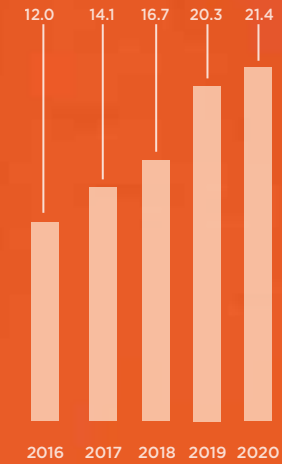
TOTAL DEPOSITS



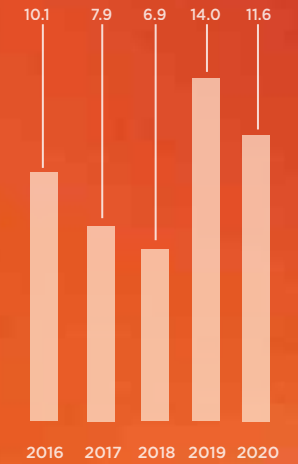
NET REVENUES



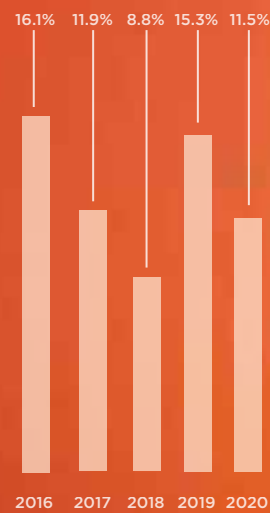
OPERATING EXPENSES



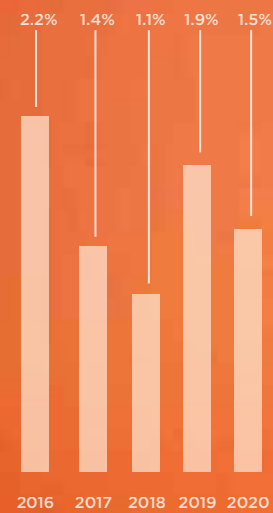
NET INCOME



RETURN ON EQUITY



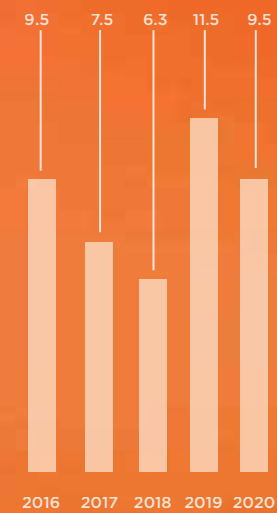
RETURN ON ASSETS



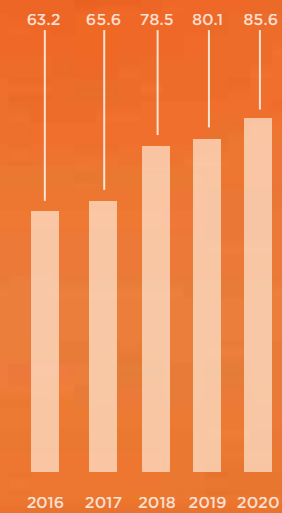
COST-TO-INCOME RATIO



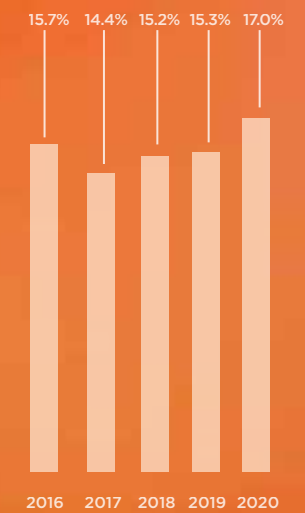
EARNINGS PER SHARE



BOOK VALUE PER SHARE



TOTAL CAPITAL ADEQUACY RATIO



CHAIRMAN'S MESSAGE



OUR HIGHER PURPOSE IN ACTION

ERRAMON I. ABOITIZ

CHAIRMAN

2020 marks my first year as UnionBank's Chairman of the Board, and what an opportune time to address you, our dear stockholders, amid this ongoing COVID pandemic.

The COVID-19 crisis was a perfect storm for the economy. Philippine Gross Domestic Product (GDP) growth was at a historical low of -9.5% in 2020 as business activity slowed down and household consumption weakened from strict quarantine protocols. Foreign direct investments fell 25% year-on-year (YoY) to USD6.5 billion from dull business outlook while, unemployment rate recorded an all-time high of 17.7% in April 2020 when enterprises downsized or shut down operations.

These challenges rippled through the banking industry in the form of dampened credit demand and rise of past due loans. As of end-2020, the banking industry's loan growth declined for the first time in 14 years as corporates held off expansion plans and consumers limited spending. The industry's non-performing loans deteriorated to 3.6%, worse than the 2008 Global Financial Crisis, prompting an increase in credit reserves by 4.2x to Php214 billion. Ultimately, this resulted to a lower bottom line for the industry, as net income declined by 33% YoY to Php155 billion.

Early into the crisis, a series of stimulus programs were launched to assist in the economy's recovery. Government's increased expenditures focused on cash support programs, wage subsidies, healthcare expansion, and the like. The *Bangko Sentral ng Pilipinas* cut policy rates and reserve requirements by a total of 200bps to 2.0% and 12.0%, respectively, to pump more liquidity into the banking system and sustain healthy spending. Lending to micro, small, and medium enterprises (MSMEs) were encouraged through credit guarantees and its eligibility to form part of banks' reserve requirements. The enactment of the Financial Institutions Strategic Transfer (FIST) law was also great news as it would help financial institutions dispose of non-performing assets and improve asset quality ratios moving forward.

Similar to the banking industry, UnionBank was not spared from the adverse effects of the pandemic. We had to deal with lower loan growth and rise in non-performing loans. Nonetheless, the Bank continued to post strong topline revenues and outperform the industry in terms of profitability.

It is worth noting that the Bank entered the crisis with robust fundamentals and a clear business strategy. Our digital transformation journey established years ago prepared us for this unprecedented disruption and moreover, has been validated by the accelerated shift of consumer behavior towards digital. With this, a year after the pandemic's onset, the Bank has not only proved its resiliency but is pushing boundaries to take on the opportunities arising from the crisis itself. Inspiringly, we owe these positive outcomes to the strong commitment of the institution to its employees, as well as the customer-focused culture demonstrated by our people despite the health crisis.

CHAIRMAN'S MESSAGE



No One Left Behind

When we started our digital transformation journey in 2015, we made a promise – “to leave no one behind” – employees and customers alike. When the pandemic hit, we made sure to carry on with this pledge.

First things first. We prioritized the basic needs and well-being of UnionBankers while continuing to serve our customers. Our employees were equipped with the necessary mobility kits, collaboration tools, and access to the Bank's systems and applications available on the cloud. These were provided early in our transformation journey as one of the foundational pieces for the organization to be ‘digital to the core’. Because of this, we had a smooth transition to a remote work setup when the lockdown was declared. Until today, we continue to seamlessly run the Bank's operations despite majority of our head office employees working offsite.

Our relationship managers also continued prospecting and opening bank accounts for clients despite lack of face-to-face interactions because they were equipped with their digital sales and account management tool, MAX 5.0, with features such as leads monitoring, fully-digital account opening experience for customers, next best offers, and many more.

For our frontliners (e.g., branch personnel, cash services units, etc.), weekly rapid COVID testing were, and are continued to be, provided for free. Branches are regularly sanitized to ensure that customers are safe and protected in our premises. During the stricter months of the community quarantine, free transportation, accommodation, and food assistance were also arranged for our people. With this, majority of our branches were open, full banking services were maintained, and ATMs were constantly loaded to support customers' financial requirements.

Moreover, our online banking channels – UnionBank Online App for retail, The Portal for corporate cash management solutions, SME Banking App for MSMEs – were up and running so that customers could perform banking functions whenever, wherever. Features were enhanced to include digital account opening, mobile check deposit, send money to remittance centers, cash in via ECPay partner counters, and many more so customers could transact at the safety of their homes.

Given the rise of digital transactions in the industry during the pandemic, the Bank also beefed-up cybersecurity and anti-fraud measures to protect customer affairs – from boosting applications' security features with the help of data science and artificial intelligence, pro-active consumer campaigns, and continuous collaboration with other financial institutions and government agencies to combat cybercrime.

Our Human Resource Group ensured to provide the essential programs to help employees cope in this situation such as wellness activities and reminders, trainings for skillset improvements, and even online medical consultations. And to help us power through this health crisis, the Bank has guaranteed to procure and provide free vaccine for all UnionBankers, made possible by the strong collaboration with its Parent Company, Aboitiz Equity Ventures, and the public sector.

In the process of providing the basic needs of our employees, the culture of ‘Magis’ was reinvigorated in our people. Stories abound of UnionBankers going beyond what was required of them to leave no customer behind.

We have Jhoie, a Sales and Service Assistant from our Makati branch, who found ways to report to work and rode her scooter in the absence of public transportation



during the community quarantine. She passed through 4 cities and 3 checkpoints to continue serving our customers in the branch. A team of 15 Manila and Cebu-based employees of our subsidiary CitySavings, sacrificed time with their families and stayed at the Cebu head office for one month when the lockdown was announced, realizing the importance of finishing the project implementation of CSB's core banking system. Moreover, despite hospitals being warzone-like, employees from our hospital-based branches (e.g., Makati Medical Center, The Medical City, St. Luke's, Cardinal Santos, and many more) set aside their fears to respond to the call of duty. In full medical gears, they diligently and selflessly assisted, recognizing that clients need their service the most in times like these.

These small acts of heroism also translated to serving larger communities. In line with our push for financial inclusion, our EON team partnered with the local government units of Parañaque and Imus City to extend their cash assistance program via carding almost 200,000 constituents. We were also among the banks chosen by the Department of Social Welfare and Development entrusted to distribute the 2nd tranche of their social amelioration cash program to more than 1.3 million beneficiaries. Noteworthy of all is the Bank's key role in the nation-building initiative of the government. Equipped with technological know-how, the Bank facilitated the first digital distribution of the Bureau of the Treasury's retail sovereign treasury bonds, whose proceeds were meant to support the country's relief measures against the COVID pandemic.

All these initiatives and more led to UnionBank being voted as the 2nd Most Helpful Bank in Asia Pacific and the only Philippine bank in the Top 20 list by BankQuality.com, during this public health crisis.

Indeed, there are more stories to tell. But there's only one string that pulls them together – UnionBankers' commitment to support one another and respond to the needs of our customers regardless of the situation – a mindset embedded across the Bank.

“Tech-Up Pilipinas”: Our Environmental, Social, Governance (ESG) Mission

The pandemic has revealed the significance and necessity of ‘going digital’ to future-proof one's business. Recognizing this collective responsibility, we firmed up our ESG mission around “Tech-Up Pilipinas”. The aim is to leverage on the Bank's transformation to enable partners and customers to take their own digital journey and co-create innovations for a better world.

We are approaching our “Tech-Up” mission in a multi-faceted manner. One is through our “Fin-Tech” initiatives geared towards leveraging technology to help promote financial inclusion. Our tech and innovation company, UBX, and our mass-market focused subsidiary CitySavings Bank, are at the forefront of this goal with its lineup of products and platforms which support the unbanked and underbanked individuals and MSMEs to participate in the digital space and scale their businesses.

Moreover, we are able to “Tech-Up” more and more retail customers via our UnionBank Online App and corporate customers via The Portal, enabling them to perform bank transactions anytime, anywhere, in a safe and secure manner.

We also have “People-Tech” initiatives which aim to help employees, partners, and other stakeholders develop digital literacy and build the skills to prepare them for the future. Our Microsoft Education Ambassadors program, for instance, has upskilled 80,000 public school teachers which allowed them to smoothly transition into the Department of Education's blended learning directive amid the pandemic. We also continue to leverage on our in-house centers of excellence, Blockchain XCellerator and Data Science and Artificial Intelligence Institute, to equip internal and external talents with emerging capabilities.

UnionBank's sustainable finance program is also anchored on the belief that by supporting the development of innovative capabilities of individuals and sustainability missions of organizations, we can collectively reduce the toll of various products and services on our planet. To this end, we have in place a sustainable finance framework that facilitates issuances of green bonds, social bonds, and even tech bonds.

With these initiatives and more, the Bank performed well on its maiden participation in the global corporate sustainability assessment of S&P. UnionBank leads the pack among publicly listed banks boosted by its on-par performance in social sustainability and governance. And yet we are just getting started. We will maintain our strong performance by demonstrating results on three focus areas, namely: digital transformation, sustainable finance, and inclusive prosperity. With this, we will achieve our sustainability mission to Tech-Up *Pilipinas*!

Onward to Enduring Greatness

While uncertainties remain from this ongoing pandemic, we are taking on the future with renewed hope on the marginal gains that UnionBank, the industry, and the economy will make moving forward. With cautious steps, we are ready to realize the opportunities arising from this crisis.

As we tread along our desired path, we are guided by the constancy of our purpose: To co-create innovations for a better world. Crisis or not, UnionBank will continue to be an agent of growth and resiliency, delivering superior solutions and experience to our customers, to ultimately advance business and communities wherever we operate.



ERRAMON L. ABOITIZ
Chairman

PRESIDENT'S REPORT



DIGITAL ON FULL THROTTLE

EDWIN R. BAUTISTA

PRESIDENT & CEO

Despite the unprecedented challenges of 2020, your UnionBank continued to forge ahead thanks to the effort of all UnionBankers and your support.

In practically all respects, 2020 was a difficult year for the banking industry, the economy, and the country as a whole. The unprecedented adverse effects of the COVID crisis – high virus-infection rates, record high jobless rate, business lockdowns-&-slowdowns, and weak consumer and investor sentiment – brought the Philippines’ promising growth momentum to a halt.

The Philippine Banking Industry, in particular, posted a decline in profitability in 2020. This is the first time this has happened since 2014 due to the higher credit reserves that financial institutions set aside in response to the rise of non-performing loans.

In response to these developments, UnionBank increased provisions for loan losses by 4.5 times to Php8.4 billion. Despite these extraordinary provisions, the Bank recorded Php11.6 billion in net income in 2020 and profitability ratios that were above-industry, with return on equity (ROE) at 11.5% vs. the industry’s 6.6%.

The Bank’s strong results were attributable to strong topline revenues. Specifically, net revenues were at an all-time high at Php42.1 billion. Net interest income grew 29% to Php28.7 billion as margins improved by 76bps to 4.7%. The margin increase was driven by: 1) the Bank’s record high CASA growth of 24% to Php258.7 billion; 2) sustained focus on high-yielding loans (i.e., consumer, SME, and commercial); and 3) reduced funding cost brought about by the low interest rate environment in 2020. Furthermore, strong trading gains amounting to Php8.9 billion also boosted net income.

Operating expenses grew by only 5% to Php21.4 billion as higher volume-related expenses were substantially offset by lower controllable costs attributed to efficiencies from digitization.

The Bank’s strong performance enabled it to deliver superior shareholder returns of 30% in 2020. UnionBank’s stock price appreciated by 24% year-on-year – the only Universal Bank to experience this – and it was able to declare the same amount of dividends at Php3.50 per share.

We enter 2021 with a strong balance sheet with a CET1 ratio of 15.0% and CAR of 17.0% versus the regulatory requirement of 10.0%. This allows us to weather the impact of the crisis and gears us up for broader business expansion as the economy bounces back.

Digital Strategy Validated and Reinforced by the Crisis

They say that “Every Crisis is accompanied by many Opportunities”. Well, it is now evident that the COVID-crisis has accelerated the shift of consumer behavior to digital adoption.

PRESIDENT'S REPORT



Several global studies asserted that companies' (pre-pandemic) digital transformation plans ranging 3 to 6 years, have been compressed into a single year because of the COVID-pandemic. Likewise, in the Philippines, 82% of organizations surveyed by Microsoft & IDC plan to speed-up digitization in the form of launching digital products and introducing digital payments to adapt to the "new normal".

This scenario was more evident when digital banking transactions in the industry took flight in 2020. Volume of electronic fund transfers recorded triple-digit increases with PESONet and InstaPay growing by an unimagined 376% and 460%, respectively vs. end-2019. The banking industry also ramped-up digital transformation plans to improve operations and build resilience amid the pandemic. Alongside this, the *Bangko Sentral ng Pilipinas* (BSP) has actively promoted their digital payments transformation and has even completed the framework to set up purely-digital banks, to accelerate fulfillment of financial inclusion objectives by riding on the digital wave.

We have also seen increased digital adoption within the Bank. UnionBank's digital take-up increased by 307% to more than 2.23 million digital customers to-date. Retail users of the app increased by 309% to 2.21 million, while digital corporate customers grew by 199% to more than 17,000 in February 2021. More importantly, 25% or more than 560,000 of our digital retail customers opened their accounts 100%-digitally and on their own via the UnionBank Online App. This is equivalent to an average of 43,000 accounts opened per-month during COVID, a rate 370% higher than pre-COVID average in 2020.

Digital transactions such as fund transfers, bills payments, online check deposits, and many more are also at all-time highs with monthly volumes reaching 5.5 million by February 2021, 307% higher than in 2019.

Several partners and organizations also fast-tracked to "Tech-Up" operations with our help. This enabled them to fulfill their respective missions during the pandemic. The Department of Social Welfare and Development (DSWD), for instance, tapped select financial institutions to conduct digital payments of their cash subsidy. Given our digital readiness and the wide reach of UBX's i2i network, we were assigned the 3rd highest allocation of more than 1.3 million beneficiaries, which was the highest allocation given to a single bank.

We were also the chosen trusted partner of the Bureau of the Treasury (BTr) for the pioneer launch of the first app-based, blockchain-enabled distribution of retail sovereign treasury bonds called Bonds.ph. To-date, Bonds.ph has close to 50,000 registered users worldwide and raised more than Php100 million across three issuances. Equipped with the banking know-how, technological expertise, and customers' trust, this endeavor ultimately allowed us to introduce an innovative and inclusive opportunity for all Filipinos.

Already this early in 2021, we have marked a major milestone in our "Tech-Up *Pilipinas*" mission, with the Judiciary ePayment System Project in partnership with the Supreme Court of the Philippines. With this innovation, key players in our judiciary system shall be able to make digital payments to the Supreme Court and its network of 2,000 courts in the country in a safe and secure manner, anytime-&-anywhere – a service that is most needed amid this pandemic. We are optimistic that more organizations and industries will follow the trend of digitization, and UnionBank is already gearing up for when these waves come.

The Bank's continuing digital leadership was further validated by multiple international recognitions garnered specifically 'Digital Bank of the Year 2021' for the fourth year in a row from The Asset Triple A for "turning its digital transformation into a defining advantage that is accelerating change and sweeping the industry"; as well as 'Bank of the Year 2020'



in the Philippines from The Banker for “outshining its peers in terms of performance, strategic initiatives and response to the pandemic”.

Our subsidiaries also felt the magnitude of customers’ shift to digital. Our fintech and innovation firm, UBX, posted substantial growths in MSMEs onboarded across its platforms during the pandemic. Sign-ups of financial institutions in the i2i financial platform doubled to 181 as of February 2021 with transactions growing by 29x to Php2.8 Bn. BUX payment gateway also signed up more than 95,000 E-Commerce merchants, while Sentro online shop builder grew its MSME community close to 30,000 in less than a year of operations. Moreover, SeekCap online lending marketplace with eight partner lenders, has more than 23,000 sign-ups and continues to provide business loans tailor-fitted to MSMEs’ needs since 2019. Given its impressive performance in the past year, UBX was recognized as ‘2020 Fastest Growing Fintech Company in Southeast Asia’ by UK-based Global Brands Magazine.

CitySavings, on the other hand, continues to innovate for customers with the pilot launch of its “Loan Ranger” Mobile App, enabling teacher borrowers to digitally monitor their accounts, and soon re-avail of salary loans without going to the branch. Its Salesforce Loan Ranger platform also allowed the Bank to fulfill funding needs of teachers, motorcycle loan borrowers, and pension loan customers amid the COVID crisis. CitySavings was awarded ‘2019 Fastest Growing Savings Bank’ by UK-based Global Business Outlook citing its operational efficiency from digital capabilities and effectivity in addressing market conditions and customer relationships, as it positions itself as the digital leader among mass market banks.

Indeed, there is no other way to do banking in this new normal than go digital.

Time to Accelerate towards Renaissance

With the pronounced shift of more and more customer behavior towards digital – which we believe will stay for the long haul – UnionBank is going full throttle in its transformation journey.

The Bank shall compress its pre-COVID five-year plan into two years, by accelerating the onboarding of new customers onto our digital channels. This will be achieved as we ramp-up targeted digital marketing initiatives backed by data science, and encourage more digital account opening among prospects and more digital transactions from our customers.

Our next immediate step is to maximize customer lifetime value (CLV) by enhancing functionalities to better share customer insights across our digital channels and platforms. We will continue to leverage on data science and artificial intelligence to churn out next best offers based on customer behavior. More importantly, we will go full speed ahead on our retail and MSME lending initiatives as we continue to improve our alternative credit scoring models.

While we go heavy on the front-end, we are also beefing up our back-end infrastructure to support this aspiration to “hyperscale” or achieving huge scale quickly in

a cost-efficient and cybersafe manner. To this end, we accelerated our Cloud Transformation Program, which involves the migration of 100% of Bank’s systems and applications to a hybrid public cloud infrastructure.

It is also important for our back-end IT processes to speed up responses to customer feedback. Thus, from here on out, we will be complementing Agile Ways of Working with DevSecOps. The objective is to shorten the time frame between testing and deployment of applications and provide continuous delivery without compromising quality. This capability is key in delivering services at high velocity and move towards addressing customer needs at the exact moment of truth.

Our success today was a product of our practice to always look into the future, challenge conventions, and be ahead of the industry. With the emergence of the new regulations on open banking and digital banking, UnionBank is already gearing up to keep up with the entry of digital banks and shift towards an open finance environment for when adoption intensifies.

Moreover, it is imperative for us to continue our explorations and experimentations as we keep a close watch on the long-term evolution of the banking industry. For instance, in the area of Distributed Ledger Technology (DLT), we recently pioneered bond tokenization after successfully completing a proof of concept for the issuance of retail bonds on a blockchain platform co-created with SC Ventures. The next step is to scale up usage of the technology locally or globally. The Bank also aims to increase participation in the trade finance market via a blockchain platform, being one of the processes that is most relevant to be disrupted by blockchain. Apart from ramping up growth of its platform startups, UBX, our technology and innovation firm, will also continue to test emerging business models via building its own startups or investment in Fintechs or strategic partners.

We are confident that the Bank’s “Tech-Up *Pilipinas*” efforts focused on promoting digital transformation across individuals and organizations to improve delivery of banking experiences, would allow all of us to weather this crisis and emerge more resilient than before. Together, as a nation, we will power the Future of Banking and help ensure the renaissance of our country.

In closing, I would like to thank our stakeholders for their unwavering support throughout the years. To our Board of Directors, we are grateful for your active role in setting the Bank’s guiding principles and direction. To all UnionBankers, thank you for your dedication to our purpose and pushing through difficult circumstances. Finally, thank you to our customers, partners, and shareholders for your continued loyalty to the Bank.

The Future Begins with U.



EDWIN R. BAUTISTA
President & CEO



DRIVING GROWTH

**MAX, JONEL, AND
CHIPI BORROMEO**

Directors
Borromeo Motoring Group

Max Francisco Jose Borromeo was taken aback. During a luncheon in honor of Honda Motors Japan's second-generation president, Max was suddenly introduced as the newest Honda motorcycle dealer in Cebu.

The day before, he was pitched to take on a motorcycle dealership. He was non-committal. And now, he was put on the spot. Seeing the look on his face, their guest of honor asked him if it was true, and Max affirmed that he was interested but expressed his apprehensions.

Max recalls saying, "I know cars, but I don't know motorcycles." Their VIP guest replied, "Oh, don't worry about it. Go ahead. We'll take care of it." It was an offer he could not refuse.

A week after, he was whisked to Thailand and given a crash course in the motorcycle business. By the time he got back, the Japanese have already set up his first outlet in Mandaue and have started hiring employees. They even chose the name of his dealership: Honda Motor World. And with an unlimited supplier credit line from Honda, he did not have to fork out cash for inventory.

"It's hard to fail, unless you really neglect the business," says Max.

Family steward

Honda Motors could not have chosen a better man. Max, in 1987, had been tasked to manage the businesses started by the Borromeo Bros. Estate Inc. The holding company was formed by his great granduncles in 1933 to preserve their accumulated wealth and distribute dividends to family members.

The Borromeos were among the original 20 families in Cebu. While they have the reputation of belonging to the old rich, they came from humble beginnings. It was only at the turn of the 20th century when American education became widely available that their fortunes improved, ushering in a generation of successful professionals. They invested in commercial buildings in downtown Cebu and became one of the most prominent families there.

Two generations after, to prevent exhausting the family coffers, they turned to Max to diversify and grow the business. In his late 30s at that time, he already had enough corporate and entrepreneurial experience to get the job done. Soon, Max spun off into different

businesses, including a McDonald's franchise and a Honda car dealership.

Good fortune

The Honda motorcycle dealership, on the other hand, fell into his lap. "It was all timing and good fortune," Max remarks.

At that time, the motorcycle market was still small. "The Philippines was just 100,000 units or even below," he recalls. But the Japanese saw that the country will likely follow the path of Thailand, which was back then already a huge market. They were right. Today, the industry has grown to two million units.

"It's not something that I planned. It just happened. I don't know if you want to call it destiny, I'll say it's good fortune," Max says. "But of course, from there, I had the responsibility to make sure that I wouldn't let them down and would grow it properly."

And grow it, he did.

Rapid expansion

As with all dealerships, Max went into financing to allow motorcycle buyers – many of whom would not pass traditional bank credit criteria – to purchase units. The business acquired a small dormant lending investors company and renamed it HMW Lending Investors. It also set up Motor Ace Philippines in 1996 to recondition and sell repossessed motorcycles. By this time, two of his sons, Jose Daniel (Jonel) and Maxcy Francisco (Chipi) have already joined Honda Motor World.

In 1999, Jonel and Chipi decided to use Motor Ace as the vehicle for expansion by carrying other brands. Another financing company, MAPI Lending Investors, was also set up to support Motor Ace customers. Chipi initially took over the operations and that's when things started to roll. Motor Ace started with Kawasaki and Suzuki exclusive shops before adding Yamaha to its portfolio. He explains, "By carrying other brands, it allowed us to expand quicker."

The expansion was rapid. By 2010, the motorcycle market has taken off, and the company rode that wave. Jonel shares, "That was when we really started opening stores aggressively nationwide." Now, the company has 24 branches of Honda Motor World and 170 stores of Motor Ace.

The new generation of Borromeo brothers then decided to go upstream. Jonel shares, "Chipi and I agreed we have to evolve. We just cannot stick to the commuter market because everybody's going to be in this segment. So, we made a firm decision to move into the leisure bike segment." They now carry premium brands such as BMW, Husqvarna, KTM, Vespa, and Yamaha sport machines. Their bet has paid off. "Lo and behold," he adds, "it has become a very profitable segment for Motor Ace."

The Borromeo Motoring Group has expanded its car dealership business as well. Today, its Dearborn Motors is the largest Ford dealership in the country and its Auto Zoom Zoom, the biggest Mazda dealership, headed by Max's other sons, Paolo and Andre. Their brother Marco, also heads the largest Suzuki car dealership in the country, Sakura AutoWorld. The latest brand to be added to the Group's stable is Mitsubishi, with the dealerships also being headed by Paolo.

Competitive edge

Certainly, strategy explains the success of the Borromeo Motoring Group. But Max adds that it is also the values they have instilled in their employees – God and family, accountability, discipline, transparency, integrity, and meritocracy – that have given them a competitive edge. He explains, "We are a value-driven company. The expansion of all the shops and branches was always founded on the same values that we carry."

Jonel says, "We want to see the Borromeo Motoring Group to be synonymous to mobility. If you look at where our strength is really in, it is in transportation or mobility."

"What we've done with our dealerships and financing companies is we've been able to democratize the ownership of motorcycles. That's how we, in our own way, are contributing to society," Chipi adds.

It has been almost three decades since Max reluctantly agreed to enter the motorcycle business. It was not only the right time and the right opportunity, it was also the right man and right family to turn fortune into a thriving, long-lasting business. The original Borromeo brothers would have been proud.



FIGHTING POVERTY

ROLANDO JOSELITO D. BAUTISTA
Secretary
Department of Social Welfare
and Development

By all accounts, the Department of Social Welfare and Development (DSWD) has been doing a phenomenal job. Poverty incidence in the Philippines has been on a steady decline. From 26.9% in 2006, it went down to 20.8% in 2019. The World Bank attributes a quarter of the total poverty reduction to the DSWD's *Pantawid Pamilyang Pilipino* Program (4Ps).

The 4Ps is the country's flagship program, the fourth largest conditional cash transfer program in the world. The goal? To eradicate extreme poverty by investing in health and education among children. Started in 2007, the program now covers 4.3 million households, close to 20% of the population.

"We at the Department of Social Welfare and Development have been in pursuit of continued excellence as we relentlessly fulfill our mandate – to serve the poor, vulnerable, and the marginalized sectors of our society," says DSWD Secretary Rolando Joselito Bautista.

Indeed, the DSWD has a plethora of programs aside from the 4Ps. These include its Assistance to Individuals in Crisis Situations (AICS) to help families recover from crisis, its Supplementary Feeding Program (SFP) that provides food to children enrolled in child development centers, and its Social Pension Program for Indigent Senior Citizens to augment the daily subsistence and medical needs of the elderly poor.

Top performer

The agency, in other words, has been quite successful in fulfilling its mandate. It often enjoys high approval ratings in national surveys, which it attributes to the prompt and compassionate delivery of its social protection programs.

The DSWD was, in fact, ready to level even further up by adopting the Performance Governance System (PGS) Pathways, a performance management and measurement tool patterned after the Balanced Scorecard. Sec. Bautista explains, "We had the leadership and the key offices set and committed to this undertaking. We had eight years' worth of goals, objectives, and targets laid down for us to endeavor our transformation as a government agency."

He adds, "We were ready to take our first few steps towards further raising our standards through our strategy, until the COVID-19 outbreak started."

Double whammy

The coronavirus pandemic was a double whammy for the DSWD. For one, it hampered its ability to run its field operations because of restrictions and health protocols for

the safety of its personnel and beneficiaries. And two, it was a big blow to its efforts in reducing poverty.

The percentage of Filipinos who were involuntarily hungry in May 2020 almost doubled since December 2019 (16.7% versus 8.8%). That is around 2 million additional families who reported hunger, according to the self-rated poverty and self-rated hunger survey of Social Weather Stations.

"One of the biggest challenges we encountered in 2020 was the COVID-19 pandemic," Sec. Bautista admits.

In many ways, Sec. Bautista is the right man for the right job at the right time. He is a well-respected veteran of the Mindanao counter-insurgency efforts and well-decorated combat and staff officer. He led the task force in the Battle of Marawi before being appointed as Commander General of the Philippine Army.

Described as a well-rounded achiever, workaholic, and silent worker, Sec. Bautista went from fighting terrorism to fighting poverty. And instead of overseeing an army of soldiers, he directs an army of social workers. Under his command, and unfazed by an invisible enemy and an overwhelming battle, the DSWD took the call to arms.

Bayanihan

And so, as Sec. Bautista explains, "To assist our countrymen who were mostly affected by the enforced community quarantine measures to curb the spread of the virus, the government implemented social amelioration measures based on the provisions of Republic Act 11469 or the *Bayanihan* to Heal as One Act."

Under the Social Amelioration Program (SAP) provided for by *Bayanihan* 1, the DSWD distributed emergency cash subsidy amounting to Php5,000 to Php8,000 to around 18 million low-income households for two months. For the first tranche of SAP, the DSWD disbursed a total Php99.9 billion. For the second tranche, it provided more than Php86.5 billion through manual and digital payouts to over 14.4 million family-beneficiaries of SAP.

And in true *bayanihan* tradition, the DSWD partnered with six financial service providers to assist in the digital payouts for *Bayanihan* 2. Among these was UnionBank. The DSWD allocated a total of 1.3 million beneficiaries to UnionBank in the National Capital Region (NCR), Regions 1, 3, 4A, 6, and 7.

The Bank distributed the payout in partnership with Dragonpay and through its fintech subsidiary UBX. Using its i2i platform, it tapped its network of rural banks and cooperatives in facilitating the safe, efficient,

and transparent distribution of the SAP to Filipinos hardest hit by the pandemic.

"Through this collaboration, the DSWD was able to promote cashless and contactless transactions which were compliant to the health and safety protocols imposed by the government," Sec. Bautista notes. "Moreover, the digital scheme also ensured financial inclusivity by ensuring that low-income earners will have access to financial services."

"Fulfilling our mandate to the Filipino people in the midst of the unprecedented changes caused by the pandemic was admittedly challenging," Sec. Bautista shares. "But we endeavored to remain at the forefront of our implementation. We did not let it take a backseat and wait until everything returns to normal, because the truth is, we will never go back to normal."

Forward march!

Despite the logistical challenges, the pandemic did not deter the DSWD from its mission. Aside from battling the economic impact of the coronavirus, it also had to contend with devastating typhoons that hit in the country. The DSWD released a total of Php1.73 billion worth of food and non-food items to assist the families affected by the various disasters.

The DSWD also spent Php1.4 billion for its Sustainable Livelihood Program (SLP) and Php1.9 billion for its *Kapit Bisig Laban sa Kahirapan*-Comprehensive and Integrated Delivery of Social Services (Kalahi-CIDSS). Through the program, community members actively participate to identify and prioritize their community's concerns and allow them to design, implement, and manage solutions to their priority problems.

All these efforts are bearing fruit, as the World Bank saw the poverty rate in the Philippines further declining to 19.8% in 2020, projecting a further drop to 18.7% in 2021.

It is not surprising then that the DSWD received anew the highest approval rating among the different government offices in the executive branch, based on a study by survey firm Pulse Asia. "The sustained favorable survey result, once again, ascertains that the sectors being served by the Department are satisfied by the kind of service provided to them," Sec. Bautista says.

With the continued threat of COVID-19, the year 2021 will undoubtedly bring new challenges, but Sec. Bautista assures Filipinos, "The DSWD will leverage on its existing programs and services to help poor Filipinos pull through especially during these difficult times. The Department, together with its personnel, will continue to work towards the realization of its ultimate goal of helping alleviate the lives of the poor from poverty."



PANDA IN THE PANDEMIC

DANIEL MAROGY
Managing Director
foodpanda Philippines

It is easy to spot them. With their bright pink outfit and cute panda icon, over 40,000 foodpanda riders, bikers, and walkers ply our roads across the country. Want a quick dimsum bite? Looking for Thai food for lunch? Craving for milk tea? Just tap on a few steps on the foodpanda app and your order will be delivered in 30 minutes or so.

The pandemic has obviously been a boon for food and grocery delivery apps, as it has accelerated e-commerce on a global scale. In fact, e-commerce is already so last decade. The next evolution is q-commerce.

"The way we do business is quickly changing. We're ensuring that our ecosystem is a step ahead with quick-commerce or q-commerce," says Daniel Marogy, Managing Director of foodpanda Philippines. "If e-commerce revolutionized the landscape through online ordering and with delivery times of between 3-5 business days, q-commerce positively disrupts the scene by bringing small quantities of goods, not just food, to customers almost instantly."

From Singapore to the world

The company is a pioneer in q-commerce. "We started off in 2012 with a very small team in Singapore and launched in the Philippines in 2014. The company's primary focus was to create a convenient service for food lovers to order and get their favorite meals from curated local restaurants," Daniel shares.

The startup became one of the region's success stories, quickly conquering Southeast Asia and later expanding to East Asia and South Asia. In 2016, foodpanda was acquired by Berlin-based Delivery Hero. So, it was born in Singapore and raised in Germany and is now in 13 countries across Asia and Eastern Europe.

The growth of foodpanda in the Philippines has been remarkable. Today, it has grown to over 20,000 partner restaurants nationwide. And despite the challenges of the lockdown, it managed to reach a monumental milestone.

"Our biggest achievement to date is being able to expand coverage to over 100 cities during 2020, ensuring more people have access to good food and providing more earning opportunities to both vendors and riders," Daniel shares. "We have come a long way as we continue to spread our ecosystem, even through the pandemic."

It is certainly something to be proud of, as the Philippines is the first and only Asia Pacific country to have foodpanda available in 100 local markets.

In a cutthroat industry, this achievement strengthens foodpanda's position as the top on-demand food delivery service in the Philippines.

The company's hyper-local approach has been working, proving its agility in catering to different types of markets with their own unique needs. "As we continue to grow, we are getting more stores onboard and are delivering other items beyond food," Daniel notes.

Natural expansion

The competition is tough, with new delivery apps from startups, ridesharing and logistics companies, and retail conglomerates out to eat foodpanda's lunch. It is easy to understand why. The Business Research Company estimates that the global online delivery market is worth US\$111.32 billion in 2020. Asia Pacific remains the largest region in the online food delivery services market.

One strategy to compete is to become a super app, offering everything from food and grocery delivery and travel booking to ride sharing and mobile payments. Diversification is really the name of the game.

However, foodpanda is not jumping on the super app bandwagon, focusing instead on strategic synergies and smart diversification. Groceries, for instance, is a natural extension to food delivery. And so, it launched pandamart, its grocery store and marketplace for merchant partners such as 7-Eleven, Fresh Mart, Merry Mart, 24/7 Mart, and many more.

Users can have their groceries and essentials from a choice of over 20,000 items safely and conveniently delivered within an average of 25 minutes. "At foodpanda, we are easily able to provide this service along with our partners by leveraging our existing food delivery infrastructure and ecosystem, and our innovative tech platform," Daniel explains.

It is a sound strategy, not unlike how Amazon expanded from books to be an everything store, and then added to services to the mix. "Through q-commerce, we aim to become a better company for our partners and their customers. We ensure that our partners are ready to provide their products (may it be food or other essential items) to their customers within minutes, whenever and wherever," Daniel adds.

Still, Daniel emphasizes, "While we are expanding and continuing to improve for our partners and customers, our history as a delivery platform that focused solely on food still sets us apart. The difference is evident in the way

we are easily able to adapt to address changing demands and to provide more."

Impact of pandemic

Like many businesses, foodpanda faced tremendous challenges because of the pandemic. "During the earlier parts of the year and while lockdowns were in place, availability of food options inevitably affected order volume," Daniel notes.

Eventually, foodpanda became one of the services that Filipinos used the most. And it experienced enormous growth as a result. Daniel explains, "We tried to be as agile as possible in developing programs and policies that allowed riders, vendors, and employees to continue serving customers with the highest regard to health and safety protocols."

It was also quick to give back to communities. It launched its four-pillar corporate social advocacy program under its foodpanda cares banner. Its pandaTODA provides earning opportunities to tricycle drivers who lost their livelihood due to the pandemic by onboarding them as foodpanda riders.

Its pandaBIZ helps local micro, small and medium enterprises (MSMEs), mainly those in the food industry that were severely affected during the lockdown, transition to digital commerce as foodpanda merchants.

Its two other initiatives – pandaSHARES and pandaHEART – mobilizes its community of employees, riders, vendors, and public and private partner organizations to provide relief reinforcements during natural disasters.

"Fostering and developing a balanced foodpanda ecosystem that benefits everyone has always been a top priority for the company," Daniel points out. "We strive to create a significant positive social impact in generating earning opportunities, providing a marketplace for establishments to thrive, and giving customers instant mobility solutions for their essential needs through our business."

Seen from this light, those riders in bright pink outfits with the cute panda icon are not just delivering lunch to hungry Filipinos. They are part of an entire ecosystem where they earn living, small businesses are able to survive, communities are served, and customers receive their food and groceries conveniently, safely, and quickly.



**COPY
THIS**

HIDEAKI KATO
President
Fuji Xerox Philippines

There is more to Fuji Xerox than copiers and printers. Of course, for a name that has long become a verb for making photocopies, it is hard to shake off that association. And while it is not a household name when it comes to the low-end consumer printer market, it is the big *kahuna* in high-end corporate printers and document systems.

In the Philippines, Fuji Xerox has the largest market share and is the biggest company in the industry in terms of nationwide coverage. Fuji Xerox Philippines, Inc. (FXPI) started in 1965 as a wholly owned subsidiary of Fuji Xerox Co., Ltd. “FXPI was the first operating company to be established by Fuji Xerox Co. outside of Japan, thus making Philippines the first country to market plain paper copiers in Southeast Asia,” notes FXPI president Hideaki Kato.

True pioneer

Not only is FXPI the first international venture of Fuji Xerox, but it has also consistently been a trailblazer over the last 55 years.

It boasts of many first launches in the country: the first facsimile in 1983, the first full-color copier in 1988, the first full-color digital copier in 1993, the first multifunction device in 1996, the first fully integrated print-on-demand publishing system in 2000, the first black-and-white color-capable multifunction copier machine in 2002, and the first environmentally friendly multifunction devices in 2008.

Being first to market comes with challenges. As Hideaki says, “Being the pioneer in introducing the latest technologies at multiple times, it was always a challenge in educating the market and getting companies to embrace such new technologies.”

Yet, the company has succeeded in leading and maintaining its lead “by listening to the customer’s voice and understanding their business needs and determining how our products would address such needs,” Hideaki explains.

Successful partnership

Fuji Xerox was born as a joint venture corporation in 1962 between Fuji Photo Film and Rank Xerox. Separately, the parent companies are legendary brands and leaders in their categories.

Fujifilm was the dominant camera film company in Japan and Asia Pacific as well as a major rival of Kodak in the US. It was quick to shift to digital and expand to other business lines. Xerox, on the other hand, became synonymous with photocopiers, and was able to successfully transition into digital products and services as well.

Certainly, FXPI has benefited from this partnership. As Hideaki says, “Being a multinational company, our close collaboration with our headquarters in Japan, our regional office in Singapore, and other operating companies across Asia Pacific has allowed us to provide the most appropriate solutions for our customers’ needs.”

Adapting to change

Fuji Xerox operates in a fiercely competitive and highly commoditized market. But it continues to remain relevant by innovating products and reinventing itself.

Its full line of multifunction printers, production systems, wide format printers, and laser printers is always evolving. “In addition,” Hideaki explains, “we have shifted our focus from product selling to solution offerings. It is really a combination of hardware, software, and services that solve customers’ unique business needs.”

Printing and copying are still integral parts of the business, but they are parts of a larger solution. Indeed, Fuji Xerox sees itself as a business solutions company. “Such solution offerings range from enhancing information security and managing costs to document management and business process services,” Hideaki shares.

As an example, some employees spend a significant time doing activities not directly related to their job function. “For repetitive tasks that employees do, we have Robotic Process Automation (RPA) solutions that perform those tasks much faster and free from human error and, most importantly, allow them to perform more value-added activities,” Hideaki explains.

Partnering with customers

Now, with the ongoing pandemic that has forced many employees to work from home, Fuji Xerox has made it easier for them to continue working efficiently, productively, and securely in terms of information dissemination and document workflow.

Hideaki says, “On the technology side, we are currently connecting most of our customers’ Fuji Xerox multifunction devices to our Electronic Partnership Broadband system. This technology allows us to automatically receive alerts when their machine is running low on toner or is experiencing prolonged machine problems. As a result, we can proactively attend to these alerts.”

Its Remote Device Health Check (RDHC) system also predicts when certain components will fail based on the customer’s usage of its equipment and prompts the company to replace these components at the customer’s preferred time, thus avoiding any unscheduled machine downtime.

Lowering business risks and maximizing machine uptime through lightning-fast resolution (5 minutes online, 10 minutes on the phone, 45 minutes remotely, and 2-4 hours on-site), prognostic support, and obsessive commitment to customer satisfaction has turned its corporate clients into loyal, long-term partners.

Hideaki concurs, “Undeniably, what made our company to be what it is today are our customers – their unwavering belief and constant satisfaction with the products and solutions that we have provided them throughout the last 55 years have resulted in their undiminished loyalty to our company and our brand.”

Shifting market

Like most companies in the country, FXPI’s business was greatly impacted by the lockdown. “However,” Hideaki notes, “Fuji Xerox has managed to maximize its growth potential despite the pandemic. According to recent third-party research reports, Fuji Xerox has managed to maintain its market share leadership in the Philippines.”

One other reason for its success is its dogged determination to constantly improve. For instance, it acquired ISO 9002 certification in 1993 for quality assurance in production, installation, and servicing; ISO 14001 certification for environmental management; ISO 27001 certification for information security management; and the seal of approval from Green Choice Philippines for sustainable development.

“In addition, we’ve enhanced our own digital transformation by aggressively transitioning from hard copy to digital by sending our billing statements to more customers in electronic format,” Hideaki shares.

He adds, “FXPI values the partnership we have with UnionBank in our drive to introduce e-payment and offer digital payment channels and collection services to our customers. UnionBank remains our trusted partner today and for the future. We recognize your Bank’s sophisticated banking services as valuable to support our plans in a rapidly changing marketplace.”

Consistent with its long history of reinvention, Fuji Xerox is changing its corporate name to FUJIFILM Business Innovation Philippines Corp. by April 1, 2021. The new corporate name represents its commitment as part of the Fujifilm Group, which promotes “Value from Innovation” as its corporate slogan, to expand into a wider range of business areas and to always continue delivering business innovations. There is no doubt Fuji Xerox, with its track record of constantly transforming, will successfully evolve with the times.



E-COMMERCE FOR EVERYONE

PAOLO OLIS
General Manager
Online Micro Sellers
Marketing Cooperative

Everyone, it seems, has become an online seller. When the lockdown was imposed during the pandemic, in a matter of weeks, regular people – relatives, friends, officemates, neighbors – started selling stuff on social networks, messaging apps, and online marketplaces.

And with major retailers pivoting online, e-commerce in the Philippines became one of the brightest spots in a gloomy economy. According to the latest e-Conomy SEA 2020 report, e-commerce in the country grew 55% during the crisis, with gross merchandise value reaching US\$7.5 billion, a 6% increase.

For existing online merchants, the pandemic presented an opportunity. But for first-time sellers, necessity became the mother of reinvention. “After the lockdown, people started looking into alternative sources of income and many tried their hand at online selling on different platforms,” says Paolo Olis, General Manager of the Online Micro Sellers Marketing Cooperative (OMSMC).

OMSMC is a duly registered cooperative that enables micro sellers who don’t have a business permit yet to start selling through Lazada, Southeast Asia’s leading e-commerce platform.

Paolo shares that while, prior to the lockdown, they had already been adding members consistently, with the pandemic, “the growth has really been higher than expected, reflecting an accelerated shift to online selling. In only three years, we have served thousands of sellers with almost double growth rates after the lockdown.”

Creating the cooperative

Founded in 2012, Lazada has become a regional e-commerce giant, further bolstered by the backing of Alibaba Group. It is a dominant player in the Philippines, with the platform attracting 100 million annual active users across the region in 2020¹. In 2013, it launched Lazada Marketplace with a full suite of services for third-party merchants, from payment options and customer care support, giving them access to millions of new customers.

Lazada has been a key driver of digital transformation for both local MSMEs and large corporations over the

course of almost a decade. With flattened barriers of entry, many local entrepreneurs have been empowered to gain access to the digital economy. E-commerce platforms such as Lazada have provided knowledge in helping business owners set up shop online, offering online payment options, reach out to a wide customer base and fulfilling orders.

“The challenge for first time sellers was, before you can actually sell on the platform, you need to have a business permit. This can be difficult for someone small who is just starting, right? There was a need to make e-commerce accessible to the ordinary Filipinos who want to improve their economic situation through online selling,” he adds. And so, OMSMC was founded to represent member sellers to Lazada as its partner platform.

Empowering members

As a go-between, OMSMC issues sales invoices to customers on behalf of its member sellers. The cooperative also handles distributing payouts to members. And it offers skills development and training to help them succeed online.

All these efforts are paying off. “We have hundreds of success stories --from members who started with just Php5,000 in capital and now receive payouts in the hundreds of thousands, to those who were able to buy a condo and a car for their families after years of struggle. Lives have changed, thanks to e-commerce.”

He clarifies, however, that the end goal is to help their members graduate from the cooperative and transition into an independent business entity, directly dealing with Lazada. “We help them out. We don’t make them stay with us forever.”

Partnering on payouts

But while they are still with the cooperative, members receive weekly payouts on delivered orders through – depending on which bank they use – either manual check deposit or electronic fund transfer via UnionBank. “They get to receive their payouts earlier if they’re with UnionBank,” Paolo says. And that’s critical for micro sellers, as they immediately use the funds for their working capital.

To give more members this option, UnionBank, with OMSMC and Lazada launched the country’s first e-commerce debit card for sellers. For OMSMC members, this means receiving earlier and more accurate payouts. “Once funds are released from our side, our members get their UnionBank payout in real-time,” Paolo explains. “With other banks, sellers may only receive their payout a day later or even more.”

Paolo shares, “UnionBank has been our trusted partner since day one. They were eager to work with us when we were starting, back when nobody knew who we were. We’re very happy with how they have taken care of us. And we trust that UnionBank, being forward thinking and digital-ready, will continue to be a key partner as the cooperative continues to grow.”

Building to scale

As OMSMC multiplies in membership as well as in volume and value of transactions, scaling up has become crucial. “It’s a good challenge to have,” Paolo notes. “We’re constantly working on automation and digitization, whether in our payout operations, in how we support our members, or in how we further develop our members’ capabilities. The only way for us to do these and more is if we are fully-digital.”

In a sense, OMSMC is more than just an intermediary for members but also a catalyst in introducing micro sellers to new digital services they may not have access to before. As e-commerce continues to grow, so will OMSMC and its thousands of member sellers. Paolo says, “We want to make e-commerce accessible to as many people as possible, regardless of where they are in the Philippines. And we want this growth to be happening both on the customer and on the seller sides.”

1 – For the last 12 months ending July 2020



BUSINESS-FRIENDLY CITY

EDWIN L. OLIVAREZ
Mayor
Parañaque City

Parañaque is a city on an upswing. In 2020, it ranked among the top 10 highly urbanized cities in the Cities and Municipalities Competitiveness Index of the National Competitiveness Council. It placed seventh in economic dynamism. And it is easy to see why.

For the last several years Parañaque has been experiencing a business boom. The development of Entertainment City within the Manila Bay Freeport Zone – also known as Bay City – put Parañaque on the map. A project under the state-owned Philippine Amusement and Gaming Corporation (PAGCOR), the massive gaming and entertainment complex houses Solaire Resort & Casino, City of Dreams Manila, Okada Manila, Westside City Resorts World, and Nayon Landing.

With other major developments such as Aseana City, Asiadworld, Cyber Bay City, and the Parañaque Integrated Terminal Exchange (PITx), Parañaque has become a magnet for new businesses.

“The City of Parañaque is one of the fastest growing metropolitan cities in terms of business establishments and population,” says Mayor Edwin L. Olivarez. From a sleepy town three decades ago, Parañaque is now one of the richest cities in the Philippines.

Credit belongs to the Olivarez administration, which has made it a lot easier to do business. The local government unit (LGU) also ranks high in government efficiency, with top scores in index factors such as presence of investment promotion unit, business registration efficiency, and compliance to business permits and licensing system standards.

Ease of doing business

A second-generation politician, Mayor Olivarez, the former businessman who holds a management degree and an MBA, is good for business. He says, “When we assumed office in 2013, our primary agenda is anchored in the “BAGONG” Parañaque,” where B stands for Business and Environment Friendly.

The Parañaque LGU has been aggressive in institutionalizing reforms. “In business permitting, we have significantly reduced the number of procedures and time it takes to register or apply your business in the City,” he said.

He launched Project: Express Lane Operation (ELO), cutting the processing of business permits to only three steps — application and verification, payment, and claiming of all permits — in the city’s Business One Stop Shop (BOSS).

ELO 2.0

This was soon followed by the second phase, dubbed ELO 2.0, which cuts down the processing of new and renewal of business applications to one to three days only. Parañaque is the first LGU in the Philippines to integrate the *barangay* business clearance in its BOSS operations. This simplified process eliminated the painfully slow and inefficient days of back and forth from the *barangay* hall to other departments. This made Parañaque the first city to fully comply with Republic Act 11032, also known as the Ease of Doing Business Act.

The project also features the country’s first-ever computerized occupational permit system, which shortens the securing of work permits from the previous 10 steps to just four. It consolidates the work permit, sanitary or health permit, and police clearance, issuing the worker the Parañaque HELP card which is the first of its kind in the country.

“We continuously improve the way we do things in the local government by developing further our frontline services,” Mayor Edwin explains. “Parañaque City has been one of the pioneer cities in the adoption of online government services as well as a benchmark for best practices in regulatory streamlining program for business-related transactions in the City Hall.”

Indeed, the Parañaque LGU has been reaping awards for its digital initiatives and has often been lauded as an example to other LGUs. But more than the recognition is the direct business impact on the city and the economic contribution to the country. Better government services lead to more investments and more business.

Serving constituents

Like other LGUs across the world, however, the COVID-19 pandemic has been a major disruption for Parañaque. “We were forced to shift our processes to use modern technologies and applications as measures to mitigate the possible impacts of the community quarantine regulations,” Mayor Edwin shares.

The city government was quick to respond in establishing public health standards to contain the spread of the coronavirus. And it has been largely successful as Parañaque is not considered a high-risk area by the OCTA Research group.

Still, being placed in lockdown as part of the National Capital Region has severely affected residents who have lost their jobs or closed their businesses. The Parañaque LGU rolled out its Paraña-Cash Covid-19 Assistance Program, a locally funded initiative to complement the national government’s financial assistance to affected individuals.

The city government partnered with UnionBank in launching the on-site digital disbursement of its local cash assistance program for 50,000 households. Beneficiaries were able to withdraw their Php5,000 cash aid through Bank on Wheels (BoW), a 5G-powered and airconditioned banking kiosk in a mobile van. Eligible city residents also received UnionBank’s EON Visa card which they can use for online transactions.

This initiative reduced face-to-face transactions, minimized health risks, and provided faster public service as they did not have to travel far during the community quarantine since the BoW went around different *barangays* to serve constituents.

“Our partnership with UnionBank is timely and significant as the Parañaque City is the first LGU to implement an online disbursement platform for cash assistance – which also aims to increase public awareness on using digital technologies in this time of pandemic,” Mayor Edwin notes.

Digital LGU

There has been no letup in Parañaque’s digital transformation during the pandemic. In fact, it only accelerated it.

Its Project ELO Concierge installed smart kiosks, which are self-service facilities that promote its zero-contact policy. These allow the public to print an application form for renewal of business permit and the statement of account for the quarterly payment of business taxes of fees without any human intervention. They can also see the progress of their application on queuing monitors.

Its document management system scans documents to the central storage so that they can be easily accessed by business permit applicants. And it is currently working with the national government to gain access to business name registration for verification purposes and for better interconnectivity, for faster and more efficient government transactions in the city.

“We have been prepared to implement our digital strategies and introduced innovative and agile solutions to quickly respond to the needs of our constituents. And we are pleased to report that the local government has been recognized for its trailblazing efforts by the IATF last year,” Mayor Edwin shares.

Parañaque City is not only on the upswing. With all its bold and innovative digital initiatives, the Parañaque City government is blazing a trail putting it ahead of the pack.



BUILT FOR GROWTH

ATTY. J.V. EMMANUEL
“JOCOT” DE DIOS
CEO
PrimeBMD

During the pandemic-induced lockdown in 2020, a relatively new construction company completed a 600-bed quarantine facility in Parañaque City, the biggest to date in Metro Manila, in 45 days. Months earlier, it converted the Philippine Ports Authority Cruise Ship Terminal, Ninoy Aquino Stadium, and Rizal Stadium into temporary health centers, each one finished in under a week.

“We did our part to help. In fact, we jumped right in when the government asked us. We built a total of nine facilities, including testing centers,” shares Atty. J.V. Emmanuel “Jocot” De Dios, CEO of PrimeBMD.

The three-year-old infrastructure development firm may be an industry newcomer, but it is hardly a fledgling startup. In fact, PrimeBMD boasts of parent companies with decades of provenance and experience – Prime Metroline Infrastructure Holdings Incorporated (PMHI), the infrastructure investment arm of the Razon Group; and the 40-year-old BMD Group, one of the largest privately held construction infrastructure development companies in Australia.

Perfect match

International Container Terminal Services (ICTSI), the flagship global port management company that billionaire Enrique Razon, Jr. founded in 1987, operates 32 terminals in 19 countries. After BMD finished constructing ICTSI’s container terminal in Victoria, its Chairman Mick Power and Mr. Razon decided to join forces. “So PMHI formed the joint venture with BMD on the heels of that successful Victoria port development,” Jocot explains.

From ports to utilities to power to water, getting into construction and infrastructure was a natural progression for the Razon Group. And the opportunities abound. The current government has been pushing its “Build Build Build” infrastructure program from day one. And it has become even more crucial now to economic recovery. “The pandemic saw economies globally take a hit, including the Philippines. So, we are looking to prop up our GDP through infrastructure development,” the CEO points out.

Certainly, PMHI brings to the table its proficiency in navigating the local business climate and penchant for seeing around the corner for opportunities. BMD, on the other hand, brings to it 40 years of technical and operational expertise and experience.

And that is one of the advantages PrimeBMD possesses over established local legacy players and foreign firms. It is both global and local. Jocot says, “We are able to marry the best of both worlds – the best practices and technical engineering solutions from the developed world, within the context and environment of a developing economy and the local know-how of PMHI.”

Building a portfolio

Since it started operations in 2017, PrimeBMD has been working on projects at an increasingly faster pace and greater complexity. One is the Berth 7-Southern Yard Extension as part of the Manila International Container Terminal (MICT) project, which increased its capacity to accommodate more vessels and containers. PrimeBMD finished it within schedule and on budget while implementing strict safety and health protocols throughout construction. The company is likewise engaged as the general contractor for the restoration of the wharf structures of Berths 1 to 5 of MICT.

Another major project is Solaire North, the new casino and hotel in Quezon City, which is being built jointly with DMCI. The multi-billion peso project has a footprint of 1.5 hectares supporting a 36-storey tower. The company has earlier done reconstruction work for Solaire Resort and Casino in Pasay City.

There is also the construction of the Montclair Interchange in Porac, Pampanga on behalf of Robinsons Land Corporation, to create access for the 200-hectare township in the area; as well as the development of an 80 million of liters per day (MLD) Weir in Rizal, which forms part of a larger initiative to augment bulk water supply to Metro Manila.

New CEO

As the newly appointed CEO of PrimeBMD, Jocot has his work cut out for him. While he is new to the industry, he brings with him a wealth of management background, legal expertise, international exposure, and an eclectic network. Definitely, his diverse skill set and wide-ranging experience can help propel PrimeBMD to new heights.

Having started as a lawyer working on capital markets and commercial law, Jocot’s career has seen turns and pivots, including being Undersecretary for the Department of Energy, Chairman of the PNOC Exploration Corp., Managing Director of Nido Petroleum Ltd., and CEO of GE Philippines. “It is a very unusual career for a lawyer,” he quips.

PrimeBMD has an engineering workforce of over 200 staff and a direct labor force of more than 600 workers, most of whom have a long history of working on projects here and abroad. As the CEO does not claim to be the technical expert in the company, he says he encourages people to pitch their ideas and is not shy to tell people, “You go and run with it. You come to me with results.”

Jocot adds that while his leadership approach is very easy, and his management style is very relaxed, “when it’s crunch time, I’m fiercely competitive.”

He is also big on collaboration. For him, a project is not just a contractual relationship between client and contractor. “It’s beyond merely just executing. Of course, at the end of the day, we have to execute the project. But the orientation that I would like to bring is to really cultivate and develop partnerships with our customers,” Jocot explains.

Growth potential

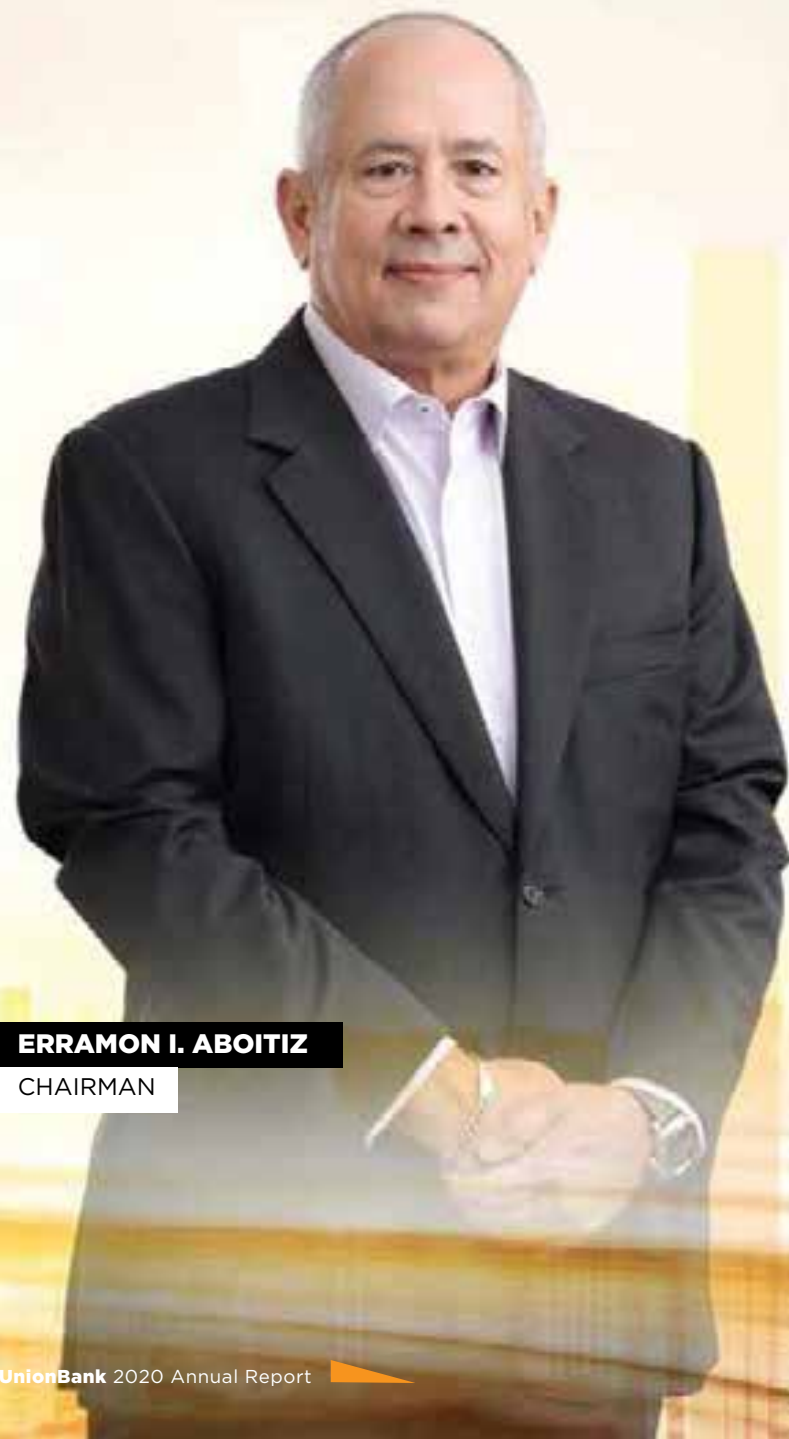
PrimeBMD has only just started and it has yet to fully flex its capabilities and maximize its potential. The company is participating in bids for a wide variety of projects – from bridges, roads, and rail to dredging, tunneling, and buildings. Jocot says, “It has to be a full portfolio.”

And while its core market remains the Philippines, with so many opportunities available, PrimeBMD has ambitions to go beyond. Given the global experience of the company’s parents, “We’re used to that. It’s second nature to us,” the CEO adds.

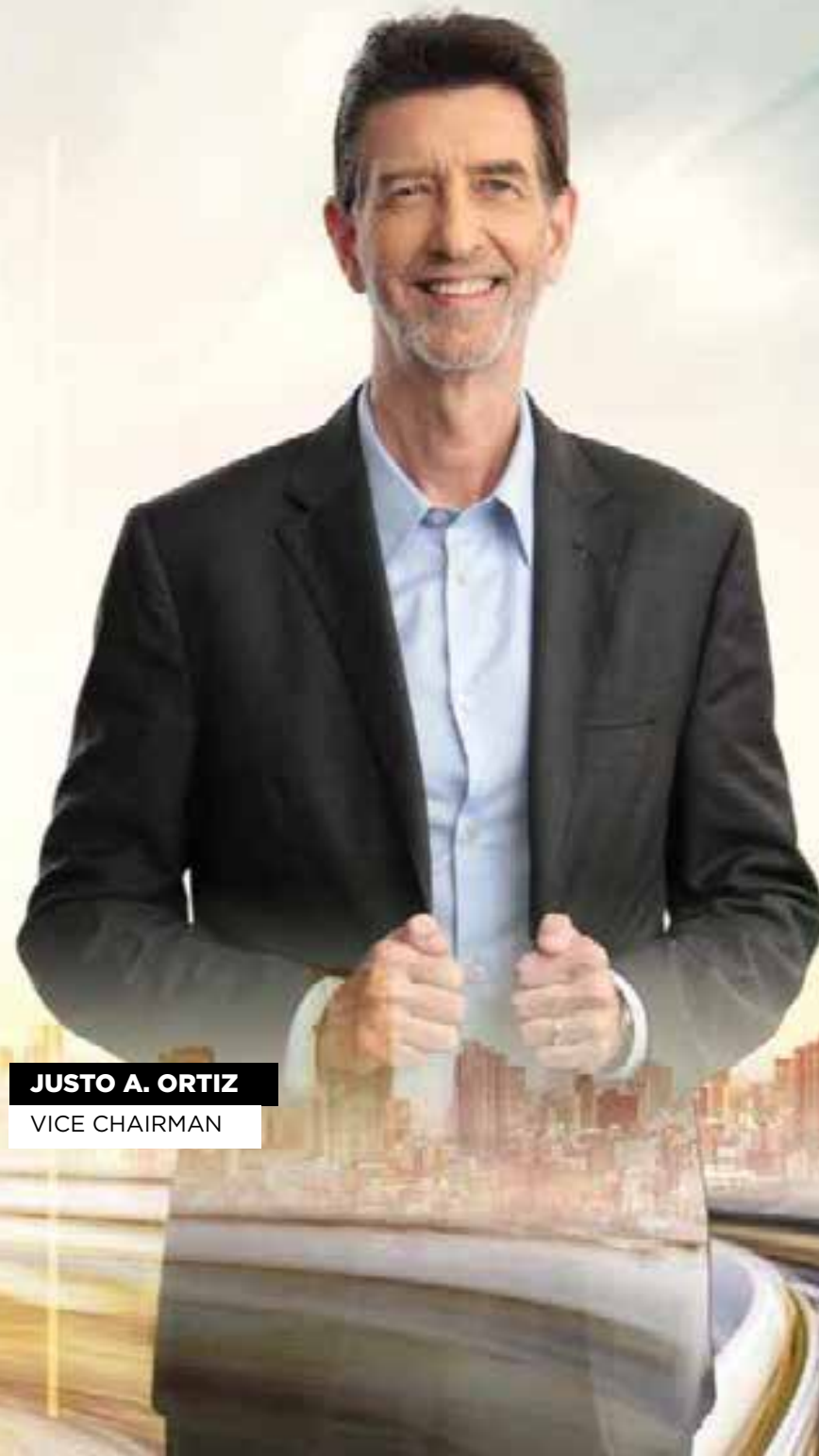
Meanwhile, PrimeBMD is focused on the local market, where infrastructure is critical to the economy’s recovery and growth. Jocot says, “Infrastructure builds the economy, creates jobs, and supports businesses. And these are heavy infrastructure projects. You talk of ports, rail, major roadways, energy, vertical developments, water, marine. All these infrastructure projects are major components to any country’s growth blueprint.”

Just as it was instrumental in building quarantine and testing facilities at the beginning of the lockdown to help the country cope with the crisis, Jocot believes that PrimeBMD is also driven to develop infrastructure to “bring back jobs, bring down poverty levels, and get the country humming again, to its rightful place.”

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DIGITAL READY

PANDEMIC PROOF

When the lockdown put the country to a halt, UnionBank's disaster preparedness and digital infrastructure avoided disruptions and enabled it to run in full force.



UnionBank was ready from day one. The moment the government declared a community quarantine to stem the spread of the coronavirus, the Bank remained 100% operational. All its branches were open in the critical initial stage of the lockdown, its call center was in full swing, and its employees were fully engaged and quick to adapt.

While in a sense it was business as usual, in another, it was business unusual.

When mass transportation was suspended, a number of employees had to walk or bike to the branch to make sure customers were served. The loans officers of subsidiary City Savings Bank had to physically meet teachers at checkpoints just so they could help those who want to borrow. And 90% of UnionBankers worked from home, logging in long hours and collaborating through virtual meetings to roll out much needed product features, troubleshoot issues, and engage with customers.

Infrastructure ready

COVID-19 is an episode that is described as a “black swan,” an unpredictable and rare event of large magnitude and extreme impact. And the only way to deal with black swans is not to predict them but to build robustness and resilience against them.

And that is exactly what UnionBank has done. It has built its IT infrastructure to be disaster-proof. It has long invested in open systems that allow it to be flexible. As early as January, it was already monitoring the developments in China and, as a result, activated its business continuity plan. The Bank opened several off-site command-and-control systems for its digital systems and allowed all non-frontline staff to work from home.

In fact, even before the pandemic, it was already piloting work-from-home arrangements with some of its employees. The IT infrastructure and virtual private network were already in place, with any gaps in equipment supply for employees quickly filled. So, when the lockdown was announced, it was a smooth transition with 90% of its workforce working from home.

Digital ready

Having invested in digital branches and digital platforms, also made it much easier to serve customers who wanted to avoid crowded branches to do their transactions.

UnionBank's fully digital bank branch, The ARK, launched in 2017, now has 50 branches nationwide. Designed to eliminate long queues, excessive waiting times, and repetitive forms; during the pandemic, they have become a much safer alternative for contactless banking transactions.





Its digital banking platforms – UnionBank Online, The Portal, and SME Business Banking – made it convenient and safe for customers to open an account, deposit checks, transfer funds, and pay bills, without setting foot at a branch. With more transactions being done online, the Bank was able to refocus its resources, keeping 70% of its branches open.

With the surge in digital transactions, UnionBank increased its server capacity to avoid any downtime and spread out its data centers to keep its systems running 24/7. And with the accompanying rise in cyber fraud, it also continued to invest heavily in security, particularly in detection, protection, and prevention.

Workforce ready

Just as important as having the infrastructure and the digital platforms in place was the fact that all UnionBankers were equipped and prepared for disruptions like the coronavirus.

The UnionBank culture has long emphasized innovation, forward-thinking, openness, and agility – traits that not only enable employees to respond to radical change but also to push for change themselves. Trained in the agile methodology, they were quick to pivot, shift, tweak, fix, and launch. UnionBankers were able to roll out new product features in record time. When issues arose, they were swift in finding solutions and workarounds.

And with UnionBank's values of Magis and Ubuntu having been deeply rooted, they were able to do their work excellently, collaborate with one another selflessly, and commit to serving their customers absolutely.

So, while the pandemic caught everyone by surprise, it did not catch the Bank unprepared. And as such, it was among the few banks with all its services intact and all its operations in full force. Not only did UnionBank enjoy a significant increase in its digital business, it was also widely recognized for its efforts.

Aside from being voted as the most helpful bank in the Philippines during the pandemic – and the second in Asia Pacific – UnionBank was also declared the “Bank of the Year 2020” in the Philippines by The Banker, regarded as the industry standard for global banking excellence.

The prestigious award is given to the institution that has outshone its peers in terms of performance, strategic initiatives, and response to the COVID-19 pandemic.

Fortune indeed favors not only the bold but also the prepared mind. And the Bank is both bold and prepared, hence, the accomplishments and the accolades. It is the drive to power the future of banking and to make sure no one gets left behind, that keep UnionBank going on full throttle – black swan or not.

A woman with glasses, wearing a black and white checkered shirt, is sitting at a wooden desk. She is looking down at a laptop, with her hands on the keyboard. On the desk, there is also a smartphone, a pen, and a small white cup. The background is a warm, orange-toned wall with some decorative elements.

EQUIPPED AND ENGAGED

Contrary to what can be expected to most employees isolated during the lockdown, UnionBankers were actually more productive and their engagement was through the roof.

Digital banking platforms, fully digital branches, mobile ATMs, blockchain apps, e-commerce tools, tokenized bonds – to say that UnionBank has been on a tear the last few years is an accurate statement. Since its digital transformation journey started four years ago, it has solidified its position as the country's most innovative digital banking leader.

Behind the awards, acclaim, and advance towards its aspiration to power the future of banking, UnionBank has one critical competitive advantage: UnionBankers.

The Bank's success as a digital bank is not because of one crack team or some elite division; it is because of everyone. Every UnionBanker is digital to the core – from the top executives setting the direction and cross-functional teams initiating and executing projects to the frontline personnel serving customers and backend workers supporting the organization.

Core capabilities

The cultural transformation of UnionBankers has been ongoing for two decades, ever since the Bank embraced and pioneered Internet banking. And it has ramped up the past few years as it evolved into digital banking.

It is not just about having the right technology or the right branding strategy however. It is also about having the right people. And the only way to make real, embedded, and institutionalized digital transformation happen is for every UnionBanker to have a radical shift in mindset, behavior, and skills.

This is where UnionBank's capability framework has been hugely effective. It is built on eight core capabilities that will enable every employee – not just the IT group, analytics team, or product developers – to be truly digital. These are adaptive learning, digital literacy, virtual collaboration, empathy, customer experience, strategy and innovation, risk calculation, and agile ways of working.

All UnionBankers, including those not directly working on digital products, are expected to be at least at the 'effective' level where each one is a skilled practitioner who can apply skills to complete problems that may require a new process or approach. After all, digital transformation is not just about developing apps and platforms, it is also using digital technology to make backend operations and customer service more efficient and automated.

There is, of course, a fluidity in new skills that are needed as digital continues to change. UnionBank is expanding to other priority capabilities, such as analytics, digital delivery, and CX/UX.





Acquiring talents

Aside from developing talents from within the organization, UnionBank has also recruited the best, experts it can find to further strengthen its capabilities, within and outside the Philippines.

UnionBank has established Centers of Excellence to In-depth research and development to provide leadership and direction for leading-edge capabilities, focus on building expertise and enablement of product and innovation teams through experimentation and transfer knowledge of leading-edge capabilities through the UnionBank University.

As the Bank brings in not just local but global talents with these deep skills, expertise eventually propagates and permeates the entire organization.

Learning and development

To ensure expertise spreads across the organization, the Bank has created learning pathways curated by its UnionBank University to guide employees as they develop and apply these capabilities. It drew inspiration for its learning pathways from frameworks and best practices worldwide, such as the Skills Framework for the Information Age (SFIA) and the Deloitte Capability Hexagon.

By taking an adaptive learning approach, UnionBank does not use a one-size-fits-all training program. Instead, it customizes learning experiences to address the unique needs of each employee through learning pathways, just-in-time feedback, and a variety of learning interventions.

For instance, as most of its employees are working from home, self-paced learning and massive open online courses (MOOCs) are having a moment. UnionBankers adapted the way they learn by consuming learning content across different domains or disciplines and applying the learning to their work or projects. With a curated library of certification programs and skills-based courses from multiple providers, they are spoiled for choice. Each employee can consult a learning manager who guides them and co-creates their learning pathways.

In UnionBank though, formal training is just the tip of the iceberg. Following the 70/20/10 Development Model, only 10% of learning happens through classroom or online training. The 20% is through social learning via coaching, mentoring, peer-to-peer training, and direct feedback. And the 70% is learning on the job itself. By working on new projects and challenging tasks, employees are stretched beyond their comfort zone.



UnionBank calls this super learning, wherein it embeds learning in the flow of work just as employees need it. So, when employees come across a problem while working on a task, right then and there, they can consult an internal expert or a practitioner in the Bank to help them out and learn as they do the task.

There are no walls between learning and working. For UnionBank, learning is working and working is learning. Attending formal training or taking a self-paced course is not a waste of time because that is part of work. And working, especially on a new project or a new task, is already in itself an opportunity and intervention in learning.

Engagement score

L&D certainly explains how UnionBankers have developed the capabilities to create digital products and digitize its operations. But what is behind the surprising fact that during the lockdown – when isolation, depression, and anxiety were affecting millions of workers – UnionBankers were more productive, more agile, and more engaged?

2020, the year of the pandemic, saw UnionBank's employee engagement score at an all-time high. It exceeded the target in its balanced scorecard. It was also the biggest leap in the past several years. For UnionBank, employee engagement is really key in terms of people and culture transformation, as it has been tracking its engagement journey for over a decade.

Lockdown activities

How can employees feel connected when they can't see each other in person? For starters, UnionBank launched a number of fun campaigns that made working from home much more enjoyable and less isolating.

There were TikTok campaigns where employees, including some executives, shared their hobbies or recipes and posted workout routines alongside Bank announcements and health reminders. Another campaign was *Kwentong* Bank Hero, where they were asked to post stories of UnionBankers who exemplified the core values of Magis and Ubuntu, going above and beyond their duty. There was also Check-In Friday, where a question targeting a particular engagement element was asked to solicit responses.

Taking ownership

Beyond HR's initiatives in employee engagement, a big factor in the record-high engagement score was the employees themselves. The Bank has always emphasized to employees that engagement is a partnership, that it is everyone's responsibility. So rather than relying on HR or their line manager to make them more engaged, UnionBankers themselves took ownership and accountability for their engagement.





So, this became more relevant during the lockdown when almost everyone was working from home. Self-engagement became key. Instead of waiting for things to happen, UnionBankers made things happen.

One example was the UGames initiated by the fintech team that eventually became Bank-wide. Employees allotted a day in a week to compete in online multiplayer games like Mobile Legends. It became a much-anticipated event that fostered connection and camaraderie especially during the lockdown.

Another example were the recognition programs spearheaded by different teams that came up with their own team-wide awards to keep them motivated and their top performers acknowledged.

Sustainable work and workplace

While recognition programs and engagement activities make people feel connected and help the work-from-home environment more fun, the best definition for engagement is the employee's commitment and motivation in terms of work. A virtual work environment that focuses on the well-being of people and puts their health and safety first conveys a caring organization during unprecedented times.

One major factor for driving motivation is doing work to achieve a higher purpose of co-creating innovations for a better world. Because UnionBank has a very clear mission of financial inclusion, inclusive prosperity, and "Teching up *Pilipinas*", UnionBankers find meaning in their work and that makes them feel their job is important in the grand scheme of things. UnionBankers are able to participate through work or through volunteerism in various CSR programs that contribute to improving communities leveraging on their knowledge on digital transformation.

UnionBankers are also engaged because they know what is expected of them, so their goals are clear. And it is easy for them to see if they are progressing towards those goals and they know how their performance is measured.

Another factor for the high engagement score is that employees believe they have the opportunity to do their best at work. They are able to demonstrate their capabilities and apply their strengths. And that is tied in with the learning opportunities they have to develop their skills.

In the end, of course, engagement is more than just a score or a number. It is the impact that high engagement has on customers and other stakeholders that matters. For UnionBank, only engaged employees can engage customers. And only digitally engaged employees can engage customers digitally – lockdown or not.



FAST FORWARD

Already ahead of the pack in digital banking, UnionBank is ready to go full throttle.

UnionBank made the decision four years ago to digitize its business and become the country's leader in digital banking. Fast forward to today and it is already reaping the rewards of its efforts. Its digital business has grown tremendously, and its initiatives have been widely recognized, the latest being the 2020 Asia/Pacific Digital Trailblazer at the IDC Digital Transformation (DX) Awards.

The acceleration towards digital and the readiness of the market, spurred on by the pandemic, offers huge opportunities. Its digital-first focus has given UnionBank an early-mover advantage and a competitive edge over other banks. But this has also become both a wake-up call for more traditional banks and a siren call for Fintechs and Neobanks, i.e., digital-only banks. The competition has now heated up.

The *Bangko Sentral ng Pilipinas* (BSP) has issued the regulatory framework for digital banks, setting the stage for more players here and abroad. The BSP is targeting at least 50% of retail payment transactions to go through digital channels and 70% of Filipino adults to have transactional accounts by year 2023. This combination of government support and a tech-savvy but largely unbanked population makes the Philippines ripe for the taking.

UnionBank's call to arms: scale up, speed up, and double down.

Scale up

Unlike traditional banks with decades-old legacy systems, UnionBank has early on heavily invested in flexible, open systems. And this has allowed it to build products for scale. The Bank has cornered a sizable chunk of the payment cards market from government agencies such as the Social Security System. Now, it is going for even larger volumes that will come from local government units that are now opening payment cards for their constituents.

And while UnionBank is among the few banks that can accommodate a large number of customers, it plans to accelerate its ability to scale by bringing most of its systems to the cloud. With capacity on demand, it will be able to process massive volume in accounts and transactions.

As for its existing digital platforms such as UnionBank Online, The Portal, SME Business Banking, i2i, GlobalLinker, Sentro, and Bux, the Bank already has multiplied its new user base, especially during the lockdown. Moving forward, it will fast-track the onboarding of customers and commercialization of these platforms.



Speed up

The Bank has also long adopted the agile methodology of software and startup firms. This is a project management process that speeds up product development. By doing so, it has successfully churned out digital products and platforms at record speed, even during the lockdown.

But bottlenecks remain in the areas of testing and deployment. So, UnionBank has recently embraced DevSecOps, which stands for development, security, and operations, to automate the integration of security at every phase of product development. It is a complement to the agile methodology, and it will allow the Bank to further speed up the launch of new products and services and the testing and deployment of new features.

Double down

Clearly, UnionBank has made the right bet, and it is ready to go all in. After a successful integrated marketing campaign, it plans to double up on spending in marketing and digital advertising to ensure that UnionBank is no longer the industry's best kept secret.

The Bank is also pushing its capabilities in data science and artificial intelligence (AI). This will be implemented across the Bank to enhance the digital experience of customers, strengthen its digital security, and boost operational efficiency.

And to make sure its digital road map is future-proof, UnionBank has joined the Banking Industry Architecture Network (BIAN), becoming the first and only bank from the Philippines to be a member of the global banking standard organization.

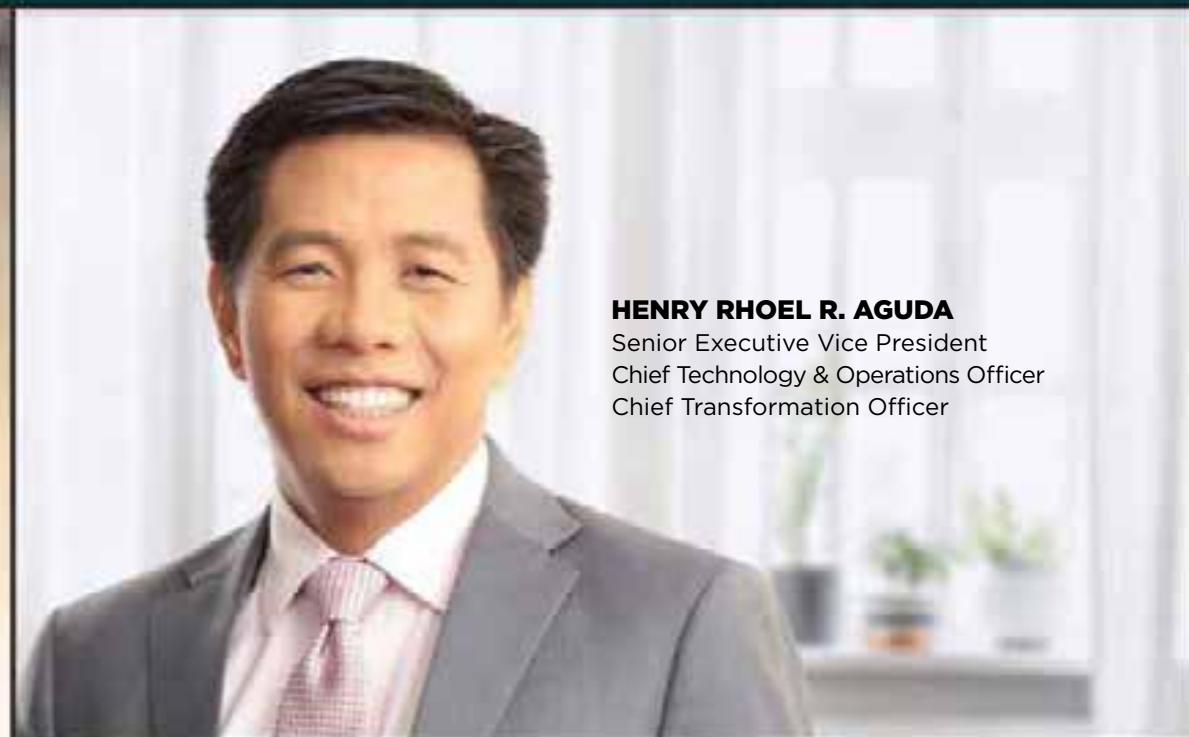
BIAN is an international non-profit organization that aims to develop the world's best banking architecture and be the global banking technology standard by providing a common architectural framework across the industry.

Joining BIAN ensures UnionBank conforms to global standards and best practices. Following its enterprise framework supports the Bank's continuous direction towards open banking, which enables simple and faster integration with other partner institutions and Fintechs, in the country and the world. At the same time, being able to join BIAN's working groups puts UnionBank in a position to help define banking technology standards and play an active role in shaping the future of banking.

The coronavirus crisis has accelerated the drive towards digital banking and has opened up opportunities for the Bank. And with that comes more challenges and competition. UnionBank is already recognized as a digital trailblazer. And it is not giving up its edge. Now, it is full speed ahead.



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Chief Technology & Operations Officer
Chief Transformation Officer



JOSE EMMANUEL U. HILADO
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DENNIS D. OMILA

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Senior Vice President
Fintech Business
EON Banking





**AMONG MOST
HELPFUL BANKS**

AMONG MOST HELPFUL BANKS

UnionBank was ranked the most helpful bank in the Philippines during the pandemic, and second highest in Asia Pacific.



When is a bank truly helpful? When are banking services the most critical? It is during a crisis. The coronavirus crisis took a terrible toll on the country, infecting more than half a million Filipinos and taking the lives of over 10 thousand. The economy shrank by 9.5% in 2020, the worse since 1947 and the first since 1998. About 4.5 million Filipinos lost their jobs. Some 90 thousand businesses closed while as many as 70% of MSMEs reported cash flow problems.

If there is one thing the coronavirus crisis has taught us, it is this: access to funds is critical.

We need access to our bank accounts for emergencies. We need access to loans when we are at a pinch. And in the context of a raging pandemic, we need to be able to access them in a way that is safe, fast, and – as much as possible – contactless.

A vote of confidence

In an online survey conducted in 2020 by BankQuality.com, UnionBank was ranked second among the “Most Helpful Banks in Asia Pacific during Covid-19.” KakaoBank, South Korea’s largest digital-only bank, won by a thread, with only 0.12 points separating it from UnionBank.

Not only was UnionBank the only Philippine bank in the top 20 in the list of 80 across the region, but it was also ahead of international banks such as Citibank, CIMB, Standard Chartered Bank, HSBC, and DBS, among others.

BankQuality.com, which rates financial service providers worldwide, is backed by the prestigious financial media company The Asian Banker. It uses its proprietary Bank Quality Score (BQS), derived from a net promoter assessment of each bank. This score reflects the true voice of customers, and this vote of confidence from bank clients themselves makes the survey much more meaningful.

The survey gathered feedback from 11,000 customers on their engagement, experience, and satisfaction with their main retail banks. It covered 11 Asia Pacific markets with 1,000 respondents each from China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

And what separated the top-ranked banks from their peers? According to the key findings from the survey, the contactless nature of these banks and their digital services – critical during this time – were a significant factor for consumers in rating them high.



Help when it matters

For UnionBank, it is an honor to be recognized by customers as being the most helpful bank in the Philippines. It is a validation that it made the right decision years ago to embark on a digital transformation journey and reinvent itself as a technology company with banking utilities. And it is a testament to the commitment of UnionBankers to make a difference in the lives of their customers.

In the midst of the pandemic, especially in the aftermath of the strict lockdown, UnionBank made sure customers can access their cash, make check deposits, transfer funds, pay bills, open accounts, and apply for loans, -- all online and from the security and comfort of their homes.

UnionBank made sure customers who prefer to go to a branch can do so safely. With its fully digital branches and self-service kiosks, customers were able to do contactless transactions. It even deployed its 5G-powered Bank on Wheels to bring its bank branches to the doorsteps of its customers.

And UnionBank made sure to help those most in need. It tapped remittance centers nationwide so customers through their mobile or web app can send money to even the most far-flung areas in the country. The Bank made it easy for small businesses to apply for loans online. It waived fees for digital fund transfers, extending the free InstaPay services into the new year and the PesoNet transfers continue to be free. It also delayed loan amortizations and credit card payments in response to the call of the BSP to help customers manage their cash flow. UnionBank likewise helped distribute government cash subsidies to beneficiaries coursed through rural bank partners on its online platform.

Powered by digital and driven by purpose, it is in this period of the pandemic that banking services really matter and when being among the most helpful bank truly counts.



FINANCIAL FRONTLINERS

With the lockdown restricting movement and hitting families and businesses hard, UnionBank was at the forefront of ensuring customers have access to both digital and branch based services.

Essential services: health care, food, groceries, utilities, and financial services. When it comes down to it, these are what any society really needs to survive. While many essential workers had to risk their lives to serve their customers face to face, these essential sectors also had to adopt digital technology to deliver their services safely and conveniently to people stuck at home. Hospitals and clinics offered telehealth, restaurants and supermarkets offered online delivery, and banks offered digital banking.

UnionBank's digital services have already proven to be quick, easy, and convenient long before the pandemic. But with the institution of curfews, checkpoints, and community quarantine particularly at the peak of the lockdown, UnionBank's portfolio of online, digital, and contactless banking solutions provided what customers needed most: safety and availability.

Digital solutions

UnionBank Online, its digital banking platform for retail customers, has always been on the leading edge thoughtful customer experience enabled by technology with advanced features such as digital account opening, payments to over 500+ billers and mobile check deposit. It was one of the pioneer banks that have already launched PesoNet and InstaPay, the digital bank-to-bank fund transfer networks championed by the *Bangko Sentral ng Pilipinas* (BSP).

During the pandemic, UnionBank accelerated its plans to ensure customers will never have to step into a physical branch. It expanded its mobile check deposit function to allow clients to deposit non-UnionBank checks via their smartphone, too.

And while it offered PesoNet for free from the get-go, it also waived the fee for InstaPay, encouraging customers to do online fund transfers instead of going to a branch. It was all about serving customers in a time of need, not profiting from a crisis.

Before the pandemic, it was already a challenge to send money to people who are unbanked and to those from far-flung areas. These beneficiaries could only cash out through remittance centers. The lockdown, which restricted movement and made travel inconvenient, only made it worse. Seeing the pressing need to address this problem, UnionBank made the unprecedented move to include remittance centers among its payout options via UnionBank Online and through i2i, the online platform for rural banks and cooperatives of its fintech subsidiary, UBX.

Within two weeks, UnionBank was able to add 11,000 counters nationwide from Cebuana Lhuillier, LBC, Palawan Express, and PeraHub, allowing its customers and the customers of its rural bank and cooperative partners to send money to their relatives who did not have bank accounts and to other people who have no other way to receive them.

UBX also enabled cash flow-challenged micro, small and medium enterprises (MSMEs) to source fresh funds through its online lending platform, SeekCap.





Small businesses can choose from among multiple lenders, and then apply for a loan online. Processing of their loan is done digitally and efficiently, without having to meet loan officers face to face.

Heroic efforts

But as there are still transactions that have to be done physically as well as customers who prefer more traditional channels, UnionBank made sure all its branches were open during the pandemic, strictly following health protocols to keep its customers and bank personnel safe.

Its network of fully digital and paperless branches and kiosks – Arks, Arklites, and UBNs – enabled customers to do self-service banking and contactless transactions safely and efficiently.

And for customers who could not or would rather not go to the branch, UnionBank brought the branch to them. It deployed Bank on Wheels (BOW), the country's first-ever 5G-powered, air-conditioned banking kiosk in a mobile van. The BOW travelled to different areas in Luzon to serve customers who were restricted by the strict lockdown due to curfews, closed borders, limited quarantine passes, and scheduled travel, to do their banking transactions much closer to home.

With 5G technology, UnionBank was able to leverage the higher bandwidth and faster Internet connection to make sure its customers were able to check their balances, withdraw cash, pay bills, transfer funds, and open accounts, without leaving their communities.

City Savings Bank, the thrift bank subsidiary of UnionBank, deployed its sales associates to go directly to customers using its Loan Ranger application. This allowed them to process and approve a loan without the customer needing to visit a branch, even meeting some of them near checkpoints to do so. As a result, thousands of teachers and motorcycle drivers who needed help were able to have their applications processed and receive their loan proceeds.

UBX also deployed its i2i Mobile ATM, a rapid and remote mobile-enabled ATM solution that allowed rural banks and financial cooperatives to payout government subsidies direct to cash-strapped beneficiaries in the underserved countryside.

Access to funds, whether physical or digital, is undoubtedly essential, especially in a crisis. The movement of money – deposits, withdrawals, transfers, payments, proceeds, subsidies – is an essential activity that cannot be disrupted.

And the UnionBankers who worked tirelessly and selflessly during the pandemic are likewise essential – and heroic. They are true financial frontliners during the crisis, working at breakneck speed and bravely taking risks to serve their customers.



REINVENTING CSR

Through virtual sweat equity and digital platforms, UnionBank harnessed innovation and technology to do social good.

What comes to mind when you think of Corporate Social Responsibility (CSR)? Donating clothes, visiting orphanages, building houses, supporting scholars, planting trees, and distributing relief goods are some common examples. But what do you do when movement is restricted, social distancing is enforced, curfews are imposed, and in-person gatherings are prohibited?

Such was the dilemma of UnionBankers at the height of the lockdown. The Bank's flagship and award-winning CSR program, GoBeyond Communities (GBC), revolves around employee-initiated activities, typically localized where its branches are.

Having long internalized the Bank's value of Ubuntu, which is all about engaging the community, UnionBankers were spurred by the devastation brought about by the pandemic, especially in their local communities. The problem was they could not do what they normally would do, since in-person visits and group gatherings were risky to everyone concerned.

Incubating ideas

Being trained to be innovative, open, agile, and forward-thinking, UnionBankers were challenged to think – and help – outside the box.

One of the earliest examples was at one branch, where the employees found sewers in their *barangay* who lost their jobs because of the lockdown. Instead of buying imported Personal Protective Equipment (PPEs) to donate to frontliners, the UnionBankers hired the sewers to make them. The sewers earned income, the PPEs were given to a nearby hospital, and the employees were able to help their community without them physically spending time with the beneficiaries.

And that is how the idea of virtual sweat equity –volunteerism with little or no physical presence – was born.

From there, other GBC volunteers followed suit with their own local initiatives using their own virtual sweat equity. Moreover, GBC evolved to become an incubator for ideas – pilot-tested in local communities – that could turn into bigger and wider strategic CSR programs and sustainability programs for the Bank.

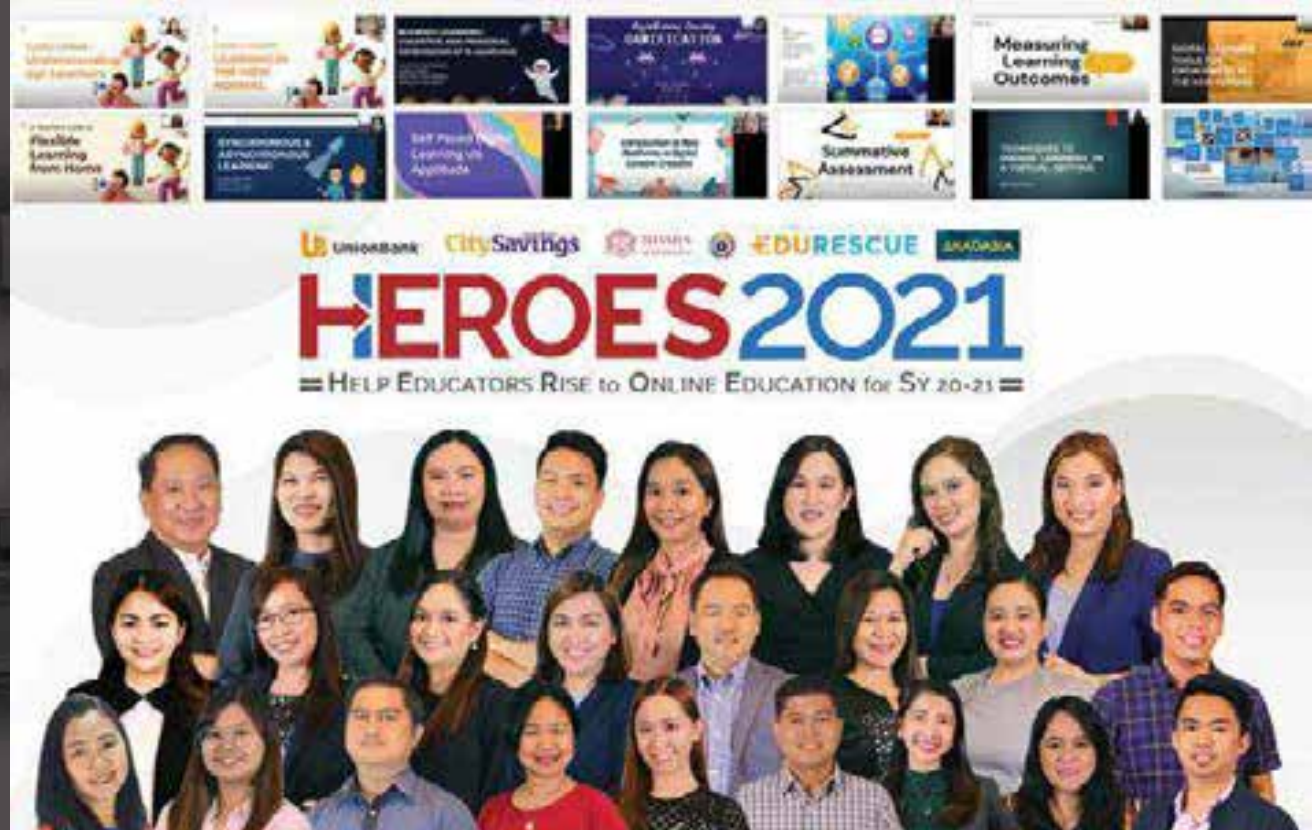
Enter the interns

Some of the most promising ideas came from UnionBank's interns under its Student Mentorship Program (SMP). These college students rolled out creative projects such as UB *Pasahero*. They made use of Sentro and Bux, an online shop builder and payment platform, respectively, developed by the Bank's fintech company UBX. They invited MSMEs, including some UnionBankers, to sell products online and donate a portion of their sales to jeepney drivers, who were their target GBC beneficiaries.

Another project was in partnership with The Local Goodness (TLG), a social enterprise spun off from Meaningful Travel, which was focused on sustainable tourism. Having been hit by the pandemic, the organization had to pivot to promoting community products from local artisans, small businesses, and farming cooperatives. The SMP interns created marketing campaigns and sold products to UnionBankers, with the proceeds going to the beneficiaries of TLG.

Brimming with ideas, the interns also launched Ad Astra Per Aspera, which conducted career-related webinars for incoming college freshmen who were caught in the middle of the pandemic.





Digital for social good

Inspired by these creative CSR campaigns, other UnionBankers began organically proposing and launching their own pivoted GBC projects that were a good fit to the concept of virtual sweat equity.

One such project was Add to Cart, Fill a Heart, a branch-initiated online fundraising bazaar where they sold food and home products on social media. The group raised Php100,000, double their target, with proceeds used to buy headsets and hard drives to help teachers of a public school transition to online teaching.

On an even bigger scale, UnionBank also partnered with HEROES2021.org, an intensive online training program aimed to rapidly build the capability of 800,000 DepEd public school teachers across the Philippines who had to shift to e-learning. This is a collaboration among Thames International, an international college; EduRescue, a provider of Massive Open Online Courses (MOOCs) for teachers; and Akadasia, a Singaporean edtech company.

UnionBank tapped its 25 Microsoft-certified education ambassadors who created 18 training modules and conducted live sessions to public school teachers in the Bicol region and CALABARZON. In addition, the Bank contributed cash sponsorship to the project.

Another ingenious GBC project was the sale of retail treasury bonds (RTBs) called *Premyo* bonds, sold by the government for its COVID relief projects. Using the new Bonds.PH app, volunteers promoted the RTBs and the app to fellow UnionBank employees and their families. Not only did the campaign encouraged personal savings, it also contributed to nation building.

On the other hand, Appeal for Help, an employee-initiated fund, was continued to help UnionBankers or their family members who needed financial assistance during the lockdown. It was financed by a good old-fashioned donation drive, which by end of 2020 collected half a million pesos just from Bank volunteers and donors.

A new approach to CSR

While government restrictions may have inevitably led to fewer projects and reduced volunteer hours, that did not necessarily mean lesser impact to community stakeholders. Actually, UnionBank's CSR impact scorecard showed that there were significantly more communities and beneficiaries served in 2020 with a minimal increase in volunteers and volunteer hours.

While it is always noble to physically serve a community, visit an orphanage, or donate food or relief goods in person, this new kind of CSR shows that UnionBank and UnionBankers can actually create more, reach more, and make a bigger impact by doing what they do best – innovate and accelerate.

With the same spirit of Ubuntu – that sense of being part of a community – and a compassion for others in need, UnionBankers can leverage its DNA of innovation and digital tools to make a difference. Whether using its digital platforms like Sentro and Bux to raise funds, virtual meeting and webinar software like Zoom or MS Teams, or mobile apps like Bonds.PH and UnionBank Online, technology can be used to overcome physical limitations, elevate traditional approaches, and power the future of CSR.

SENIOR VICE PRESIDENTS



ARLENE JOAN T. AGUSTIN



JOSELITO V. BANAAG



JOEBART T. DATOR



MONTANO D.M. DIMAPILIS



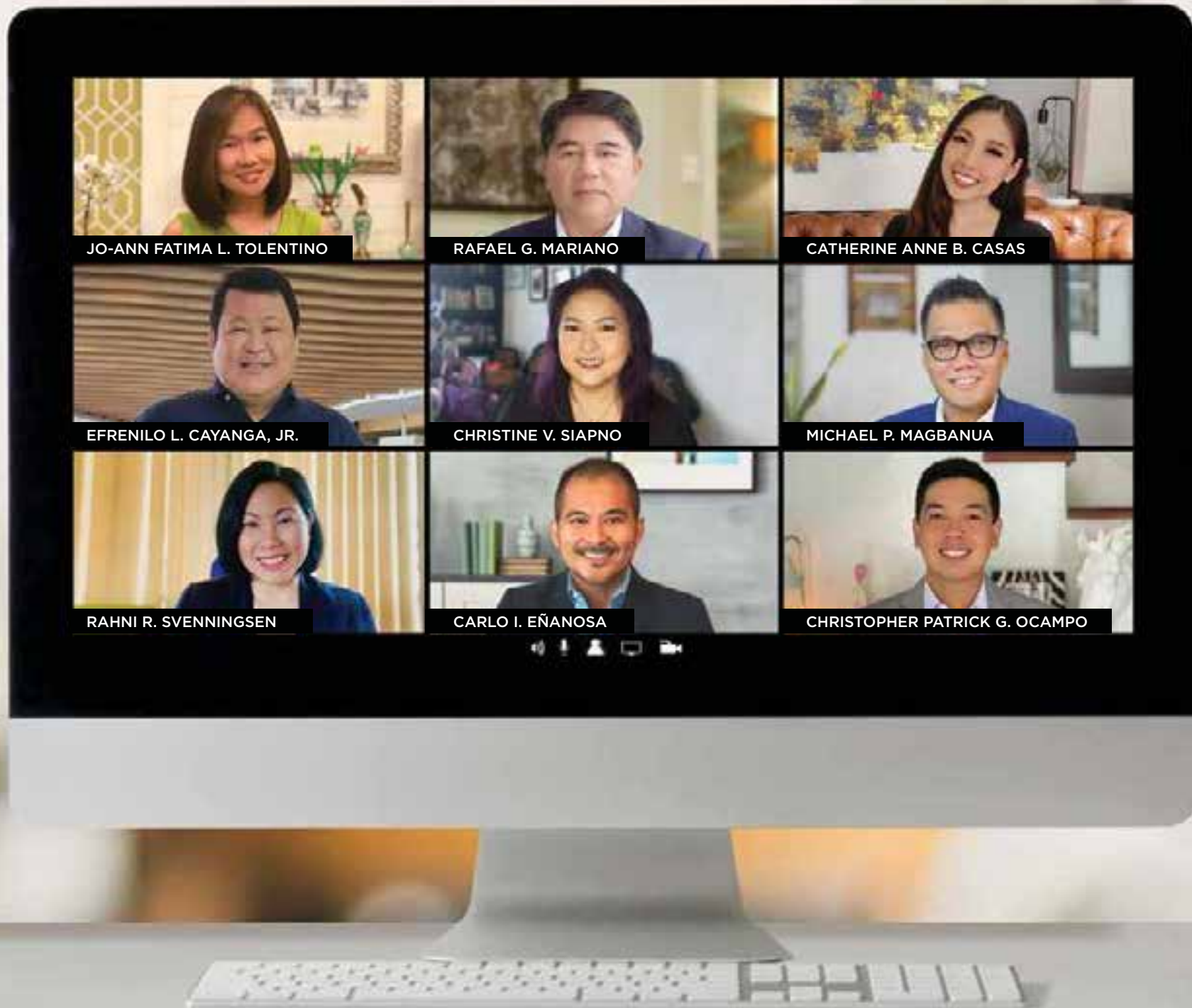
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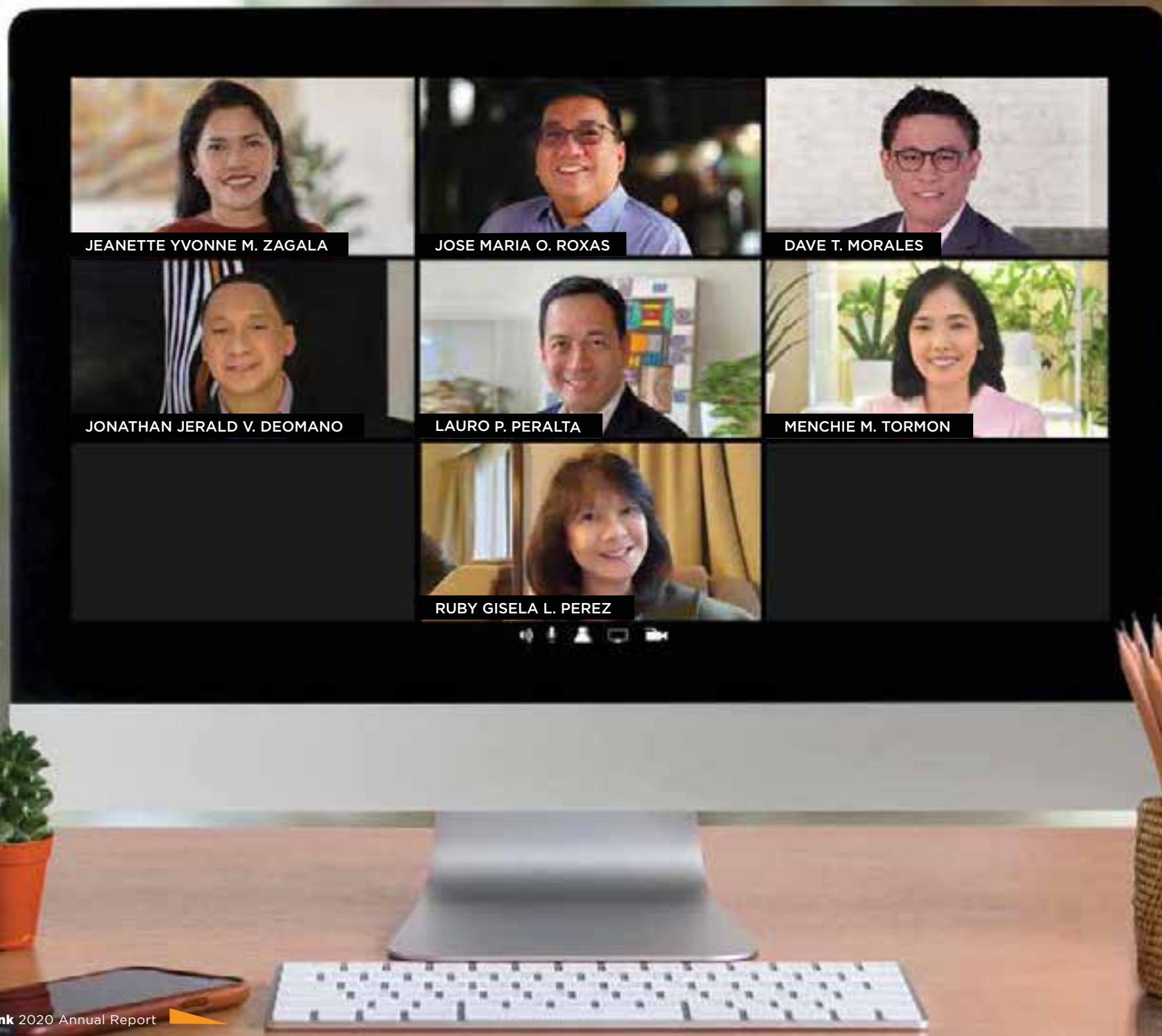
RONALDO JOSE M. PUNO

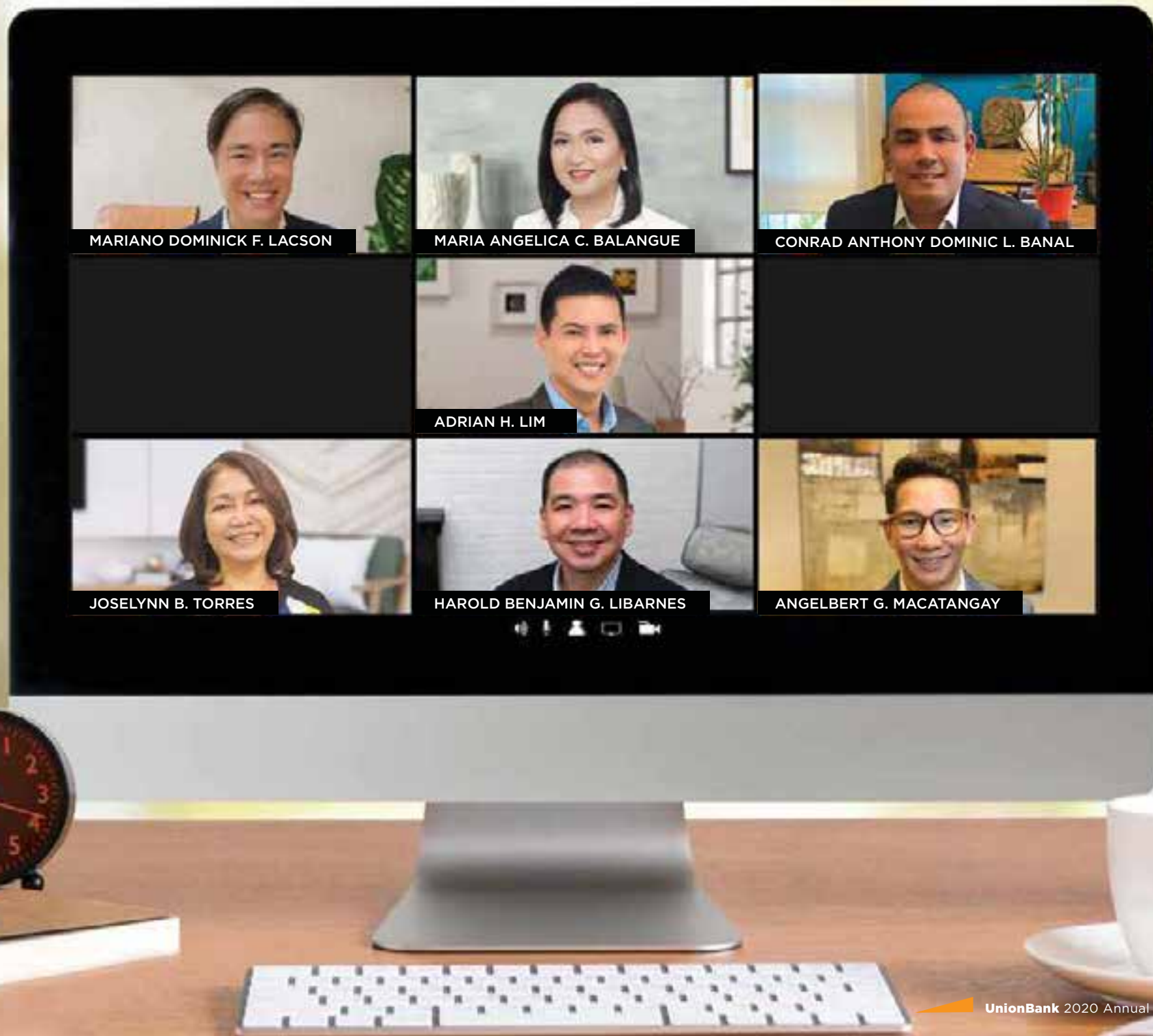


FIRST VICE PRESIDENTS



FIRST VICE PRESIDENTS





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MARIA ANGELICA C. BALANGUE

CONRAD ANTHONY DOMINIC L. BANAL

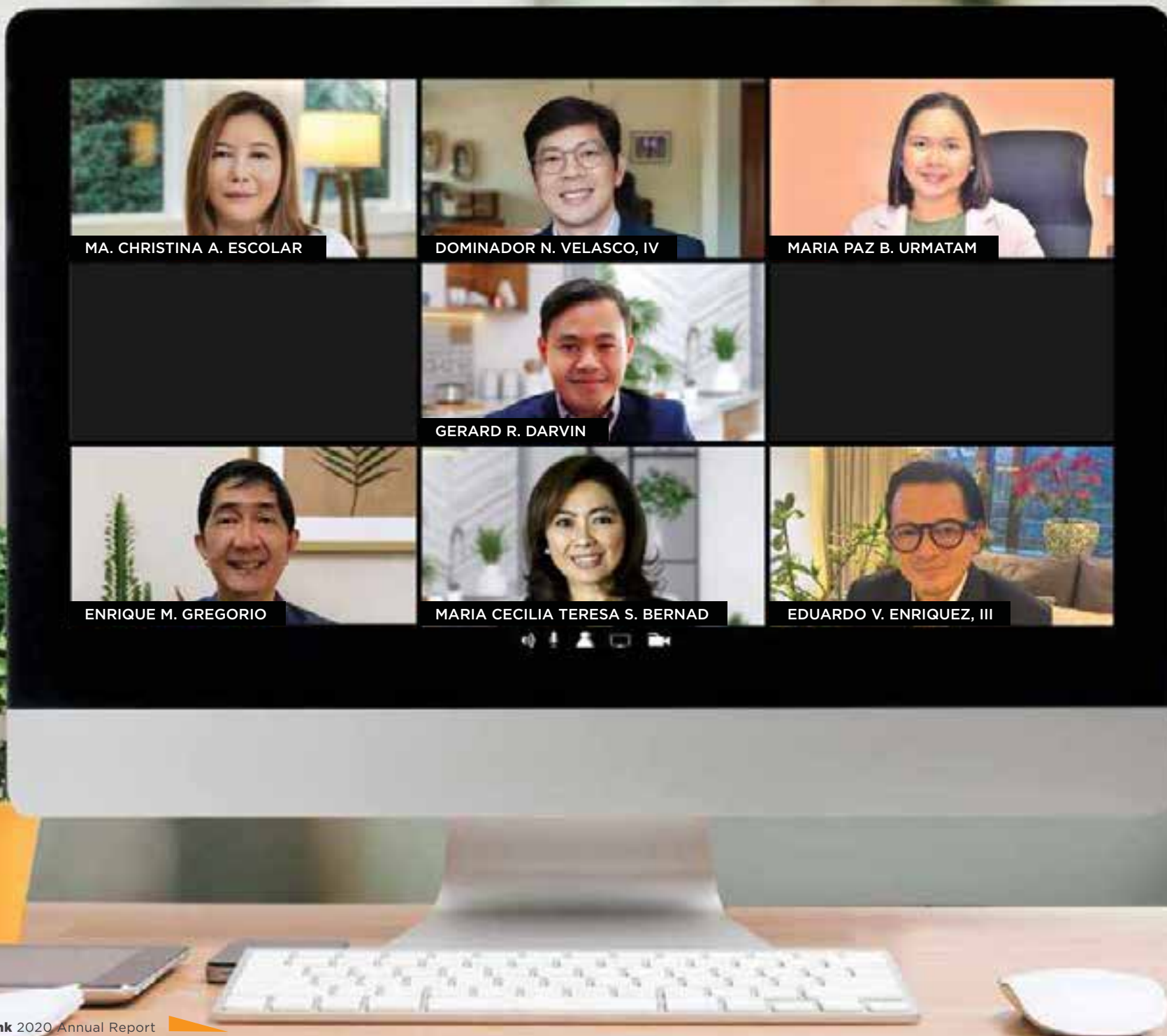
ADRIAN H. LIM

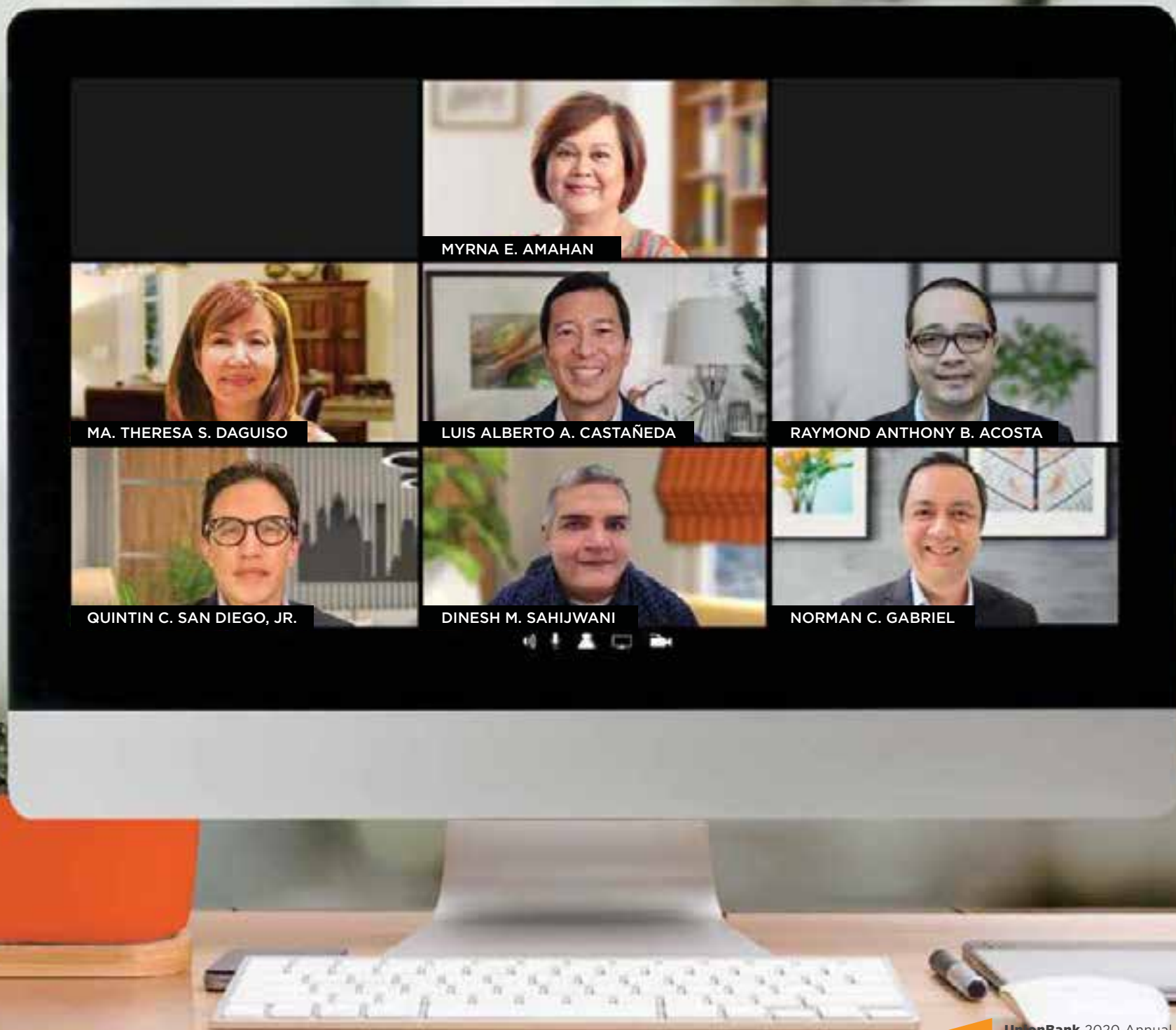
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NORMAN C. GABRIEL



ACCELERATED SHIFT TO DIGITAL DUE TO PANDEMIC



DIGITAL ACCELERATED

As the coronavirus pushed forward the rapid adoption of digital services, UnionBank was ready to take the lead.

Everyone has seen the writing on the wall. Filipinos are among the most active Internet users, spending close to 11 hours online every day, according to a report by We Are Social and Hootsuite. Some 89 million are actively on social media, spending over four hours each day. Around 39 million have purchased online, amounting to \$3.5 billion in value. The march towards digital is inevitable.

But nobody saw COVID-19 coming. The e-Economy SEA 2020 report reveals startling figures as a result of the pandemic: 37% of consumers of digital services in the Philippines are first-time users, with more than half coming from non-metro areas. And 95% of them plan to keep using these digital services. The number of e-commerce users doubled during the lockdown. The monthly active user growth for mobile banking apps grew by over half.

If anything, the lockdown was a boon to e-commerce and digital banking. Pre-pandemic, digital payments and digital banking – while growing steadily – have yet to reach mass adoption. The Philippines is still a cash-based society, with cash accounting for 85% of all retail sales. Around 80% of online sellers still use cash on delivery. Just a third of Filipinos have a bank account and 98% prefer to do banking transactions through ATMs or over the counter. Less than 5% of the population use digital payments regularly and only 1% pay their bills online.

But the pandemic changed all that. 2020 has become the catalyst towards contactless, cashless, and coronavirus-free digital banking.

Groundbreaking campaign

UnionBank, as a pioneer and innovator in digital banking, was already gaining ground prior to the crisis. With a groundbreaking integrated communications campaign conveying its digital banking experience, the Bank already logged 200% more digital account openings within a month of the launch.

From #BangkoBlues and “Start Banking Differently” to #BankTheWayYouLive and #BankFromHome, UnionBank addressed customer pain points and captured the emotional touchpoints of Filipinos, from their frustration over traditional banks to their concerns over their safety during the pandemic.

As the messaging focused on banking safely from home and avoiding visits to the bank to open accounts, deposit checks, transfer funds, and send remittances, UnionBank’s digital business skyrocketed.

Sharp spikes

From mere convenience, digital banking became a necessity. Since UnionBank was one of the few commercial banks with an app that features digital account opening, it was easy to pull in new customers. Its customer base quadrupled from over 500,000 at the start of 2020 to more than two million registered users in early 2021. At the peak, it was getting 170,000 registrations a month, from 40,000 previously, before stabilizing to around 150,000 currently, way above 2019 pre-pandemic numbers.





Digital payments also exploded all over the country, with UnionBank among those reaping the rewards. The use of InstaPay and PesoNet surged during the lockdown, with UnionBank as a universal bank ranking second in terms of outward volume for both payment platforms, solidifying its position in both retail and corporate markets.

And for the first time, the number of digital transactions in the Bank exceeded the number of comparable over-the-counter transactions. With newly opened accounts, UnionBank is onboarding largely new digital users.

Rapid product dev

In response to customer needs, UnionBank also fast tracked its product development. Despite working from home, UnionBankers turned out to be more productive and efficient, churning out new products and product features at an unprecedented clip.

For instance, the Bank was able to add 11,000 nationwide cash out counters on its digital banking platform with its partnership with remittance centers – a product delivered from concept to delivery in a span of two weeks, a feat that has never been done before. It also launched in just a couple of months the first virtual credit card followed by the first virtual debit card in partnership with Lazada.

UnionBank Online rapidly released new features and enhancements in quick succession – forex conversion, inclusion of SSS for bills payment, rewards redemption, UITFs subscription and redemption, a spend tracker, and more robust security,

among others. The Portal introduced digital enrollment and onboarding, digital account opening, and mobile check deposit. To date, over 17,000 corporate clients were enrolled in the business banking platform.

UBX, the fintech subsidiary of UnionBank, launched Sentro and Bux, its e-commerce and online payment platforms, adding close to 30,000 sellers and 100,000 users, respectively. Its i2i network also quickly expanded with more rural bank and cooperative partners, as UnionBank helped the government in the distribution of social amelioration program cash assistance to more than 1.3 million beneficiaries allocated to the Bank.

A new era in banking

UnionBank has been ramping up its digital capabilities for years now, at times too early than what the market is ready for. But now, the coronavirus has – in a few short months – changed the way we live, work, interact, and transact. This has, in fact, validated its digital strategy. As it turns out, UnionBank is on the right track and is ahead.

We are entering a new era in banking. The prediction of Bill Gates will most likely come true: banks will die out, but banking will live on. Banks have been forced to accelerate their digital transformation. Fintechs and digital-only banks are entering the market. Legacy banks that are still in denial and incumbent laggards will lose the game. It is the innovators, the forward thinkers, and the trailblazers who are in a better position to win. And UnionBank is already winning.



BIG SHIFT FOR SMALL BUSINESSES

With greater urgency brought about by the pandemic, UBX launched platforms and tools to help MSMEs to pivot online.

For most micro, small, and medium enterprises (MSMEs) in the Philippines, 2020 was the worst. A study by the Asian Development Bank done in the middle of the year reported depressing numbers: over 70% temporarily closed, almost 60% reported zero income, 66% laid off staff, nearly 60% suspended payroll, and 37% had no savings.

The government is aggressively pushing for half a million MSMEs to be engaged in e-commerce by 2022, contributing 50% to our GDP. While that seems to be a tall order, the pandemic has obviously accelerated the shift to e-commerce. Some 82,000 new online businesses were registered in the first 11 months of 2020, 48 times more than in the pre-pandemic period.

For existing MSMEs, however, making the move presents major hurdles. How do they set up their e-commerce shop? How can they accept online and offline payments? What do they need to deliver goods and services? What is the best way to reach their market online?

Business network

UBX, the fintech venture studio and fund subsidiary of UnionBank has been taking the lead in empowering MSMEs long before the pandemic. UBX counts over 150,000 MSMEs signed up to its platforms. For example, the GlobalLinker platform includes 30,000 local businesses, part of a regional network of over 300,000 entrepreneurs.

GlobalLinker serves as a business social network where Filipino entrepreneurs can list their products and services, network with other business owners, join various

discussion groups, and learn best practices through articles and events. Members also receive special and discounted offers from various software and service providers.

Setting up shop

For MSMEs looking to transition into e-commerce, the biggest challenges remain setting up an online shop and accepting online payments. To address these, UBX launched Sentro, a free online shop builder similar to Shopify, but tailor-fit for the Filipino SME. Unlike an e-commerce marketplace with thousands of sellers competing for attention, Sentro empowers entrepreneurs to build and run their own online store that already integrates payments and logistics.

Instead of hiring a web developer or a digital agency, small business owners and micro sellers can literally set up their e-commerce website and start doing business in minutes. All they have to do is list their products and they can start selling online. No coding and design skills needed. No setup fees and commissions charged.

For accepting cash, over-the-counter, and online payments, Sentro has integrated UBX's payment gateway called Bux. And for shipping orders, Sentro has partnered with Mr. Speedy, with more logistics providers on the way.

Within a year, Sentro has 30,000 online shops running, empowering small entrepreneurs and micro sellers who otherwise would have spent considerable time, money, and effort to get into e-commerce.



A million Bux

Bux is another game changer for UBX. Previously, MSMEs had to work with different payment providers for them to accept credit cards and other payment options online. Or they have to spend for expensive setup fees and transaction fees to integrate and accept payments from online banking, over-the-counter channels, and e-wallets.

Now, they can just use a single secure payment platform. As an all-in-one payment solution, Bux unifies all payment channels, including over-the-counter, online banking, cash on delivery, debit and credit cards, and even installments.

There is no setup fee and no programming skills required for integration. And because it's embeddable, MSMEs can integrate Bux in their e-commerce website – whether they are using Sentro, WooCommerce, or PrestaShop, with more being added – or send payment links via chat, text, or email.

MSMEs can accept payments from over 50,000 payment locations, including 7-Eleven, Bayad Center, SM, Robinsons, Rustan's, LBC, Cebuana Lhuillier, Palawan Pawnshop, and many more. They can also accept PayPal payments, credit card payments, GCash, and online banking from UnionBank and other banks. All with the lowest transaction fees in the market.

From a single dashboard, business owners and online sellers can track the payment status of their customers across multiple payment channels. And they can instantly transfer funds online from their Bux wallet to any bank account in the Philippines.

UBX continues to add more payment channels to make Bux the most comprehensive and yet the simplest and cheapest payment platform for e-commerce. As it is, Bux has proven to be so popular it already has over 100,000 users.

Lazada Sellers

In its efforts to support MSMEs outside its own platforms, UBX has also partnered with e-commerce leader Lazada to offer access to financing to its online sellers. This is powered by SeekCap, an end-to-end digital lending marketplace for Filipino businesses. SeekCap provides MSMEs access to unsecured business loans with approval times as fast as one day.

The platform has over 38,000 MSMEs applying for small business loans offered by multiple lenders. Online sellers on Lazada can borrow anywhere between Php150,000 to Php1,000,000 with terms of three, six, and 12 months. As most of these small businesses do not have large capital or collateral, they only need to submit a valid ID, proof of billing, and their business or cooperative registration to apply for a loan.

This is a perfect example of a partnership that enables SeekCap to offer innovative and inclusive loan products to Filipino MSMEs. Aside from the partnership with Lazada, SeekCap has partnered with online platforms such as Taxumo, Sprout, Foodpanda, Alliance Solutions, Moneygment, and others. This allows customers of these platforms to easily apply for a loan and get access to the funding that they need in a seamless, digital flow.

All these initiatives have been instrumental in transitioning thousands of MSMEs into e-commerce. With over a million of them representing 99% of all businesses and contributing over a third of GDP and two-thirds of employment, they are really the backbone of the economy. And they play a crucial role in its recovery.

With the drive towards online businesses, fast-tracked by the pandemic, UnionBank and UBX are not only helping tens of thousands of entrepreneurs rebuild their business and regain their footing but also reinvent themselves as e-commerce enterprises.



THE GREAT DIGITAL MIGRATION

With its self-service enrollment and digital account opening, The Portal has transitioned thousands of businesses into digital banking.

UnionBank's digital business banking platform The Portal has all the facilities corporates need to do their online banking activities: check balances, approve and review transactions, pay bills and taxes, transfer funds, write checks, run payroll, among others.

But even with all the bells and whistles, onboarding corporate clients to the digital platform has been a major hurdle to mass adoption. After several months since its launch, by the end of 2019, only a little more than 3,000 companies have migrated to The Portal.

The turnaround time took weeks, even months, as enrollment was still done manually, training was often conducted face-to-face, and full customization slowed down the process. It was tedious and time-consuming. It discouraged business clients to migrate to digital. So, it was a pain point that needed to be addressed.

Then the pandemic hit.

But by that time, UnionBank had already cut the turnaround time for enrolling corporate clients to a matter of hours, an impressive feat. By the end of 2020, over 15,000 existing business customers have already been onboarded to The Portal, a five-fold leap.

Rethinking onboarding

While the pandemic was a wake-up call for companies to speed up their digital transformation – including shifting their banking online – the phenomenal growth in enrollments to The Portal was not just a lucky break.

Besides, as the saying goes, luck is when opportunity meets preparation. The crisis was an opportunity and UnionBank was prepared. So, it was not just a lucky break, it was a breakthrough.

First, from manual enrollments, UnionBank enabled corporate clients to enroll online on their own. Second, from across-the-board customization for every single client, the Bank offered packaged solutions and provided templates for transaction approvals – simplifying the onboarding process while still maintaining a level of flexibility. And third, from on-site demos, it made training online, intuitive, and user-friendly.

With all these changes, close to two-thirds of its business clients are already on board, with the rest ready to be migrated in a matter of months.

Now, it is one thing to cite the number of onboarded clients, it is another to talk about actual usage. At the beginning of 2020, there were 44,000 monthly transactions – mainly fund transfers via PesoNet, InstaPay, and UnionBank. By the end of the year, there were almost 1 million monthly transactions representing an average of Php100 billion a month. And that is not even counting the transactions from partner Fintechs that flow through The Portal via its APIs.

Breakthroughs

As for new corporate clients, UnionBank launched another industry landmark – the first digital account opening for businesses. Companies can open an account completely online on their own, on the business banking website. Digital account opening is now end-to-end.





SME Business Banking

BY  UnionBank



The same year, it also launched its SME Business Banking app, making it the first SME business banking platform in the Philippines. It has many of the features of The Portal, so business owners or their accountants can check their account balances and transactions, pay taxes and utility bills, transfer funds to both local and international banks, and deposit UnionBank and other bank checks, all accessible through their laptop or mobile phone.

UnionBank achieved another breakthrough when it rolled out the country's first mobile check deposit for businesses. As paper checks remain a dominant form of payment for companies, business banking cannot be fully digital if these checks still have to be deposited physically at a branch or picked up for warehousing.

The Portal now enables companies to scan checks for deposit. Multiple users can use the mobile app to simultaneously scan checks. For heavy corporate check users, there is still check pickup and warehousing but now features remote check deposit, which uses an enterprise-level scanner that can process high volume checks.

UnionBank also enhanced its payroll account opening. Before, to open accounts for their employees, companies had to gather all their KYC documents manually and process them one by one. It was a major hassle and waste of time, especially for large companies. Now, employees themselves can fill in their contact details and KYC information such as their ID on their UnionBank Online account, and their payroll account will be opened. This makes it so much easier for the HR department but also makes it useful for employees, because they can immediately start using the app to access their payroll and do their own personal banking transactions online.

It is no surprise then that UnionBank won the 2020 Best Service Bank among domestic banks in the Philippines in Asiamoney's Cash Management Survey. Asiamoney ranked the top overall banks in 15 different Asian jurisdictions as part of its annual cash management survey of cash managers, treasurers, and financial officers. The survey received close to 33,000 responses. For UnionBank, the win is particularly even more meaningful as the votes came from actual corporate clients – a testament that it is on the right track.

Making the transition

With all these facilities in place, businesses of all sizes can do all their collections and disbursements online. And while all these digital features offer so much value to businesses, the biggest achievement for UnionBank in 2020 is transitioning businesses to digital in the first place.

With the pandemic accelerating the push towards digital, companies and business owners knew they must make that move. But if digital migration still required manual intervention, it still would have been a slow and painful process. But thanks to UnionBank's industry-first digital enrollment and account opening processes, many of these business customers were able to migrate to digital in a such as short span of time.

Now, these corporate clients – whose employees are most likely have been working from home – can do all their banking transactions and cash management safely, quickly, and conveniently.

BONDS FOR THE MASSES

UnionBank pioneers blockchain-powered platforms that empower retail investors to buy and sell bonds from their phone.



Stocks, it seems, have all the fun. You can buy and sell stocks on your laptop or mobile phone through any online stock brokerage, packed with real-time data, analyst reports, and charting tools. Opening and funding your account can all be done online.

But with government and corporate bonds, you have to visit the office or branch of a selling agent or broker – usually a bank – to submit required documents, fill out long paper forms, and fund your account.

Well, not anymore.

RTBs on the rise

UnionBank, in collaboration with the Bureau of the Treasury and Philippine Digital Asset Exchange (PDAX), launched Bonds.PH, the country's first mobile app that allows small investors to buy government securities with their smartphones. It is also the first retail treasury bond issuance in Asia to leverage on blockchain technology.

The blockchain-enabled platform for retail treasury bonds (RTBs) leverages on distributed ledger technology (DLT), which enables permanent and tamper-proof record-keeping, ensuring that transactions are secure and transparent.

Bonds.PH is completely digital and available 24/7, making it easy and convenient for ordinary Filipinos to invest in RTBs. They just download the app on the Apple App

Store or Google Play Store, verify their account, and pay using e-wallets like GCash or PayMaya, online banking and fund transfers via InstaPay or PESONet, or over-the-counter. RTBs sell for as little as Php5,000, so they are affordable. Investors can track their investment and interest earned, sell their bonds, and cash out using the same app, transferring their earnings to their bank account or e-wallet.

For those who do not even have a bank account, Bonds.PH gives access to risk-free government securities that fetch higher interest than current or savings accounts. For overseas workers and Filipinos living abroad, it allows them to invest their hard-earned savings wherever they are in the world. For those who want to minimize the risk of physically going to a bank during the pandemic, Bonds.PH is definitely a safer and more convenient alternative for buying RTBs. And for bond investors who are often discouraged by the hassle of going through tedious manual verification and settlement processes, it's a simpler and faster channel.

Indeed, majority who purchased the RTBs through Bonds.PH were small investors, with around 80% of the more than 3,000 transactions made through the app being Php10,000 and below. These investors can also sell their RTB holdings via Bonds.PH should they wish to. A lot of these buyers were investing for the first time. And with the app getting 25,000 downloads from 85 countries, many of them live and work overseas.





The second tranche of the *Premyo* bonds was offered in November 2020, raising Php6.5 billion, doubling the Php3 billion target and exceeding the first tranche of Php4.9 billion offered a year before. Meanwhile, the *Progreso* bonds raised a record Php516 billion, with Php48.2 million purchased through Bonds.PH.

Clearly, Bonds.PH has helped make government bond investments much more accessible, promoting financial inclusion and nation building.

Democratizing bonds

In the same year, UnionBank launched another groundbreaking blockchain initiative, this time a digital platform leveraging blockchain technology for bond tokenization. It is the first of its kind in the Philippines and one of the pioneers in Asia.

UnionBank created an online bond reservation portal, which lets clients view and place order reservations for corporate bond offerings anytime, anywhere.

It also includes back-end automation processes, resulting to a fully digital end-to-end service, that is completely paperless and much more efficient, cutting the processing time for transactions from a couple of days to just minutes. Retail bond investors with existing UnionBank accounts can fill out a client suitability assessment and application to purchase form, and purchase bonds – all online.

To take it up a notch, it also enables bond token issuance, having been integrated with a tokenization platform, of which was co-created with SC Ventures, the innovation arm of Standard Chartered Bank.

This integration allows orders received through the ordering platform to be tokenized and issued on a decentralized blockchain. As proof of concept, UnionBank mirror edits Php9 billion (US\$187 million) dual-tranche issuance, on the blockchain. To stay within existing retail bond guidelines, the tokens were not allocated directly to investors.

Corporate bonds primarily target institutional investors, making it less accessible and certainly more inconvenient for retail investors who have to go through different intermediaries and through a slow, cumbersome, and manual process just to buy and sell bonds.

This helps address issues in liquidity and transparency in the retail bond markets. Moreover, it makes investing in corporate bonds easily accessible to ordinary Filipinos, which was once the domain mainly of huge institutions and high net worth clients.

With the Bonds.PH app and UnionBank's online bond reservation portal, this really is the start of the democratization of bonds as an investment vehicle. Bonds are finally for the masses.



The UnionBank Sustainability Policy outlines our commitment to the collective effort towards sustainable development. This policy is aligned with the Bank's Purpose to co-create innovations for a better world and our sustainability mission is to Tech-Up Filipinos by focusing on digital transformation, sustainable finance, and inclusive prosperity.

In 2020, we refreshed our policy and its accompanying framework and metrics to fully align with the business strategy, to stay in tune with regulatory changes, and most importantly, to model a focused sustainability program that reflects who we are and what we do.

UnionBank Sustainability Policy

UnionBankers contribute to sustainability by pursuing digital transformation and investing in relevant social and environmental programs, which benefit our stakeholders. We power the future of banking by co-creating innovations for a better world. In our day-to-day activities and throughout the banking group, we commit to:

- Uphold, protect, and respect the environment, human rights, and labor standards.
- Contribute to enhancing positive social & environmental impacts.
- Provide products and services that contribute to the wellbeing 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.
- Communicate transparently about our sustainability performance.

UNIONBANK SUSTAINABILITY FRAMEWORK

OUR FOCUS AREAS



DIGITAL TRANSFORMATION



SUSTAINABLE FINANCE



INCLUSIVE PROSPERITY

SUSTAINABILITY GOVERNANCE

CORE VALUES: INTEGRITY, MAGIS, UBUNTU



PEOPLE



PLANET



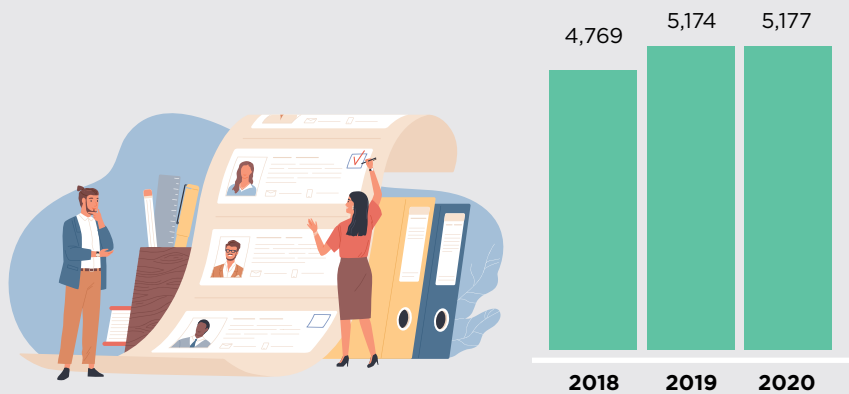
PURPOSE

OUR THREE PILLARS OF SUSTAINABILITY

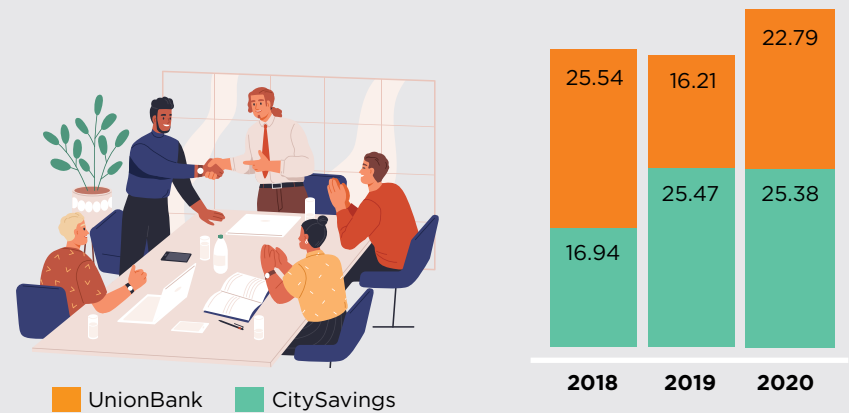
UNIONBANK SUSTAINABILITY SCORECARD 2020

PEOPLE

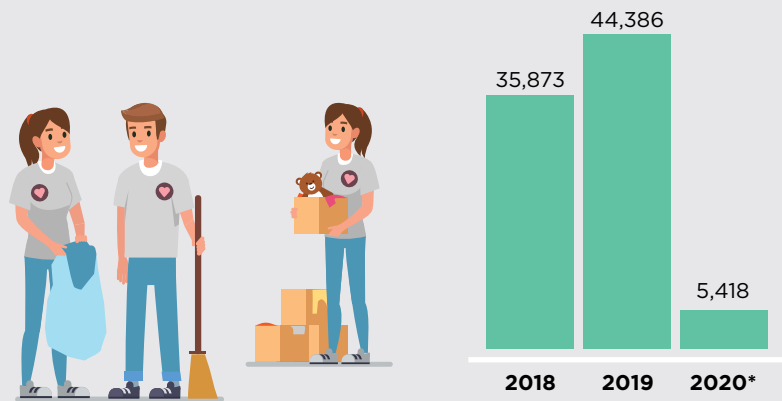
Employee Count



Average Training (in hours)



Employee Volunteerism (in Hours)



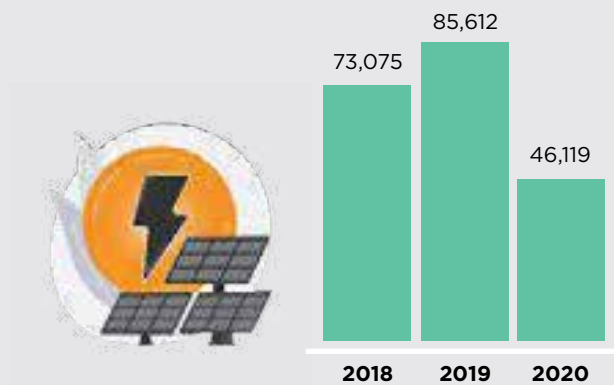
Employee Engagement Score



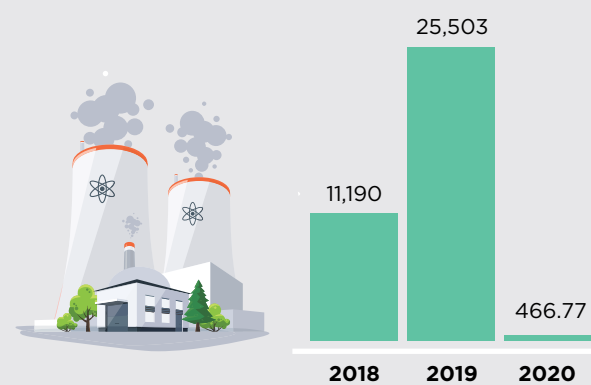
*The pandemic reduced community visits but sustained reach via digital CSR

PLANET

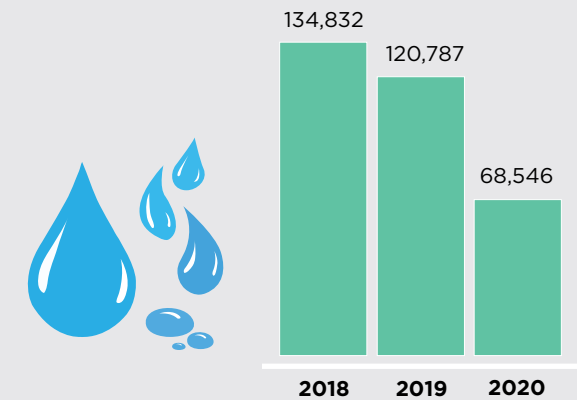
Energy (in GJ)



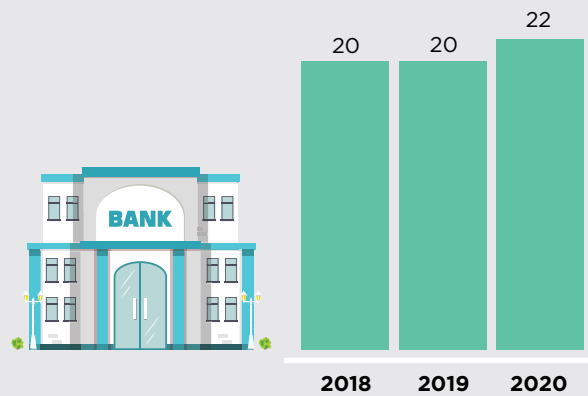
GHG (in TCOe)



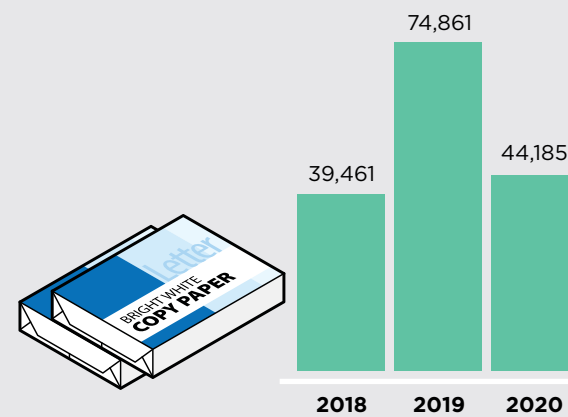
Water (in m3)



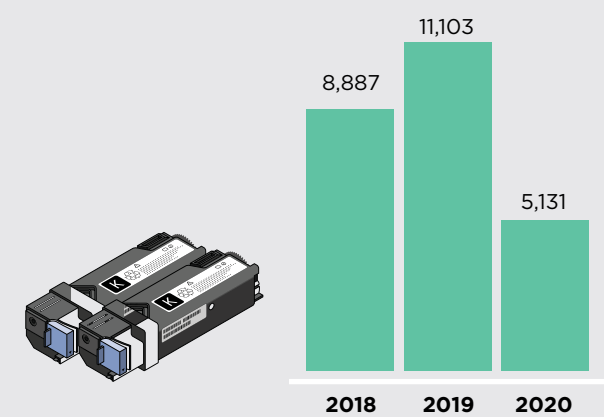
LEED-Certified Branches



Paper (in reams)



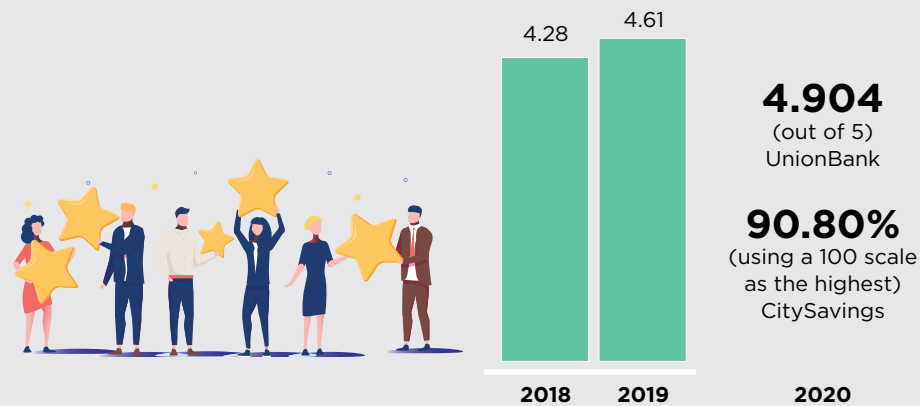
Ink Toners (in cartridges)



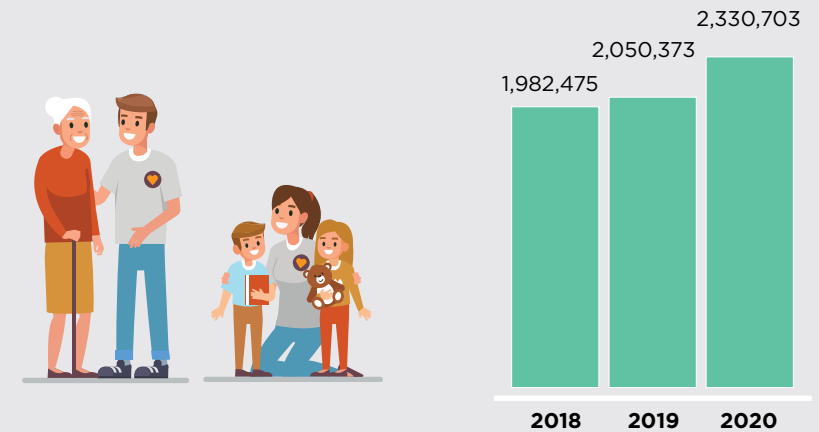
UNIONBANK SUSTAINABILITY SCORECARD 2020

PURPOSE

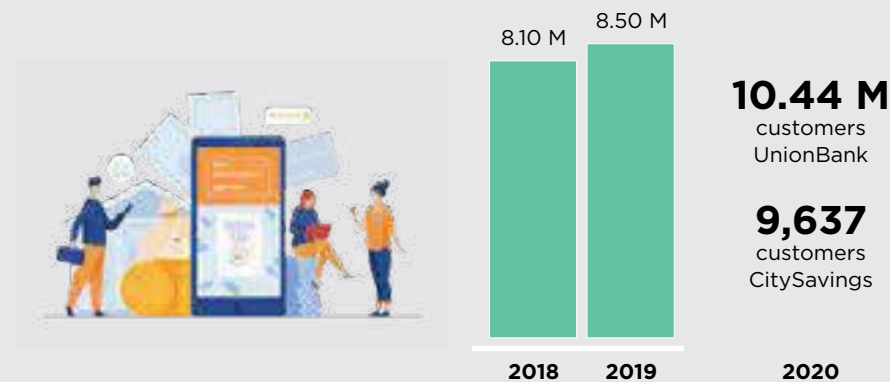
Customer Service Satisfaction Rating



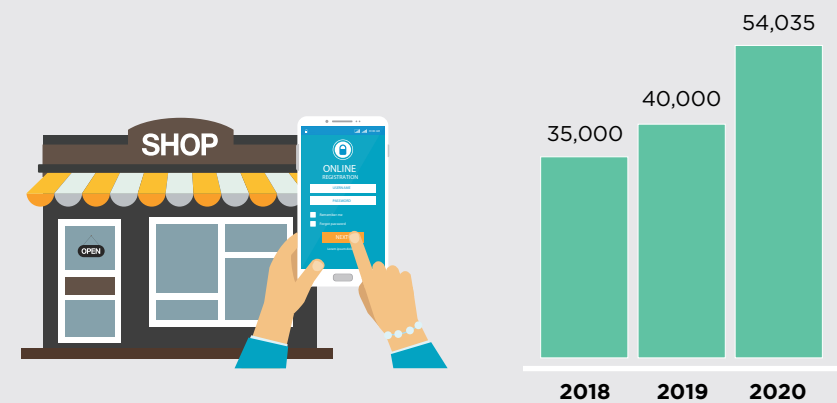
CSR Beneficiaries



Number of customers served (cumulative recorded deposits and loan accounts)



GlobalLinker MSME sign ups



2020 TECH-UP *PILIPINAS* METRICS

Digital Transformation



- **Php1.9 Billion** investment on innovation
- **>100 products and platforms** offered to customers
- **14.80 Million** transactions
- **8.64 Million** digital/paperless transactions
 - **3.92 Million** digital transactions (mobile app/UnionBank online, InstaPay, PesoNet, and SWIFT)
 - **4.72 million** paperless transactions in the branches
- **3.1 Million** digital platform users
 - **438,607** new digital accounts opened
- **9 partners** on digital corporate citizenship
 - **29** communities served
 - **81,610** beneficiaries
 - **1,353** volunteer hours (virtual sweat equity)
- **Php14.41 Million** investment on employee development and training
- **29 programs** on digital learning
- **28 squads**
 - **10** in gestation
 - **5** launched products
 - **13** generating revenues
- **70 Xcellerator modules** offered to the public

Sustainable Finance



- **Php1.5 Billion** loans disbursed through online lending platform (Seekcap)
- **Php53.1 Billion** loans disbursed by CitySavings
 - **Php46.5 Billion** teachers' loans disbursed
 - **Php4.3 Billion** motorcycle loans disbursed
 - **Php2.3 Billion** SME loans disbursed
- **Php25.64 Million** investment on LEED-certified branches and buildings
- **22 LEED-certified** branches and buildings

Inclusive Prosperity



- **Php32 Billion** economic value plowed back to society
- **48,000 business owners** who are active users of GlobalLinker business management tool
- **>Php5.00 Million** sales generated by GlobalLinker merchants via online stores and payment gateways
- **98,000 signups** on BUX payment gateway for e-sellers
- **30,000 signups** for Sentro online shop builder
- **>38,000 MSMEs** registered on SME Business Banking Platform (includes both App and Web platforms)
- **181 financial institution sign-ups** in Project i2i
- **89 rural banks** onboarded in the blockchain platform
- **5,177 employees**
- **1,576 outsourced personnel and contractors** employed by the bank
- **Php126 Million** investment on corporate social responsibility program
- **2,159 Filipinos** educated by Xcellerator program

PEOPLE STORY



VIRTUAL-FIRST UNIONBANKERS ON FULL THROTTLE

"Adversity introduces a man to himself." – Albert Einstein



2020 did not fall short of surprises and challenges – a volcanic eruption, super typhoons, and a global pandemic. In the face of uncertainties and disruption, one significant realization came to light: UnionBankers are not just agile but super agile.

It was a year of reckoning. The decisions and actions of the past were assessed and measured. Together with its leaders, the workforce learned what the Bank was doing right in delivering exceptional products and services that will delight customers. And they appraised what can be done better to thrive and ride the waves of disruption.

UnionBank's investment in transformation has paid off. Having focused on the five strategic pillars of Agile Development-- Culture, Leadership, Capability, Structure, and Employee Experience-- UnionBankers were able to prepare, adapt, and serve beyond the call of duty.

The agile ways of working prepared the mindset and capabilities of UnionBankers to work remotely, and from different sites. Its frontliners were able to respond to the call to be there for their customers when they were needed most. Their willingness to do better and greater made everyone unstoppable to go full throttle.

Indeed, success favors the prepared. The Bank's Business Continuity Plan (BCP) was in place and activated as early as January 2020. UnionBankers were quick to adjust and adapt because almost every employee, regardless of age group, is digitally adept. And because UnionBank fully embraced that bankers are also essential workers and frontliners who help keep the economy afloat, UnionBankers took the challenge to serve.

The Bank made true on its promise that no one gets left behind. In May 2020, UnionBank was ranked by BankQuality.com as the Most Helpful Bank in the Philippines and second in AsiaPacific during the pandemic. It was the only Philippine bank in the top 20 list.



And while the Bank earned business accolades for its exemplary products and services, it was also hailed for taking care of its employees. It was awarded the Silver Stevie for Employer of the Year for Banking at the Stevie Awards for Great Employers, a testament to its commitment to its people.

At the heart of the organization are its people that bring more value to its innovations. UnionBankers revealed their true selves, imbibing the values of Integrity, Magis, and Ubuntu. This clearly shows that while the Bank is digital, it is also human and authentic.

EQUIPPED

Running the bank from different sites

UnionBank was 100% operational during the first week of the Metro Manila-wide lockdown in March 2020. All branches were open at the start of the pandemic to ensure uninterrupted service to customers. UnionBankers were fully prepared for the transition, working at different sites –the branches, UnionBank Plaza, The Peak, or at home.

Its critical workforce, composed of branch frontliners, the support team for IT infrastructure and ATMs, cards delivery, and logistics teams, took bigger risks to continue serving customers. For instance, branch personnel interact with clients face-to-face 80% of the time. Thus, their exposure was also greater than everyone else in the organization. They also had to deal with transportation and commuting issues caused by border checkpoints and the lack of public utility vehicles. And naturally, this was a sacrifice for their families, who are concerned about their safety.

To address these issues and provide peace of mind to the employees and their families, the Bank deployed service vehicles and tapped shuttle service providers for Metro Manila branches. Branch officers and managers with private vehicles also offered to carpool their staff and employees of nearby branches. Even bank customers lent their company vehicles to help people get to work. Shuttle services did border and checkpoint meetups to pickup employees who live outside Metro Manila. The Bank also offered its digitally transformed branches, The Ark, to be work hubs for employees having transportation and connectivity challenges.

An ad hoc committee was also created within the Human Resource Group to facilitate the creation, approval, and distribution of the *Bangko Sentral ng Pilipinas* (BSP)-prescribed Inter-Agency Task Force (IATF) ID for essential workers. Over 1,000 IDs were distributed to the employees nationwide in just 48 hours.



The UnionBank IT Team working on site during the pandemic to prepare and deploy laptops so that employees can work virtually.

Data-driven equipment and connectivity support

UnionBankers were highly productive during the lockdown, resulting to the timely delivery of services to its clients. For instance, they launched a slew of digital products and added product features even while working from home. And so, while the branch operations started to scale down, digital account openings hit a record-high with more than 500,000 new digital accounts opened through the mobile app in 2020. And it ended the year with over two million digital customers versus one million retail customers in 2019.

To keep its employees productive and safe, UnionBank made sure they have the equipment and support they needed. As part of its Business Continuity Plan, the Bank's Information Technology and Services Group (ITSG) led the augmentation of equipment support to 80% of the employees working from different sites and mostly from home. The team also ensured timely procurement and delivery of new laptops connected to a virtual private network (VPN) to safeguard the data in the devices used by employees in remote work locations.

In August 2020, the team followed through by releasing a Home Connectivity Survey to gather data on the efficiency of the employees' respective personal connections. The survey revealed that 94% of the 1,232 respondents said they were able to work well from home. The other 6% shared poor connectivity status. The ITSG team, in partnership with Internet service providers, was able to address digital subscriber line (DSL) and fiber connectivity issues. It also provided alternative solutions such as pocket and wireless modems and company-issued mobility kits.

PEOPLE STORY



Free antigen testing on site and through healthcare partners to ensure a covid-free workplace.

Equipping the body and wellbeing

With thousands of essential workers and client-facing frontliners in the organization, UnionBank did everything it can to reduce the risk of transmission among its employees. The Bank commissioned a service provider for the antibody test. And it made bi-weekly testing available for free. It also immediately shifted to the rapid antigen test – which offered a quicker turnaround time for results– as soon as it was available.

In addition, the Bank set up a 24/7 Telemedicine Hotline for employees who might be feeling ill with non-emergency concerns. At the same time, it launched its Employee Assistance Program (EAP) called CHAT (Connect. Heal. Assist. Talk). The channel allowed UnionBankers to access 24/7, free, and confidential support if they needed help in managing personal, work, and family-related challenges through professional counseling and learning sessions.

UnionBank believes that to thrive as an organization, its employees must succeed together with the company. Especially in these challenging times, the Bank remains steadfast in this goal: to create an environment where UnionBankers don't need to worry about their health and well-being.

ENABLED

Building the capability bridge to close the gaps

UnionBank embraced Agile transformation to create a highly-collaborative, flexible, and resilient organization that will help future-proof the Bank. Employees are equipped with the right tools and knowledge to thrive in an agile workplace, especially during these unprecedented times. The Bank has set up several platforms for UnionBankers to upskill, retool, and innovate continually.

UnionBank University (UU) is the primary resource for UnionBankers to develop necessary capabilities through hands-on and instructor-led learning. It also offers self-paced learning programs and certification courses that let employees take charge of their learning and development.

In 2020, UU rallied on data protection and data privacy compliance courses to further embed the culture of privacy as employees work from different sites. The Bank also increased capabilities not only in banking but in emerging tech such as the Internet of Things (IoT), data science, artificial intelligence, and machine learning.

As the Bank takes its transformation further to increase its lead in the digital banking and technology space, it will integrate DevSecOps with Agile this 2021. Like Agile, DevSecOps will continuously break silos, put together talents to work on projects, promote a higher level of security proficiency, and integrate it across all steps of product development and project management.

Teched-up talents, Tech-Up the Philippines

As UnionBankers hone their skills and improve their mastery in different core capabilities, they bring along with them the mission to 'Tech-up *Pilipinas*.' This battle cry was born out of the Bank's strategy to utilize technology to promote financial inclusion for sustainable prosperity for unbanked and underserved Filipinos. The ripple it created transformed into knowledge transfer to address talent and skill gaps in the Philippines.

As of 2020, UnionBank has produced a total of 43 digital literacy ambassadors after graduating from the two batches of the Microsoft Education Ambassadors (MEA) Program. This program advocates teaching with digital technologies that will make learning more engaging and productive. Graduates have adopted 40 public schools nationwide and have trained public school teachers to leverage technology for learning.

This timely endeavor made UnionBankers prepared in extending support to the sudden shift to online learning caused by the pandemic. Through the MEA graduates of the Bank and the GoBeyond Communities, UnionBank's employee-led corporate social responsibility and employee volunteerism program, Heroes2021, was born.

Heroes2021 is a partnership project among UnionBank, CitySavings Bank, Thames University, and EduRescue. The group designed the first-stage Flexible Learning Toolkit



Employees working together to help the community they serve. CSR programs during the pandemic were organized virtually helping those in need.

GOBEYOND
COMMUNITIES

that prepared educators as they launched their first online class by equipping them with digital learning tools. 25 employee volunteers stepped forward and took on the challenge of imparting the digital skills they have learned to build the digital capability of some 800,000 Department of Education (DepEd) teachers.

Owning a sustainable future

UnionBank's Student Mentoring Program (SMP) has honed and developed potential talents for the Bank over the years. This immersive internship program is a fresh graduate's foot in the door to becoming the next UnionBanker. It's an opportunity for them to seize bold opportunities for growth, thrive in an agile team environment driven by success, and disrupt the world with smart changemakers.

2020 was a record year for the SMP, having trained three batches of college interns with different majors, from various parts of the country and the world. These were also the first three SMP batches conducted virtually due to the pandemic. This is another testament that the Bank is an attractive and desirable company to work for.

The students were introduced to the Bank's culture and values, experienced working on projects in the units they were assigned to, and participated in a GoBeyond Communities project.

The student interns' two notable purely digital corporate sustainability initiatives were Ad Astra per Aspera and UB PasaHERO. The former focused on extending support

to fellow students struggling with the shift to the virtual mode of learning. It offered mental wellness support from practicing psychologists through online conversations and support sessions.

UB PasaHERO used Sentro, an e-commerce platform developed by UnionBank's subsidiary UBX. Interns led the fund-raising initiatives by posting products to sell through an online garage sale. They brought in friends and UnionBank employees who were engaged in small businesses to post their products in support of the program. A portion of the income benefited three jeepney drivers who lost their income during the pandemic.

UnionBank will continue to engage, develop and mold, and co-create innovations for a better world with the youth through the Student Mentoring Program.

Accelerating and scaling 'Tech-up Pilipinas'

Over the years, UnionBank supported and launched learning programs that enabled it to attract, develop, and hire tech talents to propel their digital transformation efforts.

Since 2018, UnionBank trained 100 blockchain cadets and certified them to become blockchain developers through its Blockchain Institute. In 2019, UnionBank launched another program called the Data Science and Artificial Intelligence Institute, training 40 participants comprising of in-house employees and external participants. The collective efforts of the Bank were rebranded and launched under UBFXcellerator in late 2019.

In 2020, UBFXcellerator rolled out EduTech and PeopleTech as it acknowledged the need to focus on the sudden integration of education and technology. Creating learning pathways and learning management systems became their expertise. Likewise, the demand for talents with hard skills of the future like artificial intelligence, cloud computing, UX design, and blockchain grew during the pandemic as more companies started to embrace digitization.

The reach of UBFXcellerator continued to grow through its partnerships with different institutions and universities aspiring to expand and build their capabilities and empower their students, educators, and employees. Even the unemployed were provided the opportunity to upskill with discounted program offerings. By catering to a wider audience, the squad surpassed its goal of educating 1,000 individuals by the end of 2020. Blockchain Xcellerator was awarded Gold in the 55th Anvil Awards in 2020.

The pandemic also led to its leaders' induction to the local, regional, and global stage. UnionBank was on spotlight and became an icon for future-readiness. With its experience in transformation through a leader-led approach, UnionBank was tapped to partner with its parent company, Aboitiz Equity Ventures, and the Development Academy of the Philippines to co-create programs for the Executive Course on Leadership, Innovation, Communication, and Knowledge Management (CLICK). The program upskills and builds the capabilities of Career Executive Service Officers (CESOs) and other third-level government officials serving various national government agencies.

PEOPLE STORY

Among the esteemed resource speakers were Chief Customer Experience Officer and Chief Digital Channels Officer Ana Aboitiz-Delgado, Senior Advisor for Data and Artificial Intelligence Dr. David Hardoon, Chief Human Resource Officer Michelle Rubio, Fintech Group's and UBPXcellerator Program Head Nicolette Syjuco, and Chief Technology and Operations Officer and Chief Transformation Officer Henry Aguda.

'Tech-up *Pilipinas*' was brought to the regional and global stage through the Singapore Fintech Festival and World Fintech Festival. UnionBank leaders shared how the organization continuously innovates and collaborates to empower businesses, promote financial inclusion, build the workforce of the future, and advocate sustainable finance.

These endeavors further supported the Bank's mission to Tech-Up nearby communities and the Philippines and prepare for a better world, staying true to the purpose of leaving no one behind. UBPXcellerator ended the year with 2,159 educated individuals, 70 content with six in-house program runs, and signed three academic partners – STI, De La Salle-College of St. Benilde, and Center for Research and Communication.

Engaged

During the first two weeks of the lockdown, top management did not fall short of assuring the employees of the Bank's support. It credited earlier their monthly salary preceding the lockdown as well as their mid-year bonus. It provided a special subsidy/allowance to regular employees, outsourced service providers (OSPs), security personnel, janitorial, messenger services and utility staff from UnionBank, CitySavings Bank, and PETNET -- who were reporting to the office and branches during the lockdown. And it allowed a 30-day grace period for all car, housing, and multi-purpose loan amortizations of the employees.

UnionBank President Edwin R. Bautista also held his first virtual EDTalks and town hall, where he entertained questions from the employees and assured them of job security and the company's financial stability.

The Bank conducted more frequent check-ins through "*Kamusta ka, UnionBanker?*" This employee pulse checked on the UnionBankers' physical, mental, social, and financial wellbeing aside from the regular virtual stand-ups with their respective units.

UnionBank also achieved a record mid-year engagement grand mean score close to the global best practice score with "I know what is expected of me" as the highest-scoring element. This survey was conducted three months after the lockdown started while the majority of UnionBankers worked from different sites.

One solid proof of high employee engagement is the collection of stories that showed how UnionBankers lived and breathed the Bank's core values of Integrity, Magis, and Ubuntu.

Not even a volcanic eruption can stop UnionBankers from Batangas Cluster from fulfilling their duty to serve. When Taal Volcano erupted on January 4, 2020, some employees were affected. As soon as they relocated their families outside the



Bangon South Luzon donation drive that aims to support those affected by the Taal Volcano eruption.

danger zones, they immediately reported back to work. And soon after, they helped in the *Bangon* South Luzon relief operations.

UnionBankers raised a total of Php494,850.00 plus in-kind donations in the said initiative. They distributed a total of 1,250 packs worth of rice, drinking water, canned goods, and hygiene kits to Bauan, Batangas. And they allocated a total of Php254,531.50 to purchase blankets, towels, canned goods, refillable water and medicines, which were sent to Ibaan, Batangas.

On November 12, 2020, when Typhoon Ulysses, a Category 4-equivalent typhoon, lashed and triggered heavy rains and flooding in Luzon, UnionBank HR and Resiliency groups activated Employee Rescue Efforts. A call tree was initiated, and line managers and peers reported unreachable employees to the designated helplines. Support was extended to Marikina, Rizal, and Cagayan, who requested rescue and relief in their flood-stricken areas.

GoBeyond Communities activated the *Kapit, Pilipinas* donation drive and raised a total of Php427,984.34 as of December 18, 2020. The amount raised helped 120 families in communities in Tigaon, Camarines Sur and beneficiaries of partner organizations such as *Kaya Natin!* Movement under the Office of the Vice President, Habitat for Humanity Philippines, TAYO, Inc., 2KK Foundation, Negrense Volunteers for Change Foundation. A part of the donations was earmarked for the affected UnionBankers and outsourced service providers (OSPs).



One of the highly regarded heroic efforts were those of employees assigned to UnionBank branches located in hospitals. Considering the risk of exposure in these areas were higher, they chose to continuously serve despite the threats to their health and their family members – a validation that UnionBankers are highly-engaged and committed to live the Bank's values..

EMPOWERED

First-ever virtual collective bargaining agreement

Trust, collaboration, and cooperation were the highlights of UnionBank and UnionBank Employees Association's (UBEA) first virtual collective bargaining agreement (CBA) negotiation. After five months of talks, the Bank and the union agreed into entering a new 5-year CBA.

The agreement took effect retroactively covering June 1, 2020 to May 31, 2025. The benefits are at par with the Philippines' top 10 banks. The hiring rate for staff is also above industry. The Bank granted a 6% salary increase that allowed employees to maintain their middle-income status. Additionally, it distributed a Christmas basket in the form of gift certificates. And it offered regular antigen testing to employees for free during the pandemic. This assured 676 union members, comprising 22% of the UnionBank workforce, that no one gets left behind.

Modern-day heroes

The storytelling culture lives on in UnionBank as employees told heartwarming stories of heroism of their peers, line managers, and colleagues as they braved the pandemic through *#kwentongbankhero*. Stories of Integrity, Magis, and Ubuntu and how UnionBankers embodied these values became more than just an internal campaign. They were proof that each employee is a part of a big family and everyone is a vital part of nation building in times of crisis. *#kwentongbankhero* has taken Ubuntu to the next level, affirming that while digital is at the core, UnionBank is human, sincere, and authentic through its people.

Fully virtual, very human

2020 also became an opportunity for UnionBankers to explore more creative and innovative ways to co-create innovations for a better world with the commitment to create a sustainable future for the Bank.

The Bank's mission to promote financial inclusion was realized through its employees who have partnered with national government agencies (NGAs) and local government units (LGUs) to use the Bank's infrastructure and capabilities for the Filipinos to gain access to basic banking and financial services.

As an example, Bonds.ph is a collaboration among the Bureau of Treasury, UnionBank, and PDAX. In the spirit of *bayanihan*, they worked towards rebuilding the economy by providing a channel to regular income Filipinos here and abroad, the unbanked and first-time investors, to affordably and easily invest in government bonds with a minimum of only Php5,000.00.

The squad who worked on this project tapped over 60 talents from 13 units across the Bank, including employees, executives, and outsourced service providers. The mobile app was launched exactly four months after the lockdown, a quick time to market, thanks to the highly collaborative virtual effort from the squad members.

UnionBank was also selected as one of the six financial service providers (FSPs) to disburse cash assistance to eligible beneficiaries under the Social Amelioration Program of the *Bayanihan* to Heal as One Act using digital payout channels. Through this effort, UnionBank was able to open EON accounts for 700,000 qualified beneficiaries who belong to the low-income population. This effort supported the call for a fast, safe, efficient, and transparent distribution of government-funded cash assistance programs during the pandemic.

A team composed of 11 team members and seven executive sponsors worked on this project. They dealt with and overcame problems with hundreds of thousands of raw data and delayed funding. In the end, they were able to release the funds in a safe and seamless manner. According to the team, UnionBankers are driven by teamwork, agile, and a "pedal to the metal" mindset.

One of the notable teams to carry out the Bank's mission to promote financial inclusion is agency banking, which leveraged on the Bank's partnership with partner agents such as 7-Eleven, ECPay, Palawan, Cebuana Lhuillier, LBC, and Perahub. This expanded banking and financial services such as deposits, withdrawals, and sending remittances across 3,000+ 7-Eleven branches, 8,000 ECPay merchants, and 11,000 Palawan, Cebuana Lhuillier, LBC, and Perahub agents in the Philippines.

The team exhibited an agile mindset from the inception to the deployment of the service in such a short span of time. It achieved its vision to deliver an essential service by incorporating this new feature in the UnionBank Online app. This enabled unbanked Filipinos gain access to basic financial services during the pandemic. Inspired by their personal experiences and their own households, they exhibited Magis, one of the values of UnionBankers, to deliver exceptional services to delight the customers.

UnionBank ended 2020 on a high note with a high engagement score, a testament that it has won in the workplace, and its people are demonstrating ways to full throttle to bring more value and delight to its customers onward to building a bank of enduring greatness.



2020

CHAIRMAN'S & 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.

AGENCY BANKING

Branchless and quick-to-market, agency banking as an alternative distribution strategy empowers customers to: send funds online through 11,000 remittance centers; and deposit money easily and conveniently through partner merchant branches. UnionBank's online presence and accessibility to the customer is one solution to financial inclusion in the country. The team's effort to bring banking closer to the customer is definitely a game changer.

Awardees:

AJ Atienza, Myra Barba, Jane Closas, Atty. Geosiel Cotoco, Lawrence Del Mundo, Paolo Eremos, Gerand Elizano, Eljie Labrada, Rommel Macapagal, Macklen Manaois, Marivic Monsales, Derrick Nicdao, Khae Relota, Kent Tipan, Lara Yupangco

Executive Sponsors:

Antonio Sebastian T. Corro, Ana A. Delgado, Ramon Vicente V. De Vera, II, Dennis D. Omila, Ronaldo Jose M. Puno

BONDS.PH X PROJECT 007

In UnionBank, the platform economy has arrived. Bonds.PH, the first mobile app in Asia for the retail distribution of government bonds, enabled the locally unbanked; first-time investors; and all Filipinos residing in other countries -- to invest easily and affordably with a minimum of Php5,000. Similarly, Project 007, the Bank's Bond Reservation and Allocation Platform, is the Philippines' first digitally enabled platform that automates the traditionally operations-intensive process of bond reservation and allocation.

Awardees:

Peter Patrick Abesamis, Roosevelt Nelson Ang, Philip Bismonte, Joy Escosio-Cajayon, Elizer Casabuena, Ramon Miguel Cervantes, Ma. Concepcion Cueto, Maria Erlinda Enriquez, Jazarene Lingad, Leonardo Mallari, Earth Maniebo, Yogee Denzel Mann, Louie Jane Marcelo, Janine Ruby Ng, Von Ryan R. Pascua, Allen Raceles, Victor Rafols, Adrian Neil G. Tiu, Pearlle Gwen D. Trono, Stephen Wenceslao

Executive Sponsors:

Atty. Lei Paz-Aguba, Henry Rhoel Aguda, Christy Mae Almonte, Marc Angeles, Catherine Anne Casas, Darwin Chiong, Jobart Dator, Nina Destacamento, Jennifer Don, Michaela Fernandez, Jose Emmanuel Hilado, Michael Magbanua, Macklen Manaois, Atty. Nathan Marasigan, Derrick Nicdao, Dennis Omila, Ronaldo Jose Puno, Jose Paolo Rufo, Joselynn Torres, Jeannette Zagala



PRESIDENT'S AWARD

A 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.

DSWD SAP2 PAY-OUT

UnionBank was selected as one of the six financial service providers (FSPs) to disburse cash assistance using digital pay-out channels to eligible beneficiaries under the Social Amelioration Program of the *Bayanihan* to Heal as One Act. Comprising the FSPs were three banks and three e-Money institutions (EMIs).

Awardees:

Mark Ryan Barcelona, Joana Marie Bawayan, Shirley Bering, Kristoffer Desengano, Renee Lynn S. Dytuco, Arvin Ferrer, Rodel Garcia, Eljie Labrada, Julian Manuel Suarez, Christine Anne Trajano, Robertson Tsiang (DragonPay)

Executive Sponsors:

Ma. Cecilia Teresa Bernad, Gladys Enriquez, Antonino Agustin Fajardo, Nicole Ranna Feliciano, Derrick Nicdao, Dennis Omila, Dave Marco Sesbreno

SUBSIDIARIES

CITY SAVINGS BANK, INC.

Edwin R. Bautista
Chairman

Lorenzo T. Ocampo
President & CEO

UBX PHILIPPINES CORPORATION

Henry Rhoel R. Aguda
Chairman

John F. Januszcak
President & CEO

FAIRBANK, INC.

Teodoro M. Panganiban
Chairman

William Amado B. Castaño
President

PROGRESSIVE BANK

Emmanuel S. Santiago
Chairman

Carlos Jose Virgilio A. Jalandoni, III
President

FIRST UNION DIRECT CORPORATION

Antonio Sebastian T. Corro
Chairman

Romeo C. Kagalingan
President

FIRST UNION INSURANCE AND FINANCIAL AGENCIES, INC.

Mary Joyce S. Gonzalez
Chairperson

Dinesh M. Sahijwani
President

FIRST UNION PLANS, INC.

Edwin R. Bautista
Chairman

Romeo C. Kagalingan
President

PETNET, INC.

Manuel G. Santiago, Jr.
Chairman

Adrian Alfonso T. Ocampo
President & CEO

UBP INVESTMENTS CORPORATION

Edwin R. Bautista
Chairman

Peter Ismael F. Quiambao
President

BANGKO KABAYAN, INC.

Lorenzo T. Ocampo
Chairman

Beatriz B. Romulo
President & CEO



SUBSIDIARIES





2020

— **AWARDS** —

2021



The Asset:
Digital Bank of the Year -
Philippines
(2018, 2019, 2020 & 2021)

**2020 Asia/Pacific
Digital Trailblazer**
IDC Digital
Transformation
Awards Asia Pacific

**Most Helpful Banks
in Asia Pacific during
COVID-19 (Top 2)**
BankQuality Customer
Survey and Ranking
(BankQuality.com)



**Best Retail Bank
Philippines 2020**

The Asian Banker -
International
Excellence in Retail
Banking Awards

**Asia Pacific Retail
Bank of the Year**

Retail Banker
International - Retail
Banking International
Global Awards

**Domestic Retail Bank
of the Year Philippines**

Asian Banking and
Finance - Retail
Banking Awards

**Best Universal Bank
Philippines 2020**

Capital Finance
International (CFI.co)
Banking Awards

**'Bank of the Year' 2020
in the Philippines**

The Banker Best Bank
Awards 2020

**Best Digital Bank
Philippines 2020**

The Digital Banker -
Global Retail Banking
Innovation Awards

**Best Bank for SMEs
(Philippines)**

Asiamoney Best Bank
Awards 2020

**Best Digital Bank
Philippines 2020**

International Finance
Magazine

**Best Retail Bank
Philippines 2020**

Global Banking and
Finance

**Best Cash
Management Bank
Philippines 2020**

Global Banking and
Finance

**Silver Stevie Winner:
Employer of the Year
Banking 2020**

Stevie Awards for
Great Employers

**Fastest Growing Fintech
Company, South East Asia
2020 (UBX)**

Global Brands Magazine
Awards

**Best Digital Customer
Experience Philippines
2020**

Capital Finance
International (CFI.co)
Banking Awards

**Model Bank Award for
Financial Inclusion 2020**

Celent Model Bank
Awards

**Open Banking Initiative
of the Year Philippines
(API Marketplace)**

Asian Banking and
Finance - Retail Banking
Awards

GOLD - Best Brand Experience (Asia Pacific) 2020
CX Asia Excellence Awards

Start-up Banking Initiative of the Year Philippines (UBX)
Asian Banking and Finance - Retail Banking Awards

Excellence in Customer Experience - Banking Industry Philippines (Online Experience)
Frost & Sullivan - Excellence in Customer Experience Awards

Excellence in Customer Experience - Banking Industry Philippines (ATM Ambience Experience)
Frost & Sullivan - Excellence in Customer Experience Awards

Winner: Outstanding Blockchain Initiative for Customer Experience (Financial Supply Chain)
Digital Banker - Digital CX Awards 2020

Winner: Best Customer Loyalty Program (UB GlobalLinker)
Digital Banker - Digital CX Awards 2020

Highly Acclaimed: Outstanding Customer Experience for Digital Payments (The Portal)
Digital Banker - Digital CX Awards 2020

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

Best ATM Project - Philippines (Bitbox/VC ATM)
The Asset Triple A Digital Awards 2020

Best Digital Financial Inclusion Project - Philippines (i2i)
The Asset Triple A Digital Awards 2020

Best Digital Collaboration - Philippines (Retailer Financing Program - TrueMoney)
The Asset Triple A Digital Awards 2020

Best Digital Upgrade - Philippines (Mobile Check Deposit)
The Asset Triple A Digital Awards 2020

Best Social Media Project - Philippines (UBGL Trade Connect)
The Asset Triple A Digital Awards 2020

Winner - Best Remittances Initiative (Send-i2i)
RBI Asia Trailblazer Awards 2020

Winner - Best Retail Bank - Philippines (Digital RM)
RBI Asia Trailblazer Awards 2020

Winner - Best Social Media Marketing Campaign (UBGL Trade Connect)
RBI Asia Trailblazer Awards 2020

Winner - Best ATM and Self-Service Innovation (Project Bitbox)
RBI Asia Trailblazer Awards 2020

Highly Commended - Best Staff Training and Development (The ARK)
RBI Asia Trailblazer Awards 2020

Highly Commended - Best Use of Machine Learning (DSAI Institute)
RBI Asia Trailblazer Awards 2020

Highly Commended - Excellence in Employee Engagement (Agile)
RBI Asia Trailblazer Awards 2020

Highly Commended - Most Innovative Branch Offering (The ARK)
RBI Asia Trailblazer Awards 2020

Winner: Ecosystem led Innovations (UnionBank GlobalLinker)
Infosys Finacle Client Innovation Awards

Runner-up: Modern Technologies led Innovation (UnionBank API Developer Portal)
Infosys Finacle Client Innovation Awards

**Philippines – Best for Wealth Transfer/
Succession Planning**

Asiamoney Private Banking Awards

**Best Digital Community Impact
Initiative – Southeast Asia 2020 (UBX)**

Capital Finance International (CFI.co)
Inclusive Finance Awards

Best Cards Offering Philippines

International Business Magazine

Winner - Best NextGen Offering

The Digital Banker - Global Private
Banking Innovation Awards 2020

Winner: Best Next-Gen Offering

Private Banker International -
Global Wealth Awards

Transport Deal of the Year

The Asset Infrastructure Awards

Innovator of the Year 2020

Outsystems Innovation Awards

**Best SME Banking Solutions
Provider 2020 - Philippines**

Corporate Vision Magazine

**Best Digital Wealth Management
Service Provider – Philippines 2020
(awarded to The Digital RM Project)**

International Investor Magazine

**Leaders for Women Survey
(Recognized in the Philippines and Asia)**

Asiamoney Leaders for Women

**Talent Accelerator (UnionBank thru
HR People Tech)**

IDC Digital Transformation Awards
Philippines 2020

**Outstanding Payment Formatting and
Straight-Through Rate**

BNY Mellon STP Award 2020

Best Managed Fund of the Year 2020

CFA Society Philippines

**Best ATM and Kiosks Initiative,
Application or Programme (Regional)**

The Asian Banker Financial Innovation
Technology Awards

**Master Innovator Award for Digital
Technology Innovation 2020**

1st Mansmith Innovation Awards

**Best Project Implementation in the
Quality Assurance/Quality Engineering
Category (UB Convergent Banking)**

IBSI Global FinTech Innovation
Awards 2020

BRONZE: Effective Use of Technology

WARC Media Awards 2020 (Global)

**SILVER: UnionBank and OMD
Philippines/AdColony (Bank the Way
You Live by UnionBank)**

2020 MMA Smarties APAC

**SILVER: UnionBank and Appier
(UnionBank: Putting the Power of
Personal Finance into Customers' Hands)**

2020 MMA Smarties APAC

**Highly Commended: Best Branding
Campaign (Bank the Way You Live
by UnionBank)**

The Drum Awards - Digital
Advertising APAC

**SILVER: Best Mobile Advertising
Strategy (Bank the Way You Live
by UnionBank)**

Mob-Ex Awards 2020

Gold Anvil - Blockchain Xcellerator

Public Relations Society
of the Philippines

Silver Anvil - ED Talks

Public Relations Society
of the Philippines

Lamudi Partner of the Year 2020

Lamudi Broker Awards Night

PH Best Service Domestic

Asiamoney CMS 2020 Best Service
Survey

**Honorable mention for its high-
impact innovation during the
pandemic to meet the changing
needs of their customers quickly
and effectively**

BAI 2020 Global Innovation Awards

**Dr. Justo A. Ortiz - Leadership
Lifetime Achievement Award 2020**

The Asian Banker Leadership
Achievement Awards

Edwin R. Bautista - DX CEO

IDC Digital Transformation Awards
Philippines 2020

**Edwin R. Bautista - 2020 Asia/
Pacific DX CEO**

IDC Digital Transformation Awards Asia
Pacific 2020

**Edwin R. Bautista - The Asset: Digital
Banker of the Year - Asia Pacific 2020**

**Ana A. Delgado - Promising Young
Banker in the Philippines 2020**

The Asian Banker - Promising Young
Banker

**Ana Delgado and UnionBank -
Winner: Customer Experience**

13th Annual Ventana Research
Digital Leadership Awards

**Dennis Omila ranked as #7 among
ASEAN CIO Top 50 2020**

ASEAN CIO50 (IDG)

**Sasa Montes - Top 10 Women in
Cyber Security in the Philippines**

Philippine Women in Cyber Alliance
(PWCA)

**Dr. David Hardoon - 2020 Global
Top 100 Innovators in Data &
Analytics**

Corinium Global Intelligence



RISK MANAGEMENT



CULTURE & 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.

APPETITE & 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.

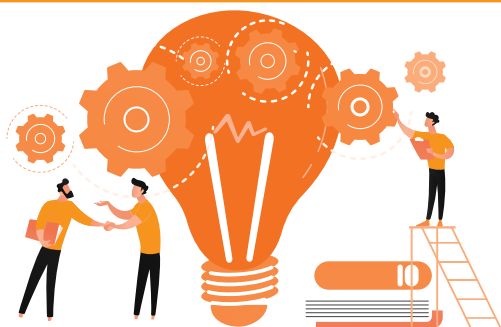
UnionBank's risk appetite is set by the Board of Directors. The risk appetite cannot be defined by a single number as it has many dimensions and is a combination of regulatory requirements and internal policy limits. The Bank's appetite for risk is influenced by a range of factors, including whether 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.

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.



STRUCTURE & 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 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) shall be composed of at least seven members, of the Board of Directors of the Bank, majority of whom are Independent Directors. 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 (AuditComm) shall be composed of at least seven (7) members of the Board of Directors, who shall all be non-executive directors, majority of whom are independent directors. All of its members are appointed by the Board of Directors with most members, including the Chairman, who is 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.

RISK MANAGEMENT

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.

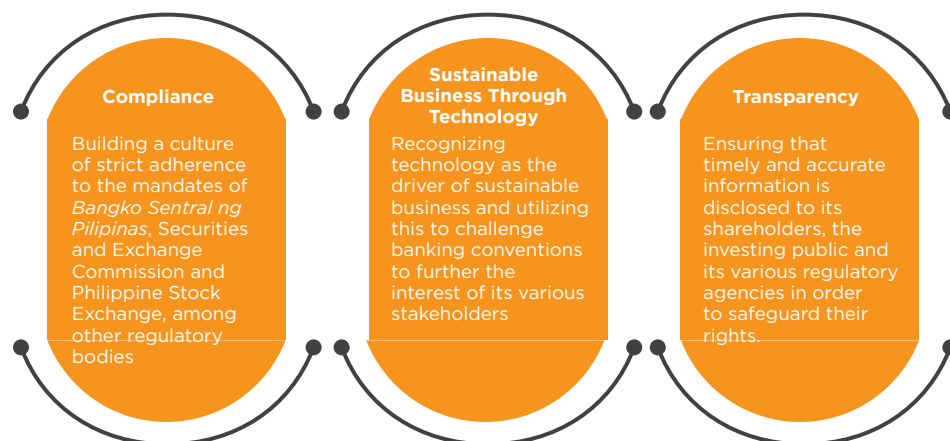
CORPORATE GOVERNANCE

STRUCTURE AND PRACTICES

UnionBank takes to heart the fostering of a culture of sound corporate governance, getting its tone from the members of its board of directors and, ensures that management translates its governance philosophies into policies that create an impact across the company. Anchored on compliance with 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.

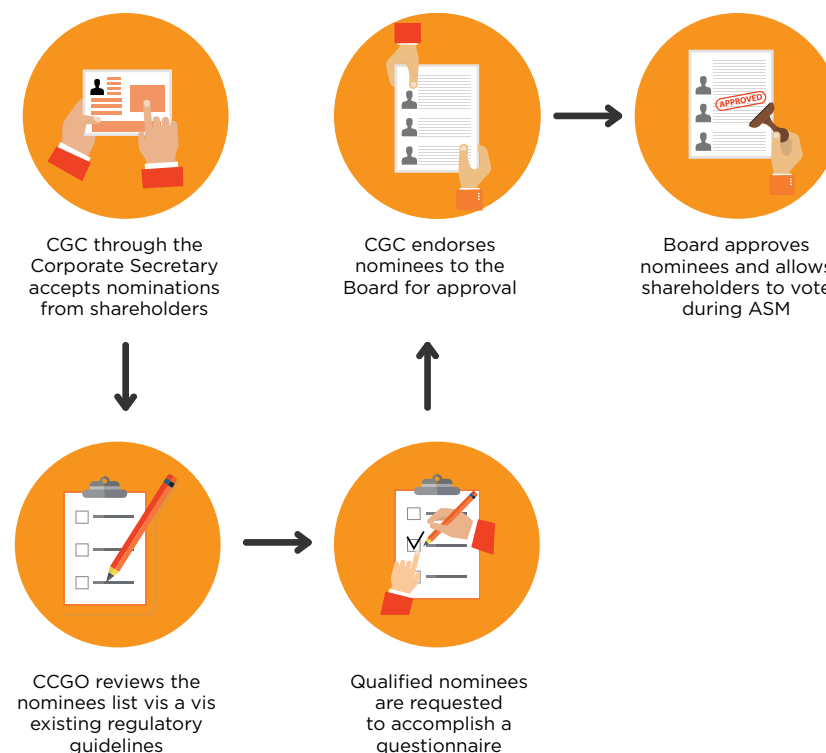
UnionBank is consistent in its substantial compliance with internationally-recognized standards outlined in the ASEAN Corporate Governance Scorecard and, endorsed by the Securities and Exchange Commission, as well as with the provisions in the *Bangko Sentral ng Pilipinas* Circular No. 969 on the Enhanced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

PILLARS OF CORPORATE GOVERNANCE



SELECTION PROCESS FOR THE BOARD OF DIRECTORS

UnionBank believes that the Philippines is ripe with business leaders who can run a company well but what the Bank needs are leaders who fit its culture, embody its philosophy 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.



SELECTION PROCESS FOR OUR 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.

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. The 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's Article III Sections D and E that detail the many functions of its members.

On Governance

1. Install a process of selection to ensure a mix of competent board members;
2. Determine corporate purpose, strategies, culture, mission and vision
3. Ensure compliance with relevant laws, regulations
4. Proper discharge of Board functions and uphold its By-Laws and Articles of Incorporation
5. Create and implement effective Related Party Transaction policies
6. Assess annually its performance and effectiveness
7. Oversee its governance framework and ascertain it is relative to its size and operation.
8. Address its environmental, social and governance commitments in accordance with existing regulations and global standards.

On Strategies and Risk

1. Identify stakeholders an effective investor relation program
2. Adopt a culture of internal checks and balances
3. Identify key risk areas and key performance indicators and monitor these with due diligence
4. Maintain an alternate dispute resolution system that settles differences between the corporation vis-a-vis stockholders, third parties and regulatory authorities.

CORPORATE GOVERNANCE



Chairman Erramon Isidro M. Aboitiz

63, Filipino, Non-Executive director, 27 years in the Board. Represents Aboitiz Equity Ventures with 319 (Direct) & 12,920,397 (Indirect) shares owned*

Bachelor of Science degree in Business Administration, Major in Accounting and Finance Gonzaga University, Spokane, Washington, U.S.A. Honorary Doctorate Degree in Management Asian Institute of Management

Relevant Experience

Chairman, Aboitiz Power Corporation
Vice Chairman, UnionBank (BOD 2019-2020)

Current Directorships

Aboitiz Equity Ventures
Philippine Disaster Resilience Foundation, Inc.
Asian Institute of Management

*shares based on 31 March 2021 data

Acting as the leader of the board of directors, the Chairman has the responsibility to provide direction to the Board 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

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

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

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

Facilitate the operations and deliberations of the Board

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

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

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

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

Ensure that the shareholders' view is communicated to the Board

Ensure that Board performance are evaluated at least annually.

2020 BOARD OF DIRECTORS

COMPOSITION, QUALIFICATION AND COMMITTEES

Erramon Isidro M. Aboitiz, 63, Filipino

Non-Executive Director, 27 years in the Board

Represents Aboitiz Equity Ventures

319 (Direct) and 12,920,397 (Indirect) shares owned

Serves as Chairman of UnionBank. He is also the Chairman of Aboitiz Power Corporation, the leading power company in the Philippines with businesses in distribution, generation, and retail electricity services, a publicly listed company. He is also a director of Aboitiz Equity Ventures, Inc., a publicly listed company, and the Philippine Disaster Resilience Foundation, Inc. Mr. Aboitiz also sits as a Board of Trustee with the Asian Institute of Management.

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 in Spokane, 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

Vice Chairman: Non-Executive Board

Member: Risk Management Committee, Market Risk Committee

Alternate Member: Corporate Governance Committee

Justo A. Ortiz, 63, Filipino

Non-Executive Director, 27 years in the Board

Represents Aboitiz Equity Ventures

3,229,061 (Direct) and 9,165 (Indirect) shares owned

Serves as Vice Chairman of UnionBank. He was previously Chairman and currently a 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 also a Director of Concepcion Industrial Corporation, Member of the Board of Trustees of The Insular Life Assurance Co., Ltd., Member of the Management Association of the Philippines, Member of the Board of Trustees of Philippine Trade Foundation, Inc., Makati Business Club, and World Presidents Organization.

He was the Chief Executive Officer of the Bank from 1993 to 2017. Before 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.

Chairman: Non-Executive Board

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

CORPORATE GOVERNANCE

Edwin R. Bautista, 60, Filipino
Executive Director, 5 years in the Board
703,662 (Direct) shares owned

Serves as Director and President and Chief Executive Officer of UnionBank. He also serves as Chairman of the following subsidiaries of the Bank: UBP Investments Corporation, City Savings Bank, Inc. and First Union Plans, Inc.; 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, Executive Vice President from 2001 to 2011 and Senior Vice-President from 1997 to 2001. He was acting President of the International Exchange Bank in 2006 until its merger with UnionBank.

Mr. Bautista 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, Technology Steering Committee

Sabin M. Aboitiz, 56, Filipino
Non-Executive Director, 9 years in the Board
Represents Aboitiz Equity Ventures
200,658 (Direct) and 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, Inc. (AEV).

He is 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 of AEV CRH Holdings, Inc.; 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., Pilmico International Pte. Ltd, 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: Non-Executive Board, Executive Committee, Corporate Governance Committee
Alternate Member: Risk Management Committee, Operations Risk Management Committee

Luis Miguel O. Aboitiz, 56, Filipino
Non-Executive Director, 7 years in the Board
Represents Aboitiz Equity Ventures
6,485,706 (Direct) shares owned

He was the 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 the University of California at Berkeley, California, USA.

Chairman: Technology Steering Committee
Member: Non-Executive Board, Audit Committee,
Operations Risk Management Committee
Alternate Member: Executive Committee, Market Risk Committee



Manuel R. Lozano, 50, Filipino
Non-Executive Director, 4 years in the Board
Represents Aboitiz Equity Ventures
1,167 (Direct) 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. Before 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: Non-Executive Board, Executive Committee

Alternate Member: Risk Management Committee, Market Risk Committee

Juan Alejandro A. Aboitiz, 35, Filipino
Non-Executive Director, 2 years in the Board
Represents Aboitiz Equity Ventures
23,573 (Direct) shares owned

He holds the position of First Vice President for Commercial Operations Business Unit 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 and Aboitiz Power Distributed Renewables, Inc.

Mr. Aboitiz is a member of the Board of Advisors of Aboitiz Company, Inc. and as Advisor of Aboitiz Foundation, Inc. He is also the President of Aboitiz Distributed Energy, Inc. and Aboitiz Power Distributed Renewables, Inc. 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. Before joining the Aboitiz Group, he held various positions in SyCipGorresVelayo & Co. from 2008 to 2011.

Mr. Aboitiz graduated from Loyola Marymount University in Los Angeles, California, USA with a degree in Bachelor of Science in Accounting and Master's of Business Administration from The Hong Kong University of Science and Technology.

Member: Non-Executive Board

Nina Perpetua D. Aguas, 68, Filipino
Non-Executive Director, 5 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. Currently, Ms. Aguas is the Chairman of the Board of the following Insular Life Subsidiaries - Insular Health Care, 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 member of the Board of Directors 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.

Ms. Aguas was the President and Chief Executive Officer of Philippine Bank of Communications, a publicly listed company, from August 2012 to March 2015. Before 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.

Member: Non-Executive Board, Executive Committee, Audit Committee, Market Risk Committee, Corporate Governance Committee

CORPORATE GOVERNANCE

Aurora C. Ignacio, 64, Filipino
Non-Executive Director, 2 years 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. Before her she was appointed 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 under 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.

Ms. Ignacio obtained her Bachelor of Science degree in Commerce, Banking and Finance from the Centro Escolar University.

Member: Non-Executive Board, Executive Committee, Trust Committee,
Market Risk Committee, Corporate Governance Committee
Alternate Member: Risk Management Committee, Operations Risk
Management Committee, Technology and Steering Committee

Michael G. Regino, 59, Filipino
Non-Executive Director, 3 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 from his appointment as Commissioner of the SSC on October 27, 2016, he was 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 is also a Member 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., KilusangKabuhayan 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 Master's degree in Business Administration in 1985 from the Ateneo de Manila University.

Member: Non-Executive Board, Risk Management Committee, Audit Committee,
Operations Risk Management Committee, Technology and Steering Committee
Alternate Member: Executive Committee, Market Risk Committee,
Corporate Governance Committee



Carlos B. Raymond, Jr., 80, Filipino
Independent Director, 9 years in the Board
123 (Direct) and 7,591 (Indirect) shares owned

He is also the Chairman of the Risk Management Committee of the Bank and a 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: Non-Executive Board, Audit Committee, Market Risk Committee, Operations Risk Management Committee, Corporate Governance Committee, Related Party Transaction Committee

Chief Justice Reynato S. Puno (Ret.) 80, Filipino
Independent Director, 8 years in the Board
107 (Direct) shares owned

He was the 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 DJakartaTbk.; 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 2006.

Chairman: Corporate Governance Committee, Related Party Transaction Committee

Member: Non-Executive Board, Audit Committee, Market Risk Committee, Operations Risk Management Committee

Dr. Francisco S.A. Sandejas, 53, Filipino
Independent Director, 7 years in the Board
181,453 (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 co-founded and chairs Stratpoint Technologies, Inc., one of South East Asia's leading software consulting firms for Digital Transformation. He is Chairman of the Board of Trustees of Phil. S & T Development Foundation and 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 the 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), Dr. 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 Silscape.

Chairman: Operations Risk Management Committee

Member: Non-Executive Board, Risk Management Committee, Audit Committee, Market Risk Committee, Corporate Governance Committee

CORPORATE GOVERNANCE

Roberto G. Manabat, 72, Filipino
Independent Director, 3 years in the Board
65 (Direct) shares owned

He is also an Independent Director of City Savings Bank, Inc., a subsidiary of the Bank. He is a Certified Public Accountant. He is a Board Advisor 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; Chairman of KPMG R.G. Manabat Foundation; and Vice Chairman of Enactus 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 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 SyCipGorresVelayo & 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's degree in Business Management from the Asian Institute of Management.

Chairman: Audit Committee
Member: Non-Executive Board, Risk Management Committee, Market Risk Committee, Corporate Governance Committee, Technology Steering Committee, Related Party Transaction Committee

Ron Hose, 42, American
Independent Director, 3 months in the Board
65 (Direct) shares owned

Mr. Hose was the founder and CEO of Coins.ph (acquired by Gojek in 2019), one of the first blockchain-based financial services platforms to reach significant mainstream consumer adoption. Mr. Hose was also a founding partner at a Silicon Valley based venture fund called Innovation Endeavors, and a founder of TokBoxInc, a San Francisco based video conferencing startup that was later acquired by Telefonica.

Mr. Hose has solid experiences in Information Technology, FinTech, Blockchain, e-commerce, and venture capital, and has likewise rendered his FinTech expertise during various speaking engagements. He is a graduate of Cornell University in 2005 with a Master's of Engineering Degree in Computer Science.

Chairman: Market Risk Committee
Member: Non-Executive Board, Risk Management Committee, Operations Risk Management Committee, Corporate Governance Committee, Technology Steering Committee



BOARD DEMOGRAPHICS

TYPE OF DIRECTORSHIP



.06%	60%	33%
Executive	Non-Executive	Independent

GENDER



13%	87%
Female	Male

AGE



.06%	84%	20%
35-50 years old	51-70 years old	71 and up

NATIONALITY



.06%
American



94%
Filipino

CORPORATE GOVERNANCE

BOARD COMMITTEES

BOARD OF DIRECTORS' 2020 ATTENDANCE

Member	Meetings Attended	% of Attendance
Erramon Isidro M. Aboitiz	21	100%
Justo A. Ortiz	21	100%
Edwin R. Bautista ***	19	100%
Luis Miguel O. Aboitiz	21	100%
Sabin M. Aboitiz	21	100%
Manuel R. Lozano	21	100%
Juan Alejandro A. Aboitiz	21	100%
Nina Perpetua D. Aguas	21	100%
Aurora C. Ignacio	21	100%
Michael G. Regino	21	100%
Chief Justice Reynato S. Puno (Ret.)	21	100%
Carlos B. Raymond, Jr.	21	100%
Francisco S.A. Sandejas	21	100%
Roberto G. Manabat	21	100%
Ron Hose *	6	100%
Erwin M. Elechicon **	7	100%

*Elected September 25, 2020, vice Erwin M. Elechicon

**Member until June 18, 2020

*** Attended all 19 BOD Meetings

The Board of Directors held a total of 21 meetings from January to December 2020, inclusive of two (2) Non Executive Board Meetings

AUDIT COMMITTEE

Member	Meetings Attended	% of Attendance
Roberto G. Manabat	12	100%
Luis Miguel O. Aboitiz	11	91.67%
Nina Perpetua D. Aguas	12	100%
Michael G. Regino	11	91.67%
Carlos B. Raymond Jr.	11	91.67%
Chief Justice Reynato S. Puno (Ret.)	12	100%
Francisco SA Sandejas	12	100%
Total Meetings Held	12	

The Audit Committee (AuditComm) consists of seven (7) 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 an 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.



CORPORATE GOVERNANCE COMMITTEE

Member	Meetings Attended	% of Attendance
Chief Justice Reynato S. Puno (Ret.)	12	100%
Justo A. Ortiz	12	100%
Sabin M. Aboitiz ***	5	83.33%
Nina Perpetua D. Aguas	12	100%
Aurora C. Ignacio	11	91.67%
Carlos B. Raymond Jr	10	100%
Roberto G. Manabat	12	100%
Francisco SA Sandejas	12	100%
Ron Hose *	3	100%
Erwin M. Elechicon **	6	100%
Total Meetings Held	12	

* Elected September 25, 2020, vice Erwin M. Elechicon

**Member until June 18, 2020

*** Member starting July 1, 2020, attended 5 of 6 meetings

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.

EXECUTIVE COMMITTEE

Member	Meetings Attended	% of Attendance
Erramon Isidro M. Aboitiz	16	100%
Justo A. Ortiz	16	100%
Manuel R. Lozano	16	100%
Edwin R. Bautista	15	93.75%
Sabin M. Aboitiz	15	93.75%
Nina Perpetua D. Aguas	16	100%
Aurora C. Ignacio	15	93.75%
Total Meetings Held	16	

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 persons are affected thereby.

CORPORATE GOVERNANCE

MARKET RISK COMMITTEE

Member	Meetings Attended	% of Attendance
Ron Hose *	3	100%
Justo A. Ortiz	12	100%
Erramon Isidro M. Aboitiz	12	100%
Nina Perpetua D. Aguas	12	100%
Roberto G. Manabat	12	100%
Carlos B. Raymond Jr.	12	100%
CJ Reynato S. Puno (Ret.)	12	100%
Francisco SA Sandejas	12	100%
Aurora C. Ignacio ***	7	100%
Erwin M. Elechicon **	6	100%
Total Meetings Held	12	

*Elected September 25, 2020, vice Erwin M. Elechicon

**Member until June 18, 2020

*** Member starting June 11, 2020, attended 7 of 7 meetings

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 satisfies 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.

OPERATIONS RISK MANAGEMENT COMMITTEE

Member	Meetings Attended	% of Attendance
Francisco SA Sandejas	15	100%
Justo A. Ortiz	15	100%
Luis Miguel O. Aboitiz	15	100%
Michael G. Regino	13	86.67%
Carlos B. Raymond Jr.	15	100%
CJ Reynato S. Puno (Ret.)	15	100%
Ron Hose *	3	100%
Erwin M. Elechicon **	8	100%
Total Meetings Held	15	

*Elected September 25, 2020, vice Erwin M. Elechicon

**Member until June 18, 2020

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 in 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.

RELATED PARTY TRANSACTIONS COMMITTEE

Member	Meetings Attended	% of Attendance
CJ Reynato S. Puno (Ret.)	12	100%
Carlos B. Raymond Jr.	12	100%
Roberto G. Manabat	12	100%
Total Meetings Held	12	

The Related Party Transactions Committee (RPT) is composed of three (3) members, all of whom are Independent Directors. 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.

RISK MANAGEMENT COMMITTEE

Member	Meetings Attended	% of Attendance
Carlos B. Raymond Jr.	12	100%
Justo A. Ortiz	12	100%
Erramon Isidro M. Aboitiz	12	100%
Michael G. Regino	10	83.33%
Roberto G. Manabat	12	100%
Francisco SA Sandejas	12	100%
Ron Hose *	3	100%
Erwin M. Elechicon **	6	100%
Total Meetings Held	12	

*Elected September 25, 2020, vice Erwin M. Elechicon
 **Member until June 18, 2020

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.

TECHNOLOGY STEERING COMMITTEE

Member	Meetings Attended	% of Attendance
Luis Miguel O. Aboitiz	12	100%
Edwin R. Bautista	12	100%
Michael G. Regino	10	83.33%
Roberto G. Manabat	12	100%
Ron Hose *	3	100%
Erwin M. Elechicon **	6	100%
Total Meetings Held	12	

*Elected September 25, 2020, vice Erwin M. Elechicon
 **Member until June 18, 2020

The Technology Steering Committee (TSC) is composed of five (5) members of the board who are responsible for 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, the status of major projects and other IT-related issues.

CORPORATE GOVERNANCE

TRUST COMMITTEE

Member	Meetings Attended	% of Attendance
Manuel R. Lozano	12	100%
Justo A. Ortiz	12	100%
Edwin R. Bautista	12	100%
Aurora C. Ignacio	11	91.67%
Total Meetings Held	12	100%

The Trust Committee (TrustComm) is composed of four (4) members of the board 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.

CHANGES IN THE BOARD

Outgoing	Reason	Incoming
Erwin M. Elechicon	Death	Ron Hose

KEY EXECUTIVES

Edwin R. Bautista, 60, Filipino, serves as Director and President & Chief Executive Officer of UnionBank. He also serves as Chairman of the following subsidiaries of the Bank: UBP Investments Corporation, City Savings Bank, Inc. 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, Senior Vice-President from 1997 to 2001 and Executive Vice President from 2001 to 2011. He was acting President of the International Exchange Bank in 2006 until its merger with UnionBank.

Mr. Bautista 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, 52, Filipino, is Senior Executive Vice President, Chief Technology and Operations Officer, and Chief Transformation Officer of UnionBank and the Chairman of UBX Philippines, the fintech spin-off of the bank. Currently, he is a lecturer at the University of the Philippines Diliman Technology Management Center. Mr. Aguda is also a Board Member of Philippine Clearing House Corporation (PCHC), Associate Member of Institute of Corporate Directors (ICD), member of Financial Executive Institute of the Philippines (FINEX) and member of the Board of Trustees of Parish Pastoral Council for Responsible Voting (PPCRV). He is Chairman of the IT Steering Committee of PCHC and UnionBank AMLA Committee.

Mr. Aguda was a 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 Digitel Telecommunications Philippines. He was also the Chief Operations Officer and Chief Financial Officer of Nextel Communications Philippines.

In addition to this, he has worked with Fujitsu Philippines, Bayantel, and Computer Information Systems Inc. Mr. Aguda obtained his degrees in Bachelor of Science in Mathematics and Juris Doctor, both from the University of the Philippines. He is the author of the book, Data Privacy & Cybercrime Prevention in the Philippine Digital Age.

Non-Voting Member: Technology and Steering Committee

Jose Emmanuel U. Hilado, 57, Filipino, holds the position of Senior Executive Vice President, Chief Financial Officer and Treasurer of UnionBank. 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. Before joining UnionBank, he was the 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 six (6) years and Chief Trader at Banco De Oro Unibank (BDO) for four (4) years, both publicly listed companies. He also held positions in International Business Development of Far East Bank & Trust Company and Treasury Trading of Equitable PCI Bank.

While at BDO, he was also the Treasurer of BDO Private Bank for three (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 UnionBank. 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.

Ana Maria A. Delgado, 40, Filipino, holds the position of Executive Vice President, Chief Digital Channels Officer, and Chief Customer Experience Officer of the Bank. She is a Director of SingLife Philippines, CitySavings Bank, Aboitiz Land, Inc., Aboitiz Infracapital, Inc., and Aboitiz Equity Ventures, Inc., all publicly listed companies. She started her career with the Bank as a Product Manager under the Retail Banking Center and has held multiple positions in the bank covering SME lending and Consumer Finance businesses. Before joining the Bank, she was an Assistant Vice President for Product Management at Citibank, N.A. from 2006 to 2008.

Ms. Delgado 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.

Antonino Agustin S. Fajardo, 56 Filipino, holds the position of Executive Vice President and Center Head of Corporate Banking of UnionBank 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. Before 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, 62, Filipino, holds the position of Executive Vice President and Center Head of Retail Banking of UnionBank. She is also the Chairperson of First Union Insurance and Financial Agencies, Inc., at the same time she is 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 growth in the deposit and fund generation business, and the development of a very capable sales management team. In recognition of her contribution to the business, Joyce was promoted to Senior Vice President and was given an additional task to develop and lead Customer Segment Management and bring greater customer centricity in UnionBank's pursuit in delighting its customers, given her seasoned abilities and exposure in the business of Retail Banking.

CORPORATE GOVERNANCE

Angelo Dennis L. Matutina, 57, Filipino, holds the position of Executive Vice President of UnionBank. He is presently seconded to City Savings Bank, Inc., a subsidiary of the Bank, as Chief Operations Officer. Before this, he was the Channel Management Head of the Bank, where he led several projects in six sigma and certification to the International Organization for Standards relating to quality management and is responsible for the operations of all business processes including branches, treasury & trust, loans & trade, cash management & card operations, call center, shared services and business process transformation. He was head of Branch Operations Management from 2011-2014, responsible for operations of all UnionBank branches; head of Business Network Management from 2002-2011, responsible for various head office operating units handling cash management, electronic banking, central processing services, admin & general services, accounting, reconciliation & financial services, among others. He was hired in UnionBank on March 2002 as First Vice President; previously he was Assistant Vice President in Citibank.

Dennis D. Omila, 48, Filipino, holds the position of Executive Vice President and Chief Information Officer of UnionBank. 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 NetXTechnology Solutions, Inc. from 2002 to 2007. His certifications include Certified Information Systems Security Professionals (CISSP), Certified Check Point Security Instruction (CCSI), Certified Check Point Security Engineer (CCSE), Certified Check Point Security Administrator (CCSA), Vulnerability Assessment Specialist, Threat Assessment Specialist, Certified Core and Edge ATM Network Specialist (Fore Systems), Certified Networks Administrator (Nortel Networks), Certified SINIX, IRIX, Solaris and BSD UNIX Administrator and Business Continuity Certified Planner (BCCP).

Mr. Omila is a graduate of De La Salle University with a degree in Bachelor of Science major in Computer Science with specialization in Computer Technology (BSCS-CT).

Michaela Sophia E. Rubio, 56, Filipino, holds the position of Executive Vice President and Chief Human Resource Officer of UnionBank. 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. Before joining the Bank, she was the Vice President and Country Human Resource, Quality and Corporate Communications Head in the Philippines of the global electrical and power company, Asea Brown Boveri (ABB) from 1999 - 2001. She worked from 2001 - 2003 as a Senior Consultant in OTI

Consulting Singapore working with government owned and private organizations on Singapore Quality Class/Award, People Developer, Industry Capability Upgrading (ICAP) and Work Life and Work Redesign of which she was certified by SPRING Singapore. Before a career in Human Resource, she worked for ten years in the semiconductor and electronics manufacturing industry handling engineering and managerial functions in Statistical Process Control and Quality.

Manuel G. Santiago, Jr., 61, 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. Before this, he was the 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 Roxas Tanjuaquio-Agustin, 52, Filipino, holds the position of Senior Vice President and Head of Private Banking Group of UnionBank. She is a Chartered Wealth Advisor and a Chartered Trust and Estate Planner. 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 Asiatrust 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 the First Vice President and Treasurer of BDO Elite Savings Bank until 2011. In the same year, she joined Maybank Philippines, Inc. where she became the Senior Vice President, Treasurer and Head of 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, 50, Filipino, holds the position of Senior Vice President and Financial Controller of UnionBank. He is a Certified Public Accountant. Before 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.

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, PNOG 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 Consumer Finance Center of UnionBank. Before 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.

Jobert T. Dator, 53, Filipino, holds the position of Senior Vice President, Branch and Customer Engagement Channel Head of UnionBank. A graduate of Bachelor of Science in Business Administration Major in Accounting from Enverga University in Lucena City, he has been with the Bank for more than 20 years and has extensive experience in Branch Operations Management. He has obtained a Six Sigma Black Belt Certification last 2015. He started handling Customer Engagement Group mid-quarter of 2019. Mr. Dator from the ranks, as he started working with the Bank as a Branch Service Officer and eventually became a Branch Manager and a Sales Director under Retail Banking Group. Early in his career, he also worked with China Banking Corporation and Metropolitan Bank and Trust Corporation, both publicly listed companies.

Ramon Vicente D. De Vera II, 45, Filipino, holds the position of Senior Vice President and Head of the Fintech Business Group of UnionBank. He is also a Director for UBX Philippines Corporation and PETNET, Inc., both of which are subsidiaries of the Bank. He joined UnionBank in 2010 as a 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 President of the Distributed Ledger Technology Association of the Philippines (DLTAP) whose primary purpose is to promote and increase the use of distributed ledger technology (DLT) or blockchain. 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 to “Tech-Up” the Philippines and pave way for inclusive prosperity; and founding member and board director of the Fintech Philippines Association which is part of the ASEAN Fintech Association. He has 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.

CORPORATE GOVERNANCE

Montano M. Dimapilis, 56, Filipino, holds the position of Senior Vice President and Head of Business Services Group of UnionBank. He joined the Bank as Vice President and Head of Facilities Management Group in November 2011 before his promotion as First Vice President, Head of Facilities Management Group and Branch Network Management in July 2015. Before joining UnionBank, he was Resident Manager/General Manager of Pacific Plaza Condominium Association under FPD Asia Property Management. Involved in various consultancy works related to property management and construction. He was Operations Manager of Phoenix Omega Development Corporation. He also worked as a Project Manager and Project Site Engineer for companies in Saudi Arabia.

Mr. Dimapilis is a licensed Civil Engineer and Real Estate Broker. He earned his Bachelor of Science in Civil Engineering degree from Adamson University and took his Master of Business Administration degree from Ateneo de Manila University.

Ramon G. Duarte, 56, Filipino, holds the position of Senior Vice President, Head of Transaction Banking Center, and Platform Development Group of UnionBank. 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.

Concepcion Perla P. Lontoc, 52 Filipino, holds the position of Senior Vice President and Sales Director of the Bank. She was First Vice President and Sales Director from July 2016 to June 2020. She started her career with the Bank as Assistant Manager/Sales Officer in May 1996. She graduated with a degree in BS Economics from the University of the Philippines Diliman in 1989.

Raquel P. Palang, 50, Filipino, holds the position of Senior Vice President of UnionBank. She is presently seconded to City Savings Bank, Inc. (CSB), a subsidiary of UnionBank, as Treasurer. Before being seconded to CSB, she was Deputy Treasurer with the rank of First Vice President. She has 27 years of banking experience, having held various positions in Treasury including Head of Asset-Liability Management, Head of Foreign Currency-Denominated Bond Portfolio Management, and Head of Fixed Income & Derivatives Trading. She also served as a lending officer at UnionBank's Regional

Business Center prior to moving to the Treasury Department. She started her banking career at Asian Banking Corporation as an Account Assistant at the Correspondent Banking and Corporate Banking Groups.

Ms. Palang graduated from the University of the Philippines, Diliman with a degree of BS Business Administration in 1991 and a Master's Degree in Business Administration in 1998. She also holds a Certificate in Strategic Business Economics Program (SBEP) from the University of Asia and the Pacific.

Ronaldo Francisco B. Peralta, 56, Filipino, holds the position of Senior Vice President and Chief Risk Officer at Union Bank of the Philippines. He started his banking career with Citibank, N.A. (Manila, Philippines), 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. He joined the Australia and New Zealand Banking Group Limited, taking on Wholesale Credit Risk roles, across Melbourne, Hong Kong and Manila. Before joining UnionBank, he was with the Corporate Banking Group of the Bank of the Philippine Islands.

He graduated with a Bachelor of Science in Business Administration from the University of the Philippines, Diliman, Quezon City, and obtained his MBA from the Wharton School, University of Pennsylvania, Philadelphia.

Ronaldo Jose M. Puno, 43, Filipino, currently holds the position of Senior Vice President and Solutions Delivery Head of UnionBank where he is responsible for the bank's overall software development. He joined the Bank on June 4, 2018 as Head of Business Process Automation.

Prior to the bank, Mr. Puno directed local privately-held holdings companies in applying new technologies for mass housing and transportation segments. Mr. Puno also served as the Global Business Process Lead in the US for one of the world's largest biotechnology companies, leading the process improvement and automation COE activities for North America, EMEA, Brazil, Latin America, and Asia. Mr. Puno also worked at a US leading car rental company to automate and digitize its case management and fulfillment processes and implemented the OMS for one of the world's largest telecommunications companies.

Mr. Puno graduated with a degree in Commerce from the University of Virginia, U.S.A.



Myrna E. Amahan, 59, Filipino, holds the position of First Vice President and Chief Audit Executive of UnionBank. 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 a qualified external validator, Mrs. Amahan is certified to conduct a 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 audits. Ms. 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.

Rear Admiral Rafael G. Mariano, AFP (Ret.), 59, Filipino, holds the position of First Vice President and Chief Security Officer of UnionBank. He was the former Vice Commander of the Philippine Navy and at the same time the Chief, PN Office of Ethical Standards and Public Accountability from July 31, 2016 to October 24, 2017.

As second-in-command, he supervised the battle staff during crises and humanitarian assistance and disaster relief operations. He was responsible for ensuring compliance with security and safety policies and the readiness of emergency and disaster response units. He directed maritime security operations and special operations in support of the counter-insurgency campaign and border security, and reviewed and updated strategic plans and international military cooperation programs.

Other major positions he held are Commander, Naval Sea Systems Command; Commander, Naval Forces Eastern Mindanao; Assistant Deputy Chief of Staff for Plans, AFP; Commander, Naval Task Force 61; and Defense and Armed Forces Attache to Indonesia from 2009-2012.

Rear Admiral Mariano is a Graduate Member of the Institute for Corporate Directors; Board Member, Bank Security Managers Association; Board of Trustee of the Philippine-Australian Alumni Association, Inc.; a Member of the Maritime League; and, the Past President of the PMA Class of 1984. He graduated Cum Laude at the Philippine Military Academy. He obtained his Master's in Business Management from the University of the Philippines and master's in management studies from the University of New South Wales-Canberra. He also attended the Asia-Pacific Programme for Senior Military Officers at the RSIS-Nanyang Technological University.

Joselynn B. Torres, 62, Filipino, holds the position of First Vice President and Chief Compliance and Corporate Governance Officer of UnionBank. She has over 30 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, she 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, 47, Filipino, holds the position of Vice President and Trust Officer of UnionBank. He is currently a member of the Trust Committee. He was the Head of Business Development and Marketing of the Bank from March 7, 2018 to November 30, 2018. He was previously the Assistant Vice President and Front Office Management Head of Global Markets in 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 a 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.

CORPORATE GOVERNANCE

Maria Francesca R. Montes, 33, Filipino, holds the position of Vice President, Head of Artificial Intelligence and Data Policy & Data Privacy Officer of UnionBank. She is a member of the Advisory Board of the International Association of Privacy Professionals (IAPP) and also serves as Executive Council Officer of the National Privacy Commission, and the Convenor of the Association of Bank Privacy Professionals. She used to be Senior Consultant and DPO of a Europe-based company, Indra. Before all these, she pioneered the Data Privacy Office of Globe Telecom, Inc., a publicly listed company, and of Standards & Compliance Group of TV5 Network. She is one of the authors of the book, "Data Privacy and Cybercrime Prevention in the Philippine Digital Age" and recently awarded as Top 10 Women in Cybersecurity in the Philippines.

She is a graduate of Bachelor of Arts Major in Philosophy at the University of the Philippines - Diliman and is a Juris Doctor candidate. She is globally accredited by IAPP as Certified Information Privacy Manager (CIPM).

Atty. Buenaventura S. Sanguyo, Jr., 51, 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. Before joining the Bank, he was the 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.

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 thru 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 Revised Manual on Good Corporate Governance.

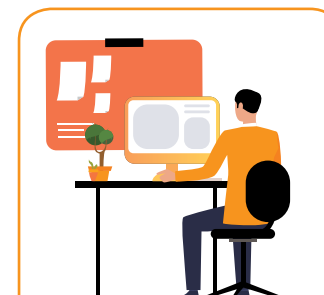
COMPONENTS



Board Assessment (body)



**Individual Self-Assessment
and Committee
Self-Assessment**



**Independent Assessment
(by Corporate Secretary,
Chief Risk Officer, and
Chief Compliance Officer)**

To coincide with the Bank's Annual Shareholders Meeting where the 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.

PERFORMANCE ASSESSMENT PLAN FOR SENIOR MANAGEMENT

The Bank strengthened its performance management system to purposely integrate the Balanced Scorecard (BSc) framework in its effort to strongly align the Bank's strategies and goals in the key areas of Financial Performance, Risk, Operations, Stakeholders, People, and Strategy Execution. More so, the Bank has established the 2020 Lines of Business BSc as a foundation to effectively implement the Bankwide scorecard to the individual level and to ensure a more objective performance assessment of all employees, including senior management. Its performance management system, also known as MyPerformance, will drive this as it promotes the principles of a multi-rater approach, rewards for results, self-driven high-performance, and self-driven career. In support of the Bank's accelerated digital transformation, performance assessment includes periodic evaluation of digital initiatives during business reviews.

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's 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 thru 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.

SENIOR MANAGEMENT ORIENTATION AND EDUCATION PROGRAM

UnionBank University remains to be the main channel for continuous learning and development of employees, including the senior management of the Bank. Compliance courses are available throughout the year in Microsoft Office 365 apps such as Sway and Sharepoint to provide a digital learning experience for all employees. As these platforms are embedded in the corporate emails, Bank executives can also easily and conveniently access them. Apart from these courses, members of the senior management team continually learn by participating in the quarterly learning session for executives, the Leaders' Learning Circle (LLC), where local and global thought leaders are invited 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 the Bank's leaders to keep themselves abreast of the trends and best practices of banking and financial technology, digital strategy, platforms, and emerging technology applications

RETIREMENT AND SUCCESSION POLICY

The Bank recognizes that succession is key in building a Bank of enduring greatness and that it's an integral piece in driving strategy. Therefore, succession planning and management is an established exercise in the Bank. This ensures having the right number and good mix of key talents with the required capabilities, because of employee retirements, movements, and other talent decisions to ultimately, prepare the Bank to become a future-ready organization.

The Bank through the conduct of the regular talent review identifies successors to critical positions to ensure leadership continuity. Potential successors are assessed in terms of expertise and performance, leadership capability, culture alignment, and technology adoption. We cast a wider net of leadership pool through the management training program, identification of high-potential talents, leadership development and external talent mapping.

The Bank's deliberate and systematic effort to ensure leadership continuity covers retirement among the scenarios that can affect its business landscape. 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.

REMUNERATION POLICY FOR THE BOARD AND SENIOR MANAGEMENT

The Corporate Governance Committee oversees the implementation of the programs for the salaries and benefits of the Bank's Directors and Senior Management, 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 following the Bank's By-Laws. Whereas non-executive Directors receive per diem of Php160,000.00 for each attendance in a meeting, except for the Chairman of the Board who receives Php240,000.00. Directors elected as Committee Chairman receives Php120,000.00 per Committee meeting while a member receives Php80,000.00.

The compensation policies and procedures for Senior Management follow a market-based compensation structure, anchored on the principles of meritocracy or pay-for-performance.

The Bank also observes the strict implementation of related party transaction policies to ensure non-preferential treatment for its Directors and Senior Management.

CORPORATE GOVERNANCE

RELATED PARTY POLICES

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 that applies to ordinary or unrelated party transactions as outlined in the Bank's internal guidelines or policies.

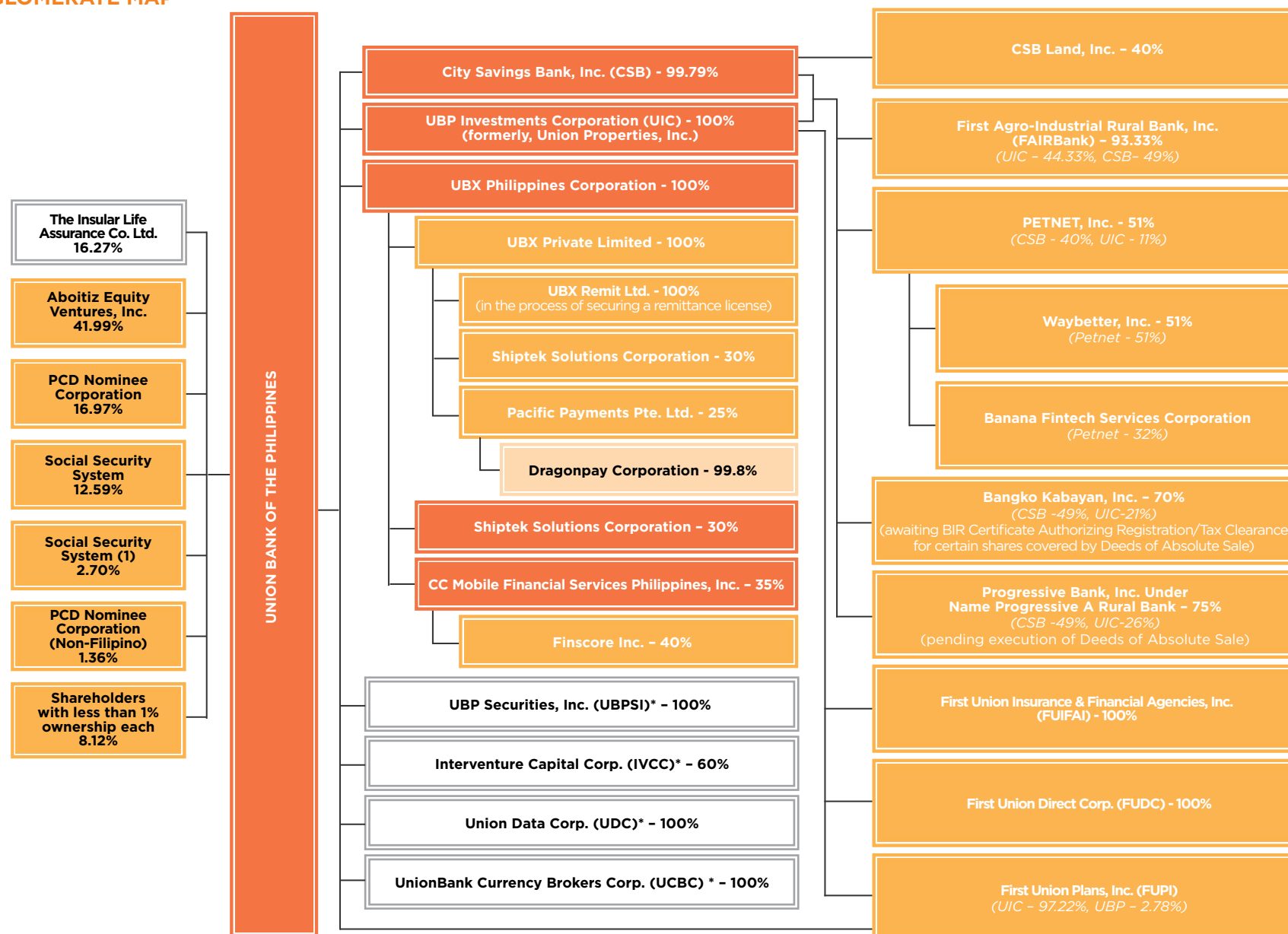
It has a provision on transactions that could pose a conflict of interest, material risk, or potential abuse to the Bank and its stakeholders. With this, the members of the Board, stockholders and management are obliged to disclose any financial interest in any transaction or matter affecting the Bank especially material facts about 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:

1. Evaluating existing relations between and among business and counterparties for proper identification and monitoring of changes in relationships
2. Reviewing and endorsing all material RPTs which requires final Board approval or confirmation
3. Evaluating all material RPTs to ensure that those are not undertaken on more favorable economic terms
4. Ensuring appropriate disclosure
5. Periodic reporting to the Board
6. Ensuring that transactions with related parties are subject to periodic audit process
7. Overseeing the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including periodic review of RPT policies and procedures.



CONGLOMERATE MAP



*Dormant

CORPORATE GOVERNANCE

MATERIAL RELATED PARTY TRANSACTIONS

Parent Bank/ QB & Subsidiary/ Affiliate	Related Counterparty	Relationship b/w the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price	Terms	Rationale for Entering into the Transaction
A. Bank/QB							
a. Subsidiaries and Affiliates	Western Mindanao Power Corporation	Aboitiz Power Corporation ("AP") holds 20% of the total issued common shares of WMPC, while Aboitiz Equity Ventures ("AEV") has a 76.98% ownership stake in AP and 49.34% ownership stake in Union Bank of the Philippines ("UBP"). Consequently, AEV effectively owns 15.40% of WMPC. In addition, Luis Miguel O. Aboitiz holds the following key positions in these companies: • WMPC – Director • AEV – Senior Vice President • AP – Executive Vice President & Chief Strategy Officer • UBP – Director; Chairman of the Technology Steering Committee.	5/7/2020	Renewal of Short-Term credit Facilities: Omnibus Line, Domestic Bills Purchase Line, and FX Settlement Line	Php154.00 M	Short term Credit Facility	Renewal of Short-term Credit Facilities will show our Bank's continued support to Alcantara Group and will provide us leverage to increase our share of deposit business. We are the main operating bank of their Power and Property Business Units, having availed of various CMS facilities such as OneHub, Checkwriter, Payroll and EFT. The renewal of short-term facilities for various companies under Alcantara Group gave us the leverage to increase our CASA ADB, with the implementation of disbursement facilities for Alsos Aquaculture, Alsos Energy and Sigul Hydro Power and opening of new accounts for Alsos Corporation, Centro Ridge Land and Alsing Power Holdings.
	Tsuneishi Heavy Industries (Cebu), Inc. ("Tsuneishi")	Tsuneishi is an Affiliate of UnionBank by virtue of its Common Stockholder, Aboitiz & Company, Inc. ("ACO"), which has a 20.00% ownership stake in Tsuneishi and a 23.96% effective ownership stake in UnionBank through Aboitiz Equity Ventures, Inc. ("AEV").	6/11/2020	Renewal of existing Short-term Credit Facilities of Tsuneishi at the aggregate amount of Php1.126B	Php1.126 B	Short term Credit Facility	The transaction will show our support to Tsuneishi and will generate additional business/income for the Bank.
	City Savings Bank, Inc.	City Savings Bank, Inc. is a subsidiary of Union Bank of the Philippines, with 99.79% shareholding.	5/7/2020	Renewal of existing short-term credit facilities of City Savings Bank, Inc.	Php8.0 B	Short term Credit Facility	The transaction will show our support to CTSB and will generate additional business/income for the Bank.
	UBX Philippines, Inc. (UBX) and DragonPay Corporation	UBX Philippines, Inc. – Subsidiary DragonPay Corporation – Affiliates; 99.8% owned by Pacific Payments Pte. Ltd which is 25% owned by UBX Philippines, Inc.	7/9/2020	Cashout transactions of the second tranche of the Department of Social Welfare and Development (DSWD) Social Amelioration Program (SAP) to 50 assigned municipalities nationwide with a total of 1,360,598 beneficiaries	Php9.319 M	The partnership will be made between UnionBank and both UBX and DragonPay. UBX and DragonPay will have a separate agreement with their partner rural banks and remittance centers. UBX and DragonPay partners will do the cash-out directly to the beneficiaries when they walk in any of the branches upon presentation of the Social Amelioration Card (SAC) form which bar code must match with the provided identification number from the DSWD payroll file.	DSWD contracted the distribution of the SAP through the different Financial Service Providers (FSPs), one of which is UnionBank. Proposal was to create and credit EON accounts for each beneficiary and tap Bank's existing relationships for cashing-out in remittance centers (via DragonPay) and i2i partners (via UBX). DSWD's allocation of municipalities to UnionBank were made based on the reach of our cash-out centers.

Parent Bank/ QB & Subsidiary/ Affiliate	Related Counterparty	Relationship b/w the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price	Terms	Rationale for Entering into the Transaction
	Finscore, Inc.	Affiliate, wherein Finscore, Inc. is 100% owned by Cash Credit Mobile Financial Services and UBX, a wholly owned subsidiary of UBP, has 35% shareholdings to Cash Credit Mobile Financial Services.	8/13/2020	Provision of All-In Telco Scoring Package	Php51/score for 200,000 scores, with an up-front payment of Php10.2 million	Upfront payment at the rate of Php51/score for 200,000 scores	As part of the Bank's 2030 vision to expand to the mass market, UnionBank needs to find a way to evaluate and lend to the 71% unbanked segment of the Philippine market. Considering that these customers don't have any credit history nor banking products on-hand, internal sources such as banking data and credit bureau data from TransUnion may not be sufficient in terms of credit evaluation. Finscore's services, particularly on providing telco scores, will accelerate the Bank's initiative of moving towards Alternative Lending.
	Western Mindanao Power Corporation ("WMPC")	Aboitiz Power Corporation ("AP") holds 20% of the total issued common shares of WMPC, while Aboitiz Equity Ventures ("AEV") has a 76.98% ownership stake in AP and 49.34% ownership stake in Union Bank of the Philippines ("UBP"). Consequently, AEV effectively owns 15.40% of WMPC.	11/20/2020	Renewal of Omnibus Line, Domestic Bills Purchase Line, and FX Settlement Line (Corporate Banking Group)	Php150.0 million	Renewal of Short Term Credit Facilities at the existing amount of Php150.00 million Clean basis. Prevailing market rate subject to Center Head clearance (Indicative rate for WMPC is 4.50% to 5.00%, subject to internal pricing policies with reference to deposit relationship, CASA-to-Loan ratio, and other internal policy benchmarks)	The renewal of Short-term Credit Facilities will show our Bank's continued support to the Alcantara Group and will provide us leverage to increase our share of deposit business. We are the main operating bank of their Power and Property Business Units, having availed of various CMS facilities such as OneHub, Checkwriter, Payroll and EFT.
	PetNet, Inc.	City Savings Bank and Union Properties, subsidiaries of UnionBank, own 51% of PetNet.	11/20/2020	UnionBank, as a sub-representative to PetNet, will enable Unionbank customers to receive and send remittance transactions (the "Service") through the UnionBank mobile app and other digital applications.	Projection at Php11 million to Php28 million	The revenue share of UnionBank as a sub-representative will be 67%; and Transactions from this engagement is estimated at 20,000 to 50,000 a month; with annual revenues of Php11 million - Php28 million.	1. Remittance revenues for transactions generated via the UnionBank mobile app and other digital applications; 2. To leverage on the operations and 22 years' worth of experience of PetNet in the remittance business.

CORPORATE GOVERNANCE

Parent Bank/ QB & Subsidiary/ Affiliate	Related Counterparty	Relationship b/w the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price	Terms	Rationale for Entering into the Transaction
	Philex Mining Corporation ("Philex")	Philex is a DOSRI Account due to Stockholder Interlock. Social Security System owns 20.1% of the company and 15.3% of UnionBank as of September 30, 2020. Meanwhile, Michael G. Regino is an Interlocking Director of Philex and UnionBank. For information - Mr. Oscar J. Hilado, an Independent Director of Philex, is the first cousin of the father of Mr. Jose Emmanuel U. Hilado, Chief Financial Officer and Treasurer of UnionBank.	11/20/2020	Renewal of existing credit facilities aggregating to Php535.0 million under the Corporate Banking Group	Php535 million	Pricing based on current market rates in accordance with client's CASA to Loan Ratio.	The lines are in place to support the cash management agenda with the Philex Group. The lines are collateral business from their perspective. We are the main disbursing bank via checkwriter and we also provide payroll services for the Padcal Site.
	Rolando V. Puno	Ronaldo Puno is the father of Ronaldo Jose M. Puno, FVP/Head of UnionBank's Business Process Automation	2/13/2020	Renewal of short-term credit facilities	Php30 million	Annual Renewal	Ronaldo Puno has been a borrower of the Bank since 2003. He has been maintaining substantial deposits through affiliates.
	ABOITIZ GROUP (DOSRI)	a. Aboitiz & Company, Inc. (ACO) is effectively wholly-owned by the Aboitiz Family through various holding companies. Sabin M. Aboitiz serves as President & Chief Executive Officer. b. Aboitiz Equity Ventures, Inc. (AEV) owns 49.3% of UnionBank (based on Public Ownership Report dated June 30, 2020 submitted to the PSE). 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 Executive Officers) are also Directors and/or Executive Officers of UnionBank. c. Aboitiz Power Corporation (APC) is 77.0%-owned by AEV (based on Public Ownership Report dated June 30, 2020 submitted to the PSE). Erramon I. Aboitiz is an Interlocking Director of APC and UnionBank. d. All other companies covered by this RPT Memo are either (i) subsidiaries, affiliates or joint ventures of ACO, AEV and APC; or (ii) personally owned and managed by the Aboitiz Family (i.e. foundations)	8/13/2020	a. Establish a P500k Corporate Credit Card Facility for Aboitiz Foundation, Inc. b. Renewal of Existing Corporate Credit Card Facility of the Aboitiz Group at the increased aggregate amount of P86.6MM from P57.1MM. c. Renewal of Existing Omnibus Line of Aboitiz Land, Inc. at the increased amount of P2.0Bn from P1.0Bn. The increase will facilitate transactions against the company's Developer Undertaking Limit under the Consumer Finance - Mortgage Group. d. Renewal of Other Credit Facilities aggregating to P13.22Bn	Php15.307 billion	For the BP Line of AEV - Standard UnionBank template for the Credit Line Agreement and Deed of Assignment. For Corporate Credit Card - The companies filled out a standard bank enrollment form which is used by all corporate credit card clients/users. The facility was granted on clean basis.	The transaction will show our support to the Aboitiz Group and will generate additional business/income for the bank. No outstanding loan balance.

Parent Bank/ QB & Subsidiary/ Affiliate	Related Counterparty	Relationship b/w the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price	Terms	Rationale for Entering into the Transaction
	Insular Group (The Insular Life Assurance Company, Ltd. and Insular Health Care, Inc.)	The Insular Life Assurance Co., Ltd. owns 16.32% of UnionBank as of June 30, 2020. Noteworthy, Ms. Nina D. Aguas and Mr. Justo A. Ortiz are interlocking directors of both. Insular Health Care, Inc., likewise, is a DOSRI account since its parent company, Insular Life, owns 16.32% of UnionBank. I-Care is wholly-owned by Insular Life.	10/8/2020	Renewal of the existing Omnibus Line of Insular Life amounting to Php100.0 million which is available via Loan Line, Domestic Bills Purchase Line and Corporate Credit Card Facility. The Omnibus Line shall be shared with I-Care with a sublimit of Php50.0 million. Meanwhile, I-Care also has an existing Case-to-Case SBLC in the amount of Php10.51 million which will mature on April 23, 2021.	Php110.51 million	1. Omnibus Line available via: - Loan Line: Indicative Rate: 6.0% - Domestic Bills Purchase Line: Available for First Party Checks - Corporate Credit Card Facility: With sublimit of Php5.0 million- Omnibus Line is also available to Insular Health Care, Inc. with Php50.00 million sublimit. 2. Case-to-Case Standby LC - Available to Insular Health Care, Inc. - Effectivity Date: April 24, 2019 - Maturity Date: April 23, 2021	UnionBank recently onboarded Insular Life's payroll. For Insular Healthcare, we are working on a disbursement project with its accredited hospitals and doctors.
	Insular Life Assurance Company (InLife)	InLife is DOSRI since it owns 16.27% of UnionBank as of October 12, 2020. Ms. Nina Perpetua D. Aguas is an interlocking director of Insular Life, Insular Health Care and UnionBank. Mr. Justo A. Ortiz is the Vice Chairman of the UnionBank and Board Committee Member of InLife since 2017	12/3/2020	Renewal of the existing Group Health Insurance of Union Bank of the Philippines with Insular Life, for both Group Hospitalization Plan and HMO.	Php129,536,915.00	The payment of Group Health Insurance premium is on an annual basis.	InLife has been the Bank's health provider since 2003. Every year, its services had been reviewed and evaluated along with other Group Health insurance providers in the market.
	Aboitiz Group	Aboitiz Equity Ventures, Inc. (AEV) owns 49.31% of UnionBank (based on Public Ownership Report dated September 30, 2020 submitted to the PSE). Erramon I. Aboitiz, Edwin R. Bautista, Sabin M. Aboitiz, Ana Maria A. Delgado, Manuel R. Lozano and Luis Miguel O. Aboitiz (AEV Directors and/or Executive Officers) are also Directors and/or Executive Officers of UnionBank.	12/3/2020	Increase in the Corporate Credit Card Facility	Php33,000,000.00	No interest If outstanding balance is fully paid on due date. In case outstanding balance is not paid in full, past due amount will be subjected to standard credit card late payment charges. This will be treated as a DOSRI loan and will be subject to DOSRI collateral requirements.	The transaction will show our support to the Aboitiz Group and will generate additional business/income for the bank.

CORPORATE GOVERNANCE

Parent Bank/ QB & Subsidiary/ Affiliate	Related Counterparty	Relationship b/w the Parties	Transaction Date	Type of Transaction	Amount/ Contract Price	Terms	Rationale for Entering into the Transaction
c. Others	Manila Cordage Company	1. Roberto C. Fernandez, Chairman of the Board and President of Manila Cordage Company, is the brother- in-law Justo A. Ortiz, UBP's Chairman of the Board.	2/13/2020	Renewal of short-term credit facilities	Php50 million	Annual Renewal	We expect further growth once we implement cash management services, particularly on the collection end, which is currently in the negotiation stage.
	The Outlets/ LIMA Land - Aboitiz Land	Aboitiz Equity Ventures (AEV) owns 42.02% of UBP and 100% of Aboitiz Land. Lima Land Inc is 100% owned by Aboitiz Land Inc.	2/13/2020	Lease of Unit DG-R04 and GC-R05, The Outlets, LIMA Technological Center, Special Economic Zone, Malvar, Lipa City	Php133,627.20/month: 07/01/2018 to 06/30/2019 Php140,308.56/month: 07/01/2019 to 06/30/2020 Php147,323.99/month: 07/01/2020 to 06/30/2021 Php154,690.19/month: 07/01/2021 to 06/30/2022 Php162,424.70/month: 07/01/2022 to 06/30/2023	5-year lease contract	UBP presence in The Outlets to provide banking services for its locators.
	Pilipinas Shell Petroleum Corporation	Common ownership - Insular Life Assurance Company owns 16.28% of UBP and 16.36% of the company	1/9/2020	Renewal of Trust issuer Line	Php500 million	Annual renewal	To cover existing holdings of Trust clients
	Almavida Holdings, Inc.	Almavida is effectively wholly-owned by Mr. Enrique M. Aboitiz, Jr., and his son, Danel C. Aboitiz, each with a direct stake of 30.08% and 39.84% through First Rose Holdings Limited, a BVI-registered company. Mr. Enrique M. Aboitiz, Jr. Is the brother of Erramon I. Aboitiz and Sabin M. Aboitiz, Chairman and Director, respectively, of UnionBank.	9/10/2020	Renewal of client's existing Php250.0 million Loan Line. The facility currently has an outstanding balance of Php197.0 million.	Php250.0 million Loan Line	The effective interest rate is 5.25%. Credit facilities are operative and executed Credit Agreement and REM are based on UnionBank's standard template. New Availments will be subject to the execution of the Bank's standard PN forms and other necessary documents. Annual Renewal	The proposed transaction will show our continued support to the company and its principals as well as generate additional business/income for the Bank.
	Mapfre Insular Insurance Corporation	25% owned by Insular Life Assurance Co. Ltd., a stockholder of UnionBank	12/3/2020	Comprehensive Motor Vehicle Insurance of Car Assignment and Car Lease Program of UnionBank	Php8.62 million annually	Vehicles are covered for 5 years; applicable to both brand new and second hand vehicles. Bank to shoulder the car insurance premium applicable per rank, any excess shall be for the account of the assignee to be paid through salary deduction.	Mapfre has given the lowest proposal

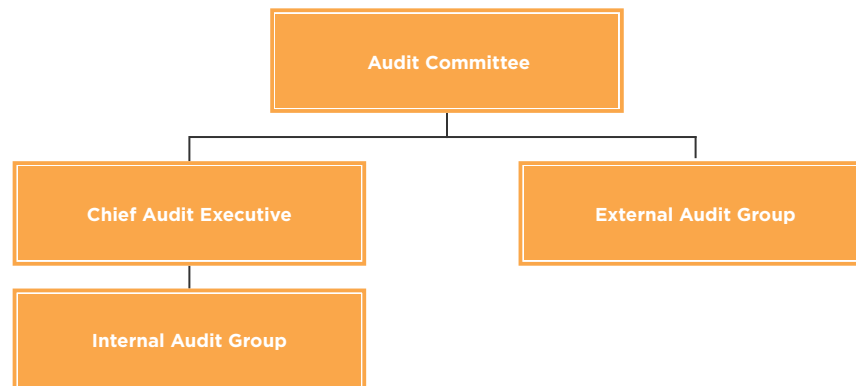
SELF-ASSESSMENT FUNCTIONS

The Audit Committee (AuditComm) consists of seven (7) 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 an 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 Group (IAG), 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 IAG, monitors and evaluates the adequacy and effectiveness of the Bank's internal control framework, the 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.

AUDIT SYSTEM



INTERNAL AUDIT

The IAG is entirely independent of 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. IAG 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.

IAG conducts assurance and advisory engagements based on a forward-looking audit plan that is consistent with the Bank's strategic plans and priorities. IAG performs risk assessment using a process family level structure so that the audit engagements will be thematically coherent. And when needed, IAG avails of third-party services to ensure coverage of all risk areas. Additionally, when called for by the Bank's Code of Conduct, IAG also conducts investigations in aid of administrative or criminal proceedings.

As the Bank continuously evolves towards its digitization strategy, IAG has undertaken initiatives to adapt and expand its processes, and to provide relevant and timely recommendations to the Bank. IAG has implemented a continuous auditing process that aims to assure on high risk, high volume areas/process, on a real-time, or near real-time basis.

CORPORATE GOVERNANCE

IA Group adopts the GRC system which aims to integrate the operational risk management across the Parent Bank. IAG also uses it as an audit management system to aid in ensuring the quality and completeness of documentation across its different engagements. IAG also implemented offsite audit and leveraged the document management system of the Bank.

The Parent Audit Committee, through the Parent CAE, continuously oversees the internal audit function of its subsidiaries. The Group Internal Audit function was created to support the governance process and to promote quality and consistency across the Group.

EXTERNAL AUDIT

The Bank's external auditors on the other hand examine its financial statements and express an opinion on 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).

On behalf of the Board of Directors, the Audit Committee provides oversight of the Bank's financial reporting and control, as well as an internal and external audit function. It is also responsible for setting up the internal audit group 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 of 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) Practice open communication within the Bank in order to address compliance matters; 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 orientation and similar programs to and for all employees 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 Banker's Association of the Philippines (BAP), Philippine Clearing House Corporation (PCHC), Card associations such as Visa and BancNet 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).

DIVIDEND POLICY

The Board of Directors of the Bank shall determine and declare dividends 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.

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.

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 create a positive impact on the community. Last year, we sustained the embedding of innovation and digital technology in designing and executing our CSR programs. We leveraged the bank's digital platforms to reach our communities especially



during the Taal eruption and the lockdowns brought about by the pandemic. A total of P494,850 was raised for the victims of Taal, P922,834.38 was raised from employee-led campaigns to aid communities affected by the strong typhoons in the last quarter of 2020, and P490,216.59 was raised internally to help employees in need of medical, hospitalization, critical illness, and burial assistance.

New and innovative CSR projects led to the following: *UB Pasahero* and *Bangon BiyaHERO* which helped affected jeepney drivers learn new livelihood skills and raised donations using Bux and Sentro; *Ad Astra*, an online support system designed by our student interns for fellow students to help them survive mental anxieties; *Add to Cart Fill a Heart* and *Local Goodness PH*, which connected provincial farmers directly to buyers using digital financial channels; and running a Go Beyond-customized *Premyo Bond campaign* that encouraged employees to support the government's bond issuance to fund the nation's COVID 19 efforts.

On top of this, we also pursued 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." We achieved more milestones in 2020, namely:

- *HEROES 2021* partnership with the Department of Education, Akadasia, and Thames International School to build the digital capability of the country's 800,00 public school teachers as part of the shift to blended learning in the country's public education system.
- Tech-Up *Pilipinas* Fund donation of P32.4M to the Asian Institute of Management (AIM), intended to serve as a vehicle to accelerate the digital skills of the bank's stakeholders in the area of data science, blockchain, machine learning, and information technology, among others. The donation covers a portion of the bank's P100-million contribution to AIM, which forms part of the Aboitiz Group's P500-million overall fund donation.
- Partnered with the Development Academy of the Philippines (DAP) to develop webinars and learning sessions on digital transformation designed to train the pioneering batch of 32 government executives and local government officials
- Educated 2,086 individuals through the UBP Xcellerator Program. The Xcellerator is a people tech-oriented sustainability program of the bank with the goal of helping Filipinos attain the skills of the future.
- Partnered with Pasig City in hosting the 2nd global *Climathon*, which allowed the bank to support participants in designing solutions to the wicked problems of our society. In 2020, UnionBank awarded innovation prizes to the most innovative solution on Food Security.

Lastly, UnionBank's Go Beyond Communities program continues to be a 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, 2020, Go Beyond Communities have achieved the following:

- Reached 1,068 communities benefiting 2.87 million direct and indirect beneficiaries
- Performed 181,393 volunteer-hours

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 shall be primarily responsible for approving and overseeing the implementation and compliance with the BSP prescribed Consumer Protection Framework and the bank's Consumer Protection Risk Management System (CPRMS). While Senior Management is responsible for the implementation of the consumer protection policies approved by the Board, the Board monitors the performance of the Risk Management Committee in managing day-to-day consumer protection activities of the bank.

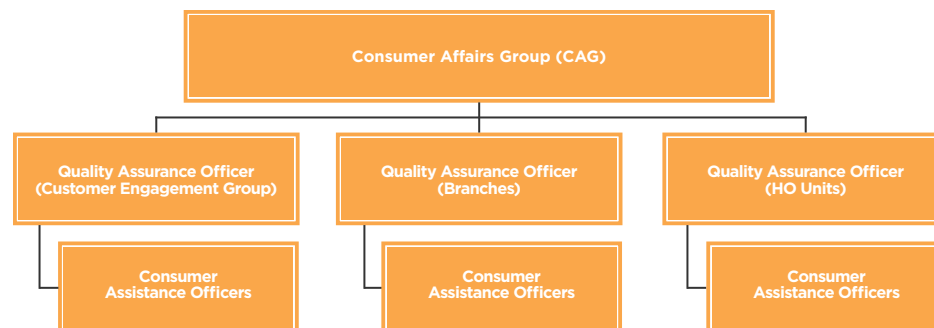
Risk assessment strategies are included as part of the Consumer Assistance Policy and Procedure (CAPP) to analyze the data of complaints/requests, their causes, effects to other products/services, and corrective actions including its costs as well as resources. All monitored complaints, regardless of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

The Consumer Affairs Group (CAG) is the unit responsible for 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 a standout Customer Experience. CAG reports and escalates issues and concerns to Senior Management or the Operational Risk Management Committee and/or other Board level committees every month about persistent "complaints against the Bank or UnionBankers" that have been received.

A Consumer Assistance Officer (CAO) receives and acknowledges customer complaint/request/inquiry through any but not limited to the following channels:

CORPORATE GOVERNANCE

web-portal, walk-in or personal branch visit, letter, e-mail and telephone/facsimile. The CAO performs an initial investigation to identify the 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 the progress of the 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

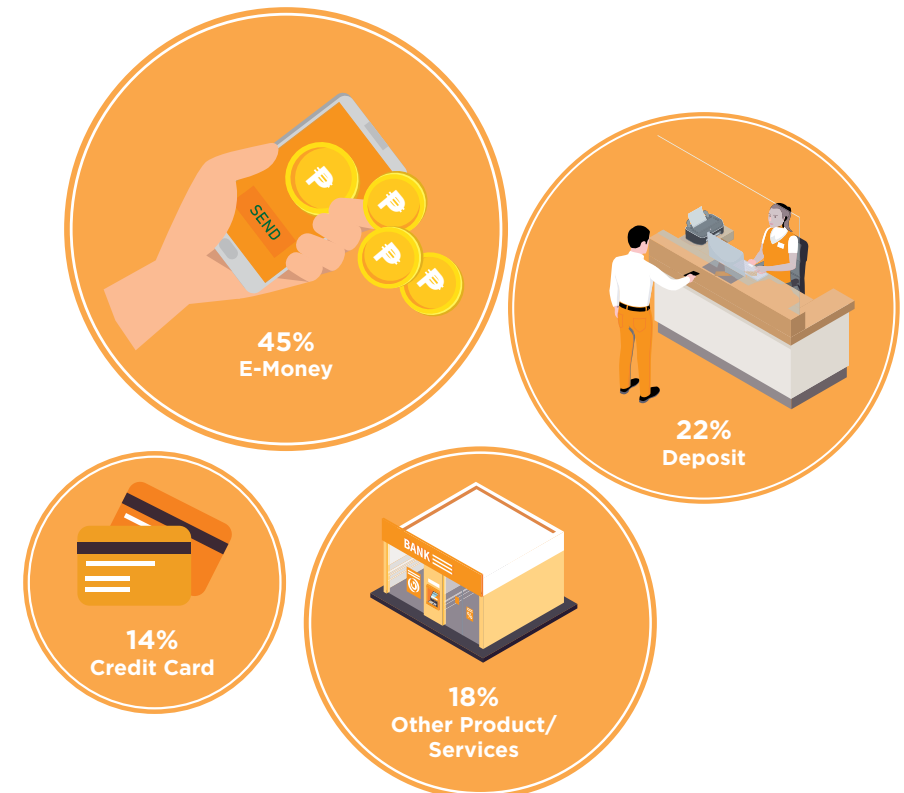
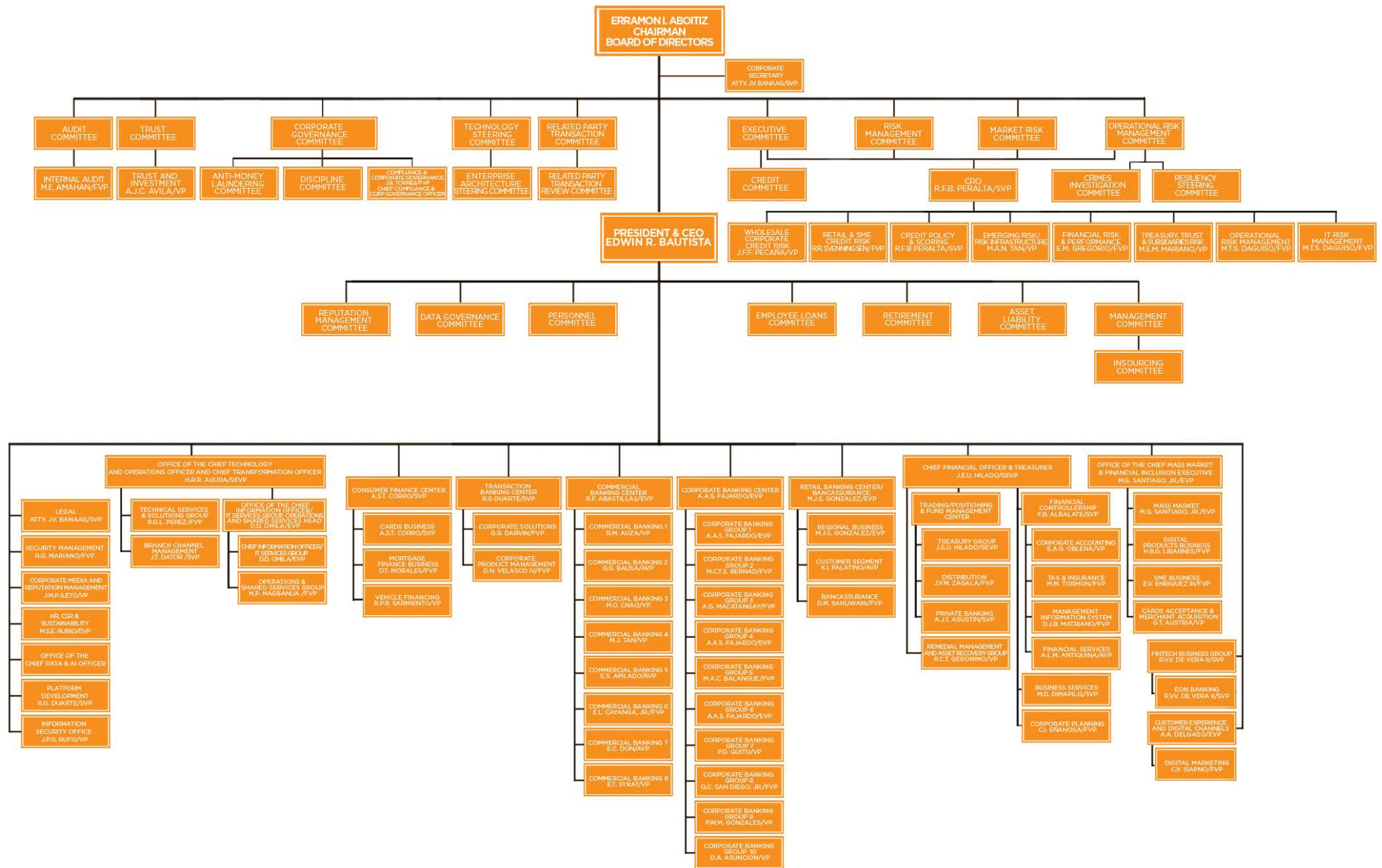


TABLE OF ORGANIZATION

AS OF MARCH 2021



PRODUCTS AND SERVICES



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 Php50,000.00 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
- **Sponsorship Arrangements** – Sponsoring Electronic Money Issuers (EMI) with a guaranteed limit so they can be a direct participant in InstaPay and PESONet sending and receiving fund transfers.

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
- **PCHC PayGate** – a payment facility that utilizes the PESONet account-to-account fund transfer. It allows payment interoperability and facilitates acceptance of payments from customers' other local bank account accredited for PCHC Payment Gateway.
- **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.
- **Mobile Check Deposit** allows businesses to submit their check images online for deposit using The Portal mobile app.
- **Remote Check Deposit** allows businesses to submit their check images online and in bulk for deposit using The Portal website

- **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.
- **ePayroll** – Clients may avail of this product, a payroll computation service bundled with the Payroll Suite. UnionBank refers the client to an accredited ePayroll service provider. The service provider manages the client's payroll computation requirements, inclusive of functionalities such as timekeeping HRIS management (depending on service provider's capabilities).

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 (i.e. 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 Fund** – Payment for monthly contributions, short-term/multi-purpose loans, and calamity loans are accepted via bulk upload in an online portal.
- **Bureau of Customs (BOC)** – Customs duties and taxes may be paid online.

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.
- **Suy Sing Super Grocer Card** – a Visa rewards card granted to Suy Sing grocers from purchasing Suy Sing grocery items wherein points can be used in any Suy Sing establishments, POS, and online.

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.

PRODUCTS AND SERVICES

UNIONBANK ONLINE

This is more than just another banking app, it puts your bank in the palm of your hand. You can bank securely whenever you want to, from wherever you want. Get started by opening an account in-app, no need to go to a UnionBank branch. Easily manage your accounts, your cards, transfer funds, pay your bills and more -- with just the tap of your finger.

OPEN AN ACCOUNT

- First Philippine bank that enables customers to open accounts completely through the app.
- No need to visit the branch.
- Choose between Personal Savings Account, PlayEveryday, Savings+, Lazada or GetGo.
- Get a Visa debit card delivered to your home/office.
- Immediately get a Lazada Virtual Debit card for online shopping.

DEPOSIT CHECKS 24X7

- UnionBank checks clears after two hours – even during weekends and holidays.
- Other bank's checks, follow industry cut-off and clearing hours.

SECURELY MANAGE YOUR ACCOUNTS

- View all your accounts and credit card balances in one place.
- Real-time monitoring of your savings, checking or debit/ATM card activities.
- View your credit card spend, points and statements.
- Lock/unlock, set limits and transactions controls on your Visa credit cards.
- Keep tabs on your loan repayments.
- Secured access enabled by OTP and biometrics.
- Self-service password reset and profile unblocking.
- Track your rank, view your points and access the leaderboards with PlayEveryday.
- Create Goals and start saving up for that investment, emergency fund, or whichever you aspire to achieve.

EASILY TRANSFER FUNDS AND PAY BILLS

- Transfer funds to anyone, to any bank, any time, without any enrollment or going to the branch.
- Real-time crediting for transfers between your accounts or other UnionBank accounts
- Transfer to anyone for free with PESONet. Same or next business day crediting.
- Transfer up to Php50,000.00 to anyone with InstaPay. Real-time crediting for only Php10.
- Transfer your US Dollars to other local banks for only USD1! Made possible through PDDTS.
- Pay your utility, phone, rent, school, and more. No need to enroll billers for payment.
- Save accounts you frequently transfer to and bills you regularly pay.
- Schedule recurring transfers and bills payments. No need to worry about due dates.
- Send money to our partner Remittance Centers – Palawan Express, Cebuana Lhuillier, LBC & PeraHub.

REQUEST FOR PAYMENTS OR SPLIT BILLS

- Send payment requests to another UnionBank Online user with just their mobile number. No more sharing of account numbers.
- Split bills with your friends on UnionBank Online. No more worksheets to compute who owes who and how much.
- Generate your own QR code and have your friends scan the QR to pay.

SCHEDULE BRANCH VISIT

- Get ahead of the queue by scheduling your branch visit in the app.
- Transact without any forms or signatures. Put all your transaction info on your scheduled visit
- Find the closest branch or ATM with the built-in locator.

OTHER FEATURES

- Activate your new credit card.
- Redeem your Credit Card points.
- Check for promos and discounts in our Voucher Wallet
- Do USD/Php conversion and view real-time FX rates.

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.

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 Php10 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 Php1 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

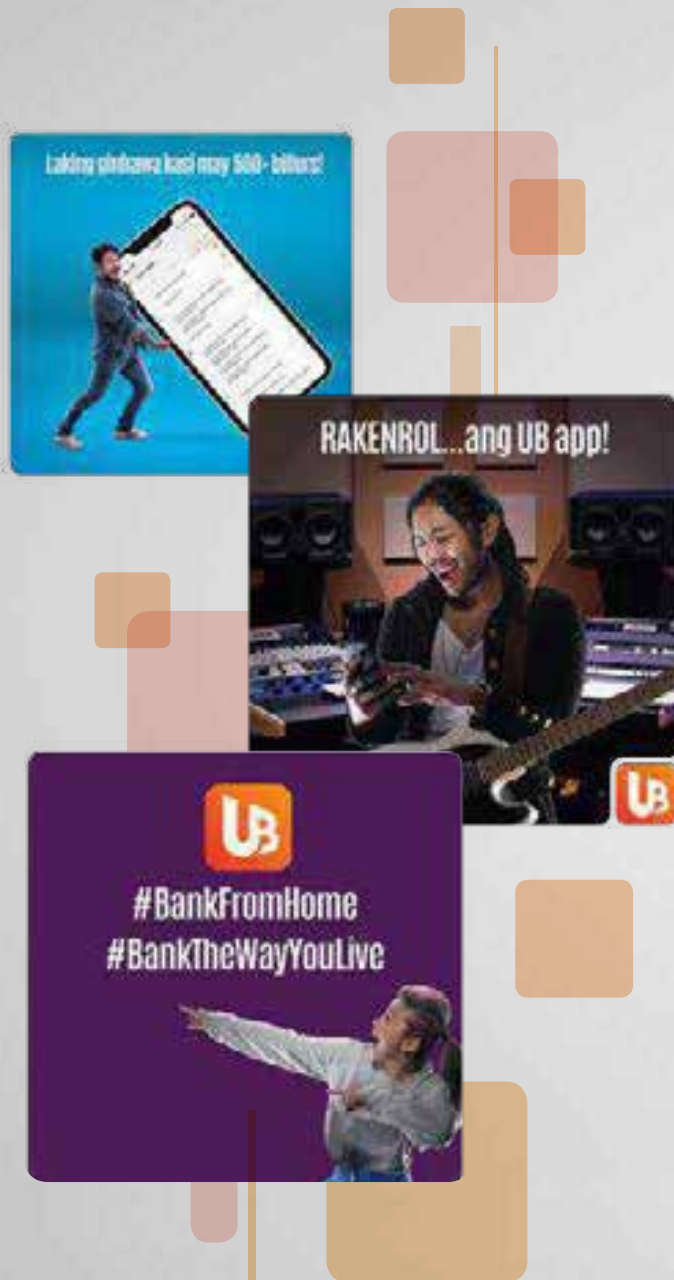
DEALERS BUSINESSLINE – A revolving credit line for payment of inventory purchase designed for dealers and distributors via Financial Supply Chain platform. With flexible payment terms, assured payment of goods with real time credits. Collateral-free based on the average volume of the dealer.

SUPPLIER BUSINESSLINE – A collateral-free working capital line for suppliers and contractors with checkbook and online access. Collateral-free line for up to Php10 million

BUSINESSLOAN – An online Loan Marketplace in SeekCap where business owners and SMEs may browse short-term business loan products and apply digitally.



PRODUCTS AND SERVICES



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
- Lazada Mastercard

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

UNIONBANK LAZADA CREDIT MASTERCARD

Shop more and earn more! Make that 6X more! Earn 6 Lazada Credits for every Php200 spent when you shop at Lazada using your UnionBank Lazada Credit Card. Enjoy additional discounts on mega sales and monthly shipping vouchers.

UNIONBANK LAZADA DEBIT MASTERCARD

Earn 2X more Lazada Credits when you shop at Lazada using your UnionBank Lazada Debit Mastercard. Start shopping and earning points immediately, when you can open an account with no bank visits, initial deposits, or minimum maintaining balance required through UnionBank Online!

DEBIT CARDS

CEB GETGO DEBIT CARD

EON CYBER CARD

EPAYCARD

E-WALLET CARD

LAZADA DEBIT CARD

PLATINUM DEBIT CARD

PLAYEVERYDAY DEBIT CARD

SUY SING SUPER GROCER CARD

USD DEBIT CARD

VISA PRE-PAID CARDS

CLUB BALAI ISABEL

DI BA AGENTS CARD

EON PRE-PAID CARD

EON CO-BRANDED CARDS

- Pera hub
- Salarium
- QuadX
- PSSLAI

GETGO PRE-PAID

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 Php100,000.00 and a deposit insurance of up to Php500,000.00 per depositor subject to 20% final withholding tax. A Php500,000.00 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 Php50,000.00 initial deposit and ADB requirement that allows 0.10 % p.a. interest for at least Php100,000.00. This account comes with a maximum of Php500,000.00 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. A Php50,000.00 initial deposit and minimum ADB requirement with a tiered interest rate of 0.10% p.a. interest for deposits with at least Php100,000.00 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. A Php50,000.00 initial deposit and minimum ADB requirement with a 0.10% p.a. interest for deposits with at least Php100,000.00 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 0.05% interest p.a. for an ADB of at least USD 2,000.00, subject to 15% final withholding tax.

PRODUCTS AND SERVICES

DOLLAR ACCESS ACCOUNT – With initial deposit and minimum deposit requirement of USD10,000.00 and required ADB of USD 25,000.00 to earn 0.05 % interest, this account provides online banking access, comes with a Dollar Debit Card, and has a maximum deposit insurance of Php500,000.00 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- sales (POS) purchases with any VISA-accredited shop. It has no maintaining balance requirement and comes with an Annual Fee of Php350.00 and is insured up to maximum deposit of Php500,000.00 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 Php500,000.00 per depositor and is subject to a 20% final withholding tax and may include fees for ATM and OTC withdrawals. Php100,000.00 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 Php500,000.00 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 Php10,000.00 ADB to earn 0.10 % interest p.a. and a deposit insurance coverage of up to Php500,000.00 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 Php500,000.00 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 Php100,000.00.

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 & OTC transactions with a maximum deposit insurance of Php500,000.00 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 Php100,000.00.

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 Php500,000.00 per depositor with no initial deposit required.

LTNCD (LONG-TERM NEGOTIABLE CERTIFICATE OF TIME DEPOSIT) – Minimum investment of Php250,000.00 in increments of Php50,000.00 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.

FIRST SAVINGS – A savings account designed for minors up to 17 years old. Initial deposit required is Php500.00, while the required average daily balance is Php5,000.00. To earn interest, customers must maintain at least Php10,000.00 in the account. Insured up to a maximum deposit of Php500,000.00 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. Balance to earn interest is Php10,000.00, with an interest rate of 0.10% p.a. Insured up to a maximum deposit of Php500,000.00 per depositor and subject to 20% final withholding tax.

PESO HI-FIVE – Minimum of Php50,000.00 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 Php50,000.00 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 Php1.50 for every Php200.00 and every fraction thereof.

PESO TIME DEPOSIT – Minimum placement of Php50,000.00 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 Php1.50 for every Php200.00 and every fraction thereof multiplied by number of days for documentary stamp tax. Maximum deposit insurance of Php500,000.00 per depositor. Peso time deposit for tenors between 7-29 days is also available for a minimum placement amount.

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 Php10,000.00 ADB. It includes a deposit insurance coverage of up to Php500,000.00 per depositor, subject to 20% final withholding tax.

POWER CHECKING ACCOUNT – With initial deposit and minimum ADB requirement of Php100,000.00 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. Account has a maximum Php500,000.00 deposit insurance coverage per depositor with a 20% final withholding tax.

PREMIUM DEPOSIT ACCOUNT – Initial deposit of Php500,000 and ADB requirement of Php3 Million to earn tiered interest of up to 0.40% p.a., this account enables customers to manage their daily check disbursements while earning interest from their funds. Maximum of Php500,000 deposit insurance coverage per depositor with a 20% final withholding tax.

REGULAR CHECKING ACCOUNT – With an initial deposit and minimum ADB requirement of Php10,000.00, our flagship checking account simplifies and facilitates daily disbursement needs. This deposit product is covered up to Php500,000.00 per depositor, and is not subject to withholding tax.

REGULAR SAVINGS ACCOUNT – With an initial deposit and minimum ADB requirement of Php10,000.00. This can be opened in any UnionBank branch. Balance to earn 0.10% interest p.a. is Php25,000.00. Insured up to a maximum deposit of Php500,000.00 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 Php3 Million. Required average daily balance is Php25,000.00, balance to earn interest is Php100,000.00. 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 Php500,000.00 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 Php500,000.00 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 Php100,000.00.

SSS PENSIONER ACCOUNT – Account designed to accept pension credits for SSS pensioners with no initial deposit and a Php100.00 minimum ADB requirement. To earn 0.10% interest, an ADB of Php100,000.00 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 Php500,000.00 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 Php500,000.00 per depositor.

USD OPTIMIZER – Minimum placement of USD10,000.00 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 Php500,000.00 per depositor.

US DOLLAR SAVINGS ACCOUNT – With an initial deposit of USD 500.00 and minimum ADB of USD1,000.00 to earn 0.05% interest p.a., this account comes with a maximum of Php500,000.00 insurance per depositor subject to 15% final withholding tax.

USD TIME DEPOSIT – Minimum placement of USD1,000.00 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 0.05% p.a. Interest income is subject to 15% final withholding tax. This account comes with a maximum deposit insurance of Php500,000.00 per depositor.



PRODUCTS AND SERVICES



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.

INVESTMENT AND TRADING PLATFORMS

BONDS.PH – A fully digital bond distribution platform that allows clients to create an account, cash in from any bank, debit card or electronic wallets like GCash or PayMaya. Bonds.PH allows clients to invest in various bonds issued by the Bureau of the Treasury or BTr during the public offer period, without the need for a

bank account. The Bonds.PH mobile app is available 24/7, and allows investors residing abroad to participate in a featured BTr issuance. As allowed by the terms and conditions of certain issuances, clients can also sell their investments purchased from Bonds.PH.

U.FX – A web-based foreign exchange (FX) dealing platform with live executable rates for the branches and mobile app. The platform allows for straight through processing of FX transactions with competitive and live rates not only for US Dollar to Philippines Peso, but also for most major currencies. The U.FX on the mobile application allows our clients to transact their FX needs anytime, anywhere.

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: PHP & USD Short-Term Fixed Income Funds, PHP & USD Fixed Income Funds, PHP Tax-Exempt Fund (for qualified tax-exempt investors), PHP Balanced Fund, PHP Equity Fund, PSE Index Tracker Fund, PHP & USD Capital Accumulation Global Fund of Funds.

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

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

PRODUCTS AND SERVICES

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

UBX

The fintech venture studio and fund of UnionBank builds platforms that create opportunities and access for key communities such as the ecosystems of financial institutions and MSMEs. Our goal is to make financial services invisible by embedding them into the activities and experiences that matter for individuals and businesses; these experiences being facilitated more and more by digital platforms.

BUX - An end-to-end payment platform catering to businesses of all sizes, from individual and casual sellers to sole proprietors and large organizations. Bux accepts all forms of payment whether it be over the counter, credit and debit card payments, e-wallet, online banking, and pay later options.

SEEKCAP - SeekCap is the Philippines' first same-day approval lending marketplace for Filipino entrepreneurs. It allows businesses to get access to financing through an end-to-end digital experience. Online platforms can also easily plug into the platform to offer loans to their customers and provide a seamless, embedded experience. This was developed in partnership with

OneConnect Financial Technology Co. Ltd., a leading technology-as-a-service platform for financial institutions.

I2I - i2i connects financial institutions of all sizes and community-based non-banking financial service providers to each other and the national retail payment system. Digital services provisioned through the platform help digitally transform these financial service providers. A full suite of ready-to-use tools are available - from core banking, agency banking, mobile ATM, alternative credit scoring, money transfers, bills payments, and more.

QLABS - Qlabs provides capabilities to help customers of the UnionBank group digitally transform their businesses. Qlabs delivers secure and reliable systems powered by modern technologies through software development services and dedicated teams to support our clients' digital transformation including:

- UX Design
- Mobile and web development
- Blockchain, Cryptocurrencies and Asset Tokenization
- Payments, commerce and mobile banking
- Artificial intelligence and machine learning for credit scoring, fraud and predictive analysis
- API Gateways including Open Banking

SENTRO - Sentro is a Retail Operating System complete with everything an SME needs to jumpstart, run and grow their business.

Sentro includes an end-to-end ecommerce platform that comes built-in with an easy-to-use online store builder, inventory management system, and pre-integrated payments and logistics. All Sentro merchants also have access to an embedded services marketplace that offers apps from third-party vendors such as Microsoft and Taxumo. These apps are specially curated to the needs of today's SMEs.

As the platform continues to grow, new features such as the ability to link your social media commerce channels with Sentro and a product marketplace showcasing all items for sale by the thousands of Sentro merchants will be launched in 2021.

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. Powering this marketplace is a platform for asset tokenization which can be extended to support other asset classes in the future.

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.

DIGITAL BANKING SERVICES

UNIONBANK ONLINE (MOBILE AND WEB)

THE PORTAL (MOBILE AND WEB)

EON BANK PH (MOBILE AND WEB)

UNIONBANK SME BANKING (MOBILE AND WEB)

GETGO PAY (MOBILE)

POW PH (MOBILE)

PAYMENT GATEWAY (MOBILE AND WEB)

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 (UNIONBANK INVESTMENTS CORP.)

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**



BRICK AND MORTAR

METRO MANILA / GREATER MANILA AREA

MAKATI CITY

ANTEL RESIDENCES
G/F Antel Spa Suites
7829 Makati Avenue
Poblacion, Makati City
(02) 8846-9190
(02) 7907-6756 DUO
(02) 7623-8190 DUO
(0917) 827-6545
(0917) 863-9637

AYALA AVENUE
G/F Don Vicente
Madrigal Bldg.
6793 Ayala Ave.
Makati City
(02) 7971-0052 (DUO)
(02) 79710-076 (DUO)
(0917) 863-9893
(0917) 811-7577

AYALA-RUFINO
Rufino Bldg.
Ayala Avenue
corner V. Rufino St.
Makati City
(02) 7968-8763 (DUO)
(0917) 863-8816

AYALA-SSS
SSS (Makati) Building
Ayala Avenue corner
V. Rufino St., Makati City
(0917) 863-8840
(0917) 863-8878
(02) 8813-5992
(0917) 827-0296

DELA ROSA
G/F Insular Health Care Bldg.
167 Dela Rosa cor.
Legaspi Streets
Legaspi Village
Makati City
(02) 7968-8573 (DUO)
(02) 7989 8260 (DUO)
(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 Bldg.
H.V. Dela Costa St.
Salcedo Vill., Makati City
(02) 7585-0977 (DUO)
(0917) 827-0380

INSULAR AYALA PASEO (The ARK)
G/F Insular Life Building
Ayala Avenue corner
Paseo de Roxas
Makati City
(02) 7971-0052 (DUO)
(02) 7971-0076 (DUO)
(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 Ave.
corner Durban St.
Poblacion, Makati City
(02) 7585-1043
(02) 7971-0316
(02) 8899-1544 FAX
(0917) 864-1561
(0917) 827-0371

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 Bldg.
912 Pasay Road
San Lorenzo Village
Makati City
(02) 7968-6080
(02) 8813-5430
(02) 8752-7121
(02) 7624-1163 (DUO)
(0917) 864-0163

PASEO DE ROXAS
G/F 111 Paseo de Roxas Bldg.
Paseo de Roxas cor.
Legaspi St., Legaspi Village,
Makati City
(02) 8403-0703
(02) 7796-9057 (DUO)
(02) 7577-7465 (DUO)
(0917) 146-2813
(0917) 863-9823

PASONG TAMO-JTKC
G/F JTKC Centre Building
2155 Pasong Tamo St.
Makati City
(02) 8840-4783
(02) 7585-1044
(0917) 827-0373
(0917) 864-1258

PASONG TAMO EXTENSION
G/F BCS Building
Don Chino Rocas Ave.
Pasong Tamo Extension
Makati City
(02) 8892-0990
(02) 7971-0221
(0917) 827-0365
(0917) 864-1065

PEREA
G/F Greenbelt Mansion
Perea St., Legaspi Village
Makati City
(02) 7219-1203 (DUO)
(02) 7618-5983 (DUO)
(0917) 846-3785
(0917) 863-9821

RADA
Prince Building, 117 Rada St.
Legaspi Village, Makati City
(02) 7623-1487 (DUO)
(0917) 863-9895

SALCEDO
Golden Rock Building
168 Salcedo St.
Legaspi Village
Makati City
(02) 8818-8075
(0917) 803-8622
(0917) 827-0364

SAN AGUSTIN DELA COSTA
Liberty Plaza
102 HV dela Costa cor.
San Agustin St.
Salcedo Village Bel Air
Makati City

VALERO
Le Grand Condominium
130 Valero St.
Salcedo Village
Makati City
(02) 8819-5426
(02) 7585-1033 (DUO)
(0917) 864-0269

VITO CRUZ
Kingswood Arcade
Vito Cruz corner
Pasong Tamo Sts.
Makati City
(02) 8899-2772
(02) 7585-0980 (DUO)
(0917) 827-0391

CITY OF MANILA

CITYPLACE SQUARE
3/F Lucky Chinatown-
Cityplace Square
Calle Felipe cor.
La Chambre St.
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 corner
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 Bldg.
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 Bldg.
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 St.
Malate, Manila
(02) 8525-2741
(02) 7971-0099
(0917) 822-6342

MASANGKAY
911-913 G. Masangkay St.
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
corner Mayhaligue St.
Sta. Cruz, Manila
(02) 7586-3514
(02) 8252-5457
(0917) 843-5875
(0917) 863-8209

PANDACAN
1763 Paz M. Guazon St.
Paco, Manila
(02) 7971-0082
(02) 8564-0537
(0917) 827-0355
(02) 7585-9845

STO. CRISTO
LG01 and LG02
Burke Plaza
Sto. Cristo St.
Binondo, Manila
(02) 2844-4284
(02) 7623-9579
(02) 7587-2980
(0917) 827-0890
(0917) 863-8235

TAFT AVENUE
2526 G/F Kassel
Condominium
Taft Ave. near cor.
P. Ocampo St.
Vito Cruz St.
Malate, Manila
(02) 7971-0110
(0917) 827-0358
(0917) 864-0432

T. ALONZO

625 T. Alonzo Street
Sta. Cruz, Manila
(02) 8736-9858
(02) 7587-6251
(0917) 836-7203

UNITED NATIONS AVENUE

UN Avenue cor.
M.H. del Pilar and
M. Guerrero Sts.
Ermita, Manila
(02) 7585-9864
(02) 7971-0114
(0917) 864-0477
(0917) 827-0266

VERTEX ONE - SAN LAZARO

G/F Space 12 & 13
Vertex One Bldg
San Lazaro, Manila
(back of SM San Lazaro)
(02) 8559-9792
(0917) 827-0157

YUCHENGCO

G/F Escolta Parking Bldg.,
Escolta cor. Yuchengco Sts.,
Binondo, Manila
(0917) 827-0892
(0917) 863-8226
(02) 7586-7094
(02) 7623-9584

CALOOCAN CITY**EDSA CALOOCAN**

512 EDSA corner
Urbano Plata St.
Caloocan City
(0917) 827-0395
(0917) 864-1574
(0917) 860-5499
(0917) 803-8421

CALOOCAN

357 Rizal Ave. 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
corner Crispina Avenue
Pamplona, Las Piñas City
(02) 7971-0251
(02) 7971-0244
(02) 7585-0838
(02) 7971-0263
(0917) 864-1404
(0917) 864-1191
(0917) 864-1431
(0917) 864-1446

MALABON**MALABON**

31 Rivera Street cor.
Gov. Pascual Ave.
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 corner
Ligaya St., Mandaluyong City
(02) 8968-4727
(02) 7533-1054
(0917) 827-0987
(0917) 863-8517

EDSA-PIONEER

Level 1, Robinson's
Cybergate Plaza
EDSA cor. Pioneer St.
Mandaluyong City
(02) 8586-5348
(02) 7477-4163
(0917) 863-8565
(0917) 827-1097

LIBERTAD-MANDALUYONG

Unit A2 Cluster El Dorado
California Garden Square
Libertad St.
Mandaluyong City
(02) 7470-2743
(0917) 827-0765

SHAW MANDALUYONG

PICPA Bldg., 700 Shaw Blvd.
Mandaluyong City
(02) 7968-8747
(02) 8724-2561
(0917) 863-8792
(0917) 827-0994

ST. FRANCIS**SHANGRI-LA PLACE**

Tower 1 G/F
Retail Internal Road cor.
St. Francis St.
Brgy. Wack-Wack
Mandaluyong City
(0917) 808-7914
(0917) 827-0156
(02) 8584-3633 FAX

WACK-WACK

6 Shaw Boulevard cor.
Laurel St.
Mandaluyong City
(02) 8725-2919
(02) 7906-9860
(0917) 863-8748
(0917) 827-1096

MARIKINA CITY**MARIKINA**

WRC 2 Bldg.
No. 47 Gil Fernando Ave.
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

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

UGF 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 St.
Navotas, Metro Manila
(02) 8282-7502
(02) 8282-7504
(02) 7586-8269
(02) 7971-0245
(0917) 874-1180
(0917) 864-1165
(0917) 860-8556
(0917) 840-7266

PARAÑAQUE CITY**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

DR. A. SANTOS

G/F MTF Building
Dr. A. Santos Avenue cor.
Kabesang Segundo St.
San Isidro
Parañaque City
(02) 8836-3730
(02) 7506-6716
(0917) 822-7644
(0917) 827-0899

PASCOR DRIVE

G/F Sky Freight Center
Ninoy Aquino Ave. cor.
Pascor Drive
Parañaque City
(02) 8855-7748
(02) 7585-1001
(0917) 802-8580
(0917) 827-0544

MEDICAL CENTER PARANAQUE

G/F MCP Bldg.
Dr. Arcadio Santos Ave.
Sucat, Paranaque City
(02) 7586-7637
(0917) 863-8216
(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**DOUBLE DRAGON MERIDIAN**

G/F West Tower Double
Dragon Meridian Park
Macapagal Avenue cor.
EDSA Ext. Pasay City
(02) 8834-0494
(0917) 605-2095

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

MACAPAGAL

G/F Y Tower
Macapagal Avenue
Mall of Asia (MOA)
Complex Pasay City
(0917) 833-4019

NEWPORT CITY

G/F Star Cruises Building
Newport City
Andrews Ave., Pasay City
(02) 8556-8955
(0917) 864-0349
(0917) 827-1143

PASAY CITY

2528 ERL Building
Taft Avenue, Pasay City
(02) 8833-2959
(0917) 864-0387

BRICK AND MORTAR

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 Bldg. Emerald Ave.
Ortigas Center, Pasig City
(02) 8633-7604
(0917) 827-0552

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 Bldg.
J. Vargas Ave. cor.
Garnet Road
Ortigas Center
Pasig City
(02) 8633-5595
(0917) 864-0891
(0917) 827-6165

MEDICAL CITY

B1 The Medical Arts Tower Bldg.
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 Ave.
Ortigas Center
Pasig City
(0917) 864-0876
(0917) 827-0461
(02) 8584-8396

SHAW BOULEVARD

131-133 Shaw Boulevard
Pasig City
(02) 8623-2126
(02) 8632-9813 FAX
(0917) 864-0890
(0917) 827-0558

SHAW-PASIG

Chipeco Bldg.
Shaw Boulevard cor.
Meralco Ave., 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) 831-0034
(0917) 863-8685
(0917) 827-0996

UNIONBANK PLAZA

UnionBank Plaza Bldg.
Meralco Avenue cor.
Onyx Road, Pasig City
(02) 8634-7907
(0917) 864-0878
(0917) 827-0559

QUEZON CITY

ACROPOLIS

171 Bridgeview Bldg.
E. Rodriguez Jr. Avenue
Bagumbayan
Quezon City
(02) 7585-1007
(02) 7968-8858
(02) 3438-9332
(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

AURORA -

BALETE DRIVE
G/F Marsk Bldg.
Aurora Blvd. cor.
Balete Drive, Quezon City
(02) 7968-7169
(02) 8722-6327
(0917) 827-0238
(0917) 863-8608

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 Bldg.
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. Ave.
Bagumbayan
Quezon City
(02) 8638-1689
(02) 7968-8407
(0917) 827-0553
(0917) 863-8830

COMMONWEALTH AVENUE

12-13, Upper G/F
Diliman Commercial Center
Commonwealth Ave.
Diliman, Quezon City
(02) 7623-2616
(02) 8931-9691
(0917) 827-0446
(0917) 812-7274

COMMONWEALTH-LUZON AVENUE

UGF Kayumanggi Center Bldg.
Commonwealth cor.
Luzon Avenues
Brgy. Matandang Balara
Quezon City
(02) 7971-0002
(02) 8936-3621
(0917) 822-9949

CUBAO

P. Tuazon St. cor.
7th Ave. 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 St.
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, LGRI-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 Bldg.
95 E. Rodriguez Sr. Ave.
Quezon City
(02) 8712-1331
(02) 7957-0117
(0917) 844-5314
(0917) 827-0983

GMA-TIMOG

Unit 101 Cabrera Bldg. 1
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 Bldg.
Katipunan Ave.
Loyola Heights
Quezon City
(02) 7971-0306
(02) 8926-1768 FAX
(0917) 827-0997
(0917) 864-1533

MAYON

G/F ACI Bldg.
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 corner
Roosevelt Ave.
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
corner 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 St. 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 St.
Quezon City
(02) 8928-5801
(02) 7216-2774
(0917) 827-0498
(0917) 804-9615

**VISAYAS-
CONGRESSIONAL**

G/F WMG Building
47 Visayas Ave.
Brgy. Culiati
Quezon City
(02) 7504-4107
(0917) 827-0975
(0917) 805-2916
(0917) 860-4683

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 Ave. 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 Sts.
Greenhills, San Juan City
(02) 7968-3940
(02) 8944-6282
(0917) 863-8483
(0917) 827-0547

CARDINAL SANTOS

GF Cardinal Santos
Medical Center
10 Wilson St.
Greenhills West
San Juan City
(02) 7968-5672
(02) 8234-0718 TEL/FAX
(0917) 827-3092
(0917) 863-8550

GREENHILLS

Ortigas Avenue near
corner Wilson St.
Greenhills
San Juan City
(02) 8726-1395
(0917) 863-8574
(0917) 827-0992

TAGUIG**2ND AVENUE - BGC**

G/F Blue Sapphire Bldg.
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 Bldg.
3rd Avenue corner
28th Street
Bonifacio Global City
Taguig City
(02) 8810-1577
(02) 7617-0584
(0917) 818-2493
(0917) 863-8437

**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

BGC-7TH AVENUE

G/F Twenty-Four Seven
McKinley Bldg.
Corner 7th Avenue
24th Street
McKinley Parkway
Bonifacio Global City
Taguig City
(02) 8573-7281
(0917) 863-8494

BGC 32ND STREET

G/F Trade and Financial Tower
32nd Street corner
7th Avenue
Bonifacio Global City
Taguig City
(02) 8478-5876
(02) 8843-2547
(0917) 863-8342

BGC- 34TH STREET

G/F Shop 2
Panorama Building
34th St. corner Lane A
Bonifacio Global City
Taguig City
(02) 8833-2116
(02) 7622-7627
(0917) 863-8366
(0917) 827-9070

BGC 38TH STREET

G/F Orion Building
11th Avenue cor. 38th St.
Bonifacio Global City
Taguig City
(02) 8815-0187
(02) 7624-4893
(02) 7906-7840
(0917) 863-8385
(0917) 863-8418
(0917) 838-0421

BGC-MCKINLEY ROAD

G/F Unit 1
Fairways Towers
5th Avenue
Bonifacio Global City
Taguig City
(02) 8833-8145
(0917) 863-8576
(0917) 827-9072

**BGC THE LUXE
RESIDENCES**

G/F Shop 3
The Luxe Residences
28th Street cor. 4th Ave.
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-UPDOWN
PLACE MALL**

Unit B106 Lower G/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 Ave.
Fort Bonifacio
Taguig City
(02) 8808-2042
(0917) 863-8499
(0917) 827-2918

MCKINLEY HILL

Units 1A& 1B
Two World Square
Upper McKinley Road
McKinleyHill 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 Bldg.
Lawton Avenue
Bonifacio South
Taguig City
(02) 8824-8027
(02) 7587-2145
(0917) 863-8612
(0917) 820-6845

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 Ave.
Marulas, Valenzuela City
(02) 7585-0997
(02) 7971-0217
(02) 7622-0849
(0917) 832-7534
(0917) 864-1242
(09170 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) 863-9691

BAGUIO

Units PF-7 &
PF-7A Plaza Floor
Cedar Bldg.
Gen. Luna cor. Mabini Sts.
Brgy. Kabayanihan
Baguio City
(074) 443-5658
(0917) 863-9684

BALIWAG

G/F Units 3&4, 3006 St.
Augustine Square
#17 Pinagbarilan St.
Doña Remedios
Trinidad Highway
Baliwag, Bulacan
(044) 766-2442
(0917) 863-9692

CABANATUAN

P. Burgos St.
Barangay Padre Burgos
Cabanatuan City
(044) 463-0490
(0917) 863-9695

CLARK

M. Roxas Highway
Philexcel Business Park
Clark Freeport Zone
Pampanga
(045) 499-5141
(0917) 809-3519

CAUAYAN, ISABELA

G/F Isabela Trade
Center Bldg.
National Highway
Cauayan City, Isabela
(0917) 863-9707

DAGUPAN

G/F Insular Life Building
Arellano St.
Barangay Pantan
Dagupan City, Pangasinan
(0917) 863-9715
(075) 523-5575

BRICK AND MORTAR

LAOAG-SAN NICOLAS

G/F 365 Plaza Building,
National Highway Brgy. 1
San Nicolas Ilocos Norte
(077) 770-3771
(0917) 863-9703

MEYCAUAYAN

G/F Marian Bldg.
MacArthur Highway
Calvario, Meycauyan
Bulacan
(0917) 816-2712
(0917) 825-0179
(0917) 860-6292
(0917) 832-7093
(0917) 815-0071

OLONGAPO

87 Magsaysay Drive
Olongapo City
(047) 602-2618
(0917) 863-9710

PAMPANGA

G/F Mel-Vi Bldg.
Olongapo Gapan Road
Dolores, San Fernando
Pampanga City
(0917) 863-9740

SAN FERNANDO, LA UNION

G/F, Nisce Business
Center, Quezon Ave.
Brgy. Catbangan
San Fernando
La Union
(072) 8607-0612
(0917) 827-9722

SAN FERNANDO

PAMPANGA

3M Bldg.
MacArthur Highway
San Agustin
San Fernando, Pampanga
(0917) 863-9742

SANTIAGO

Maharlika Highway
Santiago City, Isabela
(0917) 864-7884

SUBIC

19B Manila Ave. cor.
Canal Street, Subic Bay
Freeport Zone
(047) 252-9326
(0917) 864-0749

TARLAC

Jaral Bldg.
MacArthur Highway
Corner Juan Luna St.
Tarlac City
(045) 8982-6490
(0917) 864-1348
(0917) 864-1496

TUGUEGARAO

Bagay Road corner
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

SOUTHERN LUZON

BACOR

Addio Bldg.
Aguinaldo Highway
Talaba, Bacoor, Cavite
(046) 512-9432
(046) 417-1705
(0917) 864-0948

BATANGAS CITY

G/F, University of
Batangas Bldg.
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 Andenson Bldg.
Bgy. Parian
Calamba, Laguna
(049) 545-6673
(049) 250-5264
(049) 250-5270
(0917) 864-1410
(0917) 864-0836

CALAMBA-REAL

Marcelita Building
National Highway
Barangay Real
Calamba, Laguna
(049) 250-7895
(049) 545-2614
(0917) 864-0962

DASMARIÑAS-CAVITE

Gov. D. Mangubat Ave.
Congressional Road
Aguinaldo Highway
Dasmariñas, Cavite
(046) 521-7962
(046) 432-1718
(0917) 840-8102

IMUS-CAVITE

G/F Melta Bldg. cor.
Sampaguita Village
Aguinaldo Highway
Imus, Cavite
(046) 513-2155
(046) 970-6975
(0917) 864-0973

LEGASPI

G/F, Unit 1, SMC Bldg.
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 St.
Lucena City
(042) 323-7946
(042) 710-6538
(0917) 864-0985

NAGA

G/F Prime Days
Hotel Bldg.
Panganiban Drive
Naga City
(054) 473-7885
(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 St.
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

METRO CEBU

CEBU A.S. FORTUNA

G/F The Space
A.S. Fortuna corner
P. Remedio St., Banilad
Mandaue City, Cebu
(032) 353-4382
(0917) 864-0539

CEBU-BANILAD

Unit 114 Banilad
Town Center
Gov. M. Cuenco Ave.
Banilad, Cebu City
(032) 416-2883
(0917) 864-0573

CEBU-BORROROME

Door 8 Plaza Borromeo
Borromeo St.
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 Ave. cor.
Biliran Road
Cebu Business Park
Cebu City
(032) 353-4290
(032) 353-4291
(0917) 863-7970

CEBU BUSINESS PARK SUMILON ROAD

G/F Buildcomm Center
Sumilon Road
Cebu Business Park
Cebu City
(0917) 810-8519
(0917) 860-9952
(0917) 711-4271

CEBU-FUENTE

G/F Rajah Park
Place Hotel
Fuente Osmeña Blvd.
Cebu City
(032) 353-4286
(032) 412-5133
(0917) 845-0852

CEBU-I.T. PARK

GF101 TGU Tower
Salinas Drive
Asiatown IT Park
Lahug, Cebu City
(0917) 863-8173
(0917) 863-8196
(032) 236-7897

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
(0917) 863-8411

CEBU-LIPATA

G/F Doors 5-7
Pham Central Building
corner National Highway
corner San Roque Road
Lipata Minglanilla, Cebu
(032) 353-4447
(032) 238-9716
(0917) 864-1255
(0917) 817-4497

CEBU MACTAN NEWTON

G/F Retail 2&3
Plaza Magellan Tower 1
Mactan Newtown
Lapu-Lapu City, Cebu
(032) 342-2091
(0917) 863-8207

CEBU-MANDAUE

Kentredder Bldg.
A. Cortes St.
Mandaue City
(032) 420-6288
(032) 353-4295
(032) 353-4297
(0917) 863-8250

CEBU-MAXILOM

G/F Ong Tiak Bldg.
Gen. Maxilom Ave.
Cebu City
(032) 353-4298
(032) 353-4299
(0917) 863-8315
(0917) 863-8331

CEBU-MINGLANILLA

G/F FCT
Commercial Bldg.
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) 318-2570
(032) 384-1927
(0917) 804-5162

CEBU NORTH ROAD

G/F Khuz'ns Bldg.
North Highway
Estancia, Mandaue City
(032) 420-5802
(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 St.
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) 232-0680
(0917) 853-9210
(0917) 801-6578

VISAYAS**BACOLOD-LACSON**

G/F, Philamlife Bldg.
Lacson cor. Galo Sts.
Bacolod City
(034) 709-6182
(0917) 864-0939

BACOLOD-NORTH MANDALAGAN

Ground Floor Unit 101
CODECO Building
Lacson St. 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. St. cor.
San Juan St., Dumaguete
Negros Oriental
(035) 404-2588
(0917) 864-1244

ILOILO-IZNART

Villanueva Building
Iznart St., Iloilo City
(033) 504-5827
(033) 504-5829
(0917) 864-0791
(0917) 864-0849

ILOILO-GENERAL LUNA

Brgy. Villa Anita Village
Gen. Luna Street
Iloilo City
(033) 504-5833
(033) 504-5834
(0917) 864-0852
(0917) 864-0797

TACLOBAN

G/F Tacloban Plaza Bldg.
Justice Romualdez St.
Tacloban City
(053) 530-8532
(0917) 864-1304
(0917) 827-5962

TAGBILARAN

0041 JS Torralba Street
Brgy. POB II
Tagbilaran City, Bohol
(038) 510-8150
(0917) 864-1340

METRO DAVAO**DAVAO-CABAGUIO**

G/F, Dmirie Bldg.
JB Cabaguio Avenue
Brgy. Paciano
Bangoy, Davao City
(082) 221-4776
(082) 324-3732
(0917) 806-9916

DAVAO-MAGSAYSAY

R. Magsaysay Ave. cor.
E. Jacinto St.
Davao City
(082) 326-1250
(082) 326-1253
(082) 221-6726
(0917) 864-1459
(0917) 864-1457

DAVAO-MONTEVERDE

G/F Mintrade Bldg.
Monteverde Ave. cor.
Sales St., Davao City
(082) 324-6570
(082) 324-9321
(082) 222-3413
(0917) 864-0974
(0917) 864-0970

DAVAO QUIRINO

Quirino Ave. 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**

Ground Floor CAP Bldg.
JC Aquino Ave. cor.
J. Rosales Ave.
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

G/F Suncity Suites
Digos-Makar
National Highway
Brgy. Lagao
General Santos City
(0917) 861-4935
(0917) 833-2886
(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 Bldg.
Mayor Jaldon St. cor. Gov.
Alvarez St.
Zamboanga City
(062) 314-0110
(062) 314-0177
(062) 991-9799
(0917) 864-1445
(0917) 864-1505

MANAGEMENT DIRECTORY

PRESIDENT & CEO

Edwin R. Bautista

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Henry Rhoel R. Aguda

Jose Emmanuel U. Hilado

EXECUTIVE VICE PRESIDENTS

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Dennis D. Omila

Michaela Sophia E. Rubio

Manuel G. Santiago, Jr.

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Joebart T. Dator

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Montano D.M. Dimapilis

Ramon G. Duarte

Concepcion P. Lontoc

Ronaldo Francisco B. Peralta

Ronaldo Jose M. Puno

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Enrique M. Gregorio

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Adrian H. Lim

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Maria Carmen R. Benitez

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Allan Gerard C. Daluz

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Romina R. Dela Torre

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Erika Denise D. Go

Pamela Ann B. Gogna

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Girly G. Magnait

Ma. Eloisa Jovita M. Mariano

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Edgar Allan G. Oblena

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Henry C. Perez

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Jhoel P. Raquedan

Patrick John D. Resurreccion

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Jose Paulo R. Soliman

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Erika T. Sykat

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Marnita J. Tan

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Leo Miguelito D. Villacruz

Alma Regina M. Villostas

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Daisy L. Alvior
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Rogelio C. Bagsic, Jr.
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Roel C. Brion
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Emmanuel C. Don

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Kristerjohn I. Palatino
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Marlon Roy S. Pelayo
Pamela Geraldine P. Pepito
Lennie P. Perez
Marcy Leonora V. Pilar
Colleen Faye M. Puspup
Jennifer Q. Rayala

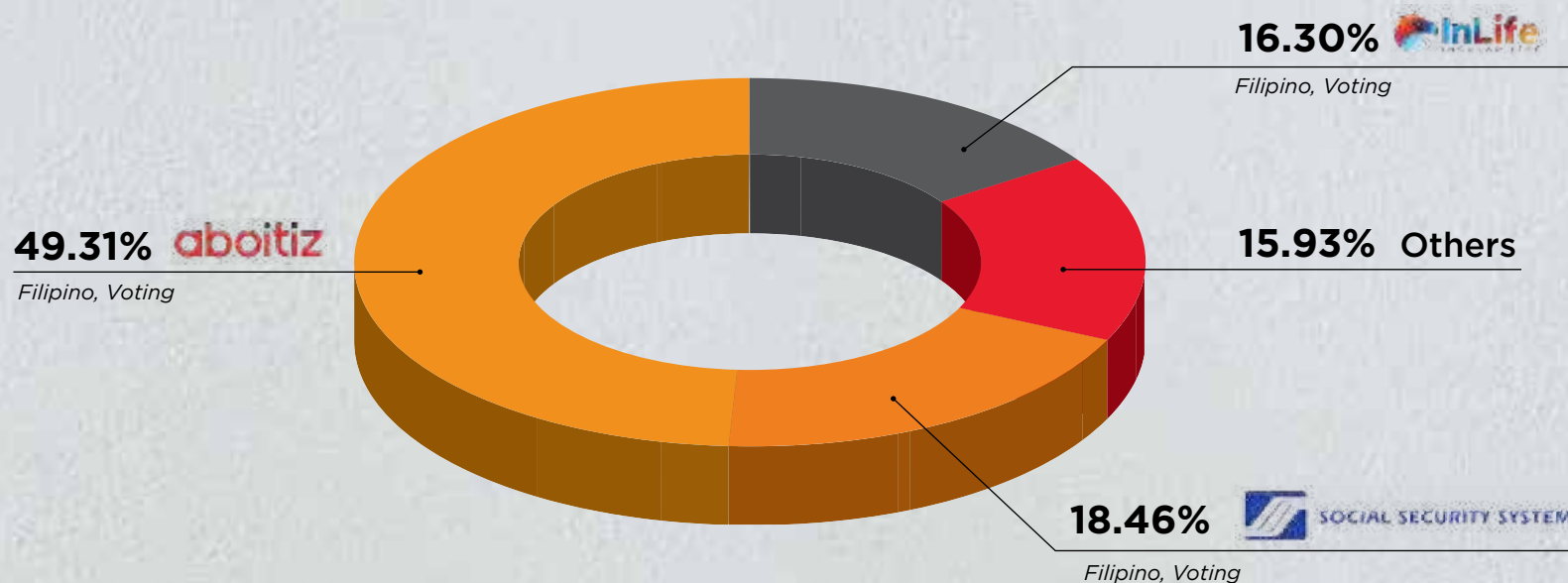
Cyrus G. Rebueno
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John Michael C. Tang
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Fely C. Umali
Leilani D. Valle
Benigno B. Zialcita, IV



CORPORATE INFORMATION

OWNERSHIP STRUCTURE

As of December 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
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Fax: (02) 8636-5259
SWIFT CODE: UBPHPHMM
Web Site/Internet Bank: www.unionbankph.com

Investor Relations

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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, Koreal-Onse, Israel)

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customer.service@unionbankph.com
corpcard@unionbankph.com
platinum@unionbankph.com

CREDITS

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Photos of Director Ron Hose, Progressive Bank executives Emmanuel Santiago and Carlos Jose Virgilio Jalandoni III – courtesy of the director and subsidiary heads

Photos of FVPs and AR covers – courtesy of executives and models

On the Covers:
UnionBankers | Chairman's Awardees

Aaron Jon “AJ” D. Atienza
VP, Digital Channels Head
Customer Experience Group | CXG

Atty. Geossiel “Siel” A. Cotoco
VP, Documentation and Consultancy Head
Legal Division

Paolo “Pao” M. Eremos
Application Support Management Team Head
Information Technology Services Group | ITSG

Pearlie Gwen “Gwen” D. Trono
Line Engineer and Architect
Trust Operations



THE FUTURE IS HERE, NOW:

DIGITAL ACCELERATED

2020 FINANCIAL STATEMENTS





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Notes to the Financial Statements and digital version
of the Annual Report 2020 can be accessed by
scanning this QR Code.



TWO-YEAR FINANCIAL HIGHLIGHTS

in Php Bn, except ratios and per share data	Consolidated		Parent Bank	
	2020	2019	2020	2019
Profitability				
Total Net Interest Income	28.7	22.3	21.9	16.6
Total Non-Interest Income	13.4	14.3	13.2	14.4
Total Operating Income	42.1	36.7	35.1	31.0
Allowance for Credit Losses	8.4	1.9	7.5	1.5
Total Operating Income after Allowance for Credit Losses	33.7	34.8	27.7	29.5
Total Other Expenses	21.4	20.3	16.3	15.6
Net Income Before Tax	12.3	14.5	11.3	13.9
Income Tax Expense	0.8	0.5	0.1	-0.1
Net Income	11.6	14.0	11.3	14.0
Balance Sheet				
Liquid Assets	181.4	156.2	156.4	147.3
Trading & Investment Securities	205.4	175.2	202.6	175.1
Loans & Receivables, Net	339.5	392.6	273.3	332.1
Other Assets	48.1	46.8	56.5	53.0
Total Assets	774.5	770.8	688.9	707.6
Deposits	527.8	484.3	465.2	439.0
Other Liabilities	141.5	188.4	119.1	170.7

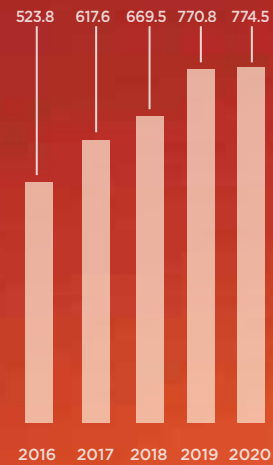
in Php Bn, except ratios and per share data	Consolidated		Parent Bank	
	2020	2019	2020	2019
Total Liabilities	669.3	672.8	584.3	609.6
Total Equity	105.2	98.0	104.6	98.0
Selected Ratios				
Return on Average Equity	11.5%	15.3%	11.1%	15.3%
Return on Average Assets	1.5%	1.9%	1.6%	2.2%
CET1 Capital Ratio	15.0%	13.2%	14.7%	12.7%
Tier1 Capital Ratio	15.0%	13.2%	14.7%	12.7%
Capital Adequacy Ratio	17.0%	15.3%	16.9%	15.0%
Per Common Share Data				
Cash Dividends*	3.50	3.50	3.50	3.50
Earnings:				
Basic	9.5	11.5	9.2	11.5
Diluted	9.5	11.5	9.2	11.5
Book Value	85.6	80.1	85.8	80.5
<i>*Earned for the year but declared and paid the following year</i>				
Others				
Headcount				
Officers	3,869	3,611	2,806	2,784
Staff	2,125	1,873	700	741

UNIONBANK AND PSEI REBASED STOCK PERFORMANCE
(BASE: 2015 LAST TRADING DATE)

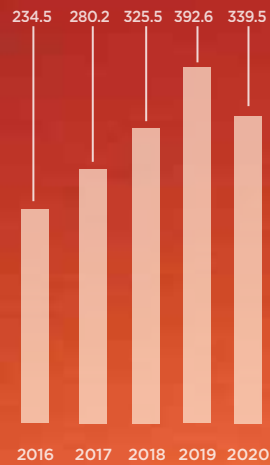


FIVE-YEAR FINANCIAL HIGHLIGHTS

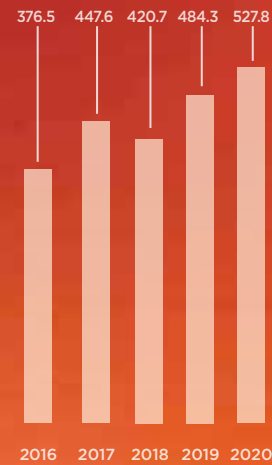
TOTAL RESOURCES



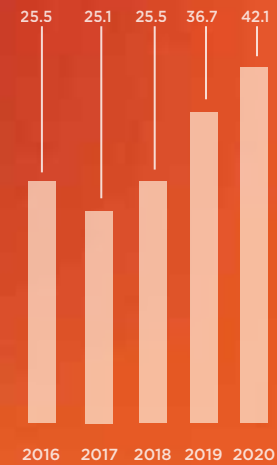
TOTAL LOANS



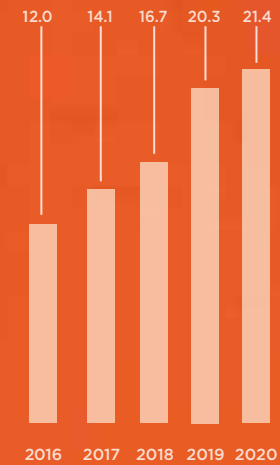
TOTAL DEPOSITS



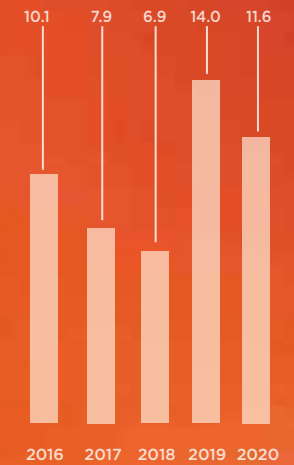
NET REVENUES



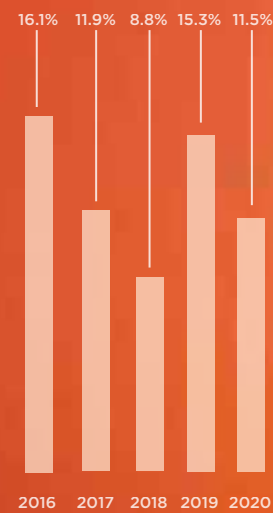
OPERATING EXPENSES



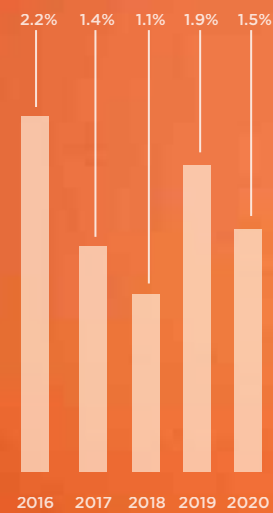
NET INCOME



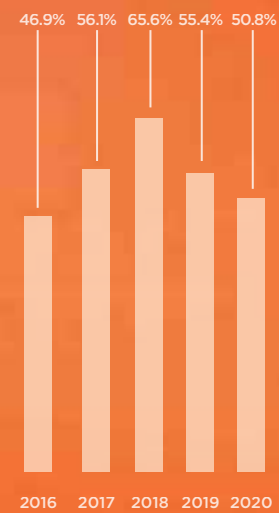
RETURN ON EQUITY



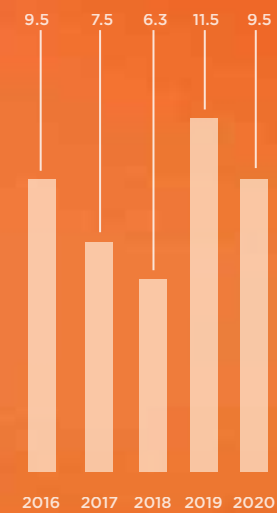
RETURN ON ASSETS



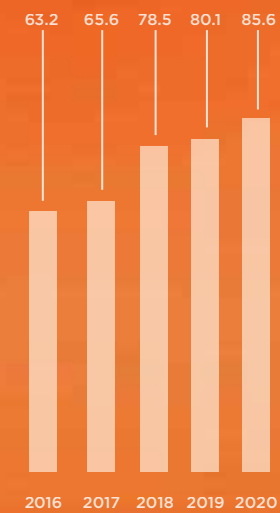
COST-TO-INCOME RATIO



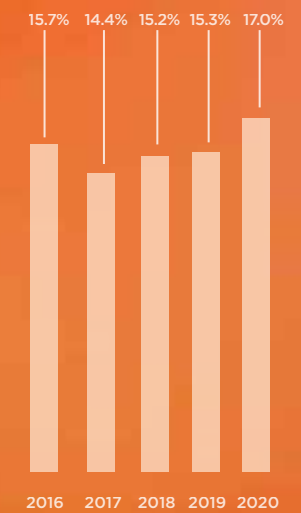
EARNINGS PER SHARE



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, 2020, 2019 and 2018, 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.



Erramon I. Aboitiz
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, 2020 and 2019, 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 each of the three years in the period ended December 31, 2020, 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, 2020 and 2019, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent 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 application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Bank's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms

INDEPENDENT AUDITOR'S REPORT

and payment holidays provided as a result of the coronavirus pandemic; determining assumptions used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating ECL.

Refer to Notes 4 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 model validation on the risk rating 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, credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Bank's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of credit enhancements provided by any party; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the 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 portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (g) tested the effective interest rate used in discounting the expected credit 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 reperformed the disaggregation from source systems to the loss allowance analysis.

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.

Accounting for Disposals of Investment Securities held under the Hold-to-Collect (HTC) Business Model

In 2020, the Parent Bank disposed of investment securities managed under the hold-to-collect (HTC) business model. Investment securities held under a hold-to-collect business model, which are classified as 'Investment securities at amortized cost', are managed to realize cash flows by collecting contractual payments over the life of the instrument.

The accounting for the disposals is significant to our audit because the amounts involved are material to the consolidated and parent bank financial statements. Moreover, it involves the exercise of significant judgment 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 portfolios.

The 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 objectives for disposals of investment securities at amortized cost through inquiries with management and review of approved internal documentations, including governance over the disposals. We evaluated management's assessment of the impact of the disposals on the affected portfolios in reference to

the Parent Bank's business models and the provisions of the relevant accounting standards and regulatory issuances. We also reviewed the calculation of the gains on the disposals and the measurement of the remaining securities in the affected portfolios.

We reviewed the disclosures related to the disposals based on the requirements of PFRS 7, *Financial Instruments: Disclosures*, PFRS 9 and Philippine Accounting Standard (PAS 1), *Presentation of Financial Statements*.

Impairment testing of goodwill

Under PFRS, the Group and the Parent Bank perform 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 and the Parent Bank's goodwill attributable to the various cash generating units (CGUs) is considered significant to the consolidated and parent bank financial statements. The Group's and the Parent Bank's impairment assessment requires significant judgement and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically on loan growth rate, deposit growth rate and discount rate. The disclosures in relation to the CGUs to which the goodwill is allocated and the Group's and the Parent Bank's impairment assessment are included in Notes 3 and 18 to the consolidated and parent bank 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 growth rate, deposit growth rate and discount rate against the historical financial performance and the specific plans for the CGUs and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's and the Parent Bank's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated and parent 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, 2020 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's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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.

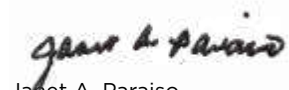
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent bank financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report 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 audit was 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 to the financial statements and Revenue Regulations 15-2010 in Note 38 to the financial statements is presented for purposes of filing with the BSP and the 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. 08-001998-62-2020,

December 3, 2020, valid until December 2, 2023

PTR No. to 8534211, January 4, 2021, Makati City

February 26, 2021

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

(Amounts are presented in thousands of Philippine Pesos)

	Group		Parent Bank	
	December 31		December 31	
	2020	2019	2020	2019
RESOURCES				
Cash and Other Cash Items (Note 8)	₱8,958,042	₱8,580,709	₱7,814,917	₱7,832,302
Due from Bangko Sentral ng Pilipinas (Note 8)	103,869,770	73,749,813	83,867,434	67,798,418
Due from Other Banks (Note 9)	68,532,218	73,675,709	64,763,768	71,497,226
Interbank Loans Receivable (Note 10)	–	213,062	–	213,062
Trading and Investment Securities				
At fair value through profit or loss (Note 11)	18,448,649	7,866,401	18,411,304	7,817,555
At amortized cost (Note 12)	155,810,967	161,664,369	153,171,111	161,664,369
At fair value through other comprehensive income (Note 13)	31,190,259	5,657,636	31,009,041	5,657,636
Loans and Other Receivables - net (Note 14)	339,536,830	392,564,364	273,339,863	332,136,609
Investment in Subsidiaries and Associates (Note 15)	255,342	159,094	21,867,987	20,523,633
Bank Premises, Furniture, Fixtures and Equipment - net (Note 16)	6,894,768	6,500,643	5,525,366	5,294,595
Investment Properties (Note 17)	8,922,366	9,127,581	7,662,547	8,044,119
Goodwill (Note 18)	15,348,531	15,455,564	7,886,898	7,886,898
Other Resources - net (Note 19)	16,691,495	15,572,594	13,559,769	11,247,053
TOTAL RESOURCES	₱774,459,237	₱770,787,539	₱688,880,005	₱707,613,475



	Group		Parent Bank	
	December 31		December 31	
	2020	2019	2020	2019
LIABILITIES AND CAPITAL FUNDS				
LIABILITIES				
Deposit Liabilities (Note 21)				
Demand	₱159,783,546	₱136,288,738	₱160,883,453	₱137,357,451
Savings	98,957,845	72,000,404	93,564,392	68,830,072
Time	266,043,635	273,046,898	207,780,774	229,766,826
Long-term negotiable certificate of deposits	3,000,000	3,000,000	3,000,000	3,000,000
	527,785,026	484,336,040	465,228,619	438,954,349
Bills Payable (Note 22)	54,223,543	105,087,722	34,502,421	92,149,256
Notes and Bonds Payable (Note 23)	59,853,656	49,331,506	59,746,857	49,182,060
Other Liabilities (Note 24)	27,444,610	34,015,306	24,838,361	29,339,260
	669,306,835	672,770,574	584,316,258	609,624,925
CAPITAL FUNDS				
Capital funds attributable to the Parent Bank's stockholders (Note 25)				
Common stock	12,184,715	12,176,096	12,184,715	12,176,096
Additional paid-in capital	14,214,983	14,172,060	14,214,983	14,172,060
Surplus free	77,096,218	67,851,771	77,697,363	70,201,147
Surplus reserves	2,645,080	4,600,747	2,171,842	2,669,285
Net unrealized fair value gains on investment securities (Note 13)	55,384	78,437	46,845	77,986
Remeasurements of defined benefit plan (Note 29)	(1,815,784)	(1,379,157)	(1,741,389)	(1,308,024)
Other reserves	(18,886)	(3,549)	(10,612)	—
Total capital funds attributable to the Parent Bank's stockholders	104,361,710	97,496,405	104,563,747	97,988,550
Non-controlling interests	790,692	520,560	—	—
	105,152,402	98,016,965	104,563,747	97,988,550
TOTAL LIABILITIES AND CAPITAL FUNDS	₱774,459,237	₱770,787,539	₱688,880,005	₱707,613,475

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts are presented in thousands of Philippine Pesos, Except Earnings per Share)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2020	2019	2018	2020	2019	2018
INTEREST INCOME ON						
Loans and other receivables (Note 14)	₱28,850,939	₱28,004,013	₱23,441,710	₱20,076,020	₱19,237,123	₱15,038,506
Investment securities at amortized cost and FVOCI (Notes 12 and 13)	8,084,663	9,491,890	7,836,159	7,937,196	9,491,890	7,836,159
Cash and cash equivalents (Notes 8 and 9)	1,021,974	188,086	207,458	756,035	127,654	148,788
Trading securities at FVTPL (Note 11)	524,261	423,688	36,639	524,261	423,688	36,639
Interbank loans receivable (Note 10)	95,857	247,478	107,254	95,451	247,039	126,167
	38,577,694	38,355,155	31,629,220	29,388,963	29,527,394	23,186,259
INTEREST EXPENSE ON						
Deposit liabilities (Note 21)	5,616,821	10,160,322	8,841,473	4,256,480	8,069,749	7,045,224
Bills payable and other liabilities (Notes 22, 23, 24 and 29)	4,230,619	5,859,148	2,788,350	3,262,923	4,847,211	1,983,958
	9,847,440	16,019,470	11,629,823	7,519,403	12,916,960	9,029,182
NET INTEREST INCOME	28,730,254	22,335,685	19,999,397	21,869,560	16,610,434	14,157,077
PROVISION FOR CREDIT LOSSES (Note 20)	8,381,856	1,857,347	855,991	7,450,171	1,548,187	803,576
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	20,348,398	20,478,338	19,143,406	14,419,389	15,062,247	13,353,501
OTHER INCOME						
Gains on sale of investment securities at amortized cost (Note 12)	5,111,793	7,074,044	152,161	5,111,793	7,074,044	152,161
Gains on trading and investment securities at FVTPL and FVOCI (Notes 11 and 13)	3,829,710	2,347,389	1,390,897	3,831,674	2,348,971	1,390,867
Service charges, fees and commissions (Note 27)	2,346,639	1,956,218	1,572,244	1,723,620	1,422,716	1,284,667
Miscellaneous (Note 28)	2,078,996	2,967,381	2,358,277	2,565,048	3,592,846	3,999,191
	13,367,138	14,345,032	5,473,579	13,232,135	14,438,577	6,826,886
TOTAL OPERATING INCOME	33,715,536	34,823,370	24,616,985	27,651,524	29,500,824	20,180,387



	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2020	2019	2018	2020	2019	2018
OTHER EXPENSES						
Salaries and employee benefits (Note 29)	₱7,809,204	₱8,070,248	₱5,726,593	₱5,910,981	₱6,434,752	₱4,669,491
Taxes and licenses (Note 17)	3,503,233	3,052,481	2,563,610	2,597,693	2,239,684	1,776,391
Depreciation and amortization (Note 28)	1,406,900	1,378,194	1,115,607	1,008,907	904,950	862,997
Occupancy (Note 16)	904,750	962,275	849,476	674,692	676,207	673,387
Miscellaneous (Note 28)	7,749,066	6,862,168	6,447,574	6,126,463	5,333,354	5,210,328
	21,373,153	20,325,366	16,702,860	16,318,736	15,588,947	13,192,594
PROFIT BEFORE TAX	12,342,383	14,498,004	7,914,125	11,332,788	13,911,877	6,987,793
INCOME TAX EXPENSE (BENEFIT) (Note 30)	781,380	494,494	1,039,673	69,365	(114,242)	203,123
NET PROFIT	₱11,561,003	₱14,003,510	₱6,874,452	₱11,263,423	₱14,026,119	₱6,784,670
Attributable to:						
Parent Bank's stockholders	₱11,553,430	₱14,026,128	₱6,875,587	₱11,263,423	₱14,026,119	₱6,784,670
Non-controlling interests	7,573	(22,618)	(1,135)	—	—	—
	₱11,561,003	₱14,003,510	₱6,874,452	₱11,263,423	₱14,026,119	₱6,784,670
Basic/Diluted Earnings per Share (Note 33)	₱9.48	₱11.52	₱6.26	₱9.24	₱11.52	₱6.18

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2020	2019	2018	2020	2019	2018
NET PROFIT FOR THE YEAR	₱11,561,003	₱14,003,510	₱6,874,452	₱11,263,423	₱14,026,119	₱6,784,670
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)	(3,020,457)	(1,072,005)	(1,496,649)	(3,020,457)	(1,072,005)	(1,496,649)
Unrealized mark-to-market gains on investment securities at FVOCI	2,997,404	1,075,277	1,571,749	2,989,316	1,074,826	1,571,749
Cumulative translation adjustment	(15,337)	(3,549)	—	(10,612)	—	—
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>						
Remeasurement gains (losses) on defined benefit plan (Note 29)	(634,623)	(562,373)	271,197	(588,767)	(336,186)	232,394
Income tax benefit (expense) (Note 30)	190,387	168,712	(81,359)	176,630	100,856	(69,718)
Share in changes in remeasurement gains (losses) of subsidiaries (Note 15)	—	—	—	(21,228)	(87,086)	26,171
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(482,626)	(393,938)	264,938	(475,118)	(319,595)	263,947
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱11,078,377	₱13,609,572	₱7,139,390	₱10,788,305	₱13,706,524	₱7,048,617
Attributable to:						
Parent Bank's stockholders	₱11,078,413	₱13,632,190	₱7,140,511	₱10,788,305	₱13,706,524	₱7,048,617
Non-controlling interests	(36)	(22,618)	(1,121)	—	—	—
	₱11,078,377	₱13,609,572	₱7,139,390	₱10,788,305	₱13,706,524	₱7,048,617

See accompanying Notes to Financial Statements.



STATEMENTS OF CHANGES IN CAPITAL FUNDS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(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, 2020	₱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
Total comprehensive income (loss) for the year	—	—	11,553,430	—	(23,053)	(436,627)	(15,337)	11,078,413	(36)	11,078,377
Issuance of new shares (Note 25)	8,619	42,923	—	—	—	—	—	51,542	—	51,542
Cash dividends (Note 25)	—	—	(4,264,650)	—	—	—	—	(4,264,650)	—	(4,264,650)
Effect of business combination (Note 15)	—	—	—	—	—	—	—	—	270,168	270,168
Reversal of appropriations during the year-net (Note 25)	—	—	1,955,667	(1,955,667)	—	—	—	—	—	—
Balances as at December 31, 2020	₱12,184,715	₱14,214,983	₱77,096,218	₱2,645,080	₱55,384	(₱1,815,784)	(₱18,886)	₱104,361,710	₱790,692	₱105,152,402
Balances as at January 1, 2019	₱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	₱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	—	—	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

STATEMENTS OF CHANGES IN CAPITAL FUNDS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts are presented in thousands of Philippine Pesos)

	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, 2020	₱12,176,096	₱14,172,060	₱70,201,147	₱2,669,285	₱77,986	(₱1,308,024)	₱—	₱97,988,550
Total comprehensive income for the year	—	—	11,263,423	—	(31,141)	(433,365)	(10,612)	10,788,305
Issuance of new shares (Note 25)	8,619	42,923	—	—	—	—	—	51,542
Cash dividends (Note 25)	—	—	(4,264,650)	—	—	—	—	(4,264,650)
Reversals of appropriations during the year – net (Note 25)	—	—	497,443	(497,443)	—	—	—	—
Balances as at December 31, 2020	₱12,184,715	₱14,214,983	₱77,697,363	₱2,171,842	₱46,845	(₱1,741,389)	(₱10,612)	₱104,563,747
Balances as at January 1, 2019	₱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	₱10,583,439	₱5,819,861	₱56,147,907	₱235,173	₱65	(₱1,174,455)	₱—	₱71,611,990
Total comprehensive income for the year	—	—	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

See accompanying Notes to Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts are presented in thousands of Philippine Pesos)

	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2020	2019	2018	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	₱12,342,383	₱14,498,004	₱7,914,125	₱11,332,788	₱13,911,877	₱6,987,793
Adjustments for:						
Provision for credit losses (Note 20)	8,381,856	1,857,347	855,991	7,450,171	1,548,187	803,576
Gains on sale of investment securities at amortized cost (Note 12)	(5,111,793)	(7,074,044)	(152,161)	(5,111,793)	(7,074,044)	(152,161)
Gain on sale of investment securities at FVOCI (Note 13)	(3,020,457)	(1,072,005)	(1,496,649)	(3,020,457)	(1,072,005)	(1,496,649)
Depreciation and amortization (Note 16)	1,928,421	1,883,035	1,115,607	1,447,218	1,308,500	862,997
Amortization of premium or discount of financial assets and liabilities	633,893	975,812	789,669	635,120	953,206	789,669
Gains on sale of investment properties (Note 17)	(229,148)	(200,079)	(258,000)	(195,471)	(251,696)	(245,980)
Impairment of goodwill and investment in subsidiaries (Notes 15 and 18)	223,172	—	—	290,002	—	—
Gains on foreclosure of investment properties (Note 17)	(153,876)	(221,213)	(239,741)	(153,876)	(208,233)	(285,902)
Unrealized foreign exchange loss (gains) - net	45,873	(785,049)	208,731	45,882	(775,871)	208,731
Losses (gains) on disposal of property and equipment (Note 16)	8,641	(679,298)	(44,296)	(6,236)	(616,137)	(44,225)
Share in net loss (profit) of subsidiaries and associates (Notes 15 and 28)	3,665	464	8	(953,082)	(1,222,595)	(1,775,210)
Changes in operating assets and liabilities:						
Decreases (increases) in:						
Trading securities at FVTPL	(10,582,248)	417,294	(5,101,655)	(10,593,749)	408,014	(5,095,148)
Loans and other receivables	29,147,657	(52,976,314)	(30,076,903)	33,878,915	(57,372,464)	(38,198,505)
Other resources	(28,285)	(1,200,710)	(314,679)	(1,175,000)	(1,754,855)	(1,497,652)
Increases (decreases) in:						
Deposit liabilities	46,590,101	66,633,507	(34,333,250)	32,349,777	61,243,986	(22,263,837)
Other liabilities	(6,953,527)	5,672,031	1,227,633	(4,817,926)	6,191,690	2,370,605
Net cash provided by (used in) operations	73,226,328	27,728,782	(59,905,570)	61,402,283	15,217,560	(59,031,898)
Income taxes paid	(2,155,071)	(1,703,147)	(1,715,018)	(1,296,905)	(1,055,476)	(875,121)
Net cash provided by (used in) operating activities	71,071,257	26,025,635	(61,620,588)	60,105,378	14,162,084	(59,907,019)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts are presented in thousands of Philippine Pesos)

	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2020	2019	2018	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI	(P97,655,465)	(P54,459,546)	(P10,673,937)	(P97,655,465)	(P54,459,546)	(P10,673,937)
Investment securities at amortized cost	(65,958,555)	(26,829,682)	(64,539,694)	(63,475,137)	(26,829,682)	(64,539,694)
Bank premises, furniture, fixtures and equipment (Note 16)	(1,026,363)	(934,553)	(1,042,901)	(867,690)	(810,243)	(906,532)
Proceeds from maturities/sale of:						
Investment securities at FVOCI	72,201,864	59,623,639	20,537,059	72,201,864	59,623,188	20,537,059
Investment securities at amortized cost	71,519,901	71,355,242	12,373,015	71,519,901	71,355,242	12,373,015
Investment properties (Note 17)	410,787	254,865	337,631	273,676	220,404	315,474
Bank premises, furniture, fixtures and equipment (Note 16)	12,418	803,666	70,920	18,138	700,894	64,781
Acquisition of associates and subsidiaries, net of cash acquired (Note 15)	54,241	(130,000)	(6,364,415)	(702,502)	(487,500)	(1,747)
Net cash provided by (used in) investing activities	(20,441,172)	49,683,631	(49,302,322)	(18,687,215)	49,312,757	(42,831,581)
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments of:						
Bills payable	(609,512,421)	(2,291,736,846)	(613,840,876)	(565,341,774)	(2,235,935,766)	(602,798,238)
Notes and bonds payable	(21,171,857)	(3,426,766)	—	(18,200,000)	—	—
Cash dividends	(4,264,650)	(2,312,584)	(2,010,853)	(4,264,650)	(2,312,584)	(2,010,853)
Lease liabilities	(613,498)	(527,633)	—	(477,197)	(426,711)	—
Long term negotiable certificate of deposits (Note 21)	—	(3,000,000)	—	—	(3,000,000)	—
Proceeds from:						
Bills payable	558,732,399	2,305,932,334	657,746,587	507,779,097	2,263,433,630	638,847,784
Notes payable (Note 23)	33,135,900	9,199,139	11,013,685	30,206,900	5,800,000	10,863,685
Issuance of new shares (Note 25)	51,542	29,673	9,915,183	51,542	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 (used in) financing activities	(43,642,585)	14,157,317	65,823,726	(50,246,082)	27,588,242	57,817,561
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES	(145,377)	(125,033)	554,301	(140,652)	(121,484)	554,301
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,842,123	89,741,550	(44,544,883)	(8,968,571)	90,941,599	(44,366,738)



	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2020	2019	2018	2020	2019	2018
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE 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 Bangko Sentral ng Pilipinas (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
Securities purchased under repurchase agreement (SPURA)	34,773,704	18,882,000	13,572,371	28,446,976	10,000,000	4,130,362
	190,992,997	101,251,447	145,796,330	175,787,984	84,846,385	129,213,123
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	8,958,042	8,580,709	10,916,533	7,814,917	7,832,302	10,334,793
Due from BSP	103,869,770	73,749,813	56,510,701	83,867,434	67,798,418	52,961,426
Due from other banks	68,532,218	73,675,709	14,942,213	64,763,768	71,497,226	11,550,166
Interbank loans receivable	—	213,062	—	—	213,062	—
SPURA	16,475,090	34,773,704	18,882,000	10,373,294	28,446,976	10,000,000
	₱197,835,120	₱190,992,997	₱101,251,447	₱166,819,413	₱175,787,984	₱84,846,385
OPERATIONAL CASH FLOWS FROM INTERESTS AND DIVIDENDS						
Interest received	₱38,292,850	₱38,784,259	₱30,573,018	₱29,188,963	₱29,387,709	₱22,232,001
Interest paid	10,304,166	16,173,752	10,573,621	7,976,641	12,942,912	8,137,924
Dividends received	200,671	202,888	207,456	200,671	201,858	206,425

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 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, 2020, the Bank and its subsidiaries (collectively referred to as the “Group”) has 388 branches and 389 on-site and 96 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 49.31% 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, except for UBX SG and UBX Remit), effective percentage of ownership and the nature of the subsidiaries’ businesses, as of December 31, 2020 and 2019, are as follows:

Name of Subsidiary	Percentage of ownership		Nature of Business
	2020	2019	
City Savings Bank, Inc. (CSB) ^(a)	99.79%	99.79%	Thrift bank
PetNet, Inc. (PETNET)	51.00%	51.00%	Remittances/ money transfer
First-Agro Industrial Rural Bank, Inc. (FAIR Bank)	93.33%	90.72%	Rural bank
UBP Investments Corporation (UIC)	100.00%	100.00%	Holding company
First Union Plans, Inc. (FUPI) ^(b)	100.00%	100.00%	Pre-need
First Union Direct Corporation (FUDC) ^(b)	100.00%	100.00%	Financial products marketing
First Union Insurance and Financial Agencies, Inc. (FUIFAI) ^(b)	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) ^(c)	100.00%	100.00%	Investment holding and innovation company
UBX Private Ltd. (UBX SG) ^(d)	100.00%	100.00%	Holding company
UBX Remit Pte. Ltd. (UBX Remit) ^(e)	100.00%	100.00%	Remittance company
Bangko Kabayan, Inc. (A Private Development Bank) (Bangko Kabayan) ^(f)	70.00%	—	Private development bank
Progressive Bank, Inc. (PBI) ^(g)	75.00%	—	Rural bank

(a) On February 28, 2019, Philippine Resources Savings Bank, Inc. was merged with CSB

(b) FUPI, FUDC and FUIFAI are wholly-owned subsidiaries of UIC

(c) Incorporated on February 11, 2019

(d) Wholly owned subsidiary of UBX.

(e) UBX Remit was incorporated on October 14, 2019 as a remittance company through UBX SG

(f) Acquired on March 12, 2020 through CSB and UIC, with 49% and 21% share in ownership, respectively

(g) Acquired on July 13, 2020 through CSB and UIC, with 49% and 26% share in ownership, respectively

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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. 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 purchased 127.72 million common stock and 65.0 million preferred shares of PR Savings Bank with par value of ₱10 per share or a total par value of ₱1,277.23 million and ₱650 million, respectively. These shares represent 66.28% and 33.72%, respectively, of the total outstanding capital stock of PR Savings Bank.

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), considered as the date of business combination.

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. 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.

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 enabled CSB to expand its reach in Luzon, and enter into new market segments, such as motorcycle and agri-machinery financing.

- (c) In February 2018, CSB and UIC purchased 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 and Negros Occidental areas. On December 21, 2015, CSB and UIC acquired 77.78% of the issued and outstanding capital stock of FAIR Bank. 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.

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, CSB and UIC infused additional capital amounting to ₱26.95 million (equivalent to 269,500 common shares at ₱100 par value) and ₱28.05 million (equivalent to 280,500 common shares at ₱100 par value), respectively, or a total of ₱55 million in 2019. The aggregate additional 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%.

In 2020, CSB and UIC further infused additional capital amounting to ₱41.45 million (equivalent to 414,543 common shares at ₱100 par value) and ₱43.15 million (equivalent to 431,157 common shares at ₱100 par value), respectively, or a total of ₱84.60 million. The aggregate additional infusion in 2020 resulted in UIC's percentage of ownership in FAIR Bank further increasing to 44.33%, 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.

Through its wholly-owned subsidiaries, FUPI, FUDC and FUIFAI, UIC is also engaged in the servicing of existing 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 was 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.

- (g) In February 2019, CSB and UIC acquired 70% ownership of Bangko Kabayan, with CSB owning 49% and UIC owning 21%. The transaction was approved by BSP and Philippine Competition Commission (PCC) on September 19, 2019 and January 9, 2020, respectively. On March 12, 2020, the parties executed the Deed of Absolute Sale, which is determined to be the Group's acquisition date. On the same date, CSB and UIC paid 70% of the total purchase price, bringing the total payment to 90% of the purchase price. The remaining 10% was deposited as a retention amount in an escrow account.

Bangko Kabayan is 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). It converted its existing microfinance banking office to a branch-lite unit and has 23 branches, including the head office, in the areas of Batangas, Laguna and Quezon (Southern Luzon), and one branch-lite in Lobo, Batangas.

- (h) On January 5, 2018, CSB and UIC executed an SPA to acquire 75% ownership interest of PBI through a combination of (a) subscription to 18,000,000 new shares and (b) purchase of 11,980,916 common shares from the major stockholders. On February 24, 2020, the BSP approved the application of CSB and UIC to acquire 75% ownership of PBI.

On July 13, 2020, BSP noted a clarification made by the PCC in its acknowledgement letter indicating that PCC does not categorically declare that the acquisition does not breach the thresholds prescribed by PCC and its IRR, leaving the parties involved with the responsibility to ensure that they fully comply with the notification requirement. The PCC issued a Letter of Non-Coverage declaring that the transaction is not subject to compulsory notification on August 5, 2020. For convenience purposes, the Group used July 31, 2020 as the date of business combination.

PBI is authorized to engage in the business of extending credit to farmers, tenants, and rural industries or enterprises, and to transact all business that may be legally done by the rural banks formed under and in accordance with the existing Rural Banks Act (Republic Act No. 7353). The principal office address of PBI is located at Del Rosario St., Poblacion, Balasan, Iloilo, and operates an extension office in Pototan, Iloilo, for the purpose of providing microfinance loans along with its primary banking services, and a branch at No. 243 E. Lopez St., Brgy. Lourdes, Jaro, Iloilo City.

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) 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.
- (c) 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 amounted to ₱5,032, ₱3,158 and ₱1,874, respectively, as of December 31, 2020, and ₱5,260, ₱3,158 and ₱2,102, respectively, as of December 31, 2019.

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, 2020 were authorized for issue by the Bank's BOD on February 26, 2021.

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.

(c) Functional and Presentation Currency

The financial statements of the Group include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated

accounts in the RBU are translated into their equivalents in PHP (see accounting policy on Foreign Currency Translation).

The financial statements of these units are combined after eliminating inter-unit accounts. These are presented in Philippine pesos, 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 2020 that are Relevant to the Group

Unless otherwise stated, the following 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, 2020:

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

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

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”.

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

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

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

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the corona virus disease 2019 (COVID-19) pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- i. The rent concession is a direct consequence of COVID-19;
- ii. The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- iii. Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- iv. There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning or after June 1, 2020. Early adoption is permitted. The Group adopted the amendments beginning January 1, 2020. The Group determined that the impact of the rent concessions is not material to the consolidated and parent company 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, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- 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*

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.

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

The Group recognizes 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 possible 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 consists 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 consists 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. 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. All exposures are therefore provided with ECLs, in the context of SICR status.

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 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.

(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.

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.

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI). Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are moved to Stage 3.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

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.

The Group classifies ROU assets as part of property and equipment. 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 ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU 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, (d) PETNET on December 17, 2018 and (e) Bangko Kabayan on March 12, 2020 (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 Group at which goodwill is monitored for internal management purposes sometimes comprises a number of cash-generating units. The Group's cash-generating unit represents major business segments of the Parent Bank and the subsidiaries of the Group.

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 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 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 only if recognition of that asset and of any resulting income or expenses is a faithful representation of the resources and provides relevant information about the resources.

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 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 releases from appropriation representing the amounts of trust fund income that pertains to the matured and pre-terminated plans of planholders which have been withdrawn from the trust fund during the year, 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 to exchange differences arising from the translation of the Parent Bank's Foreign Currency Deposit Unit (FCDU) operations and 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.

- (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 contractual rights on 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

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.

Foreign Currency Transactions and Translations

The accounting records of the Group are maintained in Philippine pesos except for the 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, 2020, 2019 and 2018.

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 the functional currency of RBU and FCDU is Philippine Peso and United States Dollar, respectively, 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.

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 for its 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 ₱152.2 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 2020, the Parent Bank sold investment securities classified as Investment securities at amortized cost with total carrying amount of ₱57.75 billion, resulting in Gain on sale of investment securities at amortized cost totaling ₱5.11 billion. These sales were made in response to regulatory changes and unanticipated significant changes in the current market conditions brought about by the COVID-19 pandemic which the Parent Bank assessed to have significant impact on its operations. Certain investments were sold in order to shorten the duration of financial assets and reduce interest rate risk of the Parent Bank necessary as a response to significant changes in current market conditions.

The Parent Bank has assessed that the sales resulted from changes in intention for certain investments classified as Investment securities at amortized cost. Further, the Parent Bank assessed that the sales do not reflect a change in the business model of the Group. 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.

Determining the lease term of contracts with renewal and termination options - Group as lessee

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

The Group has several lease contracts that include extension and termination options. The Group 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

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:

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- The Group's internal grading model, which assigns PDs to individual grades. In 2020, account level and portfolio credit risk rating assessment, which considered how clients are being affected by and are responding to COVID-19- related challenges, have been applied more frequently to the scorecards. Sensitivities were applied to consider uncertainties on available economic forecasts.
- The Group's criteria for assessing if there has been a significant increase in credit risk (SICR) which is the basis for measuring allowances for financial assets on a Lifetime Expected Credit Loss (LTECL) basis. In 2020, the BSP issued several memoranda granting temporary relief measures to banks and supervised financial institution (BSFI). The relief includes payment moratorium which defers payment of maturing loans. With the delay of past due information, the Group performed qualitative assessment to consider significant increase in credit risk based on the identified risk profiles of their accounts and portfolios.
- The Group's definition of default, which considers the regulatory requirement and the Bank's indicators of loss events.
- Financial assets were segmented. In 2020, the accounts are further segmented, and the Group identified specific accounts and portfolios that are considered severely affected by the challenges related to COVID-19.
- Development of ECL models, including the various formulas and the choice of inputs. In 2020, models have been reviewed and revised as appropriate based on latest economic outlook and studies from external sources.
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels, level of government spending, and collateral values, and their effect on PDs, EADs and LGDs. As the pandemic progressed, lockdown measures were imposed and public health policy changed, the macroeconomic associations were reviewed in-depth and updated frequently. Because of the uncertainties surrounding the business landscape during the period, the quantitative overlays were complemented by experience-based expert judgment inputs through management discretion overlays considered integral to the systematic process.

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 classified under amortized cost and fair value through other comprehensive income and the related allowances are disclosed in Notes 12 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 values of derivatives as of December 31, 2020 and 2019 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 of the related CGU 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 covering a five-year period. Financial budget for the immediately succeeding year is approved by senior management and BOD of the Parent Bank, while the financial budgets for the other years of cash flow projections are determined by corporate planning group and the relevant business units. In 2020, the key assumptions used in the calculation of value-in-use, including loan and deposit growth rates, net interest margin, have been updated to consider the effect of the pandemic. The discount rates used for the computation of the value in use for various CGUs (see Note 18) are based on the pre-tax discount rates ranging from 6.69% to 11.1% and from 7.88% to 12.70%, as of December 31, 2020 and December 31, 2019, respectively. The long-term growth rates used range from 0% to 1% as of December 31, 2020 and December 31, 2019. Based on the Group's assessment after taking into consideration the impact of the pandemic to the key forecast assumptions, the Bank recognized impairment amounting to ₱223.17 million related to a CGU where the calculated value in use is below the carrying amount, while the other remaining CGUs remain unimpaired.

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 2020, the Group provisionally determined the fair values of the assets acquired and liabilities assumed from the acquisition of Bangko Kabayan and PBI. 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). The Group determines the 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; and
- 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.

Leases - Estimating the incremental borrowing rate

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, 2020 and 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, information security 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, collects 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 the soundness and profitability of its operations and sustained 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 daily, monthly or quarterly.

Although the BOD is primarily responsible for the overall risk management of the Group's activities, the responsibility rests with all levels of the organization. The risk appetite is defined and communicated, including parameters and limits, 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) non-executive directors 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 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, majority of whom are independent directors, including the Chairman, 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 composed of seven (7) members, all non-executive and majority of whom are independent, including the Chairman, 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.

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, businesses, controls, and the types of transactions or other financial reporting matters applicable to the Parent Bank as well as to determine whether the 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 Group (IAG), 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 IAG, 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 a proactive and forward-looking approach on evaluation of risks and controls is taken. The Audit Committee also 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 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.

- *Oversees the implementation of Group Internal Audit Policy.* The Audit Committee oversees the implementation of the policy through the periodic reports on oversight of the Group Internal Audit, and takes appropriate action on any group internal oversight issues identified. The Audit Committee reviews and evaluates the group internal audit policy, and any amendments thereto, and endorse the same to the Parent Bank for approval.
- *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 independent investigation, appropriate follow-up, action and subsequent resolution of complaints are in place.

In the performance of these functions, the Audit Committee is supported by the IAG. 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 IAG 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 IAG is free to report its findings and appraisals internally at its own initiative to the Audit Committee.

The IAG 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 IAG 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 IAG presents its risk-based annual audit plan that is forward-looking and consistent with the Parent Bank's strategic plans and priorities every quarter 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 IAG. The results of these meetings are regularly reported by the Audit Committee Chairman to the BOD in its monthly meetings.

As the Bank continuously evolves towards its digitization strategy, IAG has undertaken initiatives to adapt and expand its processes, and to provide relevant and timely recommendations to the Bank. IAG has implemented continuous auditing process that aims to provide assurance on high risk, high volume areas/process, on a real time, or near-real time basis.

IAG adopted the GRC system which aims to integrate the operational risk management across the Parent Bank. IAG also uses it as an audit management system to aid in ensuring quality and completeness of documentation across its different engagements. IAG also implemented remote auditing and leveraged on the document management system of the Bank.

- (f) The Corporate Governance Committee (CGC) is primarily responsible for helping the BOD fulfill its corporate governance and compliance 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. It assists in the establishment of a compliance program that facilitates the escalation and resolution of compliance issues expeditiously.

The CGC is composed of nine (9) members of the BOD, all non-executive, majority of whom, including its Chairman, are independent directors. Its specific duties include, among others, making recommendations to the BOD regarding continuing education of directors, overseeing the periodic performance evaluation of the 1) Board; 2) Board Committees; 3) Individual Directors; 4) Management-level Committees (through the Compliance and Corporate Governance Office; and 5) Chief Compliance and Corporate Governance Officer (CCCGO).

The CGC also performs oversight functions over the Compliance and Corporate Governance Office (CCGO) and the following management-level committees: 1) Anti-Money Laundering Committee and 2) Discipline Committee.

Senior management, through the CCCGO, periodically reports to the CGC the status of regulatory audit and compliance testing findings until their closure. Any material breaches of the compliance program are reported to and promptly addressed by the CCCGO within the mechanisms defined by the Compliance Manual.

The Parent Bank's CCCGO defines the Group's minimum governance and compliance requirements and works closely with the subsidiaries' and affiliates' Chief Compliance Officers in the execution of these standards.

The CGC assumed the functions of the Nominations Committee (NomCom) and the Compensation and Remuneration Committee (CompRem) upon the latter Committees' dissolution. The NomCom review the qualifications of and screens candidates for the board including nominees for independent directors and key officers of the Parent Bank. As part of its added function, it also reviews the implementation of programs for identifying, retaining and developing critical officers and the succession plan for various units in the organization.

The functions of the CompRem includes overseeing implementation of the programs for salaries and benefits of directors and senior management, and monitoring that the performance scorecards for the Parent Bank and its officers are comprehensive and balanced, and assessing the adequacy, effectiveness for driving performance and consistency of the Parent Bank's total compensation program vis-à-vis corporate philosophy and strategy.

The Parent Bank's CCCGO 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 regulatory issues and compliance initiatives affecting the various units of the Bank and the status of the corrective action plans, and (3) continuously giving updates thereon. In addition, the CCCGO keeps the CGC abreast of best governance practices and discusses issues being brought up among private organizations and individuals advocating good governance philosophy.

- (g) The Related Party Transaction Committee is a board-level committee composed of three (3) members, all 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 also reported to the Board's Risk Management Committee the COVID-19-related overlays as well as their impact on credit impairment and credit portfolio's credit risk profiles.

For the year ended December 31, 2020, there were enhancements in the risk rating & SICR parameters in certain portfolios to consider the effect of COVID-19.

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 consider 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, 2020 and 2019, 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, 2020 and 2019:

	2020	
	Group	Parent Bank
Corporate loans	₱116,736,437	₱116,736,437
Commercial loans	64,469,337	64,469,337
Home loans	56,749,179	56,749,179
CSB salary loans	47,918,513	—
Other retail products	18,917,409	18,917,409
Other receivables from customers*	21,351,225	8,574,923
Total receivables from customers	326,142,100	265,447,285
Investments and placements	361,513,930	334,852,459
	₱687,656,030	₱600,299,744

*Comprised of HR loans, quick loans and Home Credit receivables

	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
CSB salary loans	44,303,147	—
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	317,344,792	309,210,232
	₱675,153,747	₱613,820,325

*Comprised of HR loans, quick loans and Home Credit receivables

Investments and placements include 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 ₱2.49 billion and ₱2.31 billion as of December 31, 2020 and 2019, 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.

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The Parent Bank currently utilizes the same single rating system for both Corporate and Commercial accounts. In addition, the result on the latter is further refined through a second model to take more careful account of the nuances between the commercial bank portfolio with that of the corporate loan book.

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 such as the COVID-19 pandemic. 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, 2020 and 2019:

		December 31, 2020			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
High Quality Grade					
AAA to A-	1	P–	P–	P–	P–
BBB+	2	6,462,028	–	–	6,462,028
BBB	3	4,349,295	–	–	4,349,295
BBB- to BB+	4	38,939,318	–	–	38,939,318
Standard Grade					
BB to BB-	5	22,605,080	30,023	–	22,635,103
B+	6	3,769,148	8,996,172	–	12,765,320
B to B-	7	26,230,439	87,065	–	26,317,504
CCC+ to CCC	8	2,336,568	–	–	2,336,568
Substandard Grade					
Lower than CCC	9	1,643,232	120,587	–	1,763,819
Non-Performing					
Default	10	–	–	1,167,482	1,167,482
		₱106,335,108	₱9,233,847	₱1,167,482	₱116,736,437

		December 31, 2019			
Credit Score	Masterscale	Amounts			
		Stage 1	Stage 2	Stage 3	Total
<i>High Quality Grade</i>					
AAA to A-	1	P–	P–	P–	P–
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
		P148,535,434	P–	P87,569	P148,623,003

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.

The 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 non-bank financial institutions are still rated using the 2018 rating scale.

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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, 2020 and 2019 for financial and non-financial institutions:

Financial Institutions

		December 31, 2020			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
High Quality Grade					
AAA to A-	1	P—	P—	P—	P—
BBB+	2	—	—	—	—
BBB-	3	—	—	—	—
BBB- to BB+	4	1,652,689	—	—	1,652,689
Standard Grade					
BB to BB-	5	1,871,417	—	—	1,871,417
B+	6	472,654	—	—	472,654
B to B-	7	11,861,087	—	—	11,861,087
CCC+ to CCC	8	2,845,549	—	—	2,845,549
Substandard Grade					
Lower than CCC	9	25,028	—	—	25,028
Non-Performing					
Default	10	—	—	—	—
		P18,728,424	P—	P—	P18,728,424

		December 31, 2019			
Credit Score	Masterscale	Amounts			
		Stage 1	Stage 2	Stage 3	Total
<i>High Quality Grade</i>					
AAA to A-	1	P—	P—	P—	P—
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	P—	P—	₱17,298,107

Non-financial Institutions

Masterscale	December 31, 2020			
	Amounts			Total
	Stage 1	Stage 2	Stage 3	
1	P–	P–	P–	P–
2	1,030,925	–	–	1,030,925
3	1,993,546	–	–	1,993,546
4	2,761,225	9,933	–	2,771,158
5	6,790,031	470,368	–	7,260,399
6	8,082,868	–	–	8,082,868
7	14,453,915	112,404	–	14,566,319

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December 31, 2020				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
8	₱4,304,086	₱132,311	₱–	₱4,436,397
9	809,459	1,482,787	–	2,292,246
10	–	–	3,307,055	3,307,055
	₱40,226,055	₱2,207,803	₱3,307,055	₱45,740,913

December 31, 2019				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱–	₱–	₱–	₱–
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

Retail and Small and Medium Enterprise (SME) Financial Products

The Retail loan portfolio of the Parent Bank is composed of four main product lines, namely: Home Loans, Credit Cards, Auto Loans, and Quick Loans. SME portfolio is composed of Business Line Loans and a small portion from emerging products. 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. CSB also provides motorcycle loans as a result of its acquisition and subsequent merger of PR Savings Bank.

Exposure to credit risk is managed through diligent assessment upon onboarding and regular portfolio and segment analysis of the ability of 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, 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.

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In 2020, SME products, including but not limited to Business Line and Supplier Financing, now use new credit scorecards developed specific for each product segment. These scorecard models updated the Business Line rating scale to 1 to 5. Meanwhile Credit cards, Mortgage loans, and Auto loans still use the existing scorecards and hence same rating scale as previous year. For disclosure purposes, these portfolios were combined under 'Other Retail Products'.

Below is the breakdown of the Group's and the Parent Bank's major retail portfolio loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2020 and 2019:

Home Loans

December 31, 2020				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P–	P–	P–	P–
2	–	2,334	–	2,334
3	170,091	14,963	–	185,054
4	314,229	42,589	–	356,818
5	719,677	33,337	–	753,014
6	5,654,606	218,120	–	5,872,726
7	40,178,679	1,450,627	–	41,629,306
Default	–	–	7,949,927	7,949,927
	P47,037,282	P1,761,970	P7,949,927	P56,749,179

December 31, 2019				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P1,873,719	P–	P–	P1,873,719
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
	P47,458,702	P1,193,833	P2,141,689	P50,794,224

Other Retail Products (Credit Cards, Mass Market Loans, and Auto Loans)

December 31, 2020				
Amounts				
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	P2,871,498	P440	P–	P2,871,938
2	1,166,753	1,300	–	1,168,053
3	2,336,036	783	–	2,336,819
4	3,064,846	14,179	–	3,079,025
5	2,439,425	39,363	–	2,478,788
6	1,565,438	18,222	–	1,583,660
7	2,369,551	127,076	–	2,496,627
Default	–	–	2,902,499	2,902,499
	P15,813,547	P201,363	P2,902,499	P18,917,409

December 31, 2019				
Masterscale	Amounts			
	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

CSB Salary Loans

For CSB salary loans, which relates to the DepEd loans of CSB, 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, 2020 and 2019:

December 31, 2020				
Credit Score	Amounts			
	Stage 1	Stage 2	Stage 3	Total
D to E	₱45,247,019	₱341,563	₱—	₱45,588,582
B to C	46,215	111,706	—	157,921
A	—	120,974	—	120,974
Default	—	—	2,051,036	2,051,036
	₱45,293,234	₱574,243	₱2,051,036	₱47,918,513

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Credit Score	December 31, 2019			
	Amounts			
	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

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, 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, 2020 and 2019 of the Group's and Parent Bank's other receivables from customers.

	December 31, 2020			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
Group	₱17,255,611	₱1,168,124	₱2,927,490	₱21,351,225
Parent Bank	7,791,314	120,023	663,586	8,574,923

	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

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.

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, 2020 and 2019:

Sovereign - Group

Masterscale	December 31, 2020			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱7,180,893	₱—	₱—	₱7,180,893
2	—	—	—	—
3	—	—	—	—
4	6,907,611	—	—	6,907,611
5	20,688,846	—	—	20,688,846
6	11,562,861	—	—	11,562,861
7	—	—	—	—
8	2,315,919	—	—	2,315,919
9	97,070,517	—	—	97,070,517
10	2,942,981	—	—	2,942,981
11	—	—	—	—
12	7,877,205	681,565	—	8,558,770
13	—	—	—	—
14	—	2,787,314	—	2,787,314
15	—	—	—	—
16	—	—	—	—
Default	—	—	—	—
	₱156,546,833	₱3,468,879	₱—	₱160,015,712

Masterscale	December 31, 2019			
	Amounts			
	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	100,118,913	—	—	100,118,913
10	—	—	—	—
11	—	719,370	—	719,370
12	8,890,002	—	—	8,890,002
13	—	2,939,437	—	2,939,437
14	—	—	—	—
15	—	—	—	—
16	—	—	—	—
Default	—	—	—	—
	₱140,252,227	₱3,658,807	₱—	₱143,911,034

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Corporate – Group

December 31, 2020				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱–	₱–	₱–	₱–
2	49,299,628	–	–	49,299,628
3	17,560,176	–	–	17,560,176
4	466,863	–	–	466,863
5	102,481,183	–	–	102,481,183
6	16,538,843	–	–	16,538,843
7	154,698	–	–	154,698
8	10,729,439	–	–	10,729,439
9	25	–	–	25
10	1,700,043	–	–	1,700,043
11	2,567,320	–	–	2,567,320
12	–	–	–	–
13	–	–	–	–
Default	–	–	–	–
	₱201,498,218	₱–	₱–	₱201,498,218

December 31, 2019				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱52,934	₱–	₱–	₱52,934
2	55,769,526	–	–	55,769,526
3	–	–	–	–
4	18,709,865	–	–	18,709,865
5	9,664,185	–	–	9,664,185
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	–	–	–	–
	₱173,433,758	₱–	₱–	₱173,433,758

Sovereign – Parent Bank

December 31, 2020				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱7,180,893	₱–	₱–	₱7,180,893
2	–	–	–	–
3	–	–	–	–
4	6,907,611	–	–	6,907,611
5	686,510	–	–	686,510
6	11,562,861	–	–	11,562,861
7	–	–	–	–
8	2,315,919	–	–	2,315,919
9	94,430,661	–	–	94,430,661
10	2,942,981	–	–	2,942,981
11	–	–	–	–

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December 31, 2020				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
12	₱7,877,205	₱681,565	₱—	₱8,558,770
13	—	—	—	—
14	—	2,787,314	—	2,787,314
15	—	—	—	—
16	—	—	—	—
Default	—	—	—	—
	₱133,904,641	₱3,468,879	₱—	₱137,373,520

December 31, 2019				
Masterscale	Amounts			
	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 – Parent Bank

December 31, 2020				
Masterscale	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱—	₱—	₱—	₱—
2	49,299,628	—	—	49,299,628
3	17,560,176	—	—	17,560,176
4	466,863	—	—	466,863
5	98,461,904	—	—	98,461,904
6	16,538,843	—	—	16,538,843
7	154,698	—	—	154,698
8	10,729,439	—	—	10,729,439
9	25	—	—	25
10	1,700,043	—	—	1,700,043
11	2,567,320	—	—	2,567,320
12	—	—	—	—
13	—	—	—	—
Default	—	—	—	—
	₱197,478,939	₱—	₱—	₱197,478,939

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Masterscale	December 31, 2019			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
1	₱52,934	₱—	₱—	₱52,934
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	—	—	—	—
	₱171,250,593	₱—	₱—	₱171,250,593

Analysis of movements of gross carrying amounts

Movements in 2020 and 2019 for total receivables from customers follow. The balances presented include the related accrued interest receivables:

Group

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱343,745,565	₱2,387,632	₱11,675,758	₱357,808,955
Newly originated assets that remained in Stage 1 as at December 31, 2020	123,248,369	—	—	123,248,369
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	—	2,554,867	1,992,551	4,547,418
Effects of business combination (see Note 15)	2,158,105	6,453	41,321	2,205,879
Movements in receivable balance (excluding write-offs)	(156,406,473)	(1,798,042)	1,416,635	(156,787,880)
Amounts written-off	—	—	(4,880,641)	(4,880,641)
Transfers to Stage 1	918,573	(279,228)	(639,345)	—
Transfers to Stage 2	(13,434,159)	13,489,708	(55,549)	—
Transfers to Stage 3	(9,540,719)	(1,214,040)	10,754,759	—
Balance at end of year	₱290,689,261	₱15,147,350	₱20,305,489	₱326,142,100

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱294,464,999	₱1,234,832	₱11,899,014	₱307,598,845
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)
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

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Parent Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱293,988,151	₱1,607,784	₱9,014,158	₱304,610,093
Newly originated assets that remained in Stage 1 as at December 31, 2020	90,902,328	—	—	90,902,328
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	—	2,469,468	1,959,239	4,428,707
Movements in receivable balance (excluding write-offs)	(126,359,237)	(2,645,913)	(705,728)	(129,710,878)
Amounts written-off	—	—	(4,782,965)	(4,782,965)
Transfers to Stage 1	362,979	(182,235)	(180,744)	—
Transfers to Stage 2	(13,433,644)	13,484,627	(50,983)	—
Transfers to Stage 3	(9,528,847)	(1,208,725)	10,737,572	—
Balance at end of year	₱235,931,730	₱13,525,006	₱15,990,549	₱265,447,285

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱240,667,042	₱509,451	₱8,646,282	₱249,822,775
Newly originated assets that remained in Stage 1 as at December 31, 2019	153,290,357	—	—	153,290,357
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	—	135,927	1,319,229	1,455,156
Movements in receivable balance (excluding write-offs)	(96,726,638)	(171,285)	(948,706)	(97,846,629)
Amounts written-off	—	—	(2,111,566)	(2,111,566)
Transfers to Stage 1	337,348	(128,891)	(208,457)	—
Transfers to Stage 2	(1,374,543)	1,431,941	(57,398)	—
Transfers to Stage 3	(2,205,415)	(169,359)	2,374,774	—
Balance at end of year	₱293,988,151	₱1,607,784	₱9,014,158	₱304,610,093

The breakdown of movements in 2020 and 2019 for total receivables from customers follow:

Corporate Loans - Group and Parent Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱148,535,434	₱—	₱87,569	₱148,623,003
Newly originated assets that remained in Stage 1 as at December 31, 2020	22,584,311	—	—	22,584,311
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	—	237,675	149,252	386,927
Movements in receivable balance (excluding write-offs)	(52,401,863)	(2,329,494)	(76,952)	(54,808,309)
Transfers to Stage 2	(11,325,666)	11,325,666	—	—
Transfers to Stage 3	(1,057,108)	—	1,057,108	—
Amounts written off	—	—	(49,495)	(49,495)
Balance at end of year	₱106,335,108	₱9,233,847	₱1,167,482	₱116,736,437

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	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

In 2019 there were no write-offs of corporate loans.

Commercial Loans - Group and Parent Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱64,344,757	₱11,469	₱2,703,175	₱67,059,401
Newly originated assets that remained in Stage 1 as at December 31, 2020	48,664,247	–	–	48,664,247
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	–	1,968,142	806,375	2,774,517
Movements in receivable balance (excluding write-offs)	(52,317,599)	(40,435)	(365,945)	(52,723,979)
Transfers to Stage 2	(280,096)	280,096	–	–
Transfers to Stage 3	(1,456,830)	(11,469)	1,468,299	–
Amounts written-off	–	–	(1,304,849)	(1,304,849)
Balances at end of year	₱58,954,479	₱2,207,803	₱3,307,055	₱64,469,337

	2019			
	Stage 1	Stage 2	Stage 3	Total
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

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In 2019, there were no write-offs of commercial loans.

Home Loans - Group and Parent Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱47,458,702	₱1,193,833	₱2,141,689	₱50,794,224
Newly originated assets that remained in Stage 1 as at December 31, 2020	13,685,023	—	—	13,685,023
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	—	222,899	423,436	646,335
Movements in receivable balance (excluding write-offs)	(7,701,560)	(126,192)	(487,775)	(8,315,527)
Transfers to Stage 1	225,770	(125,558)	(100,212)	—
Transfers to Stage 2	(1,565,462)	1,591,172	(25,710)	—
Transfers to Stage 3	(5,065,191)	(994,184)	6,059,375	—
Amounts written off	—	—	(60,876)	(60,876)
Balances at end of year	₱47,037,282	₱1,761,970	₱7,949,927	₱56,749,179

	2019			
	Stage 1	Stage 2	Stage 3	Total
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

In 2019, there were no write-offs of home loans.

Other Retail Products - Group and Parent Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱17,357,463	₱360,013	₱2,935,755	₱20,653,231
Newly originated assets that remained in Stage 1 as at December 31, 2020	2,423,613	—	—	2,423,613
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	—	27,318	507,949	535,267
Movements in receivable balance (excluding write-offs)	(2,439,557)	(121,610)	346,744	(2,214,423)
Amounts written-off	—	—	(2,480,279)	(2,480,279)
Transfers to Stage 1	130,955	(50,423)	(80,532)	—

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	2020			
	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 2	(P143,577)	P163,312	(P19,735)	P-
Transfers to Stage 3	(1,515,350)	(177,247)	1,692,597	-
Balance at end of year	P15,813,547	P201,363	P2,902,499	P18,917,409

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	P15,142,559	P57,245	P2,786,168	P17,985,972
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	P17,357,463	P360,013	P2,935,755	P20,653,231

CSB Salary Loans - Group

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	P42,618,304	P248,767	P1,436,076	P44,303,147
Newly originated assets that remained in Stage 1 as at December 31, 2020	32,346,041	-	-	32,346,041
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	-	85,399	33,312	118,711
Movements in receivable balance (excluding write-offs)	(30,214,318)	337,304	1,125,304	(28,751,710)
Amounts written-off	-	-	(97,676)	(97,676)
Transfers to Stage 1	555,594	(96,993)	(458,601)	-
Transfers to Stage 2	(515)	5,081	(4,566)	-
Transfers to Stage 3	(11,872)	(5,315)	17,187	-
Balance at end of year	P45,293,234	P574,243	P2,051,036	P47,918,513

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	P45,059,885	P245,386	P1,620,327	P46,925,598
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)

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	2019			
	Stage 1	Stage 2	Stage 3	Total
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

Other Receivables from Customers

Other receivables from customers include HR loans, quick loans and home credit receivables.

Group

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱23,430,905	₱573,550	₱2,371,494	₱26,375,949
Newly originated assets that remained in Stage 1 as at December 31, 2020	3,545,134	–	–	3,545,134
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	–	13,434	72,227	85,661
Effects of business combination (Note 15)	2,158,105	6,453	41,321	2,205,879
Movements in receivable balance (excluding write-offs)	(11,331,576)	482,385	875,259	(9,973,932)
Amounts written-off	–	–	(887,466)	(887,466)
Transfers to Stage 1	6,254	(6,254)	–	–
Transfers to Stage 2	(118,843)	124,381	(5,538)	–
Transfers to Stage 3	(434,368)	(25,825)	460,193	–
Balance at end of year	₱17,255,611	₱1,168,124	₱2,927,490	₱21,351,225

	2019			
	Stage 1	Stage 2	Stage 3	Total
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)
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

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Parent Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱16,291,795	₱42,469	₱1,145,970	₱17,480,234
Newly originated assets that remained in Stage 1 as at December 31, 2020	3,545,134	—	—	3,545,134
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	—	13,434	72,227	85,661
Movements in receivable balance (excluding write-offs)	(11,498,658)	(28,182)	(121,800)	(11,648,640)
Amounts written-off	—	—	(887,466)	(887,466)
Transfers to Stage 1	6,254	(6,254)	—	—
Transfers to Stage 2	(118,843)	124,381	(5,538)	—
Transfers to Stage 3	(434,368)	(25,825)	460,193	—
Balance at end of year	₱7,791,314	₱120,023	₱663,586	₱8,574,923

	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

Investments and Placements

Movements in 2020 and 2019 for investments and placements follow. The balances presented include accrued interest receivables:

Group

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱313,685,985	₱3,658,807	₱—	₱317,344,792
Newly originated assets that remained in Stage 1 as at December 31, 2020	78,803,785	—	—	78,803,785
Effects of business combination (Note 15)	1,148,525	—	—	1,148,525
Movements in the balance (excluding write-offs)	(35,593,244)	(189,928)	—	(35,783,172)
Balance at end of year	₱358,045,051	₱3,468,879	₱—	₱361,513,930

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱283,290,092	₱747,721	₱—	₱284,037,813
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)	(136,362,301)	(141,772)	—	(136,504,073)
Transfers to Stage 2	(3,052,858)	3,052,858	—	—
Balance at end of year	₱313,685,985	₱3,658,807	₱—	₱317,344,792

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Parent

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱305,551,425	₱3,658,807	₱—	₱309,210,232
Newly originated assets that remained in Stage 1 as at December 31, 2020	76,492,061	—	—	76,492,061
Movements in the balance (excluding write-offs)	(50,659,906)	(189,928)	—	(50,849,834)
Balance at end of year	₱331,383,580	₱3,468,879	₱—	₱334,852,459

	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

In 2020, there were no transfers between stages. In 2020 and 2019, there were no write-offs of investments and placements.

Modification

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.

On March 24, 2020, Republic Act No. 11469 or the “Bayanihan to Heal as One Act” (Bayanihan 1) was enacted declaring a state of national emergency over the entire country to control the spread of the Coronavirus Disease 2019 (COVID-19). Among the provisions of Bayanihan 1 is the implementation of a 30-day grace period for all loans with principal and/or interest falling due within the period of the Enhanced Community Quarantine without incurring interest on interest, on penalties, fees and other charges. Further, on September 11, 2020, Republic Act No. 11494 or the “Bayanihan to Recover as One Act” (Bayanihan 2) was enacted and provided for the implementation of a one-time 60-day grace period to be granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of said loans. In addition, Bayanihan 2 allows loans and interest due during the Bayanihan 2 period to be settled on a staggered basis without interest on interests, penalties, fees or other charges until December 31, 2020 or as may be agreed upon by both parties. Furthermore, the Bank provided additional grace period to the borrowers.

The impact of loan modifications as a result of the Bayanihan 1 and Bayanihan 2 Acts amounted to a loss of ₱506.70 million for the Group and ₱377.08 million for the Parent Company. For the year ended December 31, 2020, the net impact of the loan modifications (i.e., after subsequent accretion of the modified loans) amounted to a loss of ₱423.87 million for the Group and ₱346.01 million for the Parent Company.

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, 2020 and 2019 is shown below:

	Group				
	Exposure before collateral	Property	Deposits	Others	Exposure after financial effect of collateral
As of December 31, 2020	₱352,583,919	₱31,294,142	₱658,275	₱15,629,399	₱305,002,103
As of December 31, 2019	₱402,180,710	₱34,007,524	₱653,388	₱12,932,426	₱354,587,372

	Parent Bank				
	Exposure before collateral	Property	Deposits	Others	Exposure after financial effect of collateral
As of December 31, 2020	₱282,176,601	₱29,642,564	₱619,434	₱14,801,878	₱237,112,725
As of December 31, 2019	₱338,572,248	₱33,117,833	₱533,150	₱12,406,131	₱292,515,134

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.

Liquidity ratios are used to monitor and manage the Bank's liquidity. The MRC approves the ratios to be used for monitoring the performance of the Bank and for mapping out areas where improvements are needed. These ratios include Liquid Assets to Deposits Ratio, Liquidity ratio, Leverage Ratio and Intermediation Ratio. In June 2020, the MRC approved to set the peso liquid assets to deposits ratio limit to automatically be consistent with the reserve requirement ratio for peso deposits.

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. In June 2020, the BOD approved to change the MCO limits, providing separate limits for short term (generally less than 30 days) and medium term tenor (from 30 days to one year). Previously, the Bank has single limit for all tenors.

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
	2020						
	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	₱8,958	₱–	₱–	₱–	₱–	₱–	₱8,958
Due from BSP	43,972	59,913	–	–	–	–	103,885
Due from other banks	68,532	–	–	–	–	–	68,532
Interbank loans receivable	–	–	–	–	–	–	–
	121,462	59,913	–	–	–	–	181,375
<i>Financial assets at FVTPL</i>							
Derivative assets	–	145	60	196	213	573	1,187
Debt securities	–	15,050	–	–	–	–	15,050
Equity securities	–	2,754	–	–	–	–	2,754
<i>Financial assets at FVOCI</i>							
Debt securities	–	21,830	18,032	–	20	162	40,044
Equity securities	–	–	–	–	–	42	42
<i>Financial assets at amortized cost</i>							
	–	4,982	1,579	1,539	4,636	235,912	248,648
	–	44,761	19,671	1,735	4,869	236,689	307,725
Loans and other receivables	145	67,357	35,251	21,919	30,426	230,262	385,360
Other receivables	–	–	–	–	–	–	–
Accounts receivable	–	–	–	–	–	5,416	5,416
Accrued interest receivable	–	6,912	–	–	–	–	6,912
Sales contract receivable	–	51	90	99	134	2,052	2,426
	145	74,320	35,341	22,018	30,560	237,730	400,114
<i>Other financial assets</i>							
Returned checks and other cash items	–	249	–	–	–	–	249
Sundry debits	–	(13)	–	–	–	–	(13)
	–	236	–	–	–	–	236
Total assets	₱121,607	₱179,230	₱55,012	₱23,753	₱35,429	₱474,419	₱889,450
<i>Non-derivative liabilities</i>							
<i>Deposit liabilities</i>							
Demand	₱159,784	₱–	₱–	₱–	₱–	₱–	₱159,784
Savings	98,958	–	–	–	–	–	98,958
Time and LTNCD	1,718	155,721	74,158	6,823	4,046	33,140	275,606
	260,460	155,721	74,158	6,823	4,046	33,140	534,348
Bills payable	–	15,695	13,350	5,719	4,083	16,583	55,430
Notes and bonds payable	–	–	239	826	1,073	64,146	66,284
Manager's checks	6,925	–	–	–	–	–	6,925
Accrued interest payable	–	758	–	–	–	–	758
Accounts payable	–	5,028	–	–	–	–	5,028
Other liabilities	–	9,323	–	–	–	1,081	10,404
	267,385	186,525	87,747	13,368	9,202	114,950	679,177
<i>Derivative Liabilities</i>							
	–	73	123	205	261	484	1,146
Total liabilities	₱267,385	₱186,598	₱87,870	₱13,573	₱9,463	₱115,434	₱680,323

	Group						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	₱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

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Risk Management Objectives and Policies

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	Group						Total
	2019						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	
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
Other financial assets							
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
Non-derivative liabilities							
Deposit liabilities							
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
Derivative Liabilities	—	169	117	26	3	115	430
Total liabilities	₱218,863	₱247,666	₱112,818	₱4,432	₱23,279	₱62,237	₱669,295
	Parent Bank						Total
	2020						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	
Financial assets							
Cash and other cash items	₱7,815	₱—	₱—	₱—	₱—	₱—	₱7,815
Due from BSP	42,167	41,711	—	—	—	—	83,878
Due from other banks	64,764	—	—	—	—	—	64,764
	114,746	41,711	—	—	—	—	156,457
Financial assets at FVTPL							
Derivative assets	—	145	60	196	213	573	1,187
Debt securities	—	15,012	—	—	—	—	15,012
Equity securities	—	2,716	—	—	—	—	2,716
Financial assets at FVOCI							
Debt securities	—	21,829	18,032	—	—	—	39,861
Equity securities	—	—	—	—	—	42	42
Financial assets at amortized cost	—	4,980	1,578	1,448	4,636	231,922	244,564
	—	44,682	19,670	1,644	4,849	232,537	303,382
Loans and other receivables	—	60,447	34,229	20,241	25,145	177,032	317,094
Other receivables							
Accounts receivable	—	—	—	—	—	2,251	2,251
Accrued interest receivable	—	5,591	—	—	—	—	5,591
Sales contract receivable	—	42	84	86	125	2,006	2,343
	—	66,080	34,313	20,327	25,270	181,289	327,279
Other financial assets							
Returned checks and other cash items	₱—	₱249	₱—	₱—	₱—	₱—	₱249
Sundry debits	—	11	—	—	—	—	11
	—	260	—	—	—	—	260
Total assets	₱114,746	₱152,733	₱53,983	₱21,971	₱30,119	₱413,826	₱787,378
Non-derivative liabilities							
Deposit liabilities							
Demand	₱160,883	₱—	₱—	₱—	₱—	₱—	₱160,883
Savings	93,564	—	—	—	—	—	93,564
Time and LTNCD	66	118,775	68,651	2,756	2,061	21,310	213,619
	254,513	118,775	68,651	2,756	2,061	21,310	468,066
Bills payable	—	15,695	8,841	582	70	10,420	35,608
Notes and bonds payable	—	—	239	801	1,049	64,078	66,167
Manager's checks	6,925	—	—	—	—	—	6,925
Accrued interest payable	—	625	—	—	—	—	625
Accounts payable	—	3,949	—	—	—	—	3,949
Other liabilities	—	8,428	—	—	—	1,081	9,509
	261,438	147,472	77,731	4,139	3,180	96,889	590,849
Derivative liabilities	—	73	123	205	261	484	1,146
Total liabilities	₱261,438	₱147,545	₱77,854	₱4,344	₱3,441	₱97,373	₱591,999

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	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
<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
<i>Other financial assets</i>							
Returned checks and other cash items	₱—	₱399	₱—	₱—	₱—	₱—	₱399
Sundry debits	—	29	—	—	—	—	29
	—	428	—	—	—	—	428
Total assets	₱147,170	₱102,294	₱35,141	₱32,349	₱37,238	₱563,987	₱918,179
<i>Non-derivative liabilities</i>							
<i>Deposit liabilities</i>							
Demand	₱137,357	₱—	₱—	₱—	₱—	₱—	₱137,357
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	₱214,903	₱209,538	₱109,150	₱3,122	₱13,061	₱52,589	₱602,363

BSP Reporting**Liquidity 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 2019.

The Group's and the Parent Bank's LCR as of December 31, 2020 and 2019 follows (amounts in millions):

	December 31, 2020	
	Group	Parent Bank
Total HQLA	₱246,291	₱ 216,505
Total net cash outflows	118,718	97,842
LCR Ratio	207.46%	221.28%

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	December 31, 2019	
	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, 2020 and 2019, the NSFR was at 133.22% and 106.26%, respectively, for the Group, and 135.97% and 108.05%, 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. The Bank uses the maximum between the 1st and 99th percentile of historical changes in asset returns in the calculation of volatility as this is a more conservative approach as any potential gain may reverse to a loss.

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, 2020 and 2019 follows (amounts in millions of Philippine pesos):

	Foreign Exchange	Interest Rate	Equity	Total VaR
2020	₱23.7	₱5,675.8	₱142.5	₱5,842.0
Average daily	29.1	4,212.6	149.4	4,391.0
Highest	69.6	6,248.7	160.9	6,422.3
Lowest	7.5	285.8	141.0	447.7
 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

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.

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 Asset and Liability Committee establishes appropriate asset and liability pricing in support of the Bank's balance sheet objectives.

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 one-year differences in the term structure of the different benchmark curves as the bases for the calculation of interest rate risk factor across all currencies. 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 2020				
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	Total
<i>Resources</i>				
Loans	₱118,867	₱24,860	₱195,490	₱339,217
Placements	128,429	—	43,972	172,401
Investments	4,448	1,040	199,279	204,767
	251,744	25,900	438,741	716,385
<i>Liabilities</i>				
Deposit liabilities	238,353	7,941	281,491	527,785
Bills payable	39,099	7,656	7,468	54,223
Notes and bonds payable	—	107	59,747	59,854
	277,452	15,704	348,706	641,862
Asset-Liability Gap	(₱25,708)	₱10,196	₱90,035	₱74,523

Group 2019				
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	Total
<i>Resources</i>				
Loans	₱157,842	₱20,358	₱215,181	₱393,381
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	(₱116,375)	₱3,331	₱190,089	₱77,045

Parent Bank				
2020				
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	Total
<i>Resources</i>				
Loans	₱104,811	₱21,422	₱146,880	₱273,113
Placements	106,464	–	42,167	148,631
Investments	4,354	1,020	196,535	201,909
	215,629	22,442	385,582	623,653
<i>Liabilities</i>				
Deposit liabilities	190,042	1,930	273,257	465,229
Bills payable	33,183	1	1,319	34,503
Notes and bonds payable	–	–	59,747	59,747
	223,225	1,931	334,323	559,479
Asset-Liability Gap	(₱7,596)	₱20,511	₱51,259	₱64,174

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

EAR is complemented by stress tests which are conducted quarterly. It involves subjecting the total interest rate sensitive assets and liabilities within one year to probable short-term and medium-term interest rate movements, assuming parallel and non-parallel (flatteners and steepeners) in the yield curve.

Additionally, the Bank also monitors long-term sensitivity to interest rate risk of the Bank's balance sheet through the Economic Value of Equity (EVE) method. EVE measures the economic value which provides a more comprehensive view of potential long-term effects of changes in interest rates.

The Bank's interest rate sensitive asset and liability positions are analyzed based on its cash flows, and its present value are computed using appropriate market rates which include the current risk-free rate plus the corresponding margin. On the other hand, the present values of non-interest sensitive assets and liabilities will be kept at their carrying values.

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)
2020				
Change in annualized net interest income	(P711)	P711	(P710)	P710
As a percentage of net interest income	(1.84%)	1.84%	(2.42%)	2.42%
2019				
Change in annualized net interest income	(P1,144)	P1,144	(P1,139)	P1,139
As a percentage of net interest income	(5.12%)	5.12%	(6.85%)	6.85%

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 on as to foreign currency-denominated balances (excluding FCDU USD-denominated financial resources and liabilities, which functional currency is in USD), translated to Philippine pesos as of December 31, 2020 and 2019 is shown below:

	Group		
	2020		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱550,524	₱87,819	₱638,343
Due from other banks	62,691,820	2,240,902	64,932,722
Financial assets at FVTPL	3,468,444	1,695	3,470,139
Financial assets at FVOCI	22,949,310	—	22,949,310
Financial assets at amortized cost	74,726,779	1,839,183	76,565,962
Loans and other receivables	12,962,947	99,932	13,062,879
	177,349,824	4,269,531	181,619,355
<i>Liabilities:</i>			
Deposit liabilities	121,149,102	2,895,830	124,044,932
Bills payable	34,462,352	24,276	34,486,628
Notes and bonds payable	38,322,727	—	38,322,727
Derivative liabilities	265,148	763	265,911
Accrued interest and other expenses	263,489	305	263,794
Other liabilities	502,775	171,085	673,860
	194,965,593	3,092,259	198,057,852
Currency swaps and forwards	12,861,233	(959,562)	11,901,671
Net exposure	(₱4,754,536)	₱217,710	(₱4,536,826)

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	Group		
	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)

	Parent Bank		
	2020		
	U.S. Dollars	Other Foreign Currencies	Total
<i>Resources:</i>			
Cash and other cash items	₱550,524	₱87,819	₱638,343
Due from other banks	62,184,086	2,240,902	64,424,988
Financial assets at FVTPL	3,468,443	1,695	3,470,138
Financial assets at FVOCI	22,949,310	—	22,949,310
Financial assets at amortized cost	74,726,779	1,839,183	76,565,962
Loans and other receivables	12,962,623	99,932	13,062,555
	176,841,765	4,269,531	181,111,296
<i>Liabilities:</i>			
Deposit liabilities	121,149,102	2,895,830	124,044,932
Bills payable	34,462,352	24,276	34,486,628
Notes and bonds payable	38,322,727	—	38,322,727
Derivative liabilities	265,148	763	265,911
Accrued interest and other expenses	263,489	305	263,794
Other liabilities	398,302	171,085	569,387
	194,861,120	3,092,259	197,953,379
Currency swaps and forwards	12,861,233	(959,562)	11,901,671
Net exposure	(₱5,158,122)	₱217,710	(₱4,940,412)

	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)

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 in the RBU. 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.

	2020		2019	
	% Change	Effect on Net Profit For the Year	% Change	Effect on Net Profit For the Year
U.S. dollars	1.0%	(51,581)	1.0%	(4,437)
Japanese yen	2.5%	(6,292)	1.5%	864
Euros	2.0%	4,540	1.5%	(543)
Others	1.6%	4,711	1.3%	(235)

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.

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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.

The 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.

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 and its subsidiaries 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 and subsidiaries' compliance with these regulations, as well as the study of the potential impact of new laws and regulations, is the primary responsibility of the entity's Chief Compliance and Corporate Governance Officer (CCCGO). The CCCGO 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 MB 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, 2020 and 2019, as reported to the BSP, follow (amounts in millions):

	Group		Parent Bank	
	2020	2019	2020	2019
Common Equity Tier 1 Capital				
Paid-up common stock	₱12,185	₱12,176	₱12,185	₱12,176
Additional paid in capital	14,215	14,172	14,215	14,172
Surplus free	63,778	55,725	65,216	56,183
Undivided profits	11,671	13,226	11,513	13,601
Other comprehensive income	(1,806)	(1,023)	(1,658)	(908)
Minority interest in financial allied subsidiary	802	522	—	—
Sub-total	100,845	94,798	101,471	95,224
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	378	268	267	240
Deferred income tax	6,970	5,626	5,858	4,897
Goodwill	13,377	13,650	7,887	7,887
Other intangible assets	1,554	1,539	1,013	1,084

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	Group		Parent Bank	
	2020	2019	2020	2019
Defined benefit pension fund assets	₱8	₱25	₱–	₱17
Un-booked valuation reserves	2,318	2,464	1,888	2,048
Investments in equity of consolidated subsidiary banks and quasi banks, and other financial allied undertakings	–	–	21,777	20,577
Other equity investments in non-financial allied and non-allied undertakings	–	–	–	–
Total regulatory adjustments to Common Equity				
Tier 1 capital	24,605	23,572	38,690	36,750
Total Common Equity Tier 1 capital	76,240	71,226	62,781	58,474
Total Tier 1 capital	₱76,240	₱71,226	₱62,781	₱58,474
Tier 2 Capital				
General loan loss provision	₱3,627	₱4,005	₱2,602	₱3,078
Unsecured subordinated debt	6,800	7,200	6,800	7,200
Total Tier 2 capital	10,427	11,205	9,402	10,278
Net Tier 1 capital	76,240	71,226	62,781	58,474
Net Tier 2 capital	10,427	11,205	9,402	10,278
Total qualifying capital	86,667	82,431	72,183	68,752
Credit risk-weighted assets	451,416	486,279	381,932	420,835
Market risk-weighted assets	12,046	10,002	12,046	10,002
Operational risk-weighted assets	46,175	41,750	33,903	29,050
Total risk-weighted assets	₱509,637	₱538,031	₱427,881	₱459,887
Capital ratios:				
Total regulatory capital expressed as percentage of total risk weighted assets	17.01%	15.32%	16.87%	14.95%
Total Tier 1 expressed as percentage of total risk-weighted assets	14.96%	13.24%	14.67%	12.71%
Total Common Equity Tier 1 expressed as percentage of total risk-weighted assets	14.96%	13.24%	14.67%	12.71%
Conservation buffer	8.96%	7.24%	8.67%	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	
	2020	2019	2020	2019
On-books assets	₱439,066	₱468,659	₱369,587	₱403,215
Off-books assets	8,196	10,961	8,191	10,961
Counterparty risk-weighted assets in the banking books	3,383	6,115	3,383	6,115
assets in the trading books	771	544	771	544
Total Credit Risk-Weighted Assets	₱451,416	₱486,279	₱381,932	₱420,835
Capital Requirements	₱45,142	₱48,628	₱38,193	₱42,084
Interest rate exposures	₱6,261	₱3,714	₱6,261	₱3,714
Equity exposures	5,156	5,123	5,156	5,123
Foreign exchange exposures	629	1,165	629	1,165
Total Market Risk-Weighted Assets	₱12,046	₱10,002	₱12,046	₱10,002
Capital Requirements	₱1,205	₱1,000	₱1,205	₱1,000
Total Operational Risk-Weighted Assets - Basic indicator	₱46,175	₱41,750	₱33,903	₱29,050
Capital Requirements	₱4,618	₱4,175	₱3,390	₱2,905

The total credit exposure broken down by type of exposures and risk weights follow (amounts in millions):

	Group					
	2020					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	₱8,755	₱8,755	₱8,755	₱ –	₱ –	₱ –
Checks and other cash items	30	30	30	–	–	6
Due from BSP	103,879	103,879	103,879	–	–	–
Due from other banks	68,723	68,723	66,663	2,060	–	31,492
Financial assets at FVTPL	37	37	–	37	–	37
Financial assets at FVOCI	31,174	28,645	16,740	11,905	–	12,554
Financial assets at amortized cost	165,005	164,234	124,601	39,633	–	54,557
Loans and receivables	311,159	311,013	23,192	279,348	8,473	303,654
	16,745	3,349	3,349	–	–	–
Sales contract receivable (SCR)	1,443	1,443	–	113	1,330	2,108
ROPA	5,619	5,619	–	–	5,619	8,428
Other assets	24,937	24,937	157	24,780	–	24,781
Total risk-weighted on-books assets not covered by CRM	737,506	720,664	347,366	357,876	15,422	437,617
Total risk-weighted on-books assets covered by CRM	–	16,841	16,837	4	–	1,449
	₱737,506	₱737,505	₱364,203	₱357,880	₱15,422	₱439,066
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱1,357	₱–	₱–	₱1,357	₱–	₱1,357
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	3,330	–	–	1,665	–	1,665
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	₱25,870	₱–	₱–	₱5,174	₱–	₱5,174
	₱30,557	₱–	₱–	₱8,196	₱–	₱8,196
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱30,745	₱6,421	₱5,615	₱806	₱–	₱3,383
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱4,010	₱550	₱278	₱272	₱–	₱411
Exchange Rate Contracts	47,517	576	387	189	–	360
Total	₱51,527	₱1,126	₱665	₱461	₱–	₱771

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	Group 2019					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
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, 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

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	Parent Bank					
	2020					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	₱7,815	₱7,815	₱7,815	₱ –	₱ –	₱ –
Due from BSP	83,875	83,875	83,875	–	–	–
Due from other banks	64,783	64,783	64,463	320	–	28,652
Financial assets through other comprehensive income	30,983	28,454	16,558	11,896	–	12,519
Financial assets at amortized cost	162,363	161,592	121,959	39,633	–	54,549
Loans and receivables	255,260	255,171	21,938	227,728	5,505	246,955
SPURRA	10,373	2,075	2,075	–	–	–
SCR	1,364	1,364	–	73	1,291	2,010
ROPA	4,038	4,038	–	–	4,038	6,057
Other assets	17,400	17,400	–	17,400	–	17,400
Total risk-weighted on-books assets not covered by CRM	638,254	626,567	318,683	297,050	10,834	368,142
Total risk-weighted on-books assets covered by CRM	–	11,687	11,683	4	–	1,445
	₱638,254	₱638,254	₱330,366	₱297,054	₱10,834	₱369,587
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱1,357	₱–	₱–	₱1,357	₱–	₱1,357
Transaction-related contingencies (e.g., performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions)	3,330	–	–	1,665	–	1,665
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	₱25,841	₱–	₱–	₱5,169	₱–	₱5,169
	₱30,528	₱–	₱–	₱8,191	₱–	₱8,191
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱30,745	₱6,421	₱5,615	₱806	₱–	₱ 3,383
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱4,010	₱550	₱278	₱272	₱–	₱411
Exchange Rate Contracts	47,517	576	387	189	–	360
Total	₱51,527	₱1,126	₱665	₱461	₱–	₱771

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	Parent Bank					
	2019					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
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, 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

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, 2020 and 2019. 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, 2020 and 2019 follow (amounts in millions, except for percentages):

	Consolidated		Parent Bank	
	2020	2019	2020	2019
Tier 1 Capital	₱76,240	₱71,226	₱62,780	₱58,474
Exposure Measure	763,706	764,787	664,873	688,449
BLR	9.98%	9.31%	9.44%	8.49%

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 2021 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 2020, the Group and Parent Bank's ICAAP Document was submitted to the BSP on March 20, 2020.

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, 2020, 2019 and 2018 follow (amounts in millions):

	Consumer Banking	Corporate and Commercial Banking	Treasury	Headquarters	Total
December 31, 2020					
Results of operations					
Net interest income and other income	₱17,244	₱10,776	₱14,558	(₱481)	₱42,097
Other expenses	(9,839)	(2,556)	(2,046)	(6,932)	(21,373)
Income before credit losses and income tax	₱7,405	₱8,220	₱12,512	(₱7,413)	20,724
Provision for credit losses					(8,382)
Tax expense					(781)
Net income					₱11,561
Segment resources	₱198,004	₱191,700	₱263,197	₱121,558	₱774,459
Segment liabilities	₱325,529	₱142,167	₱137,240	₱64,371	₱669,307
Other information:					
Depreciation and amortization	₱984	₱3	₱7	₱413	₱1,407
Capital expenditures	370	163	19	1,030	1,582
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					
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	₱160,639	₱218,001	₱255,622	₱35,250	₱669,512
Segment liabilities	₱251,495	₱134,105	₱137,054	₱60,168	₱582,822
Other information:					
Depreciation and amortization	₱269	₱29	₱12	₱806	₱1,116
Capital expenditures	426	142	47	1,714	2,329

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, 2020				
	Level 1	Level 2	Level 3	Total
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱15,012,469	₱—	₱—	₱15,012,469
Equity securities	2,586,451	138,490	28,775	2,753,716
Derivative assets	—	637,082	45,382	682,464
Trust fund assets	65,833	—	—	65,833
Financial assets at FVOCI				
Debt securities	31,148,586	—	—	31,148,586
Equity securities	—	—	41,673	41,673
<i>Liabilities</i>				
Derivative liabilities	—	747,310	—	747,310
December 31, 2019				
	Level 1	Level 2	Level 3	Total
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱4,711,248	₱—	₱—	₱4,711,248
Equity securities	2,579,979	138,750	30,223	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

Parent Bank

December 31, 2020				
	Level 1	Level 2	Level 3	Total
<i>Resources</i>				
Financial assets at FVTPL				
Debt securities	₱15,012,469	₱—	₱—	₱15,012,469
Equity securities	2,577,881	138,490	—	2,716,371
Derivative assets	—	637,082	45,382	682,464
Financial assets at FVOCI				
Debt securities	30,967,368	—	—	30,967,368
Equity securities	—	—	41,673	41,673
<i>Liabilities</i>				
Derivative liabilities	—	747,310	—	747,310
December 31, 2019				
	Level 1	Level 2	Level 3	Total
<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

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b) *Financial instruments measured at amortized cost and investment properties for which fair value is disclosed*

Group

December 31, 2020					
	Carrying Value	Level 1	Level 2	Level 3	Total
Resources					
<i>Financial Assets</i>					
Financial assets at amortized cost	₱155,810,967	₱176,826,261	₱—	₱—	₱176,826,261
Loans and other receivables	339,536,830	—	—	339,481,298	339,481,298
<i>Nonfinancial Assets</i>					
Investment properties	8,922,366	—	—	15,052,499	15,052,499
Liabilities					
<i>Financial Liabilities</i>					
Deposit liabilities	527,785,026	—	—	527,967,468	527,967,468
Bills payable	54,223,543	—	54,550,042	—	54,550,042
Notes and bonds payable	59,853,656	—	72,725,976	—	72,725,976
December 31, 2019					
	Carrying Value	Level 1	Level 2	Level 3	Total
Resources					
<i>Financial Assets</i>					
Financial assets at amortized cost	₱161,664,369	₱169,695,933	₱—	₱—	₱169,695,933
Loans and other receivables	392,564,364	—	—	391,334,944	391,334,944
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

Parent Bank

December 31, 2020					
	Carrying Value	Level 1	Level 2	Level 3	Total
Resources					
<i>Financial Assets</i>					
Financial assets at amortized cost	₱153,171,111	₱176,223,481	₱—	₱—	₱176,223,481
Loans and other receivables	273,339,863	—	—	273,284,331	273,284,331
Investment properties	7,662,547	—	—	13,792,680	13,792,680
Liabilities					
<i>Financial Liabilities</i>					
Deposit liabilities	465,228,619	—	—	465,411,061	465,411,061
Bills payable	34,502,421	—	34,828,920	—	34,828,920
Notes and bonds payable	59,746,857	—	72,619,177	—	72,619,177
December 31, 2019					
	Carrying Value	Level 1	Level 2	Level 3	Total
Resources					
<i>Financial Assets</i>					
Financial assets at amortized cost	₱161,664,369	₱169,695,933	₱—	₱—	₱169,695,933
Loans and other receivables	332,136,609	—	—	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

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.

Equity instruments included in Level 3 are UIC's investment in unquoted equity securities valued using the adjusted net asset method. The adjusted net asset method involves deriving the fair value of the investee's equity instruments by reference to the fair value of its assets and liabilities. Adjustments in the fair value of the investee's net assets, such as discount for the lack of liquidity, were also considered in the valuation. The Level 3 instruments are not material to the consolidated financial statements.

- (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, 2020 and 2019 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, 2020				December 31, 2019			
	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	₱104,488	₱40,800	₱—	₱63,688	₱233,731	₱121,064	₱—	₱112,667
Cross currency interest rate swaps	532,594	488,217	—	44,377	124,620	114,278	—	10,342
Loans and receivables	1,157,126	—	1,157,126	—	1,118,264	—	1,118,264	—
Total financial assets	₱1,794,208	₱529,017	₱1,157,126	₱108,065	₱1,476,615	₱235,342	₱1,118,264	₱123,009
Financial liabilities								
Derivative liabilities								
Currency forwards	₱258,434	₱40,800	₱—	₱217,634	₱315,577	₱121,064	₱—	₱194,513
Cross currency swaps	488,876	488,217	—	659	114,899	114,278	—	621
Deposit liabilities	1,649,048	—	1,157,126	491,922	1,753,248	—	1,118,264	634,984
Total financial liabilities	₱2,396,358	₱529,017	₱1,157,126	₱710,215	₱2,183,724	₱235,342	₱1,118,264	₱830,118

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Fair Value Measurement, Offsetting of Financial Assets and Financial Liabilities and Cash and Balances with the BSP

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	Parent Bank							
	December 31, 2020				December 31, 2019			
	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	₱104,488	₱40,800	₱–	₱63,688	₱233,731	₱121,064	₱–	₱112,667
Cross currency interest rate swaps	532,594	488,217	–	44,377	124,620	114,278	–	10,342
Loans and receivables	1,124,477	–	1,124,477	–	1,068,126	–	1,068,126	–
Total financial assets	₱1,761,559	₱529,017	₱1,124,477	₱108,065	₱1,426,477	₱235,342	₱1,068,126	₱123,009
Financial liabilities								
Derivative liabilities								
Currency forwards	₱258,434	₱40,800	₱–	₱217,634	₱315,577	₱121,064	₱–	₱194,513
Cross currency swaps	488,876	488,217	–	659	114,899	114,278	–	621
Deposit liabilities	1,595,483	–	1,124,477	471,006	1,673,420	–	1,068,126	605,294
Total financial liabilities	₱2,342,793	₱529,017	₱1,124,477	₱689,299	₱2,103,896	₱235,342	₱1,068,126	₱800,428

8. Cash and Balances with the BSP

These accounts are composed of the following as of December 31:

	Group		Parent Bank	
	2020	2019	2020	2019
Cash and other cash items	₱8,958,042	₱8,580,709	₱7,814,917	₱7,832,302
Due from BSP				
Mandatory reserves	₱42,730,160	₱48,836,829	₱40,953,821	₱47,027,761
Non-mandatory reserves	61,139,610	24,912,984	42,913,613	20,770,657
	₱103,869,770	₱73,749,813	₱83,867,434	₱67,798,418

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Group and the Parent 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 Group and the Parent 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 1.50% to 4.30% in 2020, from 3.50% to 5.15% in 2019, from 2.50% to 4.90% in 2018, except for the amounts within the required reserve as determined by the BSP. Total interest income on Due from BSP recognized by the Group amounted to ₱962,515, ₱63,730, and ₱68,500, in 2020, 2019, and 2018 respectively, while the total interest income on Due from BSP recognized by the Parent Bank amounted to ₱709,244, ₱38,644, and ₱40,126, in 2020, 2019, and 2018, 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.

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9. Due from Other Banks

The balance of this account consists of regular deposits with the following:

	Group		Parent Bank	
	2020	2019	2020	2019
Foreign banks	₱64,419,921	₱67,802,099	₱64,419,921	₱70,759,121
Local banks	4,112,297	5,873,610	343,847	738,105
	₱68,532,218	₱73,675,709	₱64,763,768	₱71,497,226

The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2020	2019	2020	2019
U.S. dollars	₱62,691,820	₱69,617,555	₱62,184,086	₱69,536,843
Philippine pesos	3,599,496	2,573,591	338,779	475,820
Other currencies	2,240,902	1,484,563	2,240,903	1,484,563
	₱68,532,218	₱73,675,709	₱64,763,768	₱71,497,226

Annual interest rates on these deposits range from 0.00% to 3.00% in 2020, from 0.80% to 6.13% in 2019, and from 0.00% to 6.80% in 2018. Total interest income on Due from other banks earned by the Group amounted to ₱59,459, ₱124,356, and ₱138,958 in 2020, 2019, and 2018, respectively, while total interest income earned by the Parent Bank amounted to ₱46,791, ₱89,010, and ₱108,662 in 2020, 2019 and 2018, respectively.

10. Interbank Loans Receivable

Interbank loans receivable consists of foreign currency-denominated loans granted to other banks with terms ranging from 1 to 67 days in 2020 and from 6 to 14 days in 2019.

Interest income on interbank loans amounted to ₱95,857, ₱247,478, and ₱107,254, in 2020, 2019, and 2018, respectively, for the Group, and ₱95,451, ₱247,039, and ₱126,167 in 2020, 2019, and 2018, respectively, for the Parent Bank. Annual interest rates on interbank loans receivable range from 0.01% to 4.00% in 2020, from 0.60% to 4.69% in 2019, and from 1.10% to 4.90% in 2018.

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, 2020 and 2019 consist of the following:

	Group		Parent Bank	
	2020	2019	2020	2019
Debt securities held for trading	₱15,012,469	₱4,711,248	₱15,012,469	₱4,711,248
Equity securities designated at FVTPL	2,753,716	2,748,952	2,716,371	2,700,106
Derivative assets	682,464	406,201	682,464	406,201
	₱18,448,649	₱7,866,401	₱18,411,304	₱7,817,555

The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2020	2019	2020	2019
Philippine pesos	₱14,978,510	₱3,603,929	₱14,941,165	₱3,555,083
U.S. dollars	3,468,444	4,262,053	3,468,444	4,262,053
Others	1,695	419	1,695	419
	₱18,448,649	₱7,866,401	₱18,411,304	₱7,817,555

The Group recognized fair value gains (losses) on financial assets at FVTPL amounting to ₱809,253, ₱1,275,384, and (₱105,752) in 2020, 2019, and 2018, respectively, while the Parent Bank recognized fair value gains (losses) on financial assets at FVTPL amounting to ₱811,217, ₱1,276,966, and (₱105,782) in 2020, 2019, and 2018, 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 ₱524,261, ₱423,688, and ₱36,639, in 2020, 2019, and 2018, respectively, of both the Group and the Parent Bank. In 2020, annual interest rates on these financial assets range from 1.38% to 5.88% and from 0.96% to 7.03% for securities denominated in Philippine peso and U.S. dollars, respectively. 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.

Derivative instruments include foreign exchange forwards and swaps and cross-currency interest rate swaps. These derivative instruments represent commitments to purchase/sell/exchange foreign currency or bonds on a future date at an agreed price, exchange rate and/or interest rates.

Equity securities include PSE listed securities, club shares and unquoted equity securities.

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, 2020		
	Notional Amount	Fair Values	
		Assets	Liabilities
Currency forwards			
Bought	₱30,396,594	₱1,066	₱130,134
Sold	19,533,966	103,422	128,300
Cross currency interest rate swaps			
Payer	1,738,473	268,843	263,956
Receiver	1,738,673	263,751	224,920
Warrants	4,322,070	45,382	—
	₱57,729,776	₱682,464	₱747,310

	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

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12. Financial Assets At Amortized Cost

The Group's and the Parent Bank's financial assets at amortized cost as of December 31, 2020 and 2019 consist of the following:

	Group		Parent Bank	
	2020	2019	2020	2019
Government bonds and other debt securities	₱151,811,690	₱159,921,013	₱149,211,834	₱159,921,013
Private bonds and commercial papers	4,338,979	1,856,760	4,298,979	1,856,760
	156,150,669	161,777,773	153,510,813	161,777,773
Allowance for impairment (Note 20)	(339,702)	(113,404)	(339,702)	(113,404)
	₱155,810,967	₱161,664,369	₱153,171,111	₱161,664,369

Investment securities of both the Group and the Parent Bank with an aggregate principal amount of ₱26,606,840 and ₱66,431,000 as of December 31, 2020 and 2019, respectively, 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, 2020 and 2019 follows:

	Group		Parent Bank	
	2020	2019	2020	2019
U.S. dollars	₱74,726,779	₱92,139,645	₱74,726,779	₱92,139,645
Philippine pesos	79,245,005	67,751,234	76,605,149	67,751,234
Others	1,839,183	1,773,490	1,839,183	1,773,490
	₱155,810,967	₱161,664,369	₱153,171,111	₱161,664,369

Financial assets at amortized cost denominated in Philippine pesos have fixed interest rates ranging from 1.69% to 7.13% per annum in 2020 and from 3.38% to 18.25% per annum in 2019 and 2018, while financial assets at amortized cost denominated in U.S. dollars and Euros have fixed interest rates ranging from 2.31% to 7.11% per annum in 2020, from 2.25% to 9.63% per annum in 2019 and from 2.25% to 9.50% per annum in 2018. These bonds have remaining maturities of 1 year to 29 years and 1 year to 31 years as at December 31, 2020 and 2019, respectively.

Interest income generated from these financial assets, including amortization of premium or discount, amounted to ₱7,202,846, ₱9,138,830, and ₱7,539,909 in 2020, 2019, and 2018, respectively, by the Group, and ₱7,061,489, ₱9,138,830, and ₱7,539,909 in 2020, 2019, and 2018, respectively, by the Parent Bank. This is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statements of income.

In 2020, the Parent Bank sold investment securities classified as Investment securities at amortized cost with carrying amount of ₱57.75 billion, resulting in gains totaling ₱5.11 billion. 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 gains totaling ₱7.07 billion. 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 (see Note 3).

Government bonds with aggregate face value of ₱800,000 and ₱650,000 as of December 31, 2020, and 2019, 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, 2020 and 2019 consist of the following:

	Group		Parent Bank	
	2020	2019	2020	2019
Debt securities:				
Government bonds	₱20,237,695	₱5,560,643	₱20,185,986	₱5,560,643
Private bonds and commercial papers	10,910,891	55,320	10,781,382	55,320
Equity securities	41,673	41,673	41,673	41,673
	₱31,190,259	₱5,657,636	₱31,009,041	₱5,657,636

The breakdown of this account as to currency as of December 31, 2020 and 2019 follows:

	Group		Parent Bank	
	2020	2019	2020	2019
U.S. dollars	₱22,949,310	₱2,585,640	₱22,949,310	₱2,585,640
Philippine pesos	8,240,949	3,071,996	8,059,731	3,071,996
	₱31,190,259	₱5,657,636	₱31,009,041	₱5,657,636

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 3.70% to 5.33% per annum for 2020, 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 1.03% to 8.43% per annum in 2020, 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 ₱881,817 and ₱875,707 in 2020 for the Group and Parent Bank, respectively, and ₱353,060 and ₱296,250 in 2019 and 2018, respectively, for both the Group and Parent Bank, and is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statements of income.

In 2020, 2019 and 2018, the Group and the Parent Bank recognized gains from the sale of investments securities at FVOCI amounting to ₱3.0 billion, ₱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, 2020 and 2019 consist of the following:

	Group		Parent Bank	
	December 31		December 31	
	2020	2019	2020	2019
Receivables from customers:				
Loans and discounts	₱313,440,863	₱343,432,112	₱253,976,998	₱290,281,029
Customers' liabilities under acceptances and trust receipts	7,525,880	6,846,490	7,525,880	6,846,490
Bills purchased	1,002,263	5,332,092	1,002,263	5,332,092
Accrued interest receivable	4,173,094	2,198,261	2,942,144	2,150,482
	326,142,100	357,808,955	265,447,285	304,610,093
Unearned discounts	(1,529,187)	(1,734,026)	(133,458)	(137,084)
Allowance for impairment (Note 20)	(10,473,864)	(6,871,905)	(7,691,647)	(5,307,190)
	314,139,049	349,203,024	257,622,180	299,165,819
Other receivables:				
SPURRA	16,745,090	34,773,704	10,373,294	28,446,976
Accounts receivable	5,416,251	5,644,144	2,251,211	1,628,932
Accrued interest receivable	2,739,153	2,453,309	2,648,608	2,448,627
Sales contracts receivable	1,536,891	1,448,587	1,456,203	1,437,620
UDSCL	191	46,322	—	—
Installment contracts receivable	4,243	5,689	—	—
	26,441,819	44,371,755	16,729,316	33,962,155
Allowance for impairment (Note 20)	(1,044,038)	(1,010,415)	(1,011,633)	(991,365)
	25,397,781	43,361,340	15,717,683	32,970,790
	₱339,536,830	₱392,564,364	₱273,339,863	₱332,136,609

Restructured loans amounted to ₱756,326 and ₱1,483,100 as of December 31, 2020 and 2019, respectively, for the Group, and ₱653,761 and ₱1,365,267 as of December 31, 2020 and 2019, respectively, for the Parent Bank. Interest income on these restructured loans amounted to ₱9,067, ₱11,942, and ₱14,491 in 2020, 2019, and 2018, respectively, for the Group, and ₱6,126, ₱9,796, and ₱9,198 in 2020, 2019, and 2018, respectively, for the Parent Bank.

The maturity profile of loans and other receivables (net of unearned discounts) follows:

	Group		Parent Bank	
	2020	2019	2020	2019
Less than one year	₱111,744,275	₱140,620,615	₱90,445,312	₱128,461,383
One year to less than five years	132,122,394	123,301,534	84,911,197	88,622,483
Beyond five years	107,188,063	136,524,535	106,686,634	121,351,298
	₱351,054,732	₱400,446,684	₱282,043,143	₱338,435,164

Loans and other receivables bear annual interest ranging from 4.00% to 14.00% in 2020, from 4.00% to 18.00% in 2019, and from 4.00% to 17.94% in 2018.

**Loans and Other Receivables and
Investments in Subsidiaries and Associates**

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The breakdown of loans (receivable from customers excluding accrued interest receivable) as to type of interest rate follows:

	Group		Parent Bank	
	2020	2019	2020	2019
Variable interest rates	₱239,823,493	₱191,751,315	₱239,823,493	₱191,751,315
Fixed interest rates	82,145,513	163,859,379	22,681,648	110,708,296
	₱321,969,006	₱355,610,694	₱262,505,141	₱302,459,611

The amounts of interest income per type of loans and receivables for each reporting period are as follows:

	Group		
	2020	2019	2018
Receivables from customers	₱28,287,521	₱27,391,437	₱22,847,102
Other receivables:			
SPURRA	444,275	439,331	390,270
Sales contracts receivable	118,611	172,600	143,700
Installment contracts receivable	514	614	1,042
UDSCL	—	—	7,810
Others	18	31	51,786
	₱28,850,939	₱28,004,013	₱23,441,710

	Parent Bank		
	2020	2019	2018
Receivables from customers	₱19,689,313	₱18,885,639	₱14,774,556
Other receivables:			
SPURRA	273,324	185,145	126,947
Sales contracts receivable	113,383	166,339	137,003
	₱20,076,020	₱19,237,123	₱15,038,506

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	2020	2019
Acquisition costs:			
CSB	99.79%	₱6,746,861	₱6,746,861
UIC	100%	924,861	712,361
UBX	100%	600,000	400,000
FUPI	100%	290,002	—
UBPSI	100%	5,000	5,000
UDC	100%	3,125	3,125
UBPIBI	100%	2,500	2,500
UCBC	100%	1,000	1,000
		₱8,573,349	₱7,870,847

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The movement of investments in subsidiaries is shown below:

	2020	2019	2018
Acquisition costs:			
Beginning balances	₱7,870,847	₱7,383,347	₱7,381,600
Additional investments	702,502	487,500	1,747
	8,573,349	7,870,847	₱7,383,347
Accumulated equity in total comprehensive income:			
Beginning balances	12,652,786	11,517,277	9,715,896
Share in net profit (Note 28)*	953,082	1,222,595	1,775,210
Impairment on investment in FUPI	(290,002)	—	—
Share in other comprehensive income (loss) (Note 29)	(21,228)	(87,086)	26,171
	13,294,638	12,652,786	11,517,277
Net investment in subsidiaries	₱21,867,987	₱20,523,633	₱18,900,624

*The share in net profit for CSB in 2020 is net of goodwill impairment charge of ₱223.2 million

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.

Purchase of preferred shares issued by FUPI

In October 2020, the Parent Bank subscribed to FUPI's non-voting, non-cumulative and redeemable preferred shares for a total consideration of ₱290 million. The subscription was used to support FUPI in meeting its maturing pre-need plans during 2020. As of December 31, 2020, the Parent Bank assessed that the preferred shares will not be redeemed or settled in the foreseeable future, as FUPI will not be generating additional income or revenues moving forward. The Parent Bank provided a full valuation allowance of ₱290 million, presented under Miscellaneous expense (see Note 28). This transaction is eliminated in the consolidation and has no impact on the consolidated financial statements.

Acquisition of Bangko Kabayan

In February 2019, CSB and UIC acquired 70% ownership, with CSB owning 49% and UIC owning 21% (See Note 1). For convenience purposes, the Group used March 31, 2020 as the date of business combination.

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	₱70,628
Due from BSP	323,440
Due from other banks	325,770
Investment securities	328,132
Loans and receivables	1,953,472

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	Provisional fair values recognized on acquisition date
Bank premises, furniture and fixtures, and equipment	₱183,352
Investment properties	253,400
Other resources	41,224
Total assets	3,479,418
Liabilities	
Deposit liabilities	2,546,758
Other liabilities	124,651
Total liabilities	2,671,409
Net assets acquired	₱808,009

The provisional goodwill from the acquisition is determined as follows (amounts in thousands):

Purchase price		₱681,745
Share in fair value of net assets acquired:		
Provisional fair values of net assets acquired	808,009	
Less: Proportionate share of non-controlling interest	242,403	565,606
Provisional Goodwill		₱116,139

The goodwill arising from the acquisition is attributed to expected synergies in the operations of the Group and Bangko Kabayan and the planned expansion of network to rural areas and extend the digital products offered by the Parent Bank. 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 ₱1.95 billion, with gross contractual amount of ₱2.04 billion.

Net cash outflow related to the acquisition of Bangko Kabayan amounted to ₱38.09 million, net of cash acquired.

In 2020, Bangko Kabayan reported a total operating income and net income of ₱313.16 million and ₱43.69 million, respectively. Had the acquisition occurred at the beginning of 2020, the consolidated operating income and consolidated net profit would have increased by ₱92.73 million and ₱17.83 million, respectively.

Acquisition of PBI

On January 5, 2018, CSB and UIC acquired 75% ownership of PBI (see Note 1).

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 of the bank premises and investment properties. 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	₱27,285
Due from BSP	12,994
Due from other banks	158,189
Loans and receivables	252,407
Bank premises, furniture and fixtures, and equipment	41,771
Investment properties	4,595
Other resources	22,917
Total assets	520,158
Liabilities	
Deposit liabilities	387,633
Other liabilities	21,471
Total liabilities	409,104
Net assets acquired	₱111,054

The gain on bargain purchase (provisional) from the acquisition is determined as follows (amounts in thousands):

Purchase price		₱58,000
Share in fair value of net assets acquired:		
Provisional fair values of net assets acquired	₱111,054	
Less: Proportionate share of non-controlling interest	27,763	83,291
Gain on Bargain Purchase (provisional)		₱25,291

The provisional fair value of the loans and receivables acquired as part of the business combination amounted to ₱252.41 million, with gross contractual amount of ₱360.56 million. Net cash inflow related to the acquisition of PBI amounted to ₱140.47 million, net of cash acquired.

In 2020, PBI reported a total operating income and net loss of ₱85.68 million and ₱32.55 million, respectively. Had the acquisition occurred at the beginning of 2020, the consolidated operating income and consolidated net profit would have increased by ₱49.31 million and decreased by ₱14.74 million, respectively.

Incorporation of UBX and UBX SG

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.

On February 21, 2020, UBX SG acquired 25% of Pacific Payments Pte. Ltd. (PPPL)'s outstanding capital for a total consideration amounting to \$1.6 million (₱50.0 million). PPPL is a holding company that was incorporated in Singapore in November 2014.

Acquisition of PR Savings Bank

As discussed in Note 1, in June 2018, CSB acquired 100% ownership of PR Savings Bank. 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. The sellers shall cause the relevant Ropali Group entity to execute a joint venture agreement with CSB to form an incorporated JV Company engaged in motorcycle dealership within one year from closing date or such longer period as the parties may agree upon in writing. On June 22, 2020, CSB and the Ropali Group came to a mutual understanding to defer the incorporation of the JV due to challenges created by the COVID-19 pandemic. The ₱300.0 million balance was released by CSB to the Ropali Group with the expectation that the same amount shall be delivered by the Ropali Group as its capital contribution upon incorporation of the JV.

In December, 2019, 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 final fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows (amounts in thousands):

	Final fair values
Assets	
Cash and other cash items	₱59,281
Due from BSP and Other Banks	870,689
Loans and receivables	8,726,594
Property and equipment	862,726
Investment properties	762,223
Deferred tax assets	—
Other resources	862,731
Total assets	12,144,244

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	Final fair values
Liabilities	
Deposit liabilities	₱4,419,570
Bills payable	4,323,572
Other liabilities	205,838
Total liabilities	8,948,980
Net assets acquired	₱3,195,264

The acquisition resulted in goodwill determined as follows:

Consideration for the common shares	₱5,789,185
Consideration for the preferred shares held by IFC	888,274
Purchase price	6,677,459
Fair value of net assets acquired	3,195,264
Final goodwill	₱3,482,195

The acquisition of PR Savings Bank was to primarily gain a foothold in the motorcycle lending business. Accordingly, the entire goodwill arising from the PR Savings Bank acquisition was attributed to the Motorcycle Loans Business CGU for the purpose of impairment testing (see Note 18). The goodwill arising from the acquisition is attributed to expected synergies from the future growth of the motorcycle lending business through the benefits of combined talent and technology. 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.

On December 20, 2018, the Monetary Board of BSP granted certain merger incentives, including temporary relief from compliance with the minimum CAR of 10% on solo basis for both the CSB and PRSB from June 2018 until the effectivity of the merger, provided that the CSB's CAR shall not fall below 7%; ten-year amortization of the goodwill recognized by the BSP from July 2018 to June 2028, and staggered booking of loan impairment determined based on BSP's examination of PR Savings Bank as of June 30, 2018 over a period of 5 years to start on the year the merger becomes effective. Subsequently, CSB recognized outright a significant amount of this required loan impairment as part of the determination of the final fair value of assets acquired at the date of the business combination.

CSB's CAR, after the effectivity of the merger, increased from 8.9% in December 2018 to 11.9% in March 2019. For prudential reporting, the CSB is amortizing the goodwill approved by the BSP. The difference between the final goodwill under PFRS and the BSP approved goodwill was reflected as a reduction in Retained Earnings for prudential reporting to the BSP.

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):

	Final fair values
Assets	
Cash and other cash items	₱618,253
Due from other banks	2,551
Loans and receivables	445,965
Investment in an associate	27,098
Property and equipment	49,384
Other resources	137,987
Total assets	₱1,281,238
Liabilities	
Notes and bonds payable	36,806
Other liabilities	265,914
Total liabilities	₱302,720
Net assets acquired	₱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	₱978,518
Less: Proportionate share of non-controlling interest	493,635
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.

**Investments in Subsidiaries and Associates and
Bank Premises, Furniture, Fixtures and Equipment**

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Investment in Associates

As of December 31, 2020 and 2019, the Group has investment in associates with aggregate carrying amounts of ₱255,342 and ₱159,094, respectively. The aggregate share in losses on these associates amounted to ₱3,665, ₱464, and ₱8 for the years ended December 31, 2020, 2019, and 2018, respectively.

Summarized Financial Information

The following table presents the financial information for CSB, FAIR Bank, PETNET, UIC and UBX, Bangko Kabayan and PBI as of and for the years ended December 31, 2020 and 2019:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2020				
CSB	₱99,152,408	₱82,144,535	₱9,262,926	₱1,229,886
FAIR Bank	414,799	270,220	81,701	(78,111)
PETNET	1,444,374	456,684	581,823	17,278
UIC	1,313,549	318,940	153,123	(19,467)
UBX	406,144	107,602	86,761	(206,660)
Bangko Kabayan	3,477,142	2,854,077	274,504	23,165
PBI	423,972	355,310	78,293	(19,090)
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)

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, 2020 and 2019 are shown below.

	Group					
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold Rights and Improvements	Total
December 31, 2020						
Cost	₱859,082	₱3,090,141	₱4,644,666	₱2,160,838	₱1,646,529	₱12,401,256
Accumulated depreciation and amortization	—	(758,245)	(2,713,265)	(1,034,218)	(1,000,760)	(5,506,488)
Net carrying amounts	₱859,082	₱2,331,896	₱1,931,401	₱1,126,620	₱645,769	₱6,894,768
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

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	Parent Bank					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold Rights and Improvements	
December 31, 2020						
Cost	₱248,301	₱2,621,552	₱3,470,711	₱1,746,750	₱792,390	₱8,879,704
Accumulated depreciation and amortization	—	(537,368)	(1,738,353)	(810,804)	(267,813)	(3,354,338)
Net carrying amounts	₱248,301	₱2,084,184	₱1,732,358	₱935,946	₱524,577	₱5,525,366
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

A reconciliation of the carrying amounts at the beginning and end of 2020 and 2019 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, 2020, net of accumulated depreciation and amortization	₱765,374	₱2,157,306	₱1,837,504	₱1,261,207	₱479,252	₱6,500,643
Additions	—	153,345	582,113	386,508	290,905	1,412,871
Disposals	—	—	(21,058)	—	—	(21,058)
Reclassifications/adjustments	—	15,312	(29,718)	(23,118)	(4,960)	(42,484)
Depreciation and amortization charges for the year	—	(60,910)	(466,683)	(521,521)	(131,213)	(1,180,327)
Effect of business combinations (Note 15)	93,708	66,843	29,243	23,544	11,785	225,123
Balances at December 31, 2020, net of accumulated depreciation and amortization	₱859,082	₱2,331,896	₱1,931,401	₱1,126,620	₱645,769	₱6,894,768

	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	—	—	—	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

	Parent Bank					Total
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold Rights and Improvements	
Balances at January 1, 2020, net of accumulated depreciation and amortization	₱248,301	₱1,959,388	₱1,695,872	₱1,029,614	₱361,420	₱5,294,595
Additions	—	152,528	479,720	376,639	235,442	1,244,329
Disposals	—	—	(11,903)	—	—	(11,903)
Reclassifications/adjustments	—	15,275	(47,434)	(31,996)	—	(64,155)
Depreciation and amortization charges for the year	—	(43,007)	(383,897)	(438,311)	(72,285)	(937,500)
Balances at December 31, 2020, net of accumulated depreciation and amortization	₱248,301	₱2,084,184	₱1,732,358	₱935,946	₱524,577	₱5,525,366
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	—	—	—	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

The Group has leases for branch offices, parking lots, stalls for specific events, signage and computer equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the consolidated statement of financial position as a ROU asset and a lease liability.

Generally, the Group is restricted from assigning and subleasing the leased assets. The lease contracts are cancellable upon mutual agreement of the parties or renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5% to 10%. As of December 31, 2020 and 2019, the Group has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

The Group's leasing activities qualified to recognize ROU assets mainly comprise of branch offices and parking lots with remaining lease terms ranging from 1 to 10 years.

The details of depreciation and amortization in the consolidated statements of income follow:

	Group		
	2020	2019	2018
Bank premises, furniture, fixtures and equipment	₱658,806	₱707,917	₱539,915
Investment properties (Note 17)	358,351	371,529	372,198
Computer software (Note 19)	286,680	216,112	166,923
Foreclosed machineries and chattel	103,063	82,636	36,571
	₱1,406,900	₱1,378,194	₱1,115,607

*Excluding depreciation of ROU asset presented in occupancy under "Miscellaneous expense" amounting to ₱521,521 and ₱504,841 in 2020 and 2019, respectively.

	Parent Bank		
	2020	2019	2018
Bank premises, furniture, fixtures and equipment	₱499,189	₱414,629	₱384,058
Investment properties (Note 17)	350,290	356,583	356,097
Computer software (Note 19)	159,428	133,738	108,083
Foreclosed machineries and chattel	—	—	14,759
	₱1,008,907	₱904,950	₱862,997

*Excluding depreciation of ROU asset presented in occupancy under "Miscellaneous expense" amounting to ₱438,311 and ₱403,550 in 2020 and 2019, respectively.

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Bank Premises, Furniture, Fixtures and Equipment and Investment Properties

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In 2020 and 2019, depreciation charges amounted to ₱521.52 million and ₱504.84 million, respectively, for the ROU asset of the Group and ₱438.31 million and ₱403.55 million, respectively, for ROU of the Parent Bank. This 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, 2020 and 2019, the Parent Bank has satisfactorily complied with this requirement.

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. The composition of and movements in this account under the cost model are shown below.

	Group		Parent	
	As at December 31		As at December 31	
	2020	2019	2020	2019
Cost	₱11,723,974	₱11,622,884	₱10,299,738	₱10,380,251
Accumulated depreciation	(2,640,589)	(2,315,745)	(2,476,117)	(2,175,058)
Accumulated impairment loss	(161,019)	(179,558)	(161,074)	(161,074)
Net carrying amounts	₱8,922,366	₱9,127,581	₱7,662,547	₱8,044,119

The movements in the Group's and the Parent Bank's investment properties are shown below.

	Group		
	2020		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,505,383	₱9,117,501	₱11,622,884
Effects of business combination (Note 15)	893	257,102	257,995
Reclassifications	290	(290)	—
Additions	—	201,247	201,247
Disposals	—	(358,152)	(358,152)
Balances at December 31	2,506,566	9,217,408	11,723,974
Accumulated depreciation and amortization			
Balances at January 1	632,008	1,683,737	2,315,745
Reclassifications	(290)	16,549	16,259
Depreciation	52,320	306,031	358,351
Disposals	—	(49,766)	(49,766)
Balances at December 31	684,038	1,956,551	2,640,589
Accumulated impairment losses			
Balance at January 1	—	179,558	179,558
Disposals	—	(18,539)	(18,539)
Balances at December 31	—	161,019	161,019
Net book values	₱1,822,528	₱7,099,838	₱8,922,366

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	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

	Parent Bank		
	2020		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,171,110	₱8,209,141	₱10,380,251
Additions	—	189,929	189,929
Disposals	—	(270,442)	(270,442)
Balances at December 31	2,171,110	8,128,628	10,299,738
Accumulated depreciation and amortization			
Balances at January 1	512,610	1,662,448	2,175,058
Depreciation	45,186	305,104	350,290
Disposals	—	(49,231)	(49,231)
Balances at December 31	557,796	1,918,321	2,476,117
Accumulated impairment losses			
Balances at January 1 and December 31	—	161,074	161,074
Net book values	₱1,613,314	₱6,049,233	₱7,662,547

	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

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Real property taxes related to these investment properties paid by the Group and recognized as expense for the years ended December 31, 2020, 2019, and 2018 totaled ₱44,653, ₱34,110, and ₱23,578, 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 ₱142,033, ₱156,407, and ₱154,899 in 2020, 2019, and 2018, 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 ₱153.88 million, ₱221.21 million, and ₱239.74 million in 2020, 2019, and 2018, respectively, for the Group, and ₱153.88 million, ₱208.23 million, and ₱285.90 million in 2020, 2019, and 2018, 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 ₱229.15 million, ₱200.08 million, and ₱258.00 million in 2020, 2019, and 2018, respectively, for the Group, and ₱195.47 million, and ₱251.70 million, and ₱245.98 million in 2020, 2019, and 2018, 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, (d) PETNET in December 2018 and (e) Bangko Kabayan in March 2020 (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 Parent Bank's Corporate and Commercial Banking.
- With respect to the goodwill from the acquisition of CSB and PR Savings Bank, to CSB's DepEd salary loans business and motorcycle loans business, respectively;
- With respect to the goodwill from the acquisition of PETNET, the separate cash generating unit of PETNET at entity level; and,
- With respect to the goodwill from the acquisition of Bangko Kabayan, the separate cash generating unit of Bangko Kabayan at entity level.

The following presents the movement of goodwill of the Group for 2020 and 2019:

	Group	
	2020	2019
Beginning balance	₱15,455,564	₱15,726,267
Acquisition of subsidiaries (Note 15)*	116,139	—
Impairment during the year (Notes 20 and 28)	(223,172)	—
Effect of finalization of purchase price allocation (Note 15)	—	(270,703)
Ending balance	₱15,348,531	₱15,455,564

**Based on provisional fair values*

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The goodwill of the Group is allocated to the following CGUs:

	Group		Parent Bank	
	2020	2019	2020	2019
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				
CSB's DepEd Salary Loans Business*	3,371,353	3,371,353	—	—
CSB's Motorcycle Loans Business**	3,259,023	3,482,195	—	—
	6,630,376	6,853,548	—	—
PETNET	715,118	715,118	—	—
Bangko Kabayan	116,139	—	—	—
	₱15,348,531	₱15,455,564	₱7,886,898	₱7,886,898

*Includes goodwill arising from the acquisition of CSB amounting to ₱3.37 billion

**Includes goodwill arising from the acquisition of PR Savings Bank amounting to ₱3.48 billion. In 2020, goodwill impairment recognized for CBS's motorcycle loans business amounted to ₱223.17 million.

Refer to Note 15 for the discussions on the acquisition of and merger with PR Savings Bank and acquisition of Bangko Kabayan.

The Group performed its annual impairment test in December of each year. The Group considers various internal and external sources of information in assessing whether there is any indication that goodwill is impaired including if there are significant changes with an adverse effect on the CGUs that have taken place during the period in the technological, market, economic or legal environment in which the Group operates. As a result of the ongoing economic uncertainty brought about by the COVID-19 pandemic, the results of the motorcycle lending business were lower than expected. The volume of loan releases was lower and the motorcycle loans reported higher NPLs, indicating a potential impairment of goodwill.

The recoverable amount of the motorcycle loans CGU of ₱3,496.0 million as of December 31, 2020 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to include forecasts of loan releases and discount rate. Future cash flows and growth rates were based on historical experiences and strategies developed, including assessment of impact of the COVID-19 pandemic. The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to a comparable entity, market observable inputs and assumptions consistent with the valuation practice. In 2020, the pre-tax discount rate applied to cash flow projections is 11.2%.

As a result of this analysis, management has recognized an impairment charge of ₱223.2 million in the current year against goodwill with a carrying amount of ₱3,482.2 million (with total CGU carrying amount of ₱3,719.2 million, including the identifiable net asset of the CGU) as of December 31, 2019. The impairment charge is recorded under Miscellaneous expenses in the statement of income.

19. Other Resources

The composition of Other resources account as of December 31 follows:

	Group		Parent Bank	
	2020	2019	2020	2019
Deferred tax assets (Note 30)	₱7,453,580	₱5,643,858	₱6,256,296	₱4,847,325
Software under development	2,710,227	1,596,310	2,710,227	1,596,310
Computer software – net	1,495,492	1,238,896	1,013,475	1,084,355
Advances and other investments	1,135,403	1,040,582	1,090,830	852,660
Creditable withholding taxes	861,860	816,845	808,283	760,945
Non-current assets held for sale	370,333	303,160	–	–
Prepaid expenses	340,911	463,841	228,012	332,805
Returned checks and other cash items	248,744	399,288	248,744	399,288
Documentary stamps	229,881	286,586	221,598	243,875
Deferred charges	217,950	73,762	–	–
Net retirement asset (Note 29)	70,411	81,960	–	–
Trust fund assets	66,164	1,708,515	–	–
Miscellaneous	1,586,449	1,970,197	1,043,475	1,155,063
	16,787,405	15,623,800	13,620,940	11,272,626
Allowance for impairment (Note 20)	(95,910)	(51,206)	(61,171)	(25,573)
	₱16,691,495	₱15,572,594	₱13,559,769	₱11,247,053

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:

	2020	2019
Due from BSP and other banks*	₱–	₱246,512
Financial assets at FVTPL	50,314	911,241
Financial assets at FVOCI	15,882	–
Financial assets at amortized cost	318	536,189
Miscellaneous – net	(350)	14,573
	₱66,164	₱1,708,515

*As of December 31, 2020 and 2019, due from other banks included under trust fund assets comprising placements with the Parent Bank and not included in the above amounted to ₱0.94 million and ₱7.68 million, respectively.

Financial assets at FVTPL comprise of investments in shares of listed companies, government securities and other corporate debt instruments. The trust fund generated income (loss) of (₱15.0 million), ₱72.5 million, and ₱198.9 million in 2020, 2019, and 2018, respectively (see Note 28).

The movements in the Computer software account follow:

	Group		Parent Bank	
	2020	2019	2020	2019
Balance at beginning of year	₱1,238,895	₱1,138,503	₱1,084,355	₱942,484
Additions	551,490	320,265	93,596	278,420
Amortization charges for the year	(286,680)	(216,112)	(159,428)	(133,738)
Adjustment to provisional fair values (Note 15)	–	(937)	–	–
Effect of business combinations (Note 15)	2,370	–	–	–
Reclassifications	(10,583)	(2,823)	(5,048)	(2,811)
Balance at end of year	₱1,495,492	₱1,238,896	₱1,013,475	₱1,084,355

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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	
	2020	2019	2020	2019
Receivable from customers (Note 14)	₱10,473,864	₱6,871,905	₱7,691,647	₱5,307,190
Other receivables (Note 14)	1,044,038	1,010,415	1,011,633	991,365
Investments and placements (Notes 9 and 12)	367,738	113,911	363,617	113,911
Others	480,101	230,764	222,245	186,647
	₱12,365,741	₱8,226,995	₱9,289,142	₱6,599,113

Allowance for impairment of investments and placements include the Group's and 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 ₱4.93 million and ₱0.51 million as of December 31, 2020 and 2019, respectively. Others refer to allowance for impairment of goodwill, 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

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱1,328,881	₱100,502	₱5,442,522	₱6,871,905
Newly originated assets that remained in Stage 1 as at December 31, 2020	735,703	—	—	735,703
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	—	150,948	1,046,269	1,197,217
Effect of collections and other movements in receivable balance (excluding write-offs)	(710,033)	(130,597)	677,623	(163,007)
Amounts written-off	(542)	(43,626)	(4,400,605)	(4,444,773)
Transfers to Stage 1	347,466	(64,376)	(283,090)	—
Transfers to Stage 2	(13,532)	147,232	(133,700)	—
Transfers to Stage 3	(109,928)	(118,547)	228,475	—
Impact on ECL of exposures transferred between stages	(56,244)	577,026	2,792,012	3,312,794
Impact of changes in ECL model and assumptions	267,390	165,672	2,530,963	2,964,025
Balances at end of year	₱1,789,161	₱784,234	₱7,900,469	₱10,473,864

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱1,362,369	₱30,278	₱6,072,067	₱7,464,714
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	535,398	652,208
Effect of collections and other movements in receivable balance (excluding write-offs)	(781,278)	4,307	(134,311)	(911,282)
Amounts written-off	(345)	(132)	(2,258,182)	(2,258,659)
Transfers to Stage 1	92,152	(12,888)	(79,264)	—
Transfers to Stage 2	(9,352)	27,197	(17,845)	—
Transfers to Stage 3	(71,313)	(130,395)	201,708	—
Impact on ECL of exposures transferred between stages	(103,269)	47,136	674,228	618,095
Impact of changes in ECL model and assumptions	(155,400)	18,189	448,723	311,512
Balances at end of year	₱1,328,881	₱100,502	₱5,442,522	₱6,871,905

Total Receivables from Customers – Parent Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱746,340	₱62,225	₱4,498,625	₱5,307,190
Newly originated assets that remained in Stage 1 as at December 31, 2020	356,525	—	—	356,525
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	—	79,376	886,468	965,844
Effect of collections and other movements in receivable balance (excluding write-offs)	(555,058)	(38,437)	(205,545)	(799,040)
Amounts written-off	(542)	(43,626)	(4,371,523)	(4,415,691)
Transfers to Stage 1	57,453	(16,039)	(41,414)	—
Transfers to Stage 2	(11,516)	28,006	(16,490)	—
Transfers to Stage 3	(108,707)	(118,027)	226,734	—
Impact on ECL of exposures transferred between stages	(56,244)	577,026	2,792,012	3,312,794
Impact of changes in ECL model and assumptions	267,390	165,672	2,530,963	2,964,025
Balances at end of year	₱695,641	₱696,176	₱6,299,830	₱7,691,647

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱925,044	₱27,912	₱5,595,564	₱6,548,520
Newly originated assets that remained in Stage 1 as at December 31, 2020	500,471	—	—	500,471
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	—	17,142	245,203	262,345
Effect of collections and other movements in receivable balance (excluding write-offs)	(503,680)	(15,750)	27,108	(492,322)
Amounts written-off	—	—	(2,131,720)	(2,131,720)
Transfers to Stage 1	23,796	(6,209)	(17,587)	—
Transfers to Stage 2	(4,369)	10,367	(5,998)	—
Transfers to Stage 3	(16,050)	(22,521)	38,571	—
Impact on ECL of exposures transferred between stages	(23,472)	33,095	298,760	308,383
Impact of changes in ECL model and assumptions	(155,400)	18,189	448,724	311,513
Balances at end of year	₱746,340	₱62,225	₱4,498,625	₱5,307,190

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Reconciliation of the allowance for impairment by class follows:

Corporate Loans - Group and Parent Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱267,666	₱—	₱78,358	₱346,024
Newly originated assets that remained in Stage 1 as at December 31, 2020	79,466	—	—	79,466
Newly originated assets that moved to Stage 3 as at December 31, 2020	—	4,561	50,269	54,830
Effect of collections and other movements in receivable balance (excluding write-offs)	(201,463)	(448)	(32,842)	(234,753)
Amounts written-off	—	—	(49,495)	(49,495)
Transfers to Stage 1	—	—	—	—
Transfers to Stage 2	(4,116)	4,116	—	—
Transfers to Stage 3	(23,342)	—	23,342	—
Impact on ECL of exposures transferred between stages	—	502,907	670,735	1,173,642
Impact of changes in ECL model and assumptions	2,721	447	41,601	44,769
Balances at end of year	₱120,932	₱511,583	₱781,968	₱1,414,483

	2019			
	Stage 1	Stage 2	Stage 3	Total
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

In 2019, there were no write-offs for corporate loans.

Commercial Loans - Group and Parent Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱188,656	₱54	₱1,890,935	₱2,079,645
Newly originated assets that remained in Stage 1 as at December 31, 2020	164,461	—	—	164,461
Newly originated assets that moved to Stage 3 as at December 31, 2020	—	59,278	351,591	410,869
Effect of collections and other movements in receivable balance (excluding write-offs)	(200,481)	(40,956)	(316,908)	(558,345)
Amounts written-off	—	—	(1,304,849)	(1,304,849)
Transfers to Stage 1	3	(3)	—	—
Transfers to Stage 2	—	—	—	—
Transfers to Stage 3	(6,824)	(89,342)	96,166	—
Impact on ECL of exposures transferred between stages	(2)	—	403,514	403,512
Impact of changes in ECL model and assumptions	25,283	131,302	688,429	845,014
Balances at end of year	₱171,096	₱60,333	₱1,808,878	₱2,040,307

	2019			
	Stage 1	Stage 2	Stage 3	Total
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

In 2019, there were no write-offs for commercial loans.

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Home Loans - Group and Parent Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱9,301	₱10,764	₱88,056	₱108,121
Newly originated assets that remained in Stage 1 as at December 31, 2020	29,515	—	—	29,515
Newly originated assets that moved to Stage 3 as at December 31, 2020	—	10,482	80,313	90,795
Effect of collections and other movements in receivable balance (excluding write-offs)	(9,061)	(361)	19,484	10,062
Amounts written-off	—	—	(58,580)	(58,580)
Transfers to Stage 1	19,674	(2,590)	(17,084)	—
Transfers to Stage 2	(879)	5,043	(4,164)	—
Transfers to Stage 3	(1,959)	(1,925)	3,884	—
Impact on ECL of exposures transferred between stages	(19,589)	33,570	634,636	648,617
Impact of changes in ECL model and assumptions	17,772	(5,471)	757,256	769,557
Balances at end of year	₱44,774	₱49,512	₱1,503,801	₱1,598,087

	2019			
	Stage 1	Stage 2	Stage 3	Total
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	769	(17,319)	(61,872)	(78,422)
Balances at end of year	₱9,301	₱10,764	₱88,056	₱108,121

In 2019, there were no write-offs for home loans.

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Other Retail Products - Group and Parent Bank

Other Retail Products include auto loans, business line, and credit cards.

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱184,610	₱49,977	₱1,385,272	₱1,619,859
Newly originated assets that remained in Stage 1 as at December 31, 2020	68,674	—	—	68,674
Newly originated assets that moved to Stage 3 as at December 31, 2020	—	3,377	307,615	310,992
Effect of collections and other movements in receivable balance (excluding write-offs)	(126,866)	3,487	89,846	(33,533)
Amounts written-off	(542)	(43,626)	(2,090,359)	(2,134,527)
Transfers to Stage 1	37,561	(13,231)	(24,330)	—
Transfers to Stage 2	(2,708)	14,988	(12,280)	—
Transfers to Stage 3	(63,137)	(26,454)	89,591	—
Impact on ECL of exposures transferred between stages	(36,498)	35,573	966,047	965,122
Impact of changes in ECL model and assumptions	225,413	40,071	988,273	1,253,757
Balances at end of year	₱286,507	₱64,162	₱1,699,675	₱2,050,344

	2019			
	Stage 1	Stage 2	Stage 3	Total
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

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CSB Salary Loans – Group

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱150,341	₱5,824	₱262,206	₱418,371
Newly originated assets that remained in Stage 1 as at December 31, 2020	135,336	–	–	135,336
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	–	6,437	4,211	10,648
Effect of collections and other movements in receivable balance (excluding write-offs)	(136,878)	5,325	(40,924)	(172,477)
Amounts written-off	–	–	(12,303)	(12,303)
Transfers to Stage 1	(64,243)	6,276	57,967	–
Transfers to Stage 2	6	(583)	577	–
Transfers to Stage 3	(236)	(243)	479	–
Balances at end of year	₱84,326	₱23,036	₱272,213	₱379,575

	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	4,463	8,915
Effect of collections and other movements in receivable balance (excluding write-offs)	(117,461)	(216,581)	176,849	(157,193)
Amounts written-off	(345)	(132)	(3,364)	(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	₱262,206	₱418,371

Other Receivables from CustomersGroup

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱528,307	₱33,883	₱1,737,695	₱2,299,885
Newly originated assets that remained in Stage 1 as at December 31, 2020	258,251	–	–	258,251
Newly originated assets that moved to Stage 3 as at December 31, 2020	–	66,813	252,270	319,083
Effect of collections and other movements in receivable balance (excluding write-offs)	(35,284)	(97,644)	958,967	826,039
Amounts written-off	–	–	(885,019)	(885,019)
Transfers to Stage 1	354,471	(54,828)	(299,643)	–
Transfers to Stage 2	(5,835)	123,668	(117,833)	–
Transfers to Stage 3	(14,430)	(583)	15,013	–
Impact on ECL of exposures transferred between stages	(155)	4,976	117,080	121,901
Impact of changes in ECL model and assumptions	(3,799)	(677)	55,404	50,928
Balances at end of year	₱1,081,526	₱75,608	₱1,833,934	₱2,991,068

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	2019			Total
	Stage 1	Stage 2	Stage 3*	
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
Effect of collections and other movements in receivable balance (excluding write-offs)	(175,420)	224,495	(497,491)	(448,416)
Amounts written-off	—	—	(1,470,360)	(1,470,360)
Transfers to Stage 1	164	(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	86,307	69,494
Balances at end of year	₱528,307	₱33,883	₱1,737,695	₱2,299,885

*Includes long outstanding receivables from customers that are fully provided with allowance amounting to ₱0.79 billion as of December 31, 2019.

Parent Bank

	2020			Total
	Stage 1	Stage 2	Stage 3	
Balances at beginning of year	₱96,107	₱1,430	₱1,056,004	₱1,153,541
Newly originated assets that remained in Stage 1 as at December 31, 2020	14,409	—	—	14,409
Newly originated assets that moved to Stage 3 as at December 31, 2020	—	1,678	96,680	98,358
Effect of collections and other movements in receivable balance (excluding write-offs)	(17,187)	(159)	34,875	17,529
Amounts written-off	—	—	(868,240)	(868,240)
Transfers to Stage 1	215	(215)	—	—
Transfers to Stage 2	(3,813)	3,859	(46)	—
Transfers to Stage 3	(13,445)	(306)	13,751	—
Impact on ECL of exposures transferred between stages	(155)	4,976	117,080	121,901
Impact of changes in ECL model and assumptions	(3,799)	(677)	55,404	50,928
Balances at end of year	₱72,332	₱10,586	₱505,508	₱588,426

	2019			Total
	Stage 1	Stage 2	Stage 3*	
Balances at beginning of year	₱50,003	₱1,688	₱2,427,575	₱2,479,266
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)	(159,223)	(186,649)
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	—
Impact on ECL of exposures transferred between stages	(121)	(178)	1,789	1,490
Impact of changes in ECL model and assumptions	(27,598)	10,785	86,308	69,495
Balances at end of year	₱96,107	₱1,430	₱1,056,004	₱1,153,541

*Includes long outstanding receivables from customers that are fully provided with allowance amounting to ₱0.79 billion as of December 31, 2019.

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Investments and PlacementsGroup

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱11,878	₱102,033	₱–	₱113,911
Newly originated assets that remained in Stage 1 as at December 31, 2020	7,788	–	–	7,788
Effect of collections and other movements in receivable balance (excluding write-offs)	35,189	218,216	–	253,405
Impact of changes in ECL model and assumptions	(7,366)	–	–	(7,366)
Balances at end of year	₱47,489	₱320,249	₱–	₱367,738

Group and Parent Bank

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱4,981	₱12,645	₱–	₱17,626
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	₱11,878	₱102,033	₱–	₱113,911

Parent Bank

	2020			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱11,878	₱102,033	₱–	₱113,911
Newly originated assets that remained in Stage 1 as at December 31, 2020	7,788	–	–	7,788
Effect of collections and other movements in receivable balance (excluding write-offs)	31,068	218,216	–	249,284
Amounts written-off	–	–	–	–
Impact of changes in ECL model and assumptions	(7,366)	–	–	(7,366)
Balances at end of year	₱43,368	₱320,249	₱–	₱363,617

In 2020 and 2019, 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	
	2020	2019	2020	2019
Due to banks:				
Demand	₱1,194,495	₱687,119	₱1,194,495	₱686,051
Savings	306,575	409,083	306,575	352,623
Time	1,492,866	81,222	1,438,700	7,040
Long-term certificate of deposits	10,000	10,000	10,000	10,000
	3,003,936	1,187,424	2,949,770	1,055,714
Due to customers:				
Demand	158,589,051	135,601,619	159,688,958	136,671,400
Savings	98,651,270	71,591,321	93,257,817	68,477,449
Time	264,550,769	272,965,676	206,342,074	229,759,786
Long-term certificate of deposits	2,990,000	2,990,000	2,990,000	2,990,000
	524,781,090	483,148,616	462,278,849	437,898,635
	₱527,785,026	₱484,336,040	₱465,228,619	₱438,954,349

The breakdown of deposit liabilities account as to currency follows:

	Group		Parent Bank	
	2020	2019	2020	2019
Philippine pesos	₱403,740,094	₱387,165,014	₱341,183,687	₱341,783,323
Foreign currencies	124,044,932	97,171,026	124,044,932	97,171,026
	₱527,785,026	₱484,336,040	₱465,228,619	₱438,954,349

Deposit liabilities bear annual interest at rates ranging from 0.00% to 9.5% in 2020, and from 0.00% to 8.5% in 2019 and 2018 for the Group and from 0.39% to 1.65% in 2020, from 0.0% to 5.54% in 2019 and from 0.00% to 7.9% in 2018 for the Parent Bank. Demand and savings deposits usually have either fixed or variable interest rates while time deposits have fixed interest rates.

Long Term Negotiable Certificate of Deposits (LTNCD)

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 ₱5,616,821, ₱10,160,322, and ₱8,841,473 in 2020, 2019, and 2018, respectively, in the Group's statements of income, and ₱4,256,480, ₱8,069,749, and ₱7,045,224 in 2020, 2019, and 2018, 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 14.0% (under BSP Circulars 1041, 1056 and 1063) as at December 31, 2019. In 2020, BSP Circulars 1082 and 1092 were issued reducing the reserve requirement to 12.0%, 3.0% and 2.0% for universal and commercial banks, thrift banks, and rural banks, respectively. BSP Circulars 1083, 1087, and 1100 were issued in 2020 to provide guidelines allowing the use of eligible loans to MSME and large enterprises for alternative compliance to required reserves for deposit liabilities.

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, 2020 and 2019, the Group is in compliance with such regulations.

Regular reserves as of December 31, 2020 and 2019 amounted to ₱42,730,160 and ₱48,836,829, respectively, for the Group, and ₱40,953,821 and ₱47,027,761, respectively, for the Parent Bank (see Note 8).

22. Bills Payable

Bills payable consist of borrowings from:

	Group		Parent Bank	
	2020	2019	2020	2019
Banks, other financial institutions and individuals	₱52,686,077	₱89,994,582	₱33,928,852	₱77,056,116
BSP	—	15,000,000	—	15,000,000
Others	1,537,466	93,140	573,569	93,140
	₱54,223,543	₱105,087,722	₱34,502,421	₱92,149,256

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 overnight lending 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).

Bills Payable and Notes and Bonds Payable

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The breakdown of bills payable as to currency follows:

	Group		Parent Bank	
	2020	2019	2020	2019
Foreign currencies	₱34,486,628	₱77,129,265	₱34,486,628	₱77,129,266
Philippine pesos	19,736,915	27,958,457	15,793	15,019,990
	₱54,223,543	₱105,087,722	₱34,502,421	₱92,149,256

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		
	2020	2019	2018	2020	2019	2018
Banks, other financial institutions and individuals	₱1,628,474	₱3,234,392	₱1,177,258	₱702,463	₱2,142,488	₱567,059
BSP	52,614	217,472	39,435	52,614	217,472	39,435
Others	1,211	1,694	190,158	1,211	1,694	69
	₱1,682,299	₱3,453,558	₱1,406,851	₱756,288	₱2,361,654	₱606,563

The range of interest rates of bills payable per currency follows:

	Group and Parent Bank		
	2020	2019	2018
Philippine pesos	3.34% to 4.50%	3.75% to 8.28%	2.80% to 6.75%
Foreign currencies	0.04% to 3.05%	1.69% to 3.35%	1.40% to 3.56%

23. Notes and Bonds Payable

The Group's and the Parent Bank's notes and bonds payable as of December 31, 2020 and 2019 consist of the following:

	Coupon Interest	Principal Amount	Outstanding Balance		Issue Date	Maturity Date	Redemption Date
			2020	2019			
USD Senior Medium Term Notes Due 2022	3.369%	₱24,965,000	₱23,983,972	₱25,275,609	November 29, 2017	November 29, 2022	
USD Senior Medium Term Notes Due 2025	2.125%	14,406,900	14,311,227	—	October 22, 2020	October 22, 2025	
Peso Senior Series A Bonds Due 2020	7.061%	11,000,000	—	10,952,898	December 7, 2018	December 7, 2020	
Peso Senior Series C Bonds Due 2023	2.75%	8,115,000	8,055,828	—	December 9, 2020	December 9, 2023	December 9, 2023
Unsecured Subordinated Tier 2 Notes Due 2025 Callable in 2020	5.375%	7,200,000	—	7,200,000	November 20, 2014	February 20, 2025	February 20, 2020
Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025	5.250%	6,800,000	6,745,110	—	February 24, 2020	May 24, 2030	May 24, 2030
Peso Senior Series B Bonds Due 2022	6.000%	5,800,000	5,772,252	5,753,553	June 3, 2019	June 3, 2022	June 3, 2022
Peso Senior Series D Bonds Due 2026	3.375%	885,000	878,468	—	December 9, 2020	March 9, 2026	March 9, 2026
Total for Parent Bank		79,171,900	59,746,857	49,182,060			
Loans payable	5.750%	150,000	106,799	149,446	May 31, 2018	May 31, 2023	
Total for Group		₱79,321,900	₱59,853,656	₱49,331,506			

USD Senior Medium Term Notes Due 2022

The USD500 million Senior Medium Term Notes Due 2022 were issued under the Parent Bank's USD One Billion Medium Term Note (MTN) Programme and were rated Baa2 by Moody's.

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The Notes were listed on the Singapore Exchange Securities Trading Limited (SGX-ST) and 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.

USD Senior Medium Term Notes Due 2025

These USD300 million Senior Medium Term Notes Due 2025 were issued under the updated USD 2 Billion MTN Programme of the Parent Bank and were also rated Baa2 by Moody's. The Notes were also listed on the SGX-ST.

The Notes will constitute direct, unconditional, unsubordinated and (subject to the Terms and Conditions of the issuance) unsecured obligations of the Parent Bank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Parent Bank from time to time outstanding.

Peso Senior Series A Bonds Due 2020

The ₱11.0 Billion worth of Peso Senior Corporate Series A Bonds were the first corporate bonds issued by the Parent Bank pursuant to BSP Circular No. 1010. These fixed rate bonds were issued in scripless form and were listed on the PDEX.

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.

The Bonds were redeemed at their principal amount on December 7, 2020.

Peso Senior Series C Bonds Due 2023

The ₱8,115,000 worth of fixed rate Senior Series C Bonds were issued as part of the dual-tranche issuance of the Bank on December 9, 2021 under its existing ₱39 Billion Bond Program. The bonds were listed on the PDEX.

The Bank may, at its sole option and subject to the Terms and Conditions of the issuance, redeem the Bonds at par plus accrued interest (if any), without premium or penalty, as of but excluding the Early Redemption Date.

The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable according to the Terms and Conditions of the Bonds, 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 Tier 2 Notes Due 2025 Callable in 2020

The ₱7.2 Billion Unsecured Subordinated Tier 2 Notes were issued with a loss absorption feature, which means the Notes were subject to a non-viability write-down in case of a non-viability trigger event.

The Notes constitute direct, unconditional, unsecured and subordinated obligations of the Parent Bank and shall at all times rank *pari passu* and without any preference among themselves.

On February 20, 2020, the Parent Bank exercised its Voluntary Redemption Option to early redeem the Notes in accordance with its Terms and Conditions.

Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025

The Basel III-compliant Unsecured Subordinated Tier 2 Notes were issued by the Parent Bank under its BSP-approved issuance of ₱20.0 Billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.

Unless the Notes are previously redeemed, the Initial Interest Rate will be reset at the equivalent of the Initial Spread per annum plus the Benchmark as of Reset Date as defined in the Terms and Conditions of the Notes. Subject to certain conditions, the BSP Guidelines, and the Terms and Conditions, the Parent Bank may redeem the Notes in whole and not only in part on the Redemption Option Date at 100% of the face value of the Notes, plus accrued and unpaid interest as of but excluding the Redemption Option Date.

The Notes have a loss absorption feature which means the 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 Issuer is considered non-viable as determined by the BSP.

The Tier II Notes constitute a direct, unconditional, fixed, unsecured and subordinated obligation of the Bank. Claims in respect of the Tier II Notes will rank: (a) junior to the claims of holders of all deposits and general creditors of the Bank; (b) *pari passu* with obligations of the Bank that are, expressly or by applicable laws, subordinated so as to rank *pari passu* with claims in respect of securities constituting “Tier 2” capital of the Bank; and (c) senior to (i) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Tier II Notes, (ii) the claims in respect of securities constituting “Tier 1” capital of the Bank, and (iii) the rights and claims of holders of equity shares of the Bank.

Peso Senior Series B Bonds Due 2022

These ₱5.8 Billion worth of Senior Corporate Series B Bonds were issued under the Parent Bank’s ₱39 Billion Corporate Bonds Program. These fixed rate Bonds were issued in scripless form and were listed on the PDEX.

The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable according to the Terms and Conditions of the Bonds, 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.

The Bonds shall be redeemed at par on maturity date which is on June 3, 2022. 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.

Peso Senior Series D Bonds Due 2026

These fixed rate Senior Series Bonds Due 2026 worth ₱885,000 formed part of the Bank's dual-tranche issuance on December 9, 2020. The Bonds were issued under the existing ₱39 Billion Bond Program of the Bank.

The Bank may, at its sole option and subject to the Terms and Conditions of the issuance, redeem the Bonds at par plus accrued interest (if any), without premium or penalty, as of but excluding the Early Redemption Date.

The Bonds constitute the direct, unconditional, unsecured and unsubordinated obligations of the Bank.

Loans Payable

On May 31, 2018, UIC availed of a term loan in the amount of ₱150,000 with a 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.

The interest expense on notes and bonds payable amounted to ₱2,432, ₱2,440, and ₱1,336 in 2020, 2019, and 2018, respectively, for the Group, and ₱2,408, ₱2,419, and ₱1,331 in 2020, 2019, and 2018, 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	
	2020	2019	2020	2019
Manager's checks	₱6,925,159	₱8,535,817	₱6,925,159	₱8,535,717
Accrued taxes and other expenses	5,277,334	5,091,614	4,326,945	4,396,513
Accounts payable	5,027,797	4,906,323	3,949,136	3,787,732
Payment orders payable	2,343,479	3,101,930	2,343,479	3,101,930
Other dormant credits	1,437,600	683,465	1,409,147	661,942
Lease liabilities	1,219,584	1,337,296	1,004,057	1,064,941
Post-employment defined benefit obligation (Note 29)	1,181,752	421,951	1,105,044	400,256
Bills purchased - domestic and foreign	1,002,263	5,296,394	1,002,263	5,296,394
Derivative liabilities (Note 11)	747,310	430,476	747,310	430,476
Unearned income - bancassurance (Note 32)	733,333	733,333	733,333	733,333
Withholding taxes payable	209,751	322,237	170,523	229,734
Pre-need reserves	26,710	1,910,292	—	—
Miscellaneous	1,312,538	1,244,178	1,121,965	700,292
	₱27,444,610	₱34,015,306	₱24,838,361	₱29,339,260

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).

Other Liabilities and Capital Funds

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Set out below is the carrying amount of lease liabilities and the movements during the year:

	Group		Parent Bank	
	2020	2019	2020	2019
As at January 1, 2020	₱1,337,296	₱1,246,913	₱1,064,941	₱998,394
Additions	392,602	524,954	348,608	418,540
Effect of business combination (Note 15)	22,933	—	—	—
Payments	(613,498)	(534,042)	(477,197)	(426,711)
Accretion of interest	80,251	99,471	67,705	74,718
As at December 31, 2020	₱1,219,584	₱1,337,296	₱1,004,057	₱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, 2020 and 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	
	2020	2019	2020	2019
Accrued interest payable	₱757,580	₱1,214,306	₱624,736	₱1,081,974
Accrued income and other taxes	711,003	433,533	386,730	258,537
Accrued sick leave benefits	574,160	465,292	573,308	464,098
Other accruals	3,234,591	2,978,483	2,742,171	2,591,904
	₱5,277,334	₱5,091,614	₱4,326,945	₱4,396,513

Other accruals represent mainly fringe and other personnel benefits.

25. Capital Funds

Capital Stock

The Parent Bank's capital stock as of December 31, 2020 and 2019 consists of the following:

	Shares		Amount	
	2020	2019	2020	2019
Common – ₱10 par value				
Authorized	1,311,422,420	1,311,422,420	₱13,114,224	₱13,114,224
Issued and outstanding	1,218,471,467	1,217,609,561	12,184,715	12,176,096
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, 2020 and 2019, there are 1,217.1 million shares listed at the PSE. The number of holders and the closing price of the said shares is 4,953 and ₱71.90 per share as of December 31, 2020, respectively, and 4,949 and ₱57.70 per share as of December 31, 2019, respectively.

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On January 27, 2020 and March 1, 2019, the Parent Bank issued 861,906 and 460,049 common shares to qualified employees under the Parent Bank's Employee Stock Payment Plan, respectively.

Surplus Free

The following is a summary of the dividends declared and distributed by the Parent Bank in 2020, 2019, and 2018:

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Outstanding Shares	Total Amount
January 24, 2020	February 7, 2020	N/A	February 24, 2020	₱3.50	1,218,471,467	₱4,264,650
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

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, net of releases representing the amount of Trust fund income that pertains to the matured and pre-terminated plans of planholders which have been withdrawn from the trust fund during the year, should be appropriated and presented separately as Surplus Reserves in the statements of changes in capital funds. FUPI transferred out ₱1,458.7 million, ₱112.1 million and ₱97.1 million from appropriated reserves for the years ended December 31, 2020, 2019, and 2018, respectively.

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, 2020, 2019, and 2018, the Group and the Parent Bank appropriated ₱17.1 million, ₱16.1 million, and ₱15.7 million, respectively.

Included in this account is the difference between the 1% general loan loss provision (GLLP) over the computed ECL allowance for credit losses related to Stage 1 accounts, as a required BSP appropriation. As of December 31, 2020 and 2019, surplus reserves related to the difference between GLLP over ECL allowance amounted to ₱2.30 billion and ₱2.82 billion, respectively, for the Group and, ₱1.89 billion and ₱2.40 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					
	2020			2019		
	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	₱8,958,042	₱–	₱8,958,042	₱8,580,709	₱–	₱8,580,709
Due from BSP	103,869,770	–	103,869,770	73,749,813	–	73,749,813
Due from other banks	68,532,218	–	68,532,218	73,675,709	–	73,675,709
IBLR	–	–	–	213,062	–	213,062
Trading and investment securities						
at FVTPL	18,448,649	–	18,448,649	7,866,401	–	7,866,401
at amortized cost - gross	3,542,411	152,608,258	156,150,669	504,253	161,273,520	161,777,773
at FVOCI	19,522	31,170,737	31,190,259	2,530,320	3,127,315	5,657,635
Loans and receivables - net of unearned discounts	111,744,274	239,310,457	351,054,731	141,437,460	259,826,069	401,263,529
Other resources	314,940	1,205,783	1,520,723	1,557,041	1,052,012	2,609,053
	315,452,934	424,295,235	739,748,169	310,114,768	425,278,916	735,393,684
Nonfinancial Assets						
Investment in associates	–	255,342	255,342	–	159,094	159,094
Bank premises, furniture, fixtures and equipment	–	12,401,256	12,401,256	–	10,848,713	10,848,713
Investment properties	–	11,723,974	11,723,974	–	11,622,884	11,622,884
Goodwill	–	15,571,703	15,571,703	–	15,455,564	15,455,564
Other resources	1,419,237	13,847,446	15,266,683	779,281	11,418,621	12,197,902
	1,419,237	53,799,721	55,218,958	779,281	49,504,876	50,284,157
	₱316,872,171	₱478,094,956	₱794,967,127	₱310,894,049	₱474,783,792	₱785,677,841
Allowance for credit losses and impairment			12,360,813			8,226,487
Accumulated depreciation (Notes 16 and 17)			8,147,077			6,663,815
			20,507,890			14,890,302
			₱774,459,237			₱770,787,539
Financial Liabilities						
Deposit liabilities	₱504,349,110	₱23,435,916	₱527,785,026	₱457,777,805	₱26,558,235	₱484,336,040
Bills payable	35,631,769	18,591,774	54,223,543	101,213,164	3,874,558	105,087,722
Notes and bonds payable	–	59,853,656	59,853,656	10,952,898	38,378,608	49,331,506
Other liabilities	21,381,423	1,711,596	23,093,019	27,784,468	3,205,848	30,990,316
	561,362,302	103,592,942	664,955,244	597,728,335	72,017,249	669,745,584
Nonfinancial Liabilities						
Accrued income and other taxes	711,003	–	711,003	433,533	–	433,533
Other liabilities	209,751	3,430,837	3,640,588	322,237	2,269,220	2,591,457
	920,754	3,430,837	4,351,591	755,770	2,269,220	3,024,990
	₱562,283,056	₱107,023,779	₱669,306,835	₱598,484,105	₱74,286,469	₱672,770,574

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Maturity Profile of Assets and Liabilities and Service Charges, Fees and Commissions

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	Parent Bank					
	2020			2019		
	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	₱7,814,917	₱—	₱7,814,917	₱7,832,302	₱—	₱7,832,302
Due from BSP	83,867,434	—	83,867,434	67,798,418	—	67,798,418
Due from other banks	64,782,755	—	64,782,755	71,497,226	—	71,497,226
IBLR	—	—	—	213,062	—	213,062
Trading and investment securities						
at FVTPL	18,411,304	—	18,411,304	7,817,555	—	7,817,555
at amortized cost - gross	3,450,996	150,059,817	153,510,813	504,253	161,273,520	161,777,773
at FVOCI	—	31,009,041	31,009,041	2,530,320	3,127,315	5,657,635
Loans and receivables - net of unearned discounts	90,445,312	191,597,831	282,043,143	129,222,328	209,973,781	339,196,109
Other resources	248,744	1,090,830	1,339,574	399,288	231,368	630,656
	269,021,462	373,757,519	642,778,981	287,814,752	374,605,984	662,420,736
Nonfinancial Assets						
Investment in subsidiaries	—	21,867,987	21,867,987	—	20,523,633	20,523,633
Bank premises, furniture, fixtures and equipment	—	8,879,704	8,879,704	—	7,814,128	7,814,128
Investment properties	—	10,299,738	10,299,738	—	10,380,251	10,380,251
Goodwill	—	7,886,898	7,886,898	—	7,886,898	7,886,898
Other resources	1,269,214	11,012,152	12,281,366	605,736	9,275,289	9,881,025
	1,269,214	59,946,479	61,215,693	605,736	55,880,199	56,485,935
	₱270,290,676	₱433,703,998	₱703,994,674	₱288,420,488	₱430,486,183	₱718,906,671
Allowance for credit losses and impairment			9,284,214			6,598,605
Accumulated depreciation (Notes 16 and 17)			5,830,455			4,694,591
			15,114,669			11,293,196
			₱688,880,005			₱707,613,475
Financial Liabilities						
Deposit liabilities	₱445,768,872	₱19,459,747	₱465,228,619	₱420,595,435	₱18,358,914	₱438,954,349
Bills payable	22,060,529	12,441,892	34,502,421	89,075,645	3,073,611	92,149,256
Notes and bonds payable	—	59,746,857	59,746,857	10,952,898	38,229,163	49,182,061
Other liabilities	19,579,840	1,436,824	21,016,664	26,045,504	1,101,874	27,147,378
	487,409,241	93,085,320	580,494,561	546,669,482	60,763,562	607,433,044
Nonfinancial Liabilities						
Accrued income and other taxes	386,730	—	386,730	258,537	—	258,537
Other liabilities	170,523	3,264,444	3,434,967	229,734	1,703,610	1,933,344
	557,253	3,264,444	3,821,697	488,271	1,703,610	2,191,881
	₱487,966,494	₱96,349,764	₱584,316,258	₱547,157,753	₱62,467,173	₱609,624,925

27. Service Charges, Fees and Commissions

This account is broken down as follows:

	Group			Parent Bank		
	2020	2019	2018	2020	2019	2018
Service charges	₱1,402,768	₱1,169,886	₱1,066,576	₱1,040,199	₱1,000,367	₱866,172
Bank commissions	190,677	206,408	116,551	128,194	143,569	111,473
Others	753,194	579,924	389,117	555,227	278,780	307,022
	₱2,346,639	₱1,956,218	₱1,572,244	₱1,723,620	₱1,422,716	₱1,284,667

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).

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28. Miscellaneous Income and Expenses

Miscellaneous Income

Miscellaneous income is composed of the following:

	Group		
	2020	2019	2018
Foreign exchange gains - net	₱535,536	₱682,371	₱584,920
Gain on sale of investment properties (Note 17)	229,148	200,079	258,000
Fines and penalties	209,382	131,537	131,690
Dividend	200,671	202,888	207,456
Income from trust operations (Note 31)	171,271	160,929	156,524
Rental (Notes 17 and 34)	154,077	163,730	160,713
Gain on foreclosure of investment properties (Note 17)	153,876	221,213	239,741
Recoveries from charged-off assets	94,523	143,781	112,378
Gain from bargain purchase (Note 15)	25,291	—	—
Trust fund income (loss) (Note 19)	(14,976)	72,534	198,919
Gain (loss) on sale of property and equipment	(8,641)	679,298	44,296
EAF earned (Note 32)	—	—	100,000
Others	328,838	309,021	163,640
	₱2,078,996	₱2,967,381	₱2,358,277

	Parent Bank		
	2020	2019	2018
Share in net profit of subsidiaries (Note 15)	₱953,082	₱1,222,595	₱1,775,210
Foreign exchange gains - net	242,388	398,739	584,904
Dividend	200,671	201,858	206,425
Gain on sale of investment properties (Note 17)	195,471	251,696	245,980
Income from trust operations (Note 31)	171,271	161,078	156,524
Rental (Notes 17 and 34)	164,177	165,523	156,276
Gain on foreclosure of investment properties (Note 17)	153,876	208,233	285,902
Gain on sale of property and equipment	6,236	616,137	44,225
EAF earned (Note 32)	—	—	100,000
Others	477,876	366,987	443,745
	₱2,565,048	₱3,592,846	₱3,999,191

Miscellaneous Expenses

The breakdown of miscellaneous expenses follows:

	Group		
	2020	2019	2018
Insurance	₱1,085,667	₱912,531	₱931,079
Information technology	1,072,710	617,882	458,902
Outside services	882,658	829,185	695,084
Advertising and publicity	657,220	765,796	700,155
Supervision and compliance costs	579,870	541,818	553,058
Management and professional fees	421,616	502,090	550,908
Card related expenses	326,021	253,815	224,190
Communication	279,268	418,923	347,516
Impairment on goodwill (Note 18)	223,172	—	—
Stationery and supplies	221,047	169,668	171,523
Litigation	189,844	148,568	176,599
Provision (reversal) of impairment on investment properties (Note 17)	—	(13,173)	11,054
Transportation and travel	177,591	276,988	252,775
Repairs and maintenance	168,584	262,496	409,902
Plan benefits	52,500	108,000	158,000
Fines and penalties	49,665	40,873	105,566
Representation and entertainment	39,516	57,529	83,701
Others	1,322,117	969,179	617,562
	₱7,749,066	₱6,862,168	₱6,447,574

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Miscellaneous Income and Expenses and Salaries and Employee Benefits

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	Parent Bank		
	2020	2019	2018
Information technology	₱1,015,784	₱600,133	₱453,413
Insurance	967,995	811,700	819,369
Advertising and publicity	619,558	719,042	619,463
Outside services	607,103	647,026	615,933
Supervision and compliance costs	553,058	453,467	528,003
Card related expenses	326,021	253,815	224,190
Management and professional fees	320,891	417,295	504,644
Provision for impairment of investment in subsidiaries (Note 15)	290,002	—	—
Litigation	189,347	145,785	175,716
Stationery and supplies	173,489	122,257	143,869
Communication	143,293	291,884	280,262
Repairs and maintenance	122,550	212,122	365,235
Transportation and travel	92,934	137,353	171,099
Representation and entertainment	34,107	52,093	75,204
Reversal of impairment on investment properties (Note 17)	—	(10,873)	(9,728)
Others	670,331	480,255	243,656
	₱6,126,463	₱5,333,354	₱5,210,328

29. Salaries and Employee Benefits

Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are as follows:

	Group		
	2020	2019	2018
Short-term benefits:			
Salaries and wages	₱4,042,160	₱3,956,706	₱3,289,797
Bonuses and fringe benefits	2,900,479	3,369,550	1,792,877
Social security costs	172,358	194,438	139,182
Other benefits	175,912	126,626	102,110
Post-employment benefits	454,081	336,957	337,837
Other long-term benefits	64,214	85,971	64,790
	₱7,809,204	₱8,070,248	₱5,726,593

	Parent Bank		
	2020	2019	2018
Short-term benefits:			
Salaries and wages	₱2,958,540	₱2,836,275	₱2,631,683
Bonuses and fringe benefits	2,295,770	3,068,768	1,529,952
Social security costs	101,542	93,198	78,849
Other benefits	114,174	107,215	103,048
Post-employment benefits	376,741	247,801	261,170
Other long-term benefits	64,214	81,495	64,789
	₱5,910,981	₱6,434,752	₱4,669,491

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.

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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.

Bangko Kabayan Plan

The normal retirement age is 60 with at least five years of credited service. Retirement benefit is an amount equivalent to 100%, 125% or 150% 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.

PBI Plan

The normal retirement age is 60 with at least five years of credited service. Retirement benefit is an amount equivalent to 22.5 days pay for every year of credited 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 2020 and 2019.

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	
	2020	2019
Present value of the obligation	₱5,225,149	₱3,912,530
Fair value of plan assets	4,113,808	3,572,539
	₱1,111,341	₱339,991

As of December 31, 2020 and 2019, the net retirement obligation amounting to ₱1,111,341 and ₱339,991 is separately shown as Net retirement asset of ₱70,411 and ₱81,960, respectively (see Note 19), and as Post-employment defined benefit obligation of ₱1,181,752 and ₱421,951, respectively (see Note 24).

	Parent Bank – UnionBank Plan	
	2020	2019
Present value of the obligation	₱3,861,379	₱2,862,263
Fair value of plan assets	2,857,169	2,471,361
	₱1,004,210	₱390,902

	Parent Bank – Former iBank Plan	
	2020	2019
Present value of the obligation	₱683,325	₱550,665
Fair value of plan assets	582,491	541,311
	₱100,834	₱9,354

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The movements in the present value of the post-employment benefit obligation recognized in the financial statements are as follows:

	Group		
	2020	2019	2018
Balance at beginning of year	₱3,912,530	₱3,344,042	₱4,175,532
Current service cost	456,544	307,103	337,837
Interest expense	182,222	226,273	187,136
Past service cost	(1,969)	29,854	–
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	747,764	376,639	(549,408)
Experience adjustments	(190)	(25,206)	217,217
Changes in demographic assumptions	4,095	(7,483)	(23,676)
Benefits paid	(157,627)	(338,692)	(1,095,626)
Effects of business combinations (Note 15)	81,780	–	95,030
Balance at end of year	₱5,225,149	₱3,912,530	₱3,344,042

	Parent Bank - UnionBank Plan		
	2020	2019	2018
Balance at beginning of year	₱2,862,263	₱2,363,016	₱3,084,669
Current service cost	347,923	220,321	227,011
Interest expense	126,301	162,028	138,432
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	601,247	270,193	(458,958)
Experience adjustments	7,076	24,637	230,179
Changes in demographic assumptions	7,660	(3,097)	–
Benefits paid	(91,091)	(174,835)	(858,317)
Balance at end of year	₱3,861,379	₱2,862,263	₱2,363,016

	Parent Bank - Former iBank Plan		
	2020	2019	2018
Balance at beginning of year	₱550,665	₱482,049	₱729,661
Current service cost	28,818	27,480	34,159
Interest expense	24,807	32,881	30,819
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	108,630	55,384	(100,142)
Experience adjustments	1,006	(5,842)	12,860
Changes in demographic assumptions	(5,280)	1,157	–
Benefits paid	(25,321)	(42,444)	(225,308)
Balance at end of year	₱683,325	₱550,665	₱482,049

The movements in the fair value of plan assets are presented below.

	Group		
	2020	2019	2018
Balance at beginning of year	₱3,572,539	₱3,380,329	₱3,236,803
Interest income	167,778	235,128	143,434
Return on plan asset (excluding amounts included in net interest)	117,046	(218,422)	(84,670)
Contributions to the plan	353,473	514,196	977,032
Benefits paid	(157,625)	(338,692)	(1,095,626)
Effects of business combinations (Note 15)	60,597	–	203,356
Balance at end of year	₱4,113,808	₱3,572,539	₱3,380,329

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	Parent Bank - UnionBank Plan		
	2020	2019	2018
Balance at beginning of year	₱2,471,361	₱2,339,889	₱2,384,204
Interest income	111,781	168,308	107,423
Return on plan asset (excluding amounts included in net interest)	109,553	(12,610)	(90,466)
Contributions to the plan	255,565	150,609	797,045
Benefits paid	(91,091)	(174,835)	(858,317)
Balance at end of year	₱2,857,169	₱2,471,361	₱2,339,889

	Parent Bank - Former iBank Plan		
	2020	2019	2018
Balance at beginning of year	₱541,311	₱499,545	₱588,903
Interest income	24,212	35,088	24,661
Return on plan asset (excluding amounts included in net interest)	22,019	18,856	6,799
Contributions to the plan	20,270	30,266	104,490
Benefits paid	(25,321)	(42,444)	(225,308)
Balance at end of year	₱582,491	₱541,311	₱499,545

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	
	2020	2019
Bank deposits	₱446,015	₱535,718
Quoted equity securities:		
Financial and insurance activities	1,733,124	1,393,071
Electricity, gas and water	44,267	47,099
Real estate activities	34,346	17,971
Other service activities	—	—
Wholesale and retail trade	2,841	—
Others	71,261	104,375
	1,885,839	1,562,516
Debt securities:		
Philippine government bonds	425,128	576,310
Corporate bonds	1,175,874	776,788
	1,601,002	1,353,098
Others	180,952	121,207
	₱4,113,808	₱3,572,539

	Parent Bank - UnionBank Plan	
	2020	2019
Bank deposits	₱426,857	₱357,363
Quoted equity securities:		
Financial and insurance activities	1,006,638	791,098
Wholesale and retail trade	9,030	—
Electricity, gas and water	37,214	37,957
Real estate activities	25,722	9,555
Other service activities	—	—
Others	54,637	93,603
	1,133,241	932,213
Debt securities:		
Corporate bonds	912,134	637,213
Philippine government bonds	369,733	487,336
	1,281,867	1,124,549
Others	15,204	57,236
	₱2,857,169	₱2,471,361

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	Parent Bank - Former iBank Plan	
	2020	2019
Bank deposits	₱2,328	₱33,906
Quoted equity securities:		
Financial intermediation	413,478	401,257
Wholesale and retail trade	—	—
Others	—	—
	413,478	401,257
Debt securities:		
Corporate bonds	152,295	82,465
Philippine government bonds	12,062	16,652
	164,357	99,117
Others	2,328	7,031
	₱582,491	₱541,311

Equity securities under the fund are primarily investments in corporations listed in the PSE, which include ₱186,210 and ₱154,225 investments in the shares of stocks of the Parent Bank as of December 31, 2020 and 2019, respectively, while debt securities represent investments in government and corporate bonds, which include ₱444,099 and ₱199,000 investment in the notes of the Parent Bank as of December 31, 2020 and 2019, 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 ₱353,597 and ₱342,409 deposits with the Parent Bank as of December 31, 2020 and 2019, respectively (see Note 32).

Actual returns on plan assets amounted to ₱284,824 in 2020, ₱16,706 in 2019, and ₱58,764 in 2018 for the Group. Actual returns on plan assets amounted to ₱221,334 in 2020, ₱155,698 in 2019, and ₱16,957 in 2018 for UnionBank Plan and ₱46,231 in 2020, ₱53,944 in 2019, and ₱31,460 in 2018 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		
	2020	2019	2018
Current service cost	₱456,544	₱307,103	₱337,837
Past service cost	(1,969)	29,854	—
Net interest expense (income)	14,444	(8,855)	43,702
	₱469,019	₱328,102	₱381,539

	Parent Bank - UnionBank Plan		
	2020	2019	2018
Current service cost	₱347,923	₱220,321	₱227,011
Net interest expense (income)	14,520	(6,280)	31,009
	₱362,443	₱214,041	₱258,020

	Parent Bank - Former iBank Plan		
	2020	2019	2018
Current service cost	₱28,818	₱27,480	₱34,159
Net interest expense (income)	595	(2,207)	6,158
	₱29,413	₱25,273	₱40,317

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The amounts recognized in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2020	2019	2018
Actuarial losses (gains) arising from changes in:			
Financial assumption	₱747,764	₱376,639	(₱549,408)
Experience adjustments	(190)	(25,206)	217,217
Demographic assumptions	4,095	(7,483)	(23,676)
Return on plan assets (excluding amounts included in net interest)	(117,046)	218,423	84,670
	₱634,623	₱562,373	(₱271,197)

	Parent Bank - UnionBank Plan		
	2020	2019	2018
Actuarial losses (gains) arising from changes in:			
Financial assumption	₱601,247	₱270,193	(₱458,958)
Experience adjustments	7,076	24,637	230,179
Demographic assumptions	7,660	(3,097)	—
Return on plan assets (excluding amounts included in net interest)	(109,553)	12,610	90,466
	₱506,430	₱304,343	(₱138,313)

	Parent Bank - Former iBank Plan		
	2020	2019	2018
Actuarial losses (gains) arising from changes in:			
Financial assumption	₱108,630	₱55,384	(₱100,142)
Experience adjustments	1,006	(5,842)	12,860
Demographic assumptions	(5,280)	1,157	—
Return on plan assets (excluding amounts included in net interest)	(22,019)	(18,856)	(6,799)
	₱82,337	₱31,843	(₱94,081)

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 ₱21,228 loss, ₱87,086 loss, and ₱26,171 gain in 2020, 2019, and 2018, respectively (see Note 15).

The Group and the Parent Bank expects to contribute ₱32,410 and ₱17,764, respectively, in 2020.

In determining the retirement benefits, the following actuarial assumptions were used:

	Group		
	2020	2019	2018
Retirement age	60	60	60
Average remaining working life	6-19 years	6-19 years	5-20 years
Discount rate	3.37%-3.98%	4.62%-5.21%	7.18%-7.88%
Expected rate of salary increase	3.50%-6.00%	4.00%-10.00%	4.00%-10.00%
Employee turnover rate	0%-22%	0%-22%	0%-22%

	Parent Bank - UnionBank Plan		
	2020	2019	2018
Retirement age	60	60	60
Average remaining working life	10 years	9 years	9 years
Discount rate	3.80%	4.87%	7.30%
Expected rate of salary increase	6.00%	5.00%	6.00%
Employee turnover rate	0%-18%	0%-14%	0%-14%

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	Parent Bank - Former iBank Plan		
	2020	2019	2018
Retirement age	60	60	60
Average remaining working life	9 years	10 years	9 years
Discount rate	3.47%	4.71%	7.20%
Expected rate of salary increase	6.00%	5.00%	6.00%
Employee turnover rate	0%-16%	0%-12%	0%-15%

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 results in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding pages.

- *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, 2020			
Discount rate	+/-1.0%	(P420,091)	P497,098
Salary growth rate	+/-1.0%	530,980	(461,934)
Turn-over rate	+/-1.0%	(70,426)	76,221
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

UnionBank Plan

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2020			
Discount rate	+/-1.0%	(P306,244)	P358,795
Salary growth rate	+/-1.0%	366,336	(319,319)
Turn-over rate	+/-1.0%	(47,717)	51,093
December 31, 2019			
Discount rate	+/-1.0%	(P204,270)	P236,408
Salary growth rate	+/-1.0%	247,894	(218,149)
Turn-over rate	+/-1.0%	(15,473)	16,260

Former iBank Plan

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2020			
Discount rate	+/-1.0%	(P51,296)	P58,722
Salary growth rate	+/-1.0%	59,982	(53,481)
Turn-over rate	+/-1.0%	(3,841)	4,025
December 31, 2019			
Discount rate	+/-1.0%	(P40,081)	P45,817
Salary growth rate	+/-1.0%	47,926	(42,685)
Turn-over rate	+/-1.0%	(432)	439

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.

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- *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, 2020 and 2019 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

	2020	2019
Within one year	₱738,615	₱634,928
More than one year to five years	1,665,568	1,417,993
More than five years to ten years	2,488,465	2,037,029
More than ten years to 15 years	3,099,137	2,707,479
More than 15 years to 20 years	3,194,127	2,556,124
More than 20 years	7,793,315	6,422,060
	₱18,979,227	₱15,775,613

UnionBank Plan

	2020	2019
Within one year	₱616,892	₱537,628
More than one year to five years	1,279,552	1,082,022
More than five years to ten years	1,971,473	1,569,155
More than ten years to 15 years	2,333,867	1,958,481
More than 15 years to 20 years	2,204,613	1,611,519
More than 20 years	5,817,413	4,218,289
	₱14,223,810	₱10,977,094

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Former iBank Plan

	2020	2019
Within one year	₱76,355	₱47,946
More than one year to five years	235,414	214,362
More than five years to ten years	299,880	244,704
More than ten years to 15 years	343,087	331,108
More than 15 years to 20 years	265,216	272,497
More than 20 years	188,241	199,485
	₱1,408,193	₱1,310,102

The weighted average duration of the defined benefit obligation is 19 years and 18 years in 2020 and 2019, respectively.

30. Income Taxes

Current and Deferred Income Taxes

The components of income tax expense (benefit) for the years ended December 31, 2020, 2019, and 2018 are as follows:

	2020	Group 2019	2018
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax at 20%, 10% and 7.5%	₱1,162,262	₱878,067	₱747,296
Regular corporate income tax (RCIT) at 30%	706,944	580,264	504,017
MCIT at 2%	295,570	225,424	216,024
	2,164,776	1,683,755	1,467,337
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(1,383,396)	(1,189,261)	(427,664)
	₱781,380	₱494,494	₱1,039,673
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	(₱190,387)	(₱168,712)	₱81,359

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	Parent Bank		
	2020	2019	2018
<i>Reported in profit or loss</i>			
Current tax expense:			
Final tax at 20%, 10% and 7.5%	₱991,134	₱813,187	₱672,123
MCIT at 2%	292,860	221,523	182,501
RCIT at 30%	18,358	17,488	22,425
	1,302,352	1,052,198	877,049
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(1,232,987)	(1,166,440)	(673,926)
	₱69,365	(₱114,242)	₱203,123
<i>Reported in other comprehensive income</i>			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	(₱176,630)	(₱100,856)	₱69,718

The reconciliation of the statutory income tax rate and the effective income tax rate follows:

	Group		
	2020	2019	2018
Statutory income tax rate	30.00%	30.00%	30.00%
Adjustment for income subjected to lower income tax rates	(3.04)	(3.13)	(3.48)
Tax effects of:			
FCDU income before tax	(15.04)	(24.17)	(13.66)
Non-taxable income	(17.04)	(5.64)	(8.27)
Non-deductible expenses	5.77	2.86	5.84
Others	5.69	3.48	3.49
Effective income tax rate	6.34%	3.40%	13.92%

	Parent Bank		
	2020	2019	2018
Statutory income tax rate	30.00%	30.00%	30.00%
Adjustment for income subjected to lower income tax rates	(2.94)	(2.45)	(3.38)
Tax effects of:			
FCDU income before tax	(16.38)	(25.18)	(15.38)
Non-taxable income	(18.56)	(5.69)	(9.15)
Non-deductible expenses	5.69	2.82	6.08
Others	2.80	(0.31)	(3.73)
Effective income tax rate	0.61%	(0.81%)	4.44%

The components of the net deferred tax assets presented under Other resources (see Note 19) as of December 31, 2020, and 2019 follow:

	Group	
	2020	2019
Deferred tax assets:		
Allowance for credit losses	₱3,128,789	₱2,186,535
Net operating loss carry over (NOLCO)	1,285,608	720,386
Accrued other expenses	883,613	824,916
Excess MCIT	528,488	550,535
Deferred service fees	411,482	494,571
Unrealized foreign exchange loss	399,795	521,160
Investment properties	319,366	293,319
Others	990,050	645,074
	7,947,191	6,236,496
Deferred tax liabilities:		
Unrealized foreign exchange gain	377,630	510,600
Capitalized interest	27,456	28,554
Others	88,525	53,484
	493,611	592,638
Net deferred tax assets	₱7,453,580	₱5,643,858

	Parent Bank	
	2020	2019
Deferred tax assets:		
Allowance for credit losses	₱2,542,622	₱1,966,291
Net operating loss carry-over (NOLCO)	1,273,912	714,314
Accrued other expenses	830,886	753,705
Excess MCIT	514,383	545,953
Unrealized foreign exchange loss	394,868	521,160
Investment properties	303,195	282,578
Others	830,484	630,368
	6,690,350	5,414,369
Deferred tax liabilities:		
Unrealized foreign exchange gain	377,630	509,550
Capitalized interest	27,456	28,554
Others	28,968	28,940
	434,054	567,044
Net deferred tax assets	₱6,256,296	₱4,847,325

Other deferred tax asset includes post-retirement obligation and other future deductible items.

In 2020, 2019 and 2018, the Parent Bank incurred MCIT amounting to ₱292,860, ₱221,523 and ₱182,501, respectively, that can be applied against regular corporate income tax liability for the next three consecutive years after the MCIT was incurred.

The Parent Bank also incurred NOLCO in 2020 amounting to ₱1.87 billion which can be carried over as a deduction from gross income for the next five consecutive taxable years from the year it was incurred pursuant to Revenue Regulations No. 25-2020 (RR 25-2020), implementing Section 4(bbbb) of Republic Act No. 11494 or the Bayanihan to Recover as One Act. In 2019 and 2018, the Parent Bank likewise incurred NOLCO amounting to ₱1.74 billion and ₱644.23 million, respectively, which can be carried over as a deduction from gross income for the next three consecutive taxable years from the year it was incurred.

NOLCO inventory under RR 25-2020:

Year Incurred	NOLCO Amount	Expiry Year
2020	₱1,865,326	2025

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) 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. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of Bayanihan to Recover as One Act which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

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 2020, 2019 and 2018, 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.

	2020	2019
Investments	₱69,674,637	₱49,480,781
Others	4,794,912	4,839,637
	₱74,469,549	₱54,320,418

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 ₱800,000 and ₱650,000 as of December 31, 2020 and 2019, 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, 2020 and 2019, the reserve for trust functions amounted to ₱280,961 and ₱263,834, respectively, and is included as part of Surplus reserves in the statements of financial position (see Note 25).

Income from trust operations of the Group amounted to ₱171,271, ₱160,929 and ₱156,524 in 2020, 2019 and 2018, respectively. Income from trust operations of the Parent Bank amounted to ₱171,271, ₱161,078 and ₱156,524 in 2020, 2019 and 2018, respectively. These are 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, 2020 and 2019 are as follows:

Related Party Category	2020	Outstanding Balance	2019	Outstanding Balance	Terms and Conditions/Nature
	Amount of Transaction		Amount of Transaction		
Applicable to the Parent Bank					
Subsidiaries					
Lease of properties:					
Lease income	₱30,017	₱–	₱22,062	₱–	Lease renewed every 5 years with 5% escalation rate
Refundable deposits	4,853	4,853	–	–	
Management services	19,027	–	68,181	–	Project management fee, management services, commission and service charges paid to/by subsidiaries
Trust fee income	3,040	–	149	–	Trust fees earned from subsidiaries
Deposit liabilities:					
Outstanding balance	–	1,422,254	–	1,195,155	
Net movements	227,099	–	406,671	–	
Interest expense on deposits	5,025	–	7,611	–	With interest rate based on average daily bank deposit rate.
Interbank borrowing					
Net movements	55,000	–	–	–	Short term borrowing with annual fixed rate ranging from 3.34 to 3.78 and from 3.90% to 5.25% in 2020 and 2019, respectively. No outstanding balances as of 2020 and 2019.
Interest expense	8,529	–	112,082	–	
Advances:					
Outstanding balance	–	16,295	–	49,175	Various expenses advanced by the Bank
Net movements	(32,880)	–	31,469	–	
Other liabilities	–	11,757	–	6,037	Various expenses and 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	–	6,286,620	–	6,116,433	With interest rate based on average daily bank deposit rate
Net movements	170,187	–	(2,192,934)	–	
Interest expense on deposits	68,676	–	216,652	–	
Bills payable:					
Outstanding balance	–	13,897	–	1,077,077	Short term liabilities with annual fixed rate of 2.80% to 6.75%
Net movements	(1,063,180)	–	(7,516,797)	–	
Interest expense	150,539	–	230,836	–	
Income from bancassurance business:					
Commission income	148,338	–	164,507	–	Income recognized on sale of insurance policies in accordance with the bancassurance agreement.

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Related Party Category	2020		2019		Terms and Conditions/Nature
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance	
Unearned income	₱—	₱733,333	₱—	₱733,333	Unearned income from Exclusive Access Fees arising from the bancassurance agreement
Loans receivable	11,016	11,016	13,200	13,200	Secured borrowings with annual interest rate of 9.0%
Key management personnel Directors, officers and other related interests:	2,213,938	—	1,826,566	—	Employee benefits related to key management personnel.
Loans	538,888	538,888	483,623	483,623	Employee fringe benefit loans with annual fixed interest rate from 0.00% to 6.01% in 2020 and 0.00% to 8.00% in 2019
Accounts receivable	121,730	121,730	116,480	116,480	Fringe benefits related to employee cars and laptop lease.
Bills purchased:					
Outstanding balance	—	—	—	—	Short term receivables
Net movements	—	—	(16,196)	—	
Others	10,514	—	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, 2020 and 2019 as follows:

	2020		2019	
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Investment in Parent Bank shares	₱31,985	₱186,210	(₱50,019)	₱154,225
Investments in Parent Bank notes payable:				
Outstanding balance	—	444,099	—	199,000
Net movements	245,099	—	95,100	—
Interest income	37,007	—	6,415	—
Accrued interest income	—	3,987	—	1,515
Deposit liabilities:				
Outstanding balance	—	353,597	—	342,410
Net movements	11,188	—	(156,193)	—
Interest income on deposits	13,676	—	10,159	—
Dividend income	9,064	—	4,921	—

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. In October 2019, the lease agreement was amended to lessen the location of UIC's leased premises upon the renewal of the lease agreement. UIC pays the Parent Bank a monthly rent of ₱109 with 5% annual escalation rate, exclusive of VAT.

CSB leases certain investment properties with the Parent Bank with lease term covering five years. CSB pays the Parent Bank a fixed monthly rent for its leases with 5% annual escalation rate. In May 2020, CSB renewed one of its lease agreements for another five years.

In June 2019, the Parent Bank entered into a lease agreement with UBX for a period of five years. UBX pays the Parent Bank a fixed monthly rent with 5% annual escalation rate.

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Management Services

The Parent Bank entered into a sales management agreement with FUDC whereby the latter sells UnionBank Visa Credit Cards through its direct selling network. In July 2019, the agreement was amended to pay a fixed monthly service fee of ₱5.6 million plus fixed commission per approved principal credit card (net of applicable taxes and service charges).

In September 2020, the terms of the service agreement were amended to expand the scope of work and services to be provided by FUDC. This also amended the terms to set a fixed monthly service fee of ₱1.1 million, variable fees per sales officer and fixed commission per approved card (net of all applicable taxes).

The Parent Bank paid a fixed monthly service fee of ₱4,123 until June 2019 and in 2018 (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, FUDC, FUIFAI and UBX as of December 31, 2020 and 2019. These are generally settled in cash upon demand.

Bills Payable and Interest Expense

In 2017, CSB availed of a 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 had an outstanding balance of ₱73,953 (net of unamortized debt issue costs) as of December 31, 2019. This was paid in full in 2020. In 2020, CSB availed of a loan with Aboitiz Foundation, Inc., amounting to ₱14,000 which is payable in five years and bears an annual interest rate of 4.0%. This borrowing had an outstanding balance of ₱13,895 (net of unamortized debt issue costs) as of December 31, 2020.

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.

In 2020, CSB availed of short-term borrowings from AEVI, Aboitiz Power Corporation and Aboitiz and Co., Inc., related parties under common ownership, amounting to ₱5,727,803, ₱13,441,672 and ₱12,261,539, respectively. Payments during the year amounted to ₱26,212,610.

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 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, 2020 and 2019 are presented as part of Others under Service charges, fees and commissions account in the statements of income (see Note 27).

Key Management Personnel Compensation

The compensation of key management personnel for the Group and Parent Bank follows:

	Group		
	2020	2019	2018
Short-term benefits	₱2,097,510	₱1,729,322	₱1,673,823
Post-employment benefits	103,265	70,011	115,052
Other long-term benefits	13,163	27,233	72,152
	₱2,213,938	₱1,826,566	₱1,861,027

	Parent Bank		
	2020	2019	2018
Short-term benefits	₱1,783,964	₱1,466,293	₱1,486,828
Post-employment benefits	87,882	58,879	103,092
Other long-term benefits	7,786	21,306	72,140
	₱1,879,632	₱1,546,478	₱1,662,060

Directors' fees incurred by the Group amounted to ₱91,830, ₱80,948 and ₱75,800 in 2020, 2019 and 2018, respectively, and by the Parent Bank amounted to ₱80,010, ₱69,274 and ₱66,672 in 2020, 2019 and 2018, respectively, 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	
	2020	2019	2020	2019
Total DOSRI loans*	₱549,904	₱496,823	₱430,097	₱411,452
Unsecured DOSRI loans*	201,038	150,080	106,837	79,275
% of DOSRI loans to total loan portfolio	0.17%	0.14%	0.16%	0.14%
% 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

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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, 2020 and 2019 are the following:

	Group		Parent Bank	
	2020	2019	2020	2019
Investments in:				
Equity securities	₱1,885,839	₱1,562,515	₱1,552,295	₱1,333,468
Debt securities	1,601,002	1,353,098	1,446,223	1,223,666
Bank deposits	446,015	535,718	429,185	391,269
Others	17,847	121,208	16,510	64,269
	₱3,950,703	₱3,572,539	₱3,444,213	₱3,012,672

As of December 31, 2020 and 2019, 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 ₱186,210 and ₱444,099, respectively, as of December 31, 2020 and ₱154,225 and ₱199,000, respectively, as of December 31, 2019. 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 ₱353,597 and ₱337,553, respectively, as of December 31, 2020 and ₱342,409 and ₱319,473, respectively, as of December 31, 2019.

The related dividend income and interest income amounted to ₱9,064 and ₱37,007, respectively, in 2020, ₱4,921 and ₱16,574, respectively, in 2019, and ₱110 and ₱18,608, respectively, in 2018.

Group Health Insurance from a Related Party

The Parent Bank entered into a contract with Insular Life for its group health insurance. The group health insurance package covering October 2019 to December 2020 amounted to ₱123,190 and the group health insurance package covering October 2018 to September 2019 amounted to ₱110,650.

Receivable from Kingswood Project

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. As of December 31, 2020 and December 31, 2019, the receivable of UIC from Kingswood Project amounted to ₱31.45 million and ₱34.79 million, respectively.

33. Earnings Per Share

In 2020, 2019 and 2018, the Group and the Parent Bank have no outstanding potentially dilutive securities, hence, basic earnings per share are equal to diluted earnings per share. The basic and diluted earnings per share were computed as follows:

	Group		
	2020	2019	2018
Net profit attributable to Parent Bank's stockholders	₱11,553,430	₱14,026,128	₱6,875,587
Divided by the weighted average number of outstanding common shares (thousands)	1,218,400	1,217,605	1,098,045
Basic and diluted earnings per share	₱9.48	₱11.52	₱6.26

	Parent Bank		
	2020	2019	2018
Net profit	₱11,263,423	₱14,026,120	₱6,784,670
Divided by the weighted average number of outstanding common shares (thousands)	1,218,400	1,217,605	1,098,045
Basic and diluted earnings per share	₱9.24	₱11.52	₱6.18

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, 2020 and 2019, 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, 2020 and 2019 as required by PFRS 16:

	Group		Parent Bank	
	2020	2019	2020	2019
1 year or less	₱515,081	₱489,440	₱413,646	438,554
more than 1 years to 2 years	385,692	360,514	320,727	332,086
more than 2 years to 3 years	270,194	251,408	238,370	237,076
more than 3 years to 4 years	136,626	153,517	126,699	150,381
more than 5 years	54,139	44,460	30,461	44,291

The following are the amounts recognized in profit or loss for the years ended December 31, 2020 and 2019:

	Group		Parent Bank	
	2020	2019	2020	2019
Amortization expense of ROU assets (Note 16)	₱521,521	₱504,841	₱438,311	₱403,550
Interest expense on lease liabilities	71,592	99,471	67,705	74,717
Expenses relating to short term – leases	231,821	260,012	133,720	139,243
Total amount recognized in profit or loss	₱824,934	₱864,324	₱639,736	₱617,510

Rentals charged against current operations included as part of Occupancy account in the statements of income amounted to ₱664,291 and ₱525,146 in 2018 for the Group and Parent Bank, respectively.

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, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
Group	₱154,077	₱163,730	₱160,713
Parent Bank	164,177	165,523	156,276

The estimated minimum future annual rentals receivable under non-cancellable operating leases follows:

	Group	
	2020	2019
Within one year	₱97,880	₱171,122
Beyond one year but within five years	145,439	272,084
Beyond five years	–	77,977
	₱243,319	₱521,183
	Parent Bank	
	2020	2019
Within one year	₱92,196	₱152,687
Beyond one year but within five years	134,932	313,277
	₱227,128	₱465,964

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, 2020, 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.

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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				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities	Total
Balances at January 1, 2020	₱3,000,000	₱105,087,722	₱49,331,506	₱1,337,296	₱158,756,524
Cash flows from financing activities:					
Additions	—	558,732,399	33,135,900	392,602	592,260,901
Repayment of borrowings	—	(609,512,421)	(21,171,857)	(613,498)	(631,297,776)
Effect of business combination	—	—	—	22,933	22,933
Non-cash financing activities:					
Effects of foreign exchange rate changes	—	(84,157)	(1,360,890)	—	(1,445,047)
Amortization of debt issue costs and accretion of interest	—	—	(81,003)	80,251	(752)
Balances as of December 31, 2020	₱3,000,000	₱54,223,543	₱59,853,656	₱1,219,584	₱118,296,783

	Group				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities	Total
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

	Parent Bank				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities	Total
Balances at January 1, 2020	₱3,000,000	₱92,149,256	₱49,182,061	₱1,064,941	₱145,396,258
Cash flows from financing activities:					
Additions	—	507,779,097	30,206,900	348,608	538,334,605
Repayment of borrowings	—	(565,341,774)	(18,200,000)	(477,197)	(584,018,971)
Non-cash financing activities:					
Effects of foreign exchange rate changes	—	(84,157)	(1,360,890)	—	(1,445,047)
Amortization of debt issue costs and accretion of interest	—	—	(81,215)	67,705	(13,510)
Balances as of December 31, 2020	₱3,000,000	₱34,502,422	₱59,746,856	₱1,004,057	₱98,253,335

	Parent Bank				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities	Total
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

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Non-cash investing activities of the Group for the period ended December 31, 2020 and 2019 include additions to investment properties in settlement of loans and receivables amounting to ₱201,247 million and ₱231.90 million, respectively, and disposals of properties with carrying values of ₱167.73 million and ₱54.76 million, respectively, through sales contract receivables.

36. Events After the End of the Reporting Period

Dividend Declaration

On January 29, 2021, the Parent Bank's BOD approved the declaration of cash dividends at ₱3.50 per share or a total of ₱4,267,770 based on the outstanding common stock of 1,219,363 shares as of January 29, 2021. Record date for stockholders entitled to the cash dividend is February 15, 2021 and payment is expected to be made on March 4, 2021.

Employee Stock Plan

On January 29, 2021, the Parent Bank issued 891,351 common shares to qualified employees under the Parent Bank's Employee Stock Plan.

Establishment of Sustainable Finance Framework

Subsequent to December 31, 2020, the Parent Bank has established its Sustainable Finance Framework (SFF). The SFF reinforces the Parent Bank's commitment to sustainable development, focusing on People, Planet and Purpose, while managing risks and opportunities of a changing world. Said framework is one of the key requirements of BSP Circular 1085 mandating Philippine banks to set up a sustainable finance program that will further enable the environmental, social, and governance (ESG) mechanisms of banks.

Sustainalytics, a leading independent global provider of ESG research and ratings completed a review of the SFF and issued a second party opinion indicating that the Parent Bank's SFF is aligned with relevant global sustainability principles and standards referenced therein.

Citigroup served as Structuring Advisor to the Parent Bank for the SFF.

Approval by the Securities and Exchange Commission of the Amendments to By-Laws

On February 16, 2021, the Securities and Exchange Commission has approved the Parent Bank's application for the amendment of Articles II, IV and V of its By-Laws. Part of the amendments is date of the Annual Meeting of the Parent Bank which will be moved to an earlier date (from fourth Friday of the month of May to fourth Friday of the month of April).

Subsequent Sales of Investments at amortized cost

Subsequent to December 31, 2020, the Parent Bank sold securities in its FCDU portfolio classified as investment securities at amortized cost with carrying amount of ₱26.83 billion which resulted in a gain of ₱5.94 billion. The sales were made to shorten the duration of financial assets and further reduce interest rate risk of the Parent Bank as a necessary response to the current and expected changes in market conditions brought about by continuing impact of the COVID-19 pandemic, which the Parent Bank assessed to have significant impact on its operations.

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	2020	2019	2018
Return on average capital funds:			
$\frac{\text{Net profit}}{\text{Average total capital funds}^*}$	11.5%	15.3%	8.8%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}^*}$	1.5%	1.9%	1.1%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest-earning resources}^*}$	4.7%	3.6%	3.7%
Liquidity ratio:			
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	56.3%	56.4%	42.5%
Debt-to-equity ratio:			
$\frac{\text{Liabilities}}{\text{Equity}}$	6.4:1	6.9:1	6.7:1
Asset-to-equity ratio:			
$\frac{\text{Asset}}{\text{Equity}}$	7.4:1	7.9:1	7.7:1
Interest rate coverage ratio:			
$\frac{\text{Earnings before interests and taxes}}{\text{Interest expense}}$	2.2:1	1.9:1	1.7:1

**Average amount is calculated based on current year-end and previous year-end balances*

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Parent Bank	2020	2019	2018
Return on average capital funds:			
$\frac{\text{Net profit}}{\text{Average total capital funds}^*}$	11.1%	15.3%	8.7%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}^*}$	1.6%	2.2%	1.2%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest-earning resources}^*}$	4.0%	3.1%	3.0%
Liquidity ratio:			
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	55.4%	53.9%	41.9%
Debt-to-equity ratio:			
$\frac{\text{Liabilities}}{\text{Equity}}$	5.6:1	6.2:1	5.9:1
Asset-to-equity ratio:			
$\frac{\text{Asset}}{\text{Equity}}$	6.6:1	7.2:1	6.9:1
Interest rate coverage ratio:			
$\frac{\text{Earnings before interests and taxes}}{\text{Interest expense}}$	2.5:1	2.1:1	1.8:1

*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, 2020 and 2019, the Parent Bank has outstanding capital stock shown below (peso amounts in thousands):

	Shares		Amounts	
	2020	2019	2020	2019
Common – ₱10 par value				
Authorized	1,311,422,420	1,311,422,420	₱13,114,224	₱13,114,224
Issued and outstanding	1,218,471,467	1,217,609,561	12,184,715	12,176,096
Preferred – ₱100 par value, non-voting				
Authorized	100,000,000	100,000,000	₱10,000,000	₱10,000,000
Issued and outstanding	—	—	—	—

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Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025

The Basel III-compliant Unsecured Subordinated Tier 2 Notes were issued by the Parent Bank under its BSP-approved issuance of ₱20.0 Billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.

Unless the Notes are previously redeemed, the Initial Interest Rate will be reset at the equivalent of the Initial Spread per annum plus the Benchmark as of Reset Date as defined in the Terms and Conditions of the Notes. Subject to certain conditions, the BSP Guidelines, and the Terms and Conditions, the Parent Bank may redeem the Notes in whole and not only in part on the Redemption Option Date at 100% of the face value of the Notes, plus accrued and unpaid interest as of but excluding the Redemption Option Date.

The Notes have a loss absorption feature which means the 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 Issuer is considered non-viable as determined by the BSP.

The Tier II Notes constitute a direct, unconditional, fixed, unsecured and subordinated obligation of the Bank. Claims in respect of the Tier II Notes will rank: (a) junior to the claims of holders of all deposits and general creditors of the Bank; (b) *pari passu* with obligations of the Bank that are, expressly or by applicable laws, subordinated so as to rank *pari passu* with claims in respect of securities constituting “Tier 2” capital of the Bank; and (c) senior to (i) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Tier II Notes, (ii) the claims in respect of securities constituting “Tier 1” capital of the Bank, and (iii) the rights and claims of holders of equity shares of the Bank.

Unsecured Subordinated Tier 2 Notes Due 2025 Callable in 2020

The ₱7.2 Billion Unsecured Subordinated Tier 2 Notes were issued with a loss absorption feature, which means the Notes were subject to a non-viability write-down in case of a non-viability trigger event.

The Notes constitute direct, unconditional, unsecured and subordinated obligations of the Parent Bank and shall at all times rank *pari passu* and without any preference among themselves.

On February 20, 2020, the Parent Bank exercised its Voluntary Redemption Option to early redeem the Notes in accordance with its Terms and Conditions.

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, 2020 and 2019 is shown below (amounts in thousands):

	Group 2020		Trading and Investment Securities	Total
	Loans and Other Receivables			
	Amount	%		
<i>Concentration by industry</i>				
Real estate activities	₱73,062,424	20.72	₱7,554,184	₱80,616,608
Financial and insurance activities	58,326,035	16.54	320,993,329	379,319,364
Information and communication	38,844,291	11.02	–	38,844,291

(Forward)

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	Group 2020			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
Wholesale and retail trade, repair of motor vehicles	₱26,265,571	7.45	₱–	₱26,265,571
Electricity, gas steam and air conditioning supply	18,299,725	5.19	28,535,139	46,834,864
Manufacturing	11,720,242	3.32	–	11,720,242
Accommodation and food service activities	1,663,091	0.47	–	1,663,091
Transportation and storage	11,891,455	3.37	745,580	12,637,035
Activities of households as employers and undifferentiated goods and services	2,950,691	0.84	–	2,950,691
Construction	10,158,902	2.88	–	10,158,902
Other service activities	7,986,955	2.27	–	7,986,955
Agriculture, forestry and fishing	2,553,855	0.72	–	2,553,855
Professional, scientific and technical activities	538,980	0.15	–	538,980
Arts, entertainment and recreation	12,730,967	3.61	–	12,730,967
Others	75,590,735	21.44	4,653,837	80,244,572
	₱352,583,919	100.00	₱362,482,069	₱715,065,988
<i>Concentration by location</i>				
Philippines	₱351,318,265	99.67	₱217,694,681	₱569,012,946
Others - Asia	703,182	0.20	51,574,765	52,277,947
South America	213,281	0.07	13,900,473	14,113,754
North America	275,925	0.05	7,890,150	8,166,075
United States	43,041	0.01	67,977,986	68,021,027
Europe	30,225	–	3,444,014	3,474,239
	₱352,583,919	100.00	₱362,482,069	₱715,065,988

	Group 2019			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Real estate activities	₱69,744,416	17.34	₱606,797	₱70,351,213
Financial and insurance activities	46,768,436	11.63	136,551,897	183,320,333
Information and communication	44,788,932	11.14	–	44,788,932
Wholesale and retail trade, repair of motor vehicles	27,242,887	6.77	136	27,243,023
Electricity, gas steam and air conditioning supply	21,198,130	5.27	31,866,652	53,064,782
Manufacturing	22,211,189	5.52	952	22,212,141
Accommodation and food service activities	1,294,820	0.32	–	1,294,820
Transportation and storage	16,232,252	4.04	–	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	1.98	–	7,949,876
Other service activities	8,894,506	2.21	3,315,190	12,209,696
Agriculture, forestry and fishing	₱2,881,109	0.72	₱–	₱2,881,109
Professional, scientific and technical activities	542,800	0.13	–	542,800
Arts, entertainment and recreation	13,806,681	3.43	–	13,806,681
Others	111,446,457	27.72	45,370	112,308,672
	₱402,180,710	100.00	₱172,386,994	₱575,384,549
<i>Concentration by location</i>				
Philippines	₱400,855,671	99.66	₱80,042,253	₱481,714,769
Others - Asia	792,011	0.20	64,344,389	65,136,400
South America	301,667	0.08	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
	₱402,180,710	100.00	₱172,386,995	₱575,384,550

	Parent Bank			
	2020			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Real estate activities	₱72,713,675	25.77	₱7,554,184	₱80,267,859
Financial and insurance activities	45,862,261	16.25	293,363,719	339,225,980
Information and communication	38,840,892	13.76	—	38,840,892
Wholesale and retail trade, repair of motor vehicles	25,325,189	8.97	—	25,325,189
Electricity, gas steam and air conditioning supply	18,298,033	6.48	28,535,139	46,833,172
Manufacturing	11,601,427	4.11	—	11,601,427
Accommodation and food service activities	1,527,243	0.54	—	1,527,243
Transportation and storage	11,698,372	4.15	745,580	12,443,952
Activities of households as employers and undifferentiated goods and services	2,871,791	1.02	—	2,871,791
Construction	10,082,353	3.57	—	10,082,353
Other service activities	7,814,034	2.77	—	7,814,034
Agriculture, forestry and fishing	1,377,150	0.49	—	1,377,150
Professional, scientific and technical activities	533,400	0.19	—	533,400
Arts, entertainment and recreation	12,729,254	4.51	—	12,729,254
Others	20,901,527	7.41	4,653,837	25,555,364
	₱282,176,601	100.00	₱334,852,459	₱617,029,060
<i>Concentration by location</i>				
Philippines	₱280,910,947	99.55	₱190,065,071	₱470,976,018
Others - Asia	703,182	0.25	51,574,765	52,277,947
South America	213,281	0.08	13,900,473	14,113,754
North America	275,925	0.10	7,890,150	8,166,075
United States	43,041	0.02	67,977,986	68,021,027
Europe	30,225	0.01	3,444,014	3,474,239
	₱282,176,601	100.00	₱334,852,459	₱617,029,060

	Parent Bank			
	2019			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
<i>Concentration by industry</i>				
Real estate activities	₱69,736,138	20.60	₱606,797	₱70,342,935
Financial and insurance activities	46,271,152	13.67	136,551,897	182,823,049
Information and communication	44,788,252	13.23	—	44,788,252
Wholesale and retail trade, repair of motor vehicles	26,658,739	7.87	136	26,658,875
Electricity, gas steam and air conditioning supply	21,198,130	6.26	31,866,652	53,064,782
Manufacturing	22,209,636	6.56	952	22,210,588
Accommodation and food service activities	1,290,537	0.38	—	1,290,537
Transportation and storage	15,904,179	4.70	—	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	2.35	—	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	4.08	—	13,806,628
Others	51,711,172	15.27	45,370	52,517,486
	₱338,572,248	100.00	₱172,386,994	₱511,720,186
<i>Concentration by location</i>				
Philippines	₱337,247,209	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
	₱338,572,248	100.00	₱172,386,995	₱511,720,187

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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	
	2020	2019	2020	2019
Secured:				
Real estate	₱13,380,387	₱11,082,543	₱11,616,290	₱10,448,441
Deposit hold-out	1,189,484	1,088,604	1,124,477	1,038,466
Government securities	859,245	6,326,728	–	–
Chattel mortgage	507,018	2,245,099	–	1,718,804
Others	60,642,661	15,049,503	50,109,596	14,964,752
	76,578,795	35,792,477	62,850,363	28,170,463
Unsecured	274,475,937	364,654,207	219,192,780	310,264,701
	₱351,054,732	₱400,446,684	₱282,043,143	₱338,435,164

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	
	2020	2019	2020	2019
Secured	₱9,258,875	₱1,996,246	₱9,060,677	₱1,857,468
Unsecured	12,156,932	13,588,717	7,530,274	9,408,526
	₱21,415,807	₱15,584,963	₱16,590,951	₱11,265,994

As to status

Non-performing loans (NPLs) of the Group and the Parent Bank as of December 31, 2020 and 2019 are presented below, net of the related allowance for credit losses in compliance with BSP Circular 855, respectively (amounts in thousands).

	Group		Parent Bank	
	2020	2019	2020	2019
Gross NPLs	₱17,042,763	₱11,940,663	₱12,293,189	₱8,494,852
Specific allowance for credit losses on NPLs	(6,324,528)	(5,106,021)	(4,726,650)	(4,289,056)
	₱10,718,235	₱6,834,642	₱7,566,539	₱4,205,796

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, 2020 and 2019, 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	
	2020	2019	2020	2019
Total DOSRI loans	₱549,904	₱496,823	₱430,097	₱411,452
Unsecured DOSRI loans	201,038	150,080	106,837	79,275
% of DOSRI loans to total loan portfolio	0.17%	0.14%	0.16%	0.14%
% 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 ₱24.32 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):

	2020	2019
Investment securities at amortized cost	₱28,822,698	₱71,704,809
Loans and discounts	—	15,000,000
	₱28,822,698	₱86,704,809

Commitments and contingencies

Following is a summary of the Parent Bank's commitments and contingent accounts (amounts in thousands):

	Group		Parent Bank	
	2020	2019	2020	2019
Trust department accounts	₱74,469,549	₱54,320,418	₱74,469,549	₱54,320,418
Commitments	59,653,709	65,117,500	59,624,188	65,117,500
Forward exchange bought	30,396,594	40,131,599	30,396,594	40,131,599
Forward exchange sold	19,533,966	22,704,773	19,533,966	22,704,773
Inward bills for collections	25,694,563	21,400,791	25,694,563	21,400,791
Other derivatives	7,799,215	5,630,555	7,799,215	5,630,555
Unused commercial letters of credit	6,724,426	4,736,371	6,724,426	4,736,371
Spot exchange bought	3,135,021	1,941,913	3,135,021	1,941,913
Spot exchange sold	2,095,779	5,896,275	2,095,779	2,896,275
Outstanding guarantees issued	405,927	456,234	405,927	493,824
Other commitment and contingent accounts	72,127	146,748	16,236	122,260

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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 ₱1,540,307 in 2020 as shown under Taxes and Licenses account. Total GRT payable as of December 31, 2020 amounted to ₱371,508 and is included as part of Accrued taxes and other expenses under Other liabilities account in the 2020 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, 2020, DST affixed amounted to ₱1,864,419 .

Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2020 are shown below:

Final	₱1,091,116
Expanded	190,792
Compensation and benefits	901,138
	<u>₱2,183,046</u>

Taxes and Licenses

The details of taxes and licenses in 2020 of the Parent Bank are as follows:

GRT	₱1,540,307
DST	972,895
Real property tax	30,854
Fringe benefit tax (FBT)	34,165
Local and business permits	40,172
Miscellaneous	13,465
Less:	
FBT charged to employee benefits	34,165
	<u>₱2,597,693</u>

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

On August 5, 2013, the CTA granted the Bank's claim for refund amounting to ₱90,923 arising from the BIR's denial of the Bank's applications for administrative abatement in 2007. The CTA en banc affirmed this decision in 2014.

In July 2018, the Supreme Court affirmed the CTA decision granting the Bank's claim for refund. The BIR's Motion for Reconsideration of the Supreme Court's Resolution was denied on September 4, 2019.

In September 2020, the CTA granted the Bank's Motion for Issuance of Writ of Execution. The Bank is now processing the claim for refund with the BIR.

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, 2020.

The Parent Bank has no pending tax assessment and case in courts or other regulatory bodies outside of the BIR as at and for the year ended December 31, 2020.

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